



DIRECTOR'S REPORT FOR THE NINE MONTHS PERIOD ENDED 30TH SEPT, 2018

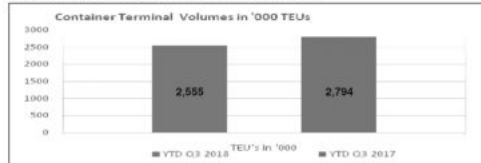
Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the unaudited consolidated financial results of your company for the period ended 30th Sept, 2018 (YTD Sept 18).

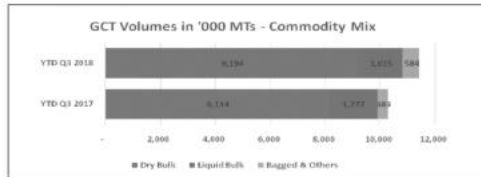
Operational Overview

Post cyclone due to intense efforts put in by the management and staff your company managed to handle good volumes though at a lower level compared to pre cyclone period due to a number of constraints such as blockage of berths due to sunken un authorized dhows, lack of draft, damaged equipment. YTD Sept 2018 overall volume has witnessed growth at General Cargo Terminal (GCT) by 11% over corresponding period last year, though the Container Terminal volume suffered a setback by 9% over the corresponding period last year due to cyclone impact. Despite a drop in container volumes the Port productivity per hour has shown a consistent improvement. Company operations were also affected for three days during Luban cyclone warnings in second week of Oct, 2018, though there was no damage to our equipment and property and all our staff remained safe.

The CT has handled 2,555 million TEUs (Twenty-foot Equivalent Units) during YTD Sept, 2018, as against 2,794 million TEUs against the same period last year, due to strong support from one of our major customers despite very challenging business environment.



The GCT has handled 11,393 million tons of general cargo during YTD Sept, 2018, an increase of 11% as compared to same period last year. The major commodities handled are namely limestone, gypsum, methanol and cement, which are exported from Salalah to nearby markets, and continue to drive the general cargo business.



Financial Overview

The net financial result YTD September 2018 turned into a loss due to charge of OMR 3,518 million towards cyclone costs and lost volumes & revenues both in Container and General Cargo terminals. The insurers have approved an on account payment of OMR 9.6 million during September 2018 and has further approved a second on account payment of OMR 5.6 million in October 2018. The accounting for the on account payment receipts together with losses suffered on property due to cyclone would be accounted for in accordance with IFRS appropriately.

The Company intend to file its first claim in the last Q4 2018 followed up with further claims as per progress of loss assessment.

Consolidated net loss is recorded at OMR 1,916 as compared to profit of OMR 2,698 million corresponding period last year. **Consolidated EBITDA** was recorded at OMR 5,132 million for YTD Sept, 2018 at an EBITDA margin of 13%, as compared to OMR 11,019 million (at margin 26%) during same period last year.

Revenues of GCT have increased by 24% compared to the same period last year whereas the CT revenue has decreased by 11% as compared to corresponding period last year. The 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 container terminal facility.

Direct operating costs have remained at same level as compared to the corresponding period last year while **Administration and General Costs** have increased by 67%, as compared to the same period last year mainly due to salaries increase, office maintenance and rents and provision for damages caused due to cyclone as identified so far. As mentioned above.

RO, 000

Year 2017	Particulars	1st Jan 2018 to 30th Sept 2018	1st Jan 2017 to 30th Sept 2017
3,946	Volume		
13,587	Container Terminal (TEUs/000)	2,555	2,794
	General Cargo Terminal (Tons/000)	11,393	10,275
57,208	Revenue (RO'000)	40,886	42,123
7,881	Profitability (RO'000)		
5,211	Net Profit before tax	(1,846)	4,987
	Net Profit/ (Loss) after tax	(1,916)	2,766
	Ratios		
9.13%	Net profit / (Loss) (%)	(4.69%)	6.26%
0.029	Earnings per share (RO)	(0.011)	0.015
0.311	Book value per share (RO)	0.286	0.297

Employee Development

Port of Salalah is steadfast in developing and enhancing employees' productivity as people are the primary asset of the company. Various safety, technical, management and administration trainings are imparted to the staff.

Safety continues to be maintained as a top priority to ensure that employees continue to perform and deliver their tasks safely.

Corporate Social Responsibility (CSR)

Company support charitable initiatives which impact large segments of communities. During YTD Sept, 2018 the company is constantly committed to local initiatives with a significant focus on education, community development, environment, safety and health.

