



ArcelorMittal

Financial Results

For the six months ended 30 June 2019

1 August 2019

transforming tomorrow

2019

Disclaimer



Forward looking statements

This presentation includes forward-looking information and statements about ArcelorMittal South Africa (“AMSA”) and its subsidiaries that express or imply expectations of future events or results. Forward-looking statements are not historical facts. These statements include, without limitation, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future production, operations, costs, products and services, and statements regarding future performance. Forward-looking statements may, without limitation, be identified by words such as ‘believe,’ ‘expect,’ ‘anticipate,’ ‘target,’ ‘plan,’ and other similar expressions. All forward-looking statements involve a number of risks, uncertainties and other factors not within AMSA’s control or knowledge. Although AMSA’s management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of AMSA’s securities are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of AMSA, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements contained in this presentation. The risks and uncertainties include those discussed or identified in the filings with the Johannesburg Stock Exchange (the “JSE”) made or to be made by AMSA, including AMSA’s Annual Report of the year ended 31 December 2018 filed with the JSE. Factors that could cause or contribute to differences between the actual results, performance and achievements of AMSA include, but are not limited to, political, economic and business conditions, industry trends, competition, commodity prices, changes in regulation and currency fluctuations. Accordingly, investors should not place reliance on forward looking statements contained in this presentation. The forward-looking statements in this presentation reflect information available at the time of preparing this presentation and have not been reviewed and reported on by AMSA’s auditors and apply only as of the date they are made. Subject to the requirements of the applicable law, AMSA shall have no obligation and makes no undertaking to publicly update any forward-looking statements in this presentation, whether as a result of new information, future events or otherwise or to publicly release the result of any revisions to any forward-looking statements in this presentation that may occur due to any change in AMSA’s expectations or to reflect events or circumstances after the date of this presentation. No statements made in this presentation regarding expectations of future profits are profit forecasts or estimates.

Contents



Section	Speaker
Overview	CEO
Market and operational review	CEO
Financial review Capital allocation	CEO
Transform for sustainability and growth	CFO
Outlook Questions	CEO



