



# Financial results

For the six months ended 30 June 2018

transforming tomorrow




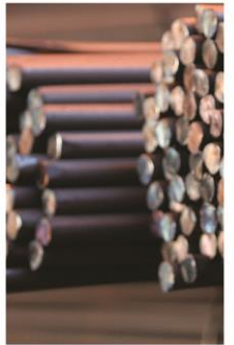




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CEO	CEO	CEO	Acting CFO	CEO	CEO



# Overview

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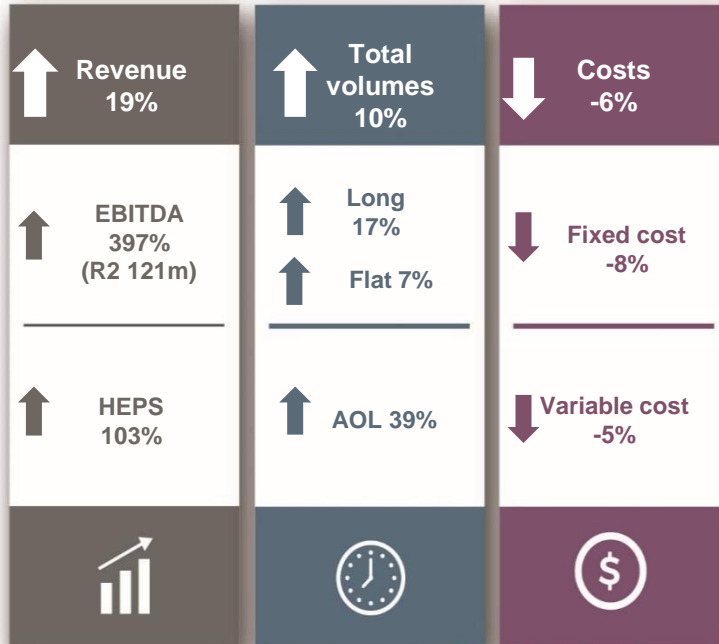


## Safety improvements

- Proactive approach through more focused “safety by choice” programme
- Safety retraining of employees and contractors
- Intensified management visibility on shop floor
- Improvement in TIFR encouraging

**LTIFR** – Lost Time Injury Frequency Rate

**TIFR** – Total Injury Frequency Rate



## Landscape

- International steel prices remain strong
- Strong ZAR limits increase in realised local prices (+8%)
- Weak domestic market - ASC lowest in nine years (2.5mt)
- Sales volumes up 10%
- Liquid steel production up 8%
- Total cost of production declined 6%
- R1.6bn EBITDA aided by cost reductions
- All operating units EBITDA positive
- Net debt decreased by R1.4bn
- Sale of Macsteel International to strengthen balance sheet



# Steel Market

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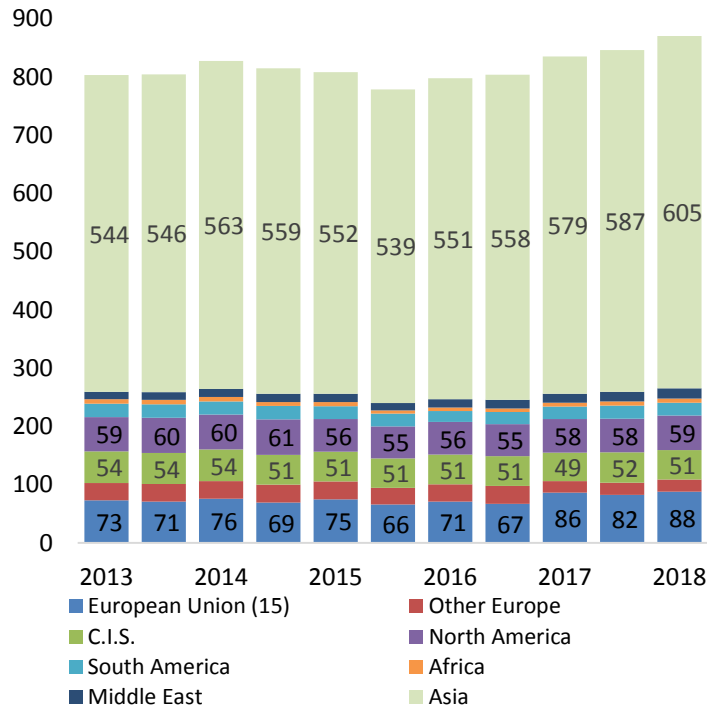
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# The industry - global

Global steel output (mt)

