

TATA STEEL



2019 BSPS Consultative Meeting Tata Steel UK Update

Colin Harvey
Group Finance Controller
Tata Steel Europe



Agenda

1

Health & Safety

2

Recent strategic developments

3

Tata Steel UK trading update

4

Other issues

Health & Safety



TATA STEEL

- On 26 April 2019 there was a spillage of liquid iron at the Port Talbot site resulting in an explosion. Some relatively minor injuries were suffered by 2 employees. However, due to prompt actions taken by TSE employees the impact of this incident was minimised.
- On 5 September 2019 a contractor was fatally injured whilst working at the Eglwys Nunydd Reservoir next to the Port Talbot works.
- On 25 September 2019 a contractor was fatally injured whilst working in the mills area in the Port Talbot works.
- Internal investigations were launched immediately for each incident.

Agenda

1

Health & Safety

2

Recent strategic developments

3

Tata Steel UK trading update

4

Other issues

Recent strategic developments



TATA STEEL

- 19 January 2019 – life extension of Blast Furnace 5 at Port Talbot completed.
- 11 June 2019 - the anticipated refusal for merger control approval for the tkTS joint venture was confirmed by the European Commission.
- 11 June 2019 – ‘European Transformation Programme’ launched by Tata Steel Europe.
- 1 July 2019 – Firsteel business divested to William King Ltd.
- 2 September 2019 – restructuring of electrical steels business announced: divest Cogent Power Inc (Canada); retain Surahammar Bruks (Sweden); close Orb Works (UK) subject to consultation.
- 2 September 2019 – closure of the Wolverhampton Engineering Steels Service Centre announced subject to consultation.

