



Market opportunities in Saudi Arabia and Qatar



Metal Bulletin's 16th Middle-East Iron & Steel
Conference 2012

10 December 2012, Dubai (UAE)

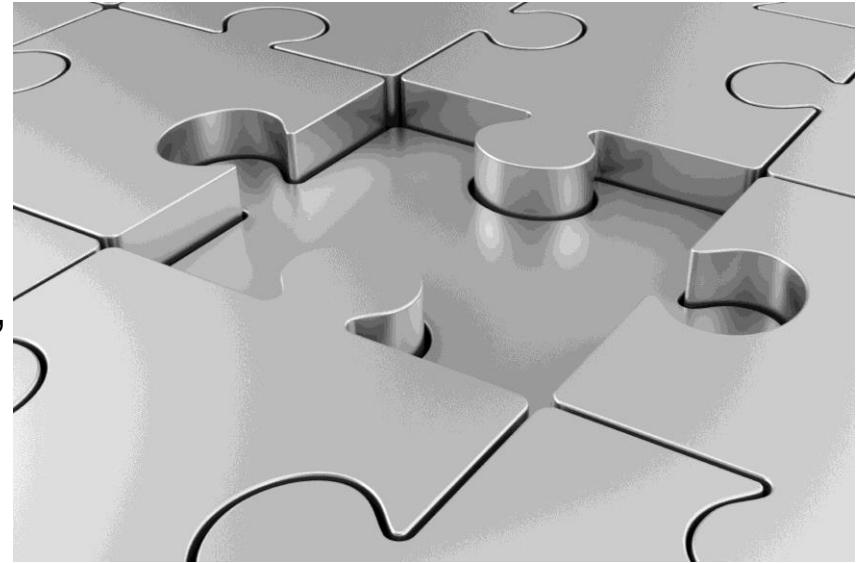


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- We know the steel industry
- We know the market
- Extensive databases
- Strong network of senior consultants, with a background in the industry

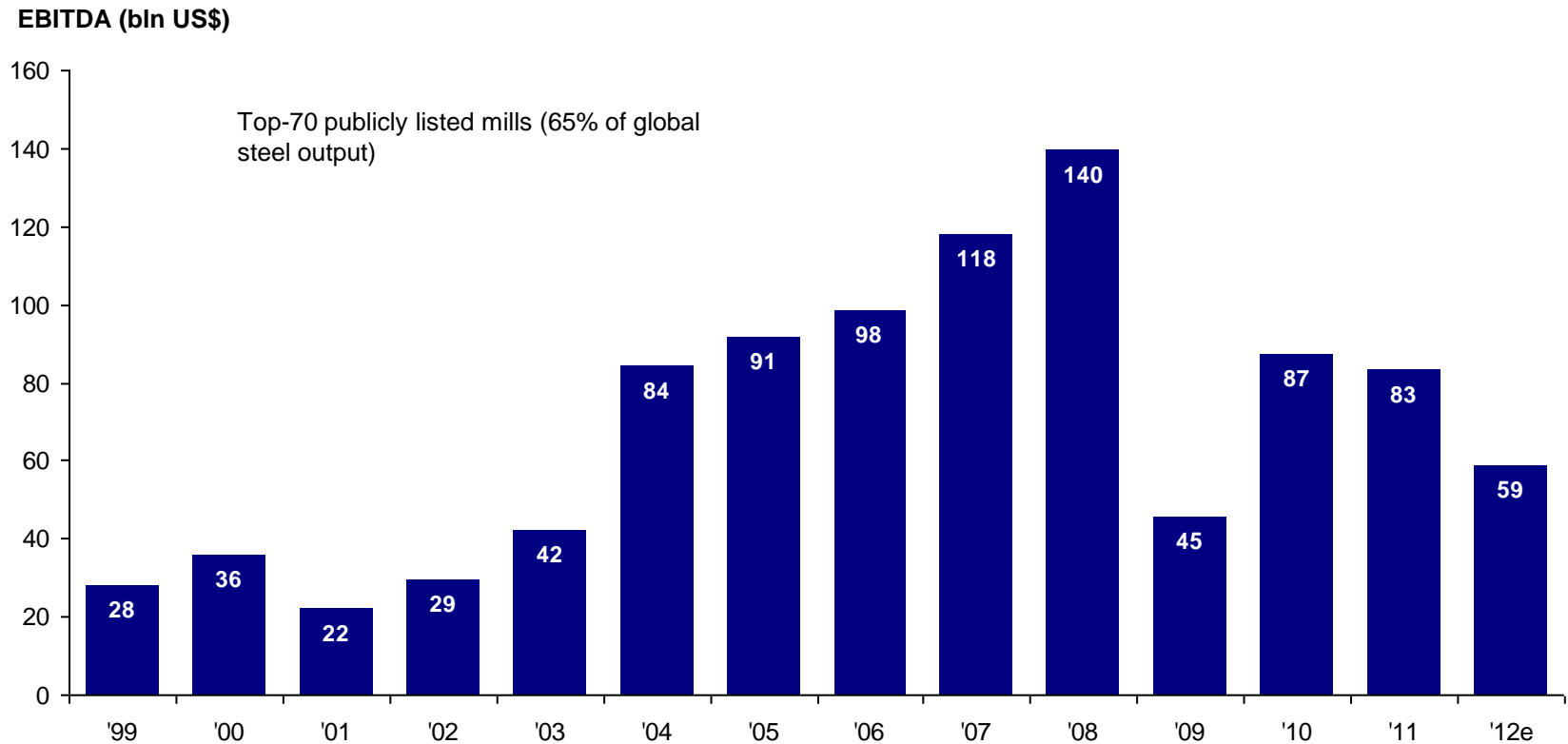


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• Market Research	• Semis	• Expertise & experience
• Economics Analysis	• Flat Products	• Background in industry
• Training & In-house Workshops	• Long Products	• Wide contact network

