SAUDI STEEL MARKET
Challenges & Opportunities

19th Middle East Iron & Steel Conference
14-16 December, 2015
CONTENT

• SABIC Business Profile

• Steel Market Insight

• Regional Steel Market Conditions
  ❑ Oil Prices
  ❑ Iron Ore Prices
  ❑ China Market

• Challenges & Opportunities
SABIC BUSINESS PROFILE
SABIC IN NUMBERS

To be the preferred WORLD LEADER in chemicals

1976, our beginning
39 years of growth
3rd largest global diversified chemical company* 
116th largest public company in the world*

US$ 91 B total assets
US$ 50 B annual revenue
US$ 6.2 B net income

40,000 employees
50 countries
5 Strategic Business Units

64 world-class plants worldwide
5 key geographies with innovation hubs
150 new products each year
10,640 global patent filings

* Forbes 2015
PRODUCTION HAS MULTIPLIED BY 5 IN 20 YEARS

A high rate of growth…

…reaching 69.7M metric tons in 2014

<table>
<thead>
<tr>
<th>Sector</th>
<th>Production (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals</td>
<td>5.869</td>
</tr>
<tr>
<td>Agri -Nutrients</td>
<td>6.531</td>
</tr>
<tr>
<td>Polymers</td>
<td>11.540</td>
</tr>
<tr>
<td>Innovative Plastics</td>
<td>1.505</td>
</tr>
<tr>
<td>Chemicals</td>
<td>43.830</td>
</tr>
</tbody>
</table>
5 SBU’S WITH OVER 70 MTPA CAPACITY

- Innovative Plastics: 3%
- Chemicals: 62%
- Polymers: 17%
- Agri-Nutrients: 9.5%
- Metals: 8.5%
SABIC METALS - SAUDI IRON AND STEEL CO. (HADEED)

- 100 km north of Dammam City
- Established in 1979
- Fully Integrated Steel Facility
  - 5 DRI
  - 6 EAF
  - LP Rolling Millis (Rebar & Wire rod)
  - FP RM (HSM & CMC)
- Capacity of 6.0 Mtpa
  - 4.0 Mtpa LP (Rebar & Wire rod)
  - 2.0 Mtpa FP (HRC,CRC,GI & PP)
- Regional Market
WORLD STEEL STATISTICS

World Steel Production

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (MMT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>189</td>
</tr>
<tr>
<td>1960</td>
<td>347</td>
</tr>
<tr>
<td>1970</td>
<td>595</td>
</tr>
<tr>
<td>1980</td>
<td>717</td>
</tr>
<tr>
<td>1990</td>
<td>770</td>
</tr>
<tr>
<td>2000</td>
<td>850</td>
</tr>
<tr>
<td>2005</td>
<td>1,148</td>
</tr>
<tr>
<td>2010</td>
<td>1,433</td>
</tr>
<tr>
<td>2014</td>
<td>1,665</td>
</tr>
</tbody>
</table>

- China: 49%
- Japan: 7%
- Other Asia: 12%
- Others: 6%
- EU-28: 10%
- Other Europe: 2%
- CIS: 7%
- NAFTA: 7%
- KSA: 0.7%
- NAFTA: 7%
- China: 49%
WORLD STEEL STATISTICS

Top 20 steel producers countries - 2014

8 Countries represent 80% of total world steel production
KSA LOCAL STEEL PRODUCERS

Design Capacity | Actual Capacity
--- | ---
Hadeed SABIC | 3.8 MMT | 3.8 MMT
Solb Steel | 1.7 MMT | 1.7 MMT
Rajhi Steel | 0.8 MMT | 0.8 MMT
Ittefaq Steel | 1.5 MMT | 1.5 MMT
9 Others | 1.3 MMT | 1.3 MMT
11.4 MMT | 8.8 MMT

Long Products

Flat Products

Design Capacity | Actual Capacity
--- | ---
Hadeed SABIC | 2.25 MMT | 2.25 MMT
Unicoil Steel | 0.25 MMT | 0.25 MMT
Hadeed SABIC | 2 MMT | 2 MMT
2014 SABIC METALS MARKET SHARES

**Long Products**
(Rebar & Wire rod)

- **SABIC**: 49%
- **Local Producers**: 10%
- **Imports**: 41%

**Flat Products**
(HRC, HR Plate, CRC, GI, PP & Tin Plate)

- **SABIC**: 45%
- **Local Producers**: 6%
- **Imports**: 49%

- **9.8 Mtpa**

- **4.0 Mtpa**
SAUDI STEEL MARKET FORECAST IN MMT

Long Products
(Rebar & Wire rod)

Flat Products
(HRC, HR Plate, CRC, GI, PP & Tin Plate)

