



# ArcelorMittal

## Financial results

For the year ended 31 December 2018

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 <p>CEO</p>	 <p>CEO</p>	 <p>CEO</p>	 <p>CFO</p>	 <p>CEO</p>



Overview

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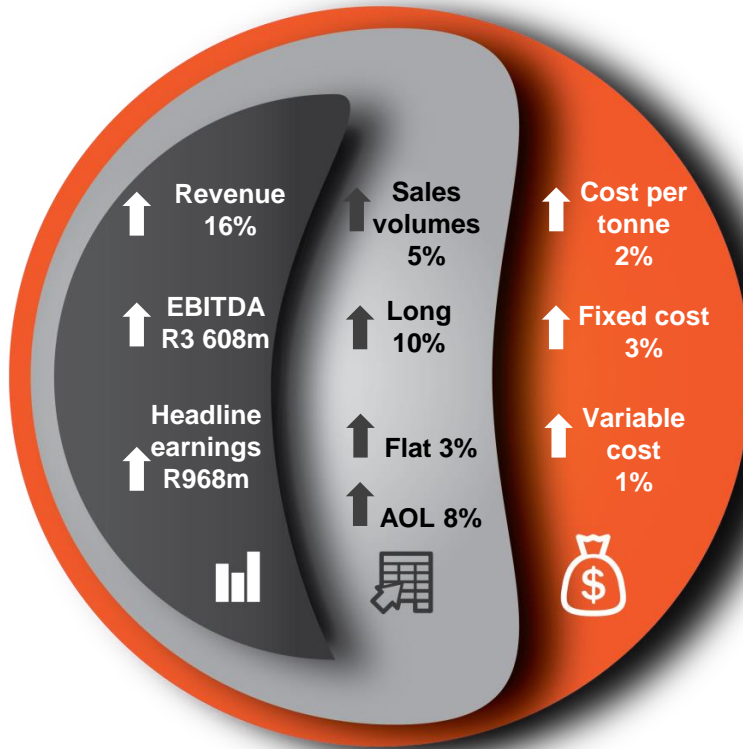
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# Salient features



## Overview

- Structural enhancement in global steel market supported improved performance
- Local demand remained weak with apparent steel consumption decreasing 4%
- Capacity utilisation improved to 84%
- Improved liquid steel production of 5.1mt, up 4%
- Sales volumes up 5%, while imports declined 20%
- Exports up 21%
- Profit from operations of R2 777m
- Headline earnings improved to R968m
- Net debt reduced to R475m, from R3 262m
- Disposal of Macsteel International Holdings strengthened the balance sheet



**LTIFR** – Lost Time Injury Frequency Rate  
**DIFR** – Disabling Injury Frequency Rate  
**TIFR** – Total Injury Frequency Rate

## Performance

- Various health and safety initiatives resulted in a substantial improvement in safety metrics
- Improved risk awareness and management programmes

## Initiatives

- Man/machine separation, crushing and machine safeguarding campaigns
- Closed Loop Programme promotes identification and mitigation of unsafe situations
- 21 Days of Safety Leadership - safety leadership training focused on experiential training to develop safety leaders
- Family Connection Days launched to include families in safety drives



Steel market

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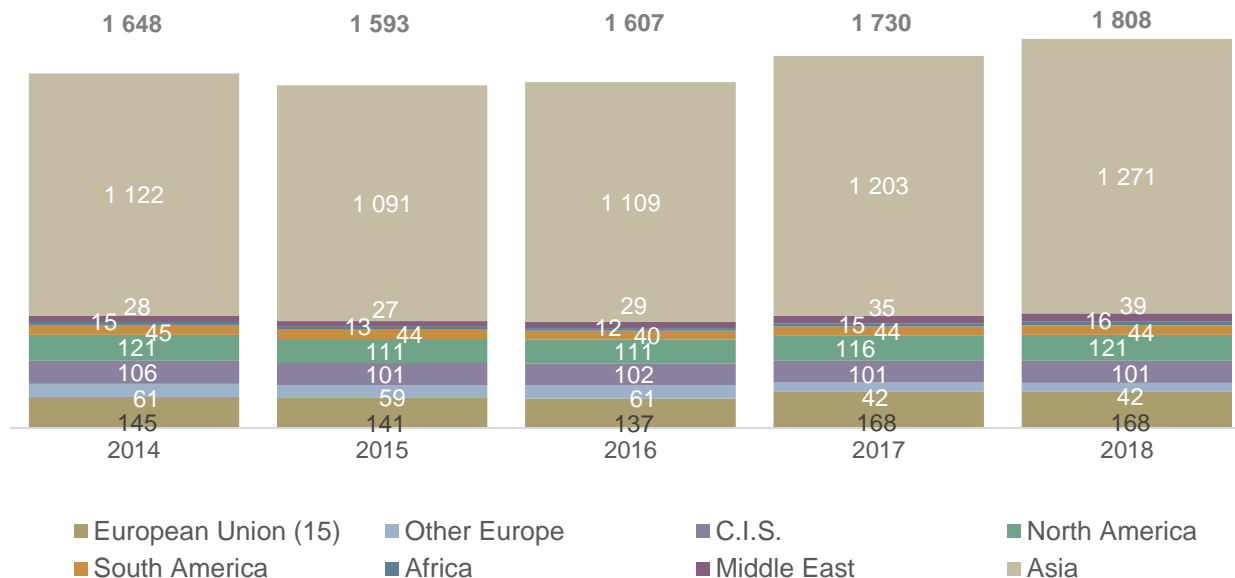
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# The industry - global

