



شركة اليمامة للصناعات الحديدية  
Al Yamamah Steel Industries Company



# Annual Board Report For the Results of the Fiscal Year 2022

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## Annual Board Report of Al Yamamah Steel Industries Company For the Fiscal Year Ended September 30, 2022

### To the respected shareholders of Al Yamamah Steel Industries Company

Peace be upon you and God's mercy and blessings

The Board of Directors is pleased to submit to the shareholders its annual report on the performance of Al Yamamah Steel Industries Company (the Company) and the consolidated audited financial statements (of the Group) for the fiscal year ended September 30, 2022, which includes its financial statements and the financial statements of the subsidiary (Al Yamamah Company For Reinforcing Steel Bars), which includes the auditor's report, the statement of financial position, the statement of income, statement of cash flows and the statement of changes in Shareholders equity and the accompanying notes to the financial statements for the year ended compared with the previous fiscal year.

The company is characterized by the service of the construction sector through its activity and the activity of the subsidiary in manufacturing of steel products, which includes steel towers and reinforcing steel bars, service of the electricity and telecommunications sector through the production of poles and steel masts for the distribution of electrical energy and streets lighting and the production of steel towers to transfer the electric power and antennas carrier in the field of communications, and service of the renewable energy sector by producing steel artifacts for solar energy tracking systems.

## Vision

To build a visionary institution and become the leader in the metal business in Middle east and North Africa, leveraging on synergies and values while ensuring an enduring commitment to the community.

## Mission

Stakeholders: Maximizing the values for our stakeholders and enhance investment attractiveness.

Financial: Enhance performance across all financial parameters and be cost conscious and mindful of risks.

Customer: Maintain mutually beneficial relation ships by offering value for money and responding to customer needs.

Innovation: Challenge the status quo and encourage continuous development.

Individuals: Build a great place to work and help people to achieve their full potential.

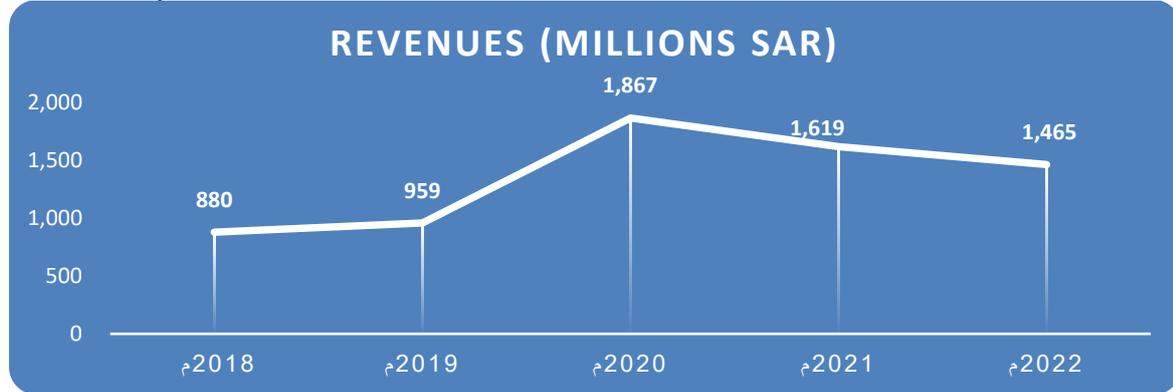
**Firstly:**

**General Performance of Al Yamamah Steel  
Industries Company  
During the Fiscal Year 2022**

## 1. The company's performance during the fiscal year 2022:

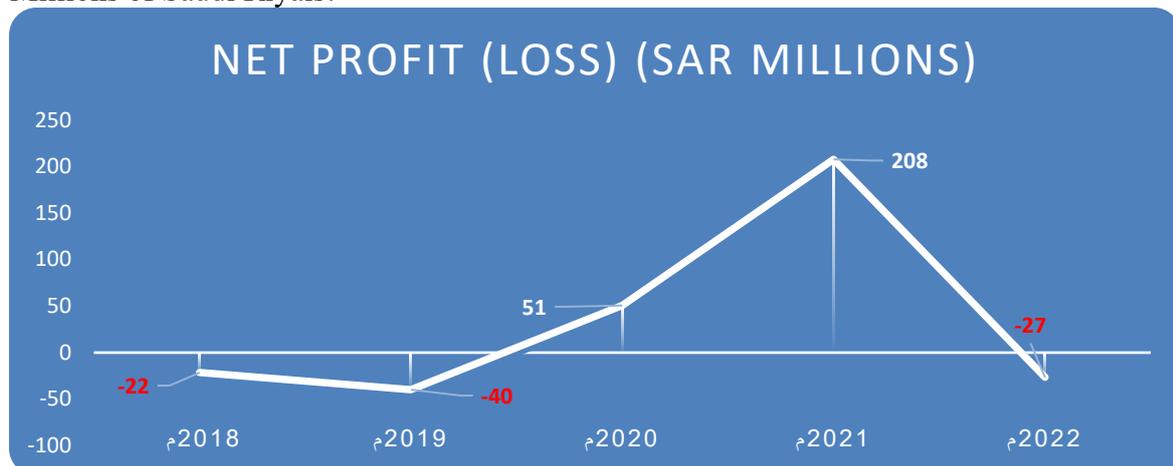
The company's revenues for the fiscal year ended September 30, 2022 decreased by 9.5% from SAR 1,619 million to 1,465 million compared to the previous fiscal year accompany by a decrease in the sold quantities by 30%.

The following chart shows the consolidated revenues for the years (2018-2022) in Millions of Saudi Riyals:



For the financial year ended 30 September 2022 the company achieved a net loss of SAR (26.66) million compared to a net profit of SAR 207.83 million for the previous fiscal year, and this result is due to an increase in the cost of raw materials for the construction and electricity sectors by (66%) and (38%) respectively, in addition to a decrease in the quantity of sales by (36%) and (12%) for the construction and electricity sectors respectively and selling prices drop as a result from the sharp downturn of the steel price globally, starting from the second quarter of 2022 to the end of the year, as a result of the repercussions of the Russian and Ukrainian war and its impact on the economies of the world, this has negatively affected the demand for steel products locally and confusion in the supplies of projects and the award of new projects. Moreover the increase in financing costs by 96% compared to the previous year was negatively contributed by higher interest rates on lending globally

The below chart shows the company's net profit (loss) for the last five years in Millions of Saudi Riyals:



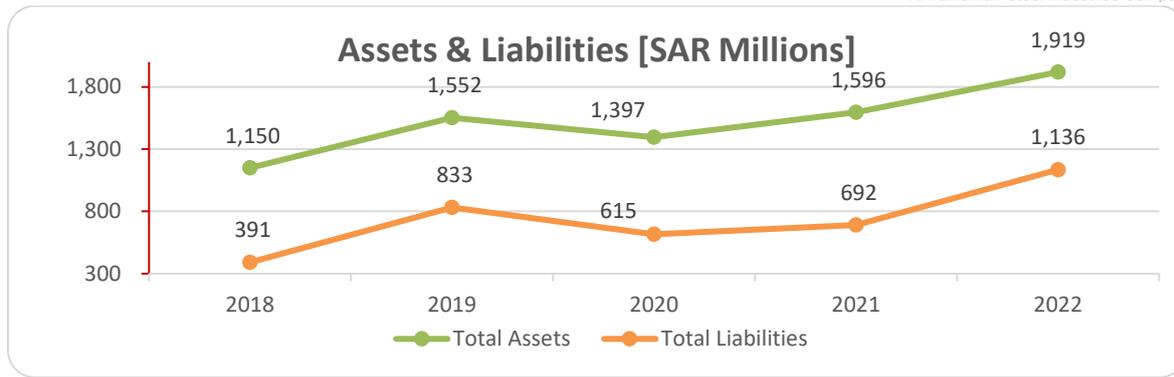
Summary of the company's consolidated balance sheets for the last five years  
(in thousands of Saudi Riyals):

Statement	2022	2021	2020	2019	2018
Current assets	1,377,968	1,115,788	909,613	1,074,370	678,222
Non-current assets	541,462	480,632	487,279	477,754	471,905
<b>Total Assets</b>	<b>1,919,430</b>	<b>1,596,420</b>	<b>1,396,892</b>	<b>1,552,125</b>	<b>1,150,127</b>
Current Liabilities	1,051,740	608,689	521,032	752,269	320,348
Non-current liabilities	83,852	83,034	94,440	80,247	70,657
<b>Total Liabilities</b>	<b>1,135,592</b>	<b>691,723</b>	<b>615,472</b>	<b>832,516</b>	<b>391,005</b>
Total Shareholders Equity	646,542	763,331	642,520	592,255	632,949
Minority interests	137,296	141,366	138,900	127,354	126,173
<b>Total Liabilities and Equity</b>	<b>1,919,430</b>	<b>1,596,420</b>	<b>1,396,892</b>	<b>1,552,125</b>	<b>1,150,127</b>

Total current assets increased during the year 2022 by 23% compared to the year 2021, mainly due to the increase in inventory balances to secure production materials for the contracted projects, and the total current liabilities during 2022 increased by 73% compared to the year 2021, mainly due to the increase in short-term loan balances to finance the purchase of raw materials for contracted projects in the electricity sector.

During the year 2022, shareholders equity decreased by (15%) compared to the year 2021 as a result of the decrease in the balance of retained earnings by the result of the net loss for the year 2022 and the distribution of cash dividends to the shareholders of the company for the second half of the fiscal year 2021 and for the first half of the fiscal year 2022, where these distributions were approved and paid during the fiscal year 2022.

