ANNUAL PERFORMANCE REPORT 2009

بسم الله الرحمن الرحيم

وأنزلنا الحديد فيه بأس شديد ومنافع للناس

صدق الله العظيم

QATAR
Qatar Steel Company (Q.S.C.)
P.O. Box 50090, Mesaieed, State of Qatar
Tel. +974 4778778, Fax +974 4771424
pro@qatarsteel.com.qa
www.qatarsteel.com.qa

DUBAI
Qatar Steel Company FZE
P.O. Box 18255, Jebel Ali Free Zone
Dubai, United Arab Emirates
Tel. +971 4 8053111, Fax +971 4 8053222
info@qatarsteel.ae
www.qatarsteel.ae

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani
Heir Apparent

Contents

Vision

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

Board of Directors

H.E. Yousef Hussain Kamal
Chairman

H.E. Dr. Mohammed Saleh Al-Sada
Vice Chairman

Sh. Nasser Bin Hamad Al-Thani
Director & General Manager

Mr. Fahad Hamad Al-Mohannadi
Director

Mr. Abdel Rahman Ahmed Al-Shaibi
Director

Dr. Nasser Mubarak Shafi Al-Shafi
Director

Mr. Mohamed Hitmi Ahmed Al-Hitmi
Director

Mission

We will continue to be the first name in the region's steel industry by harnessing our assets and resources to achieve profitable growth, operational and organisational excellence, and good corporate citizenship.

Senior Management

Sh. Nasser Bin Hamad Al-Thani
Director & General Manager

Eng. Mohammed Tahir Al-Hammadi
Projects Division Manager

Mr. Ali Bin Hassan Al-Muraikhi
Commercial Division Manager

Mr. Saad Rashid Al-Mohannadi
Procurement & Warehousing Division Manager

Mr. Yousef Abdulla Q. Al-Emadi
Production Division Manager

Mr. Kefah Mustafa Al-Mulla
Administration Division Manager

Mr. Husein Hassan Murrar
Business Development Manager

Mr. Salah Babiker
Finance Department Manager

Dr. Idris I. Gamil
Senior Legal Advisor & Board Secretary

Mr. Malek Hamdieh
IT Manager

The year posed a wide range of challenges for all our departments. This, in turn, inspired us to pursuit a path of innovation and creativity, which helped us to ensure a steady stream of revenues for the Company as well as its shareholders and investors.

Chairman's Message

The adverse impacts of the global financial crisis, which shook the international economy and affected the performance of many economies around the world, spilt into 2009 as well.

With a view towards protecting the interests of both our shareholders and investors, we concentrated on devising various plans and strategies to counter the impacts of the global financial crisis during 2009. We adopted a new marketing strategy and undertook an exhaustive search for new markets, which led to Qatar Steel broadening its market base. This, in turn, helped the Company to consolidate its position in the local, regional and international markets.

Our ability to adapt to the evolving market conditions by adopting new strategies and plans as well as by exploring new markets ensured that Qatar Steel reaped satisfactory results. The efforts undertaken in 2009 will definitely pave the way for a brighter future in the years to come.

The year posed a wide range of challenges for all our departments. This, in turn, inspired us to pursuit a path of innovation and creativity, which helped us to ensure a steady stream of revenues for the Company as well as its shareholders and investors. We are determined to broaden our market base and at the same time, satisfy all the emerging needs of the local market. The domestic economy is presently on an upward trend. This places a greater responsibility on the shoulders of the national companies, as they have to collectively play an active role in the progress and development of the national economy.

We, at Qatar Steel, are determined to move forward on the track of success that the Company has been pursuing for the last three decades.

Finally, I would like to take this opportunity to extend our sincere gratitude and appreciation to HH Sheikh Hamad Bin Khalifa Al-Thani, Emir of the State of Qatar and HH Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent for their inspiring leadership and wise directives, which have in turn helped Qatar Steel to sustain its pioneering position in all its spheres of operations.

Yousef Hussain Kamal
Chairman

Qatar Steel, by virtue of its well-established operations, managed to overcome the impacts of the international financial crisis by adopting a new marketing strategy. This, in turn, enabled it to widen its market base and acquire new clients.

Director & General Manager's Message

I take immense pleasure in presenting to you the 2009 annual report of Qatar Steel, our sixth annual report so far. Along with, I would like to inform you that all our operations continue to be conducted with absolute transparency and credibility, and as in the previous years, we continued with our pursuit of innovation and creativity as well as with our partnership in the sustainable development process outlined by the wise leadership of this country.

During 2009 the dark clouds of the global financial crisis, which did not spare anyone, started giving way to the clear sky. However, the atmosphere generally remained cloudy. Even though, like others, Qatar Steel also suffered from the repercussions of the crisis, it still managed a satisfactory performance in terms of product demand, sales volume and net profit mainly due to the competitiveness of its products. However, the overall performance of the Company was below what was expected before the onset of the crisis.

The beginning of 2009 continued to witness the adverse effects of the international financial crisis as the local, regional and international markets continued with their recessionary trend. These challenging market conditions dictated certain internal developments at Qatar Steel in order to surpass the sales downtrend by seeking new marketing opportunities in China, which seemed to be not affected by the crisis. The marketing opportunities in China compensated for our loss of sales.

The international financial crisis presented Qatar Steel with a wide range of challenges. On the other hand, it also provided us with an ideal opportunity to devise ways and means to deal with crises of this magnitude. The Company successfully withstood the repercussions of the crisis by adapting to the prevailing market conditions and returned to a promising track of production and sales and achieved satisfactory financial results.