Global steel output (million tonnes)



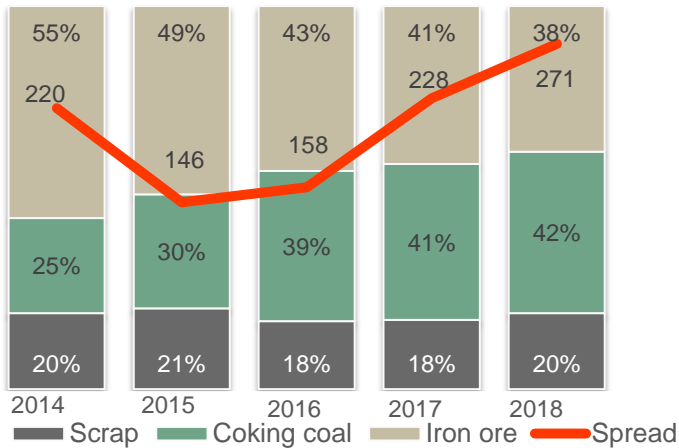
- 4.6% increase in global steel production to 1.8bn tonnes
- Higher crude steel production in all regions, except for the European Union (EU)
- Despite plant closures and environmental shutdowns, Asia market share remained at 70% growing by 68mt (+5.6%)
- India has replaced Japan as the second largest steel producing country
- ±1m tonne increase in Africa output

Source: WorldSteel



# The industry - materials

International raw material basket (Weight in % and spread in US\$/tonne (\$/t))



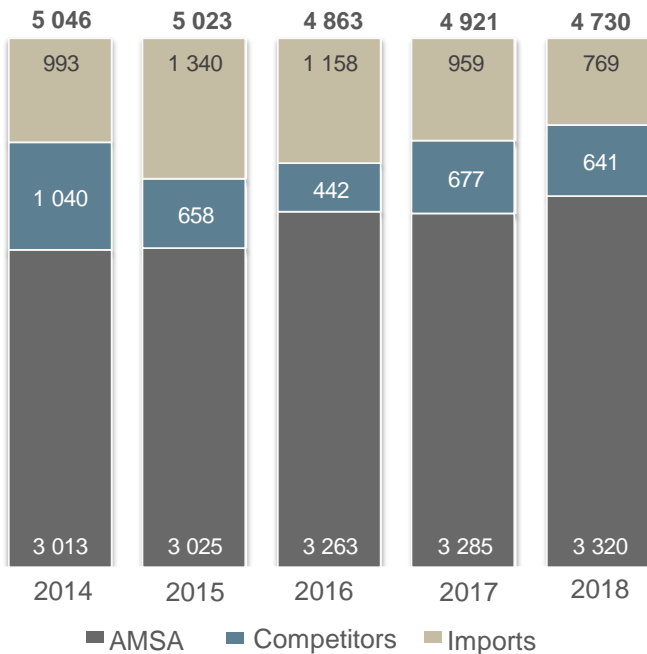
Commodity	International	AMSA (\$/t)	AMSA (R/t)
	% change	% change	% change
Iron ore	-2%	0%	0%
Hard coking coal	9%	-6%	-6%
Scrap	16%	11%	11%
RMB total	6%	3%	3%
HRC China/flat	12%	10%	11%

