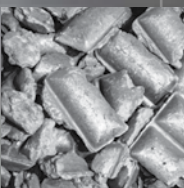


2017

Annual Report







HIS HIGHNESS
SHEIKH TAMIM BIN HAMAD AL-THANI
EMIR OF THE STATE OF QATAR



HIS HIGHNESS
SHEIKH HAMAD BIN KHALIFA AL-THANI
FATHER OF EMIR



QATAR STEEL COMPANY (Q.S.C.) (QATAR)

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P.O. Box : 689 , Doha Qatar
Tel. : +974 44576666 - Fax : +974 44576650

QATAR STEEL COMPANY FZE (UAE)

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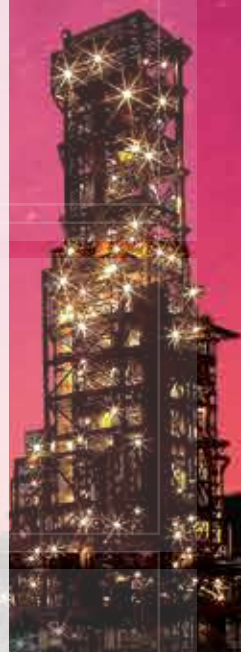
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Chairman's Message

Qatar Steel responded well and achieved excellent results despite a number of business challenges predominantly due to blockade.

Global Real GDP growth strengthened in 2017 to 3.8%, marginally higher than 2016 and strongest since 2011. It was driven by an investment recovery in advanced economies and continued strong growth at 5.3% in 2017 in emerging Asia [ASEAN -5] with partial recovery of commodity prices.

The dramatic supply-side reforms with focus on eliminating excess capacities and in meeting stringent environmental standards in the Chinese steel industry have supported a recovery for the steel sector globally & regionally. The shift to consumption-driven economy in China has brought about a sudden and sustained improvement in domestic demand leading to its export sales plummeting in 2017 by 31%, 40% and 41% respectively in global, SE Asia and Middle East markets over 2016. This has resulted in steel prices consistently hovering at higher levels despite raising raw material prices.

The blockading by the neighboring four countries from June 2017 provided opportunities for Qatar Steel to explore and penetrate new non-traditional markets outside GCC for billets and re-bars. This has set the tone for our business strategy for the future when the company will be open to sell in global markets apart from meeting the domestic demand as the primary steel producer in the country.

Our priority is to follow QS Sustainability Roadmap to help us improve performance to meet the ever tightening demands of a sustainable planet and society. LTIFR continues to decrease, and is now approaching an overall average LTIFR of 1 for the industry and QS results are in consonance with industry performance and its sustainability agenda. After the ongoing safety transformation for behavioral safety, our focus will be on improving process safety. DCS implementation at EF3 was one another area which was completed on priority and in time which has helped us in improving our environmental performance.

Moving forward, Industries Qatar [IQ] is working on Muntajat-Qatar Steel partnership whereby Muntajat will be the exclusive marketer, seller and distributor of Qatar Steel's entire production. This strategic decision will benefit both as Qatar Steel will continue to focus on steel production enhancing its operational and financial performances while potentially benefiting from Muntajat on international sales due to its wider global presence, export logistics and marketing expertise.

Saad Rashid Mohd. Al-Muhannadi



Managing Director & General Manager's Message

The year 2017 was another challenging one brought about by the unforeseen blockading by four neighboring countries. However, we managed to achieve impressive operational and financial results through prudent decisions to run the plant to full capacities and divert the products to new geographical markets. We did not have any major sourcing issues as we either had adequate stocks of key raw material, planned for re-routing from other ports or quickly gone ahead with alternate sourcing options wherever required. In essence, we put necessary controls and mitigation strategies in place to ensure smooth business operations with negligible impact.

The parent company posted a net profit of QAR 659 million in 2017; the performance was lower by 39% over 2016 predominantly due to substantial hike in power tariffs and other input costs.

The global and regional steel market scenario was reasonably conducive and stable due to lack of any significant interference from China and Turkey players as they had a strong domestic demand supporting higher prices in line with rising raw material prices [scrap and oxide pellets].

The sales revenue decreased by 1% over previous year due to lower sale volumes. The domestic demand dropped down considerably in 2017 as most projects related to FIFA World Cup 2022 are near completion and have consumed huge volumes in the last 3 to 5 years. However, the domestic demand for re-bars was met with a market share of around 85 %.

With non-export of products to blockading countries, the company aggressively expanded into new global markets outside GCC for Billets & Re-bars [SE Asian Countries, Vietnam & Turkey] to offset the volumes foregone due to blockade. In 2017, the sale in Non-GCC markets was 672 KMT [252 KMT Re-bars, 401 KMT Billet & 19 KMT DRI/HBI] constituting 26% of the total sales volumes with export sale of re-bars increasing by 7% and billet sales by 289%.

The production quantity increased in all plant facilities compared to previous year except for re-bars & coils which were down by 10% & 32% respectively due to major shutdown in RM2 & WRM. We successfully delivered 3-Year Cost Optimization program starting from Jan 2015 with a target reduction in cost base of 2014 by QAR 293 million wherein we closed some of the benchmark gaps identified and in few areas even bettered them. Throughout 2017, safety remained our top priority and a sharp decline in LTFIR was witnessed [2.36 in 2014 brought down to 0.51 in 2016 & 1.07 in 2017].

By the fourth quarter of 2017, the company was moving towards the possible handing over of marketing, sales and distribution of its entire production to Muntajat through a due-diligence. This proposal has come as part of Industries Qatar's efforts to maximize its shareholders value and strengthen the national economy through its continuing initiatives of commercial and cost optimization, and expand the strong capabilities of national entities that include Qatar Steel from the metal industry.

Ali Bin Hassan Al-Muraikhi

Board of Directors



Mr. Saad Rashid Mohd Al-Muhannadi
Chairman



Mr. Abdulla Ghaith Al-Kuwari
Vice Chairman



Ali Bin Hassan Al-Muraikhi
Managing Director & General Manager



Mr. Abdulla Mohamed Al-Mahmoud
Director



Sh. Saoud Bin AbdulRahman Al-Thani
Director



Ibrahim Akber Ali Al-Mulla
Director



Mr. Rashid Ali Al-Dosari
Director

Management Team



Ali Bin Hassan Al-Muraikhi
Managing Director & General Manager



Khalid Mandani Al - Emadi
Procurement and Warehousing
Division Manager



Yousef Abdulla Q. Al-Emadi
Production Division Manager



Mohamed Saleh Al-Mahdi
Administration Division Manager



Ahmed A. Aziz A. Al-Ansari
Commercial Division Manager



Salah Ibrahim Babiker Karga
Finance Division Manager



Natarajan Gopal
Strategic Planning Manager

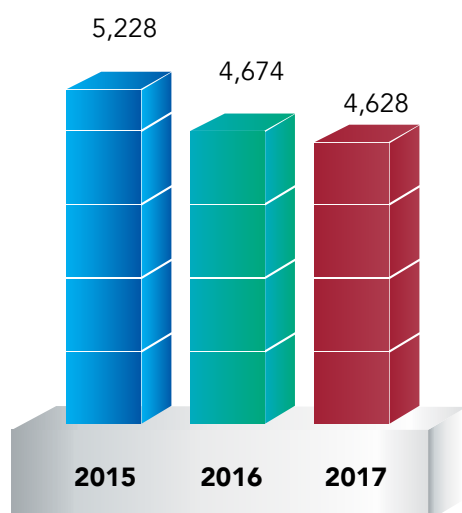


Dafa Allah Khatab
Legal Manager

Financial Highlights

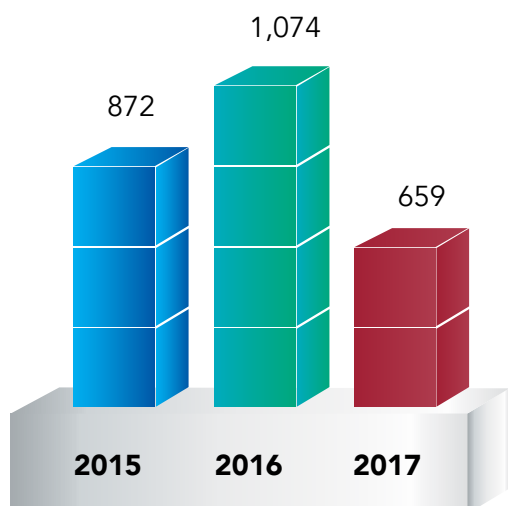
(Consolidated)