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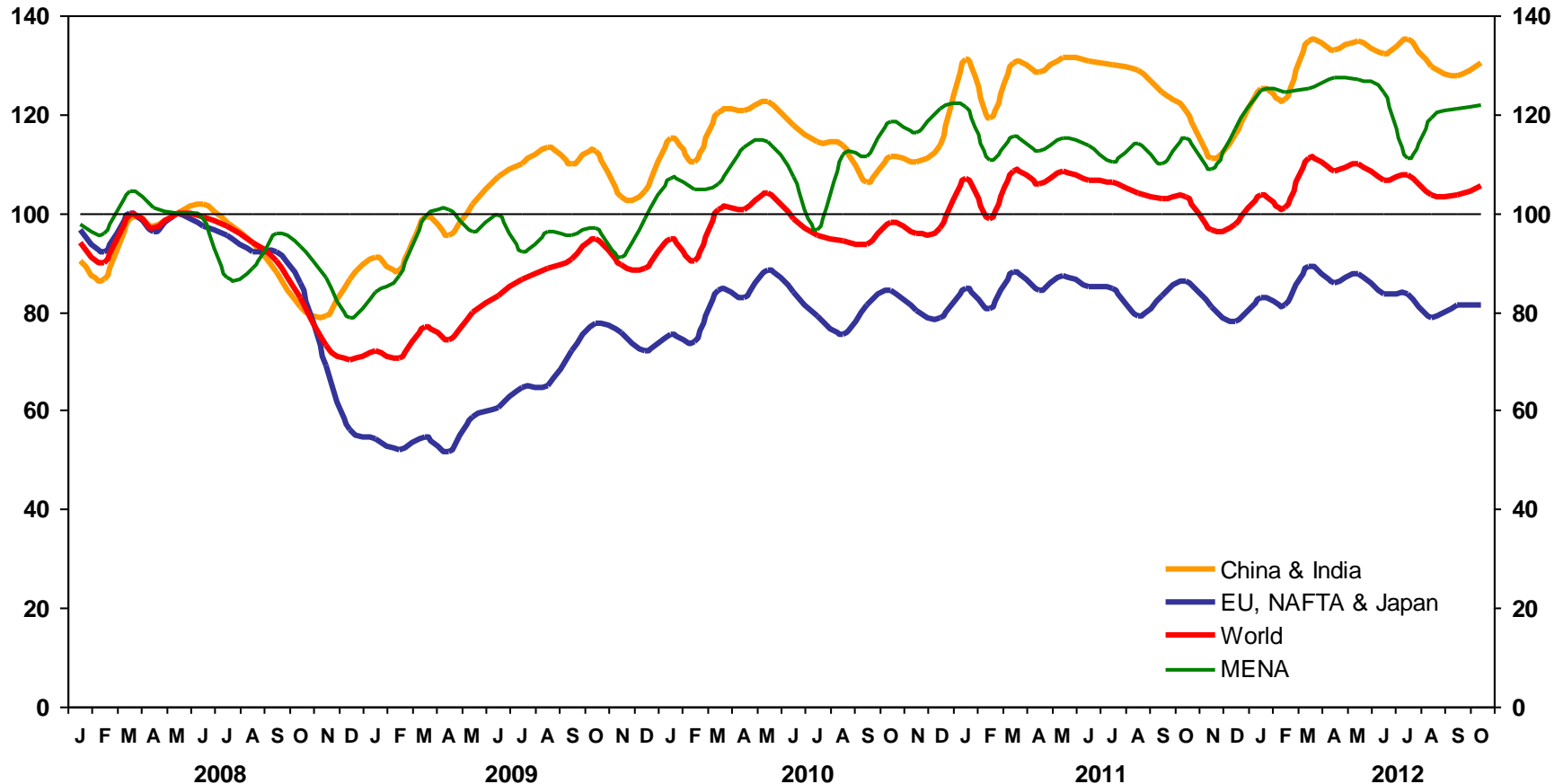
- **Global and regional context**
- Projects and outlook for steel demand in Saudi Arabia and Qatar
- Other long term opportunities in MENA region
- Conclusions

Steel industry profitability has fallen sharply in 2012, though is still much higher than before the China boom