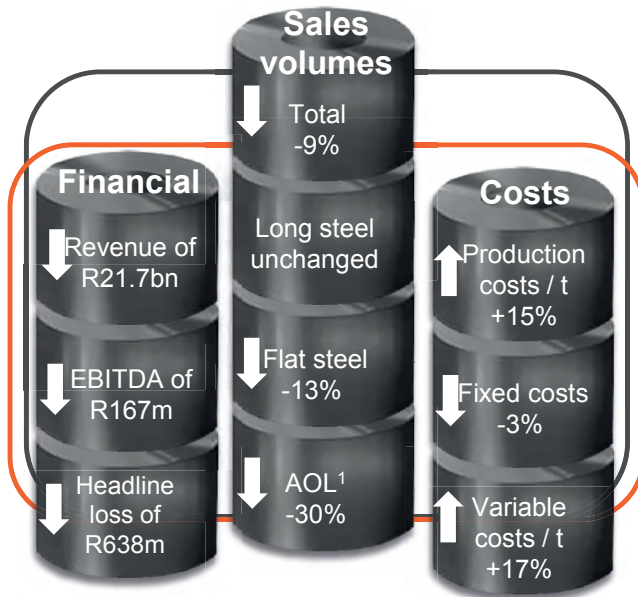
ArcelorMittal

Overview

Kobus Verster, CEO

transformingtomorrow

Salient Features



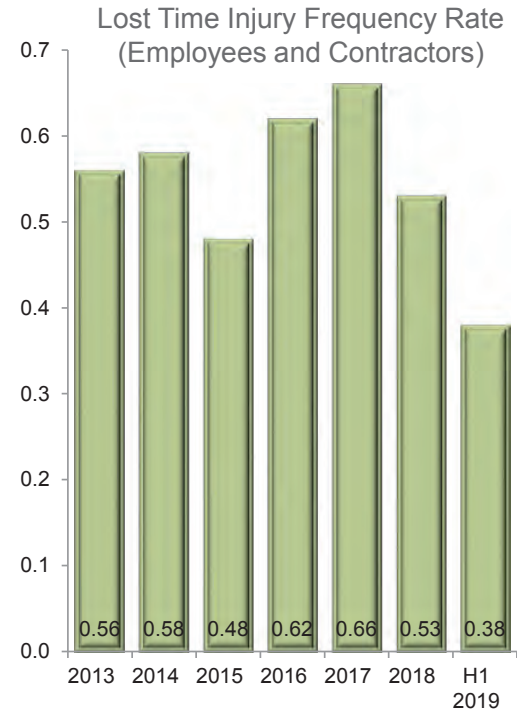
1. Africa Overland

- Stronger international steel market in 2018 reversed in H1 2019 with USD prices down 13%
- Revenue declined by 5% due to lower sales volumes, despite a weaker exchange rate benefiting realised prices
- Domestic steel consumption slumped to a ten-year low (70% of 2008 levels)
- ArcelorMittal South Africa's raw material basket increased 16%
 - Iron ore prices up 33%
 - Coking coal prices up 15%, increasing variable costs by 17%
 - Uncontrollable expenses (regulated electricity, port and rail tariffs) up 6%
- Fixed costs reduced by 3%
- EBITDA declined to R167m (-89%) resulting in Headline Loss of R638m or -58cps
- Net debt increased to R1.7bn from R0.5bn in December 2018
- Acquisition of Highveld Structural Mill
- Borrowing-based facility has been renegotiated

Safety is Our Priority



- Period under review was fatality free and achieved a LTIFR of 0.38 compared to 0.83 in H1 2018
- Safety initiatives aided by:
 - ‘Man and machine separation’ campaign
 - Intensified risk management and fatality prevention standards
 - Safety leadership through ‘21 days of Safety’
 - Family support through ‘Family Days’
 - ‘Inspect, Repair and Control Risk’ management
- ‘Health and Wellness’ re-enforced by hygiene monitoring and medical surveillance



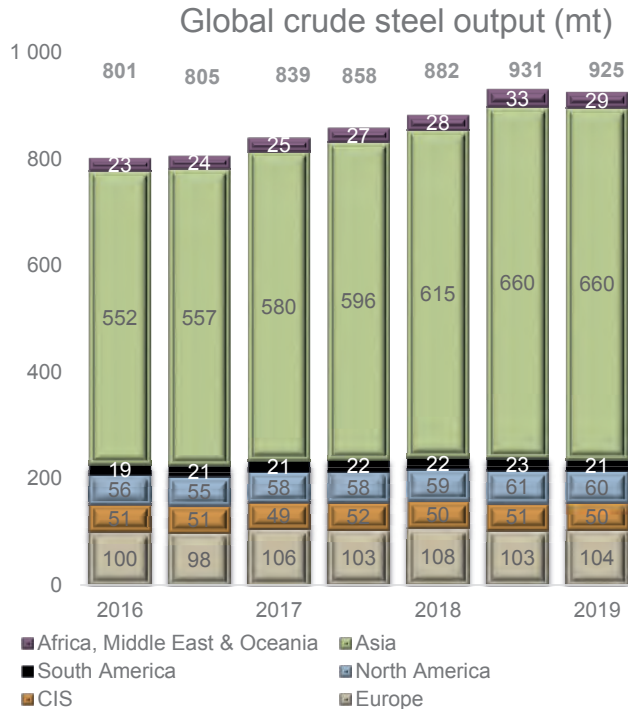
The background features a grayscale image of a globe with a semi-transparent industrial landscape overlaid. The landscape includes a large circular structure, possibly a blast furnace, and various pipes and machinery. A semi-transparent dark gray banner is positioned across the middle of the image, containing the title and speaker information.

Market and Operational overview

Kobus Verster, CEO

transformingtomorrow

Global Steel Environment



Source: WorldSteel

- 5% increase in H1 2019 global crude steel production to 925m tonnes
- 10% increase from China and 1% from North America, while Europe's and South America's output declined
- China constitutes 53% of global steel production (H1 2018: 51%), aiding Asia to account for 71% (H1 2018: 69%)
- India retained its newly-acquired position as the second largest steel producing country
- Africa's output expanded 8% mainly from Egypt

Global Steel Environment



- ArcelorMittal South Africa’s raw material basket constitutes 51% of total production costs
- International RMB¹ increased by 7% with iron ore rising 28% (with a weighting of 47%)
- ArcelorMittal South Africa’s raw material basket increased by 16% in ZAR terms, though remained effectively unchanged in USD terms
 - Iron ore up 33% (+15% in USD)
 - Coking coal up 15% (-1% in USD)
 - Scrap up 2% (-12% in USD)
- China HRC (FOB) prices declined by 13% (-\$74/t) while ArcelorMittal South Africa’s basket prices declined 15% (-\$116/t)
- Price spreads fell by 33% to \$189/t from \$284/t (-\$95/t)