	Unit	2015	2016	2017
Revenue	QR Million	5,228	4,674	4,628
Net Profit	QR Million	872	1,074	659
Net Profit % of Revenue	%	17	23	14
Sales Volume	KMT	2,780	2,716	2,617
Production Volume				
DRI/HBI	KMT	2,631	2,506	2,548
Crude Steel (Billets)	KMT	2,594	2,521	2,645
Rebar	KMT	2,162	2,272	2,044
Coil (Wire Rod and Rebars in Coils)	KMT	163	173	118
Total Capital Employed	QR Million	8,156	8,049	7,618
Return on Capital Employed	%	11	14	9
Shareholder's Funds	QR Million	7,323	7,609	7,419
Return on Shareholder's Funds	%	12	14	9
Retained Earnings	QR Million	6,475	6,749	6,876
Earnings per Share	QR	29	36	22
Debt-to - Equity Ratio	%	15	9	3
Dividend paid % of Net Profit	%	115	84	80



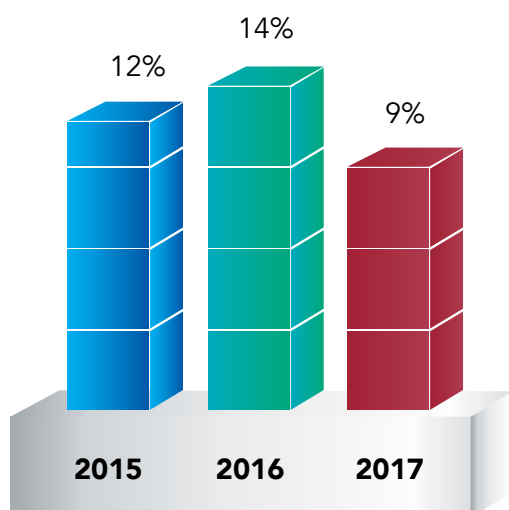
Revenue - QR Million

The drop in Revenue by 1% in 2017 is mainly due to lower sale volumes by 4% as compared to 2016.



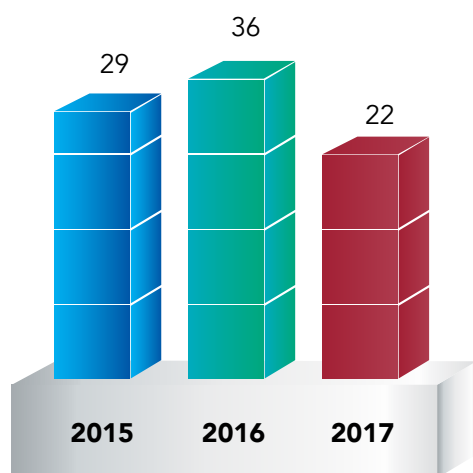
Net Profit - QR Million

Net Profit for the year 2017 is lower by 39% mainly due to higher input costs and lower sale volumes



Return on Shareholder's Funds-%

In 2017, the Return on Shareholder's Funds dropped by 5% due to lower Net Profit by 39%.



Earnings per Share-QR

Earnings per share in 2017 is lower by QR 14 per share due to lower Net Profit by 39%.

(Return on Shareholder's Funds-% = $\frac{\text{Net Profit}}{\text{Shareholder's Fund}}$)

Affiliates (Book Value)

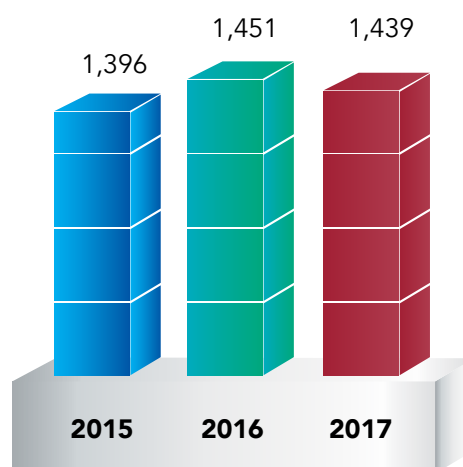
QR Million

Name of the Company	Shareholding	2015	2016	2017
Qatar Metals Coating Company W.L.L.	50%	17	62	28
SOLB Steel Company (Formerly South Steel Company W.L.L.)	31.03%	193	217	118
Foulath Holding B.S.C. (C)*	25%	1,186	1,172	1,293
(Formerly Gulf United Steel Holding Company (Foulath) BSC Closed)				
TOTAL		1,396	1,451	1,439

* Foulath Holding B.S.C (C) is a Bahraini holding company for a group of commercial/industrial companies that are engaged in the manufacture and sale of Iron ore pellets, Stainless Steel flat products, Medium & Heavy beams and Structural Steel Sections. Prior to 2015, Qatar Steel intended to dispose this investment, whereby the management approved and commenced an active plan to dispose the investment. During the year 2015, it was determined that the criteria required for the classification of an associate as held for sale is no longer met and therefore, this investment has been reclassified from held for sale assets under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to investment in an associate under IAS 28 "Investments in Associates".

Investment in Affiliates - QR Million

In 2017, value of Investments in Affiliates is lower by 1% due to under performance of Associate Companies.





QATAR STEEL COMPANY Q.S.C.

Qatar Steel Company was formed in 1974 as the first integrated steel plant in the Arabian Gulf. Commercial production commenced in 1978 with the company becoming wholly owned by Industries Qatar (IQ) in 2003.

Today, Qatar Steel is widely recognized as a foremost leader in the steel industry, extending its pioneering commitment from an expansive mill site located in the heart of the progressive Mesaieed Industrial City - 45 kilometers south of the nation's capital, Doha.

Inspired to meet the growing demand for steel in Qatar as well as the region in general, Qatar Steel has embarked upon a series of initiatives aimed at increasing its production capacity. State-of-the-art technically advanced expansion projects are designed to produce world class products. Over the years, Qatar Steel has successfully forged a remarkable reputation by establishing unrivalled quality, flexibility and reliability in all the products and service offerings. Central to this achievement has been the drive to exceed customers' expectations.

The plant with its office occupies an area of 1,354,601 square meters, adjacent to which is a further 375,000 square meters plot reserved for future development and expansion. The total employee-base of over 2,000 spans 12 different nationalities and the mill runs on a 3-shift system.

QATAR STEEL COMPANY FZE-UAE

The subsidiary was established in August 2003 (wholly owned by Qatar Steel) to meet the growing demand for high-quality steel wire-rod products within the GCC as well as in international markets and growing import demand for re-bars in the UAE market.

The company operates two primary facilities at its 60,000 Sq. meter with State-of-the-art Wire Rod Mill with an installed capacity of 240,000 metric tons [MT] per annum and the advanced Rebar Mill installed with a capacity of 300,000 MT per annum.

QATAR STEEL COMPANY

SUBSIDIARIES

Qatar Steel Company
FZE -UAE

100%

Qatar Steel Industrial
Investment Company

100%

Foulath Holding-
Bahrain**

25%

United Steel Company
SULB-Bahrain Venture
Company W.L.L.