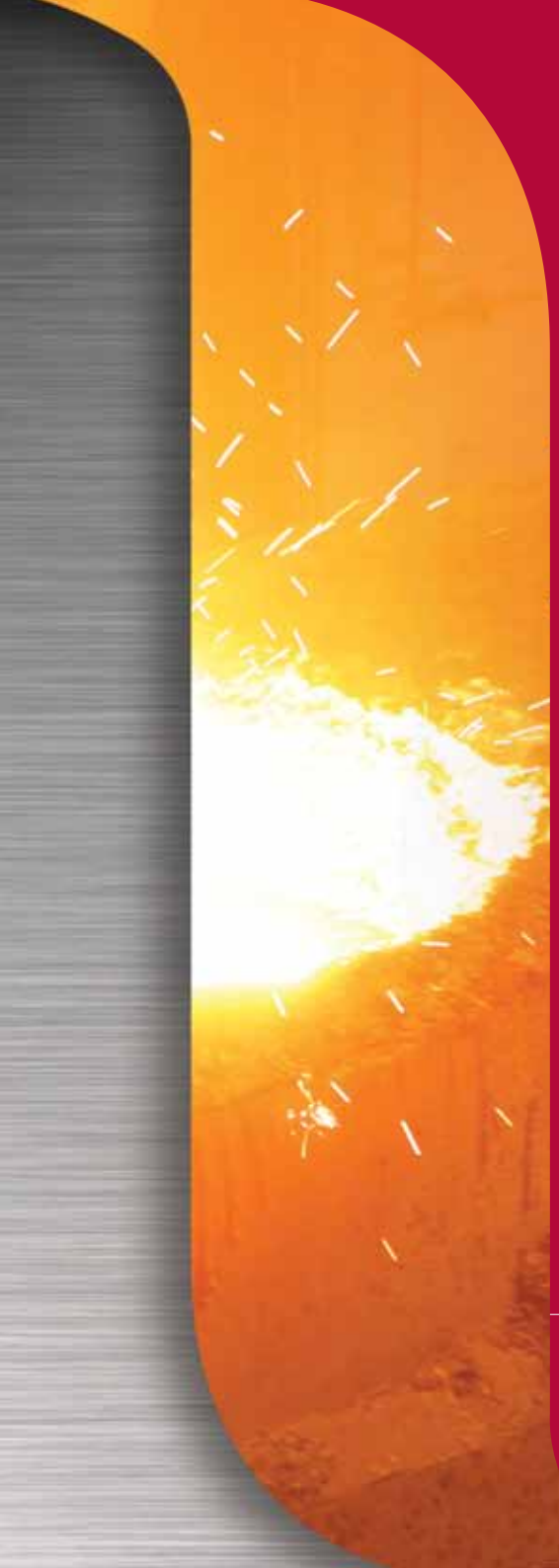
During 2009 Qatar Steel posted a number of significant achievements. This reiterates the unique and distinct position the Company has been enjoying in the regional and international markets for the last three decades.

It is worth noting that Qatar Steel, by virtue of its well-established operations, managed to overcome the impacts of the international financial crisis by adopting a new marketing strategy. This, in turn, enabled it to widen its market base and acquire new clients.

Qatar Steel is well aware of its vital role in the national economy, which is witnessing an exceptional expansion. It is also well aware of its commitments at both the regional and international levels and is working hard to fulfill them. The Company's expansion plans as well as its endeavours to achieve its goals are a never-ending process that will never cease.

Qatar Steel is determined to continue with its endeavours to consolidate its image in its markets and reinforce the vital role it is playing in the national economy. We are also committed towards reaching further heights of success by following the highly valuable directives of HH Sheikh Hamad Bin Khalifa Al-Thani, Emir of the State of Qatar and HH Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent.

Nasser Bin Hamad Al-Thani
Director & General Manager



Values

A 'PRINCIPAL' Player

The drivers of our ambition

- 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.

Brief about Qatar Steel

Qatar Steel Company, which was established in 1974 as the first integrated steel plant in the Arabian Gulf, commenced commercial production in 1978. Over the years, the Government of Qatar acquired complete ownership of the Company and transferred the same to Qatar Petroleum (QP) which in turn transferred its shares to Industries Qatar (IQ). Today, Qatar Steel is recognised as a leading and constantly growing force in the steel industry of the region, and is admired for its business culture, for building value for its shareholders and customers, and for inspiring its people.

With a committed, skilled and well-trained workforce of about 1,900, and excellent plants, Qatar Steel produces and sells a wide range of bars, billets and DRI/HBI throughout the GCC region and other neighbouring countries. Over the three decades that Qatar Steel has been in operation, it has earned a remarkable reputation for unrivalled quality, flexibility and reliability in all its product and service offerings.

Qatar Steel operates a fully owned subsidiary – Qatar Steel Company, FZE Dubai – that produces steel bars and coils. Qatar Steel also has a sizeable stake in three associate companies - United Stainless Steel Company (USCO), Bahrain; Gulf Industrial Investment Co. (GIIC), Bahrain and Qatar Metals Coating Company W.L.L. (Q-Coat). USCO manufactures cold rolled stainless steel coils and sheets. GIIC is engaged in the pelletization of iron ore which is an essential raw material of Qatar Steel and Q-Coat manufactures epoxy coated bars.