AMSA steel basket prices compared to international RMB (Indexed)



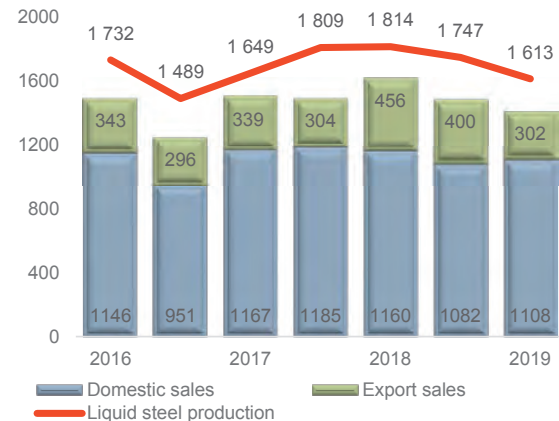
1. RMB = Raw Material Basket (1.6t iron ore + 0.6t coking coal + 0.125t scrap)

Sources: Platts, AME, AMS and TEX Report

Flat Steel Products – Falling Domestic Demand



- Lower production volumes following the planned interim stove repair at Blast Furnace D to restore capacity
- Overall production performance was satisfactory with capacity utilisation of 78% (H1 2018: 87%) while the two month strike had limited impact
- Demand severely affected by the weak economy, struggling construction sector, uncertainty in mining, closure of tube & pipe making operations, and lower credit availability
- Exports reduced by 34% due to build up of slabs to ensure continued serving of the domestic market hence local and total sales down 4% and 13% (-206kt) respectively
- SA downstream value chain continues to be hampered by limited tariff protection against imported steel goods
- Quality upgrade on Galv 3 and Galv 5
- Additional cost control required in weakening market



Long Steel Products – Stable Operations, but Weak Demand



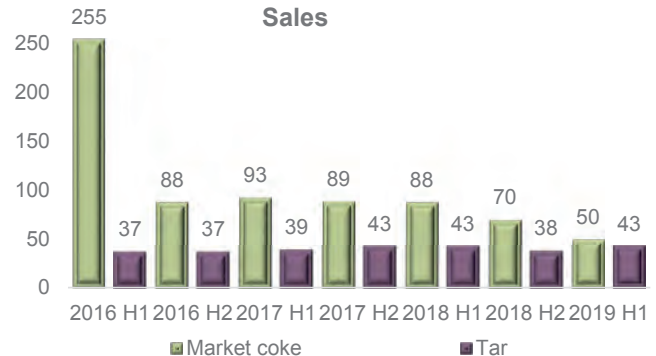
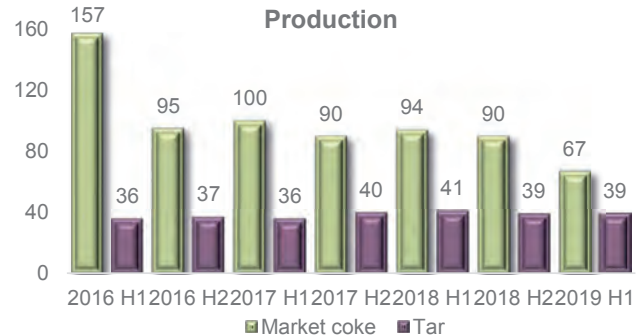
- Increased output (+14% or 102kt) from, amongst others, additional Vereeniging Works volumes (39kt) since the restart of its EAF in January 2019
- Total utilisation equaled 74% (H1 2018: 79%)
- Demand affected by broadly the same factors affecting the Flat Steel market
- Support of downstream customers to the extent of R174m on both Flat and Long Steel products (H1 2018: R167m)
- Cost reduction is vital for a competitive cost position for Long Steel, building on efficiency improvements already achieved
- Focus on maximising domestic and AOL sales, supporting exporting industries and improving the export mix



Coke & Chemicals



- Production of market coke during H1 2019 was 29% below the comparable period in 2018 due to internal metallurgical coke requirements
- Tar operations were stable
- Tar sales were marginally higher due to improved demand
- Market coke demand is expected to remain flat due to reduced output levels at the alloy smelters as a result of:
 - High inventory levels
 - High electricity winter tariffs





