



شركة ريسوت للاسمنت (ش.م.ع.ع)
Raysut Cement Company (S.A.O.G.)



Director report

For the first quarter ended 31 March 2016

Dear Shareholders,

It gives me pleasure to present the Financial Statements for the period first quarter ended 31 March, 2016 of the Company.

Review of operations and financial performance:

Production:

Group: The Group as a whole has produced 860,480 Tons of Clinker and 1,018,542 Tons of Cement during the current period against 882,388 Tons of Clinker and 989,188 Tons of Cement during the corresponding period of last year respectively. The overall production of Clinker went down by 2.48% and increased in Cement by 2.97% respectively.

Parent Company: The Parent Company in its Salalah plant produced 517,555 Tons of Clinker and 634,590 Tons of Cement during the period against 547,998 Tons of Clinker and 642,115 Tons of Cement in the corresponding period of last year. Overall there is a decrease of Clinker by 5.56% and Cement by 1.17% 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 342,925 Tons and 383,952 Tons respectively during the current period, against 334,390 Tons of Clinker and 347,073 Tons Cement respectively in the same period of last year. Clinker productions increased by 2.55% and Cement production increased by 10.63% against corresponding period of last year.

Sales:

Group: The Group as a whole has sold 1,017,252 Tons of Cement during the period against 972,224 Tons of Cement in the corresponding period of last year. Overall there is an increase by 4.31%.

Parent Company: The Parent Company has sold 644,504 Tons of Cement during the current period against 629,435 Tons of Cement in the same period of last year, an increase of 2.39%.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, has sold 390,537 Tons of Cement against 346,589 Tons in the same period of last year, an increase by 12.68%.

Revenue and profit:

Group: During the period, the Group has earned a Revenue of RO 25.29 Million against RO 24.43 Million in the same period of last year, an increase by 3.52%.

The Profit Before Tax stood at RO 8.86 Million as against RO 6.74 Million in the same period of last year, an increase of 31.40%. The Group operating profit stood at RO 8.38 Million as against RO 7.38 Million in the same period of last year, an increase of 13.41%.

The Profit after Tax for the Group has stood at RO 8.08 Million against RO 6.03 Million an increase of 34%, 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 17.73 Million during the current period against RO 17.51 Million during the last year, an increase by 1.26%.

Profit Before Tax of the Parent Company stood at RO 7.33 Million in the current period against RO 5.20 Million during the same period of last year, an increase by 40.96%.

The Profit after Tax for the Parent Company has stood at RO 6.52 Million against RO 4.54 Million, an increase of 43.61%, 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 7.81 Million as compared to RO 7.00 Million achieved in the same period of last year, an increase by 11.57%.

Pioneer Cement has earned a profit of RO 1.75 Million as against RO 1.35 Million earned during the same period of last year, an increase by 29.63%.

Other subsidiary companies: Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services incurred a loss before tax of RO 0.09 Million and RO 0.13 Million respectively during the current period against profit of RO 0.19 Million and a profit of RO 0.003

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 Berbera in Somaliland is in progress.

The construction of Duqm terminal is expected to be completed by end of April, 2016. This will ease supplies of cement for development in the area. Additionally, the Company is planning for 150 t/h Rotary Packing Machine with Auto Truck loader with additional attachment for palletized sling bag at Raysut Plant to provide larger and faster capability of packing cement in bags.

As reported earlier, the work is in progress at Pioneer for the additional capacity of 12,000 MT Silo, commissioning will be in 2016. These will add more storage capacity and will enable flexibility for higher productions.

The Parent company has signed an agreement for upgrading Parent Company Gas Supply Station at Salalah. The project shall be commissioning by June 2016. After which the Parent Company will be able to get additional 40,000 SM³/day of gas. This is subjected to acceptance from Ministry of Oil and 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