Material Control Department

The performance of the Material Control Department in its various fields of operation during the year 2009 is summarised below:

Export Material (Bulk) Transportation & Loading

Material	No. of Vessels	Quantity (Mtons)
Direct Reduction Iron (DRI)	16	399,794
Hot Briquetted Iron (HBI)	11	282,395
Total	**27**	**682,189**
Iron Oxide Fines	1	50,848
Mill Scale	1	37,652
Processed Iron Ore Fines	1	46,315
Total	**3**	**134,815**

Raw Material Received/Imported

Material	Mode of Transport	Quantity (Mtons)
Iron Ore	By Vessels	2,683,837
Steel Scrap (Import)	By Vessels	32,347
Ferro Alloys	By Vessels	10,433
Ferro Alloys	By Trailers	996
Ferro Alloys	By Containers	819
Lime (Lump, Dolomite & Sized)	By Trucks/Trailers	70,960
Scrap (Shredded, Heavy & Engine Block)	By Trucks	110,763
Inplant Process Scrap	Internal Receiving	84,401

Material Receiving (Import/Export) & Utilisation of Resources

Vessels Receiving/Discharging/Loading/Jetty Operations

Material	No. of Vessels	Quantity (Mtons)	Berth Utilised (Hrs.)	Berth Utilised (%)
Iron Ore Pellets	38	2,683,837	3210:00:00	37%
Clinker/ Aggregates (other)	2	8,870	58:00:00	
Berth No.1	**40**	**2,692,707**	**3268:00:00**	
Ferro Alloys	2	10,433	91:35:06	34%
Steel Scrap	1	32,347	176:73:31	
Re-bar Discharging	1	10,000	77:20:00	
Billet Discharging	6	75,000	550:50:00	
Product Loading (DRI/HBI)	11	682,189	792:30:00	
By-Product Loading	3	134,815	520:05:00	
Clinker/ Aggregates (other)	55	1,538,561	4007:40:00	
Berth No. 2 & 3	**79**	**2,483,345**	**6040:00:06**	

Material Receiving (Import/Export) & Utilisation of Resources

Main Equipment Utilisation

Equipment/Materials	No. of Vessels	Quantity (Mtons)	Equipment Usage (Hrs.)	Equipment Usage (%)
Unloader (iron ore pellet + clinker discharging)	30	1,204,267	1889:06:10	22%
Reclaimer-01, Reclaimer-02 & Shovel (pellet supply to DR-1 daybins)		1,021,207	3626:30:00	41%
Reclaimer-02, Reclaimer-01 & Shovel (pellet supply to DR-2 daybins)		1,989,970	3153:45:00	36%
Receiving Hopper	38	1,488,439	2163:25:03	25%
Shore Crane (LIEBHERR)	23	479,453	1691:51:40	19%
Re-bar Discharging	1	10,000	NIL	35%
Billet Loading	2	75,000	533:50:00	6%
Stacker (I)	Oxide Pellet	812,860	1327:25:00	15%
Stacker (01) Product Stacking (DRI & HBI)	DRI & HBI	999,431 332,299	3997:45:00 1748:50:00	66%
Stacker (02)	20	1,870,977	3153:45:00	36%
Soft Loader	13	817,004	1638:05:00	19%
Clinker/Aggregates	55	1,538,561	4007:40:00	46%

Slag Separation Plant - Performance Report

Item	Quantity (MT)	Remarks
Raw Slag Used for Processing	86,586	
Processed Metal Recovery	6,927	Calculated (8%)
Actual Recovery/Shifting	7,676	8.9%
Processed Metal Used in EF	8,073	Supplied to Basket
Crushed Slag Received	78,910	91.1%
Crushed Slag Used for Slag Pots	65,503	@3.5T/ heat (Total: 18,715 heats)

Operation Highlights

Cost reduction was achieved by receiving & processing (by sub-con) about 50,403 Mtons of skull & return scrap from various operation stages and by supplying them to the furnaces.

New Facilities

Installation and commissioning of a new truck scale (Weigh Bridge) at Qatar Steel Gate No. 5 at the south side is nearly complete. The Project is being undertaken by the Engineering Department and will be handed over to the Material Control Department.

New Project (through Projects Division)

The Contract for the Lime Calcination Plant (LCP) has been signed and is expected to be commissioned within sixteen months from the date of signing the Contract. The Plant will be located behind the DR-2 plant. Area preparation & other arrangements have already commenced.

General

(Scrap from the Local Market)

With a view towards increasing the delivery of local scrap to Qatar Steel, necessary guidelines were issued and initiatives were undertaken in co-ordination with various ministries, customs authorities and the Chamber of Commerce to strictly monitor and control the export of scrap materials.

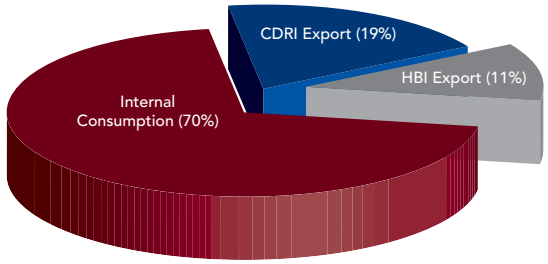
The result is quite encouraging. The average scrap recieved from the local market has drastically increased from 3,000 Mtons/month to 18,000 Mtons/month as a result of the countermeasures undertaken and the co-operation of various government departments.

