

FOR IMMEDIATE RELEASE

Industries Qatar's Subsidiary, Qatar Steel, Successfully Completes Acquisition of Al Qataria for Production of Reinforcing Steel

Doha, Qatar; 8th October 2023: Industries Qatar (“IQ”; QE Ticker: IQCD), one of the regional industrial giants, further to the announcement made on 25th June, 2023, announces the completion of acquisition of 100% shares of Al Qataria for Production of Reinforcing Steel W.L.L “Al-Qataria” by its fully owned subsidiary Qatar Steel Q.P.S.C “Qatar Steel” for a total consideration of QR 346 million (on a cash free, debt free basis) for which funding will be sourced through internal group funding.

The group believes that the acquisition of Al Qataria by Qatar Steel Q.P.S.C will bring several strategic and tactical benefits to both Qatar Steel and to the group. The acquisition will allow Qatar Steel and the group to consolidate its market position as the leading supplier of steel bars, as Qatar Steel is acquiring a direct competitor with a sizeable production capacity.

The acquisition will bring additional cost synergies in the form of value chain optimization via establishing mutual billet procurement from acquiring Al Qataria, instead of importing raw materials. Further synergies could be achieved through operational excellence keeping conversion costs low and integration with Qatar Steel’s main production facilities. The acquisition is planned to be further followed by execution of the diversification into new products (Wire Rod Coil) that is not currently part of Qatar Steel’s existing product portfolio in Qatar.

The group believes that the acquisition of Al Qataria will strengthen Qatar Steel’s leadership position on the domestic steel market and will contribute to additional shareholder value creation. Furthermore, the group believes that this acquisition will unlock new export destinations for products like wire rod and rebar in coil to countries within the GCC region and the international markets. The acquisition of Al Qataria will help support the group’s medium- and long-term growth strategy.

Brief Description of QATAR STEEL (Offeror)

Qatar Steel Company “Qatar Steel”, a Qatari private shareholding company having its registered address at Mesaieed Industrial City, Qatar – P.O. Box 50090. The issued share capital of the company is QR 300 million. Qatar Steel, incorporated in 1974, is wholly owned by IQ. It has several investments in the steel industry, including one subsidiary - Qatar Steel Company F.Z.E., and three associate companies: Foulath Holding., Qatar Metals Coating Company and SOLB Steel Company. Qatar Steel is engaged in the production of intermediary steel products such as direct reduced and hot-briquetted iron (DRI/HBI), steel billets and final steel products such as rebar and coil.

For the details of top management and list of products refer to Qatar Steel’s official website (www.qatarsteel.com.qa)

Brief Description of Al Qataria for Production of Reinforcing Steel W.L.L (Offeree)

Al Qataria for Production of Reinforcing Steel (CR no.51186) which is located at New Industrial Area, Building 215, Street 27, P.O Box 23039, Doha, Qatar. The company's activities include the production of reinforcing steel bars and the trading in steel products. Currently it has annual production capacity of 500,000 MT's of rebar.

For the details of top management and list of products refer to Al Qataria's official website (www.qsteel.qa)

Key elements of the transaction

- *Percentage of shares purchased and sources of funding*
Qatar Steel acquires 100% equity of Al Qataria for Production of Reinforcing Steel W.L.L for QR 346 million (on a cash free, debt free basis). The transaction to be financed through internal group financing.
- *Relationship between transaction parties*
There is no interest or relationship, among the Concerned Persons, their boards' members or Major Shareholders.
- *Financial implications of the transaction on the financial position and performance of IQ*
The group believes that the transaction will not have a material impact on the group's financial position and performance of IQ as the purchase consideration is immaterial compared to group's equity as of 31 December 2022.

SWOT analysis of Al-Qataria Acquisition

Strengths:

The acquisition of Al Qataria presents several key strengths that contribute to its competitive advantage and market positioning:

- **Fully automated production facility:** Al Qataria benefits from a state-of-the-art production facility provided by NCO, one of the world's leading engineering and plant building companies based in Italy. This advanced facility allows for efficient and streamlined operations, contributing to increased productivity and cost-effectiveness.
- **High-quality steel rebars:** Al Qataria specializes in producing high-quality steel rebars of various sizes, meeting British Standard grade specifications. This commitment to quality gives them a competitive edge in the market and enhances their reputation among customers.
- **Technical optionality for diversification:** Al Qataria has the technical capability to diversify its production into wire rods and rebars in coil. This flexibility enables them to adapt to changing market demands and expand their product portfolio, catering to a wider range of customer needs.

Opportunities:

There are also several opportunities for growth and strategic advancements that can drive its success in the market:

- **Increasing capacity utilization and product mix expansion:** By addressing the capacity utilization challenges and investing in diversification, Al Qataria can unlock opportunities for growth. Increasing their production output and expanding their product range will allow them to capture a larger market share and attract more customers.
- **Integration into an advanced production ecosystem:** The acquisition presents an opportunity for Al Qataria to integrate into the more advanced production ecosystem of Qatar Steel. This integration can lead to knowledge sharing, technology transfer, and improved manufacturing standards, enhancing their overall competitiveness and market positioning.
- **Optimization of supply chain and joint sales strategies:** The acquisition can facilitate the optimization of supply chain channels between Qatar Steel and Al Qataria. By streamlining logistics and aligning sales strategies, they can achieve synergies and operational efficiencies, resulting in cost savings and improved customer satisfaction.