ArcelorMittal

Financial overview and capital allocation

Desmond Maharaj, CFO

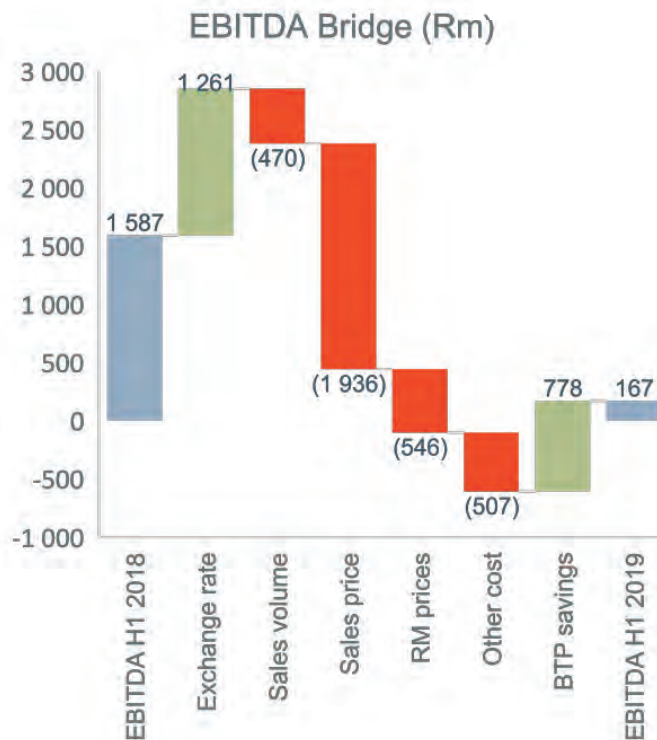
transformingtomorrow

Financial Results



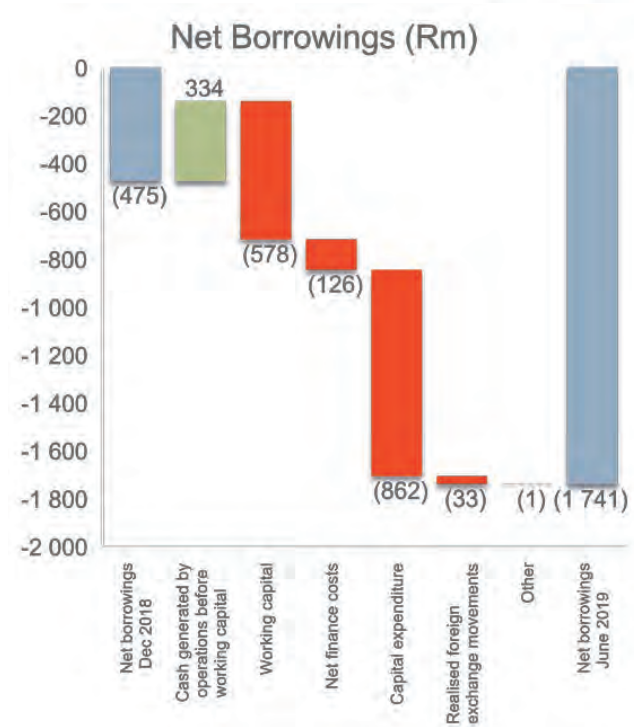
- Sales price reductions along with sharp rises in raw material price resulted in a R1 420m reduction in EBITDA to R167m
 - Sales volume down 9% due to weak local and international demand eroding R470m
 - Softer steel prices more than countered the benefit from the exchange rate
 - Raw material price increases added to the cost to the extent of R546m
 - Weak exchange rate added R1 261m to income

EBITDA divisional distribution (Rm)	H1 2019	H1 2018
Flat steel products	86	1183
Long steel products	(66)	336
Coke & Chemicals	108	201
Corporate & Other	39	(133)
Total	167	1587



Cash Outflow Resulted in Net Debt Increase

- Net borrowings of R1 741m increased by R1 266m compared to December 2018
- Cash generated by operations of R334m before working capital deterioration of R578m
- Net finance cost of R126m were 62% less than H1 2018
- CAPEX of R862m was R262m higher than the corresponding period
- The borrowing-based facility has been renegotiated on essentially the same terms and conditions



