



شركة ريسوت للاسمنت (ش.م.ع.ع.)

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



Director report

For the six months period ended 30 June 2015

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to share with you the unaudited results of the Company and Group for the six months period ended June 30, 2015.

Review of operations and financial performance:

Production:

Group: The Group as a whole has produced 1,769,634 Tons of Clinker and 1,907,997 Tons of Cement during the period against 1,663,600 Tons of Clinker and 1,971,737 Tons of Cement during the corresponding period of previous year respectively. The overall production of Clinker went up by 6.37% and decrease in Cement by 3.23% respectively.

Parent Company: The Parent Company in its Salalah plant produced 1,114,194 Tons of Clinker and 1,171,129 Tons of Cement during the period against 1,072,604 Tons of Clinker and 1,250,999 Tons of Cement in the corresponding period of previous year. Overall there is an increase of Clinker by 3.88% and decreased in Cement by 6.38% as compared to corresponding period.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, the productions of Clinker and Cement stood at 655,440 Tons and 736,868 Tons respectively during the period, against 590,996 Tons and 720,738 Tons respectively in the same period of previous year. Clinker productions increased by 10.90% and Cement production increased by 2.23% against corresponding period.

Sales:

Group: The Group as a whole has sold 1,885,041 Tons of Cement during the period against 1,981,710 Tons of Cement in the corresponding period of last year. Overall there is a decrease by 4.87% .

Parent Company: The Parent Company has sold 1,151,917 Tons of Cement during the period against 1,295,000 Tons of Cement in the same period of last year, out of the operations in its Salalah plant, a decrease of 11.05%.

Subsidiary company: At Pioneer Cement, a subsidiary company, plant in UAE, has sold 738,186 Tons of Cement against 720,254 Tons in the same period of last year, an increase by 2.49%.

Revenue and profit:

Group: During the period, the Group has earned a Revenue of RO 46.825 Million, against RO 49.495 Million in the same period of the previous year, a decrease by 5.39%.

The Profit Before Tax stood at RO 12.179 Million as against RO 17.484 Million in the same period of the previous year, a decrease of 30.34%. The Group operating profit has decreased from RO 17.830 Million in the previous period to RO 13.213 Million in the current period i.e. a decrease by 25.89%. This is mainly due to the increase in natural gas price effective 1st January 2015 and increase in other costs.

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 out of its Salalah operation of RO 32.050 Million during the period against RO 35.606 Million during the corresponding period in the previous year, a decrease by 9.99%. Profit Before Tax of the Parent Company stood at RO 8.937 Million for the period against RO 15.165 Million earned during the corresponding period of last year, a decrease by 41%.

Subsidiary company: During the period, the Sales Revenue, earned by Pioneer Cement, a subsidiary company in UAE amounted to RO 14.889 Million as compared to RO 14.539 Million achieved in the same period of previous year, an increase by 2.41%. Pioneer Cement has earned a profit of RO 2.808 Million as against RO 2.849 Million earned in the same period of previous year, a decrease by 1.44%, in spite of the severe competitions faced by the company in the UAE and Oman markets.

Other subsidiary companies: Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services, have earned profits of RO 0.254 Million and RO 0.042 Million respectively during the period against profit of RO 0.465 Million and incurred a loss of RO 0.033 Million in the last year.

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

Expansions:

The Company is in the process of setting up of a 51% subsidiary in association with Barwaaqo Cement Company LLC in Somalia for supplying cement mostly to Somalia through a proposed terminal there.

The construction of Duqm terminal is underway to 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 at Salalah to provide larger and faster capability of packing cements in bags. The Company also is in the process of increasing the Silo capacity in Salalah plant and Pioneer to add flexibility to higher productions.

Investments:

The Company has been placing the surplus funds in Fixed Deposits from time to time out of the surplus generated both at Parent Company and at the end of its subsidiary in UAE.

Employees:

The Company is always on the look out 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.

The shareholders of the Company have approved RO.350,000 to be spend on donation during the current year.

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 bin Abdulla Al Ibrahim

Chairman of the Board of Directors