



DIRECTORS' REPORT FOR THE YEAR ENDED 2020

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your Company along with the audited financial statements for the year ended 31st December 2020.

At the outset, I hope you and your family are safe. We are indeed living through very unusual times and as the disruption continues unabated your Company is ensuring business continuity. The health and safety of our employees, customers and immediate community will remain our priority. Despite uncertain global economic circumstances and pandemic situation, the year 2020 has ended on a positive note with both the Container terminal and the General Cargo terminal showing consistent performance.

Operational Overview

During the year 2020 the container terminal handled record breaking volume of 4.344 million TEUs (2019: 4.109 million TEUs), a growth of 6%. The company has retained all major customers and Maersk's contribution to the total business has remained consistent throughout the year.

The growth of container volumes in the Port, compared to 2019 was despite the COVID-19 pandemic, and was a reflection of strong demand globally driven by high consumption in some key markets.

The Company's General Cargo segment handled 15.296 million tons during 2020 as compared to 16.278 million during 2019 which was a drop of 6%. The overall general cargo volume decrease is mainly due to lower demand in export markets for gypsum and limestone. The impact was felt most during the second and third quarter of 2020 as the Covid-19 pandemic unfolded. 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 multipurpose terminal facility.

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 the risk. 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

The consolidated revenue YTD 2020 are recorded at RO 65.606 million, an increase of 1% over the corresponding period last year.

Consolidated EBITDA was recorded at RO 18.021 million (excluding extraordinary items such as insurance income) which corresponds to an EBITDA margin of 27.5%. This compares to RO 17.678 million (a margin of 27.3%) during corresponding period last year. The operational margin was impacted by lower GCT volumes and lower marine revenues due to reduced vessel traffic and port stay impacting revenue but compensated by the higher container traffic. Additionally, the increase in expenses compared to 2019 mainly due to increases in staff costs, concession related costs, insurance premiums, was partially offset by lower fuel costs.

Consolidated Net Profit was recorded at RO 14.807 million YTD 2020, as compared to RO 5.673 million during corresponding period last year. In May 2018, Port of Salalah was impacted by Cyclone Mekunu that caused property damage, increased cost of working, and business interruption. SPS reached a settlement with the insurance parties for USD 68.13mil (OMR 26.20mil) for loss and damage compensation, which was accepted by SPS Board in February 2020. An advance payment of USD 38.5mil (OMR 14.80mil) was already received and accounted for in 2018. The balance of USD 29.63mil (OMR 11.40mil) has been received and recognized in 2020. During 2020, your company distributed 20 baiza per share annual dividend pertaining to year 2019. Taking into account various capital expenditure plans to meet the equipment life cycle requirements and port improvement needs, as well as the volatile market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 25 baiza per share on the paid-up equity share capital of the company, resulting in a total cash disbursement of RO 4.496 million.

Dividend history for the last 5 years

	2015	2016	2017	2018	2019
Dividend %	20%	20%	15%	15%	20%
Cash Outlay (RO'000)	3,597	3,597	2,698	2,698	3,597

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 Omanization and skills development of local talent.

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. The company has invested RO 97,830 in CSR initiatives during 2020 contributing to the local Dhofar region in which we operate 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

The global economy is expected to expand 5.5% in 2021, assuming an initial COVID-19 vaccine rollout becomes widespread throughout the year. Aggregate GDP in emerging market and developing economies, including China, is expected to grow 5% in 2021, after a contraction of 2.6% in 2020. China's economy is expected to expand by 7.9% this year following 2% growth last year. Excluding China, emerging market and developing economies are forecast to expand 3.4% in 2021 after a contraction of 5% in 2020. Among low-income economies, activity is projected to increase 3.3% in 2021, after a contraction of 0.9% in 2020. (Source the World Bank in its January 2021 Global Economic Prospects.)

As for container shipping, carriers struggled with uncertainty in the first half of 2020 due to the caused by the COVID-19 pandemic. In the second half, carrier conditions were boosted by sustained capacity discipline, strong trade developments, as well as low fuel prices. Carriers are expected to hold on to this more disciplined approach to capacity management in 2021 with an attempt to hold the rates from dropping down to the past lows.

The strong performance of 2020 is expected to continue into the first part of 2021. Consumption is showing signs of recovery globally which will have a positive impact on our transshipment volume. However, the economic reforms and austerity measures, coupled with the decision to implement a VAT in Oman, will potentially impact domestic demand.

As for 2021 outlook for General cargo, dry bulk shipping has seen a strong comeback after a dip due to the COVID-19 outbreak. The recovery was further fueled by the recent surge in the demand for commodities after the stimulus package from various economies came into play. The year started on a very positive note with all the key commodities performing well and forecasts strong. Limestone is also forecasted to show a recovery in 2021. Bagged cement forecast remains bullish with expected volume forecast of 1million MT in 2021 as the construction activities picks up. Liquid movements are also looking positive as the Salalah LPG will be operational by Q1 2021.

