

CHAIRMAN'S SPEECH

Dear Shareholders,

On behalf of the Board of Directors and myself, I welcome you to the 44th Annual General Meeting of your Company.

2021 continued to be a challenging year due to ongoing Covid-19 restrictions coupled with significant supply chain issues and multifold increase in commodity prices. Construction activities and cement demand in the UAE continued to fall. Non availability of containers and exorbitant shipping costs crippled our export markets as well. In addition, the coal prices doubled during the second half of the year making cement production very expensive. Due to low demand in the local market, cement selling prices remained low despite significant increase in cost of sales. As a result, company reported losses during 2021. All other cement companies in the country also faced similar challenges and recorded significant losses. The company however managed all other costs wisely and ensured that the company's EBIDTA remained positive during 2021. Company also managed its cash flows to reduce its debts further. Thus, the company was successful in maintaining the shareholders' equity.

The company had sales of 494 million dirhams and gross loss of 7 million dirhams from operations of the factories in 2021, compared to sales of 432 million dirhams and a gross loss of 5 million dirhams in 2020. As explained earlier, loss was due to high energy costs, lower exports and decrease in Cement demand. Higher sale resulted from sale of clinker which was sold to ensure continued plant operations. Investment operations resulted in a profit of AED 11 million as against loss of AED 6 million in 2020 due to higher fair value of investments in securities, higher rental income and higher return on our investment in securities. The net loss for the year 2021 was AED 34 million, compared to a net loss of AED 71 million in 2020.

In view of losses for the year and financial commitments of the company for repayment of term loans for the capital projects already executed, the Board of Directors has recommended No dividend to the Shareholders for 2021.

Corporate Social and Environmental Responsibility

We recognize our responsibilities towards preservation of Environment and have worked actively to remain strategically aligned with the UAE Green Agenda and the UAE National Vision.

We contribute positively to these visions and directives by contributing to our local communities and embedding sustainability into everything we do. The company's Sustainability Framework has been aligned with the United Nations Sustainable Development Goals, United Nations Global Compact and the Global Reporting Standards.

In our commitment to sustainable growth and greener earth, we continuously invest in technology to reduce our carbon footprints by reducing coal consumption. UAE Environment Law requires all cement companies in the UAE to use at least 10% alternative fuel in place of coal from 2021. As reported last year to you about our agreement with Bee'ah for supply of Alternative Fuel, we are pleased to confirm that Bee'ah is now ready and will commence supply of the agreed Alternative Fuel from 1st of May, 2022. With this agreement and other ongoing agreements with Bee'ah and other public and private establishments, we will replace more than 30% of fossil fuel with alternative fuels over the next two years.

We are working closely with Sharjah Municipality and the Ministry of Environment in keeping the dust and other emissions in and around the factory well below the statutory limits. We also help Sharjah Police to ensure safe and environment-friendly disposal of hazardous waste and other contraband materials. We have further planted 340 trees to add to our existing 5,500 trees in the factory premises, and we are proud to be one of the greenest factories in the UAE.

We have signed a long-term agreement with a local company to recycle dry sludge generated by their water treatment plant and use their recycled water for our need at the plant. We are proud to announce that we that our entire plant now runs on recycled water.

The company continues to support many charitable organizations and social institutions to fulfill its corporate social responsibilities. For the development of Emirati youth, the company organizes visits to the cement plant and provides regular training in association with various schools and universities.

Our environmental, social and governance performance and contribution to national and global sustainability targets are highlighted in our Sustainability Report for 2021 which is available on our website as well as on ADX website.

Global Economic Outlook for 2022

Prior to the outbreak of the war, most key global macroeconomic variables were seen as returning to normality over 2022-23 following the COVID-19

pandemic. Global growth and employment levels in 2023 were projected to return to rates similar to those prevailing in the immediate pre-pandemic period.

However, as expressed by IMF, the Russian invasion of Ukraine is a major blow to the global economy that will hurt growth and inflationary pressures will built up resulting in raising prices.

Beyond the suffering and humanitarian crisis resulting from the conflict, the entire global economy will feel the effects of slower growth and faster inflation resulting from high commodity prices, disruptive trade and supply chain and reduced business confidence.

Regrettably, we have witnessed further substantial escalation in energy cost (Coal prices) in the international market during the 1st quarter of 2022. This will negatively affect our production cost, which will be reflected in our first quarter results. We are still remain hopeful during 2022 Coal prices will come down to an economical level which will reduce our losses.

On the positive side, the recent increase in oil prices will encourage our wise government to increase infrastructure spendings, which will increase demand in our products.

Finally, it gives us the honour to express our sincere gratitude to H.H. Dr. Shaikh Sultan Bin Mohamed Al Qassimi, Ruler of Sharjah and Member of Supreme Council for his continuous guidance and support.

I would also like to thank the Fellow Board Members, Management and Employees of the company for their dedicated efforts and devotion in achieving the Company's objectives.

Othman Sharif
Chairman