



## Director's Report for the half year ended 30th June, 2020

### Dear Shareholders,

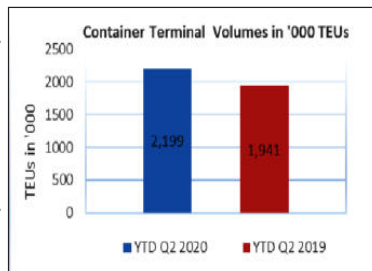
On behalf of the Board of Directors, I have the pleasure in presenting the unaudited consolidated financial results of your company for the period ended 30<sup>th</sup> June, 2020 (H1 2020).

At the outset, I hope you and your family are safe. We are indeed living through very unusual times and your Company has faced the challenge of COVID-19 pandemic by immediately mobilizing efforts to protect employees and our immediate communities.

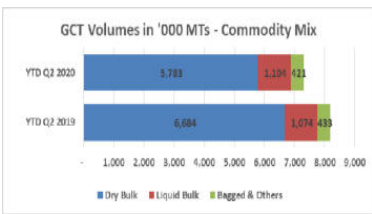
The uncertainty around the course of the pandemic started in March '20 leading to the governments across the world initiating lockdowns. This affected our business and operations in the last quarter. As the disruption continues unabated, its major impact will be seen in the quarters ahead. We need to accept the new normal for working – be it in the offices, and/or in the operations.

### Company Performance

During H1, 2020 the Container Terminal (CT) handled 2.199 million – compared to 1.941 mil TEUs in corresponding period last year, an increase of 13%. The growth of the container volumes compared to the first six months of 2019 is explained by the fact that the container terminal operations had not yet recovered from the impact of the cyclone in the first months of 2019.



The General Cargo Terminal (GCT) has handled 7.308 million tons of general cargo during H1, 2020, recording a decrease of 11% as compared to H1, 2019. The decline in general cargo volume in the first six months of 2020 is mainly due to lower gypsum & limestone exports as a result of lower demand caused by the COVID-19 pandemic. This in turn contributed to a fall of overall revenue from operations compared to the same period in 2019.



### Financial Overview

Consolidated net profit for H1, 2020 was recorded at RO 11.076 million, as compared to the corresponding period last year at profit of RO 2.169 Million. Consolidated EBITDA was recorded at RO 18.427 million during H1, 2020, as compared to RO 7.646 million during same period last year. This includes an insurance claim amount of OMR 11.250 million. The underlying net result of H1, 2020 excluding insurance settlement was RO 2.818 Million.

In May 2018, Port of Salalah was impacted by Cyclone Mekunu. PoS reached a settlement with the insurance parties for USD 67.75 mil (OMR

26.050 mill) for loss and damage compensation, which was accepted by SPS Board in February 2020. In this regard, an advance payment of USD 38.5 mill (OMR 14.808 mill) was already received in 2018 and recognized as income in the 2018 financial statements. The balance of USD 29.25 mill (OMR 11.250 mill) is fully received and recognized in the first 6 months of 2020.

CT revenue has increased by 3% as compared to corresponding period last year due to growth in volumes. Revenues of GCT have decreased by 22% 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 such as cruise and navy vessels and shorter berth stay.

Direct Operating cost increased by 8% as compared to corresponding period last year mainly due to increase in direct personnel cost. Other operating costs increased by 10% compared to corresponding period last year mainly due to an increase in insurance costs.

Year	Particulars	1 Jan 2020 to 30th June 2020	1 Jan 2019 to 30th June 2019
2019	<b>Volume</b>		
	4,109 Container Terminal (TEUs'000)	2,199	1,941
	16,728 General Cargo Terminal (Tons'000)	7,308	8,191
	<b>Revenue (RO'000)</b>	<b>31,843</b>	<b>33,279</b>
	<b>Profitability (RO'000)</b>		
	6,554 Net Profit before tax	13,030	2,553
	5,673 Net Profit (Loss) after tax	11,076	2,169
	<b>Ratios</b>		
	8.76% Net Profit / (Loss) (%)	34.78%	6.51%
	0.03 Earnings per share (RO)	0.06	0.01
	0.342 Book value per share (RO)	0.38	0.32

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

### 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. In our efforts to support the government and the community to fight against the COVID-19 pandemic, the Company has donated R.O 45,000 out of CSR budget for procurement of the medical equipment to Sultan Qaboos Hospital Salalah and providing food baskets to the families

who are affected.

### Future Outlook

As per the recent report of the IMF, the global economy in 2020 is expected to contract by 4.9 % which is even more pessimistic as compared to the forecast in April 2020 which projected a negative growth of – 3 %. It has also forecasted a slower than previously anticipated growth in 2021 at about 5.4 %.

Shipping lines continue to rationalize capacity in most main line sectors. In Salalah, container volumes remain stable and service calls won by the port in Q2, 2020 have also supported stability in volumes. The management continues to pursue new opportunities to further enhance volumes. The mitigating measures put in place together with the estimated slow recovery in container volume points to a relatively positive trend the second half.

