

**Mr Lakshmi Mittal, chairman and CEO ArcelorMittal**

**Speech delivered at Steel Success Strategies XXIX**

**New York, 17 June 2014**

Good morning everyone. I am delighted to be here with all of you today. I missed last year's event, so it's good to be back.

Today I want to speak to you about two main points: one about the material and the second about the general economic health.

I have come to New York straight from China, where on Sunday ArcelorMittal celebrated the inauguration of our newest steel plant, called VAMA.

VAMA is a US\$800m joint venture between ArcelorMittal and our partner Hunan Valin Iron & Steel Company. It is located around 1,000 kilometres west of Shanghai in the town of Loudi. It has taken two years to build. And it's going to create 600 high-skilled jobs, with plans to create more as production increases.

We are very excited about this new plant; because for the first time ArcelorMittal will be producing high-strength automotive steel in China, the world's largest and fastest growing automotive market.

Our customers will be global brands – such as Volkswagen, GM, Ford, PSA, Daimler-Benz, Toyota, Honda, Renault, Fiat and Nissan – as well as leading domestic manufacturers.

These customers have encouraged us to enter this market. They are excited about our new presence because it addresses the two main concerns of the automotive segment today.

The first is the geographic shift to the developing economies. The global automotive market is expected to grow by 33 million cars between 2007 and 2020. 32 million of these cars are coming from developing economies, with the biggest growth in China. The second is being able to meet new fuel efficiency legislation. Carmakers need to reduce the weight of their vehicles in order to meet future regulations. In Europe the target is 95 grams of CO<sub>2</sub> per kilometre by 2021; and for NAFTA the target is 54.5 miles per gallon fuel efficiency by 2025, in 2 phases. The solution for both is essentially the same: To deliver a twenty five percent reduction in the weight of structural components and closures, in other words the body-in-white. The total weight of these parts typically ranges from 600 kilograms to 800 kilograms. So that means we need to lighten them by 120 – 160 kilograms. VAMA is the perfect example of ArcelorMittal's ability to do both.

Regarding the geographic shift to developing economies, we are making strategic investments to support our customers' requirements. This is vital because generally speaking the auto sector operates global platforms. This means they will increasingly make cars exactly the same way in China as they do in the United States. Being able to work with the same supplier in different markets is therefore clearly an advantage as they are guaranteed exactly the same product produced to exactly the same quality standards. It was an important part of the logic behind the creation of ArcelorMittal and also an example of how the era of consolidation has created unique benefits for the era of innovation. In other words, the merger gave us the global position from which today we are able to provide our global customers with the innovation they require and which we have developed as a result of our size and scale.

VAMA is the most recent example in the fastest growing market; but there are others. In Brazil we have invested in the production of advanced high strength steel at our Vega do Sul plant. And one of the reasons we were so delighted to acquire the Calvert facility in Alabama - where we are ramping up to full capacity - is because it is located near Mexico, which has a fast growing automobile market. Turning to fuel efficiency, I want to make two points. First, it is true the steel industry is constantly in a state of technological revolution. Our steels for the automotive sector are a perfect example. I don't want to get too technical, but essentially steel's strength has multiplied by ten times over the past twenty years from 170 to 1700 megapascals. These are phenomenal changes. And we don't know where the limit is in terms of product development. Every day we open up new frontiers and do things which yesterday didn't seem possible.

Second, and most importantly, I want to stress that steel can provide all the weight reduction that auto producers require to satisfy the new fuel efficiency standards; for all types of vehicle. That may come as a surprise to some of you. I know other materials talk about 30 or 40% lighter than steel, but that's only accurate if you are using the steel of 2005 as a comparison. Today we are working with completely different steels, which are the results of hundreds of millions of dollars of investment. This includes our S-in-motion range of products. S-in-motion is a collection of over 60 different advanced and ultra high strength steels that can collectively take the weight out. These include both cold stamped and press hardened steels like Usibor. Usibor is really ground-breaking technology. When parts require the highest strength, Usibor provides the lightest solution of any materials. A great example is the award-winning laser-welded, hot-stamped door ring co-engineered with Honda for its new Acura MDX. Not only did it achieve a four kilogram reduction in weight, but also the highest available collision safety rating from the Insurance Institute for Highway Safety.

In Europe, which had a two year head start over NAFTA as the targets were introduced two years earlier, 15% of all vehicles are already compliant with 2020 emission targets. Not only have the European carmakers had more time to get comfortable that steel can meet all their requirements, but they have also reversed some decisions in terms of the use of alternative materials. The most powerful evidence of this is from the automakers directly. The head of materials research and manufacturing from Volkswagen probably put it best – at least from our perspective - when he said: “We are using high strength steels in increasing amounts. It is a very cost effective way of reducing weight. Using new innovations in steel engineering.....it is possible to reduce weight without the use for more costly materials”.