- Raw materials (scrap, coking coal and iron ore) constitutes 48% of the total production costs
- AMSA iron ore prices remained flat over the review period, while hard coking coal decreased
- Increase in scrap prices relative to iron ore and coking coal resulted in its weighting rising to 20%, while coking coal represents 42%
- Regulated prices (electricity, rail, port and fuel gasses) represent 18% of total cost

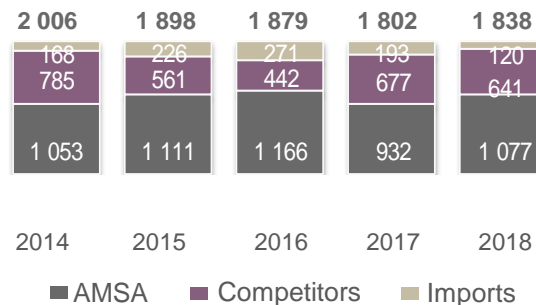
# The industry - domestic

## Primary carbon steel sales into the South African domestic market

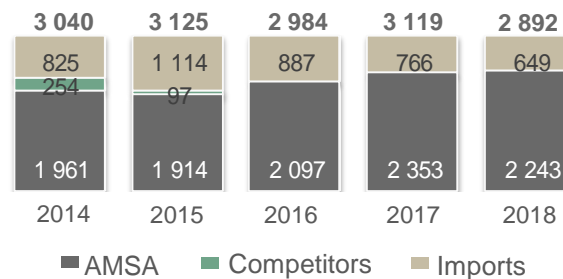
Total steel sales ('000 tonnes)



Long product sales ('000 tonnes)



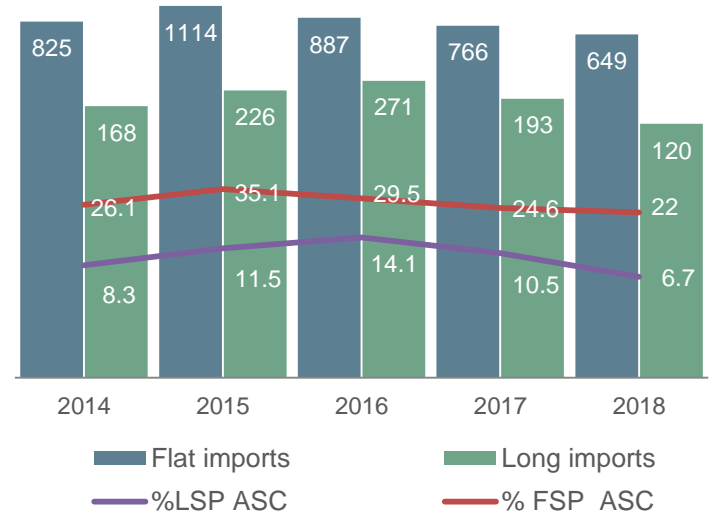
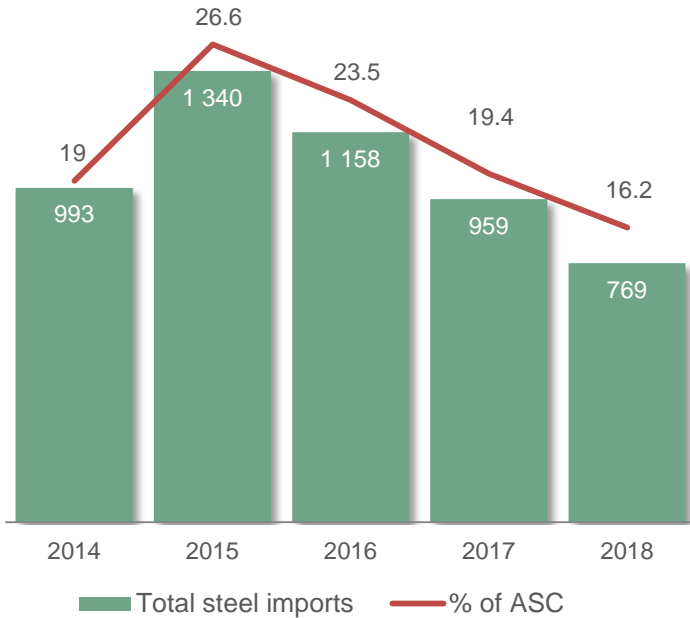
Flat product sales ('000 tonnes)



Source: SAISI, ArcelorMittal South Africa

# The industry - domestic

Total steel imports ('000 tonnes)

