



ArcelorMittal

Financial Results

For the year ended 31 December 2020



Disclaimer

Forward-looking statements

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AGENDA



Overview

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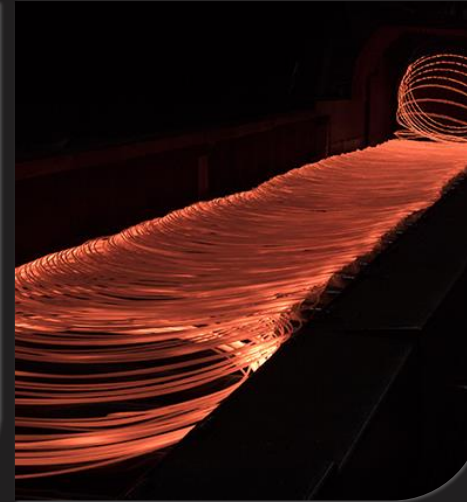
Operations and Market
Review

Kobus Verster



Financial Review and
Capital Allocation

Desmond Maharaj



Sustainability and Growth

Kobus Verster



Conclusion and Outlook

Kobus Verster



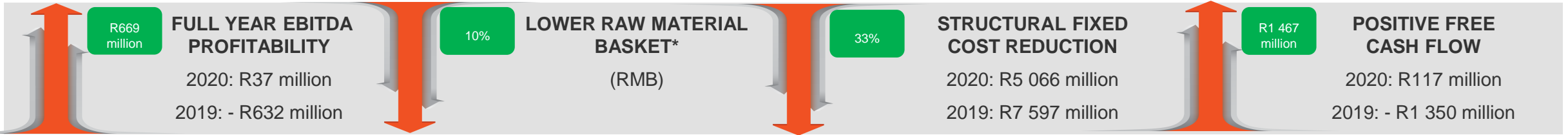
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Key messages and salient feature

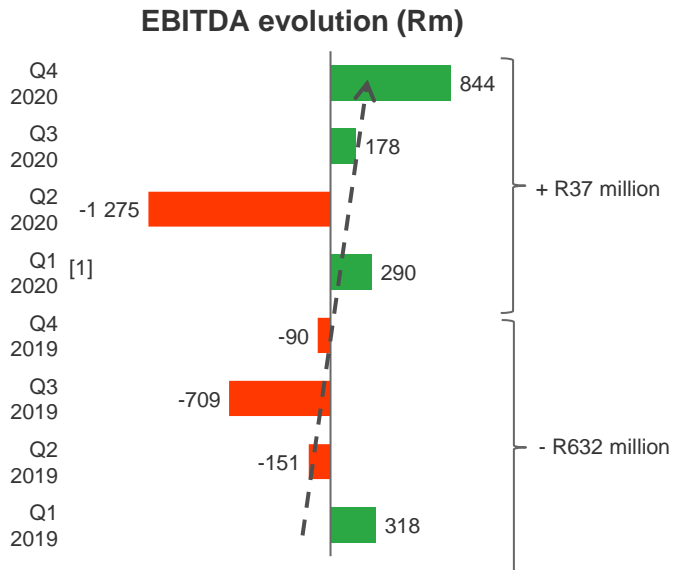
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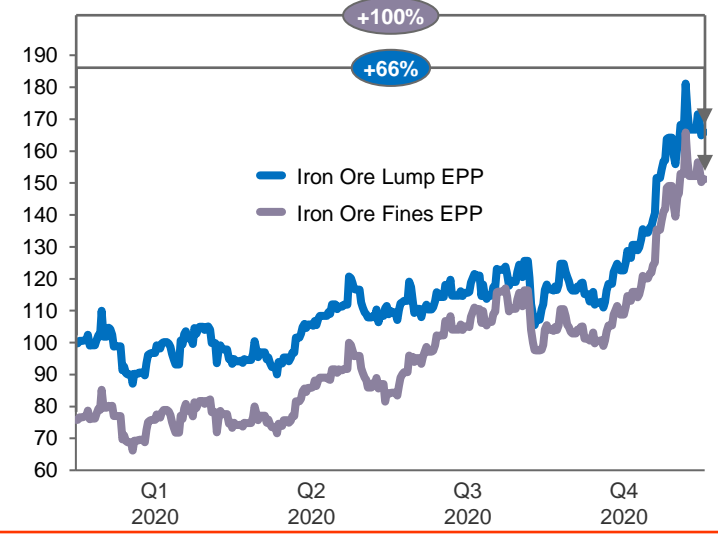
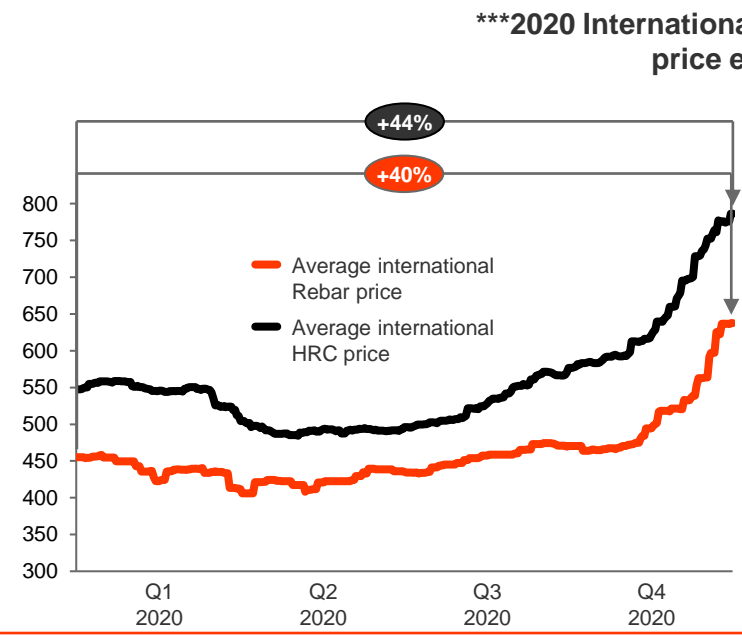
Overview and salient features