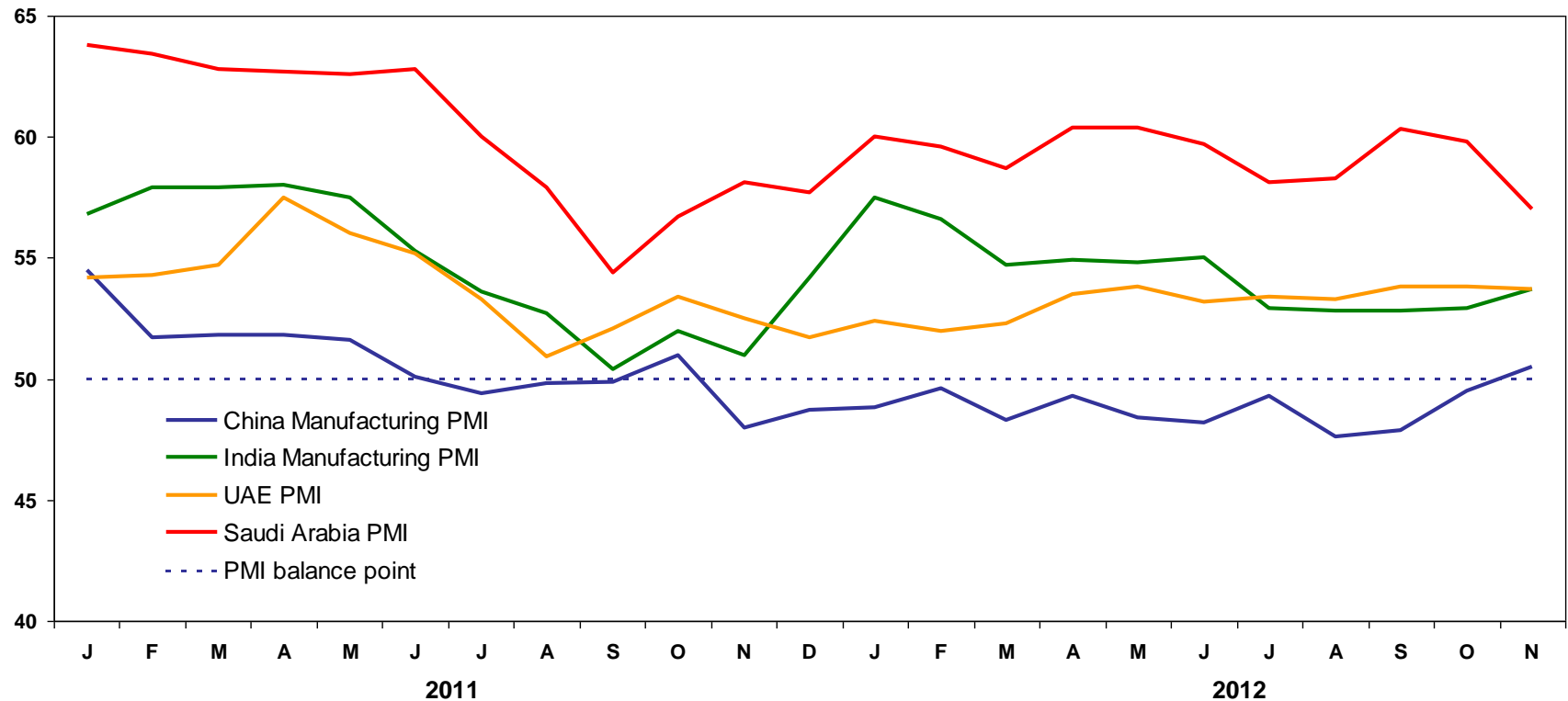
The MENA steel industry has held up well, despite the turmoil in the region, and is actually one of the fastest growing regions in terms of steel production

Crude steel output, index (May 2008 = 100)



PMIs show sustained growth in UAE and Saudi Arabia, performing well compared to China and India

(Manufacturing) PMI Index

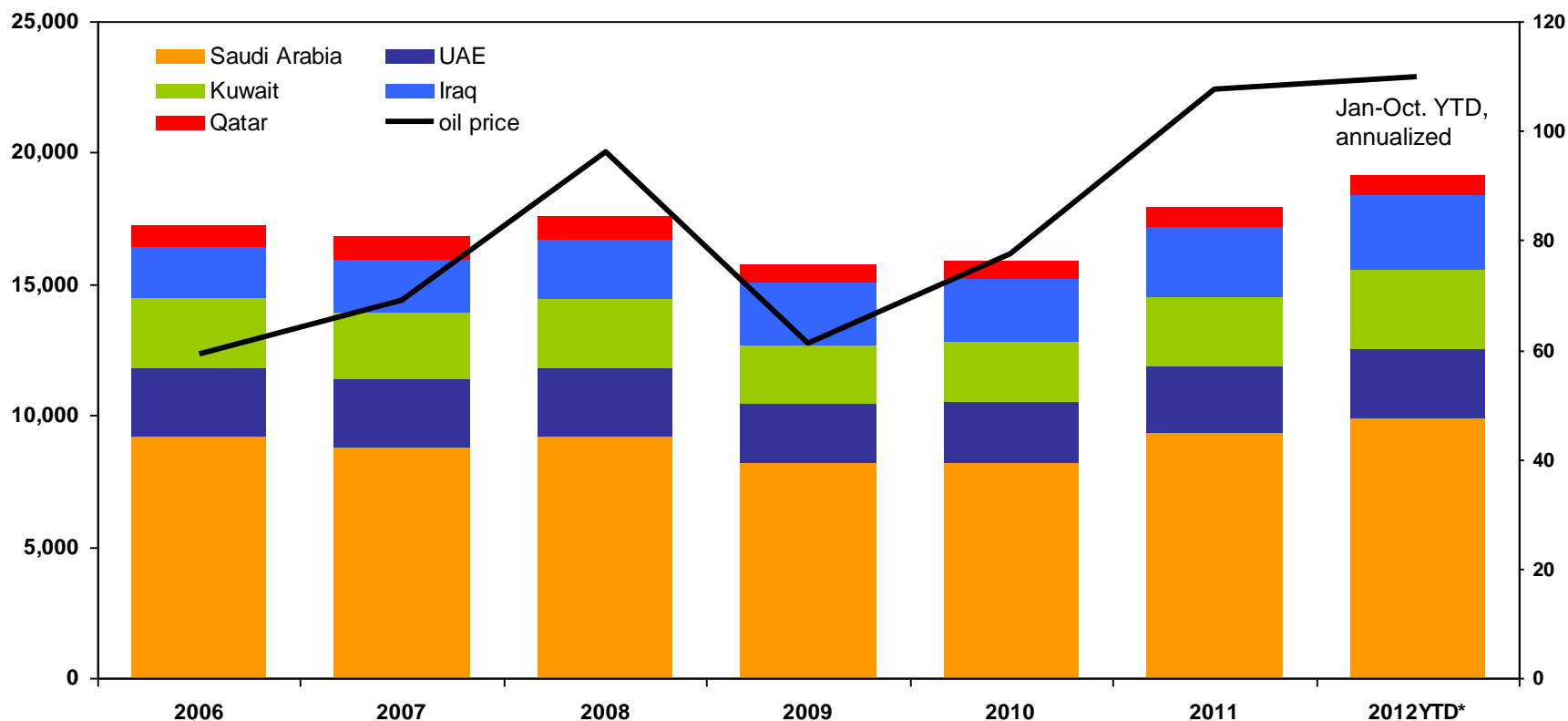


Source: Markit, HSBC

YTD oil production of the major producers in the Gulf, and average annual oil prices, are both at record ever levels in 2012 YTD...