The following chart shows the comparison of total assets and total liabilities for the last five years (in Millions of Saudi Riyals):



The following table shows the net book value per share for the last five years:

Year ended September 30	Total shareholders' equity (thousands of Saudi Riyals)	Book value per share (SAR)	Change from previous year	Percentage change from previous year	Status of change from previous year
<b>2022</b>	646,542	12.73	-2.3	-15%	decrease
<b>2021</b>	763,331	15.03	2.38	19%	increase
<b>2020</b>	642,520	12.65	0.99	8%	increase
<b>2019</b>	592,255	11.66	-0.80	-6%	decrease
<b>2018 (Revised)</b>	632,949	12.46	-0.92	-7%	decrease

The following table shows the results of the group's operation results for the last five years (in thousands of Saudi Riyals):

Statement	2022	2021	2020	2019	2018
Sales	1,464,976	1,619,027	1,867,420	959,275	879,528
Cost of revenue	(1,386,819)	(1,254,854)	(1,665,749)	(925,891)	(823,712)
<b>Total Profit</b>	<b>78,157</b>	<b>364,173</b>	<b>201,671</b>	<b>33,384</b>	<b>55,816</b>
Selling and distribution expenses	(18,068)	(25,311)	(43,527)	(19,125)	(16,923)
General and administrative expenses	(47,946)	(49,959)	(46,776)	(41,650)	(44,154)
<b>Profit from operations</b>	<b>12,144</b>	<b>288,903</b>	<b>111,368</b>	<b>(27,391)</b>	<b>(5,261)</b>
Gain/loss on financial assets valued at fair value	2,775	393	-	-	-
Provision for credit losses and onerous contracts	5,757	(8,603)	-	-	-
Financing costs	(26,076)	(13,310)	(21,782)	(19,446)	(10,759)
Other income	1,754	1,552	463	15,904	1,092
<b>Net Income Before Zakat and Non-Controlling Interests</b>	<b>(3,646)</b>	<b>268,935</b>	<b>90,049</b>	<b>(30,933)</b>	<b>(14,928)</b>
Zakat	(13,367)	(24,392)	(14,103)	(7,530)	(7,144)
<b>Net income before non-controlling interests</b>	<b>(17,013)</b>	<b>244,543</b>	<b>75,946</b>	<b>(38,463)</b>	<b>(22,072)</b>
Non-controlling property rights	9,643	36,711	25,290	1,412	547
<b>Net Profit/Losses</b>	<b>(26,656)</b>	<b>207,832</b>	<b>50,656</b>	<b>(39,876)</b>	<b>(21,525)</b>

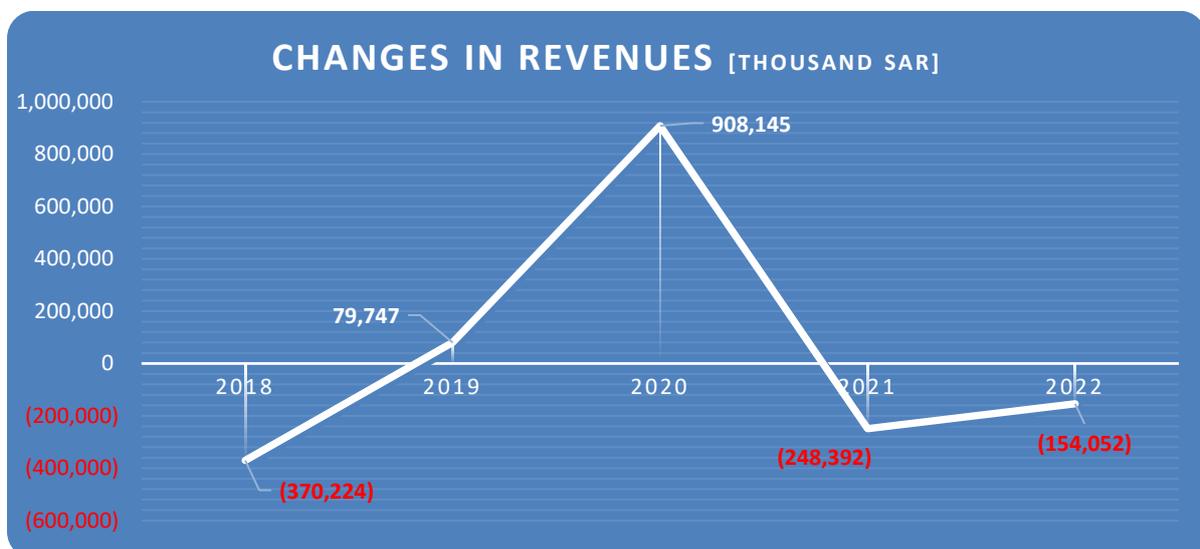
**Items that will not be classified as profit or loss items (thousands of Saudi riyals):**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Remeasure employee benefits obligations	(1,196)	2,010	(385)
<b>Total comprehensive income</b>	<b>(18,209)</b>	<b>246,553</b>	<b>75,561</b>
<b>Total comprehensive income attributed to:</b>			
Company shareholders	(27,889)	209,711	50,266
Minority interest portion	9,680	36,842	25,295
	<u>(18,209)</u>	<u>246,553</u>	<u>75,561</u>

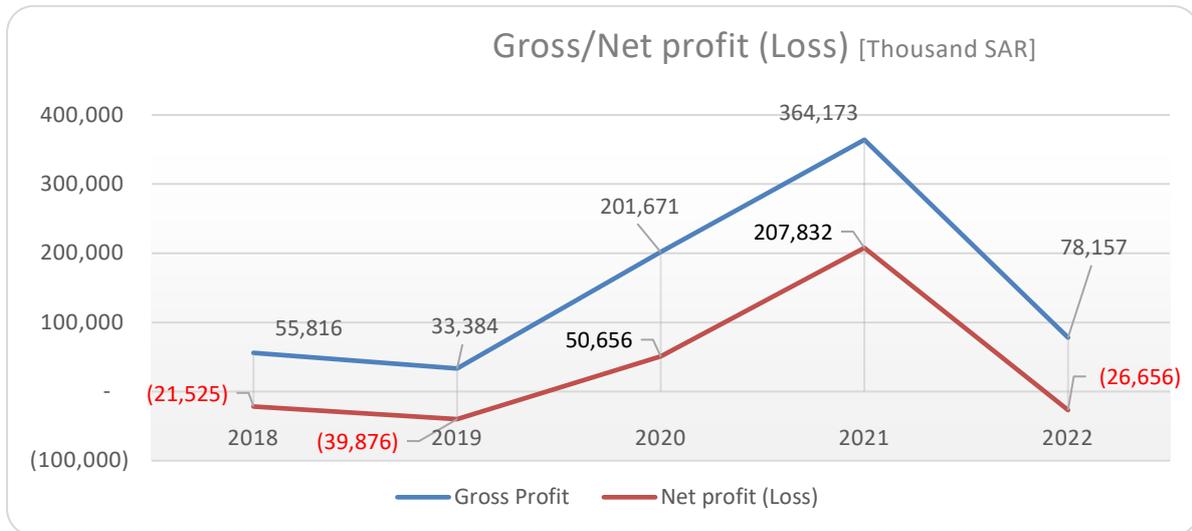
The following table shows the change in consolidated revenues for the last five years (in Thousands of Saudi Riyals):

Statement	Revenue	Change from previous year	Percentage change from previous year	Status of change from previous year
<b>2022</b>	1,464,976	(154,052)	-9.5%	decrease
<b>2021</b>	1,619,028	(248,393)	-13%	decrease
<b>2020</b>	1,867,420	908,146	95%	increase
<b>2019</b>	959,275	79,747	9%	increase
<b>2018</b>	879,528	(370,224)	-30%	decrease

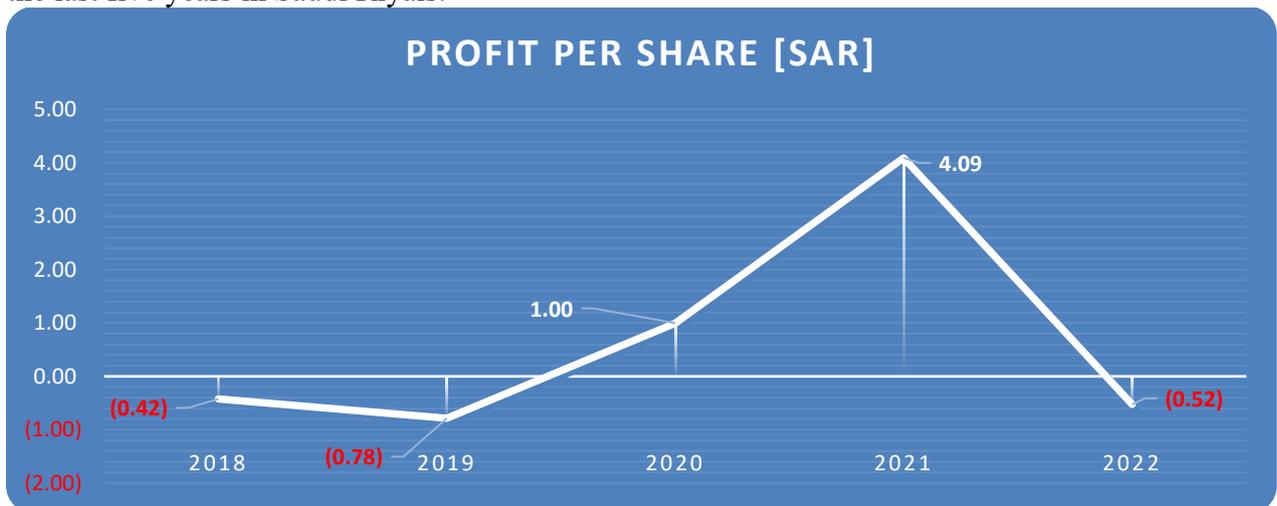
The following chart shows the change in consolidated revenues for the last five years (in Thousands of Saudi Riyals):



The following chart shows net profit (loss) and Gross profit for the last five years (thousands of Saudi riyals):



The following chart shows the profitability (loss) per share of net profit (loss) for the last five years in Saudi Riyals:



### o Segment analysis of the company's results:

The following is an explanation of the revenues and net profits (losses) of the business sectors in millions of Saudi Riyals:

Sector	Revenue		Net Profit (Loss)	
	2022	2021	2022	2021
Construction	995	1,238	(13.61)	217
Electricity	470	381	(13.05)	(10)
<b>Total</b>	<b>1,465</b>	<b>1,619</b>	<b>(26.66)</b>	<b>207</b>

## I. Construction Sector:

The quantity and value of revenues/sales decreased by (36%) and (20%) respectively for the current fiscal year compared to the previous fiscal year (from 444 thousand tons to 284 thousand tons), while the profit decreased from 217 million to a loss of (13.6) million due to the increase in the cost of raw materials received in the fourth quarter compared to the decrease in selling prices in the same quarter, which led to the recording of a provision for a decrease in the value of inventory estimated at about 56 million riyals. This is the result of the sharp decline cycle of the price of steel prices globally, starting from the third quarter of 2022 until the end of the year, as a result of the repercussions of the Russian-Ukrainian war and its impact on the world's economies.

## II. Electricity Sector:

The quantity of sales decreased by (12%) (from 133 thousand tons for the year 2021 to about 117 thousand tons for the current year), while the value of sales increased by 23% for the current fiscal year compared to the previous fiscal year, while the loss increased from (10) million to a loss of (13) million due to the decrease in demand for electrical poles products. And the high cost of raw materials for some projects (Towers) that were supplied during the fiscal year, which had a provision for losses for their contracts, and the activity of solar energy products was affected by not offering new projects that support concentrated solar power technologies.

