

## ArcelorMittal South Africa Limited

("ArcelorMittal South Africa", "the company" or "the group")

Registration number: 1989/002164/06

Share code: ACL

ISIN: ZAE 000134961

### Unaudited operational information for the quarter ended 31 March 2017

#### Salient features

- Two fatalities at Saldanha Works' Corex plant on 3 April 2017
- LTIFR improved to 0.44 at the end of Q1 2017
- Difficult trading conditions in the domestic market
- Volatility in the rand/US dollar exchange rate continues to impact the business significantly
- Refurbishment of coke batteries at Newcastle Works progressing as planned, to be completed in Q2 2017
- Liquid steel production 2% down
- Local sales down 3%
- Export sales up 9%

#### Operational information

|                                     | Quarter ended  |                |             |
|-------------------------------------|----------------|----------------|-------------|
|                                     | 31-Mar<br>2017 | 31-Mar<br>2016 | %<br>change |
| <b>Liquid Steel production</b>      |                |                |             |
|                                     | 1199           | 1227           | -2.3%       |
| - Flat Steel Products 000 tons      | 813            | 827            | -1.7%       |
| - Long Steel Products 000 tons      | 386            | 400            | -3.5%       |
| <b>Capacity utilisation</b>         |                |                |             |
|                                     | 80             | 81             | -1.2%       |
| - Flat Steel Products %             | 79             | 79             | 0.0%        |
| - Long Steel Products %             | 83             | 85             | -2.4%       |
| <b>Steel sales</b>                  |                |                |             |
| - Local 000 tons                    | 855            | 885            | -3.4%       |
| - Flat Steel Products 000 tons      | 620            | 560            | 10.7%       |
| - Long Steel Products 000 tons      | 235            | 325            | -27.7%      |
| - Export 000 tons                   | 247            | 227            | 8.8%        |
| - Flat Steel Products 000 tons      | 168            | 166            | 1.2%        |
| - Long Steel Products 000 tons      | 79             | 61             | 29.5%       |
| - Total 000 tons                    | 1102           | 1112           | -0.9%       |
| - Flat Steel Products 000 tons      | 788            | 726            | 8.5%        |
| - Long Steel Products 000 tons      | 314            | 386            | -18.7%      |
| <b>Coke and Chemicals</b>           |                |                |             |
| - Commercial coke produced 000 tons | 48             | 86             | -44.2%      |
| - Commercial coke sales 000 tons    | 46             | 127            | -63.8%      |
| - Tar sales 000 tons                | 20             | 20             | 0.0%        |

## **Commentary**

### **Safety**

Safety remains our number one priority and it is with great regret that we report two fatalities at our Saldanha plant on 3 April 2017; both being contractor employees. However, in Q1 2017 our lost time injury frequency rate (LTIFR) improved from 1.17 to 0.44 when compared to Q1 2016.

### **Production: Q1 2017 vs Q1 2016**

Liquid steel production was 28 000 tonnes (2.3%) lower, mainly due to lower production at Vanderbijlpark as a result of poor raw material quality and, as reported previously, the rupture of the stove at blast furnace C during Q4 2016. This has been partly offset by higher production at Saldanha. Newcastle's production was lower mainly due to import coke and iron ore quality. The capacity utilisation for Q1 2017 was 80%, slightly down on the 81% of the comparable period.

### **Sales: Q1 2017 vs Q1 2016**

#### **Local**

Local sales were 30 000 tonnes (3.4%) lower, mainly due to weaker local demand for long products as a result of high stock levels at the merchants and strong competition in the local market. Long product sales decreased by 27.7% while flat product sales increased by 10.7%.

Although having declined slightly from 2016 levels (257kt Q1 2017 versus 310kt Q1 2016), imports are still high despite the 10% duties having been imposed.

#### **Export**

Export sales increased by 20 000 tonnes (8.8%), of which flat products were slightly higher with 2 000 tonnes and long steel products with 18 000 tonnes. The strong international demand was negatively impacted by the strengthening of the average rand/USD dollar exchange rate for most of the quarter.

#### **Commercial coke**

Commercial coke sales were 38 000 tonnes (44.2%) lower. The company is currently undertaking a repair programme on two of its coke batteries which has had the effect of limiting the amount of coke available for blast furnace production and for sale to the commercial coke industry. During the repair of the coke batteries, the company is importing metallurgical coke in order to supplement shortfalls.

#### **Performance**

Performance was below what was expected due mainly to the strong rand against the dollar for most of Q1 2017, as well as the higher raw material basket as a result of higher coal prices, ongoing imports and the impact of 2016 operational incidents. In order to mitigate some of the negative impact, further cost cutting and efficiency measures are being implemented. This will also include a review of the long steel business in light of the price of scrap in relation to the raw material basket.

## **Outlook for quarter 2**

Local sales will continue to be under pressure due to tough trading conditions, mainly as a result of lower steel demand due to poor economic activity and ongoing imports. Export sales will also come under pressure due to weak international prices.

ArcelorMittal South Africa remains firmly of the opinion that a solution is required to protect the downstream industry from cheap finished and semi-finished products that continue to be imported into the country. We continue to engage Government and the downstream industry on the implementation of safeguards and initiatives to stimulate local demand.

It should also be noted that the International Trade Administration Commission of South Africa (ITAC) has notified the World Trade Organisation (WTO) of its decision to implement safeguards on hot rolled coil (HRC) with effect from 1 July 2017, although there are certain processes to be completed before this is confirmed with all stakeholders.

This will provide a benefit in terms of sales volumes and the ability to consistently achieve the basket price.

The volatility in the rand/US dollar exchange rate will continue to have an impact on our financial results.

By order of the Board

2 May 2017

Sponsor: Absa Bank Limited (acting through its Corporate and Investment Banking division)

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For further information please contact:

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This report is available on ArcelorMittal South Africa's website at: <http://www.arcelormittalsa.com>