Oil production ('000 barrels per day)

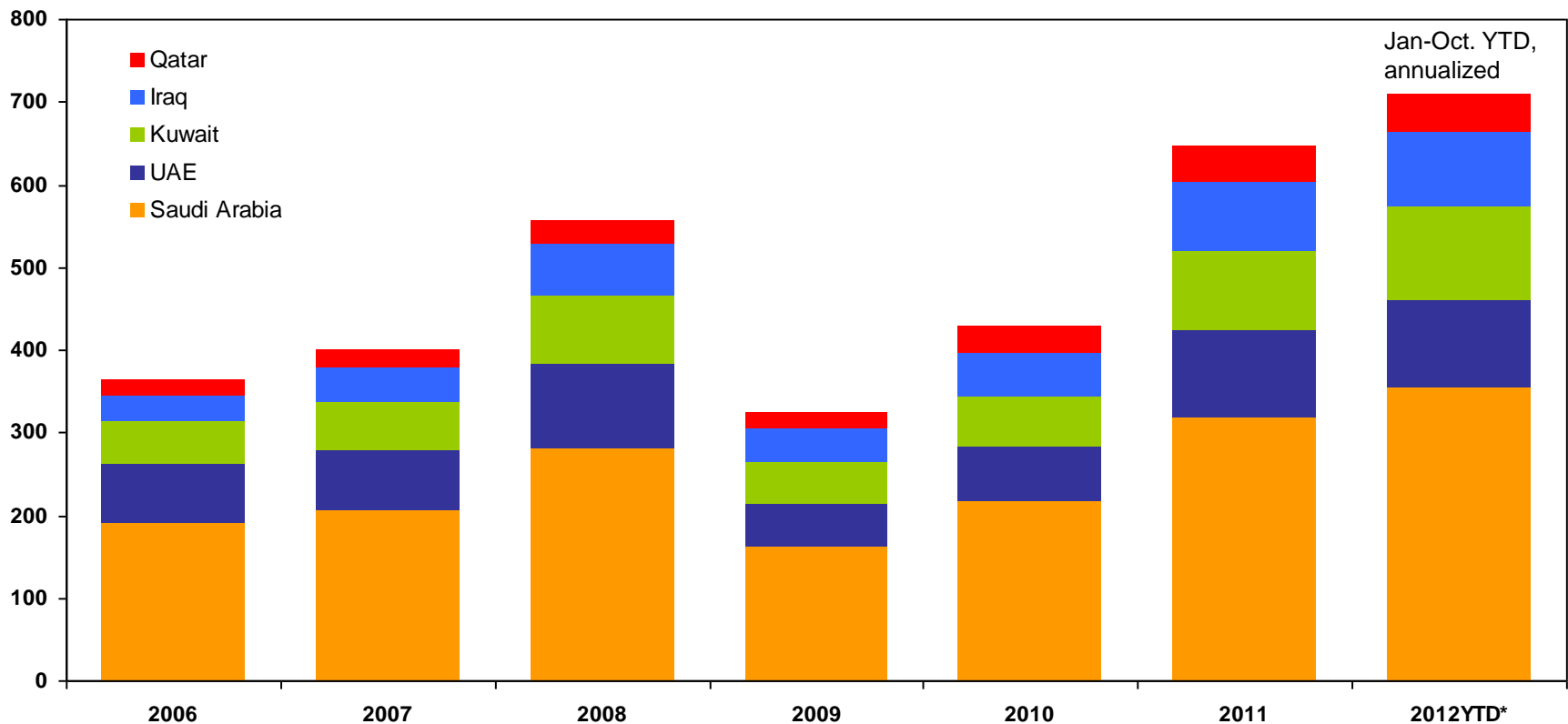
Oil price (US\$/barrel)



Source: OPEC, SteelConsult
 Note: *2012 YTD annualized

As a result, oil based revenues of the Gulf countries are expected to reach record ever levels in 2012