### o Differences in the operating results:

The following table shows the differences in operating results between 2022 and 2021 (in Thousand of Saudi riyals)

Statement	2022	2021	Change between the two years	
			Amount	Percentage (%)
Gross Profit	78,157	364,173	(286,016)	-79%
Profit (loss) from operation	12,144	288,903	(276,759)	-96%
Net Profit (Loss)	(26,656)	207,832	(234,488)	-113%

Gross profit decreased by 79% from SAR 364 million last year 2021 to SAR 78 million for the current year 2022. With a decrease in quantities sold by 30% and a decrease in the value of revenues / sales by 9.5%, coupled with an increase in the cost of sales by 11%, a decrease in profit from operations from SAR 28 million to SAR 12 million and a decrease in net profit from SAR 208

million for the year 2021 to a net loss of (26.66) million Saudi riyals for the year 2022.

The following table shows the most important financial indicators for 2022 and 2021:

Statement	2022	2021
Return on total assets	-1.4%	13%
Revenue growth/(decrease) rate	-9.5%	-13%
Return on revenue	-1.82%	12.8%
Rate of increase (decrease) of net income (loss)	-113%	310%
Gains/ Loss per share from Net Profit/Loss– SAR	(0.52)	4.09

The following table shows a summary of the list of cash flows for 2022 and 2021 (in Thousands of Saudi Riyals):

Statement	2022	2021
Net cash (used in) /generated from operational activities	(283,479)	279,777
Net cash (used in) investing activities	(100,760)	(41,958)
Net cash generated from/ (Used in) financing activities	271,208	(74,914)
Net change in cash and cash equivalents	(113,030)	162,905
Cash & cash equivalent at the beginning of the year	181,362	18,457
Cash & cash equivalents at the end of the year	68,332	181,362

### ○ Investments and reserves of the company's employees

The company has not made any investments for the benefit of its employees and the following table shows the reserves that have been registered for the benefit of the company's employees as of September 30, 2022 (in Thousands of Saudi Riyals):

Statement	2022	2021
End-of-service compensation allowance*	38,120	33,624
Accrued Bonus**	1,390	4,650

\*The end-of-service compensation allowance includes about SAR 13.04 million and SAR 11.5 million for 2022 and 2021, respectively, for employees of the subsidiary.

\*\* Accrued Bonus for the parent company

## Total debts of the company and the subsidiary:

### I. Short-term financing:

The Group has obtained Shariah-compliant banking facilities from local banks in the form of Tawarruq for financing letters of credit, Islamic overdraft and Islamic letters of guarantees, subject to Murabaha rates in line with the prevailing commercial rates. These facilities are secured by order notes and guarantees from the company and the subsidiary.

### II. Long-term financing:

The company has paid all installments due for long-term loans as well as bank financing installments from Arab National Bank in the amount of 40 million riyals.

During the years 2019 and 2020, the parent company obtained a long-term loan from the Arab National Bank in the amount of 40 million Saudi riyals to finance the construction of the Solar Power Systems factory, and the payment is made in equal quarterly installments ending in the fiscal year 2023.

The following table shows the total consolidated utilized financing by the company for 2022 and 2021 (in Thousands of Saudi Riyals):

Type of financing	2022	2021
Short-term financing	873,761	469,500
Long-term financing – current & non-current portion	12,500	22,500
<b>Total</b>	<b>886,261</b>	<b>492,500</b>

The below table shows the movement of total short-term Tawarruq (financing of the purchased raw materials), the current and non-current portions of the long-term loans financing (Tawarruq) as of September 30, 2022 (in Thousands of Saudi Riyals):

Item/ Company	Parent Company		Subsidiary Company		Consolidated	
	2022	2021	2022	2021	2022	2021
Short-term Tawarruq	858,761	469,500	15,000	--	873,761	469,500
Long-term loans- current portion	10,000	10,000	--	--	10,000	10,000
Long-term loans - non-current portion	2,500	12,500	--	--	2,500	12,500
<b>Total</b>	<b>871,261</b>	<b>492,000</b>	<b>15,000</b>	<b>--</b>	<b>886,261</b>	<b>492,000</b>

The following table shows the total financing movement of the consolidated company for the year 2022 (in Thousands of Saudi Riyals):

Statement	Opening balance	Funding used	Paid fund	Balance
Short term loans and current portion of long-term loans	479,500	2,584,544	2,180,283	883,761
Long-term loans- non-current portion	12,500	14,910	24,910	2,500
<b>Total</b>	<b>492,000</b>	<b>2,599,454</b>	<b>2,205,193</b>	<b>886,261</b>

The following table shows the long-term financing of the consolidated company for the year 2022 (Thousands of Saudi Riyals)

Bank/ Description	Financing Type	Base Amount	Financing Period	Paid up to 30/09/2022	Remaining Balance 30/09/2022
Arab National Bank	Private	40,000	5 years	27,500	12,500
<b>Total</b>		<b>40,000</b>		<b>27,500</b>	<b>12,500</b>

The following table of financing shows the short-term financing movement of consolidated company for 2022 (in Thousands of Saudi Riyals)

	Type of funding	Amount due on 30/09/2022	Financing used	Repaid Financing	Balance in 30/09/2022
Arab National Bank	special	335,500	1,593,500	1,296,500	630,500
Banque Saudi Fransi	special	136,000	921,989	842,989	215,000
Al Rajhi Bank	special	0	53,640	30,794	22,846
Saudi British Bank	special	0	5,416	0	5,416
<b>Total</b>		<b>469,500</b>	<b>2,574,544</b>	<b>2,170,283</b>	<b>873,761</b>

#### ○ Clarification about the company's application of international accounting standards:

The company has started applying the international accounting standards on October 1, 2017 and based on that all accounting transactions, reports, policies and financial statements have been recorded and approved in accordance with the international financial reporting standards and there is no difference in agreeing with this.

## ○ Geographical analysis of the company's total revenue:

The following table shows that revenues/ sales are compared by geographical location of local markets for fiscal years 2022 and 2021 (in Thousands of Saudi Riyals):

Sector	2022		2021	
	Revenues	Rate	Revenues	Rate
Central Province	236,014	17%	420,942	29%
Western Province	806,682	58%	527,123	36%
Eastern Province	37,906	3%	69,295	5%
Southern Province	38,907	3%	200,468	14%
Northern Province	273,517	20%	235,010	16%
<b>Total</b>	<b>1,393,025</b>	<b>100%</b>	<b>1,452,838</b>	<b>100%</b>

The following table compares revenues/ sales from the local and foreign markets for fiscal years 2022 and 2021 (Thousands of Saudi Riyals):

Year	Revenues from the Local market		Export market	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
<b>2022</b>	1,393,025	95%	71,951	5%
<b>2021</b>	1,452,838	90%	166,189	10%

## ○ Equity activities and debt instruments:

1. Neither the company nor the subsidiary issued shares or debt instruments during the fiscal year ended September 30, 2022.
2. Neither the company nor the subsidiary, during the fiscal year ended September 30, 2022, have any interests for persons other than (board members, senior executives, their spouses and minors) of the shares category which has the right in voting.
3. During the fiscal year 2022, the Company did not issue or grant any debt instruments convertible into shares, contractual securities, IPO notes or similar rights, and there is no compensation obtained by the company in return.
4. During 2022, the Company did not issue or grant any transfer or underwriting rights under debt instruments convertible into shares, any contractual securities, IPO notes or similar rights.
5. Neither the company nor its subsidiary, during 2022, made any purchase, refund or cancellation of any recoverable debt instruments.
6. The Company has not made any arrangements or agreement under which any of the company's shareholders waived their rights in profit.
7. The Company has not made any arrangements or agreement under which a board member or a senior executive will waive a salary or compensation.

8. During 2022, the company did not make any investments or other reserves created for the benefit of the company's employees.

## 2. Company activities and strategy

Al Yamamah Steel Industries Company was established as a Saudi joint stock company, registered in Riyadh with the commercial register No. 1010070794 and the date of 01/06/1409 H, and the company was licensed under industrial license No. (144/Y) on 22/22/1409 H. 03/1409H and subsequent adjustments, the CMA listed the company's shares on the financial market on 15/08/1437 H, corresponding to 22/05/2016.

The company's authorized and paid-up capital is (508,000,000) SR only Five hundred eight million Saudi riyals and divided into (50,800,000) shares only fifty million eight hundred thousand shares of equal value, each with a nominal value of SAR 10, all of which are ordinary shares in kind and cash paid by shareholders in full value.

The company and the subsidiary are engaged in manufacturing steel products to serve the construction sector in the Kingdom, which includes steel manufacturer, Rebar, and service of the electricity and communications sector through the production of Poles and highmasts for the distribution of electric power and street lighting, production of steel Towers for the transmission of electric power and the carrier antennas in the field of communications and production of works for steel necessary for Solar systems, Construction is under going for Al Yamamah project to produce the steel towers needed for wind power systems in Yanbu Industrial City, and the project is expected to be completed and commissioned during the third quarter of fiscal year 2023.

## 3. Subsidiary: Al Yamamah Company for Reinforcing Steel Bars (closed stock company)

Al Yamamah Company for Reinforcing Steel Bars was established in Riyadh with fully paid-up capital of SAR 300 million and divided into 30 million shares with a value of SAR 10 each, Al Yamamah steel Industries Company owns 21,750,000 shares, equivalent to 27.5% of the capital and there are no debt instruments issued by it.

The subsidiary is engaged in the production and wholesale trade and retail of reinforcing steel bars, and the company's factory is located on the industrial city in Yanbu, Saudi Arabia belonging to the Royal Commission of Jubail and Yanbu, and all the company's sales are local.

## 4. Intrinsic developments during fiscal year 2022:

### Towers activity:

The company has expanded the production capacity of the towers activity by adding the necessary production lines, labor and operating the new galvanizing plant in the 3<sup>rd</sup> industrial city in Jeddah to meet the demand for the supply of steel towers necessary for electric power transmission lines during the coming years, as the company announced through the Tadawul website the signing of two contracts with the branch of Hyundai Engineering and Construction Co. Ltd. to supply steel towers for the construction of a 380 Kv. line between the new Afif station to the Mahd station for the first contract, and the supply of steel towers for the construction of a line 500 Kv. for the interconnection project between the Kingdom of Saudi Arabia and the Arab Republic of Egypt, the third phase in the western region for the second contract with a value of (292) million riyals for the two contracts, and the company also announced through the Tadawul website the signing of a contract with the Arab Company for the Construction of Electrical Wiring Ltd. (ETCON) to supply steel towers for the construction of a 380 Kv. connection line between Buhirah Station and Tabarjal Station for a supply period of 12 months, starting from May 2022 at a value of (179) million riyals, where the supply began from May 2022 and will extend to the end of 2023.

