



## Saudi Basic Industries Corporation (SABIC) announces signing agreement with Public Investment Fund (PIF) to acquire all of SABIC shares in the Saudi Iron and Steel Company (HADEED)

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### 1. Overview

The Hadeed brand is widely recognized today for the vital role it has played in the construction of Giga projects in Saudi Arabia and around the world including the Holy Mosques in Makkah & Madinah. It is well placed to support the realization of the Kingdom's Giga projects.

Over the years, Hadeed has grown to become the largest steel producer in the Gulf region and a national champion that operates responsibly with minimal ecological impact. Not only has it contributed to the success and growth of SABIC, but has made valuable contributions to the Kingdom's urban growth, as well as building the infrastructure foundations for the energy, transportation, and utility sectors. It continues to support Saudi Arabia's future growth and remains committed to the successful achievement of Saudi Vision 2030.

Ever since its establishment in 1979, Hadeed has contributed significantly to SABIC's growth, supplying its local and global customers with around 6 million metric tons of steel annually, while adhering to the highest standards of health and safety, with a workforce that is 94% Saudi. Today, Hadeed has a portfolio of around 160 patents, with ten new steel products introduced every year. It has a comprehensive supply-chain network that maintains a sustained product supply to a well-established customer base across 360 sales destinations.

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## 2. Transaction Rationale

Today, Hadeed, as a steel business, doesn't constitute a part of SABIC's core business (Petrochemicals). Hence, this transaction will enable SABIC to optimize its portfolio and focus on its core business, in order to maintain its leadership competitiveness and prepare the company for a new era of growth. The transaction is a key pillar for SABIC to realize its vision to become the preferred world leader in chemicals.

In addition, the transaction is in line with the PIF's broader efforts to accelerate Saudi Arabia's industrial development, and will contribute to meeting the growing local demand for steel and improving Saudi Arabia's steel production capabilities. Furthermore, the transaction will contribute towards the growth of key downstream sectors, such as local construction, automotive, utilities, renewables, transportation, and logistics, in line with Saudi Vision 2030.

## 3. Expected Impact of the Transaction on SABIC and Its Operations

### **Operational Impact:**

Hadeed operates the metals business largely independently of the Petrochemicals and Agri-Nutrients segments within the SABIC Group. The divestment will have no material impact from an operational perspective.

### **Financial Impact:**

The divestment of the Saudi Iron and Steel Company (Hadeed) to the Public Investment Fund (PIF). The transaction is subject to customary conditions and regulatory approvals and the closing is expected before the end of the first quarter of 2024.

The transaction will impact SABIC positively by providing liquidity which will be used to reinforce its growth in the chemicals industry and improve the EBITDA margin as shown in Table (3) which shows the increase of SABIC EBITDA margin without Hadeed.

As a consequence of the signing of the transaction, the Hadeed segment will be treated as discontinued operations in accordance with IFRS 5 in SABIC's consolidated financial statements. The fair valuation of Hadeed's net assets is expected to result in a non-cash loss in a magnitude of SAR 2.0 billion to SAR 2.5 billion in SABIC's third quarter earnings.

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#### 4. Hadeed contribution on SABIC Financials for the last 3 years:

##### A. Share on Hadeed Assets and Liabilities on SABIC Condensed Balance Sheet Table (1)

	As at 30 June 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
Total assets	6%	6%	6%	6%
Total liabilities	6%	6%	6%	5%

##### B. Hadeed's Share on SABIC Condensed Income Statement Table (2)

	For the six months period ended 30 June 2023	For the year ended 31 December 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
Revenue	8%	8%	7%	8%
EBITDA	1%	5%	3%	-2%

##### C. Comparison on the EBITDA margin of SABIC with (Hadeed) and without (Hadeed) Table (3)

	For the six months period ended 30 June 2023	For the year ended 31 December 2022	For the year ended 31 December 2021	For the year ended 31 December 2020
SABIC EBITDA margin with Hadeed	13%	19%	28%	17%
SABIC EBITDA margin without Hadeed	15%	20%	29%	19%