The general cargo continues to face challenges of low due to low demand for limestone and gypsum primarily due to continued lockdown in major consumption centers. Demand is expected to pick up in Q3, 2020. New cargoes and customers have mitigated part of the revenue loss from drop in aggregate volumes. However, focus continues to be on customer diversification with the Management continues to engage customers for securing additional business to offset volume de-growth of existing customers.

We are forecasting a slow recovery of volume in Q3, 2020 and a further improvement in Q4, however our ability to handle the volume in view of the impact of the pandemic remains a concern.

### 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 Tariq, 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,

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

July 27, 2020

### STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30th JUNE 2020

Parent Company		Consolidated		Parent Company		Consolidated	
30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
86,384	82,669	86,525	82,791	31,796	33,225	31,843	33,279
(50,015)	(53,832)	(50,015)	(53,832)	(20,705)	(19,236)	(20,705)	(19,236)
(11,607)	(12,787)	(11,627)	(12,813)	(4,918)	(4,464)	(4,928)	(4,472)
(11,844)	(12,325)	(11,854)	(12,332)	(4,740)	(4,556)	(4,743)	(4,559)
(348)	(239)	(348)	(239)	(92)	(134)	(92)	(134)
68	(647)	68	(647)	(249)	26	(249)	26
297	1,267	297	1,267	487	114	487	114
12,935	4,106	13,046	4,195	1,579	4,975	1,613	5,017
(6,563)	(49)	(6,563)	(49)	(19)	(2,524)	(19)	(2,524)
-	29,250	-	29,250	11,250	-	11,250	-
1,011	1,449	1,011	1,449	557	389	557	389
(856)	(963)	(856)	(966)	(370)	(329)	(371)	(329)
6,527	33,793	6,638	33,879	12,997	2,510	13,030	2,553
(979)	(5,069)	(996)	(5,082)	(1,950)	(377)	(1,955)	(383)
5,548	28,724	5,642	28,797	11,047	2,134	11,076	2,169
-	-	-	-	-	-	-	-
5,548	28,724	5,642	28,797	11,047	2,134	11,076	2,169
5,548	28,724	5,640	28,782	11,047	2,134	11,070	2,168
-	-	2	15	-	-	6	1
5,548	28,724	5,640	28,782	11,047	2,134	11,070	2,168
-	-	2	15	-	-	6	1
5,548	28,724	5,642	28,797	11,047	2,134	11,076	2,169
0.03	0.16	0.03	0.16	0.06	0.01	0.06	0.01

### STATEMENT OF FINANCIAL POSITION FOR THE HALF YEAR ENDED 30th JUNE 2020

Parent Company		Consolidated		Parent Company		Consolidated	
30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	30-Jun-20
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
158,326	148,183	158,616	148,445	56,994	60,895	57,094	61,006
350	311	350	311	120	135	120	135
32,168	30,762	32,168	30,854	11,831	12,372	11,867	12,372
312	312	-	-	120	120	-	-
191,156	179,568	191,134	179,610	69,065	73,521	69,081	73,513
5,432	5,271	5,432	5,271	2,027	2,089	2,027	2,089
33,281	27,476	33,281	27,476	10,568	12,800	10,568	12,800
3,616	2,488	4,155	3,379	957	1,391	1,300	1,598
6,356	4,408	6,356	4,408	1,695	2,445	1,695	2,445
39,000	26,000	39,000	26,000	10,000	15,000	10,000	15,000
21,752	87,666	21,912	87,666	33,718	8,366	33,718	8,428
109,437	153,309	110,136	154,200	58,965	42,091	59,308	42,360
1,321	900	1,321	900	346	508	346	508
110,758	154,209	111,457	155,100	59,311	42,599	59,654	42,868
301,914	333,777	302,591	334,710	128,376	116,120	128,735	116,381
46,758	46,758	46,758	46,758	17,984	17,984	17,984	17,984
7,666	7,666	7,666	7,666	2,949	2,949	2,949	2,949
15,584	15,584	15,584	15,584	5,994	5,994	5,994	5,994
80,577	108,972	81,018	109,543	41,911	30,989	42,130	31,161
150,585	178,980	151,026	179,551	68,838	57,916	69,057	58,087
-	-	166	202	-	-	78	64
150,585	178,980	151,192	179,753	68,838	57,916	69,135	58,151
14,903	14,190	14,903	14,190	5,458	5,732	5,458	5,732
8,374	9,456	8,374	9,456	3,637	3,221	3,637	3,221
34,008	29,482	34,008	29,578	11,339	13,080	11,376	13,080
57,285	53,128	57,285	53,224	20,434	22,033	20,471	22,033
58,767	51,625	58,837	51,689	19,856	22,603	19,881	22,630
35,277	45,328	35,277	45,328	17,434	13,568	17,434	13,568
-	4,716	-	4,716	1,814	-	1,814	-
94,044	101,669	94,114	101,733	39,104	36,171	39,129	36,198
151,329	154,797	151,399	154,957	59,538	58,204	59,600	58,231
301,914	333,777	302,591	334,710	128,376	116,120	128,735	116,381
0.84	1.00	0.84	1.00	0.38	0.32	0.38	0.32