

### CHAIRMAN'S REPORT

#### 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 period ended September 2013. Overall 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 in Oman's balance of trade. This is keeping in line with the port's strategy to diversify the company's revenue flow while increasing local businesses' import and export by sea. However, transshipment volumes at the Container Terminal (CT) have declined as detailed below. We continue our commitment to uphold the company's standing as an excellent corporate citizen.

#### Company Performance

The CT has handled 2.556 million TEUs (Twenty-foot Equivalent Units) at end Q3, a 7% decline against same period in 2012 where throughput reached 2.758 million TEUs. The root cause of the decline in container throughput is due to one key customer diverting transshipment traffic. Additionally, other major customers at the CT have experienced fluctuating volumes, mainly due to the vulnerable global economic recovery. The company's management continues to seek new business and attract routes through Salalah to a number of new destinations, including East Africa and the eastern American ports.

On productivity the CT has registered consistent improvement. Crane productivity has improved by 10% in the period ended September 2013 compared to same period in 2012, while berth productivity has improved by 16%. This is significant achievement considering that the measurement includes impact of the rough seas during the khareef monsoon. This showcases the organization's success in applying a Process Excellence (PEX) culture shift and the required teamwork and professionalism to maintain operating a world-class terminal.

The GCT has handled 6.16 million tons of general cargo during period ended September 2013, of which 5.32 million tons were exports, and 0.84 million tons were imports. This is a volume increase of 17% over the same period in 2012, which is mainly attributed to the continued growth in limestone and gypsum export. Major commodities of trade at the GCT continue to be limestone, gypsum, methanol and cement.

#### Financial Overview

**Consolidated net profit** for the period ended September 2013 was recorded at RO 4.6 million versus RO 5.1 million during the corresponding period in 2012, 9% below 2012. The decline is attributed to lower volumes at CT.

**Consolidated EBITDA** was recorded at RO 12.9 million for period, at an EBITDA margin of 30%, compared to a margin of 34% in 2012.

**Container terminal revenues**, stevedoring and other revenue yield per move for Q3 has increased by 4% compared to same period last year, due to customer-volume mix. The general cargo volumes handled at Berth 31 are included in the container terminal financials as in the previous year due to the conversion of the berth into a container terminal facility.

**General Cargo terminal revenues** have increased by 33% compared to the same period last year, due to higher volume and improved changes to customer services and tariff adjustments.

**Other income** includes net of interest income and gain/loss on sale of assets.

**Direct operating costs** comprising direct manpower costs, repairs & maintenance costs, energy costs and marine costs, have increased by 28%, mainly on account of increased manpower costs by 14%, higher repair and maintenance costs by 4%, and increased power and fuel costs by 8%, against the same period last year.

**Concession costs**, consisting of costs on account of ground rent, fixed and variable royalty as well as costs towards management fees, has decreased by 23% than the same period last year, mainly due to lower results at CT.

**General and administration costs** have declined by 15% compared to same period last year, due to lower office cost, travelling cost, and lower provisions for slow moving inventories and overdue receivables.

**Operating depreciation** for the period ended September 2013 which is at a similar level as last year.

**Financing costs** were 15% lower than same period last year on account of settlement of Tranche II loan in 2012.

**Container Terminal direct cost per move** for period ended September 2013 was 19% above the previous year, mainly due to higher manpower, maintenance and power and fuel costs. The **GCT direct operating cost per ton** was 19% above the previous year mainly on account of cost allocation.

Year 2012	Particulars (Value '000)	1 January 2013	1 January 2012
		to 30 Sept 2013	to 30 Sept 2012
	<b>Volume</b>		
3,633	Container Terminal – TEU	2,556	2,758
7,251	General Cargo Terminal – Tons	6,165	5,264
57,540	<b>Revenue</b>	42,433	41,619
29,32	Gross Productivity – Moves per hour	31.40	28.51
	<b>Profitability</b>		
7,937	Net Profit before tax	5,259	5,703
7,082	Net Profit after tax	4,632	5,091
	<b>Ratios</b>		
12.3%	Net profit margin	10.9%	12.2%
0.039	Earnings per share (RO)	0.026	0.028
0.246	Book value per share (RO)	0.252	0.232

#### Employee Development

Port of Salalah acknowledges its people as its asset and as a company we are steadfast in developing and enhancing employees' well-being.

Employee training and development is a strategic approach for the organization to maintain a high standard of performance and employee awareness to deliver efficiently and effectively on the job. Employee performance appraisal was utilized this year to identify employee development. During, there were a total of 76 different trainings, with 3,752 attendances for in-house trainings, 53 employees attending external trainings, and 1,257 assessments. 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 top priority, ensuring employees continue to perform and deliver safely while delivering their tasks. Bringing awareness to perform under safe environment at jobs have reduced work injuries and encouraged corrective behavior action plans for employees to perform safely at their work place.

Integrating talent is a continuous challenge, for which this year two induction programs, namely Port of Salalah induction program and Security induction have been introduced for new joiners to bring them up to speed with the company's business culture, processes and procedures. This is to ensure that new employees accommodate themselves adequately within their working environment and avoid a situation where they struggle to settle into their new environment due to a lack of information.