Capital Allocation to Complement Strategic Objective



- Invest in strength and sustainability
- Top projects
 - BFD interim stave repair
 - Coating strategy
 - Installation of side-injectors
- Invest in high-return opportunities with strict discipline
 - Unique opportunities – Highveld Structural Mill and mainline rail localisation
 - Alter mix to most attractive end-users
 - Increase competitiveness

Vanderbijlpark
R474m
(R200m)

Long Products
R82m
(R110m)

AMSA R611m (H1 2018: R371m)

Saldanha
R50m
(R50m)

AMCC &
Corporate
R5m (R11m)

Acquisition of the Highveld Structural Mill



- Transaction rationale
 - Unique asset capable of producing heavy section structural steel for infrastructural development, and, with further investment, mainline rails
 - The localisation of mainline rails will support jobs, strengthen industrial capability and
 - enable export opportunities, while allowing for the transfer of specialised intellectual property and skills associated with rail production
- Key commercial terms
 - Payment of R150m on the effective date
 - Second payment of R150m conditional on:
 - concluding a commercial arrangement for the long-term supply of sizable mainline rail volumes, and
 - funding for this payment secured from the IDC, with a long stop date of 31 December 2023
- The key conditions precedent are mainly customary and regulatory in nature
- Tolling Agreement has been extended to the earliest of the effective date or 12 months from 1 July 2019



ArcelorMittal



Driving transformation and strategy

Kobus Verster, CEO

transformingtomorrow

Reality Dashboard



- Markets
 - Global steel production continued to increase, notably in China and North America, despite contracting demand
 - Domestic steel consumption at a ten-year low (70% of 2008 levels) while imports increased by 18% (especially from Russia, Taiwan, South Korea and Japan)
 - Tariff protection is required on imported semi-finished/finished fabricated steel products to aid downstream steel fabrication
- Cash and Cost
 - Aggressive focus on cash generation containing cash outflow to R1 266 million resulting in higher net debt of R1 741 million
 - Cash preservation and cost control are the primary focus areas - short-term actions launched
 - Strategic imperative to improving cost competitiveness against China-sourced steel and domestic competitors

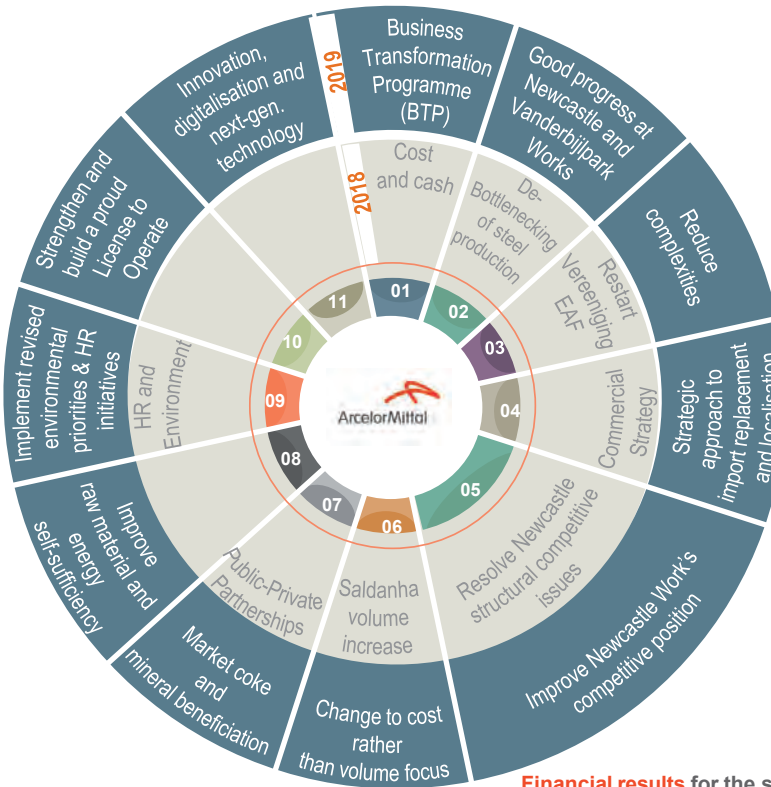
Reality Dashboard (cont.)

