



## 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  |
| <b>ASSETS</b>                  |            |              |            |                |         |              |         |
| <b>Non Current Assets</b>      |            |              |            |                |         |              |         |
| 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  |
| <b>Current Assets</b>          |            |              |            |                |         |              |         |
| 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 |
| <b>TOTAL ASSETS</b>            |            |              |            |                |         |              |         |
| <b>EQUITY</b>                  |            |              |            |                |         |              |         |
| 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  |
| <b>TOTAL EQUITY</b>            |            |              |            |                |         |              |         |
| <b>LIABILITIES</b>             |            |              |            |                |         |              |         |
| <b>Non Current Liabilities</b> |            |              |            |                |         |              |         |
| 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  |
| <b>Current Liabilities</b>     |            |              |            |                |         |              |         |
| 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    |
| -              | -          | -            | -          | -              | -        | -            | -        |
| 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.