### Pipes Activity:

Work is underway to implement an increase in the annual production capacity of (100) thousand tons for pipe factories located in Jeddah and Dammam at a cost of about (48) million Saudi riyals, provided that financing is done through the company's cash flows, the expansion will further enhance the company's market share, by providing all sizes and provide solar energy projects with their needs of steel pipes. It is expected that the expansion of the pipe factory in Dammam will be completed at the beginning of the first quarter and the pipe factory in Jeddah by the end of the fourth quarter of 2023.

### Wind Power Activity:

Work is underway to complete the implementation of the factory of Al Yamamah Wind Power Systems in Yanbu Industrial City, which is leased from the Royal Commission for Yanbu in accordance with international specifications and in accordance with the requirements for supplying steel towers necessary for Wind Power Systems and in accordance with the requirements of technology supply companies, and it is expected that the construction and installation of production lines and trial operation will be completed during the third quarter of 2023.

The company has signed a loan contract to finance 75% of the investment cost of the project with the Saudi Industrial Development Fund worth one hundred and seventy million Saudi riyals, to be repaid in semi-annual installments starting from the month of Shawwal 1448H to the month of Rabi Thani 1454H.

## 5. Related Parties Transactions

The company's commercial transactions in selling the company's products for the fiscal year 2022 amounted SAR (578) Million, representing 39% of revenues/sales compared to 45% of the company's revenues/sales for the previous year 2021, which are also type of dealings of board members for direct or indirect interest with the company which the General Assembly of Shareholders held on February 14, 2022 had authorized, with noting that there are no preferential conditions in all transactions.

The table below shows the company's consolidated revenues from related parties (no preferential conditions) (thousands of Saudi riyals)

Name	Relationship	2022	2021
Abdulkadir Al Muhaidib and Sons Company *	Founder shareholder, represented by a member of the Board of Directors, Mr. Raed bin Ibrahim AlMudaiheem.	286,901	465,571
Rashid Abdul Rahman Al-Rashed and Sons Company **	Founder shareholder, represented by s member of the Board of Directors, Mr. Khalid bin Abdullah Al-Shami.	2,332	10,085
Al-Muhanna Trading Company	Founder shareholder	124,726	143,965
Al-Muhana Steel Group	Owned by a member of the Board of Directors, Mr. Mouhana Abdullah Al-Muhana and a founding shareholder	131,355	90,716
Al-Moajel Trading and Contracting Company	Founder shareholder and Chairman of the Board of Directors, Mr. Saad bin Ibrahim Al-Moajel represent it and he is a shareholder	5,580	5,738
Madar Building Materials Company (formerly Al Fozan Building Materials Company)	A shareholder in the subsidiary company	27,126	11,551
<b>Total</b>		<b>578,021</b>	<b>727,626</b>

\*Transactions with Abdulqadir Al Muhaidib & Sons include Masdar Building Materials Company and Thabat contracting company.

\*\*Includes dealing with Rashid AbdulRahman al, Rashid Sons the Saudi Electrical and Mechanical Business Services Company Al-Rashid company for building materials.

The table below shows the company's consolidated purchases from related parties (no preferential conditions) in thousands of Saudi riyals.

Name	Relationship	2022	2021
Abdulqadir Al-Muhaidib & Sons*	Founder shareholder represented by The Board of Directors member Mr. Raed bin Ibrahim Al-Mudaiheem	202	1,058
Rashid Abdul-Rahman Al Rashid & Sons Company **	Founder shareholder represented by the Board of Directors member, Mr. Khalid bin Abdullah Al-Shami	-	2
Al Muhanna Steel Group	Owned by the Board Member, Mr. Muhanna Abdullah Al-Mouhana and a founding shareholder	-	-
Madar Building Materials Co., Ltd.	Shareholder in the subsidiary	-	170
<b>Total</b>		<b>202</b>	<b>1,971</b>

\*Includes dealings with Masdar Building Materials Company and Masdar Technical Equipment Company.

\*\*Includes dealings with Al-Rashid Building Materials Company and Al Rashid Stabilizers Company.

Note: Purchases from related parties are related to the operating supplies.

The below table shows the contracts of projects implemented during fiscal year 2022 with Saudi Services for Electro Mechanic Works for the supply of electric towers (SAR):

Project	Contract date	Duration of the contract	Contract value	Execution till 9/30/2022	Execution in the year 2022	Remarks
Remal Al Kharj	25-2-2019	(1 Year, extendable +/- (10% of contract value))	44,055,900	40,736,704	504,843	Continuous 103%

## 6. Future outlook and risks:

The company expects improved results during the fiscal year ending on September 30, 2023 for the electricity sector, especially the activity of electrical towers as a result of the operation of the expansion and the acquisition of the supplies of many contracts for the towers of electric power transmission lines for projects that have been contracted locally, as well as the expansion of the production capacity of pipes used in solar energy projects supported by the expansion of the production capacity of galvanizing steel to serve the expansion of the tower activity and the solar energy activity, the construction sector will continue to supply the market with its needs of pipes and tubes for all sizes through the company's activity in the manufacture of

pipes as well as providing authorized distributors of rebar in proportion to the cost and selling price.

The company will continue to take caution and precaution against fluctuations in raw materials prices and their impact on cost, inventory evaluation, reducing their negative effects, maximizing their positive effects on the company's results, and providing raw materials locally and internationally, supported by the company's good financial position and the strength of the company's relationship with supply chains.

All necessary measures and precautions will be taken for the increase in loan fees by reducing inventory balances, following up on collection, following up on the disbursement of wind loans with the Saudi Industrial Development Fund, and obtaining competitive fees for credit facilities from local banks.

The company will continue to maintain its national and expatriate cadres while continuing to implement the necessary plans for this and attracting distinguished cadres to fill the vacancies resulting from the operation of expansions in the company's business units.

## 7. Statutory payments:

The table below shows a comparison of regular payments due, and amounts made during fiscal year 2022 and fiscal year 2021 (thousands of Saudi riyals):

Statement	Accrued		Paid	
	2022	2021	2022	2021
Zakat *	29,282	30,978	15,062	14,739
VAT	11,851	2,764	138,046	187,505
General Organization for Social Insurance	7,290	588	7,110	6,806

### \*Zakat Status:

#### Al Yamamah Steel Industries Company

The company submitted the Zakat declarations for the years since the beginning of incorporation on June 26, 2006 until the year ending on September 30, 2022, according to which the company paid the due Zakat and obtained a final Zakat certificate valid until January 30, 2023, and the following are the details of the Zakat status of the company from the date of incorporation until September 30, 2022, which shows the value of the Zakat differences resulting from the Authority's examination of the aforementioned years and the result of the company's objection to those differences, as well as the amounts paid by the company for Differences in the examination of those years:

#### a) For the period from the date of incorporation from 26 June 2006 to 30 September 2007:

The company received the final Zakat certificate and the final Zakat assessment from the Zakat, Tax and Customs Authority.

#### b) Years from 2008 to 2011:

The Zakat differences for the years from 2008 to 2011 amounted to SAR 9.9 million According to the claims of the Zakat, Tax and Customs Authority, the company objected to the differences of SAR 9.9 million for these years, an amount of SAR 2.4 million for the year 2011 was accepted from the objection submitted to those differences, and the company issued a letter of guarantee in the amount of SAR 7.5 million representing all the differences that were not accepted by the Authority for the years 2008-2010, so that the net differences due objected to for Those years 7.5 million Saudi riyals.

c) Years from 2012 to 2014:

The company did not receive any official assessment from the authority for those years.

d) Years from 2015 to 2019:

Zakat differences for the years from 2015 to 2019 amounted to SAR 4.7 million According to the claims of the Zakat, Tax and Customs Authority, the company paid SAR 1.4 million representing the Zakat differences for the years 2016 and 2018. It objected to the amount of 3.3 million Saudi riyals for the years 2015, 2017, 2019, the amount of 1.5 Saudi riyals was accepted from the objection submitted to those differences, and the company paid an amount of 1.8 million Saudi riyals representing the total differences that were not accepted by the authority, and thus there were no Zakat differences due for those years.

e) Year 2020:

The Zakat differences for the year 2020 amounted to 9.742 million Saudi riyals According to the authority assessment and the claims of the Zakat, Tax and Customs Authority, the company paid an amount of 12,589 Saudi riyals, and objected to the amount of 9.730 million Saudi riyals, the objection submitted to the authority on those differences was rejected, and the company issued a bank guarantee in favor of the authority worth 4.87 million Saudi riyals, and the General Secretariat of Tax Committees rejected the company's objection to the Zakat assessment with the authority, so the company requested an appeal against the decision of the General Secretariat of Tax Committees, The date of the hearing will be scheduled.

f) Year 2021:

The company did not receive a Zakat assessment from the authority for the year 2021.

**Al Yamama Rebar Company**

The company submitted its Zakat declarations for the years from the beginning of the activity until the fiscal year ending on September 30, 2021, and paid the Zakat due in those declarations, and a final Zakat certificate was obtained valid until January 30, 2023. The company finished its Zakat position with the General Authority of Zakat and Tax for the years from the date of incorporation of the company until the fiscal year ending on September 30, 2019.

The movement in zakat during the year ended September 30, 2022 (In Saudi riyals) is as follows:

Statement	2022	2021
Balance at the beginning of the year	30,977,961	21,325,153
Added: Comprised during the year and previous years diff.	13,366,752	24,392,120
Deducted: Payments during the year	(15,062,429)	(14,739,312)
<b>Balance at the end of the year</b>	<b>29,282,284</b>	<b>30,977,961</b>

## 8. Dividends Policy:

Dividends and its amount are based on the net profit achieved and the company's cash flows in line with the distribution policy contained in the company's articles from (45) to (47) as follows:

The company's net annual profits are distributed after deducting all general expenses and other costs, including zakat, which is legally imposed as follows:

- 10% of the net profit is avoided to form a statutory reserve, and the General Assembly may suspend this reserve when the reserve in question reaches 30% of the paid-up capital.
- The General Assembly has the right at the suggestion of the Board of Directors to avoid a 10% of net profit to form a sufficient, agreemental reserve allocated for certain purposes.

