



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



Performance for the first Quarter ended 31 March 2015

Dear Shareholders,

It gives me a pleasure to present the Financial Statements for the period ended 31 March, 2015.

Performance:

The quarter ended 31st March 2015, has been very challenging compared with any of the previous quarters in the recent past. Gas is a significant component of cost and the price doubled beginning the year. The transportation cost is on the rise due to restrictions on tonnage and the cascading effects of all have significant bearing on the cost of the product. In addition, the disturbances in Yemen, one of our main export markets, have its bearing on sales volume. Given the situation, the company has done extremely well in the first quarter to reach a level of revenue which is close to that of the previous year. By positioning the products in appropriate markets the average price realization has been improved neutralizing the effect of cost increase to an extent. By engaging in higher productivity drive, the onslaughts of cost rise could be minimized to an extent possible. In a highly competitive environment, the customers are not keen to support the corresponding increase in prices driven by cost escalations. On the other hand the severe competition from the UAE suppliers is continuing. Considering the above situation the Company has performed well during the quarter ended 31st March, 2015.

Production

The Group as a whole has produced 882,388 Tons of Clinker and 989,188 Tons of Cement during the period ended on 31 March 2015 against 857,533 Tons of Clinker and 982,384 Tons of Cement in the corresponding period of previous year respectively. The overall production Clinker went up by 2.9% and that for Cement went up by 0.69% respectively.

The Parent Company in its Salalah Plant produced, 547,998 Tons of Clinker and 642,115 Tons of Cement during three months ended 31 March 2015. This is against 545,102 Tons of Clinker and 629,428 Tons of cement in the corresponding period of previous year. Overall production an increase of 0.5% in clinker and 2% in cement as compared to corresponding period in the previous year.

At Pioneer Cement Plant in UAE, a subsidiary, the productions of Clinker and Cement stood at 334,390 Tons and 347,073 Tons respectively during the period, against 312,431 Tons and 352,956 Tons respectively in the same period of previous year. Clinker productions increased by 7% and Cement production decreased by 1.67% at Pioneer plant.

Sales:

The group as a whole has sold 976,019 Tons of Cement and 3,958 Tons of Clinker during the quarter ended on 31 March, 2015 against 1,006,024 Tons of cement and 7,384 Tons of Clinker in the

corresponding period of last year a decrease by 2.98% in cement and 46.4% in clinker. This is after adjustment of inter-company sale of 3800 Tons (last year: 14537 Tons).

The Parent Company has sold 629,435 Tons of Cement and 3,958 Tons of Clinker in the three month period of current year against 650,979 Tons of Cement and 7,384 Tons of Clinker in the same period of last year, out of the operations in its Salalah plant, a decrease of 3.31% in cement and 46.40% in clinker.

In the first quarter of current year, Pioneer Cement has sold 346,584 Tons of Cement against 355,045 Tons in the same period of last year, a decrease of 2.38%. There was no sale of Clinker during the current and previous year in Pioneer.

Revenue & Profit

During the period ended on 31 March 2015, the Group has earned a Revenue of RO 24.43 Million (net off inter company adjustments), as against RO 24.82 Million in the same period of the previous year, a decrease of 1.57%. The Profit before tax stood at RO 6.74 Million as against RO 9.22 Million in the same period of the previous year, a decrease of 26.86%. The Group operating profit has decreased from RO 8.23 Million in the previous period to RO 6.02 Million i.e. a decrease by 26.76%. This is mainly due to the increase in natural gas price by the Government of Sultanate of Oman at \$3 per MMBTU in place of \$1.5 MMBTU effective 1st January 2015 and increase in other costs.

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 for RO 17.51 Million during the period of three months against RO 17.89 Million achieved during the corresponding period in the previous year, a decrease of 2.12%.

Profit before tax of the Parent Company stood at RO 5.2 Million for the three month period, as against RO 7.53 Million earned during the corresponding period of last year, a decrease of 31%.

During the period, the Sales Revenue, earned by Pioneer Cement amounted to RO 7.0 Million compared with RO 7.16 Million achieved in the same period of previous year, a decrease of 2.23% ,

Pioneer Cement has earned a profit of RO 1.36 Million as against RO 1.54 Million earned in the same period of previous year, a decrease of 11.69%, in spite of the severe competitions faced by the company in the UAE and Oman markets.

Raybulk Navigation and Raysea Navigation, two of the subsidiaries which provide with shipping services, have earned profits of RO 0.12 Million and RO 0.001 Million respectively during the period of three months ended on 31 March 2015. In the first quarter of previous year Raybulk and Raysea earned a profit of RO 0.23 Million and incurred a loss of RO 0.07 Million respectively.

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.

Capital Structure Change:

During the current and last year under review no capital restructuring like increase or reduction in capital or issue of bond has happened.

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 now. It is hoped to complete within 2015. As a major cost reduction initiative the Company has imported on shore wheel loader enabling simple non-pneumatic vessel to carry our cement to North at a cheaper rate. This is operational now during the quarter with certain testing still to be made. This would provide more flexibility during the year and in the coming years. Additional automated packing plant is under erection in both at Salalah and Pioneer to provide larger and faster capability of packing cements in bags. There has been cooler upgrade in Pioneer and various productivity improvement measures taken in both the plants which would enable cost reduction and increase in productivity going forward. The company also is in the process of increasing the Silo capacity in Salalah Plant and at 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.

In order to reap the benefits of larger synergy amongst its constituents and to gear up for a highly competitive environment of tomorrow, the Company's initiative on restructuring group strategy has enabled more free flow of information and movement of people amongst the constituents entities. Also the company has added to its strength of local employees at various levels in tune with the needs of the hour.

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. As a part of this initiative, the company has spent considerable amount of fund in initiating actions to reduce pollution below the level of international standards by adopting latest technological developments.

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:

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.

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