



Supplementary Disclosure - Directors Report

Director's report to the shareholders for the year ended 31 December 2021

On behalf of the Board of Directors and employees of United Gulf Investment Corporation (UGIC)

I would like to review the annual report and financial results of the company for the year ended on December 31, 2021

First, the company's net profit amounted to BD 3,684,046 after zakat provision in 2021, compared to a loss of BD1,071,835 after zakat provision for the year 2020.

The mining and metals sector has been positively affected by the Corona pandemic, as commodity prices rose globally, whereas, the biggest losers were small companies and factories that import in small quantities, who ship and export in small quantities. While the impact was adverse to large companies to some extent, as they are less reliant on container movement globally, especially those that deal with "bulk" shipping. This had a positive impact on the results of the industrial sector in the Kingdom of Saudi Arabia, praise be to God, and the iron sector in particular, as for the first time China imported steel from the rest of the world, although it produces 50% of steel globally. In addition, the rise in the price of oil and gas globally has contributed a lot to raising the price of electricity for heavy industries globally, which has led to an increase in the prices of commodities and minerals globally.

The great impact also as a result of USA returning to the climate agreement with the enormous pressure on coal production globally prompted China to stop many of its industries and impose fees on extracting coal, which is the building block of heavy industries such as iron, Aluminum and metal alloys, where the price of coal rose from 280 dollars per ton to exceed 700 dollars per ton because many industries in India and China also use coal to generate electricity, many of these factories were shut down. All of these events were in conjunction with the global closures as a result of the Corona pandemic, as well as the disruption in the movement of shipping, and the alarming rise in the cost of containers. The biggest beneficiaries were those companies that depend on local suppliers, as most international companies and industries resorted to the local supplier for reliability in supply and the right price, since whoever relied on the supply from external parties was unable to receive the goods as a result of "force majeure" and this affected the supply chains causing a huge raise in the prices of products globally. Also, the global electronic chip crisis between China and the United States has raised the prices of devices and disrupted the equipment's assemblies, which affected the supply chains and raised the prices of products, as this can be noted in the increase of prices of cars globally. It is expected that this effect will continue for a short period of time as a result of the exit of many small companies from the competition cycle due to the repercussions of the Corona pandemic globally. In Saudi Arabia, the industrial sector has shown improvement. While the cost continued to rise in the Kingdom of Saudi Arabia from the huge increase in fees for foreign workers and their families, to the high cost of local contractors' prices and the high rates of Saudization required in jobs. This has caused increases in the cost of living in Saudi Arabia. The company has been able to consolidate relations with major steel factories in the region in Saudi Arabia and the UAE. Yet, there were some old contracts at low prices that affected the company's results in its attempts in achieving record results in 2021.

Praising Allah, the Kingdom of Saudi Arabia has increased customs duties in the year 2020 on imports of our products from 5% to 15% in the case of ferromanganese, and from 5% to 12% for silicomanganese, and from 5% to 15% for ferrosilicon, which was implemented starting July 2020. Its impact on the company's



was directly on selling prices and quantities sold in the Saudi market. The results of that began to appear on the company's financial statements, accompanied by the recovery of local demand.

Unfortunately, some exemptions were previously given to some clients. We are still working on cancelling these exemptions in coordination with the Ministry of Industry and Mineral Resources.

The company's sales amounted to SR 557 million for the year 2021, compared to SR 335 million in 2020. During the year 2021, the company paid more than SR 120 million of the Electricity Company's arrears, which amounted to SR 151 million by year end 2021.

The company also paid SR 4.5 million to the Royal Commission as a result of a sudden claim for differences in the lease of land, dated back to 25 years ago and over a contract that expired 3 years ago.

Therefore, the company has taken many strong provisions to give a conservative image to avoid strong future shocks that may affect the value of the company. Based on that BOD and management are taking a conservative approach to deliver a sound conservative picture to its shareholders, affiliates and preserving the rights of small shareholders to the maximum possible.

The company has also added lines to raise efficiency of production, as it is expected to improve production efficiency by no less than 15% starting from the year 2022, which will improve the company's profit margin by no less than 10%, and this is an achievement that counts for the management of UGIC and its BOD in improvement and development.

We have also added a SUB-CR of SABAYEK "Adding Mining Activities" in order to apply for local mining in the Kingdom of Saudi Arabia. The company has also established A company called "Rukam Industrial Co." with a 40% ownership, which specializes in recycling of steel from slag, as this will enable us to consolidate the relationship with the major steel factories in the Kingdom, add profits to the company and give diversity in sources of income.

Despite the difficulties it is facing, this industry is still working on utilizing local GCC raw material to add to the integration of the economy of the Gulf cooperation Council (GCC) and increasing local content to higher levels according to vision 2030, that is inspired by the insights and wisdom of the leaders of the Gulf states (May Allah bless them) towards the development of the Mining industries in the GCC, which will hopefully will give a strong impetus parallel to the petroleum era in the future and to potentially become the future wealth, God willing, that creates promising well-paying jobs for the citizens of the Gulf cooperation Council (GCC). We are looking forward to their necessary support.