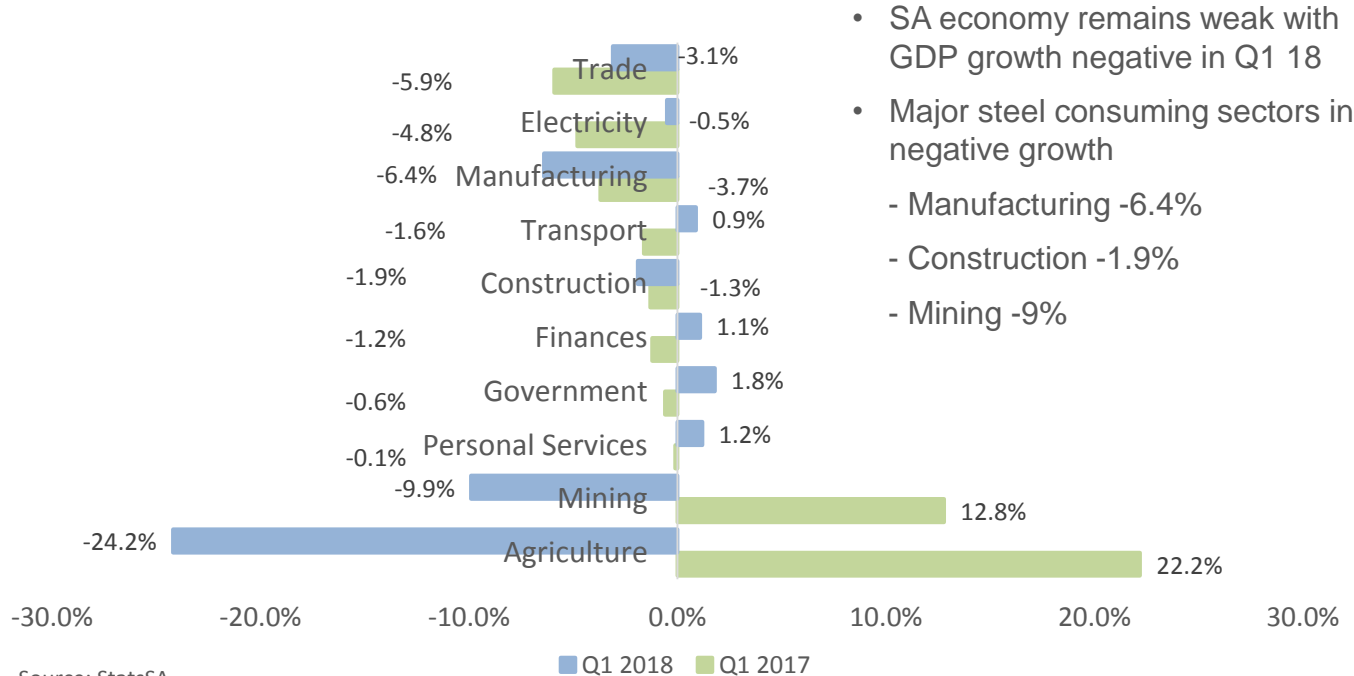


- Global steel production increased by 4.3% to 874mt
- Asia market share remained at 69% growing 25mt despite plant closures and environmental shutdowns in China
- Africa output increased by 500kt

Source: WorldSteel



South African GDP\* growth

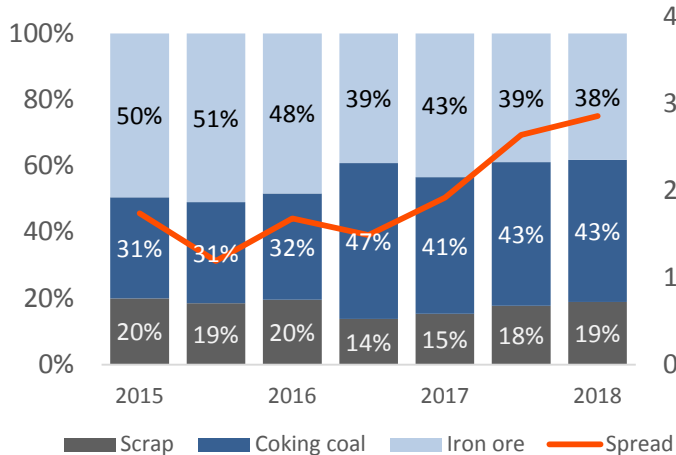


- SA economy remains weak with GDP growth negative in Q1 18
- Major steel consuming sectors in negative growth
  - Manufacturing -6.4%
  - Construction -1.9%
  - Mining -9%

