



DIRECTOR'S REPORT FOR THE FIRST QUARTER ENDED 31ST MARCH 2020

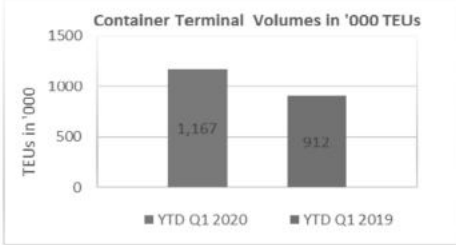
Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the unaudited consolidated financial results of your company for the first quarter ended March 31, 2020 (Q1 2020).

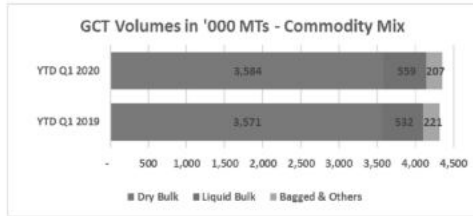
Covid-19 has now evolved into a global pandemic and we all are facing uncertainty in a fast changing environment. Containment measures including suspension of domestic & international flights, cancellation of events, closure /suspension of public services and remote working arrangements are having a worldwide impact. Ministry of Transport has declared the Maritime Sector in Oman part of National critical infrastructure and therefore our staff are exempt from movement restrictions that have been and will be further imposed. Our priority is to protect the health and wellbeing of our employees, clients and communities and the Management is taking appropriate measures in this regard and keep the business going.

Company Performance

During Q1, 2020 the Container Terminal (CT) handled 1,167 K TEUs – compared to 912K TEUs in corresponding period last year, an increase of 28%. The strong growth of the container volumes compared to the first quarter of 2019 is explained by the fact that the container terminal operations had not yet recovered from the impact of the cyclone yet in first quarter of 2019. The company has retained all major customers and Maersk Lines; our major business partner's share of business has increased by 31% as compared to corresponding period last year.



The GCT has handled 4,350K tons of general cargo during Q1 2020, as compared to 4,324K in Q1 2019. The major commodities handled are limestone, gypsum, methanol and cement, which are exported from Salalah to nearby markets, and continue to drive the general cargo business.



Financial Overview:

Consolidated net profit for Q1, 2020 was recorded at RO 10.232 million, as compared to the corresponding period last year at profit of RO 1.625 Million. Consolidated EBITDA was recorded at RO 14.655 million during Q1, 2020, as compared to RO 4.282 million during same period last year. This includes an insurance claim amount of OMR 11.250 million. The underlying net result of Q1, 2020 excluding insurance settlement was RO 1.887 Million.

In May 2018, Port of Salalah suffered from Cyclone Mekunoka that caused property damage, increased cost of working, and business interruption. SPS reached a settlement with the insurance parties for USD 67.75mil (OMR 26.05mil) for loss and damage compensation. In this regard, an advance payment of USD 38.5mil (OMR 14.808 mil) was already received and accounted in 2018. Balance of USD 29.25mil (OMR 11.250mil) is accounted for in Q1, 2020.

CT revenue has increased by 9% as compared to corresponding period last year due to growth in volumes. Revenues of GCT have decreased by 16% compared to the same period last year mainly due to a 32 % drop in marine revenue. The drop in marine revenue was attributable to lower number of non-cargo related vessel calls like cruise / navy etc. and shorter berth stay due. The general cargo revenue for 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 cost increased by 13% as compared to corresponding period last year mainly due to increase in systems and communication cost. Other operating costs increased by 50% compared to corresponding period last year mainly due to increase in ground rent and royalty and taxes on receipt of insurance claims receipt.

Year 2019	Particulars	1 Jan 2020 to 31st Mar 2020	1 Jan 2019 to 31st Mar 2019
	Volume		
4,109	Container Terminal (TEUs'000)	1,167	912
16,278	General Cargo Terminal (Tons'000)	4,350	4,324
64,616	Revenue (RO '000)	28,335	16,803
	Profitability (RO '000)		
6,477	Net Profit before tax	12,038	1,912
5,604	Net Profit/ (Loss) after tax	10,232	1,625
	Ratios		
8.68%	Net profit / (Loss) (%)	530.00%	9.72%
0.03	Earnings per share (RO)	0.06	0.01
0.34	Book value per share (RO)	0.380	0.320

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.

Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the pillars of sustainability and volunteerism and it is fundamental to our business. Impacting the local Dhofar region and benefitting the larger segments of communities requiring support are the guiding post of the company CSR program.

Future Outlook

While there continues to be divergent views on the quantum of impact of COVID19, the WTO have projected the world merchandise trade to contract by 13 % in an optimistic scenario and 32 % in a pessimistic scenario. However, the WTO projections also indicate a growth rate of 21% to 23 % in 2021 which would bring the trade back to pre-COVID levels.

The shutdowns resulting from the coronavirus pandemic is beginning to negatively impact the overall container trade with over 200 blank sailings announced till date and shipping lines expected to face a cumulative loss of over USD 23 Billion this year.

For the container terminal in Salalah, the immediate short term outlook continues to be positive due to consolidation of service at the Salalah hub. However, the medium to longer term outlook remains uncertain with continuing drop in global demand and supply chains disruptions. We are also closely working with our main customer to mitigate the potential drop in volumes through new value added services and supply chain support options. All initiatives will however be assessed to ensure that these options do not hinder the ability of the port to continue to operate as a regional transshipment hub. While it is difficult to predict full year impact at this stage due to the uncertainty of the situation, based on available intelligence, we expect the impact on the transshipment volume, which constitutes 95% of our overall volume, to be limited due to our ongoing mitigation plans with Maersk, the impact of the local export / import trade is being assessed but initial indications expect a drop of about 20 % for the rest of the year.

