

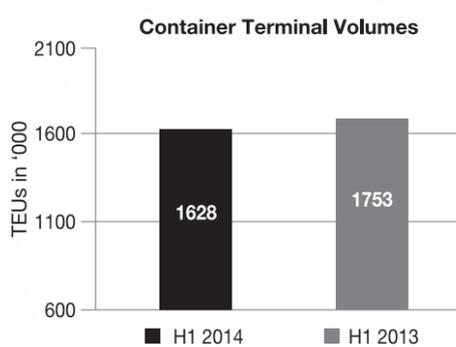
Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting to you the unaudited consolidated financial results of your company for the half year ended June 30, 2014.

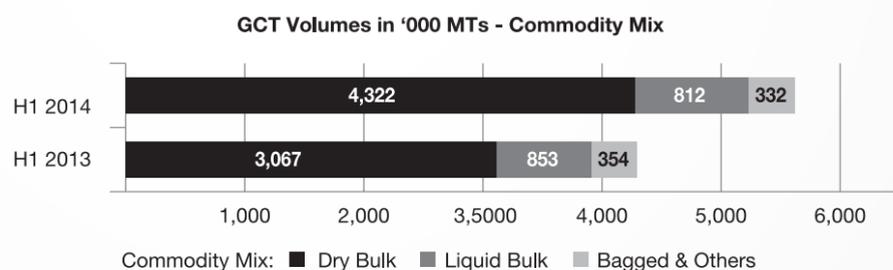
Port of Salalah continues to achieve considerable volume growth at the General Cargo Terminal (GCT), which reflects the role of the port in supporting local businesses expansion and growth. However, transshipment volumes at the Container Terminal (CT) have declined as compared to the corresponding period last year.

Company Performance

During H1 2014, the CT has handled 1.628 million TEUs (Twenty-foot Equivalent Units), a 7% decline against H1 2013 throughput of 1.753 million TEU. The decline in container activity is due to lower volumes from some of the existing liner customers in addition to delay in new businesses materializing. The port commercial teams continue to endeavor growing volumes from existing customers and attract routes through Salalah to a number of new destinations.



GCT has handled 5.466 million tons of general cargo during H1 2014, an overall volume increase of 28% over H1 2013, where major commodities of trade include limestone, gypsum, methanol and cement exported from Salalah to nearby markets. The increase of export volumes of our major customers is a reflection of the value that the port plays in helping local businesses connect to global markets.



Financial Overview

Consolidated revenue for H1 2014 was recorded at RO 28.223 million, a decline of 3% compared to same period last year. Consolidated EBITDA was recorded at RO 8.736 million, resulting in an earnings margin of 31% against 33% in H1 2013. The decrease is mainly due to lower CT volumes & inflationary impact on costs. Net financing cost has reduced by 11% over H1 2013 due payment of regular loan instalments.

The consolidated net profit was recorded at RO 3.183 million, a 19% decrease comparing to H1 2013.

Year	Particulars (Value '000)	1 January 2014 to 30 June 2014	1 January 2013 to 30 June 2013
Volume			
3,343	Container Terminal (CT) – TEUs	1,628	1,753
7,944	General Cargo Terminal (GCT) –Tons	5,466	4,275
58,505	Revenue	28,223	29,229
Profitability			
6,611	Net Profit before tax	3,706	4,386
5,663	Net Profit after tax	3,183	3,913
Ratios			
9.68%	Net profit margin	11.28%	13.39%
0.031	Earnings per share (RO)	0.018	0.022
0.261	Book value per share (RO)	0.255	0.245

Employee Development

Port of Salalah is steadfast in developing and enhancing employees' productivity as people are the primary assets of the company. Employee performance appraisals are utilized to identify employee development. Various safety, technical, management and administration trainings are imparted to the staff. Investing in people and talent development is a continuous aim and the management strives to encourage both internal and external training.

Safety continues to be maintained as a top priority to ensure that employees continue to perform and deliver their tasks safely. In May of this year, the company marked its furthest ever record in surpassing 300 consecutive days with no Lost Time Injury (LTI), besting the company's previous record of 170 days reached in 2013. However, two low-impact work-injuries were recorded in May and June, which reflects the importance of continuous commitment to raising the level of safety in the environment for our people to perform safely and productively. Safety is always our number one priority.

Corporate Social Responsibility (CSR)

Port of Salalah continues to support charitable initiatives which impact large segments of the community. During H1 2014 the company has invested RO 28,500 in local initiatives with a significant focus on education, as well as SME development, environment, safety, health and sports. The integral emphasis of CSR at the company has been to focus on local development in the Dhofar region. The company has made a small but meaningful donation to the local councils raising funds to build the Aqbah-Jurzim and Aqbah-Anhaboub roadways which connect populations from Taqah to Thumrait in safer and shorter roads. By supporting community-based activities and charities with consistency and transparency, Port of Salalah will continue to play a role in nurturing economic development in the country.