Source: StatsSA  
 \* Q1 2017 vs. Q1 2018

# The industry – raw materials

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



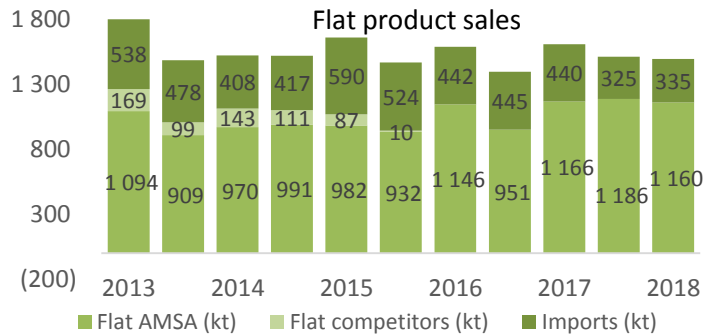
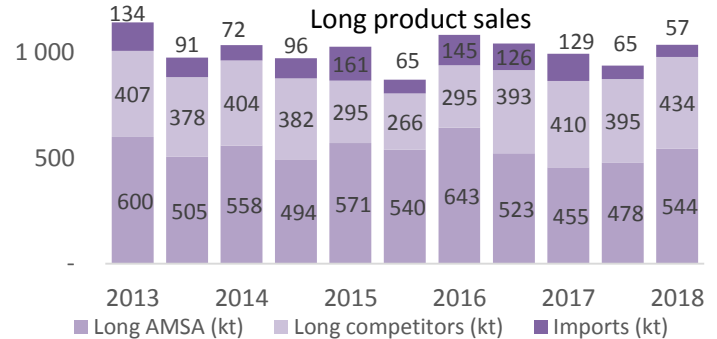
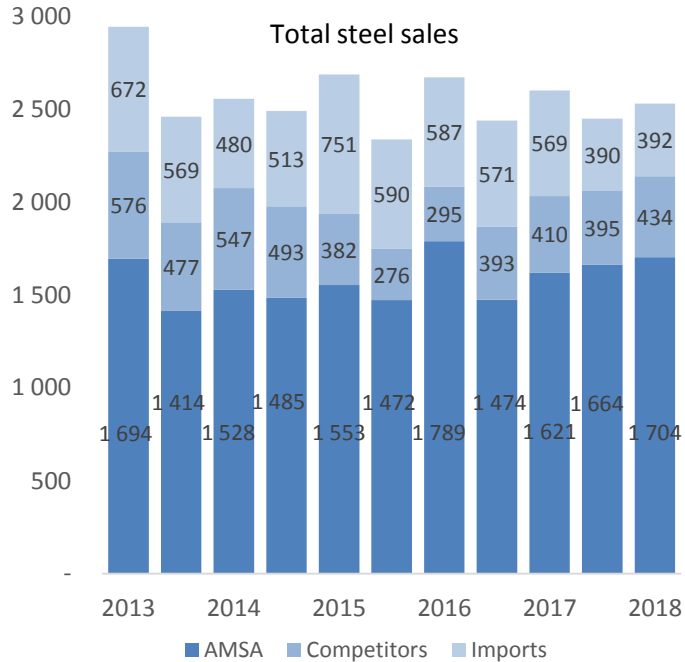
Commodity	International	AMSA (\$/t)	AMSA (R/t)
	% change	% change	% change
Iron ore	-6%	-1%	-8%
Hard coking coal	+17%	-14%	-20%
Scrap	+32%	+24%	+15%
RMB total	+10%	+5%	-3%
HRC China	+26%	+18%	+9%

- Both coking coal and scrap prices increased over the review period
- Scrap increased its weight in the RMB to 19% (H1 2017 = 15%) while coking coal now constitutes 43%
- Thanks to a reduction of 6% in iron ore values, its weight has reduced to 38%
- Raw materials now make up 48% of the total production costs compared to 49% in H1 2017

Note: The Raw Material Basket (RMB) represents the costs of the raw materials in a tonne of finished steel

# The industry - domestic

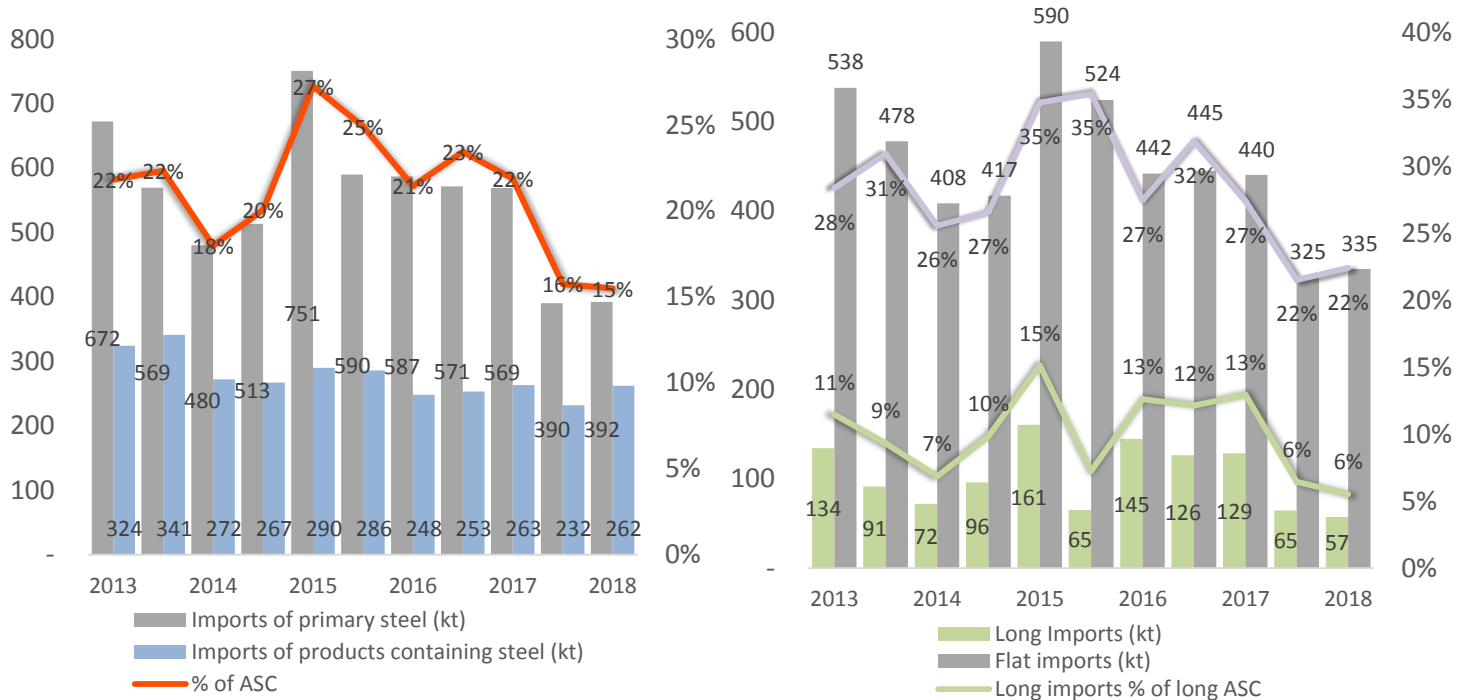
## Primary carbon steel sales into the South African domestic market



