

ميناء صلالة | Port of Salalah

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DIRECTOR'S REPORT FOR THE FIRST QUARTER ENDED 31st MARCH 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 first quarter ended March 31, 2018 (Q1 2018).

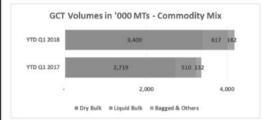
Company Performance

During Q1,2018 the container terminal handled 1,032 mil TEUs – compared to 722K TEUs in corresponding period last year, a growth of 45% with strong support from one of the anothor customers. Company has retained all customers while a major customer's share of business increased by 35% compared to Q1, 2017. One of the shipping lines customer reduced their transshipment volumes, though the management is actively engaging with them to recain the volumes.



On productivity, the CT has registered a marginal decrease in Berth Moves per Hour (BMPH) during Q1 2018 Management continuous to focus to improve productivity levels.

The GCT has handled 4.179 million tons of general cargo during Q1 2018, recording an increase of 24% as compared to Q1 2017. The major commodities handled are namely limestone, gypsum, methanol and cement, which are exported from Salalah to nearby markets, and confinue to drive the ceneral carco business.



Financial Overview

Consolidated net profit for Q1, 2018 was recorded at RO 1,739 million, which is 270% higher as compared to the corresponding period last year at loss of RO 1,020 Million. (In 3 months ended 31st Mar 2017, Total Expenses includes OMR 1,483k towards Deferred Tax cost arising from the change in Corporate Tax rate from 12% to 15% effective from 2017)

Consolidated EBITDA was recorded at RO 4.205 million during Q1, 2018 at an EBITDA margin of 27%, as compared to RO 2.587 million (at margin 21%) during same period last year.

Revenues of GCT have increased by 26% compared to the same period last year and the CT revenue has increased by 26% as compared to corresponding period last year. 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 costs comprising direct marpower costs, repairs & maintenance costs, energy costs and marine costs, have increased by 10% compared to the corresponding period last year mainly due to higher costs arising from withdrawal of fuel subsidy by Government of Ornan, higher staff costs, repair and maintenance costs to attend to ageing equipment, new systems implementation cost and lower finance costs partly offset by take cost out initiatives incolemented.

Administration and General costs have increased by 15% as compared to the same period last year mainly due to higher volumes at sustained productivity levels.

Financing costs were higher by 51 % as compared to same period last year on account of repayment of debts.

RO, 000 Year 2017	Particulars	1 Jan 2018 to 31st Mar 2018	1 Jan 2017 to 31st Mar 2017
	Volume	O TOC MIGH EO TO	OTOC MAIN LOTS
3.946	Container Terminal (TEUs'000)	1.032	722
13,587	General Cargo Terminal (Tons 000)	4,179	3,361
57028	Revenue (RO'000)	15,429	12,193
	Profitability (RO'000)		
7.881	Net Profit before tax	2,108	540
5,211	Net Profit/ (Loss) after tax	1,739	(1020)
	Ratios		
9.13%	Net profit / (Loss) (%)	11.27%	(8.37%)
0.029	Earnings per share (RO)	0.010	(0.006)
0.311	Book value per share (RO)	0.306	0.296

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 safety. Raising the level of safety performance has encouraged corrective behavior action plans for employees to perform safety at their work place.

Corporate Social Responsibility (CSR)

Port of Salatah 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 Dividar region and benefitting the larger segments of communities requiring support are the guiding post of the company CSR program.

Future Outlook

The Company has successfully maintained volumes in line with previous expectations. Global market conditions seem to be tentiative and are showing signs of structural weakness, which is concerning. However, Management does not expect any immediate negative impact from global conditions, and Salalah has proven to be very realized in the past. Gale volumes confrince to increase with insing demand from growth in the local market as well as Yemen. Inland operations from the Port of Salalah to the Maryouna border officially commenced in Q2 2018, and we will confrince to monitor and improve the process and look to actively market the solution.