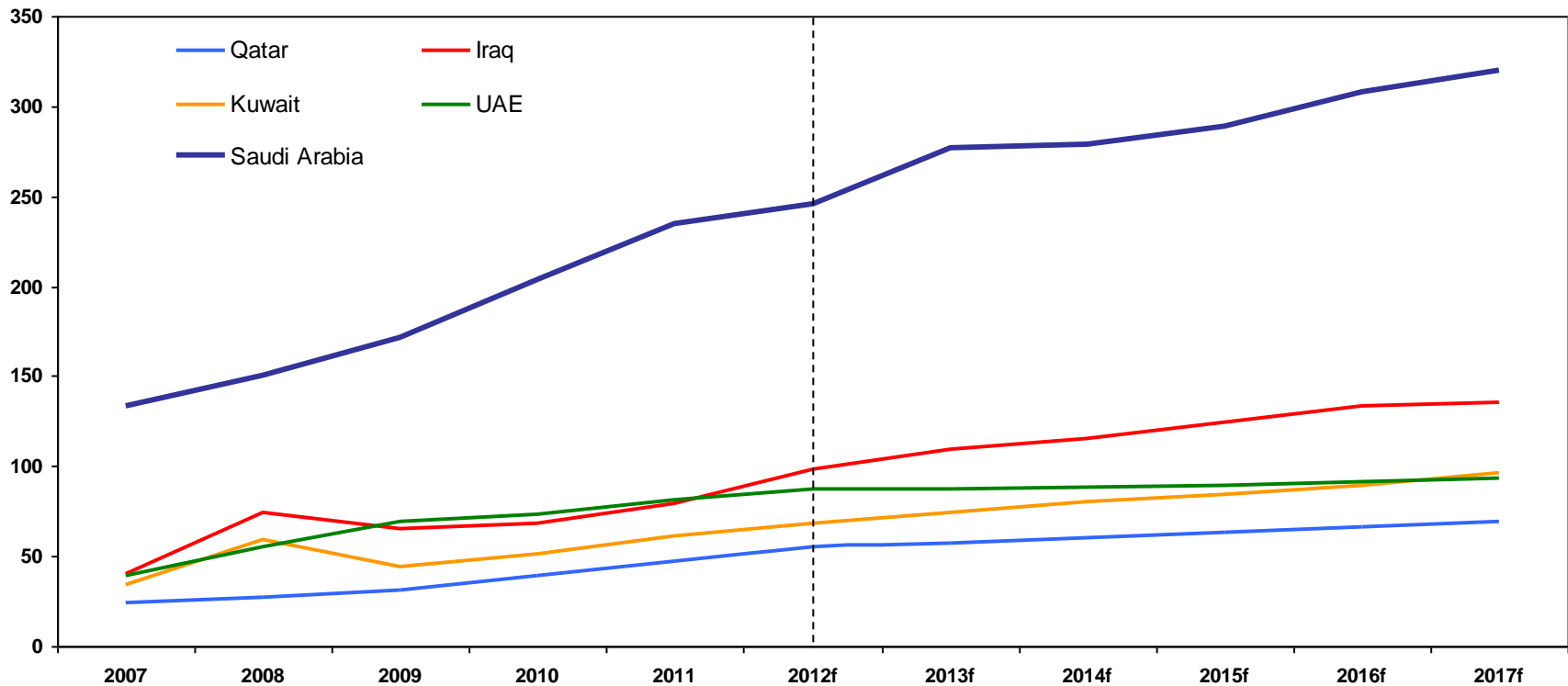
Petroleum exports (bn US\$)



Source: OPEC, SteelConsult
 Note: * 2012 YTD annualized

Owing to increased government expenditure, including on public utilities and affordable housing, the MENA countries can expect some of the strongest growth in steel demand in the coming years

Government expenditure (bn US\$)



Source: IMF, SteelConsult

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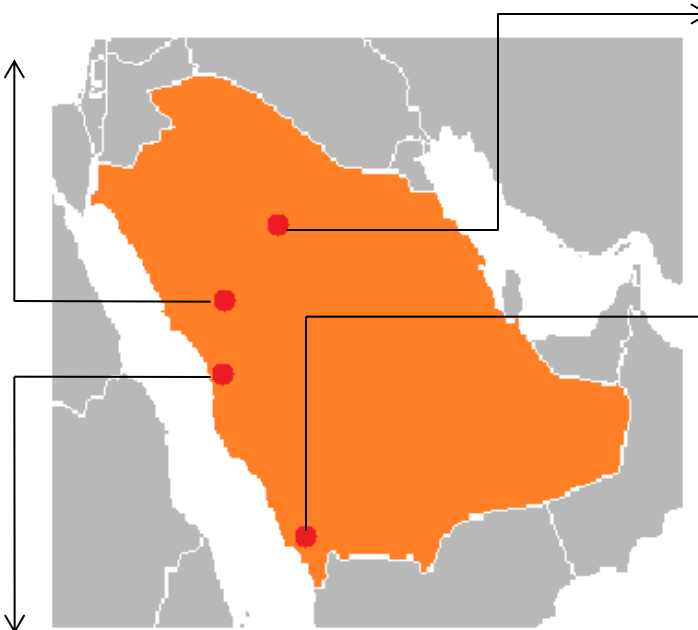
Saudi Arabia is developing 4 entire new economic cities

Focus: Knowledge based industry with an Islamic focus and services
Size: 4.8 million square meters
Investment size: US\$ 7 billion
Population: 200,000 people



Focus: Port and logistics, light industry and services
Size: 168 million square meters
Investment size: US\$ 27 billion
Population: 2,000,000 people