Source: SAISI

# The industry - domestic

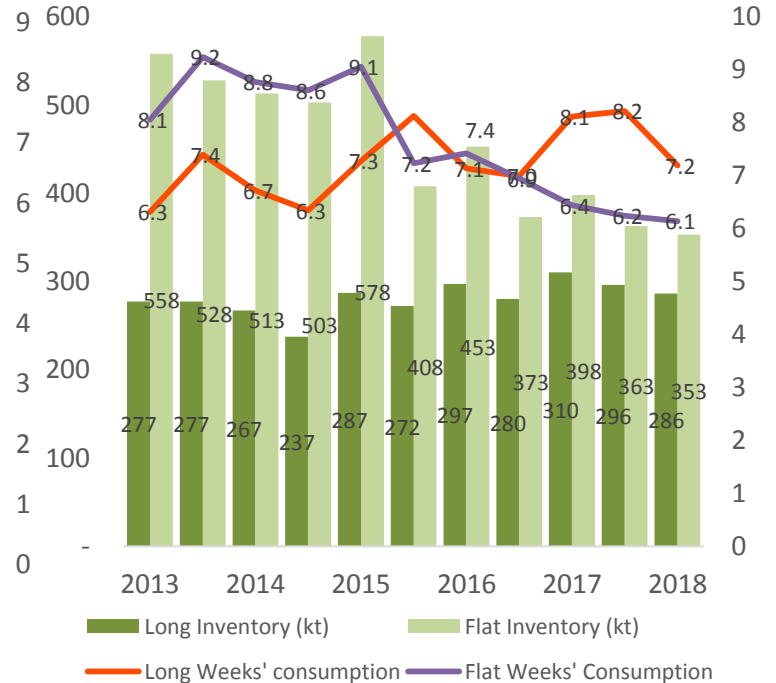
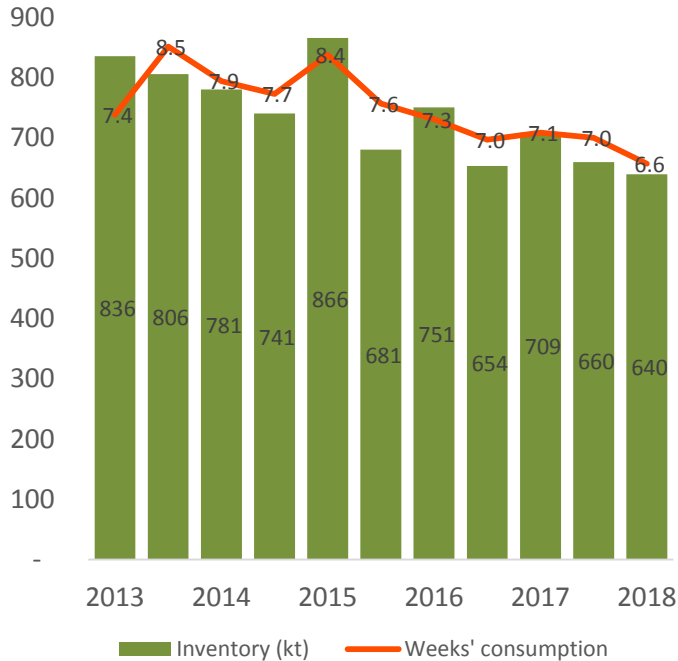
Primary carbon steel imports into the South African domestic market



Source: SAISI

# The industry - domestic

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



Source: SAISI

The background of the slide is a photograph of several large, dark-colored rolls of steel in a factory setting. The rolls are stacked and their edges are visible, creating a sense of depth and scale. The lighting is warm, highlighting the metallic texture of the steel.

# Operational review

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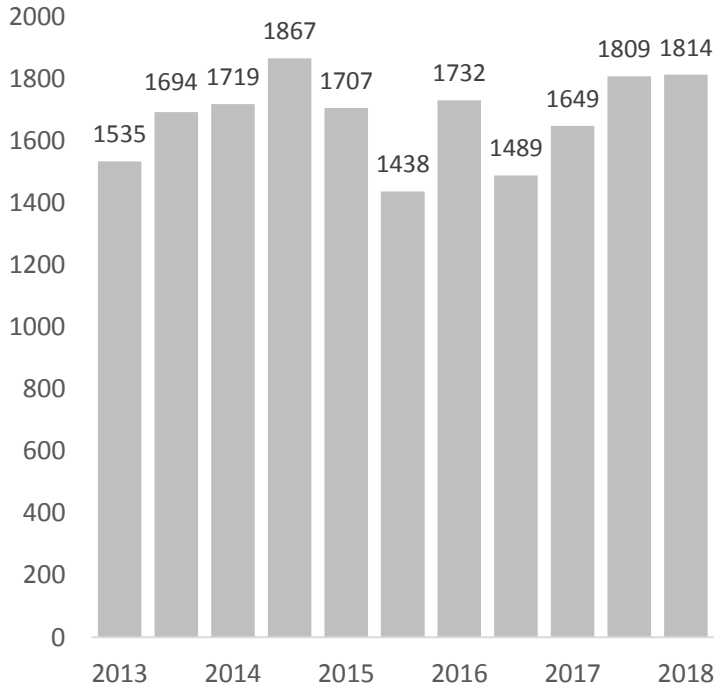
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The ArcelorMittal logo is a stylized white symbol consisting of a curved line that forms a shape resembling a lowercase 'a' or a similar abstract character.