Agenda

1

Health & Safety

2

Recent strategic developments

3

Tata Steel UK trading update

4

Other issues

Tata Steel UK

FY19 Income Statement

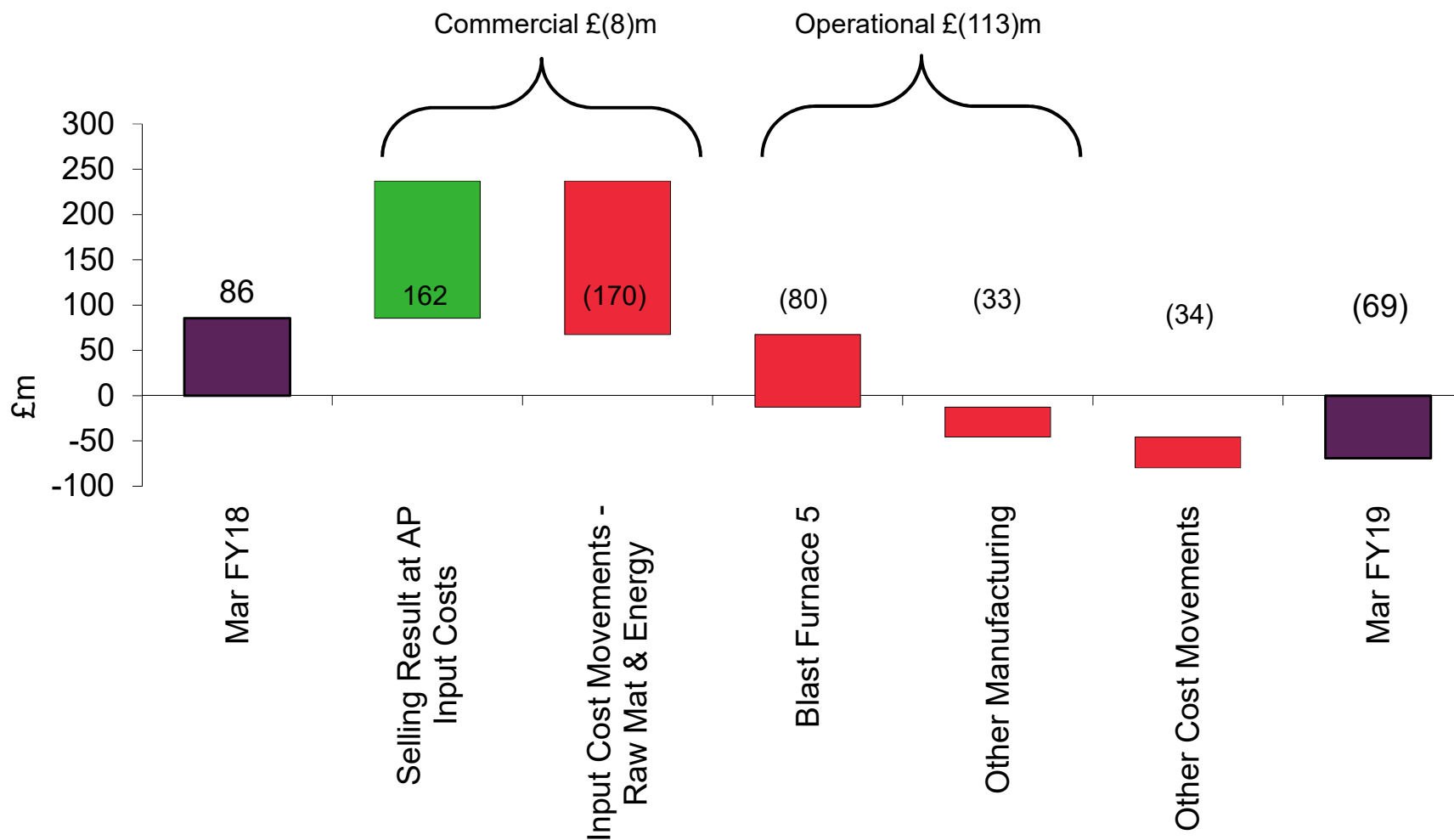


£m	FY19	FY18
Liquid steel production - continuing operations (mt)	3.2	3.6
Revenue	2,407	2,384
Operating costs	(2,476)	(2,298)
Operating result before exceptional items	(69)	86
Exceptional pension items	(4)	1,640
Restructuring and impairment charges	(23)	(41)
Other exceptional items	(65)	(93)
Operating result after exceptional items	(161)	1,592
Net financing charges	(214)	(174)
Result before taxation	(375)	1,418
Taxation	(10)	(42)
Result after taxation from continuing operations	(385)	1,376
Result after taxation from discontinued operations	-	8
Result after taxation	(385)	1,384