Direct Reduction Department

1. Product Quality 2009

Carbon Direct Reduction Iron (CDRI)				Hot Briquetted Iron (HBI)	
DR-1		DR-2		DR-2	
Metallization (%)	Carbon (%)	Metallization (%)	Carbon (%)	Metallization (%)	Carbon (%)
95.18	2.13	95.33	2.36	95.63	1.14

2. Production Distribution in 2009



3. Production Performance

Both modules together produced 2,096,282 MT (DR-1 produced 741,235 MT of CDRI and DR-2 produced 1,011,474 MT of CDRI and 343,573 MT of HBI).

Both modules operated with 'turn down production' till June 2009 due to market conditions.

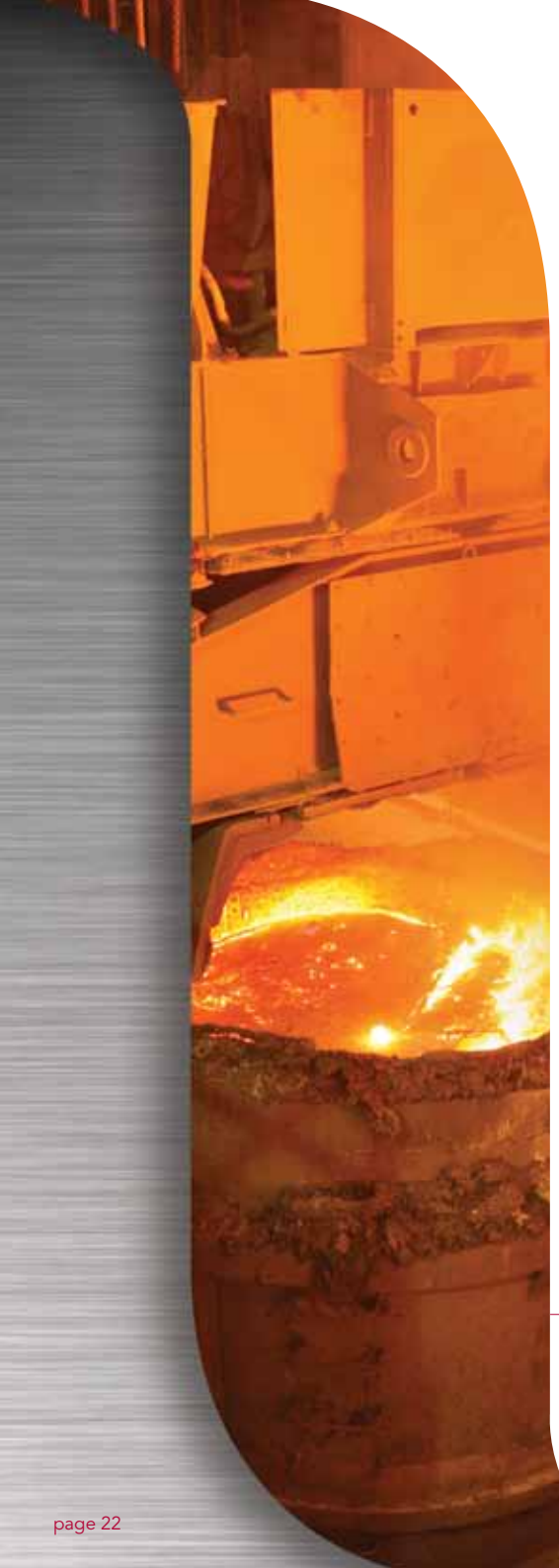
High quality CDRI and HBI were produced in both the modules as per the requirements of our domestic customers. CDRI metallization was aimed at 95.5% and Carbon at 2.5% in DR-2, which was the major factor in EF2R making a number of charges and tonnages since June 2009.

4. Operations

1. DR-1 module underwent a scheduled repair in May (5.5 days) and major repairs during the months of November & December (26 days). A major shutdown was successfully completed five days ahead of schedule. Major activities undertaken during the shutdown were replacement of reformer roof insulation, replacement of reformer tube bottom bellows, reformer tubes catalyst top up, top gas fuel header modification etc.
2. DR-2 module underwent a scheduled repair during April & May for about fifteen days. During this shutdown, a new impeller was installed in the first stage process gas compressor.
3. DR-2 module was operated during the entire year with one seal gas compressor only. By process optimisation and various in-house innovations contributed towards the plant production exceeding 5,000 MT/day with just the 2nd stage seal gas compressor online. The Plant was operated continuously for 117 days without any outage (18 June to 13 October 2009).
4. During 2009, 404,000 MT of CDRI and 237,000 MT of HBI were exported to customers in Asia and the Far East.
5. An in-house training was conducted for Qatari trainees in the Direct Reduction Plant from 4 to 15 October 2009.
6. An in-house training was conducted for ten newly joined employees from 29 October to 11 November 2009. They are on a three-month OJT programme. By the end of the year, their progress was rated as excellent.
7. External auditing for ISO-14001, including the scope expansion of the DR-2 module for the new product, HBI, was conducted in October 2009.
8. Both modules recorded an excellent safety performance, without any LTA. The Department celebrated the 6th anniversary of 'Zero LTA' on 13 November 2009 (No LTA in DR for 72 consecutive months).