51%

United Steel Company
(Saudi SULB) L.L.C-
Saudi Arabia

100%

ASSOCIATES

Qatar Metals Coating
Company (Q-Coat)

50%

SOLB Steel Company
Saudia Arabia*

31.03%

National Metal Recycling
Company (Held for salet)

51%

Steel Industrial Investing
Company

100%

Steel Forming and
Coating Company

100%

Tabuk Steel Company

50%

SULB Company
Bahrain***

51%

United Stainless
Steel Company
(USCO)- Bahrain

100%

Bahrain Steel-
Bahrain****

100%

* Formerly South Steel Company

** Formerly Gulf United Steel Holding Company (Foulath) BSC Closed

*** Formerly United Steel Company(SULB) B.S.C.(Closed)

**** Formerly Gulf Industrial Investment CO.(E.C)



At Qatar Steel we are highly inspired by Vision, Mission, Values and Purpose which set the stage to show our commitment towards meeting our stakeholders' expectations & corporate goals.

VISION

We endeavour to be universally recognised as a leading and a constantly growing force in the steel industry of the region, to be admired for our business culture, to build value for our shareholders and customers, and to bring inspiration to the people of Qatar.

MISSION

We will continue to be the first name in the region's steel industry as a sustainable producer, safeguarding Health, Safety & Environment, maximizing stakeholder value and contributing to Qatar National Vision 2030.

VALUES

The drivers of our ambition are:

Trustworthy

Reliable

Dynamic

Creative

Perceptive

PURPOSE

To reach a league where we will matter beyond normal commercial objectives. To become the standard for quality enterprise and to exude a winning attitude in order to make a difference in our environment.

Health, Safety & Environment (HSE)

HSE department consists of 1. Health (Clinic), 2. Safety, 3 Environment, 4.Fire and Security

This would not have been possible without the total team work and commitment from all departments and the contribution of each and every individual, QS had one Fatality and the root cause of this was an inadequate implementation of the Permit to Work (PTW) system and the absence of positive isolation for energy sources at Qatar Steel, We have revamped the Permit of work procedure and introduce the Lock Out Tag Out (LOTO) procedure as well as put up training road map and started to train 1500 employees and contractors on PTW and 1000 on LOTO system

- Decreased % First aid cases = 19%
- LTI for Qatar Steel employees increased from 2 to 4
- Reporting Near Misses from 811 to 451 decreased to 44%
- Unsafe Acts- Conditions from 9206 to 8530 decreased to 9.3%
- LTIFR from 0.51 to 1.07 million per man hour

Dupont is also involved in the (STP) Safety Transformation Program for Qatar Steel

On the basis of World Steel Organization's guidelines, an safety audit was completed on 16/05/2017 and Qatar steel had also organized the HSE day on 21st September 2017 for all Qatar steel employees and contractors

QS is having International Certification / Accreditations from ISO 14001: 2015 + OHSAS 18001: 2007 Standards HSE is also involved in Managing Systems – like

BCM - Business Continuity Management

EPM SUITE

Risk register (corporate level))

BSC – Balanced Score Card Management system & Managed corporate level external audits (QP + BDO)

HSE department also provides Technical Support, Advice, Guidelines, Supervision and Suggesting Improvement plans to Senior Management and also help in the regulations of all Safety & Environment related issues.

HSE supports the Top Management in the HSE Policy and clearly defining Roles and Responsibilities, together with effective implementation, Monitoring, Updating, Reviewing and Auditing of QS's HSEMS



The following table shows the QS's HSE performance

Highlights of Clinic, Safety, Environment & Fire and Safety - 2017

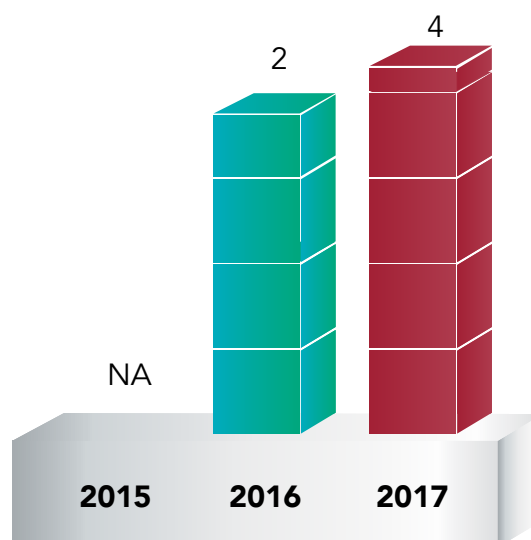
Clinic-

1. All nurses in QS clinic are now Certified Occupational Health Nurses from IBOEHS and all health practitioners in QS Medical services are certified professionals in advance cardiac and trauma care.
2. Qatar Steel clinic is now closely aligned with Ministry of Public health, Qatar as a active member for surveillance of communicable diseases.

Safety - Certified for OHSAS 18001:2007

Environment - Transition to ISO 14001:2015

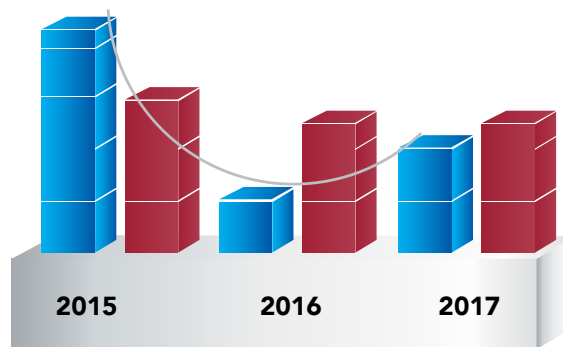
Number of LTI's comparison from 2015 – 2017



KPI yearly comparison for last five years

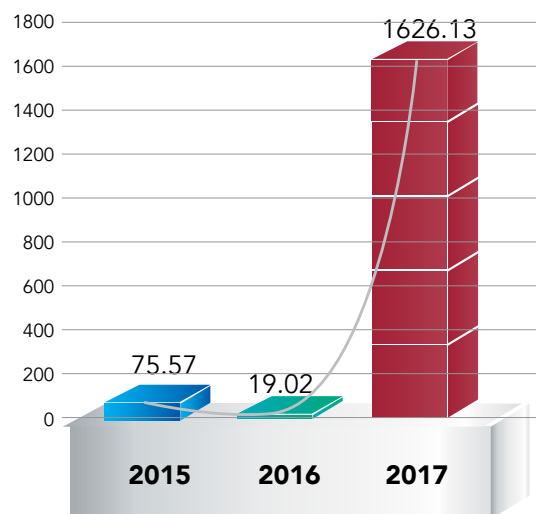
KPI's Yearly Comparison			
Year	LTI	Frequency Rate	Day Lost
2013	4	0.91	368
2014	11	2.36	6550
2015	10	2.30	328
2016	2	0.51	75
2017	4	1.07	6088

QS Frequency rate and World Steel industry rate



	2015	2016	2017
QS FR	2.30	0.51	1.07
World Steel	1.48	1.21	1.21

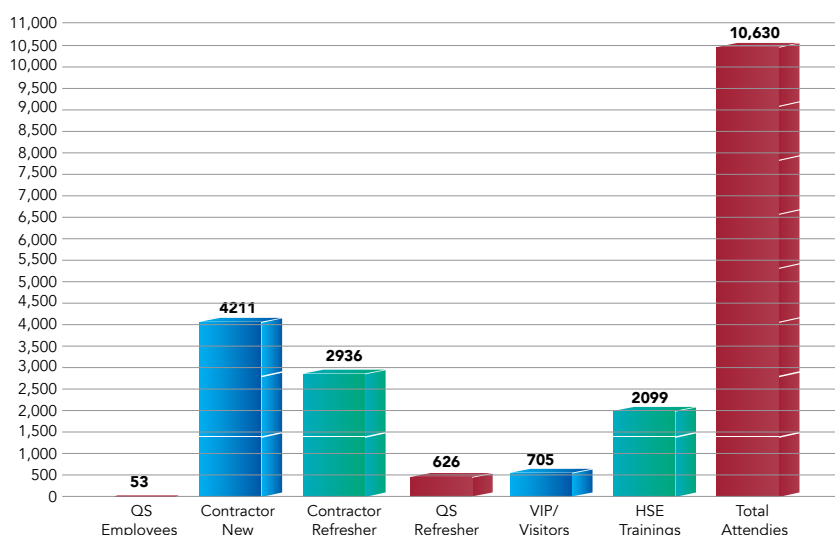
Severity Rate for last three years



Injury Type & Day Lost 2015-2017

Year	Injury Type	Day lost
2015	NA	NA
2016	Fracture	75 days
2017	Electrocution Amputation & Crushed injury	6088 days

