SOHAR PORT/FREEZONE

FORGING OPPORTUNITIES IN IRON AND STEEL

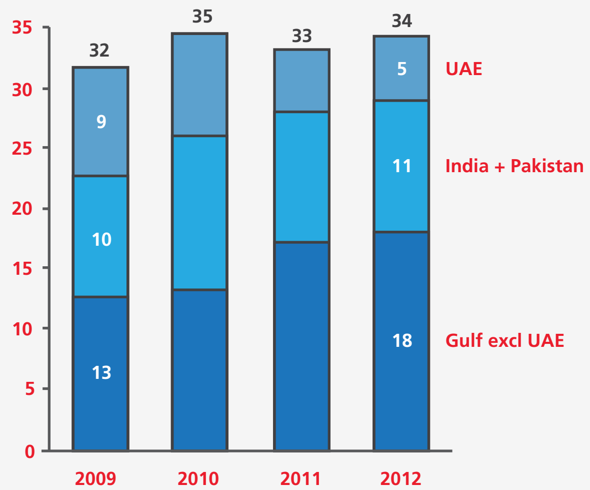
There is strong demand in the Middle East and Indian Subcontinent for semi-manufactured iron and steel products. This includes a wide range of goods, including hot/cold rolled alloy and non-alloy steel, iron bars, iron ingots, and others.

In 2012, the Gulf region, India and Pakistan collectively imported 34 million tonnes of semi-manufactured iron and steel, representing roughly 13% of global demand and USD $27B. Imports of metal ores accounted for an additional 59 million tonnes. This has traditionally been a major growth industry in the region, growing with a 12% CAGR over the past decade.

Since the financial crisis, demand has weakened in the UAE, but has rebounded in other countries in the Gulf and Indian Subcontinent, growing with a roughly 3% CAGR since 2009.

> **Iron and Steel has been a major growth industry in the region, growing with a 12% CAGR over the past decade.**

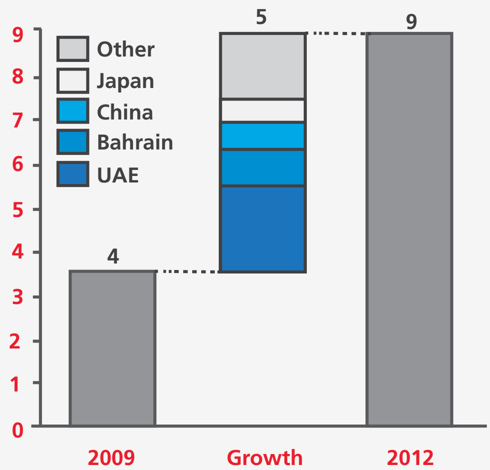
Semi-manufactured iron and steel imports Tonnes (M), 2012



Since 2009, overall demand growth for semi-manufactured iron and steel in the Gulf and Indian Subcontinent has shown modest growth. If the UAE is excluded, volumes have grown from about 23M tonnes in 2009 to 29M tonnes in 2012, which represents an 8% CAGR.