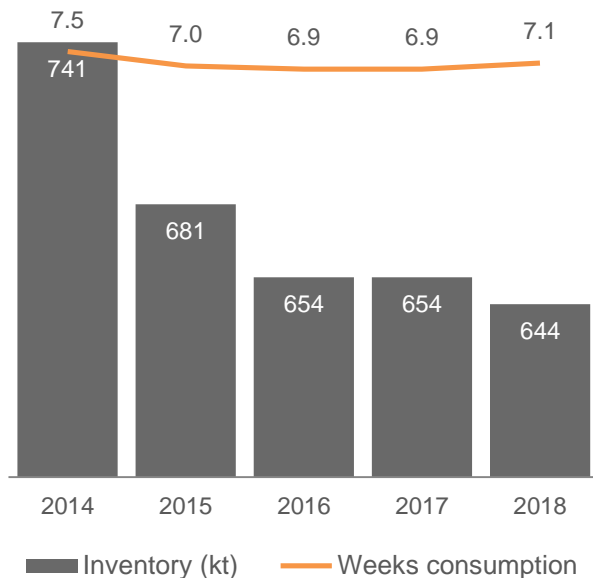


Source: SAISI

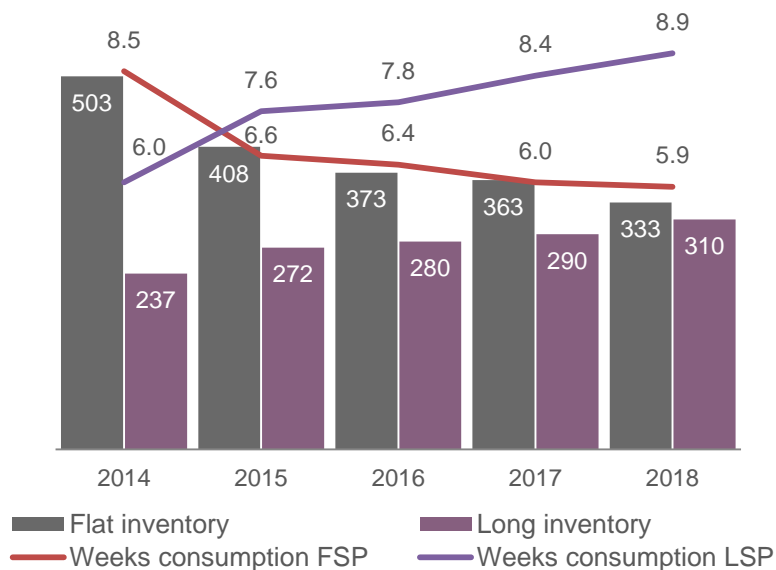
# The industry - domestic

Primary carbon steel inventory levels in South Africa outside the primary steel producers

Total steel inventory ('000 tonnes)



Flat & long steel inventory ('000 tonnes)



Source: ArcelorMittal South Africa estimates only



Operational review

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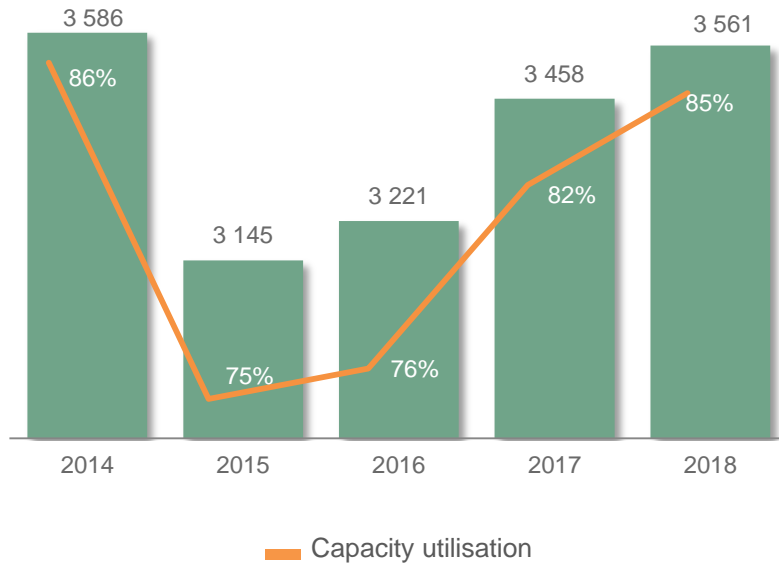


