

The auction. Mise (Ministry of Economic Development) indications accepted

Am Investco and Ilva sign the sale and lease agreement

COURSE AND TARGETS The Integrated Environmental Authorisation (AIA) by the end of September; union agreement and go-ahead from the Antitrust authority needed to complete the sale; EBITDA positive from 2018

By Matteo Meneghello

Am Investco Italy has signed the document which, after the award, establishes another step forward towards the closing of the acquisition of Ilva assets. The consortium led by ArcelorMittal with the participation of Marcegaglia (Intesa SanPaolo will be joining them before final closing) reached an agreement yesterday (to be formalised on 30 June) on the lease agreement with obligation to purchase the company complexes of the Taranto group. Now there are just some steps left linked to agreement with the unions and definition of the new AIA, but, above all, approval from the European Antitrust authority. The sole negotiation stage between the extraordinary commissioners and Am is now over. The start of the two-year lease period (with annual fees of 180 million) is foreseen for year-end. At the end of the two-year period the assets will be sold and the purchase price, 1.8 billion, will be paid. The goal of ArcelorMittal top management, estimating 310 million in synergies through the integration, is to bring the Ilva EBITDA back to positive levels in the first year. Assets will be transferred to Am Investco free of all long-term liabilities and financial debts, and include 1 billion of net working capital.

The commissioners underline that the agreement satisfies all the priority indications in the Mise decree of 5 June. Amongst these, employment level requests were accepted, constituted by at least 10 thousand units for the plan duration (but we cannot exclude that the union agreement might increase that level). A commitment to reduce times for primary ore stockyards coverage was also reached as was the commitment to search for solutions with less environmental impact (also assessing use of DRI), develop a research centre in Taranto, define contractual clauses that guarantee full execution of commitments, also considering possible antitrust limits.

The consortium plans investments for 2.4 billion (2.1 net of the Riva group contribution) over a seven-year period: 1.3 for the industrial plan and 1.1 for the environment. Am intends to progressively increase shipments of finished steel,

reaching 9.5 million tons by the end of 2023. The production of crude steel – the company explains in a note – will be limited to 6 million tons per annum until compliance with the AIA has been reached. Once that target has been reached, the consortium undertakes to reactivate blast furnace 5 and take the production of crude steel up to 8 million tons per annum, integrating it with imports of slabs and flat hot-rolled products, maximising use of finishing plants.

«We want to make Ilva a point of reference for modern, integrated steel production – said Lakshmi Mittal, group chairman –. We have the capital, technology, commercial relations and managerial capacity to guarantee a positive transformation». He was echoed by his son, Aditya Mittal, CEO of ArcelorMittalEurope. In his opinion, «there is no reason why the Ilva long-term performance cannot be aligned with that of our European plants». Antonio Marcegaglia, CEO of the group of the same name, said he was certain Am has «all the qualities needed to reorganise Ilva, providing a positive contribution to the Italian economy and territories in which the company operates».

“With the agreement signed - said the extraordinary commissioners Piero Gnudi, Enrico Laghi and Corrado Carrubba - Ilva can count on a solid ownership that has undertaken to make important technical investments, to protect employment and implement an environmental recovery plan.