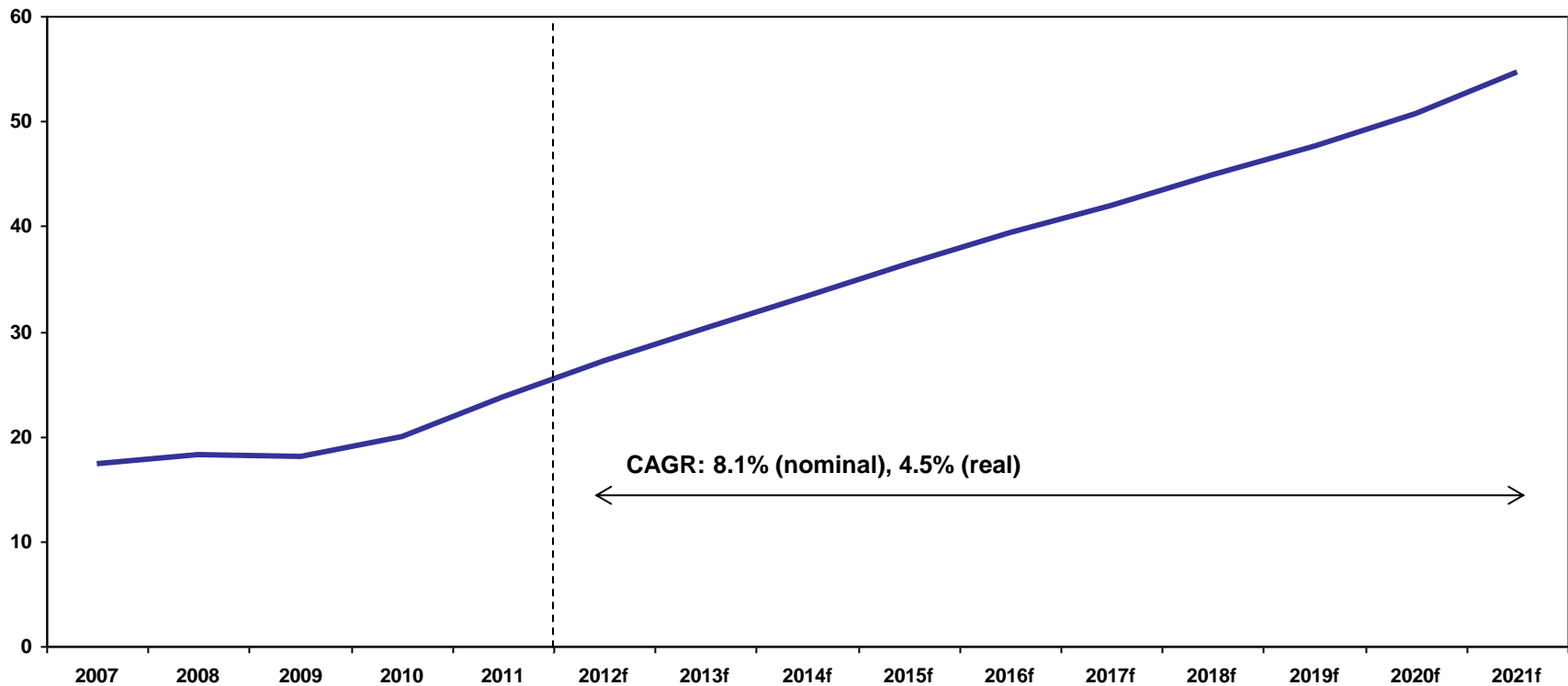
Focus: Logistics, agribusiness, mineral, construction materials
Size: 156 million square meters
Investment size: US\$ 8 billion
Population: 80,000 people



Focus: Energy and labour intensive industries
Size: 100 million square meters
Investment size: US\$ 27 billion
Population: 250,000 people

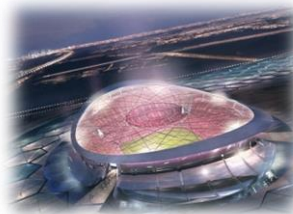
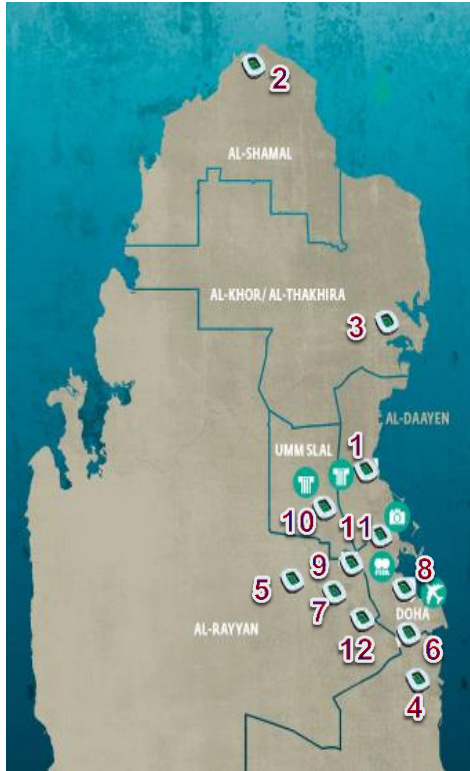
Construction industry value in Saudi Arabia is forecast to increase at a firm (real) growth rate of 4.5% per year in the coming decade

Construction industry value Saudi Arabia (bn US\$)



Source: BMI, SteelConsult

Qatar plans to build 9 new stadiums for the World Cup and renovate 3



1. Lusail Iconic Stadium
Capacity: 86,250
Value: US\$ 662 mn



2. Shamal Stadium
Capacity: 45,120
Value: US\$ 251 mn



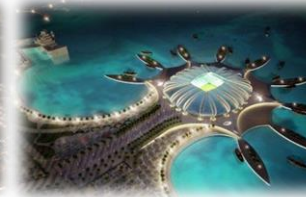
3. Al-khor Stadium
Capacity: 45,330
Value: US\$ 251 mn



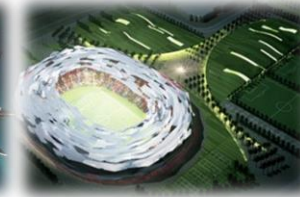
4. Al-Wakrah Stadium
Capacity: 45,120
Value: US\$ 286 mn