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# Flat steel division

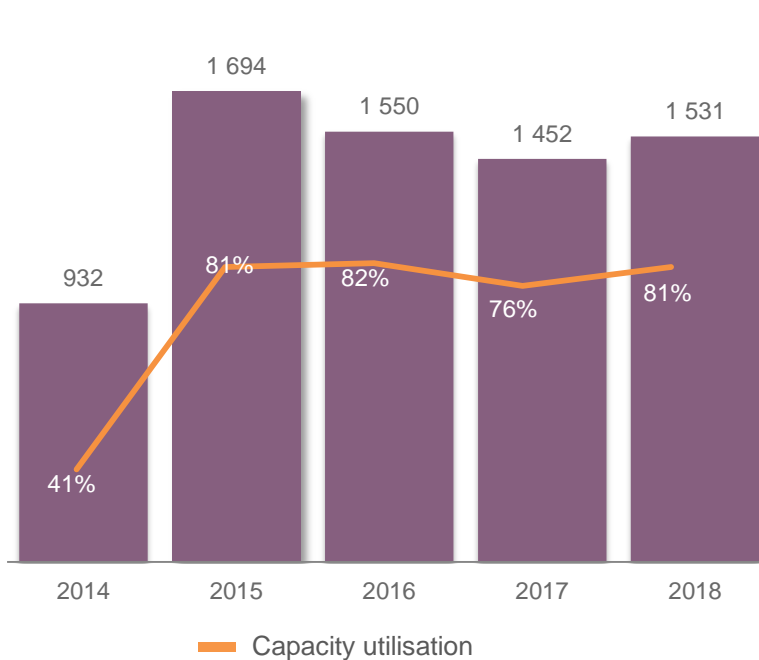
Liquid steel output ('000 tonnes)



- Debottlenecking initiatives underway resulting in better plant performance
- 3% improvement in capacity utilisation from 82% to 85%, with production increasing by 103kt
- Focus on reliability and maintenance transformation

# Long steel division

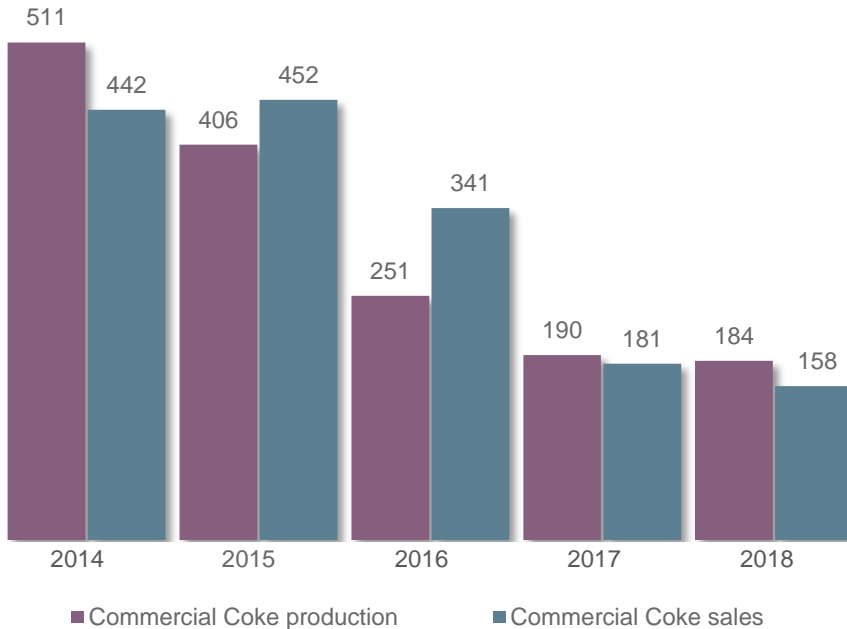
Liquid steel output ('000 tonnes)



- Debottlenecking initiatives delivering results
- 5% improvement in capacity utilisation from 76% to 81%, with production increasing by 79kt
- Marked improvement in blast furnace production in H2
- Scoped and developed 10 new product categories
- Reopening of Vereeniging Electric Arc Furnace in January 2019 to increase output