Source: Seabury Ocean Trade Database

Saudi imports, semi-manufactured iron and steel Tonnes (M), 2012

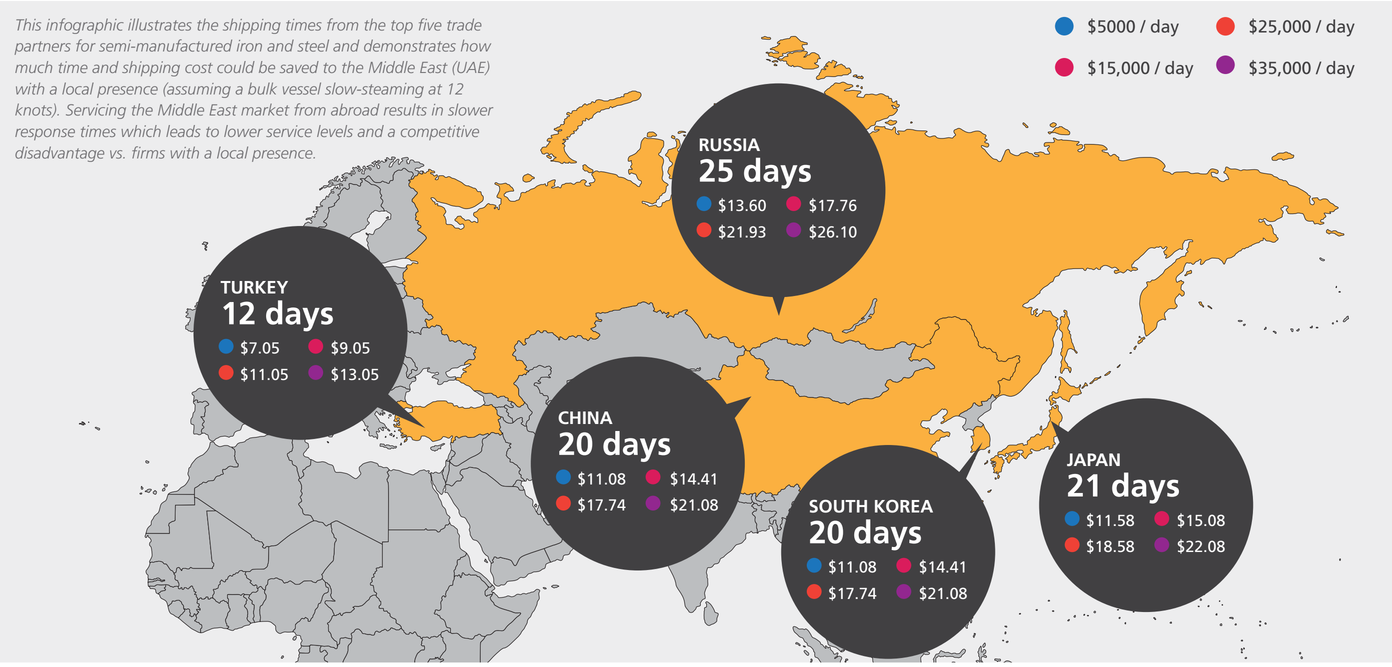


The biggest driver of this growth has been Saudi Arabia, which grew from 3.5M in 2009 to 8.9M tonnes in 2012.

Meeting regional demand in SOHAR

The vast majority of semi-manufactured iron and steel products are imported from abroad instead of being manufactured within the region. The top five trade partners for these products are Russia, China, South Korea, Turkey, and Japan.

However, demand in the Middle East is significant enough to justify a greater regional manufacturing footprint, which would enable faster customer response times and reduce logistics cost. SOHAR is well-situated to serve regional markets with major Saudi Arabian cities (Riyadh and Jeddah) reachable by truck in 4-6 days, and SOHAR's location outside the Strait of Hormuz provides some advantages for targeting the Indian and Pakistani markets.



Source: Seabury Analysis
Approximate savings (USD / tonne shipped) at various daily hire rates, Panamax vessel
Ultimately, the benefits of greater proximity to customers in a fast-growing region should be the primary draw for companies in this sector. But the additional savings in logistics are real and come as an added benefit.

Built for iron and steel

SOHAR is a strong candidate as a location to develop and invest in regional manufacturing of iron and steel. While providing easy access to markets in the Middle East and Indian Subcontinent, manufacturing costs are likely to be lower than other free zones in the Gulf region. Given the nature of the industry, raw materials and energy comprise the vast majority of total manufacturing cost. Iron ore and other raw materials for iron and steel production are easily accessed from SOHAR because of a great deep-water port. SOHAR also offers very competitive power costs with power half as expensive in SOHAR as in Jebel Ali, for example.

Source country	$5,000 / day	$15,000 / day	$25,000 / day	$35,000 / day
Brazil	$8.22	$11.73	$15.24	$18.74
Australia	$4.59	$6.43	$8.27	$10.12
South Africa	$5.72	$8.09	$10.45	$12.81

Source: Seabury Analysis
Approximate savings (USD / tonne shipped) at various daily hire rates, Capesize to/from Sohar vs. Panamax to/from Jebel Ali
Jebel Ali's draft limitations are fairly typical of ports in the Persian Gulf, and so the estimates above can be generalized beyond just Jebel Ali.

	SOHAR	Jebel Ali	DWC	Hamriyah	KIZAD	RAK
Power (USD / kWh)	0.04	0.09	0.09	0.12	0.04	0.11

Source: SOHAR Port and Freezone

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