Misc....HSE training programs,



HEALTH

Periodic medical examinations are planned and been executed

Having Red Crescent ambulance available for 24 hours –always ready to support Medical services & rescue operation

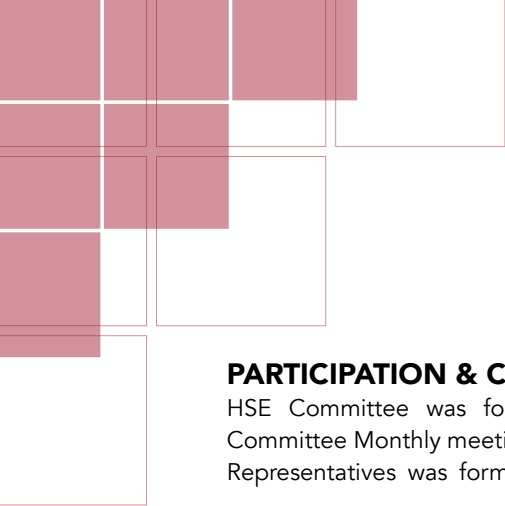
First Aid, Ergonomics & Smoking related training were carried out to QS employees

SAFETY

OHSAS 18001:2007

Qatar Steel has been certified and accredited to meeting the international Health & Safety Standard of OSHAS 18001:2007 and having a developed (HSMS) Health and Safety Management system, Qatar Steel has an integrated HESQ Policy signed by the Director and General Manager and is available on the HSE portal in both English & Arabic and is communicated to all interested parties, QS has a well-developed Hazard Identification and Risk Assessment mechanism in place along with adequate control measures to mitigate and reduce the risk levels

QS in its continual improvement program has initiated the following, Updating and reviewing its procedures, Usage of appropriate PPE, Assessment of Signage's, Managing of Road safety, Defined Roles and Responsibilities, Control of documents, Smoking Policy & zones were defined, Permit to work system procedure was revised and concerned persons were trained, Program on Heat Stress Management, Mobile policy, Road safety Management with usage of seat belt and reduced speed, Contractor management system, Conducting Monthly Company Safety Patrol + periodic Inspections by Senior's + Managers + Top management + Department patrols, Having an effective Communication system, & an Intranet portal, I-center, Providing Safety alerts, Lessons Learnt, Inter Department HSE Competition, Many motivational programs were also implemented, Incident reporting system is encouraged, yielding excellent positive results by reporting incidents / Near Miss Unsafe Act - Conditions and developing a positive safety culture, Analysis were made for identifying trends & analysis of accident / incident statistics,



PARTICIPATION & CONSULTATION

HSE Committee was formed and managed through Monthly meetings & Department Safety Committee Monthly meetings and also a team of Department Safety Inspectors and Department safety Representatives was formed to support the overall HSMS

HSE TRAINING

HSE training is a continuous process and HSE Inductance / New - Refresher Training is being imparted to all the QS Employees & Contractors, Sub contractors & Visitors = 8531 persons

Job specific in house HSE trainings were also provided through a training program based on Department's requirements / risks, Total trained = 2099 persons,

Third party HSE trainings are provided by our Learning and development Department,

HSE team members are also trained in order to take on additional tasks and increase their competency

ENVIRONMENT

Qatar Steel has an effective EMS- Environment Management System in place (certified by ISO 14001:2015) & are also meeting the environment Protection Standards set by the MME .As a part of our continual improvement, Internal audits were conducted and also ABS quality Evaluation had conducted a successful Surveillances: audit on Dates: 25—28 / 09 / 2017 reflecting our commitment to conduct our operations according to globally accepted environmental standards. And align in our environmental objectives, targets and programs with the corporate HSE objectives and targets.

Qatar Steel has installed an AAQMS (Ambient Air Quality Monitoring Station), at Qatar Steel Dormitory to monitor the environmental impacts at community area. CEMS (Continuous Emission Monitoring System) was also installed in our stacks to monitor the emission caused from our operations.

Environment Management Program

Planned and executed EF3 Dust collector System to improve the dust emission system

Waste management: Qatar Steel is studying & implemented various options to reuse / recycle the production waste. Palletizing DR product dust and EF dust, recycling of refractory bricks and extracting iron from slag Utilization of used tires as carbon source in the steel melting process is one of our salient achievements. This project will contribute towards solving or reducing a major waste problem of the community.

Go Green initiative

In this initiative, Waste materials were used to prepare the gardens creating a green working environment. New gardens were developed in different areas & plantation has been done.

FIRE, SECURITY & GATE- PASS SECTION

Security

Provides support services and are actively involved in securing the production facilities through Co-ordination, Communication, Monitoring of the entire plant QSS Qatar Security Services is supporting QS in managing external security of the Company, Manning the gates, together with vigilance aided by CCTV Camera and Continuous patrolling of the site.

Emergency Preparedness

Provides Emergency services using a wide range of firefighting and fire prevention methods, by taking proactive measures like providing regular training exercises and conducting mock / fire drills (Rescue / Evacuation drill and Emergency First aid), Periodic Inspection, Testing, Maintenance & Operation of Fire Fighting equipment's including Breathing Apparatus / Road Run of all fire vehicles /appliances

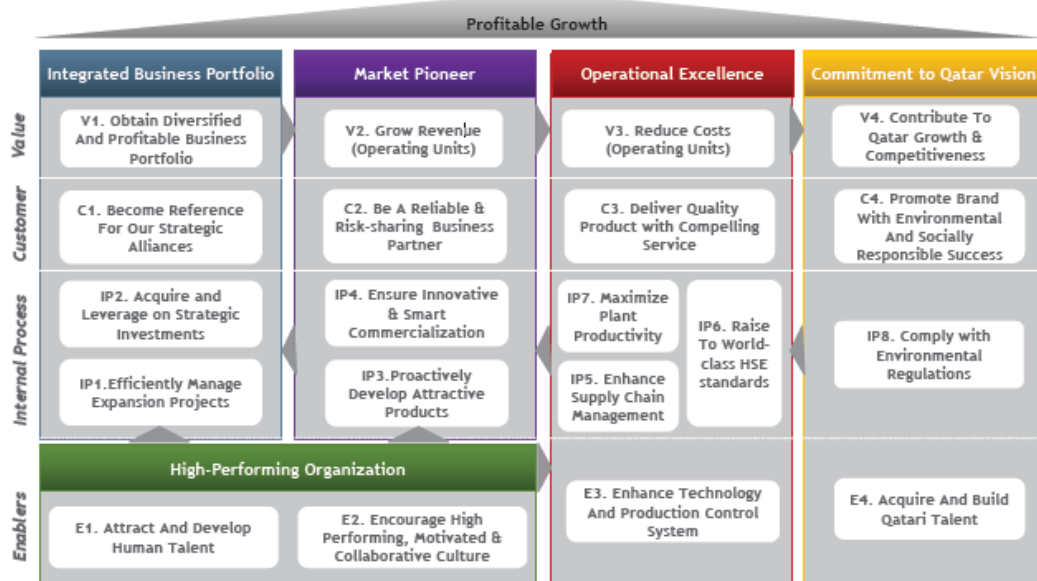
Monitoring for Fault Fire alarm & Firefighting system



Sustainability is integral to Qatar Steel's business strategy, as it both derives from and influences the sustainability management program. This is demonstrated through the wider stakeholder input in development of our Corporate Strategy Map as well as the key operational priorities which are crucial for Qatar Steel's sustainability. These include Qatar Steel's record of developing new products and achievement of operational excellence. The Strategy Map translates stakeholder expectations into corporate objectives, which are then tracked and managed through a set of key performance indicators (KPIs). These indicators are then integrated into a Balanced Scorecard at personal, departmental, division, and corporate levels, allowing the entire organisation to align with the Corporate Strategy.

