

Dear Shareholders,

By the grace, assistance, and direction of the Almighty God and in a period of renewed renaissance under the leadership of His Majesty Sultan Haitham Bin Tariq, it gives me pleasure on behalf of the Board of Directors of Al Jazeera Steel Products Co., SAOG, to invite you all to the 25th Annual General Meeting of the Company and to present the Annual Report for the company, Audited Financial Statement and Auditors Report for the year ended 31 December 2022.

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Key points of 2022 Operational Performance

The year started on a strong note on the demand front with the easing of global pandemic situation and projects starting to move again in the GCC.

However, as the year progressed, there were unexpected challenges with raging inflation, rising interest rates leading to liquidity issues. IMF had forecasted global inflation to rise from 4.7 percent in 2021 to 8.8 percent in 2022. These factors along with the conflict in Europe and lingering threat of Covid combined to a “broad-based and sharper-than -expected slowdown”. As per IMF estimates, global GDP was expected to slow from 6% in 2021 to 3.2% in 2022.

The geopolitical tensions along with the aggressive monetary policies by the USA to control inflation and the slowdown in China also contributed to lowering of demand not only in the region but worldwide. As a result, while there was a spike in steel prices immediately after the onset of Ukraine crisis, this was followed by a sharp correction in prices, severity of which was last seen in 2008. For example, HRC prices corrected from US\$ 1,000 per mt levels in Q1 to below US \$600 per mt levels by Q4 2022.

Another factor which negatively affected the company's bottom line has been the imposition of the import duties by Saudi Arabia on supplies from Oman starting Q2-2022. Using the various parameters set out for exemption by the Saudi Arabian government, we have applied for the same and await a positive outcome.

Nonetheless, the measures taken by the company helped in alleviating many of the challenges. One of the major highlights of the year was successful implementation of SAP followed by of the Production Automation System (PAS) in our mills. The upgrades of our Merchant Bar Mill (MBM) and Tube Mills were implemented as planned. Further, we were able to diversify our MBM products to newer markets. We achieved our first break bulk shipment to MENA region, thereby increasing our product presence beyond GCC.

The Company focused on the health and safety of its employees as a paramount concern and continues to do everything possible to ensure that employees stay protected, and the plant operations continued uninterruptedly.

In spite of the multiple challenges faced, the company with its consistent operations, sales and smart procurement could end the year with a net profit of RO 3.14 million. This is an achievement considering the scale and extent of the price correction and other disruptions seen in the global market.

Particulars	Group			Parent		
	2022	2021	Growth %	2022	2021	Growth %
Production quantity in MT	360,123	401,284	(10%)	360,123	401,284	(10%)
Sales quantity in MT	384,391	402,838	(5%)	382,798	405,120	(6%)
Sales Value in RO	149,266,823	150,359,079	(1%)	147,397,621	150,243,981	(2%)
Net Profit in RO	3,142,623	9,208,615	(66%)	3,102,705	8,542,405	(64%)

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Looking Ahead

The global political and economic challenges persist, the GCC economies were seen as better placed with most GCC economies recording budget surplus in 2022 after many years. The GCC economy is expected to grow between 3.4 – 4% over next two years with Oman projected 6% growth in 2023 on the back of energy prices remaining strong.

The GCC region has more than US \$2.50 trillion worth of projects planned or underway as of mid-October 2022 as per MEED-Projects. We are witnessing significant project announcements and awards in GCC with Saudi Arabia and United Arab Emirates leading the way. Oman is also announcing investments in various sectors like tourism, minerals, green technology etc. Further, easing of the covid policy in China is seen as a major boost to the global demand as there is a rebound in Chinese economic activities.

Macroeconomic data across most of the economies reflect slowing of inflation numbers, thus indicating a potential easing of rate hikes by central banks.

All the above factors give us optimism about the future growth of our company although we remain cautious that there may be a lag before a massive uptick in economic activity is seen.

Nonetheless, as a company, we remain hopeful that with the actions we are taking, we will be in a reasonably good position to handle the challenges. The company continues with measures to improve mill upgradation along with innovative planning and forecasting to mitigate risk and optimize opportunities.

Dividends:

The Board of Directors is pleased to recommend a cash dividend of Bz 15 for the year for every share held. The following table shows the dividend declared during the past years.

Year	2017	2018	2019	2020	2021
Cash Dividend (in Baiza)	24	16	5	14	44

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Internal Control Systems and their adequacy

The Company has proper and adequate systems of internal controls required to ensure that all assets are safeguarded and protected against unauthorized use or disposition and that all transactions are authorized and reported correctly. The internal control system is supplemented by an extensive program of internal audits, review by management, documented policies, guidance, and procedures. The internal control system is designed to ensure that all data is reliable for preparing and maintaining financial statements.

The Company has an audit committee comprising of non-executive directors to review the audit work which in turn is reviewed by the Board.

The greatest strength of your Company is the quality and spirit of its people. Also, it enjoys a good reputation in the market for its quality and dependability. Both these factors have contributed positively to its growth and development. I would like to record my appreciation and sincere gratitude to all the employees of Jazeera Steel, who toiled under very difficult conditions taking all due precautions in producing positive results.

BDO LLC, the Company’s Auditors have audited the accounts up to 31 December 2022 and their report is enclosed.

On behalf of the Board, I would like to thank all our stakeholders consisting of the Management, the Union, Bankers, Suppliers, Customers, Muscat Stock Exchange and all our Shareholders for their support and cooperation, which in turn reflects their confidence placed in us.

I would also take this opportunity to thank all the frontline health care workers, doctors and all medical professionals and authorities in Oman for their distinguished service during the time of the pandemic.

Above all, we pay tribute to the visionary leadership of His Majesty Sultan Haitham bin Tariq as he leads Oman into a new era and vow to support all his endeavors to take Oman to greater heights of prosperity and development.

On Behalf of the Board

Amal Suhail Salim Bahwan

Chairperson

5 February 2023