Second, in the year 2021, UGIC's share in "Dhahran Chemical Industries and Marketing Company" during the year amounted to BD 194,732 up from BD 126,679 in 2020. Dhahran Chemical Industries and Marketing Company distributed simple profits of about BD. 117,420 for the first time in 5 years after completing the purchase of 51% of the shares of Synthomer Dubai in July 2019. This increase in profits is attributed to the improvement of market conditions in Saudi Arabia and the expansion achieved by the company in the United Arab Emirates.

However, these results are still less than expectations due to the impact of the Covid -19 pandemic on this industry and its dependence on global container traffic, but overall they are promising results for the company. The repayment of the bank loan was completed by the end of this year 2021, which allowed the company to start distributing profits after that, God willing.

Third: An additional delay occurred in commencing activities of "United Gulf Trading Company" due to the delay from local suppliers of raw materials in the Kingdom of Saudi Arabia. However, the company will continue its activities in integrated areas in light of the overall strategy of the United Gulf Investment Group, which is metals, mining, raw materials and marketing in 2022. We will need to issue a Saudi commercial register number as well as register the company in the tax system in Saudi Arabia as a Saudi company in addition to registering in the tax system of the Kingdom of Bahrain.



Outlook:

God willing, UGIC expects 2022 to be a year similar to 2021 in terms of economic activity and accordingly, we expect to witness a good year for SABAYEK as the settlement agreement with the electric company was very difficult, and we will also continue to settle all government related expenses during 2021.

Where SABAYEK will pay the remaining electricity arrears and old dues to the Saudi Industrial Development Fund and settle some of the zakat claims, God willing. We will also work on preparing Sabayek for future listing in NUMO stock exchange in Saudi Arabia, which requires tremendous efforts by the Board of Directors and the company's management.

We will also continue to find new projects and add new special products that are in line with Vision 2030. We expect UGT to start its operations. Furthermore, if the Saudi government starts its support program for steel industries and its subsidiaries, the market is expected to recover significantly in 2022.

Appropriations/ Recommendations:

Based on the financial results, the Board of Directors does not recommend any cash dividends or taking provisions on ongoing investments. It also recommends continuing to operate development projects to diversify activities and reduce the cost of products in subsidiaries in light of changes and transformations occurring in the GCC market, increases in cost and taxes, significant increases in fees, and structural changes in the labor market. In line with Article 188 of Decree-Law No. (28) of 2020,

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Non Independent – Non Executive Directors:													
Rashed Abdulla Alsuwaiket	-	-	-	-	-	-	-	-	-	-	-	-	-
Second: Independent - Non-Executive Directors:													
Abdulla Fahad Alhazza Subaie	-	-	-	-	-	-	-	-	-	-	-	-	-
Waleed Fahad Althurman	-	-	-	-	-	-	-	-	-	-	-	-	-
Abdulla Mubarak Alsuwaiket	-	-	-	-	-	-	-	-	-	-	-	-	-



Third: Executive Directors:													
Qusay Khalil Alkhalili	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-

Note: All amounts in Bahraini Dinars.
Other remunerations:
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

Executive Management Remuneration :-

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2021	Aggregate Amount
Top 6 remunerations for executives, including CEO, CFO	305,300	303,000*	25,662	633,962

Note: All amounts must be stated in Bahraini Dinars.

Whereas, none of the board members of the United Gulf Investment Company received remuneration during the year 2021 due to the epidemic situation. In addition, the executive management and senior employees of the group have received a total of 305,300 Bahraini dinars for the current financial year towards Salaries and allowances, 303,000* (Only Provision) towards Bonus remunerations and 25,662 towards Cash in Kind for the year ended 2021.



الشركة الخليجية المتحدة للاستثمار (ش.م.ب)

UNITED GULF INVESTMENT CORPORATION (B.S.C)

Finally, the Chairman and members of the Board of Directors, on his behalf and on behalf of the shareholders, take this opportunity to express his sincere appreciation and thanks to His Majesty King Hamad bin Isa Al Khalifa of Bahrain, and to His Royal Highness and His Royal crown Prince Salman bin Hamad Al Khalifa , and Prime Minister and Deputy Supreme Commander of Defense Force, as well to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and his Royal Highness Crown Prince Mohammad bin Salman of Kingdom of Saudi Arabia, and to their Majesties and Highnesses the leaders of the Gulf Cooperation (GCC) for their continuous support to us.

We would like to express our gratitude to all government authorities specially to, the Ministry of Industry Commerce and Tourism, the Bahrain Bourse, the Central Bank, Capital Markets Supervisory Directorate (CMSD) and the General Secretariat of the Cooperation Council for the Arab Gulf States, wishing all the prosperity and prosperity of the GCC countries in light of this glorious era for its leaders.

Rashed Abdullah Al-Hajri
Chairman

27 February 2022