New Impeller Installed in the
First Stage Process Gas Compressor in DR-2 (April 2009)

Scrubber Packing Removal by Vacuum Car
in Progress in DR-1 (May 2009)



Steel Making Department

Electric Arc Furnace

Steel manufacturing was reduced in November 2008 and accordingly, steel making in the two old electric arc furnaces was stopped due to the after effects of the global financial crisis. Steel making resumed on 1 June 2009 as steel manufacturing resumed in the second half of 2009.

Productivity was at a low during the first half of the year, as EF1 & 2 were not in operation and EF2R & EF3 were operating at reduced production capacities.

New Developments Introduced during the Year 2009

- Addition of oxygen/carbon jets in EF2R
- Introduction of two carbon jets and two oxygen jets in EF3
- Additional ladle transfer car in EF3
- New additional ladle purging station in EF2R & EF3

Process Improvements during the Second Half of the Year

- Use of higher power input levels (+10%)
- Higher usage of oxygen (+50%)
- Higher carbon in DRI (+70%) for chemical heating
- Higher metallization in DRI
- Lower basicity, lower FeO and higher MgO in slag
- Reduction in POWER ON and TAP-TAP times (~10%)
- Reduction in electric energy consumption (~6%)
- Reduction in delays (~33%)
- Reduction in the downtime of refractory relines (~20%)

  With the much increased usage of DRI during the second half of the year (845,600 tons of DRI melted), the quality level of acid gangue components and the basicity deteriorated. This had a negative effect on the melting performance, slag volumes and lime/dololime consumption. These factors are not influenced by Qatar Steel's DRI plant and depends on the quality of the iron ore purchased through long term contracts.
- Others

  EF and CC plants were stopped every two weeks for preventive maintenance. This contributed to the increased availability of plant and equipment.

Continuous Casting Machines

All the Continuous Casting Machines performed according to expectations, especially the new modern CC2R caster. This caster is now performing at 10% above the design capacity, just two years after commissioning.

Process Improvements Implemented in CC2R

A lot of improvements were initiated during the year. These are expected to improve the performance and utilisation of the casting machines.

- Commissioning of ladle refractory shroud between the ladle and the tundish (May 2009)
- Re-commissioning of the second ladle car for tapping, including the ladle preheater (June 2009)
- New ladle holding/purging station to act as a buffer between EF, LF and the Caster (July 2009)
- Gradual increase of tundish life and sequence length from the monthly average of 11.1 heats to 24.3 heats, with the maximum at 45 heats, during the last six months. This resulted in a large reduction in the refractory consumption.
- Increased casting speed of up to 3.0 m/min (~20%) on 150 mm billet size
- Casting of ladles from CC1, 2 & 3 in between CC2R to avoid the effect of EF delays in case of casting problems on other casters. This is the reason why CC2R throughput is up to 10% higher than EF2R production line
- Increased yield due to long sequences
- Excellent quality performance
- Continuous casting for up to two days without restranding

Future Plans

1. Replacement of EF1 & 2 Plant

A contract was recently signed with an Austrian Project Management Company (INTECO) to upgrade the old EF1 & 2 and CC1 & 2. All the old equipment will be removed completely in September 2011 and will be replaced with a single EAF/LF/CC line that can produce one million tons/year. The commissioning will take place in the first quarter of 2012.

Signing of contract with INTECO in Austria

2. Upgrade of EF3 Fume Extraction

After introducing oxygen jet technology at EF3 in May 2009, it has become obvious that the existing Primary Fume Extraction System cannot handle the largely increased and hotter fume volumes.

A project has been initiated to upgrade the existing Primary Fume Extraction System, similar to EF2R, to allow EF3 to double the oxygen usage in future (similar to EF2R) and to produce up to 30 heats/day at reduced electric energy consumption and overall cost.

3. Upgrade of CC3 Casting Machine

The capacity of the existing CC3 is presently limited to a maximum of 24 heats/day and many delays have occurred due to the use of unreliable equipment (in particular those related to turnover cooling bed, torch cutters, mould oscillation and secondary cooling of billets).

A project has been initiated to replace and modernise important sections of this casting machine. This will improve casting speed by 25%, daily output to 32 heats and will reduce equipment related delays drastically.

Refractory and Logistics Section

1. Major improvements were undertaken to reduce the specific refractory material consumptions at the EF plants, Ladles and Tundishes.
   - Reduction in Ladle Refractories by ~30%
   - Reduction in Tundish Refractories (CC2R) by ~100%
   - Reduction in EF2R and EF3 gunning and fettling consumptions by up to ~20% by making use of RHI Gunning Robots and an increased refractory campaign life of up to 800 heats.
2. Large reductions in crane (logistics) delays (~40%)
   - Producing 100% DRI heats to avoid delays on EF plants
   - Second Ladle Tapping Car at EF2R and EF3 and a Ladle Holding Station
   - Much longer sequences on CC2R
   - Increased Ladle Refractory Life
   - Reduction in EF plants' relining time from 48 hours to 36 hours.
   - Much less steel skulls produced

Rolling Mill Department

Qatar Steel will be changing the rib pattern from the existing Bamboo to Transverse type in 2010. Trial of the Transverse ribs (Herringbone pattern) on sizes D10, D12, D14, D16, D20, D25, D32 & D40 were successfully conducted. This is as per the CARES requirements.

The Rolling Mill products were accredited with DCL (Dubai Central Laboratories) certification without any production non-conformity.

We successfully commissioned the new sizes (D14, D22 & D36) in Rolling Mill 2.

Production Performance

Rolling Mill 1

Rolling Mill 1 posted a production figure of 672,812 tons in 2009.