- The rest is then distributed as a down payment to shareholders representing 5% of the paid-up capital.
- The General Assembly, in determining the share stake in net profits, decides to form other reserves, to the extent that it is in the company's interest or ensures that fixed dividends are distributed as much as possible to shareholders. The Association may also deduct from net profits amounts to establish social institutions for the company's employees or to assist existing institutions.
- Taking into account the provisions established in article (21) of the Statute, article 76 of the corporate system allocates after the above 10% ten percent of the rest to reward the Board of Directors not in any case exceeding the total amount of rewards and financial or in-kind benefits received by the board member, in accordance with the controls established by the competent authority and the entitlement of this reward shall be commensurate with the number of sessions attended by the member.
- The rest is then distributed to shareholders as an additional share of profits or will be moved to the following years as approved by the General Assembly.

On 12 May 2022, the Board of Directors approved the distribution of cash dividends amounting to 0.75 riyals per share for the first half of the fiscal year 2022, and the Board approved on 22 December 2022 not to distribute dividends for the second half of the fiscal year 2022 in order to contribute in the company future projects financing, and therefore the total amount distributed for the whole fiscal year 2022 is seventy-five halalas per share.

The following table reveals dividends per share for the results of the past five fiscal years (SAR):

Fiscal year	2018	2019	2020	2021	2022
Dividends (SR per share)	No distribution	No distribution	1	1.75	0.75
Distribution-to-nominal share value ratio	—	—	10%	17.50%	7.50%

\*\*\*\*\*

## **Secondly:**

# **Company Governance**

## 1. The ownership structure of the company

The following is a list of shareholders directly owned more than 5% of the company's capital as of 30/09/2022, and there are no debt instruments issued by the company.

M	Shareholder's name	Number of shares	Direct ownership rate
1	Al-Moajel Trading and Contracting Co.	5,074,141	9.99%
2	Rashid Abdulrahman Al Rashid & Sons Co.	4,900,000	9.65%
3	Abdelkader Al-Muhaideb & Sons Co.	4,083,461	8.04%
4	Al-Mouhana Trading Co.	3,440,384	6.77%
5	Abdul Karim Hamad Al-Moajel	2,962,556	5.83%

The following table shows the ownership of shares by board members, their wives, and minor children as on 30/09/2022, and there are no debt instruments issued by the company.

M	Shareholder's name	Post	Number of shares on 30/09/2021	Change	Number of shares on 30/09/2022
1	Mr. Mouhana Abdullah Al-Muhana	Board member	1,200,115	0 %	1,200,115
2	Mr. Abdulhamid Abdulaziz Al-Ohali	Board member	2,000	0%	2,000
3	Mr. Adnan Abdulrahman Al Mansour	Board member	40	0%	40

There is no equity ownership belonging to senior executives, their wives, and minor children during the financial year 2022 (01/10/2021 to 30/09/2022).

## 2. Structure of Board of Directors and Members Classifications

Among the most Important duties and responsibilities of the Board of Directors of Al-Yamamah Steel Industries Company, as it is the supreme administrative body and is directly responsible before the General Assembly of shareholders and government regulatory authorities for the management of the company, and according to the company's bylaws and related laws and regulations, the board's role can be outlined in drawing up and approving the strategic directions and main objectives of the company, setting and following up internal control and governance procedures, ensuring their efficiency and effectiveness, approving main budgets and financial policies, following up and monitoring the company's performance and the

performance of its executive management, as well as setting policies that regulate The relationship with stakeholders and protects their rights, including the development and adoption of policies that confirm and ensure the application and supervision of the implemented laws and statutory regulations, and the obligation to disclose material information related to the company and its performance, which would assist the company's shareholders and its investors in evaluating the company's assets and liabilities.

Article (17) of Al Yamamah Steel Industries Company bylaws stipulates (The company Management shall be assumed by a Board of Directors consist of seven members appointed by the Ordinary General Assembly for three years. The number of independent members of the Board of Directors elected by the Ordinary General Assembly shall be three members Independent at all times, also the majority of the members of the Board of Directors shall be from non-executive members at all time), and accordingly, in application of the provisions of the above-mentioned article, the Board consists of seven members (7), which is in line with the Companies Law, the Corporate Governance Regulations issued by CMA and the relevant laws and regulations. The Board was elected by the General Assembly of Shareholders held on March 18, 2020, for the current session, which began its work on June 26, 2020 for a period of three years ending on June 25, 2023.

The following table shows the members of the Board of Directors, their classification and membership, and their membership in the joint stock companies (listed):

Member's name	Position	Membership status	Membership in listed companies / other than al-Yamamah company in his personal capacity or representative of a legal person
Mr. Saad Ibrahim Al-Moajel	Chairman	Non-executive member	-
Mr. Raed Ibrahim Al-Mudaiheem	Vice chairman	Non-executive member	- Northern Cement Co. - Bawan Co. - Saudi lines Catering Company
Mr. Mouhana Abdullah Al-Mouhana	Board member	Non-executive member	-
Mr. Khalid Abdullah Al-Shami	Board member	Non-executive member	-
Mr. Abdulhamid Abdulaziz Alohali	Board member	Independent Member	-
Mr. Adnan Abdulrahman Al Mansour	Board member	Independent Member	-
Mr. Fouad Jwayed Alsherebi	Board member	Independent Member	-

The following table outlines the most important past and current positions, experiences, and qualifications of board members:

Name	Current positions	Previous positions	Qualifications	Experiences
Mr. Saad Ibrahim Al-Moajel	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of Al Yamamah Company for Reinforcing Steel Bars</li> <li>- Chairman of the Board of Directors of Al-Moajil Trading and Contracting Company</li> <li>- Chairman of Board of director for AL Moajel Realstate company (Closed Joint Stock Co.)</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the Coordinating Board of National Committees of the Board of Saudi Chambers.</li> <li>- Chairman of the Board of Trustees of the Riyadh Economic Forum.</li> <li>- Chairman of the Industrial Committee of Riyadh Chamber</li> <li>- Chairman - United Mining Industries Co.</li> <li>- Chairman of the Board of Directors - Al Yamamah Marble and Granite Company</li> <li>- Vice Chairman of the Board of Directors of the Chamber of Commerce in Riyadh</li> <li>- Board member of the Chamber of Commerce and Industry in Riyadh</li> <li>- Member of the Board of Directors of the Saudi Chambers representing Riyadh Chamber.</li> <li>- Member of the Supreme Preparatory Committee for the Local Industrialization of the Armed Forces.</li> <li>- Board member - Manufacturing and Energy Services Company</li> <li>- Board member - Technical Investment S.A.</li> <li>- Member of the Board of Directors - Dhahran International Exhibitions Company Dammam</li> <li>- Board member - Food Industries Company (DIMA)</li> <li>- Member of the Board of Directors Saudi Ceramic Company</li> <li>- Board of Directors Member - Arab Precision Industries Co.</li> <li>- Board Member - Arabian Pipe Company</li> <li>- Board Member - Eastern Cement Company</li> </ul>	<ul style="list-style-type: none"> <li>- Master of Chemical Engineering 1975</li> <li>- Bachelor of Chemical Engineering 1973</li> </ul>	<p>During the past decades he has held several positions in the presidency and membership of the boards of directors of several companies till now and he participated in some different industrial and commercial organizations as well as participated in some different charitable and social organizations.</p>
Mr. Raed Ibrahim Al-Mudaiheem	<ul style="list-style-type: none"> <li>- Chairman - United Mining Industries Co.</li> <li>- Vice Chairman - Saudi Airlines Catering Company.</li> <li>- Vice Chairman - Northern Cement Company</li> <li>- Vice Chairman - Masdar Building Materials Co.</li> <li>- Vice Chairman - Bawan Co.</li> <li>- Chairman of the directors of Jeddah airports</li> <li>- Board Member - Riyadh Cables Company.</li> </ul>	Board Member of Saudi Pipes Company	<ul style="list-style-type: none"> <li>- Master of Electrical Engineering 1992</li> <li>- Bachelor of Electrical Engineering 1986</li> </ul>	<p>He has more than 36 years' experience in the engineering fields, including the field of water and energy, the field of trade and industry of building materials, as well as the field of trade and industry of steel and timber. He has extensive management experience that includes the supervision and implementation of many acquisitions and mergers and the development of strategies.</p>
Mr. Mouhana Abdullah Al-Mouhana	Chairman of the Board of Directors in Al-Muhanna Steel Group	Former Deputy General Manager of Al-Muhanna Commercial Company	High School	<p>He has more than 51 years of experience in the trade of building materials and iron processing and attending international and local conferences and exhibitions on building materials.</p>
Mr. Khaled Abdullah Al-Shami	- Chief Executive Officer of the Industrial Sector of Rashid Abdul-Rahman Al Rashid & Sons.	<ul style="list-style-type: none"> <li>- General Manager of Al Rashid Poly-styrene Factory Company</li> <li>- Assistant General Manager and Director of Sales and Marketing / Amjad Paper Industries Factory Company</li> <li>- Board Member - Ceramic Pipe Company</li> <li>- Board Member - Al Yamama Granite &amp; Marble .</li> <li>- Member of the Board of Directors - Gulf Stabilizers Company.</li> <li>- Board Member - Al Yamama Rebar Company.</li> <li>- Member of the Board of Directors - United Company for Mining Industries.</li> <li>- Executive Engineer Co-Learning Program - Technical Advice</li> </ul>	Bachelor of Industrial Engineering	<p>He has experience in leadership, senior management, financial planning, performance development and improvement and crisis management.</p>

Name	The current positions	Previous positions	Qualifications	Experiences
Mr. Abdulhamid Abdulaziz Al-Ohali	<ul style="list-style-type: none"> <li>- Board Member Ajwaad Holding Company</li> <li>- Board Member - Kayan International Co.</li> <li>- Board Member Malaz insurance Co</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of United Electronics Company (Extra)</li> <li>- CEO of Al-Fawzan Metals</li> <li>- Board Member - United Electronics Company (Extra)</li> <li>- Member of the Board of Directors Al Majal Real Estate Development.</li> <li>- General Manager of Al Rajhi Industrial Group.</li> <li>- General Manager - Al Rajhi Cooperative Insurance Company.</li> <li>- Assistant Director of Marketing Department at the National Cooperative Insurance Company.</li> </ul>	Bachelor's in science	He has professional career for several years in industry , commerce and insurance ,beside he has served as board member in several Board of Directors
Mr. Adnan Abdulrahman Al Mansour	<ul style="list-style-type: none"> <li>Board Member - Al-Qadi Holding Company.</li> <li>- Chairman of Board Al-Qadi Umbrellas Company.</li> <li>- Board Member - Zajel Rapid Logistics Company</li> <li>- Chairman of the Audit Committee at Zajel Rapid Logistics Company</li> <li>- Member of the Audit Committee of Jazz Arabian Services.</li> <li>- Member of Control and Audit Committee of the General Authority of Awqaf .</li> <li>- Member and Secretary of the Board of Directors and member of the Executive Committee of the Project "to Measure and Achieve the Satisfaction of beneficiaries of Government services" in The Eastern region.</li> </ul>	<ul style="list-style-type: none"> <li>- CEO of Zamil Steel</li> <li>- Vice President for Executive Affairs - Saudi Electricity Company</li> </ul>	<ul style="list-style-type: none"> <li>- bachelor's in civil engineering.</li> <li>- Strategic Management Program at Stanford University, California.</li> </ul>	More than 43 years of experience in engineering, quality management, strategic planning, leadership and human capital
Mr. Fouad Jwayed Al-Sherebi	<ul style="list-style-type: none"> <li>Board Member - Nesma Holding Company</li> <li>- Chairman - Nesma Tata</li> <li>- Chairman Nesma Telecom &amp; Technology Co.</li> <li>- Chairman Modern Bus Company Makkah</li> </ul>	<ul style="list-style-type: none"> <li>Executive Vice President of Obstetrics Activity - Saudi Electricity Company</li> <li>Deputy General Manager for Sector Distribution and Subscriber Services - Saudi Electricity Company</li> </ul>	<ul style="list-style-type: none"> <li>- master's in electrical engineering</li> <li>- bachelor's in electrical engineering</li> </ul>	More than 37 years of experience in the electricity sector, including several positions in Saudi Electricity Company for 32 years.