So there is a lot of noise around that is obstructing the most critical fact: namely that steel can already achieve the required weight reductions. And we can do it in a more cost effective and environmentally friendly manner than any other material.

The second point I want to refer to in steel's favour is cost. There isn't much to say here except steel is more cost effective – and just as safe - than other materials.

The third element in steel's favour is sustainability and this needs a little more elaboration. One crucial aspect of steel which is often forgotten is its performance over the entire life cycle – as well as its importance in the creation of more sustainable products. Today, people are not incentivised to look at the carbon footprint of a product over its entire life cycle. But they should be, because this is one important way we can make bigger steps towards an overall more sustainable environment. If I'm a car company today, what matters is that I can make my emission targets. And that's good and needs to be done. But what would be even better – even more socially responsible, more visionary and more sustainable - is if we can make them in a way that is the most efficient over the life cycle from the production of the materials to the end of the car's life. And this is where again there is a benefit with steel. Not only does steel produce less CO<sub>2</sub> than other alternative materials, but it is also the only material which is 100% recyclable with no diminution in properties.

So, to conclude on this topic, we understand there is a challenge from other materials. And we accept that we live in a multi-materials world where the intersection of regulatory incentives and market competition ensures that the bar continually goes up. But no one should doubt that steel remains the material of choice. It is also important for people to understand that:

- We are confident that we are developing the required steels to help our customers achieve their fuel emission reduction targets for all types of vehicles
- There are some parts of the vehicle, notably where strength is the priority, where steel is the lightest of all materials
- We have the most cost effective and environmentally friendly solution
- And – crucially - we expect ArcelorMittal's auto steel business to grow as our customers increasingly value technical capabilities and a global footprint

Part of this growth is due to the global economy, whose prospects have thankfully improved since the last time I spoke here in June 2012.

At that time the world was facing its most serious economic challenges since the onset of the crisis. The focus was on Europe. It was a time of great uncertainty and what-if's, resulting in a paralysed business environment and frozen investment decisions. The situation in Europe was of concern to everyone, including here in the US, which was in a comparatively stronger position. And the emerging markets, where many had pinned their hopes to keep the global growth engine running, were also beginning to falter.

Fast forward two years and we are all relieved the picture is a more pleasant one, particularly in the developed markets.

Today Europe is more stable, and we are beginning to see a return to growth. Some structural problems remain but I believe the governments recognise the measures that must be implemented. Overall therefore we are confident that the corner has been turned and are cautiously optimistic. In the US underlying growth is strong and this is reflected in numerous different indicators. The economy has consistently generated an additional two hundred thousand jobs a month, consumer spending remains strong, increasing at a 3.1% annual rate,. Purchasing managers indices continue to improve; and light vehicle sales in May were the highest for over seven years at 16.7 million.

In fact the key difference between now and two years ago is that the developed markets are on a much stronger footing. 2014 is expected to be the strongest year for the OECD since 2010. This is certainly positive for ArcelorMittal as two thirds of our shipments are in the developed world.

There is however a slightly different story in the developing economies. Two years ago these markets were also starting to slow, due – it was assumed - to the knock-on effect from the developed markets. However it has become apparent that whilst growth in many of these markets remains above that of their developed world counterparts, there are some major structural issues which need to be addressed. India is a good example that has recently been in the spotlight due to its election. Two years ago, the forecast for growth in India was around 7%. This was lower than the 8% they had been delivering, but still pretty impressive by many standards. Today we are looking at growth rates closer to 5 - 6%. To put this in context the latest 5 year plan calls for 8% GDP growth in order to reduce poverty by 10%.

The new Indian Prime Minister has promised “less government, more governance.” I feel more confident that he is able to deliver on this promise. It is what India needs if it is to realise its potential of being one of the world’s economic powerhouses. The same is true of other major developing economies, such as Russia and Brazil, currently in the spotlight on account of the world cup, which has attracted controversy as well as excitement. Structural problems due to low levels of investment continue to hold back growth in Brazil. Its growth model, centred too much on boosting consumption in the presence of supply constraints, is unsustainable. It will be important for new measures to be implemented that address the structural problems and return the country to a stronger level of growth.

In Russia, the high reliance on energy exports is a long term risk and the country needs to diversify into other sectors. GDP growth was already slowing even before the Ukraine crisis at only 1.3% in 2013. China, as is often the case, has its own unique dynamics. In fact the situation today in China is not dissimilar to the one in 2012, where growth was slowing slightly. The difference is whilst China is unlikely to let growth slip below 7% and will continue to inject small amounts of stimulus as required, we are unlikely to see the size of stimulus we did in 2012. This may mean having to accept a lower level of growth, but it also means there is less risk of a hard landing. This will impact steel demand. This year we are forecasting steel growth of around 3% in China, compared with 7% in 2013. The clear risk is that overcapacity in China is threatening higher imports to Europe and the US. Whilst we believe China recognises the need to deal with what is likely to be a long-term overcapacity issue, it is also important

that the overflow to other markets enters on a fair basis. In this regard we support the modernisation of Trade Defence Instruments proposed by the European Commission.