- Business Transformation Programme improvement target of \$50/t by 2021
- International iron ore prices have increased sharply by 28% while steel prices have decreased by 13% in USD terms
 - Iron ore prices negatively impacted earnings by R700 million against H1 2018
 - High iron ore prices highlights the need for domestic developmental pricing
- Reduction of ArcelorMittal South Africa's carbon footprint is a key imperative
 - Introduction of carbon tax effective on 1 June 2019 (from which imported steel is exempted) increases financial pressure
 - Necessitated the implementation of carbon tax levy on certain steel sales from 1 July 2019
- Announcement of an organisational restructuring consultation process

Transforming for Sustainability and Growth



Evolving from 2018 and 2019, the emphasis moves firmly to **execution**



Transforming for Sustainability and Growth



Evolving from 2018 and 2019, the emphasis moves firmly to **execution**



- Business Transformation Programme
 - Establish an affordable asset footprint with an enduring competitive advantage
 - Intensify the Business Transformation Programme
 - Improve cash flow generation
 - Strengthen the Balance Sheet



- Volume Debottlenecking
 - Vanderbijlpark Works to increase volumes by 300ktpa (+12%)
 - Newcastle Works to increase volumes by 300ktpa (+20%)
 - Saldanha Works volume unchanged though at reduced costs and higher efficiencies



- Restart Vereeniging electric arc furnace (EAF)
 - Increase liquid steel production at Vereeniging Works
 - Reduce the production complexities at Newcastle Works
 - Improve relative cost position by consuming more scrap at a cost advantage to iron ore / liquid iron

Transforming for Sustainability and Growth



Evolving from 2018 and 2019, the emphasis moves firmly to **execution**



- Commercial
 - Strategic approach to import replacement and localisation
 - Adhering to the basket price mechanism
 - Target market approach to grow market share
 - Focus on Africa Overland (AOL) and East Africa
 - Product development and focus on quality and on-time-delivery



- Newcastle Works' Structural Position
 - Reduce cost of iron and steel making operations
 - Maximize rolling mills production to reduce exposure on marginal billet exports
 - Acquisition of Highveld Structural Mill to substitute imports and execute on future rail strategy



- Public-Private Partnership Investments
 - Seek co-investment for market coke business
 - Thabazimbi beneficiation opportunities, including supporting of the regional economy

Transforming for Sustainability and Growth

Evolving from 2018 and 2019, the emphasis moves firmly to **execution**



- Increase Raw Material and Energy Self-Sufficiency
 - Increase self-sufficiency and / or cost-linked raw material and energy supply from Southern Africa
 - Energy optimization and co-generation programme



- Environmental
 - Re-prioritised environmental investments
 - Cap and reduce by-product generation and disposal footprint, and improve monetise



- Strengthen and Build a Proud Licence to Operate
 - Corporate Social Responsibility and the ArcelorMittal Foundation initiative
 - Contribute to Government's industrial policy targeting innovative, steel-based, export-driven manufacturing
 - Strengthen brand awareness to strengthen ArcelorMittal South Africa as a major industrial player

Conclusion

Kobus Verster, CEO

transformingtomorrow

Outlook



- Outlook H2 2019
 - Domestic steel demand will remain under pressure until real infrastructure spend and economic growth improve
 - International steel prices are expected to improve while the raw material basket is likely to be lower culminating in improved spreads
 - ArcelorMittal South Africa collaboration with key stakeholders to reduce the electricity, rail and iron ore costs, and on economic recovery and growth initiatives
 - Completion of the S189 to improve our productivity and sustain the intensified, fast-tracked implementation of the Business Transformation Programme to support sustainable profitability and cash flow generation
 - ZAR/USD strength likely to impact financial results