Future Outlook

Slowing global trade trends and increased fuel prices are cause of concern. Average operating margins reported by the container carriers have slumped from -3.1% in Q1 2018 to -3.8% in Q2 which is directly related to lower freight rates and increased fuel costs. Fuel costs have increased 30% year on year from 2017, whereas freight rates have decreased globally. This trend, if it continues, would create a very difficult business environment for the shipping lines. Shipping lines have continued to upsize vessels faster than demand which is creating more downward pressure on rates and the expectation that terminals will service their vessels cheaper. Overcapacity in the regional ports, many of which are already Ultra Large Container Vessels (ULCV) capable require Port of Salalah to evaluate the options to upgrade its capability. We need to focus on the diversification of our customers and product portfolio to mitigate the risk associated with, developing our dependencies in any one area.

With regards to the General Cargo Terminal, the prospects are more optimistic. Gypsum exports have continued to grow, as well as other local commodities including Grains, Liquids, and Cement. The widely expected resumption of the US economic sanctions on Iran will have a positive boost on exports from Salalah, as Iran has been a stiff competitor for many of the same commodities. The biggest challenge on the GCT will be to grow the efficiency and productivity of operations to keep up with the demand. The recently received mobile ship loaders are expected to improve productivity. As the volumes continue to grow in the GCT we will review and look at ways to modernize the operations.

Conclusion

On behalf of the Board of Directors and the Shareholders of the company, we record the sincere appreciation and gratitude to His Majesty Sultan Qaboos Bin Said, for his strategic vision, leadership, and his continued support, without which it would not have been possible to establish and maintain this world-class port.

We also thank our customers, investors, and partners at the Salalah Hub and Ministry of Transport and Communications, and members of the Government bodies we work together with.

We place on record our appreciation for the contributions of all our employees, who continue to perform with high distinction.

On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi
Chairman, Board of Directors,
Salalah Port Services Co. SAOG
1st November, 2018

UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

30-Sep-17 US \$ '000	30-Sep-18 US \$ '000	30-Sep-18 RO'000	30-Sep-17 RO'000
170,556	178,093		
412	372	67,332	65,600
722	1,000	143	158
38,000	13,000	5	279
		1,000	15,000
		67,332	81,037
		72,475	81,037
5,559	8,159	3,140	1,138
20,107	32,242	12,403	7,735
30,848	66,172	25,966	11,865
61,714	105,973	40,509	23,738
272,427	294,006	113,084	104,775
46,738	46,738	17,984	17,984
7,886	7,886	2,949	2,949
15,584	15,584	5,994	5,994
(705)	-	-	(271)
225	-	-	78
69,330	63,649	24,483	26,666
138,838	133,657	51,410	53,402
91	138	51	36
138,929	133,795	51,461	53,437
11,627	-	4,464	-
19,288	17,287	6,891	7,418
2,057	7,784	2,586	2,791
87	-	-	37
38,246	25,161	9,677	14,710
71,410	123,448	47,482	27,462
2,923	11,687	4,164	234
608	-	-	-
98,233	135,052	51,946	36,825
133,478	160,213	61,823	61,338
272,427	294,006	113,084	104,775
0.144	-	0.296	0.297
109,519	106,299	40,886	42,123
(71,513)	(72,343)	(27,504)	(27,506)
(11,384)	(10,014)	(5,778)	(4,378)
(14,785)	(15,843)	(5,979)	(5,980)
-	(9,147)	(3,515)	997
2,591	1,770	681	997
14,821	(3,378)	(1,529)	5,846
(1,425)	(655)	(617)	(959)
12,966	(4,803)	(1,846)	4,887
(3,775)	(182)	(70)	(2,221)
7,191	(4,985)	(1,916)	2,766
-	-	-	-
-	-	-	-
-	-	-	-
(47)	-	-	(18)
588	99	38	226
541	99	38	208
541	99	38	208
7,732	(4,886)	(1,878)	2,974
7,188	(4,988)	(1,917)	2,766
4	3	1	1
7,729	(4,889)	(1,879)	2,973
0.04	(0.028)	(0.011)	0.015

UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2018

30-Sep-17 US \$ '000	30-Sep-18 US \$ '000	30-Sep-18 RO'000	30-Sep-17 RO'000
109,519	106,299	40,886	42,123
(71,513)	(72,343)	(27,504)	(27,506)
(11,384)	(10,014)	(5,778)	(4,378)
(14,785)	(15,843)	(5,979)	(5,980)
-	(9,147)	(3,515)	997
2,591	1,770	681	997
14,821	(3,378)	(1,529)	5,846
(1,425)	(655)	(617)	(959)
12,966	(4,803)	(1,846)	4,887
(3,775)	(182)	(70)	(2,221)
7,191	(4,985)	(1,916)	2,766
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(47)	-	-	(18)
588	99	38	226
541	99	38	208
541	99	38	208
7,732	(4,886)	(1,878)	2,974
7,188	(4,988)	(1,917)	2,766
4	3	1	1
7,729	(4,889)	(1,879)	2,973
0.04	(0.028)	(0.011)	0.015

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.