- Exceptionally difficult year though highly transformative with constructive learnings
- Business Transformation Programme (BTP) improvements of R1,5 billion (2019: R1,5 billion)
- Sales volumes reduced by 47% to 2,2 million tonnes (37% excluding Saldanha Works)
- Average international dollar steel prices decreased by 4%***, though with robust increases in Q4 2020
- Realised a 6% increase in rand steel prices



[1] Q1 2020 restated to add back net realisable value adjustments of inventory of R271 million



* ArcelorMittal South Africa's raw material basket in rand terms
 ** Source: CRU index
 *** Source: ArcelorMittal
 *** HRC: Hot Rolled Coil. Average domestic price between N. Europe, Japan, Midwest, China, Turkey, India and Russia
 *** Rebar: Average price between China FOB and Turkey FOB

Safety

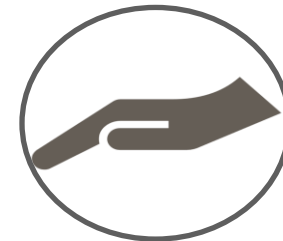
- Safety remains number one priority
- Adopted proactive response to the pandemic
 - Employee communication campaign
 - World Health Organisation (WHO) and the South African Government guidelines implemented - strict hygiene and PPE practices; remote working becoming the norm
- Gratefully acknowledges support of AMSA's employees
- Despite firm intention to achieve zero fatalities and injuries, regrettably one fatal incident at Newcastle Works on 13 November 2020



Total number of injuries: 185
(2019: 267)



*Lost-time injury frequency rate (LTIFR): 0.58
(2019: 0.44)



*Total injury frequency rate (TIFR): 7.21
(2019: 6.57)