One opportunity that presents itself to support further growth in many countries is infrastructure investment. Many developing economies, with Brazil, Russia and India as examples already mentioned, are held back by poor infrastructure. This makes the cost of managing logistical challenges too expensive to support business investment. But the problem is not limited to developing economies. Here in the United States the infrastructure is also in serious need of catch up investment. Last year, the American Society of Civil Engineers rated overall US infrastructure a D+. And inland waterways got a D. The ASCE estimates that the US would need to spend around US\$450 billion a year to get to a B rating by 2020. That's more than double what is currently planned. I am aware that I say this at a time when shrinking the budget deficits remains a priority for many countries. As indeed it should. But it is important to invest for the future. And when interest rates are so low, it makes sense to take advantage and address urgent infrastructure requirements that support growth.

This would also further boost manufacturing, which has a critical role to play in economic growth. In all economies, manufacturing remains a major employer and a real driver of innovation. Last November, we had the privilege of welcoming the President of the United States to our facility in Cleveland. In his address, the President said that 'manufacturing is the hub of our economy. When the manufacturing base is strong, the entire economy is strong'. It was great to hear him say this. And of course I agree. Equally in Europe, I am delighted that the EU parliament has set a target for manufacturing to represent 20% of its GDP by 2020. This compares with around 16% today. Where governments must be careful however is to recognise how some of their decisions could have a negative impact on the competitiveness of manufacturing.

We are now less than two years from COP 2015 in Paris. The aim is to agree a global solution to reduce CO2 emissions. I agree that any effective environmental program ultimately needs to be global. Otherwise there is a real risk that energy intensive industries will no longer be competitive in certain economies. And that they will be pushed towards those countries with looser legislation and in all probability less efficient and therefore less environmentally friendly operations. Our unmatched lifecycle footprint and the application of the product mean that steel is critical to the transition to a low carbon world. According to the Boston Consulting Group, steel has a positive CO2 emission savings ratio of six to one. That means for every ton of CO2 produced during the steel making process, six tons of CO2 were saved through the application of the product. Looking at eight applications alone, the net CO2 savings are approximately 350 million tons of CO2 per year.

But in order for us to play this role, governments must recognise the importance of competitiveness in their policy calculations. We believe Brussels needs to take the opportunity to close the huge gap that is threatening Europe's energy-intensive industries. They need to address the over regulation that will harm the competitiveness of European manufacturing. To give some context, if we paid US energy prices at our European facilities, our costs would drop by more than one billion dollars. Instead, given the current policy environment, this disadvantage is only likely to increase more. All we request is a fair and level playing field, which allows local producers to compete under the same conditions in domestic and international markets.

These are not just academic concerns. Political decisions have been made and are being made – particularly in Europe – that penalise an ultimately more environmentally friendly product like steel. Our standard of living and the aspirations of billions of people depend on sound policies that promote sustainable manufacturing. Policies that instead penalize the most energy efficient producers and shift production to regions with lower performance and standards are misguided and counterproductive. That's why the European steel industry is now looking at developing an industry standard for the construction industry called SUSTSTEEL: the Sustainability for Steel Construction Products. This is still under development, but would essentially be based on a number of KPIs on areas including social responsibility, social compliance and health and safety.

Safety of course must be the number one priority; it certainly is at ArcelorMittal. In fact it has been our priority since the creation of the company in 2006. And we have come a long way. In 2013 our lost time injury rate was 0.85 which is our best performance to date. This is better than the industry average which according to the world steel association was 1.4 in 2012. Of course being better than average is not enough. We are focussed on driving further improvement, with the main focus being on the complete eradication of fatalities. Both ArcelorMittal and the industry more generally have more progress to make. Within ArcelorMittal we have some exemplary plants which have never had a fatality or even in a few instances a lost time injury. Other companies will have the same. The challenge is to extend these results to a whole company and ultimately the entire industry. That has to be the aspiration and we have to believe it is possible.

Let me conclude. The steel industry has been through a tough time, but at ArcelorMittal we have adapted our business and learned from that experience. The good news is that the global economy is in a stronger place than it was in 2012, particularly in the developed world. We live in a competitive world, with increasing pressure on business to be part of the solution to the major mega-trends that shape the global environment. I firmly believe that steel has the potential to be part of that solution, as fundamentally the product we make remains vital to the infrastructure of the modern world. And although challengers to that product exist, I also believe that steel remains the best solution based on a number of criteria, including sustainability. That's why I am confident steel will be not only the fabric of life, as we say at ArcelorMittal, but also the fabric of the future.

Thank you very much.