Disadvantages:

However, there are certain disadvantages that need to be addressed to optimize its operations and unlock its full potential:

- **Limited maximum production capacity:** Al Qataria's maximum production capacity is currently limited to 0.5 million tons of rebars per annum. This constraint may restrict their ability to scale up operations and meet growing market demands, potentially resulting in missed business opportunities.
- **Capacity utilization challenges:** Al Qataria has experienced lower capacity utilization compared to its peers since the start of production. This could be attributed to high competition in the market, leading to underutilization of their production capabilities. Addressing this issue is crucial to optimize efficiency and improve profitability.
- **Focus on mono production of steel rebars:** Al Qataria's primary focus on the production of steel rebars limits their product mix. Expanding into new product lines would require additional capital expenditures, posing financial challenges and potential risks.

Threats:

There are certain threats and challenges that need to be carefully managed and mitigated in order to ensure the success of Al Qataria acquisition:

- **Uncertainties in local and GCC region demand:** Al Qataria faces uncertainties related to local demand dynamics and the overall market conditions in the Gulf Cooperation Council (GCC) region. Economic fluctuations, regulatory changes, and geopolitical factors may impact the demand for steel products, posing risks to their revenue and growth prospects.
- **Growing competition in the GCC region:** The GCC region is witnessing an increase in competition in the steel industry. New entrants, existing competitors, and regional market dynamics can intensify competition, potentially affecting market share, pricing, and profitability for Al Qataria.
- **Raw materials price volatility and supply disruptions:** Fluctuations in raw materials prices, such as iron ore and scrap metal, can impact Al Qataria's cost structure and profitability. Additionally, supply disruptions due to factors like geopolitical tensions, trade restrictions, or natural disasters can disrupt their operations and supply chain, leading to potential delays and increased costs.

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About Industries Qatar (IQ)

Industries Qatar Q.P.S.C. was incorporated as a Qatari joint stock company on April 19, 2003. The business operations of the company comprise the direct holding of shares in the following subsidiary and joint venture companies: (i) Qatar Steel Company Q.P.S.C. ("QS"), a wholly-owned subsidiary, engaged in the manufacture and sale of steel billets and reinforcing bars; (ii) Qatar Petrochemical Company Limited QSC ("QAPCO"), a joint venture owned 80% by IQ, engaged in the production of ethylene, low-density polyethylene ("LDPE"), linear low-density polyethylene ("LLDPE") and sulphur; (iii) Qatar Fertilizer Company SAQ ("QAFCO"), a subsidiary 100% owned by IQ, engaged in the manufacture of ammonia and urea; and (iv) Qatar Fuel Additives Company Limited QSC ("QAFAC"), a joint venture owned 50% by IQ, engaged in the production of methanol and methyl-tertiary-butyl-ether ("MTBE").

The operations of the subsidiaries and joint ventures remain independently managed by their respective management teams.

For more information about the earnings announcement, email iq@qatarenergy.qa or iq.investorrelations@qatarenergy.qa or visit www.iq.com.qa

DISCLAIMER

The companies in which Industries Qatar Q.P.S.C. directly and indirectly owns investments are separate entities. In this press release, "IQ" and "the Group" are sometimes used for convenience in reference to Industries Qatar Q.P.S.C.

This presentation may contain forward-looking statements concerning the financial condition, results of operations and businesses of Industries Qatar Q.P.S.C. All statements other than statements of historical fact are deemed to be forward-looking statements, being statements of future expectations that are based on current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, operations and business performance or events impacting the group to differ materially from those expressed or as may be inferred from these statements.

There are a number of factors that could affect the realization of these forward-looking statements such as: (a) price fluctuations in crude oil and natural gas, (b) changes in demand or market conditions for the group's products, (c) loss of market share and industry competition, (d) environmental risks and natural disasters, (e) changes in legislative, fiscal and regulatory conditions, (f) changes in economic and financial market conditions and (g) political risks. As such, results could differ substantially from those stated, or as may be inferred from the forward-looking statements contained herein. All forward-looking statements contained in this report are made as of the date of this document.

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GENERAL NOTES

Industries Qatar's accounting year follows the calendar year. No adjustment has been made for leap years. Values expressed in US \$'s have been translated at the rate of US \$1 = QR 3.64.

Amounts relating to income statement, including revenue, net profits, production, sales volumes, have been computed and reported for the purpose of this press release on proportionate basis, based on the share of ownership of IQ in its respective joint ventures. Specifically, Petrochemical segment's revenue is computed by taking the Group share of revenue in Qapco and Qafac. Qapco's revenue is computed by taking the share of revenue in its joint ventures namely Qatofin, QVC and QPPC. This revenue may differ from the revenues reported in the consolidated financial statements.