# Coke & Chemical division

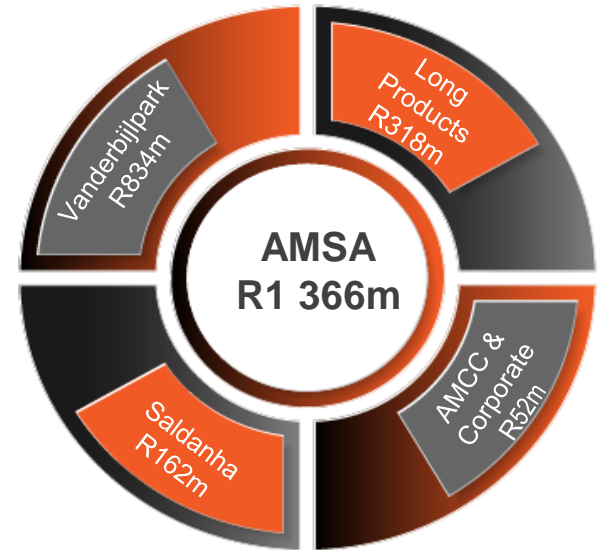
Commercial coke ('000 tonnes)



- Commercial coke production remained flat for the year
- Increased efforts to commercialise steel slag at Vanderbijlpark and Saldanha

# Capex (Rm)

	FY 2018	FY 2017
Maintenance	<b>860</b>	1 098
Expansion	<b>328</b>	151
Environmental	<b>105</b>	41
Other	<b>73</b>	92
<b>Total expenditure</b>	<b>1 366</b>	1 382





Financial review

Desmond Maharaj

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## Headline earnings (Rm)

	FY 2018	FY 2017
Revenue	<b>45 274</b>	39 022
EBITDA	<b>3 608</b>	(315)
Depreciation and amortisation	<b>(831)</b>	(976)
Once-off items	-	71
Profit/(loss) from operations	<b>2 777</b>	(1 220)
Profit from disposal of investment	<b>415</b>	-
Impairment	<b>(10)</b>	(2 604)
Net finance costs	<b>(2 013)</b>	(1 441)
Income after tax from equity-accounted investments	<b>138</b>	139
Income tax credit/(expense)	<b>63</b>	(2)
Profit/(loss) after tax	<b>1 370</b>	(5 128)
Add back impairment	<b>10</b>	2 604
Add back disposal of assets	<b>4</b>	8
Add back profit on disposal of investment	<b>(415)</b>	-
Add back tax effect	<b>(1)</b>	(2)
Headline earnings/(loss)	<b>968</b>	(2 518)
US\$m	<b>73</b>	(189)

## Sale of non-core asset (Rm)

<b>Macsteel International Holdings BV</b>	<b>FY 2018</b>
Fair value investment when recognised as an asset-held-for-sale	<b>2 752</b>
Revaluation of fair value*	<b>469</b>
<b>Proceeds on Effective Date</b>	<b>3 221</b>
Derecognition of equity accounted investment	<b>(4 404)</b>
Realised foreign exchange gains on investment*	<b>1 598</b>
<b>Profit</b>	<b>415</b>

*\*A total profit of R2 067m of foreign currency translation reserve was released in the income statement*

# Divisional EBITDA

	<b>FY 2018</b>	<b>FY 2017</b>
<b>Flat steel products (Rm)</b>	<b>2 670</b>	264
EBITDA margin	<b>8.4%</b>	0.9%
Net realised price R/t	<b>9 514</b>	8 581
<b>Long steel products (Rm)</b>	<b>808</b>	(945)
EBITDA margin	<b>5.4%</b>	(8.0%)
Net realised price R/t	<b>8 828</b>	7 760
<b>Coke and Chemicals (Rm)</b>	<b>370</b>	365
EBITDA margin	<b>26.9%</b>	26.0%
<b>Corporate and other (Rm)</b>	<b>(240)</b>	1
Total EBITDA (Rm)	<b>3 608</b>	(315)
EBITDA margin	<b>8.0%</b>	(0.8%)

# Cost dynamics and breakdown

	Weight		FY 2018	FY 2017	Change
F I a t	48%	Raw materials	3 794	3 818	(1%)
	31%	Auxiliaries & consumables	2 420	2 289	6%
	21%	Fixed costs	1 714	1 663	3%
	100%	<b>Total</b>	<b>7 928</b>	<b>7 770</b>	<b>2%</b>
		Liquid steel (kt)	3 561	3 458	3%
		Average ZAR rate	13.24	13.32	(1%)
		Average NRP (R/t)	9 514	8 581	11%
L o n g	50%	Raw materials	3 593	3 671	(2%)
	24%	Auxiliaries & consumables	1 699	1 619	5%
	26%	Fixed costs	1 876	1 836	2%
	100%	<b>Total</b>	<b>7 168</b>	<b>7 126</b>	<b>1%</b>
		Liquid steel (kt)	1 531	1 452	6%
		Average ZAR rate	13.24	13.32	(1%)
		Average NRP (R/t)	8 828	7 760	14%