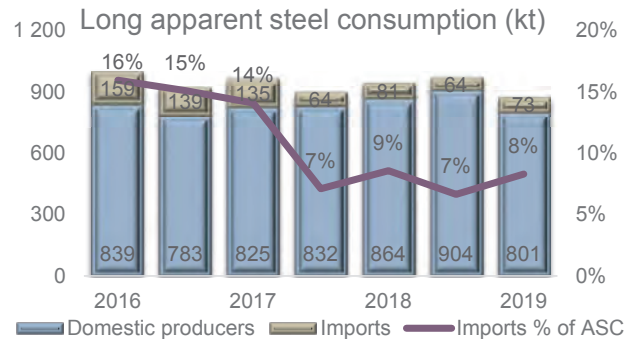
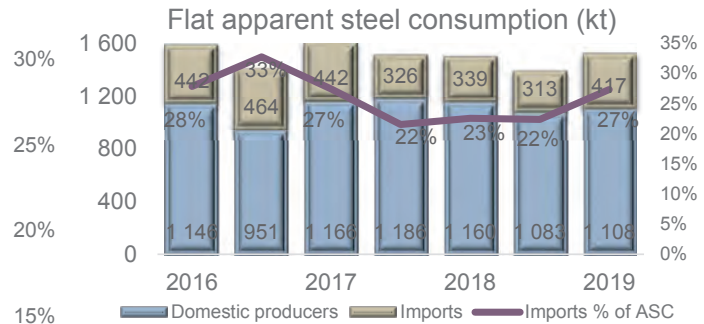
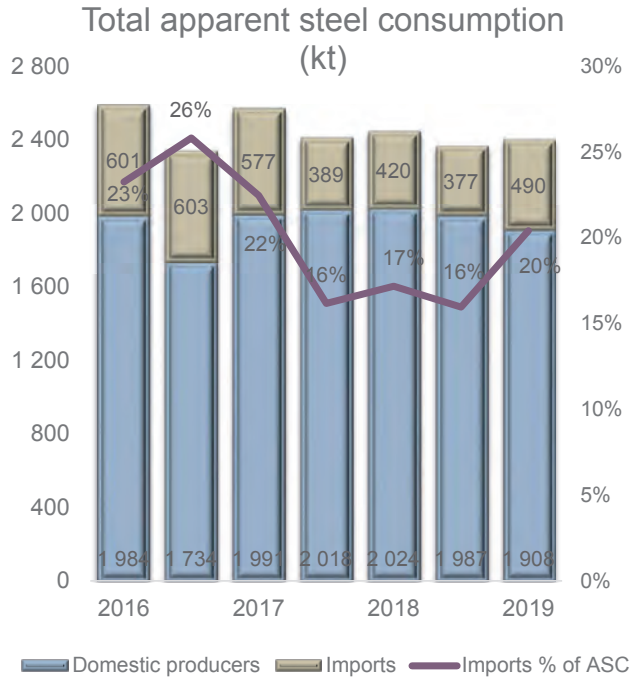
ArcelorMittal



Appendix

transformingtomorrow

Domestic Steel Consumption



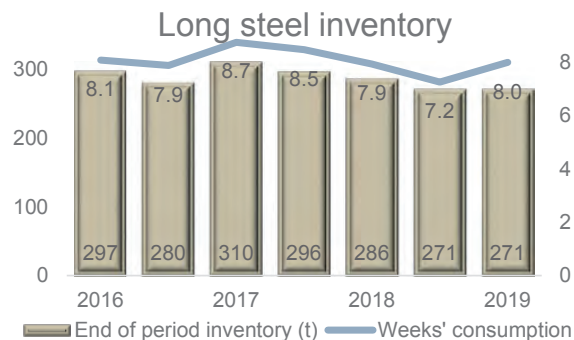
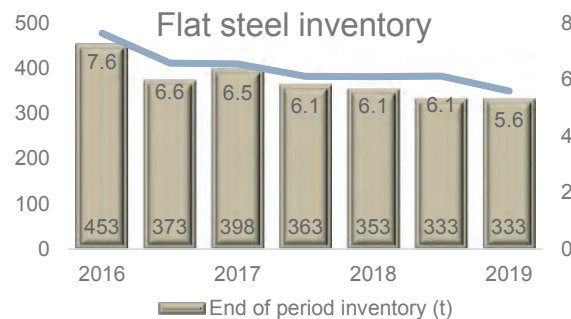
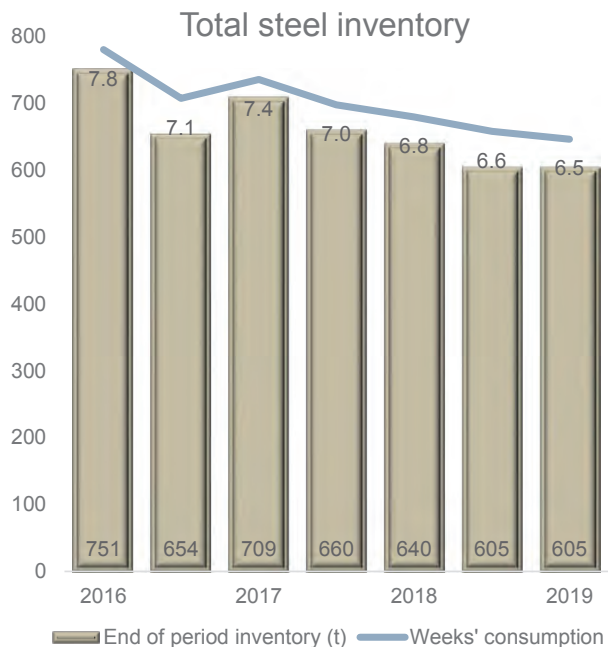
Source: SAISI, ArcelorMittal South Africa