Qatar Steel Strategy Map 2015 – 2017

"We endeavor to be universally recognized as a leading and constantly growing force in the steel industry of the region, to be admired for our business culture, for building value for our shareholders and customers, and for bringing inspiration to our people"



Under pin of our principal values : Trustworthy, Reliable, Dynamic, Creative and Perceptive

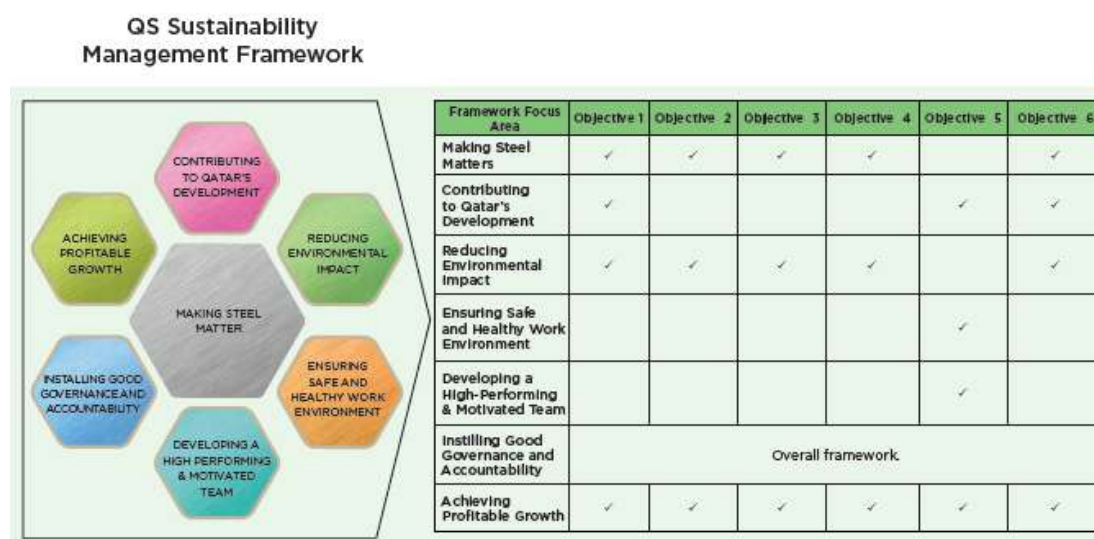
Sustainability Roadmap 2020

In 2015, we implemented the Sustainability Roadmap 2020; a transformative document created to present key objectives with targets and timelines that will fulfill Qatar Steel's corporate strategy, sustainability management programme and support the company's leadership position in sustainability. The Roadmap is an important milestone in Qatar Steel's sustainability journey; one that sets a clear and sustainable path forward for the corporation.

In order to achieve sustainability priorities, the Roadmap specifies a five-year plan, from 2016 to 2020, across 6 thematic objectives. These are:

1. Sustainable steel supplier of choice in the region
2. Breakthrough low carbon footprint steel industry
3. World class energy consumption rates for the steel industry
4. Leader in recycling and reusing among companies in the Qatar energy and industry sector
5. Zero-harm culture and performance
6. Leading water management practices for Qatar and the steel industry internationally

The Roadmap builds on the foundation of Qatar Steel's Sustainability Framework. The six Roadmap objectives align with the elements of the Sustainability Framework as follows:



Each of the six objectives of the Roadmap carries specific targets with implementation timelines and action items that are assigned to their commensurate departments. These targets are measured against a previous year's baseline and prioritized according to impact and resources required. By setting targets, timelines, an implementation plans, the Roadmap is a strategy for operational success in sustainability and it is updated on a quarterly basis and reviewed during the Balance Score card meeting.

This ecosystem of programs (Corporate Strategy Map, Sustainability Framework, Sustainability Roadmap 2020), comprise Qatar Steel's Sustainability Management System. This system is designed to enable Qatar Steel to achieve its sustainability objectives and optimize the value generated for its stakeholders.

Additionally, the company had established its Stakeholder Advisory Group comprised of representatives from key stakeholder groups to act as an advisory body during the journey towards sustainability. In 2016, Qatar Steel had developed a charter for the Group, by mapping the external and internal representatives of different stakeholder groups and by establishing internal governance structures for effective engagement with the Group.

The Sustainability Report is organized in sections according to the seven pillars of the sustainability framework. Within each section, pertinent material issues are discussed and the company's progress and initiative towards sustainability is evaluated.





Growth Strategy

Qatar Steel pursues its growth strategy of upgrades and new expansions in order to meet the growing steel demand in Qatar and to consolidate its competitive position in the regional markets within GCC.

We strive to grow by leveraging available and cheap natural resources, acquiring new technology and product diversification through partnerships and acquisitions. We look for strategic investments by way of acquisitions and joint ventures in iron ore and steel related production facilities to secure basic raw materials for production and to seize market opportunities for down-stream products. During 2015 - 2017, the strategic priorities for the company had changed with focus on operational excellence (safety and cost).

Global economic activity continues to firm up. Global output is estimated to have grown by 3.7 percent in 2017, which is 0.1 percentage point faster than projected in the fall and ½ percentage point higher than in 2016. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia. Growth is expected to moderate gradually in China (though with a slight upward revision to the forecast for 2018 and 2019 relative to the fall forecasts, reflecting stronger external demand), pick up in India, and remain broadly stable in the ASEAN-5 region. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. Among advanced economies, growth in the third quarter of 2017 was higher than projected in the fall, notably in Germany, Japan, Korea, and the United States. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted third-quarter growth stronger than the fall forecasts.

Under these circumstances, to stay competitive, we have gone ahead with full- fledged cost optimization program with focus on improving efficiency and reliability of processes and assets. Implementing a cost optimization strategy is not a one-time initiative at QS rather an ongoing continuous improvement exercise that results in a healthy balance of cost savings and innovation for sustaining the results.

We penetrated new markets outside GCC predominantly ASEAN-5 Countries for sale of billets & rebars to offset any loss of sale in export markets within GCC due to blockade imposed on Qatar by neighboring countries. The focus for the coming 3 -5 years would continue to be on organizational and operational improvements leading more to cost efficiencies and further raising HSE standards and also to seize possible growth opportunities through prudent investments in line with IQ's strategies.

Strategic Investments & Joint Ventures

STRATEGIC INVESTMENTS & JOINT VENTURES

SOLB STEEL COMPANY (Formerly South Steel Co.)

Qatar Steel owns 31.03% of SOLB Steel Company, commenced commercial operations of a 1.0 mtpa Steel Melt Shop and a 0.5 mtpa Rolling Mill in January 2013.

During 2017, the Steel Melt Shop and Rolling Mills were operating at average capacity levels of 37% and 33%, respectively.



QATAR METAL COATING COMPANY W.L.L



Qatar Metals Coating Company W.L.L. (Q Coat) was established in 1990. A joint venture between Qatar Steel (50%) and Qatar Industrial Manufacturing Company (50%). Q Coat is having production capacity of 100,000 metric tons per year. The plant was operated at a capacity level of 44% in 2017.

Investments in Foulath Holding B.S.C. (Formerly Gulf United Steel Holding Company B.S.C)

Foulath is a Bahraini closed Joint Stock Company established in June 2008, primarily focused on investing in the growth of steel industry in the Gulf Cooperation Council (GCC) Countries and Middle East & North African (MENA) region. **Qatar Steel owns 25% of Foulath. The group comprises the following companies:**

BAHRAIN STEEL B.S.C (Formerly Gulf Industrial Investment Company):

Established in 1984 and fully owned by Foulath, is a leading producer of Iron Ore Pellets in GCC with total capacity of 11 mtpa. It is one of the three major merchant pelletizing producers in the world. The Plants was operated at a capacity level of 51% in 2017 and expected to improve performance from 2018 onwards as the ramp-up issues.



