

07 February 2019

news release

ARCELORMITTAL SOUTH AFRICA FINANCIAL RESULTS FOR YEAR ENDED 31 DECEMBER 2018

Salient features

- Revenue increased by 16% to R45 billion
- Liquid steel production of 5.1 million tonnes increased by 4%
- Sales volumes increased by 5%, despite nine-year low in apparent steel consumption
- Cash cost per tonne of liquid steel increased by 2%
- Turnaround in headline earnings from a loss of R2 518 million to a profit of R968 million
- EBITDA improved by R3 923 million, from a R315 million loss to R3 608 million profit
- Net debt decreased by R2 787 million to R475 million

The analysis in this statement relates to the 12 months ended 31 December 2018 (current year) compared to the 12 months ended 31 December 2017 (prior year) unless otherwise stated.

Johannesburg, 7 February 2019: ArcelorMittal South Africa's earnings from operations recovered from a loss of R1 220 million to a profit of R2 777 million while headline earnings also improved, from a loss of R2 518 million in 2017 to a profit of R968 million.

"As part of our strategy to transform the business, we have implemented a comprehensive programme that includes several far-reaching initiatives to return the company to sustainable profitability and positive cash flows," explains Kobus Verster, Chief Executive Officer of ArcelorMittal South Africa.

"ArcelorMittal South Africa's results were aided by higher realised steel prices resulting from stronger international prices, and increased sales volumes in 2018, despite the weakness evident in South Africa's economy. We are also beginning to see the positive results from the collective efforts of ArcelorMittal South Africa management and employees to turn the business around," added Verster.

Earnings were however negatively affected by weaker domestic demand with a decrease of 4% in local apparent steel consumption as a result of subdued economic growth, poor investor confidence and low levels of infrastructure spending. This was further compounded by volatility in the Rand/USD exchange rate.

Global steel markets continued to improve in 2018, mainly due to the positive macroeconomic environment in both developed and developing countries, resulting in an increased demand for steel and higher steel prices in key markets such as China, Europe and the USA. While global prices declined in the fourth quarter of the year, largely due to global trade war fears, January 2019 has seen an increase in international steel prices.

In Africa, steel markets remained positive with the drive towards infrastructure investments in rail, road and energy projects. Domestically, after a technical recession in the first half of the year, the South African economy grew only slightly in the second half of 2018. However, the manufacturing, mining and

construction sectors, which are the major steel consumers, showed no noticeable improvement in demand.

South Africa and key African markets continue to face the threat of steel imports, mainly from China. Although there was a 20% decrease in imports, 769 000 tonnes of primary carbon steel were still imported into South Africa in 2018, despite import duties, selective safeguarding and the designation of local steel.

ArcelorMittal South Africa's capacity utilisation improved to 84% against 81% in the previous year. Liquid steel production for the year was 5.1 million tonnes, an increase of 3.7% or 182 000 tonnes.

Revenue increased by 16% to R45 274 million, primarily as a result of a 12% increase in average net realised steel prices, from R8 338 per tonne to R9 301 per tonne, and higher sales volumes of 5%. Local sales and exports increased by 1% and 21% respectively. Cash cost of liquid steel increased by 2% to R7 702 per tonne. Headline earnings recovered from a loss of R2 518 million to a profit of R968 million for the year.

ArcelorMittal South Africa's sale of its 50% investment in MIHBV for \$220 million (circa R3.2 billion), was completed in 2018 and contributed to the improvement in the company's net borrowing position, from R3 262 million to R475 million.

Sustainability and licence to operate

Safety remains ArcelorMittal South Africa's number one priority. Notwithstanding the intention to achieve zero fatalities and injuries, the group regrettably experienced one fatal incident in June 2018 at its Saldanha Works. The board and management extend their deepest condolences to the family and colleagues of the deceased. Encouragingly, there was an improved performance in all the key safety metrics, indicating positive results from the re-energised focus on safety.

To ensure the group's sustainability, the business transformation programme was initiated to reduce costs, improve efficiencies, debottleneck steel production at all sites and optimise procurement contracts. The electric arc furnace at Vereeniging Works was restarted in January 2019 to increase production capacity and reduce complexity at the Newcastle Works.

In the first half of 2019, domestic steel demand and exports are likely to remain stable. Volatility in the Rand/USD exchange rate will continue to have an impact on ArcelorMittal South Africa's results.

"We are seeing encouraging results from our efforts that are focused on shifting the business substantially down the cost curve and ensuring its sustainability within the context of reduced local demand and a volatile exchange rate," says Verster. "We will continue to drive the implementation of interventions to address the challenges we face."

Ends

Contacts:

Vuyo Mtawa
Head of Corporate Communications
ArcelorMittal South Africa
(016) 889 4100

Tracey Peterson
Aprio Strategic Communications
(on behalf of ArcelorMittal South Africa)
083 408 7173