<table>
<thead>
<tr>
<th>Year</th>
<th>KSA Capacity</th>
<th>KSA Supply</th>
<th>Imports</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11.4</td>
<td>8.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>14.4</td>
<td></td>
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</table>

CAGR 3.5%

<table>
<thead>
<tr>
<th>Year</th>
<th>KSA Capacity</th>
<th>KSA Supply</th>
<th>Imports</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.3</td>
<td>2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>6.3</td>
<td></td>
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</table>

CAGR 4.1%
2025 STEEL DEMAND FORECAST (KSA)

Steep growth, mainly from Construction & Infrastructure

Strong growth in non residential & moderate at infrastructure sector
SAUDI STEEL MARKET

CURRENT REGIONAL STEEL MARKET CONDITIONS

Iron Ore

China Steel Market

Oil Prices
CURRENT MARKET CONDITIONS

Falling Oil Prices
- Reduced Revenues
- Reduced Govt. Spending
- Sluggish Construction
- Reduced Steel Consumption

Falling Iron Ore prices
- Supply Vs Demand
- Drop in Sales price
- Drop in Revenues
- Profit Margin drop
- Strong Competition

China Market
- Competition on price
- Loosing market share
- Business growth slow
- Threat to domestic steel industry

Influence on Steel Industry
- Overall Operations
- Economics
- Market Share
- Competitiveness
- Strategic Business growth
VIEW ON OIL PRICE & GLOBAL GDP

Financial Crisis Recession and Moderate Recovery
Uncertain Growth
Returning to Robust Growth

USD/Barrel

-2.0% -1.0% 0.0% 1.0% 2.0% 3.0% 4.0% 5.0%

CERA Brent Wood Mac Macro Oil EIA Global GDP
STEEL VS OIL

Global Crude Steel Production VS. Oil Prices (2000 – 2015)

In general, steel production volume is influenced by Oil prices

International Re-Bar Prices VS. Oil Prices (1985 – 2015)

Oil prices have influence on steel prices except during recession period

Oil prices have influence on steel prices except during recession period
FALLING IRON ORE PRICES & CHINA’S CONTRIBUTION

- Australia and Brazil’s excess supply and Chinese slowing demand of iron ores slumped the global iron ore prices from US$ 175 in 2010 to USD 60 in 2015 (Forecast: medium to long term average 35-45$/t).
- Global Supply of Iron Ore almost doubled from 1.0 Bn.Ton in 2000 to more than 2.0 Bn.ton YTD.
- Forecasted to reach 2.5 Bn.Ton in 2025 (new mines to commence production by 2016).
- Australian miners increased their monthly shipments from 15MT in 2010 to 36MT (140% growth)
- China’s Industrial production growth has declined from 19% in 2010 to 7% in 2015YEE.
- Since 2014, China’s did not consume its anticipated iron ore imports; Instead, it started falling.

Source: World Steel Dynamics / Bloomberg, TD Securities & Business Insider - Australia
Monthly Production of China crude steel is higher than monthly consumption.
China has overcapacity of 340MT; Major threat being low cost producer & 49% global market share.

Monthly exports increased from 2.5MT in 2010 to 10MT in 2015 (approx.300% growth)

Annual exports from 41.7MT in 2010 to 92.9MT in 2014 (approx.123% growth)

In first six months of 2015, exports jumped by 27.8% y-o-y to 52.40 MT. 2015 YEE: 105MT

Chinese GDP declined by 26% since 2009 from 9.2% to 6.8% 2015 YEE (6.3 % Forecasted by 2020)

Chinese exports growth from 6.7% in 2010 to 11.3% in 2014 & 2015 YEE 12.8%

Source: World Steel Association
SAUDI STEEL MARKET

CHALLENGES & OPPORTUNITIES
CHALLENGES

Market

• Shrinking steel market by reduced government spending & construction projects
• Sustaining market share from cheaper imports
• Strong competition on price & differentiation
• Uncertainty of Supply chain – raw material, inventory & finished product by price volatilities

Economics

• Reduced Sales revenue
• Reduced Profit margin
• Strategic Cost Reduction

Business Growth

• Slow down of business growth
• Investors dilemma on capital investments
• Uncertainty of market outlook for growth
OPPORTUNITIES

- Construction boom: CAGR 3 - 4%
- Economic & New Industrial city projects
- Oil & Gas pipe industrial growth
- Proposed Ship building Industry (New)
- Aramco’s Oil cluster & Maritime yard
- 16 Nuclear reactors construction (18GW)
- Wind Mill Power project (9GW)
- GCC & Saudi railway projects
- Proposed Automotive Industry
THANK YOU