UNITED STAINLESS STEEL COMPANY B.S.C (USCO):

Fully owned by Foulath and started operations in 2008 to produce cold rolled stainless steel coils and sheet with capacity of 90,000 TPA. Due to ongoing challenges in the stainless steel business USCO's operations have been idled since December 2011. On August 15, 2016 USCO signed a Production and Sales Agreement with Chromium Trade (Switzerland) and started operation from Sep 2017.



SULB COMPANY B.S.C (Formerly United Steel Company):

A Joint Venture between Foulath (51%) and Yamato Kogyo Japan (49%). Their Operations started in 4th Quarter of 2012. The facilities comprise of Direct Reduction Iron Plant with a nameplate capacity of 1.5 mtpa, Steel Melt Shop 0.858 mtpa and Section Rolling Mill (Medium & Heavy Sections) 0.6 mtpa. During 2017, the DR plant, SMS and Section Rolling Mill operated at capacity levels of 84%, 125% and 63% respectively.



UNITED SULB COMPANY (SAUDI SULB) L.L.C:

Foulath acquired a medium and light section mill in Saudi Arabia in September 2011 with production capacity of 0.4 mtpa. During 2017, the plant operated at capacity level of 57%.



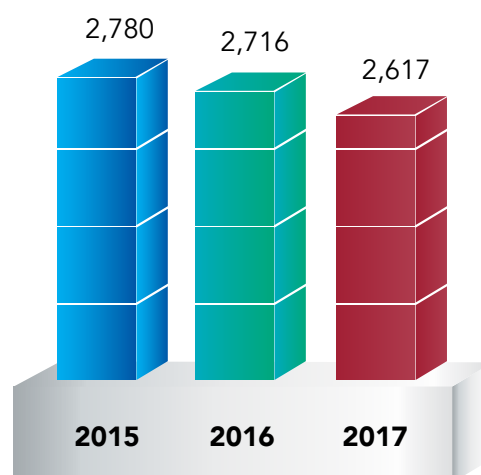
OPERATIONAL OVERVIEW

SALES & MARKETING (Consolidated)

PRODUCTS (KMT)	2015	2016	2017
DRI/HBI	191	116	91
BILLETS	206	103	448
REBAR	2,251	2,316	1,959
COIL (WIRE ROD & REBARS IN COILS)	132	181	119
TOTAL	2,780	2,716	2,617

Sales Volume-KMT

Sales volume for the year 2017 is lower by 4% as compared to previous year mainly due to lower sale of Rebars.



COUNTRY (KMT)	2015	2016	2017
QATAR	1,543	1,770	1,396
GCC (Excludes Qatar)	1,155	802	549
OTHERS	82	144	672
TOTAL	2,780	2,716	2,617

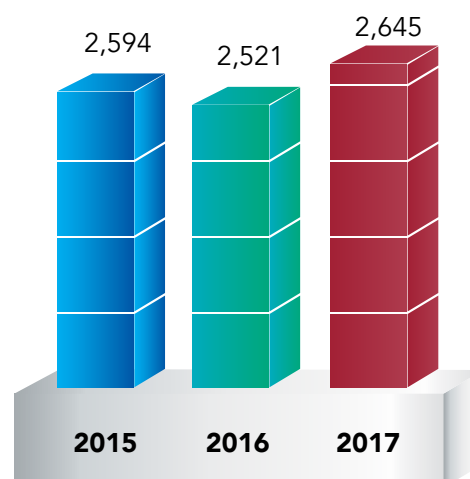
Sales Volume - %

	2015 100% (2,780)	2016 100% (2,716)	2017 100% (2,617)
Qatar	55%	65%	53%
GCC (Excludes Qatar)	42%	30%	21%
Others	3%	5%	26%

PRODUCTION (Consolidated)

PRODUCTS (KMT)	2015	2016	2017
DRI/HBI	2,631	2,506	2,548
CRUDE STEEL (BILLETS)	2,594	2,521	2,645
REBAR	2,162	2,272	2,044
COIL (WIRE ROD & REBARS IN COILS)	163	173	118

Crude Steel (Billets-KMT)



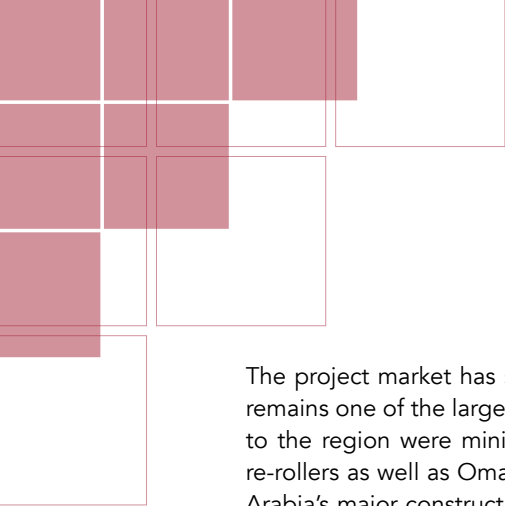


World crude steel production reached 1,691 million tons for the year 2017, up by 5.3% compared to 2016. Crude steel production increased in all regions in 2017 except in the CIS, which has remained stable.

Due to continued production restrictions in China and generally good demand in most of the markets, supply & demand in the global long steel products market continued to remain balanced in 2017. In 2017, iron ore price posted sharp fluctuations and the average price this year was much higher than that of 2016. The raw material quotes mostly followed price movement in the finished steel segment, which got a strong upward impulse from excessive and substandard steel capacities elimination from China as well as from supply shortage due to output restrictions in autumn. Having indicated sharp increases during the end-of Ramadan holiday, import scrap prices in Turkey have continued to move up. Due to higher raw materials costs amid tight electrode supply which pushed finished steel prices upward since late Nov'17, domestic square billet prices have expectedly gone up in Turkey, backed up by high demand as well further rise in domestic rebar sales. In addition, import scrap prices remained strong, buoying the semis. In spite of the generally positive sentiments, market players remained very cautious, while increasing costs are making it difficult for buyers to make purchasing decisions.

GCC economies have been dealing with the aftermath of the fall in global oil prices. And although the forecasts regarding the economic growth in the region are cautiously optimistic, challenges still remain crucial. Over the past few years GCC countries have been actively working on the diversification of local economies in order to reduce their dependence on oil revenues. However, large-scale investments in the sector continue, supported by certain market recovery seen in 2017 and forecasted to continue in the mid-term. Projects in region's oil and gas industry development, which are normally consuming a lot of steel, are expected to provide additional support to the local steel sector. In addition, it was noted that the countries should be taking advantage of the international trade, exports in particular, in order to support the economic growth. GCC countries had some success in the field of overseas steel sales.

Mills from Qatar, KSA, Oman and Bahrain were rather active in billet trade in Q3 2017. Moreover, the countries have been actively trying to diversify the oil-dependent economies through the development of some alternative sectors, such as tourism, transportation etc., which is also giving a boost to the regional project market.



The project market has strengthened in UAE during 02nd half 2017 spurring the rebar demand. UAE remains one of the largest GCC markets in terms of rebar consumption. Considering that Turkey's sales to the region were minimized this year, other suppliers to the UAE market are represented by local re-rollers as well as Omani mills, which have been selling rebar to the UAE on the regular basis. Saudi Arabia's major construction companies had been operating in challenging market conditions throughout the year 2017. Despite that a big number of projects are in the pipeline in the Kingdom, the pace of their implementation raises concerns amid postponements and lack of funding. As a result, local steel sector was also under the pressure. The weak construction sector is undermining the sustainability of steel business in the country, which faced a decline in consumption this year. Saudi mills express cautious optimism regarding 2018, waiting for some revival in domestic construction segment. As a result, they started seriously exploring export opportunities in order to support operating performance. Oman continues to develop the infrastructure sector. It started initial master plan consultancy on the construction of a new airport in Musandam region. The works within the project are expected not only to contribute to Oman's infrastructure expansion, but also to provide certain support to steel consumption in the country, which has been gradually increasing recently amid active investments. The Kuwaiti economy gradually succeeds in achieving non-oil growth and positive fiscal adjustment. The major support is coming from healthier capital spending as well as rather strong project implementation. Moreover, the outlook for construction development in Kuwait is quite positive for the coming years, bringing optimism to the local steel sector in particular.