Rolling Mill 2

Rolling Mill 2 posted a production figure of 795,211 tons in 2009.

On 19 November 2009, RM 2 achieved its design capacity of 700,000 tons.

During 2009 RM 2 achieved a daily production of more than 3,000 tons, twice.

Daily production records were achieved in RM 2 for the following sizes:

D12	2,462 tons
D14	1,855 tons
D20	2,886 tons
D25	3,067 tons
D40	2,164 tons

Towards our Commitment to Cost Reduction

- We increased the Billet Transfer Car's performance from 17 charges/day to 24 charges/day, thereby reducing the cost involved in trailer hiring for billet shifting from CC to RM 2. This was achieved by proper stacking arrangement and by modifying the Billet Transfer Car.
- We brought down the natural gas consumption from 34 to 32 Nm3/Ton in the Re-Heating Furnace of RM 2 through proper control of temperature and strict procedures.
- A third CNC notching machine was successfully commissioned in December 2009 in order to cater to the requirements of Transverse rib on our finished product from 2010. Procuring formalities are underway for acquiring a fourth notching machine. With this, we can satisfy the conversion requirements of the rib shape from Bamboo to Transverse.
- A fourth binding machine was added to the existing three binding machines in RM 2 in order to increase the availability of the finishing area, especially for small sizes like D10 and D12.

Technical Department

Suggestion System

Department	No. of Suggestions Year 2009
Direct Reduction	277
Material Control	0
Steel Making (EF, CC & Logistics)	7
Rolling Mill	1
Maintenance	387
Technical	82
Grand Total	754

Third Party Certification Activities

a. ISO 9001:2000

Internal Quality

Internal Quality Audits were carried out as per the yearly schedule under the guidance of the Technical Manager. The audited Departments/ Sections were Sales & Marketing, HC, Shipping, MC, DR, Maint, SM-EF/CC and TECH (QCC).

Surveillance Audit - ISO 9001:2000

ABS, QE conducted a Surveillance Audit on our Quality Management System as per ISO 9001:2000 from 22 to 25 March 2009. No non-conformance was raised during the audit.

b. CARES Certification

1. Follow-up Surveillance Audit was carried out by UK CARES from 10 to 12 February 2009.
2. Trial rolling of BS4449:2005 Grade B500B re-bars with Herringbone pattern was successfully undertaken in both the mills (RM 1 and RM 2).

   Surveillance Audit and Extension to Scope Audits was carried out by UK CARES from 29 June 2009 to 1 July 2009 and from 3 to 5 November 2009 respectively.

   Accordingly, UK CARES issued the CARES certification to Qatar Steel. This entitles the Company to use the CARES mark on its products till 31 December 2010.

   BS4449:2005 Grade B500B bar 10mm to 40mm.

   BS4449:1997 Grade 460B bar 10mm to 40mm.

General

Optical Emission Spectrometer and LECO TCH 600 were installed in order to analyse the N2 and H2 content in steel simultaneously and in turn, improve the surface and internal quality of billets and bars.

Engineering Department

Calcined Lime Plant

A new project for the construction of a Calcined Lime Plant with a production capacity of 2x275 tons/day was initiated during 2009, in order to become self reliant.

Calcined Lime is one of the major additive materials used for steel melting at the Electric Arc Furnaces.

The project was divided into separate packages, for eg. piling works, civil works, supply of core mechanical/electrical equipment, erection etc.

The tender for the supply of core equipment, including the material handling system, was floated during the second quarter of 2009 to various potential suppliers. The offers from different suppliers were evaluated, both technically and commercially, and after various discussions and negotiations the contract was awarded to Cimprogetti during the fourth quarter of 2009.

Bar Quenching at Rolling Mill–1

The installation & commissioning of a quenching system will reduce the consumption of ferro alloys, an expensive raw material for the production of rebars, while still maintaining the mechanical properties required for rebar production.

In order to minimise the overall project cost, the scope of the project has been divided area-wise & activity-wise and accordingly the following contracts were finalised by our department during the year 2009:

a) Contract with Kobe Steel, Japan for the design, fabrication and supply of a quenching system for the Old Mill and sub-contract with Siemens, Abu Dhabi to supply electrical equipment

b) Contract with SMS-MEER, Italy for HSFBM (High Speed Bar Mill)

c) Contract with Metito, Qatar for the Water Treatment Plant (new)

d) Contract with Metito, Qatar for the Water Treatment Plant (revamping the existing WTP)

e) Design contract with MZ&Partners for civil works

f) Contract with Al-Kaabi for civil works

g) Contract with Delta to procure metal detectors

h) Contract with Gulf Contracting for the civil works of both the old and new water treatment plants

i) Contract with Petroserve to erect the quenching system

Few more contracts related to this project are in the pipeline

Interconnection of DR-2 Product Supply and DR-1 Product Supply Conveyor

The existing DR-2 product conveying system was designed to feed DRI only to the EAF2R furnace. Presently, the DRI from DR-2 is being fed to the old furnaces (EAF1 & EAF2) and to EAF3 either using trucks, which dump the DRI at the hopper, which is then fed to the conveyor K-H13 BC or by charging them into the basket of the respective EAFs.

In order to avoid the truck loading and unloading and to have better flexibility in using the DR-2 product in all the furnaces, it was proposed to interconnect the DR-2 Product Supply and the DR-1 Product Supply Conveyor at the Transfer Tower T-13 Chute by modifying the existing chute and by providing a diverter chute with gate arrangement and a pipe chute up to the ground hopper.