Note: H1 2019 import numbers represent 5 month actuals annualized for 6 months

Domestic Steel Inventories



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



Source: ArcelorMittal South Africa estimates only

Headline Earnings (Rm)



	H1 2019	H1 2018
Revenue	21 743	22 868
EBITDA	167	1 587
Depreciation and amortisation	(389)	(363)
(Loss)/profit from operations	(222)	1 224
Impairment	(7)	(5)
Net finance costs	(472)	(1 306)
Income after tax from equity-accounted investments	(5)	137
Income taxation credit	62	-
Fair value adjustment on assets held for sale	-	(1 652)
Loss after tax	(644)	(1 602)
Add back impairment	7	5
Add back disposal of assets	(1)	(1)
Add back fair value adjustment on assets held for sale	-	1 652
Headline (loss)/earnings	(638)	54
US\$m	(45)	4

Divisional EBITDA



	H1 2019	H1 2018
Flat steel products (Rm)	86	1 183
EBITDA margin	0.6%	7.5%
Net realised price R/t	9 659	8 995
Long steel products (Rm)	(66)	336
EBITDA margin	(0.9%)	4.4%
Net realised price R/t	8 734	8 465
Coke and Chemicals (Rm)	108	201
EBITDA margin	18.8%	27.5%
Corporate and other (Rm)	39	(133)
Total EBITDA (Rm)	167	1 587
EBITDA margin	0.8%	6.9%

Cost Dynamics and Breakdown



Weight			H1 2019	H1 2018	Change
F I a t	50%	Raw materials (R/t)	4 463	3 600	24%
	29%	Auxiliaries & consumables (R/t)	2 602	2 325	12%
	21%	Fixed costs (R/t)	1 866	1 607	16%
	100%	Total (R/t)	8 931	7 532	19%
		Liquid steel (kt)	1 613	1 814	-11%
		Average ZAR rate	14.20	12.29	16%
		Average NRP (R/t)	9 659	8 995	7%
L o n g	54%	Raw materials (R/t)	4 191	3 600	16%
	24%	Auxiliaries & consumables (R/t)	1 823	1 591	15%
	22%	Fixed costs (R/t)	1 719	1 861	-8%
	100%	Total (R/t)	7 733	7 052	10%
		Liquid steel (kt)	847	745	14%
		Average ZAR rate	14.20	12.29	16%
		Average NRP (R/t)	8 734	8 465	3%

Cash Flow and Analysis (Rm)

	H1 2019	H1 2018
Cash generated from operations before working capital	334	1 881
Working capital	(578)	671
Cash (utilised in)/ generated from operations	(244)	2 552
Capital expenditure	(862)	(600)
Net finance costs	(126)	(330)
Tax refund/(paid)	7	(1)
Realised foreign exchange movements	(33)	(223)
Finance lease obligations repaid	(19)	(44)
Borrowings raised/(repaid)	1 500	(850)
Others	12	11
Increase in cash	235	515
Effect of forex rate change on cash	(1)	9
Net increase in cash and cash equivalents	234	524
Cash and bank balances	2 759	3 662
Borrowings (current and non current)	(4 500)	(5 550)
Net borrowings	(1 741)	(1 888)

Working Capital Movement and Analysis (Rm)



	H1 2019	H1 2018
Inventories	(602)	1 306
Finished products	(105)	251
Work-in-progress	(251)	720
Raw materials	(206)	370
Plant spares and stores	(40)	(35)
Receivables	(849)	(1 524)
Payables	873	889
Working capital movement	(578)	671



ArcelorMittal

ArcelorMittal South Africa Limited

Room N3-5
Main Building
Delfos Boulevard
Vanderbijlpark, 1911
South Africa
www.arcelormittal.com/southafrica/

Thank you