In Qatar market, Spurred by preparations for upcoming 2022 FIFA World Cup Qatari construction sector has been showing quite sustainable performance over the course of 2017. Challenging market conditions in the construction sector hit steel suppliers in Qatar. During 02nd half 2017, contract awards in Qatar observed 34% lower compared to same period in 2016.

The overall outlook for 2018 remains positive for GCC market considering the improvement in demand in key regional markets supported by improvement in prices of crude oil, which is the key driver for the regional economy.

Qatar Steel's total rebar sales volume in 2017 dropped 15% compared to that of 2016. Main reason for lower sales in 2017 is due to sharp drop in domestic rebar demand which is about 26% lower compared to 2016. However, total rebar average price in 2017 was higher by 2% compared to 2016. After political blockade, Qatar Steel explored new markets for rebar in Non-GCC Markets and successfully sold about 252,000 MT Rebar which is 15% of total rebar sales from Mesaieed operation in 2017. In addition to that Qatar Steel sold Billets to Non-GCC Markets about 401,000 MT during 02nd half 2017 and total billet sales reported higher by 8% compared to 2016.

Customer Relations

In 02nd half 2017, Customer Relationship Management (CRM) with support of IT Department launched a new mobile application called "Qatar Steel Sales App: intended to keep their customers updated with current and historical order details, shipment status, letter of credit and the latest price list information rapidly. Qatar Steel Sales App offers online/offline working, allowing the program to operate even if users are not connected to the internet. Qatar Steel Sales App allows customers to view data through a user-friendly interface, with dashboards that provide drop-down features, and allows customers to access individual delivery details.

CUSTOMER FOCUS

Guided by a clear drafted customer focused communications strategy to provide leadership brand image in the region, Qatar Steel remained visible in 14th edition of Project Qatar 2017, the leading business exhibition specialized in construction and all related industries. In line with enhanced action to achieve Sustainable Development, Qatar Steel along with world Steel association jointly celebrated HSE Day to improve the safety and health of workers in general. Along with Human Capital Department, Qatar Steel awarded the long serving employees with great pomp and enthusiasm.

QATAR STEEL COMPANY Q. S. C.

Direct Reduction Department

Highlights of Direct Reduction Department performance and activities throughout 2017 are;

DR 1 Major Milestones

DR-1 Module Prime Production for year 2017 was 820,622 tons against design capacity 400,000 MT. with Excellent Product Quality (Met $\geq$ 94.8% & Carbon $\geq$ 2.4%) was maintained throughout the year.

In the year 2017, DR-1 achieved 25 million ton production since its commissioning. This was achieved by continual improvement and debottlenecking process.

The plant availability for the year 2017 was 8128.06 hours with total scheduled stoppage of 566.17 hrs. and unscheduled stoppage of 65.77 hrs.

Throughout the year Various Safety Improvement Activities were carried out like Positive isolation in natural gas line, Natural gas addition to cooling gas scrubber venturi, New wind guard provision for all conveyors, Relocation of local control station for conveyor start-ups.

With continuous improvement, training, motivation DR department has achieved and maintains higher quality of safety standards. DR-1 successfully completed 14 years without any LTA.

DR 2 Major Milestones

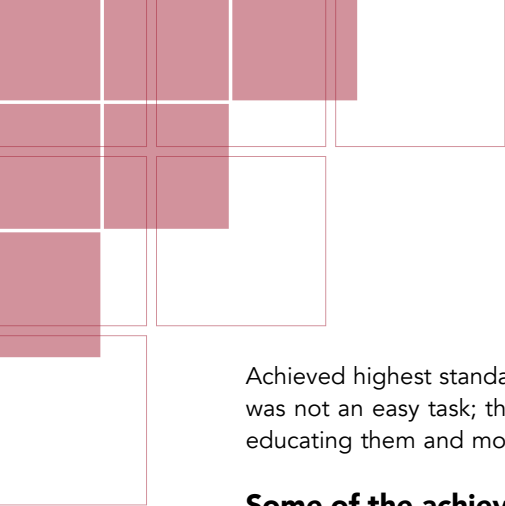
DR-2 Module CDRI Production for year 2017 was 1,727,294 tons with average CDRI quality for the year are metallization 94.78% carbon 2.49%. The plant availability for the year 2017 was 7840.84 hours with total scheduled stoppage of 776.8 hrs. and unscheduled stoppage of 142.36 hrs.

Some of the important works carried out during major repair were:-

- Catalyst top up for 480 reformer tubes.
- Direct recycle line [TV_A34.5] was reinstated. [To overcome any underperformance of RGC if arises].
- Auto sampler was repositioned from CV_H41 to CV_J01.1. [To overcome the production loss arising due to the malfunctioning of the sampler scoop at CV_H41].
- Few FMG hose pipes were shortened. [To reduce the stress experienced by the hoses due to tubes creep].
- Extensive furnace refractory gunning works were done. [In order to sustain plant productivity till 2019 repair].
- Furnace and product cooler thermo wells were replaced

Many improvement and modifications were carried out in the plant to enhance the working environment, to improve the work culture, to improve the safety of the operators and the plant as a whole. Some of a few of them are mentioned below:

- As a part of the safety drive all the conveyor exposed/unprotected moving parts which had a potential hazard of human machine interphase areas provided with hard barricading.
- The yard boundaries were demarked with the placing of concrete blocks to safe guard the stored CDRI in yards.
- The lime bin bottom was concreted for safe movement of operators in the vicinity.
- A new pit was constructed at material handling area to store all the collected spilled CDRI as earlier it was a hidden hazard.



Achieved highest standards in production and qualities along with Zero LTA, achieving these triumphs was not an easy task; this included many initiatives from the department like training the employees, educating them and motivating them in all aspects of their work.

Some of the achievements that DR2 have impeccably achieved in the year 2017 are:

- 3000hrs of continuous operation.
DR2 has flawlessly achieved a milestone of 3000hrs of continuous operation surpassing the previous record of 2832hrs. This is a collective achievement of the department along with the sub sections. The department valued this achievement by commemorating this occasion with a gathering with all concerned.
- Overcoming the RG cooler seal loss issues.
Since the commissioning of RG cooler the plant productivity was hampered due to its seal loss issues. DR2 has tactfully overcome this issue by water treatment & there by bringing the plant productivity back to its optimum values.
- Reformer tube E35 blinding.
First time in the history of DR operation we faced with a new obstacle of reformer tube failure. In a record time this issue was identified, rectified and the plant was brought back to its normal operating values. This is one of the greatest achievement of DR2 which makes the entire workforce of DR2 very proud.
- Aman safety program.
DR2 received the award for the fastest area transformation [Aman safety program] in April 2017.

Another feather in the ever shining crown of DR2.

Steel making department achievements for 2017.

Steel making department 2017 achievements as follow:

- 1) EF3 fumes treatment plant upgrading had been successfully commissioned.
- 2) A new molten steel production record by EF3,4,& 5 in 2017 by producing 2,668,763 MT/Y.
- 3) CC3,4,&5 had achieved a new annual production record by producing 2,644,991 MT/Y
- 4) All CCM's (3,4 &5) achieved highest annual average no. of heats in a single tundish (75.6, 105.3 & 99.1 heat/tundish)
- 5) Achieved lowest average refractory consumption for steel making shop 7.36 KG / Ton.
- 6) Increasing the Dolomite ladle bricks consumption ratio to 40% from total LD bricks consumption.
- 7) Achieved highest LD wall life 211 heats.

ROLLING MILL DEPARTMENT

In the year 2017, Rolling Mill Department's both plant (RM1 & RM2) has achieved remarkable Production Records and several improvement.

