GROWING REGIONAL OPPORTUNITIES FOR GRAINS

The regional market for grains is a promising one. Saudi Arabia and Iran are both heavy importers of grains, collectively importing over 20M tonnes of grains in 2012.

Iran is a particularly interesting market, because while most countries source grains directly from the source, Iran imports significant quantities of re-exported grains from the UAE. In 2011, Iran imported 379k tonnes of grains from the UAE, accounting for about 7% of total grain imports that year.

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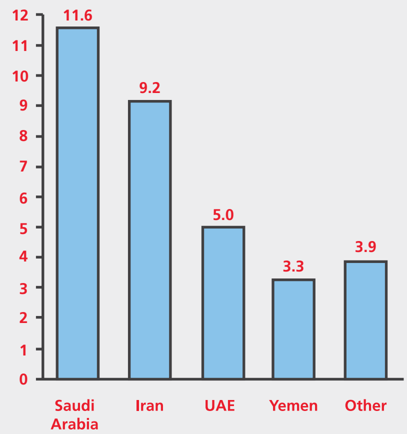
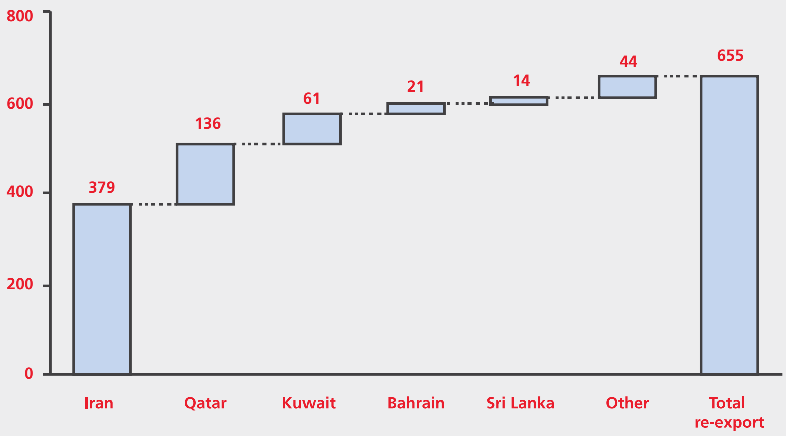
Grain imports by importing country - 2012
Tonnes (M)



Unsurprisingly, the Gulf imports massive quantities of grains. The two biggest importers are Saudi Arabia and Iran.

Source: Seabury Ocean Trade Database

UAE re-export flow - grains
2011 weight in metric tons (000's)



While grains are typically bulk-shipped to their final destination, the UAE re-exports fairly high volumes of grains, especially to Iran.

Source: UAE customs data

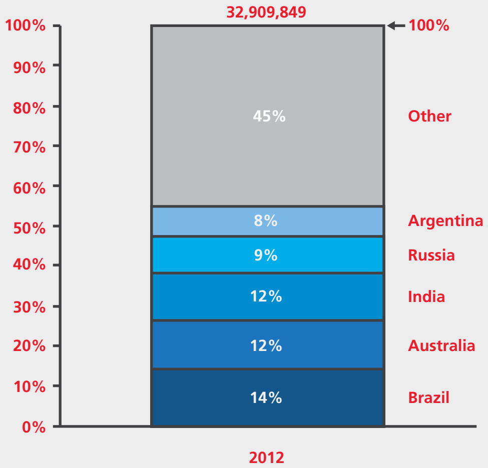
Ideally situated to reap rewards

SOHAR's proximity to these large markets, as well as the Port's modern infrastructure, should make it economical to re-export grains from the Port. SOHAR's deep-water Port can easily accommodate vessels (and even larger vessels), creating economies of scale for large traders. The dedicated agrocommodities berth is equipped to load/unload grains at 600 tonnes/hr, which is competitive with regional and international competitors.

Supporting large and small traders

The proximity of SOHAR to large regional markets increases a trader's flexibility and ability to respond to market conditions. Rather than having to bring in grains from countries such as Brazil, Australia, or Russia, which can take weeks, traders will be able to respond to local demand in a matter of days. Smaller traders should also be able to capitalize on the high regional demands for grains as well. SOHAR's closeness to the Iranian market offers traders and food processing companies huge potential due to the size of the population and its value as an import and export destination. Furthermore, SOHAR will be home to the countries' strategic grain reserves. Linked to the strategic grain reserves, Oman Flour Mills is developing a flourmill for wheat flour, whole meal flour, semolina, wheat bran, and wheat germ, creating downstream opportunities for foodstuff producers. The flourmill will scale up from 500 metric tonnes/day, with a maximum capacity of 1800 metric tonnes/day.

Top trading gulf partners - 2012 grain imports Tonnes (M)



Source: Seabury Ocean Trade Database

Sourcing grains from each of these countries requires quite a bit of lead time. The table below shows the lead time from each country:

Source country	Time required to reach the Gulf
Brazil (Santos)	33 days
Australia (Melbourne)	23 days
India (Nhava Sheva)	4 days
Russia (Novorossiysk)	15 days
Argentina (Buenos Aires)	34 days

Notes: Assumes steaming at 12kts; Jebel Ali port used as reference point for distance/time calculation

Sources: Distances based on information from portworld.com

Advantage SOHAR

SOHAR Freezone has appealing conditions for traders, distributors and food processing companies. 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

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 and affordable, 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.