



# Port of Salalah | ميناء صلالة

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## DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2019

### Dear Shareholders,

The Board of Directors, the Management Team and the Employees express their heartfelt condolences to His Majesty Sultan Haitham bin Tank, The Royal family, Government and the People of Oman on the passing away of our beloved leader His Majesty Sultan Qaboos bin Said. We pray to the Almighty Allah to bless his soul and grant him peace in heaven, and to give us patience to bear with this loss.

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your company, Salalah Port Services Co SAOG ("the Company") along with the audited financial statements for the year ended 31st December 2019.

Despite uncertain global economic circumstances and geopolitical tensions, the year 2019 has ended on a positive note with both the Container Terminal and the General Cargo Terminal showing growth over the previous years.

### Company Performance

During the year 2019 the Container Terminal handled record breaking volume of 4.109 million TEUs (2018: 3.985 million TEUs), a growth of 21% in TEU terms compared to the Cytone Mekuun impacted year 2018. The company has retained all major customers and Maersk's share of business has increased by 18% compared to 2018. As previously reported the Salalah Port suffered from Cytone Mekuun during May 2018 impacting the results for that year. Recovery efforts continued and by end of June 2019, restored its Container Terminal capacity to the pre cyclone levels, whereas the General Cargo Terminal was restored during Quarter One 2019.

The Port of Salalah General Cargo Terminal has handled 16.278 million tons during 2019, thus maintaining the volumes achieved during the corresponding period last year. General Cargo volumes handled at Berth 31 have been included in the container terminal financials, as in the previous year, due to the conversion of the berth into a multipurpose terminal facility.

The Company also took a further step towards digitalization by joining the Tradelens Platform, an industry neutral platform underpinned by Blockchain technology, which provides better visibility to the supply chain network for various end users. The Company expects to continue on the path of digitalization to simplify processes and enhance overall customer experience.

The Company's top priority is ensuring the safety of its employees, contractors and customers, and to this end, the Company continues to invest in technology and infrastructure to minimize risks to their safety. The Company continues to focus improvements through various initiatives to maintain operations of a world-class terminal and has maintained consistent productivity levels.

### Financial Overview

2019 consolidated revenues are RO 64.724 million, an increase of 14% over 2018. 2019 consolidated EBITDA was RO 18.141 million at a margin of 28%, 2018: RO 16.076 million, 28%.

2019 consolidated Net Profit was RO 5.673 million (2018 RO 5.247 million). During 2019 on account payment of OMR 14.808 million was received towards the Company's Mekuun insurance claim. No insurance receipts have been received during the year 2019. Settlement has been reached with insurance company at OMR 26.060 million (USD 67.75 million) out of which 14.808 million (USD 38.50 million) has been already received and recognized in the income, the balance amount of OMR 11.252 million (USD 29.25 million) to be received and recognized as income in 2020.

Cytone related expenses amounting to RO 2.827 million incurred during 2019 (2018 RO 10.212 million) is included under total expenses. Cytone Mekuun claims led to insurers demanding higher premium rates for the renewal of the Company's port package policy on April 1, 2019 increasing the annual premium to RO 1.730 million.

During 2019, the Company distributed 15 baiza per share annual dividend pending to year 2018. Taking into account the proposed capital expenditure plans of RO 12.343 million to meet the equipment life cycle management and improvement needs and uncertain market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 20 baiza per share on the paid-up equity share capital of the company, resulting in a total cash disbursement of RO 3.597 million.

### Dividend history for the last 5 years

	2014	2015	2016	2017	2018
Dividend %	15%	20%	20%	15%	15%
Cash outlay (RO million)	2.698	3.597	3.597	2.698	2.698

### Employee Development

Our people contribute to the success of the Company. In order for the Company to stay competitive it needs to remain at the cutting edge of the industry with continued education on procedures, technologies and best practices. The Company continues to invest in training and development of its workers, with a focus on enhancing the Omranization and skills development of local talent.

The complete accounts of the company will be delivered or sent by mail to any shareholder who requests them, in either Arabic or English as requested, within seven days of receipt of the request.

### Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the concept of sustainability and is fundamental to our business. The company has invested RO 84,510 in CSR initiatives during 2019 contributing to the local Dhofar region in which it operates as well as segments of communities requiring support. Impacting the local Dhofar region and benefiting the larger segments of communities requiring support are the guiding posts of the Company's CSR program.

### Future Outlook

Global growth is projected to rise from an estimated 2.9 % in 2019 to 3.3 % in 2020 and 3.4 percent for 2021, which is a slight downward revision compared to estimates in the World Economic Outlook published in October 2019. (Source: IMF World Economic Outlook January 2020).

The downward revision primarily reflects negative sentiment relating to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. On the positive side however, market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on USA-China trade negotiations, and diminished fears of a no-deal Brexit.

According to Drewry's (a leading shipping consultancy) outlook, the container industry is expected to remain 'soft', despite the good news of the phase one trade agreement signed between USA and China. According to its predictions, the world container port throughput is set to rise by 3.3% this year.

In Port of Salalah, the Container Terminal volumes have consistently been around or higher than Safe Operating Capacity (the Company's concept to safeguard consistent high level productivity) for the last few months of 2019. Management continuously endeavors to increase Safe Operating Capacity and continued reliability and efficiency in operations thus attracting additional volumes.

The General Cargo volumes showed a dip in the 3rd quarter of 2019 due to tensions between Iran and USA but had a strong rebound which ensured overall volumes at the end of the year were in line with expectations. The Port of Salalah is now a regular port of call for RORO vessels from the Far East casting to the second vehicle market of Yemen. However, challenges about resource availability need to be addressed if current volumes are expected to continue in 2020. There has been success in the strategy to anchor Aid & Relief agencies in Salalah with four agencies already using Salalah with a potential interest from two more UN agencies. This will support the ongoing strategy of customer diversification.