Operating loss in FY19 due mainly to Blast Furnace 5 outage

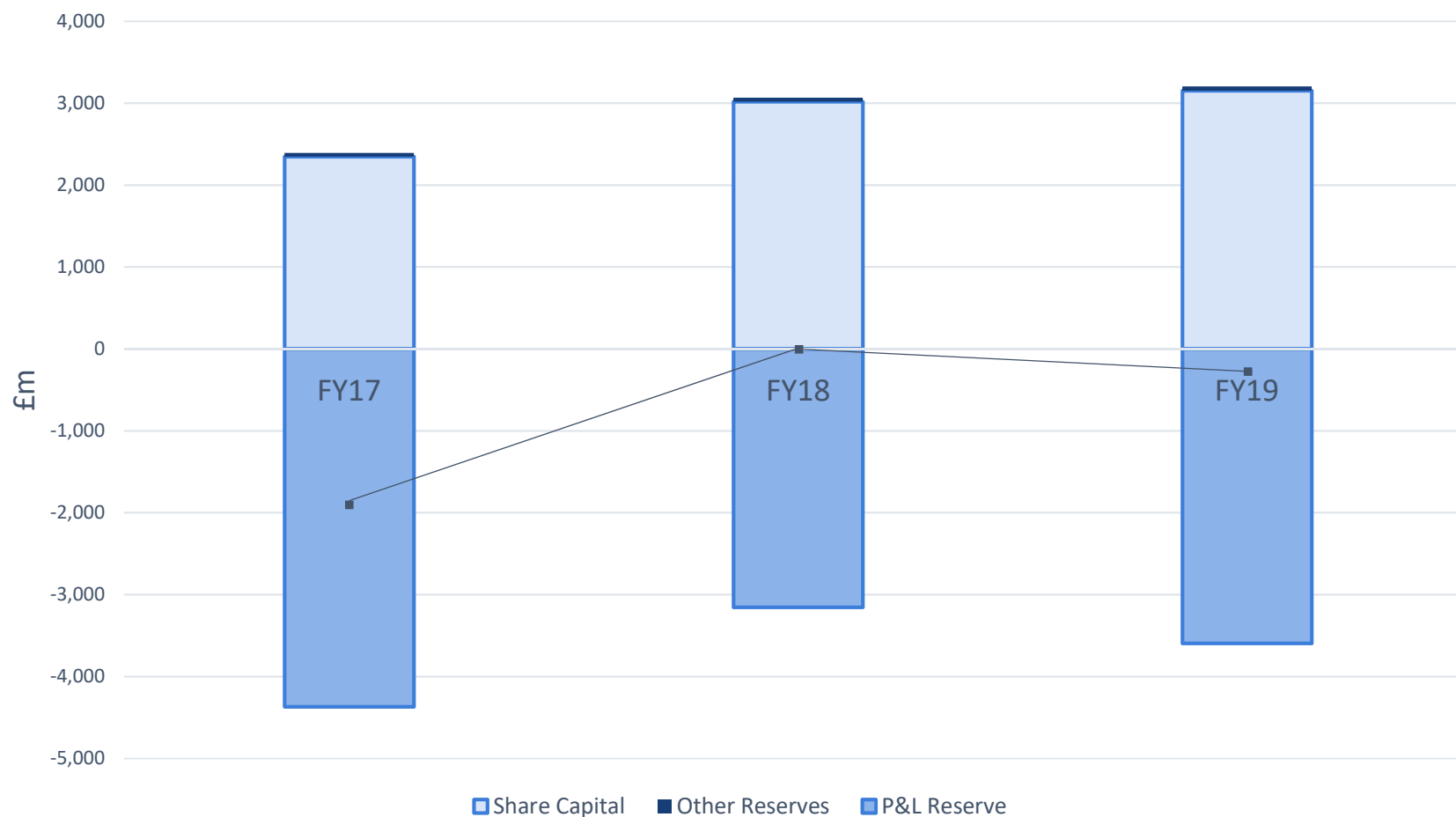


TSUK Operating Result (before Exceptional Items) Operating Bridge FY19 v FY18





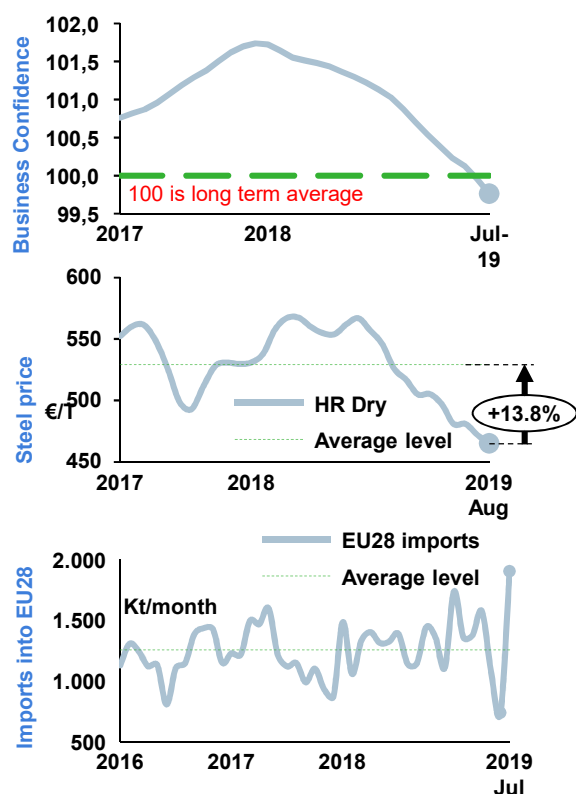
TSUK Balance sheet at 31 March



TSUK March 2019 accounts signed off on a going concern basis

EU Steel Market Outlook

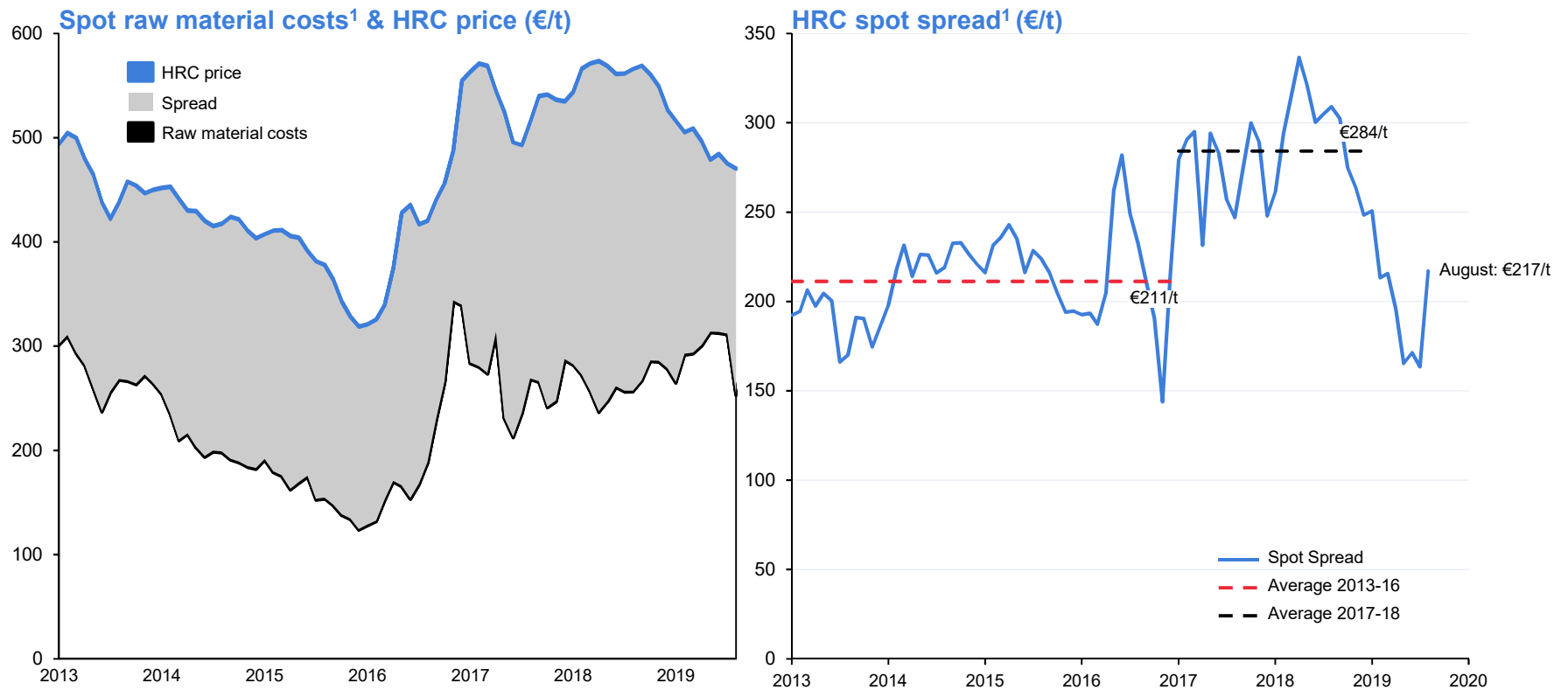
Key macro / lead indicators



What to expect – opportunities / threats

- Business confidence across all major economies remains weak (deadlocked Brexit negotiations, escalated US China trade war, etc.).
- EU steel demand has weakened significantly:
 - Heavy fall year-to-date in UK automotive output.
 - Construction UK: commercial projects being postponed due to Brexit uncertainties.
 - Engineering UK: accelerated contraction in new engineering activity.
- Sharp increase in EU28 strip imports post commencement of new quotas in July.
- Temporary production cuts announced by EU steel producers (e.g. c.4.5mtpa by ArcelorMittal).
- Steel coil prices expected to continue to face downward pressure.

EU steel market spread



1. Usage per tonne of HRC: 1.6t iron ore (fines 65%, China spot, R'dam) + 0.7t (prem. hard coking coal, Australia spot, R'dam) + 0.1t scrap (HMS, R'dam)
 Source: Platts, AXS Marine

Agenda

1

Health & Safety

2

Recent strategic developments

3

Tata Steel UK trading update

4

Other issues

European Transformation Programme

Why a transformation programme?

- TSE has responded to the worsening steel market conditions and the negative outcome of the JV process by launching a new European Transformation Programme.