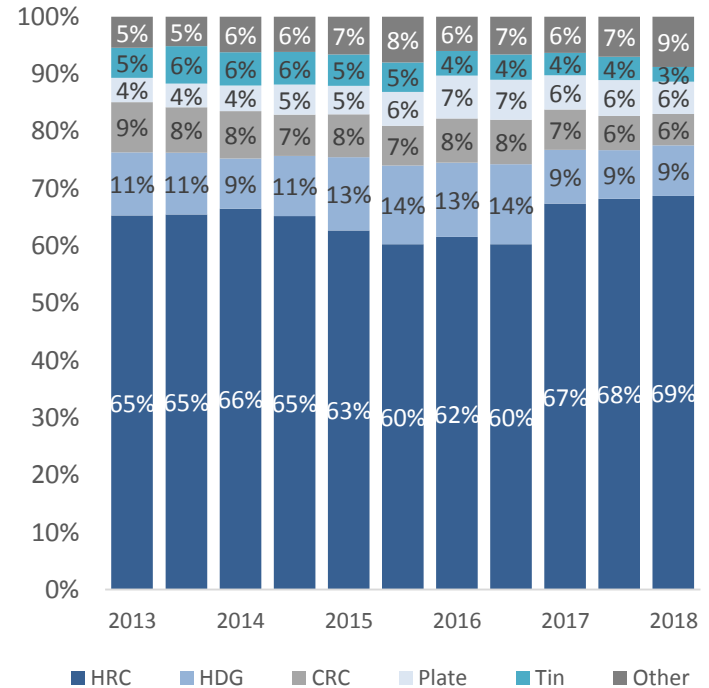
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# Flat steel division

Liquid steel output (kt)

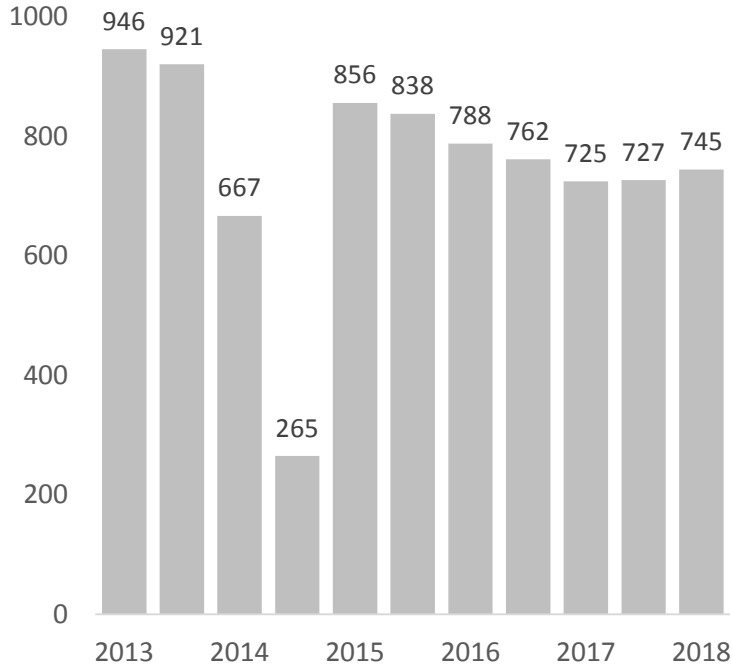


Product sales distribution (%)

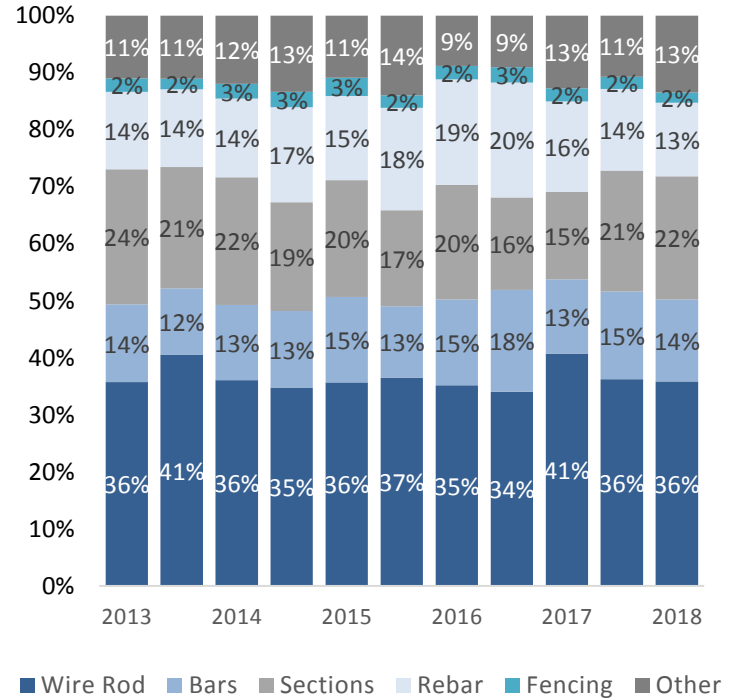


# Long steel division

Liquid steel output (kt)