# Cash flow and analysis (Rm)

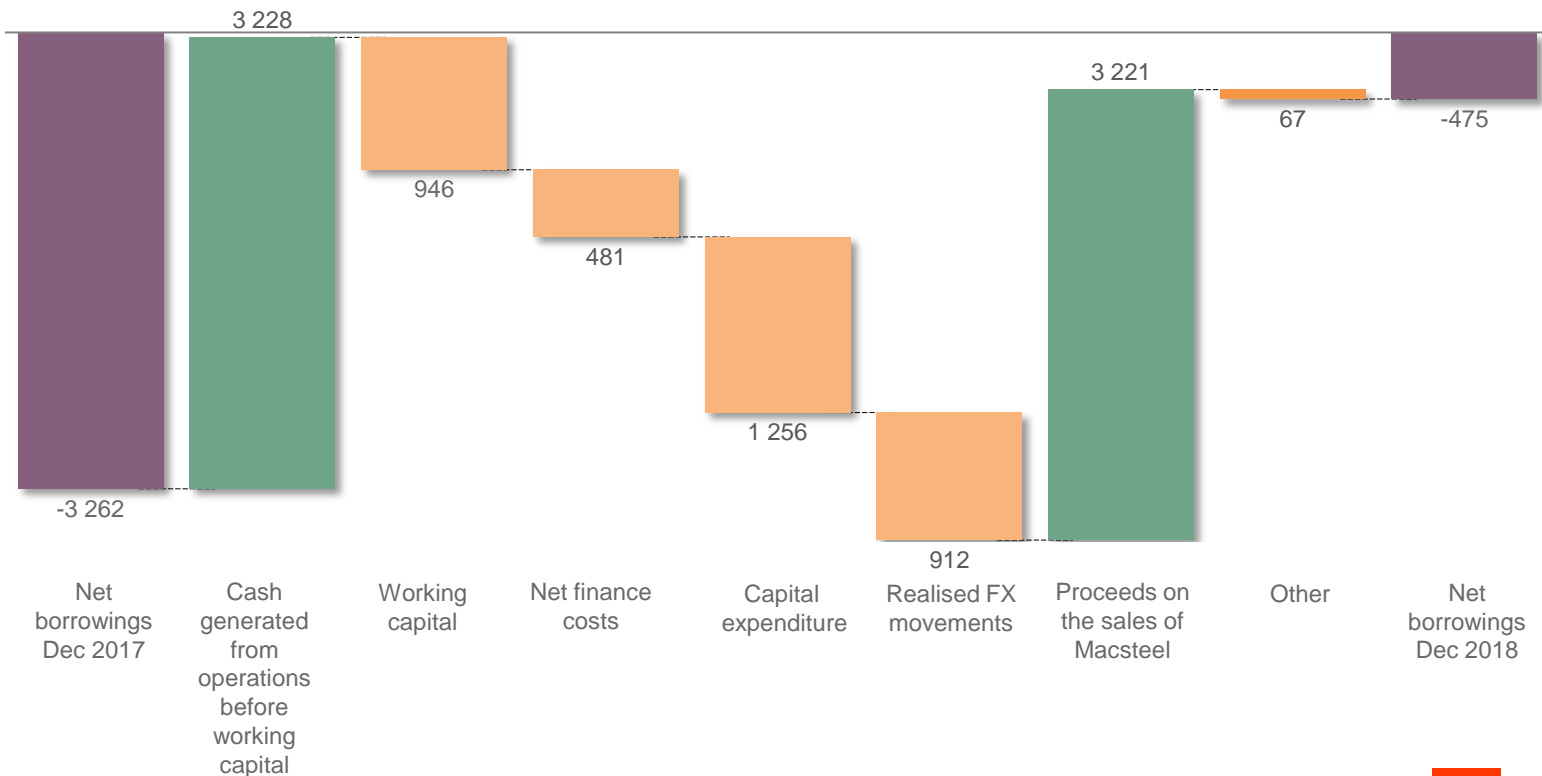
	<b>FY 2018</b>	FY 2017
Cash generated from/(utilised in) operations before working capital	<b>3 228</b>	(645)
Working capital	<b>(946)</b>	(67)
Cash generated from/(utilised in) operations	<b>2 282</b>	(712)
Capital expenditure	<b>(1 256)</b>	(1 324)
Net finance costs	<b>(481)</b>	(667)
Investment in associates and joint ventures	<b>3 221</b>	(11)
Income tax (paid)/refund	<b>(2)</b>	80
Realised foreign exchange movements	<b>(912)</b>	(210)
Finance lease obligations repaid	<b>(85)</b>	(70)
Borrowings (repaid)/raised	<b>(3 400)</b>	4 450
Others	<b>17</b>	(57)
(Decrease)/increase in cash	<b>(616)</b>	1 479
Effect of forex rate change on cash	<b>3</b>	(1)
Net (decrease)/increase in cash and cash equivalents	<b>(613)</b>	1 478
Cash and bank balances	<b>2 525</b>	3 138
Borrowings (current and non current)	<b>(3 000)</b>	(6 400)
Net borrowings	<b>(475)</b>	(3 262)