The new project was tendered to major suppliers, and the offers were evaluated techno-commercially before placing the order with Ocean Equipments for the supply of the modified chute and the diverter gate with motors, including the detailed engineering drawings for the fabrication of the pipe chute. The fabrication of the pipe chute and the installation of the entire system was done in-house by the Maintenance Department.

Upgrade of EF1,2 & CC1,2 Project

Prior to the tendering of the core equipment supply package, the Basic Engineering and Constructability Study was done by INTECO during the second and third quarter of 2009. We have already spent a lot of time and effort on this major project in the last eighteen months. A wide range of discussions was conducted between the Qatar Steel Project Team and INTECO's engineering specialists and frequent visits were made by INTECO and Qatar Steel to extensively review the basic engineering and constructability study.

During the end of 2009, the Project Management Contract was finalised between Qatar Steel and INTECO.

Construction of the New Doha Corporate Office

New Corporate Office, to be completed by the end of 2010

We accomplished the following during the year 2009.

a Consultancy Service Contract was completed with United Consultants

b) Soil Investigation Contract and Geotechnical Survey Request for the construction were completed

c) The main contract for the construction of the new Doha Corporate Office Building was awarded to Integration Construction and Building and the construction is ongoing.

d) Consultancy Supervision during the project execution has been finalised.

The new Corporate Office, including its interior decoration, is expected to be completed by the end of 2010.

Various Other Projects Completed during 2009

Besides the above-mentioned major projects, twelve other projects were completed during 2009.

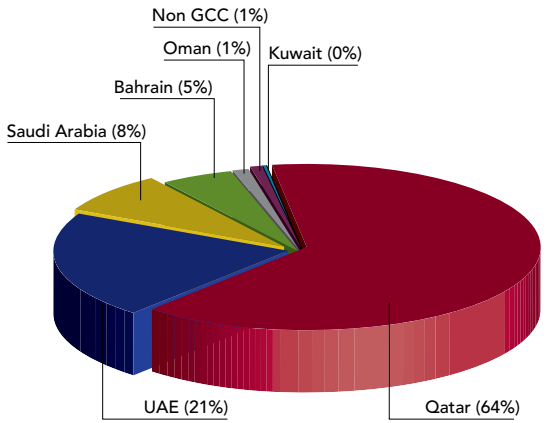
These included:

1) Fender installation at Qatar Steel jetty
2) Construction of a new slag dumping platform
3) Installation of a new truck scale
4) Interconnection between old and new storage yard
5) Tower crane for canopy erection
6) New modified ladles
7) Dust collection pump upgradation in DR1 etc.

Commercial Division

The year 2009 started quite depressing for the steel industry as an aftermath of the global financial crisis that unfolded towards the last quarter of 2008. The global steel market in Y2009 was led by continued high Chinese demand, with most of the US and European markets struggling to come out of the financial recession. In order to sustain its economic growth, the Chinese government raised the domestic demand through various stimulus packages, which kept the steel demand and production on the rise. Steel demand maintained its seasonal trend and picked up moderately from Q2 '09. The trends in the GCC rebar market reflected that of the global steel market. With oil prices reaching very low levels in Q1 '09, sustainability of many projects in the GCC region were threatened. The hardest hit was the Emirate of Dubai in the UAE as it relied heavily on the real estate market which literally imploded as investors backed out of projects and prices began to drop as a result of the economic crisis. The Emirate also ran into debt, shaking up global browses and deteriorating the Emirates' credit ratings. The GCC region witnessed a YOY decline of 13.7% in the value of ongoing and announced projects at the end of February 2010 as per MEED projects data. UAE witnessed the largest decline of 26.2%. Kuwait followed with a 12.8% decline while Oman declined by 2.5%. Qatar was lower by 1.4%, and Saudi Arabia and Bahrain reported an increase of 3.9% and 0.2% respectively. The total value of 'on hold' projects stood at US$ 595.7 billion. UAE's share of 'on hold' projects stood at 78.6%, followed by Saudi Arabia and Kuwait at 8.9% and 7.6% respectively.

Rebar Sales 2009



With the re-imposition of import duty on rebars for non-members of the Co-operation Council for the Arab States of the Gulf (CCASG) in all the key GCC markets of Saudi Arabia, Oman, UAE, Kuwait and Bahrain, Turkish imports will remain less competitive in the GCC region. This has prompted Turkish mills to look for markets other than the GCC. Another trend appearing in the GCC region is the increase in domestic rebar production with new mills reporting commission in Q4 '09 and early Q1 '10. This has effectively led Turkish mills that were dominant in the GCC market to lose a major share in the GCC. Turkish rebar sale in Y2009 to the GCC is estimated to have dropped by one third YOY to just above 2 million tons. With its

primary GCC market remaining sluggish and with increased production from GCC mills, Turkish mills exported most of their materials to the Egyptian market. Turkish imports are expected to drop further in Y2010 as its main market UAE is expected to register a further drop in its construction activity.