- Purpose - to ensure the company will deliver on its Annual Plan targets and be able to stand on its own feet without funding support from the parent company.
- Aims to increase the use of working capital in the business and identify smart ways to save costs by strengthening and accelerating existing programmes, such as *Delivering our Future* in the UK.
- Supported by expert party Alvarez & Marsal (A&M) who are experienced specialists in delivering powerful transformations.
- Scope covers the whole of TSE, including all management, functional and shared services across all locations.

BREXIT update



- The UK political scene remains volatile.
- The PM has until 19 October to agree a Deal with the EU or, as it stands, will be required by law to request an extension to Article 50.
- Whilst the probability of a ‘No Deal’ has reduced it remains a real option and therefore is the continued focus of our planning.
- The impact of tariffs arising from EU safeguards remains the most significant immediate threat for Nov/Dec and work is underway to reschedule business to deliver early to avoid this.
- Work is ongoing with our customers to identify any further issues.

Other developments



TATA STEEL

- Changes to the TSE Executive Committee: Henrik Adam replaced Hans Fischer as CEO on 1 July 2019 and Sandip Biswas (TSL Group Executive Vice President Finance) will replace NK Misra from 1 January 2020.
- Andrew Robb retired as TSE Chairman on 31 August 2019. TSL has nominated TV Narendran, CEO and Managing Director of TSL, to succeed Andrew Robb as TSE Chairman.
- TSE's existing Senior Facilities Agreement matures in 2020. The refinancing is likely to be accelerated into H2 2019.