



شركة ريسوت للأسمنت (ش.م.ع.ع.)

Raysut Cement Company (S.A.O.G.)



Director report For the six months ended 30 June 2016

Dear Shareholders,

It gives me pleasure to present the Financial Statements for the period six months ended 30 June, 2016 of the Company.

Review of operations and financial performance:

Production:

Group: The Group as a whole has produced 1,623,185 Tons of Clinker and 2,022,693 Tons of Cement during the current period against 1,769,634 Tons of Clinker and 1,907,997 Tons of Cement during the corresponding period of last year respectively. The overall production of Clinker went down by 8.27% and increased in Cement by 6.01% respectively.

Parent Company: The Parent Company in its Salalah plant produced 1,019,770 Tons of Clinker and 1,260,015 Tons of Cement during the period against 1,114,194 Tons of Clinker and 1,171,129 Tons of Cement in the corresponding period of last year. Overall there is a decrease of Clinker by 8.47% and Cement increased by 7.60% as compared to corresponding period of last year.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 603,415 Tons and 762,678 Tons respectively during the current period, against 655,440 Tons of Clinker and 736,868 Tons Cement respectively in the same period of last year. Clinker productions decreased by 7.94% and Cement production increased by 3.50% against corresponding period of last year.

Sales:

Group: The Group as a whole has sold 2,010,416 Tons of Cement during the period against 1,885,043 Tons of Cement in the corresponding period of last year. Overall there is an increase by 6.43%.

Parent Company: The Parent Company has sold 1,284,518 Tons of Cement during the current period against 1,151,917 Tons of Cement in the same period of last year, an increase of 11.51%.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, has sold 768,898 Tons of Cement against 738,188 Tons in the same period of last year, an increase by 4.16%.

Revenue and profit:

Group: During the period, the Group has earned a Revenue of RO 49.92 Million against RO 46.83 Million in the same period of last year, an increase by 6.60%.

The Profit Before Tax stood at RO 14.29 Million as against RO 12.18 Million in the same period of last year, an increase of 17.32%. The Group operating profit stood at RO 13.87 Million as against RO 13.21 Million in the same period of last year, an increase of 5.00%.

The Profit after Tax for the Group has stood at RO 12.91 Million against RO 10.96 Million an increase of 17.80%, during the corresponding period of last year.

Parent Company: In spite of the severe price competition from the UAE suppliers, and the volatility in the export market, the Parent Company has achieved the Sales Revenue of RO 35.37 Million during the current period against RO 32.05 Million during the last year, an increase by 10.36%.

Profit Before Tax of the Parent Company stood at RO 12.18 Million in the current period against RO 8.94 Million during the same period of last year, an increase by 36.24%.

The Profit after Tax for the Parent Company has stood at RO 10.8 Million against RO 7.86 Million, an increase of 37.40%, during the same period of last year.

Subsidiary company: During the period, the Sales Revenue, earned by Pioneer Cement, a subsidiary company amounted to RO 15.30 Million as compared to RO 14.89 Million achieved in the same period of last year, an increase by 2.75%.

Pioneer Cement has earned a profit of RO 2.47 Million as against RO 2.81 Million earned during the same period of last year, a decrease by 12.10%.

Other subsidiary companies: Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services incurred a profit of before tax of RO 0.01 Million and loss RO 0.37 Million respectively during the current period against profit of RO 0.38 Million and a profit of RO 0.05 Million in the same period of last year.

The major markets for the Parent company are domestic, Yemen and East African markets, and that for Pioneer, they are UAE and Oman markets. In southern Oman and southern Yemen markets, the Parent Company is the major player.

Capital Structure Change: During the period under review no capital restructuring like increase or reduction in capital or issue of bond has happened.

Future Outlook

Various cost reductions initiatives coupled with optimization of distribution of cement keeping market share and profitability in mind, would be the major area of attention in the coming years. With those internal initiatives the Company is hopeful to minimize the pressure to a great extent.

The management continuous to focus on the dynamic and competitive market for cement. The continued emphasis on operational excellence is an important factor to the continuous success of the company. The company has a strong management and a strong operational performance and will continue to strive on a strategy that focuses on the creation of long term value to all the stakeholders while ensuring sustainability in the operations.

Expansions:

The Parent Company's project with Barwaaqo Cement Company LLC in Somaliland, Berbara is under progress.

The construction of Duqm terminal is completed and currently the Parent company is processing all necessary formalities and commercial operation is expected within third quarter of 2016.

The Civil work for the New Packing plant (150 t/h Rotary packing machine with Auto truck loader) in Salalah started and expecting to commission the plant by end of October 2016.

As reported earlier, the work is in progress at Pioneer Cement for the additional capacity of 12,000 MT Silo with 4 compartments, commissioning will be end of November 2016.

The Parent company project for upgrading Parent Company Gas Supply Station at Salalah is under progress. The project shall be commissioned by early August' 2016. After which the Parent Company

will be able to get additional 40,000 SM3/day of gas. Upon project completion, the production capacity of cement shall be increased to about 130,000 – 140,000 MT/annum.

Investments:

The Company has been placing the surplus funds in Fixed Deposits from time to time out of the surplus generated both from Parent Company and its subsidiary in UAE, in order to take as much as possible advantage from these deposits.

Employees:

The Company is always on the lookout for professionally qualified staff members in the management to enrich its base, and is striving for training and development of employees for a sustainable growth focused organization. Group of employees were sent on training to various institutes both within and outside the country, apart from holding large number of in house training program.

Social Responsibility:

The Company does recognize its social responsibility and all important need for environmental protection. Maintaining pollution free environment as per international standards and continuously endeavoring to its improvement has been the guiding principles of your Company. The Company has become a Centre for many Institutions of higher learning and Technical Colleges to train their students under the guidance of our executives with practical hands on experiences.

Internal Control:

Internal control system is being regularly assessed by the Internal Audit Team as well as by the management.

Acknowledgement:

On behalf of the Board of Directors and on my personal behalf, I take this opportunity to express our deep sense of gratitude to His Majesty and His Government for their unstinted support and guidance. I would like to thank you for your support and confidence in us. I would also like to thank our associates, dealers, customers, the management team and all our employees for their loyalty, integrity contributions, commitment and continued support to the overall success of the Company.

Ahmed bin Yousuf bin Alawi Al Ibrahim
Chairman of the Board of Directors