With changes in the global dynamics of mineral exports (e.g. diminishing supply and reserves in certain geographies), there is a strong potential for growth of volumes from Salalah especially gypsum. However, the challenge related to space for dry bulk stockpiles has increased due to the growth of the business. Stable and well performing ship loader operators will therefore be critical to increase stockpile turnover and capacity.

There continues to be a significant interest in tank farms development which will be one of the future revenue and cargo drivers. However, to pursue these opportunities the port needs to make land available in the port area, by reducing for example the amount of land currently occupied by dry bulk stockpiles in the port area.

Going forward, the Company's focus will be to sustain the gains made in volumes over the last year and improve customer experience while simultaneously working with other stakeholders including ASYAD and Salalah Free Zone to diversify customer and commodity portfolios.

Conclusion  
On behalf of the Board of Directors and the shareholders of the company, I record the sincere appreciation and gratitude to His Majesty Sultan Haitham bin Tank, for his strategic vision, leadership and his continued support. I also thank our customers, investors, lenders and the members of the government we work together with daily.

Lastly, but certainly not the least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2019. Our consistent growth was possible by their hard work, solidarity, cooperation and support.  
On behalf of the Board of Directors,

Sheikh Braik Musallam Al Amri  
Deputy Chairman of Board of Directors,  
Salalah Port Services Co. SAOG

February 12, 2020

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019.

Parent Company		Consolidated		Parent Company		Consolidated	
31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
166,956	158,398	167,869	158,670	60,921	64,214	61,027	62,550
369	330	369	330	127	142	127	142
312	312	312	312	12,590	12,590	12,590	12,590
167,637	191,774	168,238	191,734	73,758	64,476	73,744	64,707
5,259	4,616	5,259	4,616	1,775	2,022	1,775	2,022
11,650	23,552	11,650	23,552	4,481	9,055	4,481	9,055
6,068	3,676	6,026	3,676	1,414	2,334	1,414	2,334
2,740	4,724	2,740	4,724	1,817	1,054	1,817	1,054
33,800	52,000	33,800	52,000	13,000	13,000	13,000	13,000
34,788	11,240	34,948	11,240	4,323	13,380	4,323	13,341
94,305	99,808	94,922	99,808	38,384	36,271	38,384	36,508
1,323	900	1,323	900	346	508	346	508
95,628	100,708	96,245	100,708	38,730	36,779	38,730	37,016
263,265	292,482	264,483	292,482	112,489	101,255	112,474	101,723
46,758	46,758	46,758	46,758	17,984	17,984	17,984	17,984
7,668	7,668	7,668	7,668	2,949	2,949	2,949	2,949
15,586	15,586	15,584	15,584	5,994	5,994	5,994	5,994
62,038	89,600	62,435	90,136	34,460	31,553	34,666	31,704
152,048	159,610	152,443	160,144	61,387	58,480	61,593	58,631
152,048	159,610	152,574	160,315	61,387	58,480	61,587	58,680
16,312	14,188	16,310	14,178	5,457	6,273	5,453	6,273
7,863	8,588	7,863	8,581	3,338	3,032	3,338	3,032
8,449	29,481	8,447	29,482	11,339	-	11,339	-
24,195	52,350	24,193	52,341	20,135	9,305	20,131	9,305
66,730	52,864	66,726	52,128	20,329	25,397	20,048	25,665
20,292	22,942	20,990	22,942	8,824	8,073	8,824	8,073
87,022	80,522	87,716	79,786	30,967	33,470	30,686	33,738
111,217	132,872	111,909	132,127	51,102	42,775	51,871	43,043
263,265	292,482	264,483	292,482	112,489	101,255	112,474	101,723
0.88	0.89	0.85	0.89	0.34	0.34	0.33	0.33

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

Parent Company		Consolidated		Parent Company		Consolidated	
31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19	31-Dec-19
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
146,815	168,001	147,198	168,282	64,616	55,505	64,724	56,615
(97,187)	(105,048)	(97,187)	(105,048)	(40,406)	(37,380)	(40,406)	(37,380)
(25,243)	(18,061)	(25,296)	(18,118)	(6,947)	(9,709)	(6,969)	(9,740)
(25,713)	(29,713)	(25,713)	(29,713)	(9,922)	(9,922)	(9,922)	(9,922)
(56)	(524)	(56)	(524)	(2,022)	(2,022)	(2,022)	(2,022)
53	5,571	53	5,571	2,143	20	2,143	20
3,266	24,185	3,441	24,390	9,302	1,254	9,379	1,392
(26,500)	(7,350)	(26,511)	(7,350)	(8,177)	(10,212)	(8,227)	(10,212)
36,501	36,501	36,501	36,501	14,808	14,808	14,808	14,808
1,035	9,369	7,035	9,369	8,211	7,863	8,211	7,863
(1,000)	(2,363)	(1,000)	(2,363)	(909)	(909)	(909)	(909)
16,246	16,841	16,419	17,046	6,477	6,246	6,554	6,314
(2,598)	(2,269)	(2,629)	(2,290)	(873)	(999)	(881)	(1,011)
13,648	14,572	13,790	14,756	5,604	5,247	5,673	5,303
97	-	97	-	-	38	-	38
97	-	97	-	-	38	-	38
97	-	97	-	-	38	-	38
13,745	14,572	13,887	14,756	5,604	5,285	5,673	5,341
13,648	14,572	13,753	14,752	5,604	5,247	5,672	5,290
0.08	0.08	0.08	0.08	0.03	0.03	0.03	0.03