Future Outlook

Port of Salalah is among the world's top transshipment ports and continues to provide an important service to the global supply chain. Due to the port's connectivity, which features time and cost advantages, it provides a significant opportunity for businesses to benefit from the Salalah Hub network of multi-modal transport (sea-air-road) and Salalah Free Zone incentives. The company is also working in partnership with Salalah Free Zone to attract investment that would improve the import and export value for the country. There is continued concern with slow progress on the development of industrial activity in Salalah, which has an impact on the local trade volumes, and on shipping lines calling Salalah.

One of the strategic aims of the Port of Salalah is to encourage companies to add value to imported bulk and break bulk products to generate additional re-export business for the CT and GCT. Recently port handled higher exports of gypsum and limestone due to enhanced mining activities in the region. We therefore expect a positive future for the GCT and look forward to the completion of the expansion of the new dry bulk and liquid jetty towards end of the year.

The surprise rejection of the P3 Alliance by the Chinese government authorities was significant news for the container shipping industry released recently. The alliance proposed by Maersk, MSC and CMA CGM had received prior approval from the Federal Maritime Commission and the EU authorities before the Chinese decision. Had the P3 alliance gone ahead, the impact on Salalah was calculated to be marginal: we anticipated that the number of overall calls would be reduced with the consolidation of services, though the volume of containers passing through Salalah would not be impacted.

Stable volumes are expected to continue at the CT. Impact of the new alliance M2, if approved, is difficult to quantify at the time being as the details of new services have not yet been disclosed.

The company has renewed and finalized Terminal Services Agreement with Maersk which has been an integral customer to the port since the start of the port's operations in November 1998, and continues to be one of the leading business customers in the company's growth.

Salalah is competing in a global economy and shipping is a highly competitive industry. Competition is growing in the region with new port capacities emerging. Profitability, capacity and market share are the fundamentals which the company continuously manages between risk and opportunity.

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 Qaboos Bin Said, 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.

Finally, I am proud to 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 of Board of Directors
Salalah Port Services Co. SAOG
August 13, 2014

Un-audited Consolidated Statement of Comprehensive Income

for the period ended 30 June 2014

	30 Jun 2014 RO '000	30 Jun 2013 RO '000
Revenue	28,223	29,229
Direct operating costs	(15,354)	(15,219)
Other operating expenses	(3,333)	(3,894)
Administration and general expenses	(5,018)	(4,817)
Other income	171	194
Profit from operations	4,689	5,493
Finance costs	(983)	(1,107)
Profit for the year before tax	3,706	4,386
Income tax	(523)	(473)
Profit for the period	3,183	3,913
Other comprehensive income		
Items that will be never reclassified to profit or loss		
Revaluation of property, plant and equipment	-	-
	-	-
Items that are or may be reclassified to profit or loss		
Fair value change of investments	6	(56)
Net movement in cash flow hedges	355	343
	361	287
Other comprehensive income for the period, net of tax	361	287
Total comprehensive income for the period, net of tax	3,544	4,200
Profit attributable to :		
Equity holders of the parent	3,184	3,915
Non-controlling interests	(1)	(2)
Total comprehensive income attributable to :	3,183	3,913
Equity holders of the parent	3,545	4,202
Non-controlling interests	(1)	(2)
Basic earnings per share (RO)	0.018	0.022

Un-audited Consolidated Statement of Financial Position

as at 30 June 2014

	30 Jun 2014 RO '000	30 Jun 2013 RO '000
ASSETS		
Non Current Assets		
Property and equipment	79,517	86,292
Intangible assets	207	221
Available-for-sale investments	280	170
Term deposits	4,000	4,000
	84,004	90,683
Current Assets		
Inventories	1,538	1,777
Trade and other receivables	13,168	17,713
Cash and cash equivalents	17,161	13,697
	31,867	33,187
TOTAL ASSETS	115,871	123,870
EQUITY		
Share capital	17,984	17,984
Share premium	2,949	2,949
Legal reserve	5,969	5,084
Hedging deficit	(1,905)	(3,238)
Fair value reserve	80	(30)
Retained earnings	20,827	21,275
Equity attributable to equity holders of the parent company	45,904	44,024
Non controlling interests	37	37
TOTAL EQUITY	45,941	44,061
LIABILITIES		
Non Current Liabilities		
Loans and borrowings	36,936	44,333
Deferred tax	7,447	6,354
Employees' end of service benefits	1,954	1,793
Derivative financial instruments	1,051	2,184
	47,388	54,664
Current Liabilities		
Trade and other payables	14,301	18,328
Loans and borrowings	7,387	5,763
Derivative financial instruments	854	1,054
	22,542	25,145
TOTAL LIABILITIES	69,930	79,809
TOTAL EQUITY AND LIABILITIES	115,871	123,870
Net assets per share (RO)	0.255	0.245