Continuously investing in our people's development ensures that a growth and development platform is maintained within the organization in order for employees to deliver their best and continue to grow and develop in the best interest of the company. Omanization ratio as at end September 2013 is at 46% and 72% of total work force and managerial level respectively.

#### Future Outlook

In its latest assessment of the global economy, the International Monetary Fund has reduced its expectation of global growth to slightly below 3 percent this year, which is less than forecasted in April 2013. Global growth remains low even though advanced economies have recently shown signs of recovery from the global recession, while the emerging market economies have slowed. The Port of 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.

The Port of Salalah will continue to provide an important value to the global supply chain and is among the world's top transshipment ports. Due to the port's connectivity which features time and money-saving 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. Direct access to global markets, with proximity to the rapid developing markets of MENA, East Africa and India, has attracted a number of international companies to set up at the Salalah Hub. The Port of Salalah continues to play a major role in attracting businesses to set up in the free zone, which goes on to generate employment and direct economic return to the local community.

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. We expect a positive future for the GCT and look forward to the completion of the expansion. The management expects that the new GCT berths will be completed by the first half of 2014, with the exception of the power supply and the service corridor. A number of major investors have expressed interest to utilize the coming capacity for dry and liquid bulk commodities at the new GCT facility. The CT and GCT continue to handle significant volumes for local customers including Octal Petrochemicals, Salalah Methanol, Raysut Cement and Salalah Mills. GCT is expected to continue to deliver increase in volumes as several potential customers, especially on dry bulk commodities, are expected to commence business in the near future.

Oman is ideally located to play a preeminent role in the region's market and economic development. Rapid development in the strategic GCC Railway Network is also expected to strengthen further contribution of the port to the local regional economy.

#### Corporate Social Responsibility (CSR)

Shareholders have expressed an interest for increased performance and reporting of the company's

CSR projects that impact large segments of Dhofar's communities. To this end, the company has successfully completed its first sustainability review, which outlines the social, economic and environmental sustainability agenda of the company. This document has been provided in digital format and in English to the company's employees and major stakeholder groups for dissemination. Going forward the company will build on an extended report and will seek to publish an Arabic report in parallel.

#### Conclusion

On behalf of the Board of Directors and the Shareholders of the company, and on the advent of the auspicious occasion of Oman's National Day celebration, 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 daily.

Finally, I am proud to place on record our appreciation for the contributions of all our employees, who continue to perform with high distinction. Our consistent result is possible by their hard work, solidarity, cooperation and dedication.

On behalf of the Board of Directors,

**Ahmed Bin Nasser Al Mahrizi**  
Chairman of Board of Directors

### Unaudited Consolidated Statement of Comprehensive Income

for the period ended 30 September 2013

	Sept '13 Rial '000	Sept '12 Rial '000
<b>Revenue</b>	42,433	41,619
Direct operating costs	(23,498)	(19,596)
Other operating expenses	(4,838)	(5,893)
Administration and general expenses	(7,460)	(8,784)
Other income	287	313
<b>Profit from operations</b>	6,924	7,659
Finance costs	(1,665)	(1,956)
<b>Profit for the period before tax</b>	5,259	5,703
Income Tax	(627)	(612)
<b>Profit for the period</b>	4,632	5,091
<b>Other comprehensive income</b>		
Fair value change of investments	15	-
Net movement in cash flow hedges	769	(293)
Other comprehensive income for the period, net of tax	784	(293)
<b>Total comprehensive income for the period, net of tax</b>	5,416	4,798
<b>Profit attributable to:</b>		
Equity holders of the parent	4,634	5,091
Non-controlling interests	(2)	(0)
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	5,418	4,798
Non-controlling interests	(2)	(0)
<b>Basic earnings per share</b>	0.026	0.028

### Unaudited Consolidated Statement of Financial Position

as at 30 September 2013

	Sept '13 Rial '000	Sept '12 Rial '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property and equipment	84,777	92,415
Intangible assets	217	232
Available-for-sale investments	241	240
Term Deposits	4,000	4,000
	89,235	96,887
<b>Current Assets</b>		
Inventories	1,793	2,212
Trade and other receivables	15,434	11,439
Cash and cash equivalents	19,685	13,135
	36,912	26,786
<b>TOTAL ASSETS</b>	126,147	123,673
<b>EQUITY</b>		
Share capital	17,984	17,984
Share premium	2,949	2,949
Legal reserve	5,084	4,376
Hedging deficit	(2,812)	(4,135)
Fair value reserve	41	40
Retained earnings	21,994	20,570
Equity attributable to equity holders of the parent company	45,240	41,784
Non-controlling interests	37	41
<b>TOTAL EQUITY</b>	45,277	41,825
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Loans and borrowings	44,333	52,132
Deferred tax	6,508	5,848
Employees' end-of-service benefits	1,876	1,629
Derivative financial instruments	1,806	3,040
	54,523	62,649
<b>Current Liabilities</b>		
Trade and other payables	19,578	13,231
Loans and borrowings	5,763	4,873
Derivative financial instruments	1,006	1,095
	26,347	19,199
<b>TOTAL LIABILITIES</b>	80,870	81,848
<b>TOTAL EQUITY AND LIABILITIES</b>	126,147	123,673
<b>Net assets per share</b>	0.252	0.232