



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



Date:11/05/2014

Dear Shareholders,

Performance for the first Quarter ended on 31st March 2014

It gives me a pleasure to present the Financial Statements for the period ending on 31st March, 2014.

Economic Outlook and Performance:

Global economy is gradually strengthening with advanced economies like US and core Euro area are showing a growing trend, though the downside risks remains on output and demand gap as well as lower inflation in certain advanced economies. The emerging market, the major contributor to world growth, is still struggling with internal issues and is likely to stabilize with slower increase in growth compared with that in recent past. The world output for the year 2014 is likely to be increased to 3.6% in 2014 from 3% in 2013, while the global trade volume may increase to 4.3% from 3% during the same period. In the Middle East region, the growth in UAE is likely to remain stable around 4.5% while at Oman the latest Budget foresees a growth of 5%. However a potential threat of falling oil prices still remains, making a possible dent on existing surplus fund and eventual curtailment in public spending.

However the construction segment in the GCC is taking its positive vibration further with much larger outlays being planned in near future. In the first quarter itself the contracts worth \$40 Billion have been awarded across GCC countries and it is likely to touch \$150 Billion by the year end. Iraq is on a significant developmental spree with a possible award of contract valuing \$20 Billion during the year, GCC might benefit from it apart from various major projects slated for unveiling within GCC itself. So there are significant opportunities going forward in 2014 as well as in later periods.

UAE has assumed momentum with its growth in tourism, stability in real estate sector and higher capital inflow. A number of new projects have bolstered the infrastructural initiatives in Oman with larger outlay, backed by oil surpluses. Public spending is expected to go up by 5% during 2014 and 24% of which would relate to projects related investments. The construction industry is expected to grow at 6% during the year. The construction segment would get further boost from railway link, additional air ports, port cities and tourism infrastructure, going forward in the coming years.

However the full benefits from public spending on infrastructure slated towards the end of last year as well those initiated during the first quarter, could not be derived during the period due to continued competitions from UAE suppliers. The actual developments in UAE till now are still to absorb the local capacity reasonably, leading to a severe pressure on

demands and prices in Oman market during the quarter, which has impact on domestic sales. However the Yemen market has shown signs of improvements. The Company's strategy to expand its market base to Yemen, East Africa and to other countries has helped through rise in export, particularly in Yemen market. In this competitive environment Company's focus on its internal efficiencies has given benefits to its advantages.

Given the above background the Company has met with challenges effectively for the group as a whole by optimizing sales in varied markets and derived enhanced sales revenue and larger profit.

Production

The group as a whole has produced 857533 Tons of Clinker and 982384Tons of Cement during the period ended on 31st March 2014 against 790830 Tons of Clinker and 991858 Tons of Cement in the same period of previous year. The overall production Clinker went up by 8% and that for Cement went down by 1% respectively.

During the period 545102 Tons of Clinker was produced in Salalah Plant of RCC, against 538639 Tons produced in the same period of previous year, an increase of 1%.

The Company produced 629428 Tons of Cement in its Salalah Plant during three months, against 629342 Tons produced during the corresponding period in the previous year, with a marginal increase in production volume.

At Pioneer Cement Plant in UAE, a subsidiary, the productions of Clinker and Cement stood at 312431 Tons and 352956 Tons respectively during the period against 252191 Tons and 362224 Tons respectively in the same period of previous year. Clinker and productions increased by 24% and Cement production decreased by 3% at Pioneer plant. The needed shutdown for plant maintenance at Pioneer impacted the clinker production last year. The cement production is pitched in line with the sales made during the quarter.

Sales

The group as a whole has sold 991487 Tons of Cement (net off inter company adjustments) and 7384 Tons of Clinker during the quarter ended on 31st March, 2014 against 1020907 Tons of cement only (Clinker Nil) in the corresponding period of last year a decrease by 2%.

The Company has sold 650979 Tons of Cement and 7384 Tons of Clinker in the three month period of current year against 673919 Tons of Cement only in the same period of last year, out of the operations in its Salalah plant, a decrease of 2%.

In the first quarter of current year, Pioneer Cement has sold 355045 Tons of Cement against 369800 Tons in the same period of last year, a decrease of 4%. There was no sale of Clinker during the current and previous year in Pioneer.

Revenue & Profit

During the period ended on 31st March 2014, the group has earned a Revenue of RO 24.82 Million (net off inter company adjustments), as against RO 25.22 Million in the same period of the previous year, a decrease of 2%. The Profit before tax stood at RO 9.22 Million as against RO 9.13 Million in the same period of the previous year, a marginal increase. The group operating profit has increased from RO 8.97 Million in the previous period to RO9.61 Million i.e. by 7%. However the market gain from investment being significantly less during the current period, the Profit before tax has been impacted.

In spite of the severe price competition from the UAE suppliers, and the volatility in the export market, the Company has achieved the Sales Revenue out of its Salalah operation for OR 17.89 Million during the period of three months against RO 18.17 Million achieved during the corresponding period in the previous year, a decrease of 1.5%.

Profit before tax of the parent Company stood at RO 7.53 Million for the three month period, as against RO 8.0 Million earned during the corresponding period of last year, a decrease of 6%. The decrease in profitability is mostly attributable to lesser gain from marketable investment compared with last year. However, the operating profit has increased by 1% indicating the operational efficiencies.

During the period, the Sales Revenue, earned by Pioneer Cement amounted to RO 7.16 Million compared with RO 7.49 Million achieved in the same period of previous year.

Pioneer Cement has earned a profit of RO 1.54 Million as against RO 1.15 Million earned in the same period of previous year, in spite of the severe competitions faced by the company in the UAE and Oman markets.

Raybulk Navigation and Raysea Navigation, two of our subsidiaries which provide with shipping services, have earned profits of RO 0.23 Million and incurred a loss RO 0.07 Million respectively during the period of three months ending on 31st March 2014. The out of service due to dry dock and additional repair maintenance cost led to loss being incurred by Raysea during the period. In the first quarter of previous year Raybulk and Raysea earned a profit of RO 0.05 Million and a loss of RO 0.07 Million respectively.

Acknowledgement

Before I conclude, 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 contributions and continued support.

Sh. Ahmed bin Alawi bin Abdulla Al Ibrahim
Chairman of the Board of Directors