For immediate release
10 November 2017

news release

Operational update for the quarter ended 30 September 2017

Salient features

- Local sales up 6%, despite difficult trading conditions in the domestic market
- Volatility in the rand/US dollar exchange rate significantly impacted the business
- Liquid steel production up 11%
- Export sales up 49%
- Refurbishment of coke batteries at Newcastle Works completed in Q3 2017
- Implementation of safeguards on hot rolled coil and plate since 11 August 2017
- 10% import duties implemented on heavy sections

**This report compares quarter 3 2017 to quarter 3 2016, unless otherwise stated.*

Liquid steel production was 125 000 tonnes (11.2%) higher.

“This improvement was mainly due to higher production at Saldanha as a result of the mini reline in Q3 of 2016. However, this has been partly offset by lower production at Newcastle following a cut-back as a result of high input costs and poor market conditions,” explained Wim de Klerk, CEO of ArcelorMittal South Africa.

Capacity utilisation increased from 73% to 81%.

Local sales were 49 000 tonnes (6.0%) higher. “We are starting to see a positive impact on local demand since the safeguards on hot rolled coil came into effect in August this year,” said De Klerk. Imports declined by 142kt as a result of safeguards, weaker local market and high stock levels.

Long product sales decreased by 15.5% following strong competition from scrap producers in relation to manufacturers using raw materials in their production process.

Export sales increased by 66 000 tonnes (48.5%). Flat products were higher by 22 000 tonnes and long steel products by 44 000 tonnes.

“The strong international demand was unfortunately muted by the strengthening of the average rand/USD dollar exchange rate for most of the quarter, highlighting the ongoing impact the volatile exchange rate has on our financial results,” added De Klerk.

Commercial coke sales were 3 000 tonnes (6.5%) higher. The refurbishment of the coke batteries at ArcelorMittal South Africa’s Newcastle Works was completed in Q3 2017, 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 imported metallurgical coke to supplement shortfalls.

Commenting on the outlook for the fourth quarter of 2017, De Klerk said: “Local sales will continue to be under pressure due to tough trading conditions. This is mainly as a result of lower steel demand in an environment of poor economic conditions and limited investment in infrastructure development. However, demand is expected to be slightly higher in quarter four as we continue to see the impact of decreasing imports. Export sales are also expected to be higher due to better 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 are being imported into the country. “We continue to engage Government and the downstream industry on the implementation of safeguards and other initiatives to stimulate local demand,” said De Klerk.

“A sustainable solution is needed for the high increases anticipated in electricity and rail costs in South Africa, as these will significantly impact the viability of some of our plants going forward,” concluded De Klerk. The general impact of these increases on the national economy is also a concern.

Contacts:

Hennie Vermeulen

Head of Corporate Communications

ArcelorMittal South Africa

(016) 889 2352

Tracey Peterson

Aprio Strategic Communications

(on behalf of ArcelorMittal SA)

083 408 7173