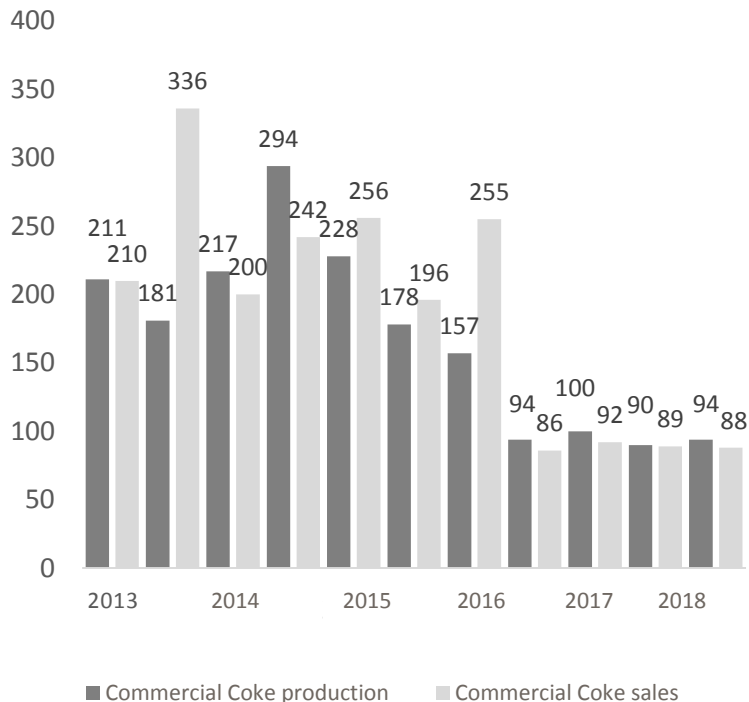
Product sales distribution (%)



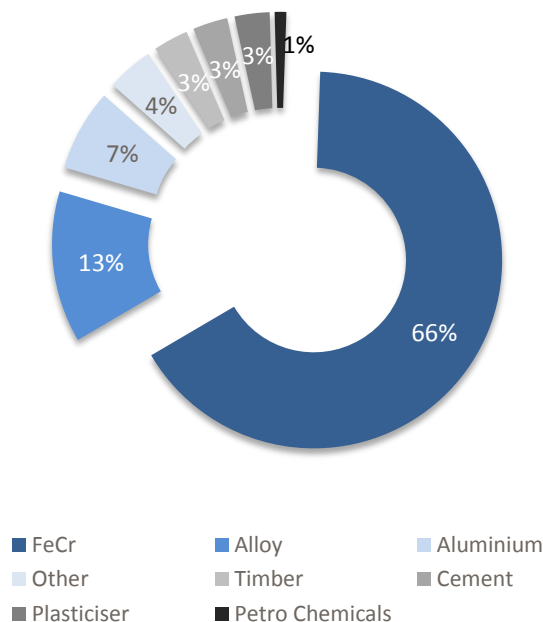


# Coke & Chemicals division

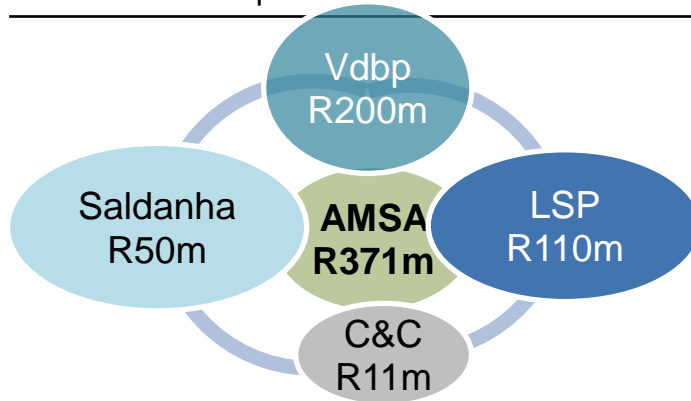
Commercial coke (kt)



Coke & Chemicals source of revenue %



	H1 2018	H1 2017
Maintenance	213	402
Expansion	61	127
Environmental	74	11
Other	24	32
<b>Total expenditure</b>	<b>371</b>	<b>572</b>



## Main projects completed in H1 2018

- Long steel products
  - Refurbishment of boiler 4
  - Replacement of basic oxygen furnace and secondary metallurgy level automation
  - Battery N2 dedusting refurbishment
- Saldanha
  - New gear assembly for compressor gearbox
- Vanderbijlpark
  - Through wall rebuild of oven walls at battery 9
  - Civil repair of cooling towers



# Financial review

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# Headline earnings (Rm)

	H1 2018	H1 2017
Revenue	<b>22 868</b>	19 151
EBITDA	<b>1 587</b>	(534)
Depreciation and amortisation	<b>(363)</b>	(449)
Profit/(loss) from operations	<b>1 224</b>	(983)
Impairment	<b>(5)</b>	(604)
Net finance costs	<b>(1 306)</b>	(622)
Equity earnings	<b>137</b>	(14)
Fair value adjustment on asset held for sale	<b>(1 652)</b>	-
Loss for the period	<b>(1 602)</b>	(2 223)
Add back impairment	<b>5</b>	604
Add back profit on disposal of assets	<b>(1)</b>	-
Add back fair value adjustment on asset held for sale	<b>1 652</b>	-
Headline profit/(loss)	<b>54</b>	(1 619)
US\$m	<b>4</b>	(122)

