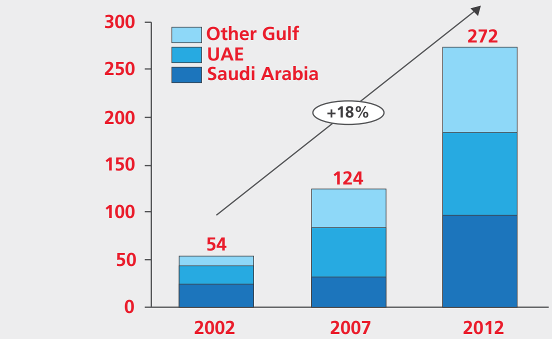
SOHAR PORT/FREEZONE

FUTURE OPPORTUNITIES FOR FURNITURE

The Middle East has seen rapid economic growth and a construction boom: one product sector that has particularly benefited from these trends is household furniture.

In 2012, the Gulf region imported 272,000 TEU of furniture, worth approximately USD $4.7 billion. These volumes have doubled since 2007, when total imports were 124,000 TEU, and have increased about 5x from only ten years ago. There are two major markets in the region – the UAE and Saudi Arabia, with many of the volumes into Saudi Arabia and the rest of the Gulf currently being controlled by traders in the UAE. However, SOHAR's location provides ideal access to the Saudi Arabian market, positioning the Port and Freezone as a potential hub for trading activity.

Gulf furniture imports
TEU (000's)



Furniture imports have grown to become a major import sector over the past ten years, with an average compound annual growth rate of 18%. This growth is broad-based, and clearly visible in Saudi Arabia, the UAE, and throughout the Gulf region.

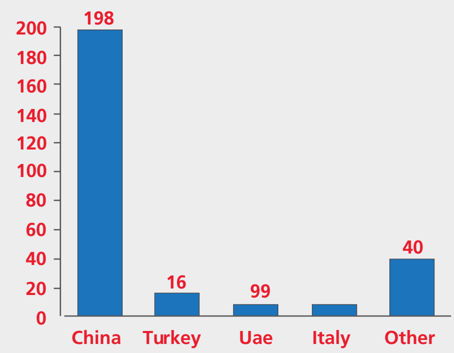
Source: Seabury Ocean Trade Database

Faster distribution

China is by far the largest source for Gulf furniture imports. Today, many of these goods are first imported to the UAE, then distributed to Saudi Arabia and other Gulf countries. Currently, there is a road scheduled for completion in 2014 that would directly connect SOHAR to Saudi Arabia, which when completed would represent the fastest and cheapest connection to Riyadh and Jeddah.

This direct road link would avoid the UAE-Saudi border crossing, which can suffer from severe congestion (4-10 days of congestion during peak and holiday seasons). Trucking rates to Saudi Arabia can be expected to be lower than those from the UAE. An added benefit of SOHAR 's location is its close proximity to the UAE, the region's second biggest market – it's only a 2.5-hour drive away.

Furniture imports to Gulf - 2012
TEU (000's)



Source: Seabury Ocean Trade Database

Advantage SOHAR

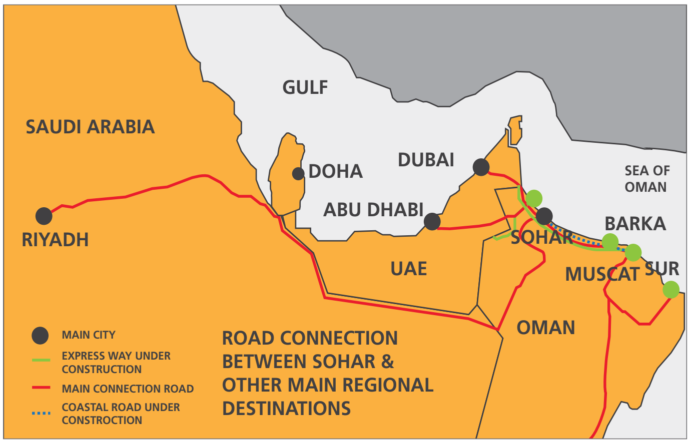
SOHAR Freezone has appealing conditions for traders, distributors and manufacturers. Warehousing costs are competitive and smaller players will be able to sublease warehousing space while still operating with 100% ownership.

- **Captive Omani market, with limited competition** in contrast to the UAE, where there is stiff competition within the free zones and local market
- **Professional and experienced Freezone and Port team through Port of Rotterdam** connection. With a high quality management team in place development will proceed as planned
- **100% foreign ownership** for Freezone tenants
- **Duty-free imports** in the Freezone
- **Tax holidays** for up to 25 years in the Freezone
- **Low local labour requirements** with up to 85% overseas workforce allowed
- **Low capital requirements,** with only OMR 20,000 required to set up a company in the Freezone
- **Lower cost of living** compared to the UAE
- **One-Stop-Shop service** in the Freezone limits the bureaucracy that tenants have to face, and improves the ease of doing business

Reaching new markets faster

SOHAR Port and Freezone is within easy reach of the booming economies of the Gulf and the Indian subcontinent while avoiding the additional cost of passing through the Strait of Hormuz.

Planned expressways allow distributors to reach Saudi Arabia and bypass the congested UAE-Saudi Arabia border crossing, not only decreasing transport time and costs, but also improving schedule reliability (during peak seasons and holidays, delays at the border can run up to 4-10 days). Also the upcoming rail network will connect SOHAR Port and Freezone directly with Muscat, Dubai and Abu Dhabi connecting tenants with major consumer markets.



Competitive rates and resources

	SOHAR	Jebel Ali	DWC	Hamriyah	KIZAD	RAK
Power (US$/kWh)*	0.04	0.09	0.09	0.12	0.04	0.11
Open land (US$/sqm)*	7.00	5.44 - 21.78	5.44 - 10.98	6.81 - 10.89	2.72 - 6.81	9.53 - 13.61
Registration FZ company (US$)*	2,700 - 4,100	4,100	Free	2,500	1,400	1,900
General trade license (US$)*	7,800	8,200	Not available	3,300	1,400	4,100

**All US$ costs subject to possible exchange rate fluctuations*

Source: SOHAR Port and Freezone

Traders in the UAE have already taken advantage of the country's geographic proximity to Saudi Arabia to capitalize on growing demand there. The same opportunity exists in SOHAR, where the cost of doing business is competitive with the UAE. SOHAR is equal to or cheaper than Jebel Ali in all cases, and competitive with other free zones in the UAE across all categories. Power costs in SOHAR are about half of what they are in most competing free zones, and approximately equal to KIZAD while SOHAR's Freezone offers readily available, affordable and competitively priced land. SOHAR also benefits from lower terminal handling charges (THC) relative to Jebel Ali.

	20' Laden	40' Laden
SOHAR import THC (USD)	$104	$142
Jebel Ali import THC (USD)	$187	$296
SOHAR advantage (USD)	$83	$154

These indicative THC rates are for February 2014. Please note that these values will change over time, can vary by carrier, and do not represent a full costing of all landside charges.