5. Al-Rayyan Stadium
Capacity: 44,740
Value: US\$ 135 mn



6. Doha Port Stadium
Capacity: 44,950
Value: US\$ 202 mn



7. Education City Stadium
Capacity: 45,350
Value: US\$ 287 mn



8. Qatar University Stadium
Capacity: 43,520
Value: US\$ 300 mn



9. Al-Gharafa Stadium
Capacity: 44,740
Value: US\$ 135 mn



10. Sports City Stadium
Capacity: 45,330
Value: US\$ 251 mn



11. Khalifa International Stadium
Capacity: 68,030
Value: US\$ 71 mn



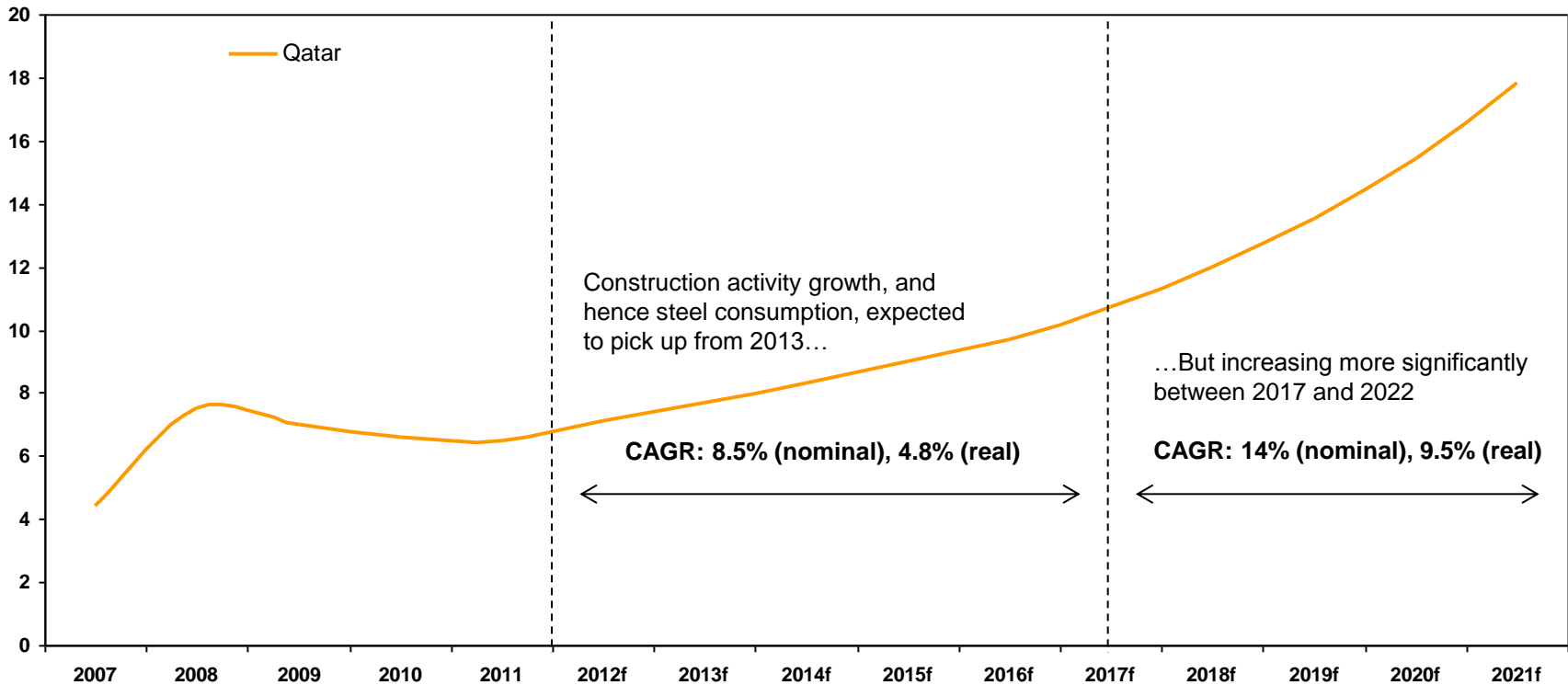
12. Umm Salal Stadium
Capacity: 45,120
Value: US\$ 251 mn

The World Cup may well require some 3mln tonnes or more of extra steel over the next ten years, or 300k tonnes per year or more on average

- The World Cup 2014 and Olympics 2016 in Brazil are estimated to require 8mln tonnes of extra steel over a ten year period*.
- It is estimated that the Olympics 2008 in Beijing required at least 3mln tonnes of steel for construction of the stadiums, the Olympic Village and transportation infrastructure*.
- The World Cup 2018 in Russia is expected to generate 2.5-3mln tonnes of steel demand**.
- As an indication, above references would suggest the World Cup in Qatar may well require at least 3mln tonnes of steel demand, or some 300k tonnes per year, or more, on average until 2022.
- While the new stadiums will be the eyecatchers of the World Cup, they may consume ‘only’ some 100-200ktonnes of steel in total. It is the supporting infrastructure that will consume the bulk of the extra steel requirements.

Construction spending in Qatar will be supported by the World Cup preparations as early as 2013, but the main boost is expected to come from 2017 onwards

Construction industry value (bn US\$)



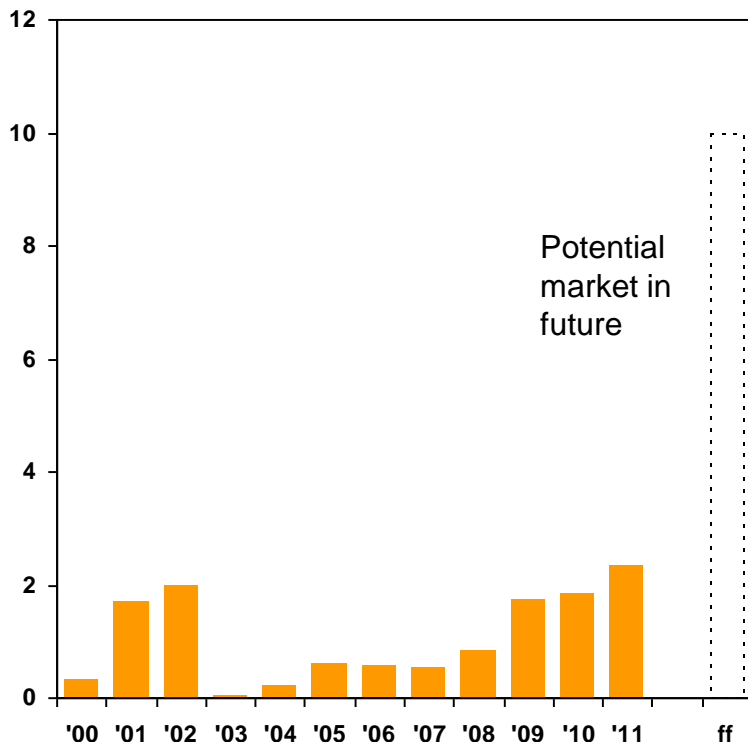
Source: BMI, SteelConsult

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Longer term opportunity #1: Iraq has become a steel market of significance again in the last three years, though so far requirements are mostly imported, 90% of which from Turkey and Ukraine. The country has a huge potential for further steel consumption growth.