# Sale of non-core asset

Macsteel International Holdings (Rm)	H1 2018
Fair value (USD 220million x R12.52*)	2 752
Equity accounted investment	(4 404)
Fair value adjustment on asset held for sale recognised for the period	(1 652)
Foreign currency translation reserve (FCTR)	1 862

\* Exchange rate as at 31 May 2018, when investment was classified as asset held for sale

# Divisional EBITDA

	H1 2018	H1 2017
<b>Flat steel products (Rm)</b>	<b>1 183</b>	(69)
EBITDA margin	<b>7.5%</b>	(0.5%)
Net realised price R/t	<b>8 995</b>	8 413
<b>Long steel products (Rm)</b>	<b>336</b>	(706)
EBITDA margin	<b>4.4%</b>	(13.0%)
Net realised price R/t	<b>8 465</b>	7 492
<b>Coke and Chemicals (Rm)</b>	<b>201</b>	191
EBITDA margin	<b>27.5%</b>	26.0%
<b>Corporate and other (Rm)</b>	<b>(133)</b>	50
<b>Total EBITDA (Rm)</b>	<b>1 587</b>	(534)
EBITDA margin	<b>6.9%</b>	(2.8%)

# Cost dynamics and breakdown

Weight		H1 2018	H1 2017	Change
F I a t	48%	Raw materials	<b>3 600</b>	3 849 (7%)
	31%	Auxiliaries & consumables	<b>2 325</b>	2 409 (4%)
	21%	Fixed costs	<b>1 607</b>	1 776 (8%)
	100%	<b>Total</b>	<b>7 532</b>	8 034 (6%)
		Liquid steel (kt)	<b>1 814</b>	1 649 +10%
		Average ZAR rate	<b>12.29</b>	13.23 (7%)
		Average NRP (R/t)	<b>8 995</b>	8 413 +7%
L o n g	50%	Raw materials	<b>3 600</b>	3 857 (7%)
	23%	Auxiliaries & consumables	<b>1 591</b>	1 643 (3%)
	27%	Fixed costs	<b>1 861</b>	1 950 (5%)
	100%	<b>Total</b>	<b>7 052</b>	7 449 (5%)
		Liquid steel (kt)	<b>745</b>	725 +3%
		Average ZAR rate	<b>12.29</b>	13.23 (7%)
		Average NRP (R/t)	<b>8 465</b>	7 492 +13%

# Cash flow and analysis (Rm)

	H1 2018	H1 2017
Cash generated/(utilised) from operations before working capital	<b>1 881</b>	(502)
Working capital	<b>671</b>	(615)
Capital expenditure	<b>(600)</b>	(601)
Net finance costs	<b>(330)</b>	(353)
Investment in associates and joint ventures	<b>(2)</b>	(4)
Income tax paid	<b>(1)</b>	(7)
Interest income from investment	<b>5</b>	-
Proceeds on scrapping of assets	<b>10</b>	6
Realised foreign exchange movements	<b>(223)</b>	(119)
Finance lease obligations repaid	<b>(44)</b>	(35)
Borrowings repaid	<b>(850)</b>	(4 298)
Cash settlement on management share trust	<b>(2)</b>	-
Increase in cash	<b>515</b>	2 059
Effect of forex rate change on cash	<b>9</b>	4
Net increase in cash and cash equivalents	<b>524</b>	2 063
Cash and bank balances	<b>3 662</b>	3 723
Borrowings (current and non current)	<b>(5 550)</b>	(6 300)
Net borrowings	<b>(1 888)</b>	(2 577)



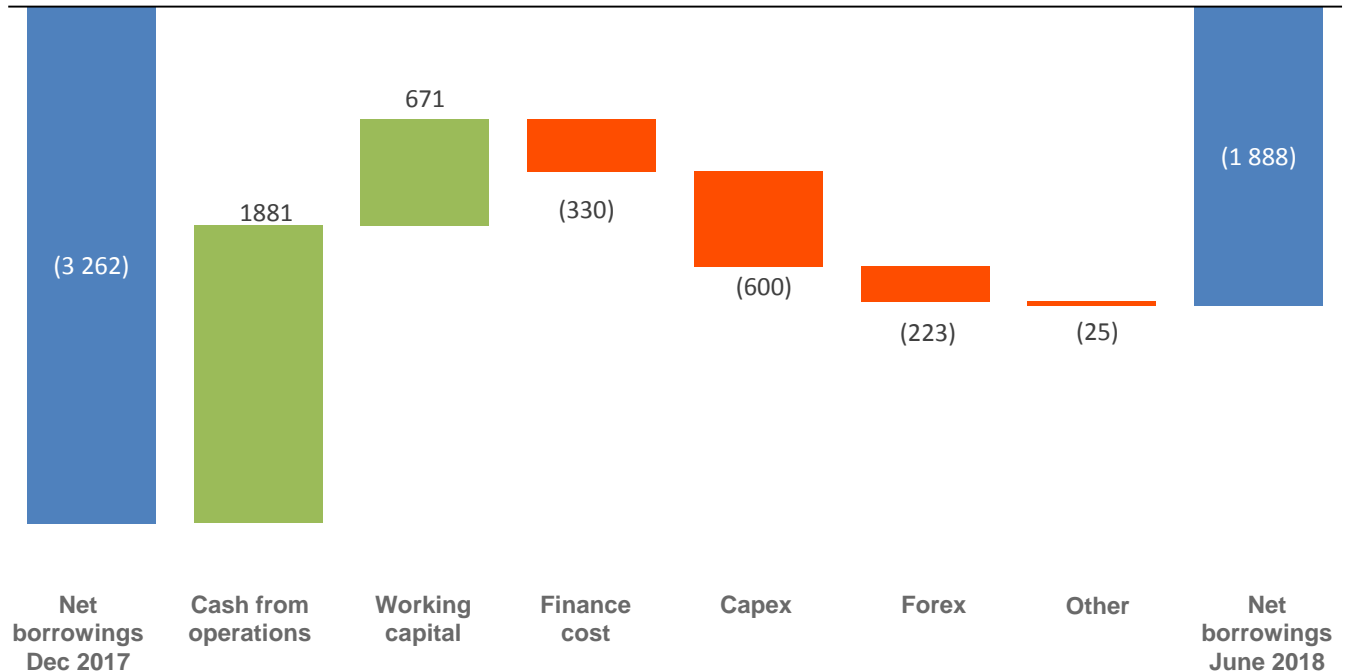
# Working capital movement and analysis (Rm)

