



ArcelorMittal

news release

ArcelorMittal Poland to review the economic viability of the reline of blast furnace no. 2 in Dabrowa Gornicza

Dąbrowa Górnicza, 2 February, 2017

ArcelorMittal Poland informs that the company has decided to review the economic viability of the reline of blast furnace no. 2 in its Dabrowa Gornicza Unit. The decision stems from the uncertainty caused by EU ETS system for NAP4, which is to be agreed mid-2017.

The blast furnace no. 2 at former Huta Katowice, currently Dabrowa Gornicza Unit of ArcelorMittal Poland, is due for an end of life repair in the second half of 2018. This means that the preparatory works for this project should start now as to allow for detailed engineering and ordering of all required components. The company, however, has decided to review the economic viability of this undertaking in view of the uncertainty of NAP4 (national allocation plan for carbon dioxide emissions, which will be in force between 2021 and 2030) under the EU ETS (Emissions Trading System), which is to be decided in mid-2017.

The current ETS proposal of the Commission will jeopardise the competitiveness of not only steel-making in Poland, but the steel industry in Europe more broadly. Due to the unrealistic benchmark set for the sector, which is technically unachievable even for the most efficient steel plants, the shortage of carbon credits will be significant. The steel industry is the only industry for which the benchmark set does not actually reflect the best-performing plant today. Additionally, the forecast price of emission rights for a tonne of CO₂ may reach as much as EUR 30. This will translate onto significantly higher production costs since on the average two tonnes of CO₂ are emitted per tonne of liquid steel.

Sanjay Samaddar, Chairman of the Board of ArcelorMittal Poland, said "Since ArcelorMittal came to Poland in 2003 we have invested in excess of PLN 6 bn in the Polish steel industry. We have transformed the business, improved its productivity and competitiveness, expanded its product base and established a high quality operation in a region of the world with good long-term steel demand growth prospects. Following the re-line of the blast furnace in Cracow

Page 1 of 3

in 2016, blast furnace number 2 in Dabrowa Gornicza will require an end of life repair during 2018. However, with the uncertainty caused by the next iteration of the ETS which will bring considerable additional cost post 2020, it is not clear at this stage whether such a significant investment can be justified economically”.

The huge modernization expenditure of ArcelorMittal Poland and the transformation of the Polish steel industry could be in vain if European steel producers have to pay an additional cost that other steel companies, producing elsewhere, but selling into Europe, do not have to pay. It would be a great shame if Poland’s steel demand cannot be met by its own steel capacity, but the new ETS terms will give a competitive advantage to steel companies operating outside Europe which, in an environment of overcapacity and low margins, is likely to render parts of the European steel industry uncompetitive, including here in Poland.

“If the new EU ETS proposal is accepted in its current form, which we truly hope will not finally be the case, the initial calculations that we have carried out show that a two-furnace operation in Dabrowa Gornicza may not be economically viable. We understand the importance of transitioning to a low carbon economy and we want to contribute – however, any legislation should take into account the realities of global steel industry trade and not hand an unfair competitive advantage to competitors from overseas. We hope that ultimately the final legislation will be amended to better protect European industry, but until there is certainty on that we must be prudent and review the planned relines investment of blast furnace no. 2, as well as other investment projects in the unit and at the plant in Zdzeszowice, which supplies coke to Dabrowa Gornicza. As part of this review we will carry out detailed studies to fully analyse the profitability and sustainability of potential footprint scenarios of our plants in Dabrowa Gornicza and Zdzeszowice in the NAP4 period”, added Sanjay Samaddar.

Blast furnace is a piece of equipment, in which hot metal is made from iron ore with the use of coke as fuel. Hot metal and scrap are then used at the steel shop to make steel. Blast furnaces need to be relined periodically due to their normal wear and tear. The cost of relines is significant, and hence such decisions need to be economically viable and sustainable during the lifetime of the repaired furnace.

Since completion of the privatization process of Polskie Huty Stali in 2004, ArcelorMittal Poland has invested in its operations over PLN 6 bn, modernizing practically each stage of steel-making, both in the liquid and processing phase. As a result of this, the company’s plants are well positioned to cater to the growing steel demand in Poland. Krakow is now home to Europe’s most modern hot strip mill and Dabrowa Gornicza is one of only a few steel plants worldwide able to produce 120-m long rail. Only recently the company has completed an investment programme at its Krakow unit. The value of projects, including the re-line of the only blast furnace, has exceeded PLN 500 m. ArcelorMittal Poland’s investments have also translated onto reduction of its environmental footprint – dust emissions have gone down by 30 per cent and CO2 emissions by 25 per cent. The company’s focus now are investments aimed at adjusting its installations to the stringent requirements of the EU’s Industrial Emissions Directive, which come into force in 2018. The estimated value of these projects is in

the region of PLN 1 bn. Some of them have already been completed, such as modernization of the dedusting system of the blast furnace in Krakow and the by-products department in Zdzeszowice.

Contact / additional information:

Sylwia Winiarek, spokesperson, ArcelorMittal Poland

tel. +48 32 776 76 30

e-mail: sylwia.winiarek@arcelormittal.com

About ArcelorMittal Poland

ArcelorMittal Poland is the biggest steel producer on the Polish market with about 70% of production capacity of the Polish steel industry. The company consists of five steel plants located in Krakow, Dabrowa Gornicza, Sosnowiec, Swietochlowice and Chorzow. It also owns the largest coke plant in Europe – ZK Zdzeszowice. ArcelorMittal Poland employs over 11,000 people and over 14,000 if subsidiaries are taken into account. The company produces a wide range of long, flat, special and semi products for construction, transport and white goods industries.

The company has transformed Polish steelmaking. It has invested PLN 6 bn in modernizing every stage of the production process. Thanks to increasing H&S standards, the company has reduced its accident frequency rate by more than 90 percent. It has decreased the CO2 emissions by 25 percent, thanks to which it has become more environmentally friendly. The company is 1 of 3 companies worldwide able to produce 120 meter rails.

ArcelorMittal Poland is consistently engaged in supporting local communities by carrying out educational, health and safety programmes. The company has invested over PLN 16 m in these projects.

For more information visit poland.arcelormittal.com

About ArcelorMittal

ArcelorMittal is the world's leading steel and mining company, with a presence in 60 countries and an industrial footprint in 19 countries. Guided by a philosophy to produce safe, sustainable steel, we are the leading supplier of quality steel in the major global steel markets including automotive, construction, household appliances and packaging, with world-class research and development and outstanding distribution networks.

Through our core values of sustainability, quality and leadership, we operate responsibly with respect to the health, safety and wellbeing of our employees, contractors and the communities in which we operate.

For us, steel is the fabric of life, as it is at the heart of the modern world from railways to cars and washing machines. We are actively researching and producing steel-based technologies and solutions that make many of the products and components people use in their everyday lives more energy efficient.

We are one of the world's five largest producers of iron ore and metallurgical coal and our mining business is an essential part of our growth strategy. With a geographically diversified portfolio of iron ore and coal assets, we are strategically positioned to serve our network of steel plants and the external global market. While our steel operations are important customers, our supply to the external market is increasing as we grow.

In 2015, ArcelorMittal had revenues of US\$63.6 billion and crude steel production of 92.5 million tonnes, while own iron ore production reached 62.8 million tonnes.

ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

For more information about ArcelorMittal please visit: <http://corporate.arcelormittal.com/>