The following table outlines the most important past and current positions, experiences and qualifications of Audit committee members who are outside the Board of Directors:

Name	Current posts	Previous posts	Qualifications	Experiences
Mr. Ziyad Abdulqader Altoumi	- Consultant in Impact capital Company	<ul style="list-style-type: none"> <li>-Vice President of Banking Investment at Samba Capital</li> <li>Assistant Director for Special Services at Citibank Morocco</li> <li>- Director of Corporate Banking Services At Citibank Tunis</li> </ul>	<ul style="list-style-type: none"> <li>- Master in Banking Behavior.</li> <li>- Bachelor in Banking Behavior.</li> </ul>	More than 25 years of experience in banking. investments, relationships with companies, risk management and corporate governance.

Mr. Abdullah Abdulkarim Al-Mouhana.	Chief Financial Officer of Saudi Arabian Automobile & Motorcycle Association.	<ul style="list-style-type: none"> <li>- Chief Financial Officer of the Saudi Falcons Club</li> <li>- Member of the NR Committee of the Saudi Falcons Club.</li> <li>- Secretary of the Audit Committee of the Saudi Falcons Club.</li> <li>- Chief Financial Officer at Dammam Pharma Pharmaceutical Company</li> <li>- Professional Finance and Regulatory at Mobily</li> <li>- Assistant of Finance Manager and Tax Senior Consultant at SPIMACO Addawaeih</li> <li>-Assistant Manager and Senior Accountant in Ernst &amp; Young Co.</li> <li>- Assistant Auditor in Talal Abu Ghazaleh Certified Public Accountants.</li> </ul>	<ul style="list-style-type: none"> <li>- master's in business administration and Accounting.</li> <li>- bachelor's in accounting</li> </ul>	He has more than 17 years of experience in audit, financial management and regulatory reports.
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The following table outlines the most important past and current positions, experiences and qualifications for senior executives:

Name	The current positions	Previous positions	Qualifications	Experiences
Youssef Saeed Bazaid	CEO	<ul style="list-style-type: none"> <li>- General Manager of Watania Plastics Factory</li> <li>- Head of petrochemicals sector at Saudi Consulting House</li> </ul>	<ul style="list-style-type: none"> <li>- Bachelor in Civil engineering</li> </ul>	He has more than 36 years of experience in industrial consultancy and industrial entities management.
Mohammad Baker Abu Farhah	Chief Financial Officer of the Company	<ul style="list-style-type: none"> <li>- Chief Financial Officer at Qassim Cement Company</li> <li>- Finance Director at Watania for Industries.</li> <li>- Vice President - Finance at Alajhi Ekhwan.</li> <li>- Group Financial Controller at Saudi Printing and Packaging Company.</li> <li>- Audit supervisor at BODAI CPA.</li> <li>- Chief Accountant at Al Wahda Express Saudi LLC.</li> <li>- Auditor at Deloitte – Dubai, United Arab Emirates.</li> </ul>	<ul style="list-style-type: none"> <li>- Professional Certificate: Certified Public Accountant (CPA) from the United States of America.</li> <li>- Bachelor in Accounting.</li> <li>- Diploma in English Language</li> </ul>	He has more than 24 years of experience in accounting, financial management, and audit.
Sahal Mekhdar Al-Thobaiti	Chief Operating Officer	<ul style="list-style-type: none"> <li>-Sales engineer at Zahid Company</li> <li>-Business Unit Head of Al Yamamah Electrical Poles and Accessories Factory in Al Yamamah Steel Industries Co</li> </ul>	<ul style="list-style-type: none"> <li>- MBA</li> <li>- bachelor's in mechanical engineering</li> <li>- Bachelor of Accounting</li> </ul>	He has more than 22 years of experience in the industry and management of the electrical poles business.

## Board of Directors Meetings:

The Board of Directors' meetings during the fiscal year 2022 reached (5) meetings using the technical Methods (remotely), it is worth noting that the attendance of Board meetings has reached 100 %, which indicates the keenness of all members of the Board of Directors to attend the meeting.

The following table shows the attendance of members of the Board of Directors for Board meetings:

Member's name	Meeting date Dec 12 2021	Meeting date FEB 06 2022	Meeting date May 12 2022	Meeting date Augst 16 2022	Meeting date Sept 27 2022	NO	Attendance
Saad Ibrahim Al-Moajel	✓	✓	✓	✓	✓	5	100%
Raed Ibrahim Al-Mudaiheem	✓	✓	✓	✓	✓	5	100%
Mouhana Abdullah Al-Mouhana	✓	✓	✓	✓	✓	5	100%
Khaled Abdullah Al-Shami	✓	✓	✓	✓	✓	5	100%
Adnan Abdulrahman Al Mansour	✓	✓	✓	✓	✓	5	100%
Abdulhamid Abdulaziz Al-Ohali	✓	✓	✓	✓	✓	5	100%
Fouad Jwayed Al-Sherebi	✓	✓	✓	✓	✓	5	100%

○ **Remuneration and compensation of board members, committees, and senior executives**

In accordance with the Remuneration policy for the Board of Directors Members and Top Executive Officers which has been approved by the General Assembly, during fiscal year 2022,

The Company paid compensation for the efforts of the Board of Directors and its committees for the fiscal year ended September 30, 2022, as mentioned below:

	Fixed Remunerations						Variable Remunerations						End of Service benefit	Grand Total	Expenses allowance	
	Specified amount	Allowances of attending Board meetings	Total allowance for attending committee meetings	Noncash advantages	Remunerations of Consultations & Managements works, management and	Remuneration the Chairman, Managing Director or Secretary if he is a member	Total	Profit ratio	Periodic Bonus	Short term motivation plan (value is entered)	Long-term incentive plans	Shares awarded (value is entered)				Total
<b>First: Independent members</b>																
1. Abdulhamid Abdulaziz Al-Ohali	260,000	20,000	12,000	0	0	0	292,000	0	0	0	0	0	0	0	292,000	0
2. Adnan Abdurrahman Al-Mansour	250,000	20,000	9,000	0	0	0	279,000	0	0	0	0	0	0	0	279,000	0
3 Fouad Jwayed Al-Sherebi	200,000	20,000	0	0	0	0	220,000	0	0	0	0	0	0	0	220,000	0
<b>Subtotal</b>	<b>710,000</b>	<b>60,000</b>	<b>21,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>791,000</b>							<b>0</b>	<b>791,000</b>	
<b>Committees Members from outside the Board</b>																
1. Ziad Abdelqader Altoumi	60,000	12,000	0	0	0	0	72,000	0	0	0	0	0	0	0	72,000	0
2. Abdullah Abdulkarim Al-Mouhana	60,000	12,000	0	0	0	0	72,000	0	0	0	0	0	0	0	72,000	0
<b>Subtotal</b>	<b>120,000</b>	<b>24,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,000</b>	<b>0</b>
<b>Second: Non-executive members</b>																
1. Saad Ibrahim Al-Moajel	200,000	20,000	0	0	0	0	220,000	0	0	0	0	0	0	0	220,000	0
2. Raed Ibrahim Al-Mudaiheem	400,000	20,000	12,000	0	0	0	432,000	0	0	0	0	0	0	0	432,000	0
3- Mouhana Abdullah Al-Mouhana	450,000	20,000	21,000	0	0	0	491,000	0	0	0	0	0	0	0	491,000	0
4. Khaled Abdullah Al-Shami	450,000	20,000	21,000	0	0	0	491,000	0	0	0	0	0	0	0	491,000	0
<b>Subtotal</b>	<b>1,500,000</b>	<b>80,000</b>	<b>54,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,634,000</b>							<b>0</b>	<b>1,634,000</b>	
<b>Grand Total</b>	<b>2,330,000</b>	<b>140,000</b>	<b>99,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,569,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,569,000</b>	<b>0</b>

	(Excluding attendance allowance)	Allowance of attending sessions	Total
<b>Members of Audit Committee</b>			
1. Abdulhamid Abdulaziz Al-Ohali	60,000	12,000	72,000
2. Ziad Abdelkader Altoumi	60,000	12,000	72,000
3. Abdullah Abdulkarim Al-Mouhana	60,000	12,000	72,000
<b>Subtotal</b>	<b>180,000</b>	<b>36,000</b>	<b>216,000</b>
<b>Members of the Executive Committee</b>			
1. Raed Ibrahim Al-Mudaiheem	200,000	12,000	212,000
2. Mouhana Abdullah Al-Mouhana	200,000	12,000	212,000
3. Khaled Abdullah Al-Shami	200,000	12,000	212,000
<b>Subtotal</b>	<b>600,000</b>	<b>36,000</b>	<b>636,000</b>
<b>Members of N &amp; R Committee</b>			
1. Adnan AbdulRahman Al-Mansour	50,000	9,000	59,000
2. Mouhana Abdullah Al-Mouhana	50,000	9,000	59,000
3. Khaled Abdullah Al-Shami	50,000	9,000	59,000
<b>Subtotal</b>	<b>150,000</b>	<b>27,000</b>	<b>177,000</b>
<b>Grand Total</b>	<b>930,000</b>	<b>99,000</b>	<b>1,029,000</b>

The following schedule shows the highest five senior executives who received remuneration during the fiscal year 2022:

Senior executive positions	Fixed Remunerations				Variable Remunerations						End of service benefit	Total executive Remuneration for the board if any	Total
	Salaries	Allowances	Noncash advantages	Total	Periodic Bonus	Profits	Short term motivation plan (value is entered)	long term motivation plan (value is entered)	Shares awarded (value is entered)	Total			
1. Chief Executive Officer	1,200,000	304,200	31,376	1,535,576	0	0	0	0	0	0	62,675	0	1,598,251
2. Chief Financial Officer	660,000	195,000	82,341	937,341	0	0	0	0	0	0	72,250	0	1,008,591
3-Chief Operating Officer	900,000	229,200	113,206	1,242,336	0	0	0	0	0	0	94,100	0	1,336,436
4. Business Unit Head of Space Structures	780,000	229,200	154,330	1,223,530	0	0	0	0	0	0	44,967	0	1,278,497
5. General Manager of Poles and Towers	480,000	150,000	113,136	743,136	0	0	0	0	0	0	26,250	0	769,386
<b>Total</b>	<b>4,020,000</b>	<b>1,177,600</b>	<b>494,319</b>	<b>5,691,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>299,242</b>	<b>0</b>	<b>5,991,161</b>

### 3-Board committees

The committees emanating from the Board of Directors exercise its duties and responsibilities based on the corporate governance regulations issued by the Capital Market Authority and the Governance Manual of Al Yamamah Steel Industries Company, and on the tasks and competencies that determine its powers and work procedures, which include the rules for selecting members of

the committees, the duration of its membership and the method of work of the committees and in accordance with the requirements of the corporate governance regulations issued by the Capital Market Authority.