ROLLING MILL 1

HIGHLIGHT / IMPROVEMENT

- Keep Improvement of the safety culture at the plant by implementation new system for regular visits and corrective actions to the plant in daily, weekly, and Monthly basis.
- Successful Design in house, commissioning and startup of new sizes required for domestic market and export like D8,9.5, D12.7, D13,D19.1 mm
- Preparation and design all speed, guides set-up tabulation required for the new sizes in-house
- Achievement of Annual Production 795,617 MT in spite of repeated Adjustment Stoppage due to Blockage crisis.
- Achieve time utilization factor at RM-1 89.8 % in spite of new sizes production which are unplanned .
- Achieve productivity Rate at RM-1 to be 106.61 Ton /hour even with increase the market demand on low productivity sizes like D8, D9.5, and D10 and special lengths from 6 meter up to 11 meter length as per customer request
- Sustain the speed during summer peak months by enhancement the quenching boxes spare elements by modification in the design of pipes elements.
- Enhancement of the Reheating Furnace operation parameters to decrease the scale propagation inside the furnace.
- Implementation of new SASO marking logo for identification of the bar size and grade.
- Finalize the study of Production new Grade B500C for Size mix produced at RM-1

ROLLING MILL 2

HIGHLIGHT / IMPROVEMENT

- Keep Improvement of the safety culture at the plant by implementation new system for regular visits and corrective actions to the plant in daily, weekly, and Monthly basis.
- Successful Design in house, commissioning and startup of new sizes required for domestic market and export like D15.9 ,D22.2, D25.4,and D28 mm
- Preparation and design all speed, guides set-up tabulation required for the new sizes in-house.
- Complete Revamping of Reheating furnace hearth refractories of RM-2 including tilter mechanism.
- Successful commissioning and PGT of new higher capacity dividing Shear.
- Achievement of Annual Production 949,525 MT in spite of one month major down at April month and Adjustment Stoppage due to Blockage crisis.
- Achieve the Yield result 98.53 % even after decreasing the percentage of Market share of the short length, and high demands of special length from 6 meter up to 11 meter length as per customer request
- Achieve time utilization factor at RM-2 92.01 % in spite of new sizes production which are unplanned.
- Achieve productivity Rate at RM-2 to be 136.31 Ton /hour even with increase the market demands on low productivity sizes like D15.9, D16 and special lengths from 6 meter up to 11 meter length as per customer request
- Enhancement of the Reheating Furnace operation parameters to decrease the scale propagation inside the furnace.
- Implementation of new SASO marking logo for identification of the bar size and grade.
- Finalize the feasibility study of D50 Production at RM-2 and implementation will be depend on marketing Demands.
- Finalize the study of Production new Grade B500C for Size mix produced at RM-2

QATAR STEEL COMPANY FZE

2017 was the most challenging year since we started operation in 2003. The tough market conditions due to the unforeseen blockade impacted the achievement of expected high performance in 2017. Despite all the problems & restrictions faced by blockade in GCC, QS-FZE was able to maneuver & close the year with positive results in terms of sales, production & consequently profit. QS FZE managed to achieve 80% of the annual target for production & sales. As every risk has an opportunity, we managed to reduce the risk of raw material supply by developing new sources and tapping the local resources.

Production & Sales

Production(MT)	2015	2016	2017
Rebars	377,602	379,365	298,701
Coils:			
Rebar in coils	81,317	62,713	30,201
Wire Rod	81,616	110,067	87,986
Total	540,535	552,145	416,888
Sales(MT)	2015	2016	2017
Rebars	374,777	381,676	292,178
Coils:			
Rebar in coils	75,001	70,047	29,547
Wire Rod	78,500	116,325	90,639
Total	528,278	568,048	412,364

Main Achievements in 2017:

Overall production & sales exceeded the budget by 11.4% in the 1st five months of 2017 before the blockade. In the month of March observed a record of monthly production of 37,240MT in RM3 month against a previous record of 36,361MT in Apr 2016 (25% higher production).

Electricity consumption reduced by 3% in Wire Rod Mill compared to 2016.

In WRM, new grades-SAE1030 & SAE1038 introduced to meet the customer requirement and enhance the product range.

Business Continuity Management & Business Continuity Plans established in line with corporate objectives.

Achieved zero environmental & regulatory non-conformances in 2017.

Established framework for compliance to the new VAT regulations and necessary trainings carried out for successful implementation of VAT related activities.

AWARDS & ACCREDITATIONS

As a result of the company's determination to produce quality products, Qatar Steel has received and is maintaining many prestigious certifications including the following:

- Product Certification by Saudi Arabia Standardization Organization (SASO)
- Product, Quality Management System (ISO 9001) & Sustainability Certifications by UK CARES
- Product Certification by Dubai Central Laboratory (DCL)
- KUCAS Product Certification by Kuwait Public Authority for Industry
- Lab Accreditation Certificate (ISO/IEC 17025) by Dubai Accreditation Centre (DAC)
- OHSAS 18001 Certification by Applus Velosi
- Environment Management System (ISO 14001) by ABS Quality Evaluations

Research & Sustainability

Key Highlights

CARES Product Conformity Certificate:

In 2017, Qatar Steel has received Product Conformity Certification for newly developed product i.e. high strength rebar QS 600 (10 to 32 mm) from CARES, UK.

Over the years rebar with yield strength 420MPa, 460MPa, 500MPa etc. conforming to BS 4449/ASTM A 615 specifications were available in Qatar. Rebar with higher strength i.e. $YS > 600\text{MPa}$ reduces the steel consumption by around 20 - 25 % in construction, which in turn lowers the overall cost of structure. Using high strength rebar can also lead to reduction in column size of heavily loaded structure and there is relief from rebar congestion. In line with this, R&S department explored and successfully developed high strength rebar QS 600 to cater Qatar/export market.



Research on Corrosion Performance of Epoxy Coated Rebar:

Center for Advanced Materials (CAM), Qatar University has conducted research for 2 years on corrosion performance of Epoxy Coated Rebar produced at Qatar Metals Coating Company and published a detailed project report highlighting the corrosion performance of Epoxy Coated Rebar in Qatar Marine Environment. Report was shared extensively with many construction companies/ contractors to promote an awareness on benefit of using Epoxy Coated Rebar (ECR) in saline atmosphere.



Condition of Rebar samples retrieved from concrete blocks after 2 years of exposure to continuous drying and wetting cycles in salt spray chamber (simulating actual Qatar Environment)

Dolomite Fines Briquetting:

In 2017, R&S department has successfully conducted briquetting trial to produce dolomite briquettes from dolomite fines generated from Lime Calcination Plant. Briquettes are produced on regular basis as and when required at Qatar Steel By-Products Briquetting Plant and consumed in steel making furnaces.



CSR Activities

COMMUNITY INVESTMENTS



Community Investments in Qatar Steel are committed to sustainable development in society, preserving the fabric of culture, heritage and emotions.

As part of CSR, we devoted QR 30,000 towards financial support to QATAR CHARITY for Rehabilitation of Special Needs to help in purchasing clothes and essential food items registered with them.

Additionally, financial support of QR 17,280 was extended for three (3) kids registered with QATAR CHARITY who are surviving with one parent @QR 480 per month per child for one year.

Distinctive support was provided to Qatar Society for Rehabilitation Special Need; amount of QR 18,400 was provided to them to aid in purchasing of wheel chairs and donated to the needs who are registered with them.

Visit was made to Hamad Hospital (children section undergone operations) and garangoa bags were distributed during Ramadan.

Waste Free Environment Drive

Qatar Steel took part in Waste Free Environment Drive at Al-Wakra (Beach Cleaning) on 1st March, 2017. This aimed at supporting the environmental awareness drive "Waste Free Environment" (WFE), launched by Gulf Petrochemicals and Chemicals Association (GPCA). Qatar Steel proactively took part in the environmental activity organized by Qatar Petrochemical Co. (QAPCO) at Al-Wakra Beach. The event's program included contests, games and quizzes about environment preservation, in addition to beach cleaning activities.



Qatar Steel organizes blood donation drive

In coordination with the blood donor Centre at Hamad Medical Corporation, Qatar Steel organized a blood donation drive at its plant site in Mesaieed. Employees from various departments and sections took part in the drive.



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