## Working capital movement and analysis (Rm)

	<b>FY 2018</b>	<b>FY 2017</b>
Inventories	<b>(520)</b>	(353)
Finished products	<b>(339)</b>	198
Work-in-progress	<b>4</b>	(397)
Raw materials	<b>(80)</b>	(134)
Plant spares and stores	<b>(105)</b>	(20)
Receivables	<b>(1 005)</b>	(1 207)
Payables	<b>579</b>	1 493
Working capital movement	<b>(946)</b>	(67)

# Net borrowings bridge 2017 – 2018 (Rm)





Outlook

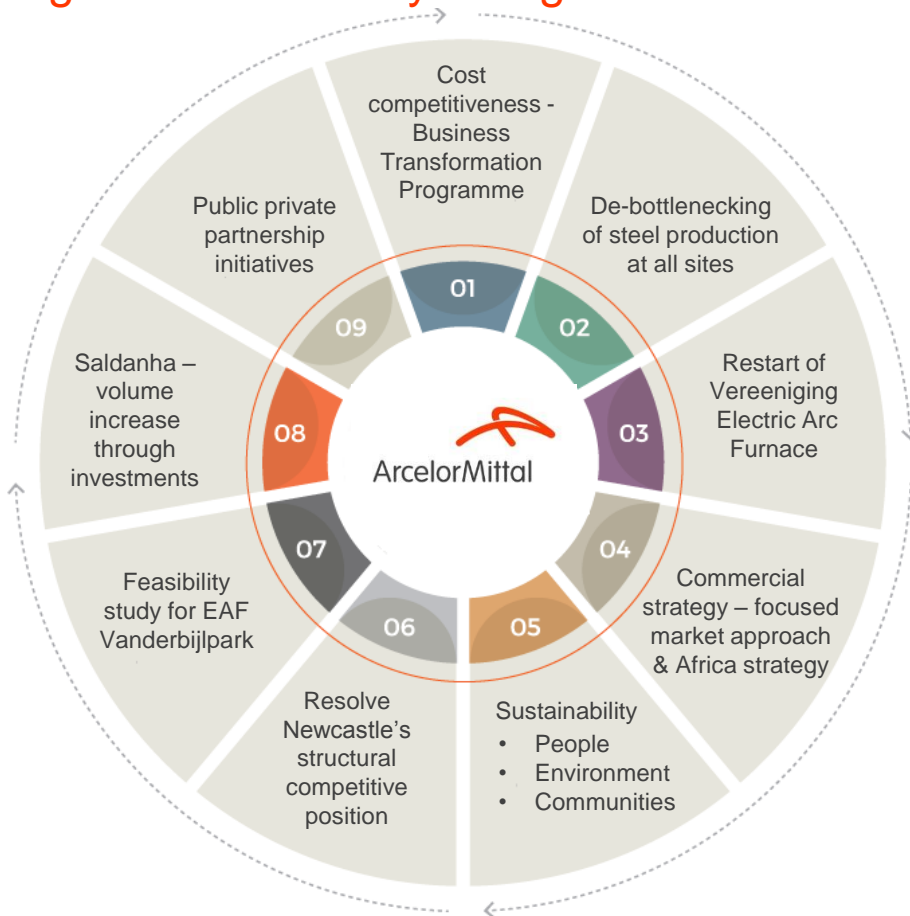
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# Transforming for sustainability and growth



# Outlook H1 2019

- Intensify and fast-track implementation of Business Transformation Programme to support sustainable profitability and cash flow generation
- Domestic steel demand and exports to remain stable
- Collaboration with key stakeholders on economic recovery and growth initiatives
- ZAR/USD strength likely to impact financial results



Questions ?

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