### ▪ Audit Committee:

The Audit Committee was formed with the approval of the General Assembly on March 18, 2020, for a period of three years. The General Assembly also approved the Scope and terms of the Audit Committee and the remuneration of its members. The committee is responsible for reviewing the company's financial and administrative policies and procedures and the procedures for preparing financial reports and their outputs. The committee also reviews the internal audit reports and notes. It recommends to the board of directors to appoint the External Auditors, dismiss them, determine their fees, and ensure their independence. The committee reviews the interim and annual financial statements before submitting them to the board of directors and expressing an opinion about it, reviews the notes of the external auditors about the financial statements, it also reviews the audit plan with the external auditor and provides him with its observations about it. In addition to other regular works on periodic basis which enable it to evaluate the efficiency and effectiveness of control activities, risk management, ensuring compliance, and combating fraud and corruption.

The committee was elected, headed by Mr. Abdulhamid Abdulaziz Al-Ohali, independent board member, and the membership of Mr. Ziad Abdelkader Al-Toumi and Mr. Abdullah Abdul Karim Al-Muhana. The committee held four meetings during the fiscal year 2022 as shown on the table below:

Member's name	09/12 /2021	03/02 /2022	10/05 /2022	15/08 /2022	No	Per cent age.
Abdulhamid Abdulaziz Al-Ohali	✓	✓	✓	✓	4	100%
Ziad Abdelkader Al-Toumi	✓	✓	✓	✓	4	100%
Abdullah Abdulkarim Al-Mouhana	✓	✓	✓	✓	4	100%

#### ■ **Tasks of the Audit committee:**

The adequacy and integrity of internal control systems, financial accounting, reports, policies, procedures and effectiveness of internal audit and auditor functions.

Check the company's compliance with relevant rules, regulations, policies, and instructions.

The adequacy and integrity of policies and procedures regarding the safety and security of the company's assets, and the integrity of the company's financial statements.

Verifying the External Auditor's Independency, objectivity, fairness, and the effectiveness of the audit process, taking into account the relevant rules and regulations.

Contribute to the review and evaluation of strategic risks and receive regular reports on these emerging risks.

The Audit Committee is responsible for preparing and publishing the Committee's annual report to the Board of Directors and other reports required in accordance with the applicable rules, laws, and regulations.

#### ■ **Audit Committee Endorsement:**

1. That account records were properly prepared.
2. The internal control system has been properly prepared and effectively implemented.
3. There's no doubt about the company's ability to continue its activities.

#### ■ **Nominations and Remuneration Committee:**

The nominations and remuneration committee has been appointed by the Board of Directors on 26/06/2020 consists of three Members and for three years, chaired by Mr. Adnan Abdulrahman Al Mansour (Independent member of the Board) and two non-executive board members Mr. Mouhana Abdullah Al-Mouhana and Mr. Khalid Abdullah Al-Shami. The committee held three meetings during the fiscal year 2022 explained as follows:

Member's name	07/12/2021	23/06/2022	03/08/2022	No	Percentage
Adnan AbdulRahman Al Mansour	✓	✓	✓	3	100%
Mouhana Abdullah Al-Mouhana	✓	✓	✓	3	100%
Khaled Abdullah al-Shami	✓	✓	✓	3	100%

#### ■ **Tasks of the the Nominations and Remuneration Committee:**

1. The Committee assists the Board in identifying the Candidates who are eligible to become board members, recommending to the Board the members nominated for election for the annual General Assembly of shareholders.

2. Annual review of the required skills and appropriate membership of the Board of Directors and prepare a description of the capabilities and competencies required for such membership, including the time required to conduct the board activities.
3. The Committee reviews the composition of each committee of the Board and recommends the Board of Directors to approve the members of each committee.
4. The Committee assists the Board in selecting, developing, and evaluating potential candidates for executive positions, including the CEO, and overseeing the development of plans to succeed the CEO.
5. The committee follows up on the orientation programs for the new board members.
6. The Committee develops and recommends to the Board to approve the Board's annual self-assessment process and oversees the Board's annual self-assessment.
7. The Committee assists the Board on an annual basis in determining the compliance of each member and CEO with the company's code of conduct and ethics and any violations of the regulations must be reported to the Board.
8. Review the structure of both the Chairman and members of the Board of Directors, including size, rewards, skills, knowledge, and experience, as well as recommend appropriate differences in this regard.
9. Identify the strengths and weaknesses of the Board of Directors and recommend solutions that are in the company's interest.
10. Emphasizing the independence of independent members and the absence of any conflict of interest if a board member acts as a member of another company's board.

- The Committee has approved from the Board of Directors the detailed policy for measuring performance for senior management and determining performance indicators based on the results achieved at the end of the fiscal year, which are the basis for determining annual bonuses, amending the transportation allowance system for the company's employees and the amendments made to the approval Matrix of Human Resources Department. The Committee has reviewed the Board and Committees Remuneration Policy, made some amendments to it, and submitted its recommendations to the Board of Directors, which were approved by the General Assembly of Shareholders.

### **Responsibilities for determining compensation and remuneration:**

The Nominations and Remuneration Committee recommends to the Board of Directors the rewards of its board members, its committees and the company's senior executives in accordance with the Board of Directors' Remuneration Policy, committees, and executive management, which was adopted by the General Assembly on 18/03/2020 and its latest amendment on 01/08/2021. Also the General Assembly has approved the rewards for the Fiscal year 2021.

The Board of Directors discusses the report of the Nominations and Remuneration Committee for board members, committee members and senior executives, and the Board approves the awards of its members and its committees and senior executives in accordance with the regulations and policy

adopted. In addition, the General Assembly is competent to approve the remuneration of members of the Audit committee.

The Allowances of board members consist of a certain amount or allowance to attend the meetings or an expense allowance or benefits or a percentage of profits may be combined between two or more of these benefits and not exceed the stipulated by the Company law or the Instructions issued by the competent authority.

#### ■ Executive Committee:

The executive has been appointed by the resolution of the Borad of Directors on 26/06/2020 for three years composed of three members, headed by Mr. Raed Ibrahim Al-Mudaiheem (non-executive member) and two non-executive board members Mr. Mouhana Abdullah Al-Mouhana and Mr. Khalid Abdullah Al-Shami. The committee held its meetings with the executive management team of the company represented by the CEO Mr. Yousef Saeed Bazaid and the COO Mr. Sahal Mekhdar al-Thobaiti and The Chief Financial Officer Mr. Mohamed Baker Abu Farha, the committee held four meetings during the fiscal year 2022, as follows:

Member's name	23/01/2022	14/03/2022	09/06/2022	12/09/2022	Attendance	Percentage
Raed Ibrahim Al-Mudaiheem	✓	✓	✓	✓	4	100%
Mouhana Abdullah Al-Mouhana	✓	✓	✓	✓	4	100%
Khaled Abdullah Al-Shami	✓	✓	✓	✓	4	100%

#### Executive Committee tasks:

- 1- The committee assist the board in performing the activities and tasks delegated to it by the board of directors to facilitate smoothly the operations of the company.
- 2- The committee assists the board in setting the company's main strategic objectives and investment strategies, and the board approves them.
- 3- The committee contributes to facilitating the definition and setting of the vision and the special tasks of the Board.
- 4- The committee sets an action plan which helps the Board to define the company's vision, mission, and business direction.
- 5- It sets the main strategic objectives that contribute to achieving the required results of the company.

- 6- The committee assists the board in conducting a strategic review of the company's performance on a regular basis to determine whether the company has achieved its goals in the short and long term.
- 7- The committee participates in reviewing and approving all main investment decisions, in line with the company's approved strategies.
- 8- The committee is responsible for forming or reconfiguring any joint venture or partnership, including the expenses associated with the project.
- 9- The committee helps to develop the company's investments, such as increasing its market share and achieving the maximum profit for the shareholders.
- 10- The committee shall promote and develop the technologies and technical support of the company.
- 11- The committee is responsible for managing vendor relationships with major suppliers.
- 12- The committee shall be responsible for setting the commercial operations, policies and operational procedures that must be followed during the implementation of the daily operations of the company, and the committee should also monitor compliance with these procedures, identify the obstacles that prevent adherence to these policies and procedures, and submit action plans that contribute to overcoming these obstacles.
- 13- The committee should monitor the overall development of the employees by ensuring the regular training and developing general skills.
- 14- The committee shall explore means of developing the business in a manner that is cost-effective, efficient, and satisfying to clients.
- 15- The committee must ensure proper coordination and exchange of information and opinions between senior executives and directors of key departments.
- 16- The committee should update the succession plan of positions periodically to ensure that business requirements are met.
- 17- The committee should monitor the performance of the CEO and the executive management regarding the implementation of the business plan established by the Board.
- 18- The committee reviews the ability of the commercial partner's participation in the projects carried out by Al Yamamah Steel Industries Company, if any.
- 19- Defining investment strategy and investment policies are subject to board approval and guideline principles, including policies and guidelines on asset classes, asset allocation, restricted investments, and evaluation.
- 20- Review proposals for the new investments and monitor the compliance of these investments with investment policies and procedures.