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 Tariq, 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 2020. Our consistent growth was possible by their hard work, solidarity, cooperation and support in what was a very challenging year for all.

On behalf of the Board of Directors,

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

February 11, 2021

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

Parent Company		Consolidated		Parent Company		Consolidated	
2019	2020	2019	2020	2020	2019	2020	2019
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
ASSETS							
Non Current Assets							
158,398	137,859	158,670	138,110	53,023	60,921	53,119	61,027
32,734	28,786	32,734	28,874	11,072	12,590	11,105	12,590
330	292	330	292	113	127	113	127
312	546	-	-	210	120	-	-
191,774	167,483	191,734	167,276	64,418	73,758	64,337	73,744
Current Assets							
4,616	6,613	4,616	6,613	2,543	1,775	2,543	1,775
4,724	5,024	4,724	5,024	1,931	1,817	1,931	1,817
23,553	13,234	23,552	13,234	5,090	9,056	5,090	9,055
3,676	2,345	3,676	2,345	902	1,414	902	1,414
52,000	23,400	52,000	23,400	9,000	20,000	9,000	20,000
11,240	97,298	11,240	97,298	37,422	4,323	37,422	4,323
99,809	147,914	99,808	147,914	56,888	38,385	56,888	38,384
900	-	900	-	-	346	-	346
100,709	147,914	100,708	147,914	56,888	38,731	56,888	38,730
292,483	315,397	292,442	315,190	121,306	112,489	121,225	112,474
TOTAL ASSETS							
EQUITY							
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
89,602	1,18,700	90,138	1,19,218	45,652	34,460	45,849	34,665
159,610	188,708	160,146	189,226	72,579	61,387	72,776	61,592
-	-	174	-	-	-	-	64
159,610	188,708	160,320	189,226	72,579	61,387	72,776	61,656
LIABILITIES							
Non Current Liabilities							
29,481	26,798	29,481	26,891	10,306	11,339	10,343	11,339
8,681	9,453	8,681	9,453	3,636	3,339	3,636	3,339
14,188	12,013	14,178	12,002	4,620	5,457	4,616	5,453
52,350	48,264	52,340	48,346	18,562	20,135	18,595	20,131
Current Liabilities							
4,716	4,716	4,716	4,716	1,814	1,814	1,814	1,814
48,751	45,118	47,946	44,301	17,354	18,747	17,040	18,455
22,942	19,690	22,942	19,690	7,573	8,824	7,573	8,824
4,114	8,901	4,178	8,911	3,424	1,582	3,427	1,594
80,523	78,425	79,782	77,618	30,165	30,967	29,854	30,687
132,873	126,689	132,122	125,964	48,727	51,102	48,449	50,818
292,483	315,397	292,442	315,190	121,306	112,489	121,225	112,474
0.90	1.05	0.89	1.05	0.40	0.34	0.40	0.34

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

Parent Company		Consolidated		Parent Company		Consolidated	
2019	2020	2019	2020	2020	2019	2020	2019
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
168,001	170,463	168,282	170,575	65,563	64,616	65,606	64,724
(105,048)	(110,160)	(105,048)	(110,160)	(42,368)	(40,406)	(42,368)	(40,406)
(18,061)	(21,619)	(18,118)	(21,655)	(8,314)	(6,947)	(8,328)	(6,969)
(25,753)	(24,460)	(25,772)	(24,472)	(9,407)	(9,902)	(9,413)	(9,911)
(524)	(844)	(524)	(844)	(326)	(202)	(326)	(202)
5,479	986	5,479	986	379	2,107	379	2,107
24,094	14,366	24,299	14,430	5,527	9,266	5,550	9,343
(7,350)	-	(7,350)	-	-	(2,827)	-	(2,827)
-	29,633	-	29,633	11,397	-	11,397	-
2,460	3,034	2,460	3,034	1,167	947	1,167	947
(2,363)	(2,146)	(2,363)	(2,152)	(826)	(909)	(828)	(909)
16,841	44,887	17,046	44,945	17,265	6,477	17,286	6,554
(2,269)	(6,437)	(2,290)	(6,445)	(2,476)	(873)	(2,479)	(881)
14,572	38,450	14,756	38,500	14,789	5,604	14,807	5,673
-	-	-	-	-	-	-	-
14,572	38,450	14,756	38,500	14,789	5,604	14,807	5,673
-	-	4	-	-	-	-	1
14,572	38,450	14,752	38,500	14,789	5,604	14,807	5,672
-	-	4	-	-	-	-	1
14,572	38,450	14,756	38,500	14,789	5,604	14,807	5,673
0.08	0.21	0.08	0.21	0.08	0.03	0.08	0.03

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.