Despite the demand remaining dull in the GCC market Qatar Steel maintained high supplies to the GCC markets and ventured into new markets outside the GCC for rebar sales in the first Quarter of 2009. Qatar's rebar demand saw a drop of 18% in the domestic market to around one million MT in Y2009. Qatar's Residential/Commercial and Infrastructure projects which together contribute the highest towards construction projects in the Country were affected as a result of the economic crisis which resulted in a drop in the consumption of rebars. The slowdown in many projects weakened the real estate market in the Country. In an effort to strengthen the domestic market and remove any grievance on availability from the end users and reduce the threat of competition, more traders were introduced in the market in Y2009. Qatar Steel's total sales for Y2009, backed up by strong marketing efforts and higher supplies from its Dubai facility since Q4 '09, was only marginally down by 6%. Total sales to the export market was 552,861 MT, which was significantly higher YOY (76% higher). Qatar Steel's supplies to the domestic market though were lower by 25% YOY at 985,482 MT. This was mainly because of weak Q4 '09 sales as construction projects started slowing down in the market.

Qatar Steel is committed to its brand and towards enhancing its brand values. In an effort to sustain its brand image, Qatar Steel worked out a modest marketing strategy, that included mass media advertising, brand internalisation programme and participation in exhibitions and high profile business forums, amidst the global slowdown.

In order to keep the consumers informed about products and prices, Qatar Steel remained stretched in the local print media. It not only spread awareness about its products, prices and corporate culture, but also strengthened its bond with the end customers and potential buyers through its advertisements. The brand received a high visibility in the market and remained discernible throughout the year in Project Qatar, Gulf Bid and The Big 5 Show held in Qatar, Bahrain and Dubai respectively. Qatar Steel also participated in one of the local events/exhibitions named 'Made in Qatar' held in Qatar under the patronage of HH Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani, the Heir Apparent. Participation in the Annual Arab Steel Meet held in Abu Dhabi (UAE) kept the brand soaring in the UAE.

With an unlimited opportunity to broaden its competitive advantage, both inside and outside the organisation, Qatar Steel added strength to its brand internalisation programme by redistributing the Vision-Mission-Values and by positioning it in various strategic places for maximum visibility.

In today's competitive business society it is imperative that any marketing campaign incorporates initiatives that are cost-effective and have longevity as well as the ability to reach the masses. Using sales promotion tools such as promotional gifts, is one way of promoting a brand on a budget, and in order to execute the same effectively, branded wall clocks, table organisers and tissue box covers were produced for mass use and distribution.

Overall, given that Y2009 was a year that followed the global financial crisis, the performance of the Commercial Division was satisfactory.

Health, Safety and Environment Department

The Fire Department, Security and Gate Pass Sections provide support services that are important to the Company's various departments and is actively involved in securing the production facilities. It undertakes seamless co-ordination with various departments and sections of the Company and employs a wide range of fire fighting tools and fire prevention methods. The Department strongly believes that 'prevention is better than cure' and hence undertakes regular training exercises (fire drills) and utilises various types of fire extinguishing techniques that are specially designed for the industrial and chemical sectors. During 2009 the Department conducted a number of events, like fire fighting training (fire drill), evacuation, rescue and first aid in all sections of the Company. It also organised training in handling the fire on chemicals in the laboratory and central warehouses, evictions and cleansing of fire sites in the Company. Keeping in line with the Company's policy to ensure the availability of trained personnel at all sections of the Company, the Department has contracted the National Academy for Professional Training (NAPT) to train fire fighters and to develop the Company's fire fighting infrastructure. In addition to this, training is also provided to members of the internal security forces in co-ordination with the State's security agencies.

Group Four (G4S) has been assigned the responsibility of handling the external security of the Company for the coming three years, starting from 2009.

Business Development Department

- Participated in the review and evaluation of an investment opportunity in a Steel Integrated Project (DR Plant, Melt Shop and Heavy Section Mills) through Foulath in Bahrain and Yamato Kogyo Company in Japan. Also participated in the commercial review, evaluation and benchmarking of EPC contracts.
- Signed an MoU with South Steel Company of Saudi Arabia to sell 930,000 tons of DRI/HBI annually.
- Completed the feasibility study for investing in South Steel Company (Steel Melt Shop and Rebar Mill in Jizan, Saudi Arabia); conducted Commercial and Legal Due Diligence and recommended to proceed with this investment.
- Developed and finalised the Company's 10-year Strategic Plan and secured the Board Approval.
- Completed the feasibility studies for DR-1 Upgrade and EF1 & 2 Revamping Projects.
- Monitored and administered the Company's investments in foreign affiliates.
- Conducted studies related to various expansion plans and potential investments.

Qatar Steel Dubai

21 June 2009	Successfully completed the erection & commissioning of a new Bar Mill, with a capacity of 300,000 MT per annum. The mill performed extremely well during hot trials, enabling it to roll the very first billet to a deformed bar of desired size (32 mm) and quality (BS4449:1997;GR460)
September 2009	Highest production per day - 1,299.087 MT in the new Bar Mill
October 2009	Highest monthly production of 23,730.276 MT in the new Bar Mill
October 2009	CARES approval received for the new Bar Mill products - 12 to 25 mm
November 2009	DCL Approval received for the new Bar Mill products - 08 to 25 mm
November 2009	Commissioning of three slit rolling for D08 production in the new Bar Mill
December 2009	Highest delivery of 40,265.12 MT in the new Bar Mill and Wire Rod Mill
December 2009	Overall production and sales crossed 1 million tons (Bar Mill & Wire Rod Mill) since Qatar Steel Co. FZE started operations in Dubai
2009	New Bar Mill in continuous operation with full capacity mode - immediately after the hot commissioning
2009	Average fuel consumption/ton of wire rod production reduced by 3.04% in the Wire Rod Mill