- 21- Consider whether the proposed investment is beneficial to the related parties, and requires special attention, and review the board approval.
- 22- Periodically review and approve the standards or other measurement devices which the company uses to monitor the performance of its investments.
- 23- Review the treatment of Zakat or Taxes and review the compliance issues of Zakat or Taxes associated with investment deals.
- 24- Review the accounting treatment and disclosure of each investment transaction and ensure that the valuation is done in accordance with the accepted accounting standard.
- 25- Continuous monitoring of the performance of investment advisors in the company and taking the decision to either retain or terminate their services as they see fit.
- 26- Periodically evaluate the investment results and submission of the necessary reports to the board of directors, including:
  - Reviewing executive management recommendations.
  - Review the components of the current and future investment portfolio.
  - Ensure that those in charge of managing funds adhere to the investment policy.
  - Reviewing buying and selling decisions

#### 4- Corporate governance system:

Al Yamamah Steel Industries Company has developed the principles of governance of accountability, responsibility, transparency, and justice as an applicable guide, in order to ensure the sustainability of the company's business, and to preserve the rights of all stakeholders from shareholders, employees, society, customers, etc., the company develop all the required regulations that help to achieve the goal of governance culture prevailing in all aspects of the company's transactions. Throughout the years of listing on the Saudi Stock Exchange (Tadawul), the company has been applying the highest standards of governance through effective strategic planning, transparency, risk management, and social and environmental responsibility, in line with the company's leadership in the application of governance, the company issued the Environmental, Social and Governance Practices (ESG) report, which was published on the company's website and highlighted the company's commitment to the company's practices in relation to environmental, social and governance elements.

Al Yamamah Steel Industries Company also aims from governance to provide a series of relationships between the company, its senior management, shareholders, and other concerned and relevant parties, so that this provides the way that clarifies the company's objectives and the methods that lead to achieving these goals, The company has a clear

division of responsibilities between the board of directors and the senior management of the company.

Al Yamamah Steel Industries Company pledges to fully adhere to the corporate governance regulations issued by the Capital Market Authority and considers it an important factor in its success, which implementation requires a clear framework of transparency and disclosure to ensure that the board of directors works to achieve the best interests of the shareholders and provides a clear and fair picture of the company's financial results and the results of its business.

The board of directors of Al Yamamah Steel Industries approved the version (Fifth) of its corporate governance manual on 03/11/2021 and its appendixes, which are in line with the company's Bylaws, the new companies' law and the Capital Market Authority's laws and regulations.

The company applies all the stated articles in the corporate governance regulations issued by the Capital Market Authority, except for the below guiding articles:

Article No.	Article text	Reasons for non-application
Article 39	Training of Board members	Guiding Article
Article 41	The Assessment of Board members	Guiding Article
Article 70	Composition of the Risk Management Committee	Guiding Article
Article 71	Competencies of the Risk Management Committee	Guiding Article
Article 72	Meetings of the Risk Management Committee	Guiding Article
Article 85	Employee Incentives	Guiding Article
Article 95	Formation of the Corporate Governance Committee	Guiding Article

## 5- Disclosure Policies:

The charter (regulation) of the policy of disclosure of information is an integral part of the governance regulation guide for Al Yamamah Steel Industries and any shareholder can view it at the company's headquarter or on the company's website ([www.yamsteel.com](http://www.yamsteel.com)). The company has disclosed the most important events and changes at the time of their occurrence, and the company has disclosed its quarterly and annual financial results and the most important material events that affect the results of the company and the meeting of the shareholders' General Assembly according to the period specified by the Capital Market Authority and it was announced on the company's page at the Saudi Stock Market's website (Tadawul).

## **6- Results of the annual audit of the effectiveness of internal control procedures:**

The audit committee emanating from the board of directors of Al Yamamah Steel Industries Company considers in relation to the effectiveness of internal control procedures by reviewing the work of the external auditor of the company, PKF - AL Bassam & Co, reviewing the work of the company's internal audit department and drawing the relevant recommendations to improve it and raise it periodically to the board of directors to ensure the efficiency and effectiveness of the internal control system in general and in relation to the fairness of the financial statements, to provide a continuous evaluation of the internal Audit system and the extent of its effectiveness and to pay attention to any observations that appear and to deal with them very seriously, bearing in mind that it is not possible to absolutely assert the completeness of the evaluation processes by the internal and external auditors, the evaluation is done by examining random samples with the aim of obtaining reasonable assurances about the effectiveness of internal control procedures.

The audit committee believes that the internal control procedures applied in the company during the fiscal year 2022 are highly effective and efficient, and considering the work carried out by the committee, it does not have any fundamental observations or significant deficiencies that require alerting to it or disclosure of it by the executive management of the company or its subsidiary.

## **7 - Penalties, restrictions, and sanctions against the company:**

There are no penalties of material effects, precautionary restrictions or other sanctions imposed on Al Yamamah Steel Industries by any regulatory, supervisory, or judicial authority for the fiscal year 2022.

## **8 - The report of the company's external auditor:**

According to what was stated in the report of the external auditor of the company, PKF - Al Bassam & Co, who stated in his opinion that “the consolidated financial statements” present fairly, in all material aspects, the consolidated financial position of Yamamah Steel Industries and its subsidiary (the “Group”) as of September 30, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

## 9 - Qualifications of the External Auditor on the annual financial statements:

The external auditor of the company, PKF - AL Bassam & Co, has no qualifications about the annual financial statements for the year ended 30/09/2022.

## 10- Procedures taken by the Board of Director to inform its members with the shareholder's proposals and observations:

The board of directors takes several measures to inform its members of the comments, suggestions, and opinions of the shareholders through the periodic board meetings, inquiries and opinions are received in the discussions that take place during the General Assembly meetings about the company and its performance. In addition to receiving inquiries and proposals by e-mail or phone by the shareholder affairs official, and accordingly, the board is informed of the latest developments in this framework through the executive management so that the board takes what it deems appropriate about these issues.

## 11-General Assemblies of the Shareholders and shareholders register:

The Ordinary General Assembly of the Company was held on 14 February 2022, where it approved during the meeting the report of the Board of Directors, the auditor's report, the financial statements, the discharge of the members of the Board of Directors, the appointment of the auditor, the payment of the remuneration of the members of the Board of Directors, the authorization of the Board of Directors to distribute interim dividends on a semi-annual or quarterly basis, the amendment of the NR Committee Regulations, and the approval of the business and contracts that will take place between the Company and related parties during the fiscal year ending on 30/09/2022., the attendance of the Borad Members was 100%.

The following table shows the number of the company's requests for shareholders' register, the dates and reasons for those requests.

No.	Order date	The Reason
1	06/02/2022	Ordinary General Assembly
2	13/12/2021	cash dividend for the year 2021
3	01/12/2021, 03/10/2022	Management Reports

## 12- Social responsibility:

Al Yamamah Steel Industries Company is one of the public joint stock companies in the Kingdom of Saudi Arabia, listed in Saudi Stock Market “Tadawul”. The company is constantly keen to perform its duty towards the youth group who are the backbone of the society and to carry out its responsibilities towards its members in a way that serves their interests and develops their awareness Particularly of the society on which hope is hold for the future to complete and develop the process of building and giving. The company actively participated in the year 2022 in community service, as it carried out the following actions:

- Training 70 Trainees in cooperation with the International Institute of Paper and Industrial Technologies and with the support of the Human Resources Development Fund, and they have been engaged in work, as of July 2022 with contracts ending with employment.
- Receiving visits from students of the Faculties of Electrical Engineering in the universities of the Kingdom to closely examine the latest findings of modern technologies in the design and manufacture and design of electrical equipment.
- The company participated in training 22 Students from several Saudi universities one of them was King Abdulaziz University and King Fahad University for Petrol and Mines within the required bachelor's undergraduate program.
- Attend employment Summits sponsored by the Ministry of Human Resources and Social Development.
- The company has succeeded in attracting many Saudi proficiencies to work in the company, with the support of the Human Resources Development Fund, as the number of Saudi employees reached 336 as of September 30, 2022, representing a rate of 32.90% of the total employees.
- The company is keen to use the latest technologies in its production methods, which do not produce any harmful or unhealthy materials, as a contribution to preserving the environment and society. The Company has released the Environmental, Social and Governance (ESG) Practices Report, which was published on the Company's website and highlighted the Company's commitment to the Company's practices in relation to the Environmental, Social and Governance (ESG) elements.

The company will continue to diversify the initiatives of its participation in its social responsibility towards the beloved country and its honourable sons in a way that serves the public interest.

### 13-Declarations of the Board of Directors and the Company's Management:

The Board of Directors and the Company's Management confirm and acknowledge the following:

- The accounting records were prepared correctly.
- The internal control system was prepared on a sound basis and was implemented effectively.
- There is no doubt about the company's ability to continue its activity.

The Audit Committee does not have any qualifications about the external auditor of the company PKF - Al Bassam & Co. and it has not submitted a recommendation to the Board of Directors to replace them or terminate their contract before the agreed period of the contract.

### Conclusion:

The repercussions of the Russian-Ukrainian war, China's desire to control the Corona pandemic, the real estate development crisis, and the rise in the cost of energy caused confusion in the balance of supply and demand in the global markets for steel, which led to a sharp decline in steel prices globally during the second and third quarter of 2022.

This negatively affected the company's results according to what was included in this report and the attached final statements for the fiscal year ending on September 30, 2022, as the demand for the company's products to serve the construction sector decreased during the months of April to August due to the significant decrease in steel prices, which in turn affected the progress of projects under implementation and waiting to award any new projects.

Praise be to God, Al Yamamah Galvanizing Factory in the Third Industrial City in Jeddah was successfully operated by the end of the third quarter of the fiscal year 2022 at an investment cost in buildings, machinery and equipment estimated at SAR 32 million, and the full production capacity was exploited in conjunction with the operation of the full production capacity to expand the electrical towers factory in order to supply electrical power transmission towers for the contracted projects, whose supplies will extend to the end of the next fiscal year 2023.

The company has made great strides in the implementation of construction and building works for Al Yamamah Wind Power Systems Factory Project in Yanbu Industrial City, where the project buildings will be fully received by the end of June 2023, and the technical aspects are being followed up and the supply of production lines with the best international suppliers is being followed up according to the approved schedule of the project and in order to achieve the

quality of the products required by the company's customers from international companies specialized in wind powered electricity turbines, Especially companies interested in implementing wind electricity production projects in the Kingdom of Saudi Arabia. Continuous communication is underway with them to introduce the company and its project and obtain their approvals, and the trial operation of the project is expected during the fourth quarter of the fiscal year 2023.

### **Board of Directors**

**Al Yamamah Steel Industries Co.**