SEABURY REPORT
THE NEW GATEWAY TO THE GULF
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Situated in the Middle East, about two hundred kilometres from Muscat, SOHAR is one of the world’s largest port and Freezone developments. A powerful combination of the vision of the Government of Oman and the expertise of Port of Rotterdam.

SOHAR has all of the ingredients to position businesses for success. From SOHAR, businesses can gain access to key regional markets, develop manufacturing on the back of readily available feedstock material, take advantage of good port infrastructure to access global markets and resources, and enjoy a convenient business operating environment in the well-managed and growing Freezone and Port. Each of the sections below expands on these ingredients.

Close to key markets

Markets and trade volumes in the Middle East and Indian Subcontinent are growing rapidly, propelled by a fast growing population and strong underlying economic growth fundamentals. These factors have driven increased consumer spending, which has translated into strong growth in consumer and household goods, such as white goods, furniture, and automobiles. Significant growth has also come from the development of manufacturing in the region, which has driven trade growth in raw materials and semi-manufactured goods. Many manufacturing sectors take advantage of the Middle East’s unique advantages – cheap energy and petrochemical feedstocks. These factors together have generated strong growth in manufacturing of metal products, plastics, chemicals, construction materials, and numerous other products. In any of these sectors, whether it is in manufacturing goods for industrial clients in the region, or distribution and trading of consumer goods, access and proximity to customers represents a competitive advantage. SOHAR’s position just outside the Strait of Hormuz is very well-suited to serving the Indian market and Upper Gulf, as well as reaching the Saudi Arabia over land.

Imports into the region have come to account for over 10% of global trade, which exceeds the total volume of imports into Western Europe.

Source: Seabury Ocean Trade Database
A number of raw materials are already present in SOHAR Port and Freezone, creating compelling downstream opportunities.

For metal products, a number of companies are already established, such as Vale (iron ore) and Sohar Steel (basic steel products, such as billets or rebar). Several ferro-alloy manufacturers have also established themselves in SOHAR, providing additional benefit to steel manufacturers. In addition to iron and steel, two aluminium plants have been established in SOHAR, run by Sohar Aluminium (20% owned by Rio Tinto Alcan) and Oman Aluminium Rolling Company.

Sohar Aluminium is a primary aluminium smelter and produces metals in ingots, sows, and hot metal (for downstream partners), while Oman Aluminium Rolling Company has established a light gauge sheet rolling facility. In fact, SOHAR’s Freezone has been allocated downstream industries, with plans to sell up to 60% of annual production capacity to local downstream industries.

For plastics and other chemicals, there are numerous downstream opportunities as well. The existing oil refinery in Oman, operated by Orpic (Oman Oil Refineries and Petroleum Industries Company) produces 116,000 bpd, and is currently undergoing a $1.5B expansion, called the Sohar Refinery Improvement Project, to add an additional 60,000 bpd of capacity and improve the quality of its chemical byproducts. Orpic also operates a refinery in Muscat, with a 266 km pipeline delivering chemical feedstock to SOHAR. Other than fuel products, the refinery in Sohar also produces significant volumes of naphtha and propylene, which serve as feedstock for an adjoining aromatics and polypropylene plant. The aromatics plant has the capacity for 818,000 tonnes/yr of paraxylene and 198,000 tonnes/yr of benzene. Other byproducts of the aromatics plant include light straight run naphtha, liquid petroleum gas, raffinate, and heavy aromatic. The polypropylene plant produces 340,000 tonnes/yr.

Opportunities also exist in grain trading and the manufacture of bakery products, with SOHAR in the process of developing silos for a strategic grain reserve in the port area, which is forecast to turn over 600,000 tonnes of grain each year. Some of these volumes will go towards the local Omani market, but a large portion of these volumes will end up on the international market. Other than the grain reserve, 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.

Lastly, one of SOHAR’s key advantages is the low cost of energy, even by standards in the Middle East. For example, energy in SOHAR is about half as expensive as in Jebel Ali.

Good port infrastructure

SOHAR has one of the deepest drafts in the Middle East (even up to 23 meters), allowing manufacturers to realize scale savings with larger ships. In addition, travel time can be reduced by a day or more by avoiding the Strait of Hormuz. Experienced terminal operators ensure efficient operations, with Oman International Container Terminal (part of the Hutchinson Port Holdings group) managing container operations and C. Steinweg providing bulk handling. While Oiltanking Odfjell Terminals Oman (OOT), one of the world’s leading storage and handling companies offers a diverse and flexible terminal facility for petroleum products, chemicals and gases.

The rapidly rising development of SOHAR Port and Freezone

The closure of commercial shipping at the Port of Sultan Qaboos, and the consolidation of its port volumes in SOHAR is a game-changer for the Port: there will be an immediate boost in SOHAR’s connectivity, significantly improving logistics for companies in SOHAR that rely on container services.
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 by road and rail 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

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

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.

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<thead>
<tr>
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<th>20' Laden</th>
<th>40' Laden</th>
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<tbody>
<tr>
<td>SOHAR import THC (USD)</td>
<td>$104</td>
<td>$142</td>
</tr>
<tr>
<td>Jebel Ali import THC (USD)</td>
<td>$187</td>
<td>$296</td>
</tr>
<tr>
<td>SOHAR advantage (USD)</td>
<td>$83</td>
<td>$154</td>
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</table>

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.