The general cargo volume was close to expected volume in the first quarter of 2020. However, commodities like gypsum and limestone which are feedstock for cement and steel production are expected to see a drop in demand due to reduced demand in key markets like India and South East Asia with the softening of demand of up to 20 % expected to continue in Year 2021.

The port, however continues to see success from its focus on diversification of its commodity and customer with new revenue streams accruing from RORO carriers and Aid & Relief operations. Recent successes in securing business for providing value added services have also resulted new avenues of diversification of revenue streams and mitigate the downside in volumes.

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 Haitham bin Tank, 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 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
May 12, 2020

UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Parent Company		Consolidated			Parent Company		Consolidated	
31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
US \$ '000	US \$ '000	US \$ '000	US \$ '000		RO'000	RO'000	RO'000	RO'000
163,559	153,163	163,859	153,432	ASSETS				
359	320	359	320	Non Current Assets				
33,087	31,744	33,087	31,850	Property and equipment	58,909	62,907	59,012	63,023
312	312	-	-	Intangible assets	123	138	123	138
197,317	185,539	197,305	185,602	Right of use of Assets	12,209	12,726	12,250	12,726
				Investments in Subsidiary	120	120	-	-
				Total Non Current Assets	71,361	75,891	71,385	75,887
				Current Assets				
				Inventories	1,837	2,008	1,837	2,008
				Trade receivables	10,117	11,190	10,117	11,190
				Other financial assets at amortised cost	10,951	2,165	11,269	2,349
				Other current assets	855	1,755	855	1,755
				Short term deposits	15,000	13,000	15,000	13,000
				Cash and cash equivalents	12,032	8,284	12,032	8,345
				Total Current assets	50,793	38,402	51,110	38,647
				Non Current Asset held for Sale	346	508	346	508
					51,139	38,910	51,456	39,155
				TOTAL ASSETS	122,500	114,801	122,841	115,042
				EQUITY				
				Share capital	17,984	17,984	17,984	17,984
				Share premium	2,949	2,949	2,949	2,949
				Legal reserve	5,994	5,994	5,994	5,994
				Retained earnings	41,095	30,461	41,286	30,618
				Equity attributable to equity holders of the parent company	68,022	57,388	68,213	57,545
				Non controlling interests	-	-	78	64
				TOTAL EQUITY	68,022	57,388	68,291	57,609
				LIABILITIES				
				Non Current Liabilities				
				Deferred tax	5,457	5,813	5,457	5,813
				Employees' end of service benefits	3,541	3,169	3,541	3,169
				Lease Liabilities	11,348	13,080	11,386	13,080
					20,346	22,062	20,384	22,062
				Current Liabilities				
				Trade and other payables	19,794	26,588	19,829	26,608
				Contract liabilities	12,523	8,763	12,523	8,763
				Lease Liabilities	1,814	-	1,814	-
					34,131	35,351	34,166	35,371
				TOTAL LIABILITIES	54,478	57,401	54,550	57,433
				TOTAL EQUITY AND LIABILITIES	122,500	114,801	122,841	115,042
				Net assets per share (US \$ / RO)	0.34	0.32	0.38	0.32

UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2020.

Parent Company		Consolidated			Parent Company		Consolidated	
31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20		31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19
US \$ '000	US \$ '000	US \$ '000	US \$ '000		RO'000	RO'000	RO'000	RO'000
43,617	44,367	43,688	44,428	Revenue	17,062	16,776	17,085	16,803
(24,234)	(27,255)	(24,234)	(27,255)	Direct operating costs	(10,483)	(9,321)	(10,483)	(9,321)
(5,681)	(8,351)	(5,692)	(8,364)	Other operating expenses	(3,212)	(2,185)	(3,217)	(2,189)
(5,953)	(6,617)	(5,956)	(6,620)	Administration and general expenses	(2,543)	(2,289)	(2,544)	(2,290)
-	(218)	-	(218)	Impairment Loss of Financial Assets	(84)	-	(84)	-
94	28	94	28	Other Income	11	36	11	36
7,842	1,955	7,899	1,999	Profit / (Loss) from operations	751	3,017	768	3,039
(3,032)	(49)	(3,032)	(49)	Cyclone related expenses	(19)	(1,166)	(19)	(1,166)
-	29,250	-	29,250	Insurance Compensation	11,250	-	11,250	-
551	616	551	616	Finance income	237	212	237	212
(450)	(513)	(450)	(514)	Finance costs	(197)	(173)	(198)	(173)
4,913	31,259	4,969	31,302	Profit / (Loss) for the period before tax	12,021	1,890	12,038	1,912
(738)	(4,690)	(746)	(4,696)	Income tax	(1,804)	(284)	(1,806)	(287)
4,176	26,569	4,225	26,606	Profit / (Loss) for the period	10,218	1,606	10,232	1,625
-	-	-	-	Other comprehensive income for the period, net of tax	-	-	-	-
4,176	26,569	4,225	26,606	Total comprehensive income for the period, net of tax	10,218	1,606	10,232	1,625
4,177	26,569	4,225	26,605	Profit attributable to :				
-	-	-	1	Equity holders of the parent	10,218	1,606	10,232	1,625
				Non-controlling interests	0	-	0	0
				Total comprehensive income attributable to :				
				Equity holders of the parent	10,218	1,606	10,232	1,625
				Non-controlling interests	0	0	0	0
				Basic earnings per share (US \$ / RO)	0.06	0.01	0.06	0.01

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.