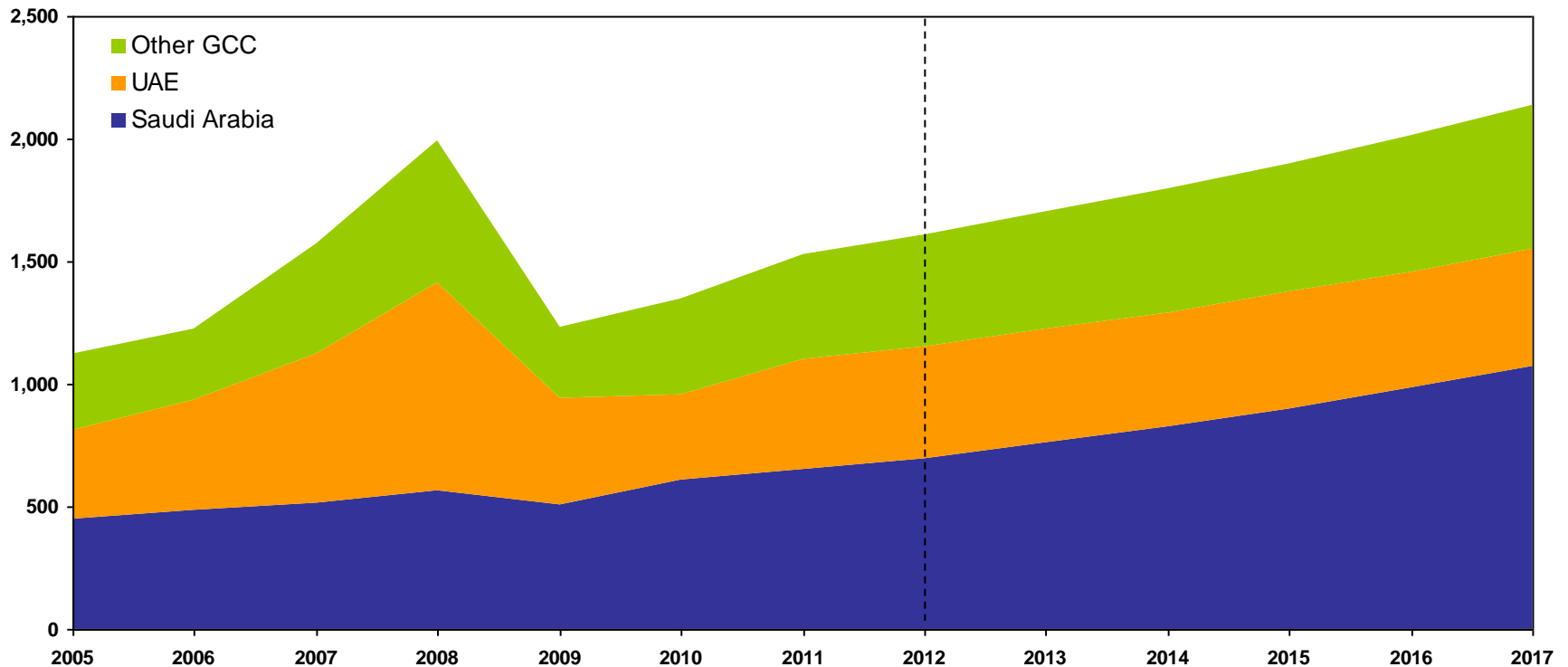
Finished steel consumption, Iraq (m tonnes)



- Iraq has seen steel demand grow fast since 2007, but at 2.1m tonnes of steel in 2011, or 68kg/head, Iraq’s consumption is still embryonic.
- If the country stabilizes further, its huge, dormant potential steel market could gradually be unlocked:
 - The country has 31m inhabitants;
 - Decades of underinvestment and violence have left the country in ruins. Huge investments need to be made for the (re)building of infrastructure, industry, utilities and housing;
 - At 115bn barrels, it holds the world’s 3rd largest reserves of oil, after KSA and Iran.
- Over US\$200bn of existing and future capital projects are planned in Iraq, and the country is expected to see major contracting activity in the next 5-10 years.
- In a stable situation, we estimate steel consumption in Iraq could grow to at least 10m tpy.

Longer term opportunity #2: The GCC has an opportunity for 7 medium sized car plants in Saudi Arabia and/or the UAE, or ~2m tpy of auto steel

Car imports/sales GCC ('000 units)



Source: UN Trade Statistics, SteelConsult

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Conclusions (1)

- While global steel markets remain under pressure, and parts of the MENA region continue to face political instability, steel output and demand in the MENA region have held up relatively well during the last 2 years.
- Moreover, oil production in the GCC has increased, as have oil prices, and government revenues have risen to record levels.
- Vast construction investments in Saudi Arabia, incl. four new cities, will lead to (real) growth of 4.5% per annum on average between 2012 and 2021, and associated growth in steel requirements.
- Prospects are also favourable in Qatar, where the National Vision 2030 and preparations for the 2022 World Cup are expected to drive construction activity and steel consumption. Growth is expected to pick up from 2013 onwards, but accelerate especially from 2017.
- The hosting of the World Cup may well add another 3mln tonnes or more to Qatar's steel demand over the next 10 years, or 300k tonnes (or more) per year on average, most of which will be required for supporting infrastructure.

Conclusions (2)

- In the longer term, we see two other potential key drivers of growth in the region:
 - The further development of Iraq could add another 8m tonnes of steel or more to regional demand;
 - The GCC region is importing some 1.5m vehicles per year, growing to over 2m units by 2017, presenting an opportunity for diversification and increase of local steel consumption, esp. in higher quality flat steels.

Thank you for your attention!



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