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ArcelorMittal Remains Hopeful

- Today as ArcelorMittal announced its 2Q2016's quarterly earnings, the world's largest producer of steel, said improving steel prices and better volumes boosted its results in the second quarter, but remained cautious about 2016 as a whole.
- Surprisingly, the company's core profit (EBITDA) almost doubled in the second quarter compared to the same period last year to USD\$1.77 billion.
- The group grew core profit in both mining and steel production in all of the regions except for Brazil, where selling prices were down by a quarter compared to last year and the economic downturn weighed on demand.
- Despite the steel "spread" recovery losing momentum in recent weeks, the impact of lagged prices will be an important support for operating results as the company moves in to a period of seasonally slower steel demand. In this context, spread refers to the difference between the price for steel and the cost of raw materials.

2Q2016 Sales↓

- Second quarter sales saw some downward pressure y-o-y to USD\$14.74 billion from USD\$16.89 billion
- This 12.7% decline in sales was mainly attributable to lower average steel prices, lower market priced ore shipments and lower iron ore reference prices

2Q2016 Net Income↑

- Net income of USD\$1.1 billion in 2Q2016 as compared to a net loss of USD\$0.4 billion in 1Q 2016 and net income of USD\$0.2 billion in 2Q 2015

Net debt↓

- Net debt decreased to USD\$12.7 billion as of June 30, 2016, as compared to USD\$17.3 billion at March 31, 2016 mainly due to proceeds from the rights issue (USD\$3.1 billion), asset sales (USD\$1.1 billion), working capital release (USD\$0.2 billion) offset in part by USD\$0.2 billion premium on early repayment of debt

Key developments:

- Action 2020: United Steelworkers (USW) union deal has been ratified by members and ArcelorMittal USA is now progressing with a 'footprint optimization project' at its Indiana Harbor steelmaking complex in East Chicago, Indiana
- Automotive: ArcelorMittal announces its intention to further expand its portfolio of automotive steel by launching two new products in 2017, Usibor® 2000 and Ductibor® 1000
- The group kept its outlook for global apparent steel consumption to grow by up to 0.5%, though it downwardly adjusted its outlook for steel market in the United States, because of a tightening of supply resulting in lower inventories.
- Conclusively, ArcelorMittal maintained its position for its 2016 core profit to be above USD\$4.5 billion, compared to the USD\$5.2 billion achieved in 2015.



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