Most of the global shipping lines are reporting increases in profitability and appear to be stabilizing after a long period of turmoil. The 2M alfance is undergoing a review of their global network, and if or how that will impact our port is not presently known. There is fierce competition from other ports in the region and we do not see the rates improving for discretionary transshipment business anytime in the near further. Commercial focus will remain developing gate volumes, Verennic Interfact, and working with our existing outstorers to improving our services.

The General Cargo Terminal (GCT) outlook also remains very positive with the increased exports of by bulk. We are also expecting the arrival of the mobile ship loaders towards the end of Q2 2018, which are expected to graphy improve the dry bulk loading rates. Recent developments with local manufacturers in and around Salakiha are very encouraging that with laws a positive impact on the GCT and CFS operations. Salakih LPG and Medhanol projects have commenced construction, and although operations aren't expected to start until 2000, they will significantly contribute to the future growth of the GCT. The focus of the GCT commencial effort will be on aligning our business development efforts with the master plan and maintain positive relationships with our current partners. We are confident that the GCT business will remain strong in 2018.

Conclusion

On behalf of the Board of Directors and the Shareholders of the company, we record the sincere appreciation and gratitude to His Majesty Sulfan Cabcos Bin Said, for his strategic vision, leadership, and its 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 Salatah 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 Salalah Port Services Co. SAOG May 10, 2018 UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018 ASSETS
Non Current Assets
Property and equipment
Intangible assets
Available for sale investment 172 593 168,776 66,381 279 15,000 725 13,000 5.000 212,745 182,171 70,065 81,824 Current Assets Inventories Trade and other receivables 62,249 82,354 31,675 23,942 274,994 264,525 TOTAL ASSETS 101,740 105,766 FOLETY 46,758 7,666 15,584 (704) 205 68,846 46,758 7,666 15,587 (99) 26,479 73.154 28,137 138 355 143.066 Equity attributable to equity braders of the parent company Non controlling interests 53,214 55,026 128 an 138 445 143,204 TOTAL FOURTY 55,079 53,248 23,215 19,289 6,986 pans and borrowings 8,929 7,418 2,686 Serred tax 6,691 Employees' end of service benefits Derivative financial instruments 49,587 25,261 9,716 19.070 Current Liabilities Trade and other payables 63,139 23,215 608 72,755 23,215 99 Loans and borrowings Derivative financial instruments 86.962 96,069 36 950 33.447 136,549 121,321 TOTAL LIABILITIES 46.66 52.518 274,994 264,525 TOTAL EQUITY AND LIABILITIES 101,740 105,766 0.77 0.306 Net assets per share (US \$ /RO) 0.306 0.296

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2018

31-Mar-17 US \$1000	31-Mar-18 US \$ '000		31-Mar-18 RO'000	31-Mar-17 RO'000
31,704 (22,621) (3,369) (4,388) 572	40,121 (24,769) (5,245) (5,012) 526	Revenue Direct operating costs Often operating expenses Administration and general expenses Other income	15,429 (9,526) (2,017) (1,928) 202	12,193 (8,699) (1,295) (1,681) 220
1,898 (515)	5,621 (136)	Profit from operations Finance costs	2,160 (82)	738 (198)
1,383 (4,056)	5,485 (960)	Profit for the period before tax income tax	2,108 (369)	540 (1,560)
(2,673)	4,525	Profit for the year Other comprehensive income	1,739	(1,020)
	Items that will be never reclassifed to profit or ic		ss	
		Revaluation of property, plant and equipment	:	
588	:	hems that are or may be reclassified to profit or loss Fair value change of investments Net movement in cash flow hedges	:	226
588				226
588		Other comprehensive income for the period, net of t	ax .	226
(2,085)	4,525	Total comprehensive income for the period, net of tax		(794)
(2,673)	4,525	Profit attributable to: Equity holders of the parent Non-controlling interests	1,739	(1,020)
(2,085)	4,525	Total comprehensive income attributable to: Equity holders of the parent Non-controlling interests	1,739	(794)
(0.01)	0.03	Basic earnings per share (US \$ / RO)	0.010	(0.006)

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.