	<b>H1 2018</b>	H1 2017
Inventories	<b>1 306</b>	(562)
Finished products	<b>251</b>	201
Work-in-progress	<b>720</b>	(677)
Raw materials	<b>370</b>	(126)
Plant spares and stores	<b>(35)</b>	40
Receivables	<b>(1 524)</b>	(1 535)
Payables	<b>889</b>	1 482
Working capital movement	<b>671</b>	(615)

# Consolidated statement of financial position (Rm) ArcelorMittal

	H1 2018	H2 2017	H1 2017
<b>Current assets</b>	<b>21 907</b>	18 131	18 837
Cash and bank balances	3 662	3 138	3 723
Inventories	10 449	11 519	11 694
Trade & other receivables	4 522	2 988	3 342
Asset held for sale	3 018	-	-
Other current assets	256	486	78
<b>Non-current assets</b>	<b>8 840</b>	13 065	15 192
Property, plant & equipment	8 480	8 474	10 196
Equity accounted investments	227	4 424	4 447
Other non-current assets	133	167	549
<b>Total assets</b>	<b>30 747</b>	31 196	34 029
<b>Liabilities</b>	<b>24 030</b>	23 138	22 931
Current liabilities	15 242	13 646	13 164
Non-current liabilities	3 238	3 092	3 467
Current borrowings	2 850	3 700	2 700
Non-current borrowings	2 700	2 700	3 600
Shareholders equity	6 717	8 058	11 098
<b>Total liabilities &amp; equity</b>	<b>30 747</b>	31 196	34 029

# Net borrowings bridge (Rm)





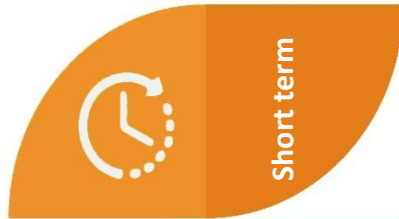
# Outlook

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## What we set out to do

- Productivity improvements
- Cost reduction
- Operational stability
- Balance sheet optimisation

## Progress

- Higher crude steel production
- Increased PCI injections rate in blast furnaces
- Improved energy usage at long steel products and Saldanha



- Overall cost controls
- Improve raw material mix

- Increased met coke production to reduce our reliance on more expensive import coke for Vanderbijlpark Works



- Close productivity gap
- A leaner organisation
- Improve technical skills
- Improve cost competitiveness

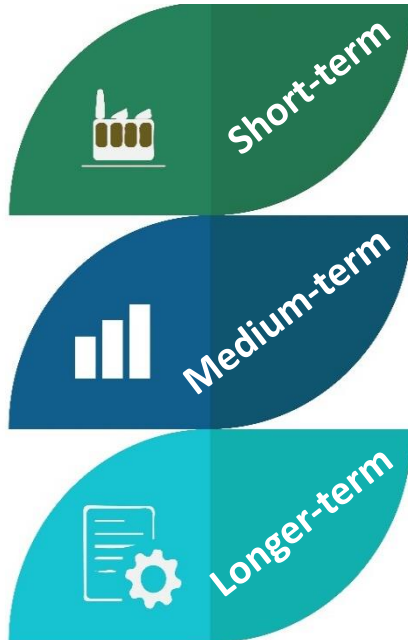
- Section 189 concluded
- Implemented focus on high value speciality products (round edge flat bar, hollow drill steel, fishplates)



- Increase local market share
- Improve AOL & rest of Africa
- Optimise pricing strategy while ensuring compliance with fair pricing principles

- Improved production volumes and yields on all KZN downstream mills
- Reduced non-prime ratio
- Increased 1mm production at Saldanha (+38%)
- Improved on time delivery levels

# Transforming for sustainability and growth



- Implement a structured business transformation project:
  - Global cost benchmarking identified \$50/t cost reduction through
  - Stretched variable cost and efficiency savings
  - Fixed costs procurement and business footprint savings
- Restart Vereeniging electric arc furnace
- Increase volume through debottlenecking of current steel assets
- Improve commercial performance especially on on-time delivery and quality to grow market share
- Resolve Newcastle's structural competitive position
- Feasibility study for a new large EAF at Vanderbijlpark
- Focus on environmental management
- Further strengthen the balance sheet

- Various initiatives will be implemented to ensure profitability and positive cash flow
- Domestic and export steel sales likely to remain stable in Q3
- Sales prices expected to remain strong
- Volatility in the ZAR/USD exchange rate will continue to have a material impact on the financial results



# Questions

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