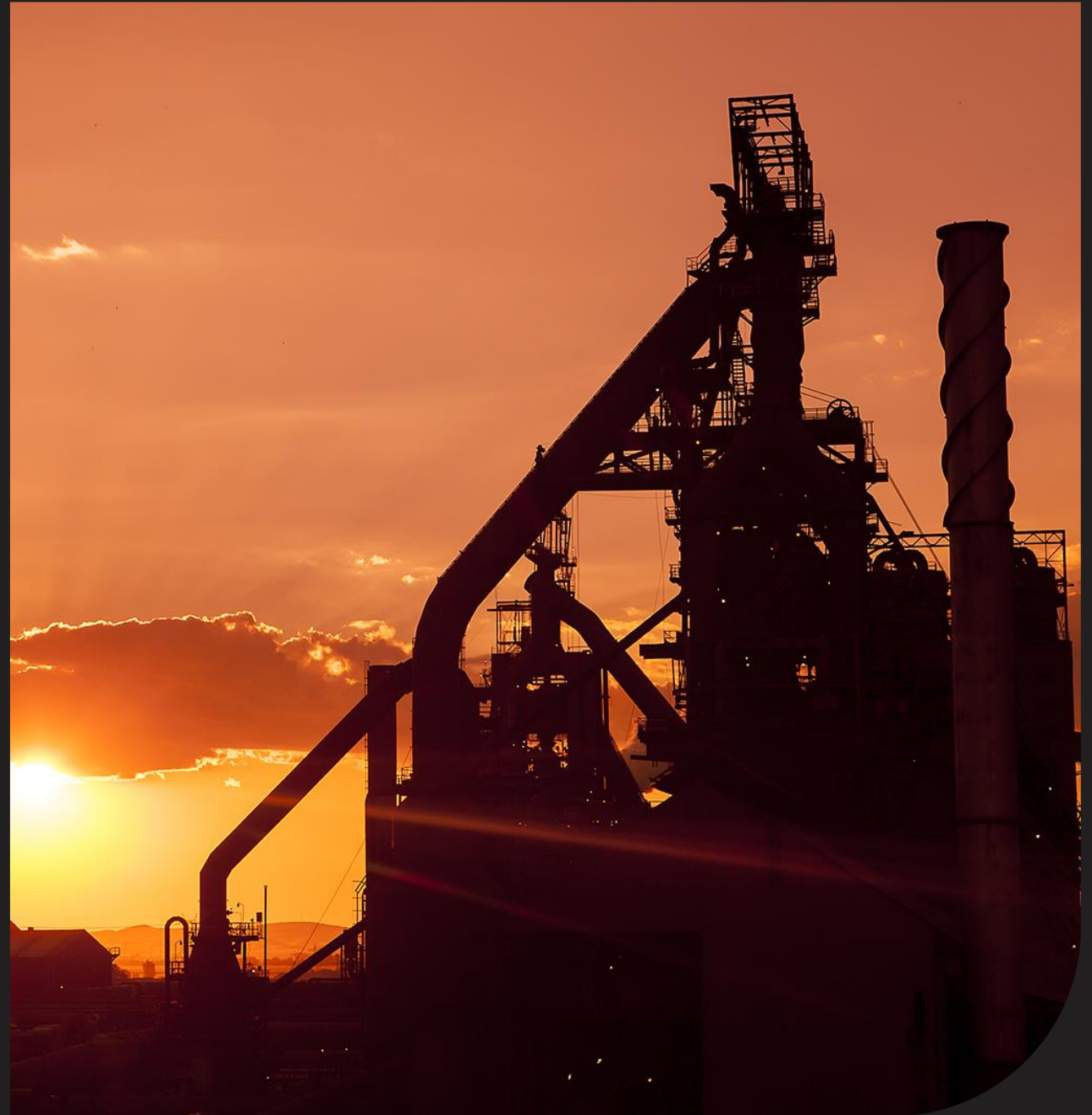
If we all work together, we will beat this virus

"Proud of our people
Looking forward together"



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Market and operational review
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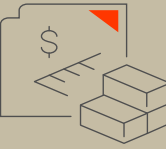


Managing through the pandemic

- Rapid response
 - Adapting operations to keep employees and service providers safe
 - Fundamentally resizing cost structure in response to lower volumes
- International
 - Unexpected bounce in near-term steel demand in H2 2020
 - Supply chain restoration proved complex
 - Rising steel prices due to
 - Steel supply shortage
 - Iron ore prices at a 9-year high
 - Aggressive increases in scrap and other raw material prices
- South Africa and the regional economy
 - Significant changes in anticipated steel demand
 - Mixed views on the sustainability of demand
- ArcelorMittal South Africa's reaction
 - Flat steel supply
 - Restart the second Blast Furnace at Vanderbijlpark Works in December 2020 (earlier than planned)
 - Third Basic Oxygen Furnace, and Direct Reduced Iron plant started
 - Long steel supply: Vereeniging electric arc furnace to continue operations
 - Accelerated implementation of strategic initiatives to achieve long-term sustainability
 - Asset Footprint review
 - Saldanha Works remains under care and maintenance until a sustainable input cost solution can be developed
 - Alternative value adding and job creation alternatives under consideration:
 - Back-of-port logistics hub
 - Enabling of a prospective Gas-to-Power project
 - Variabilisation of fixed cost continues as a key focus
 - All fixed cost elements targeted
 - Accelerated implementation of new *OneOrganisation* operating model
 - Large-scale labour reorganisation completed in December 2020 / January 2021
 - Cash management and cost control measures, implemented during the months of hard lockdown, to continue

Together
we are adapting,
exploring and evolving
EmbracingNewWays

Steel environment - Global



PRODUCTION

- Global crude steel production flat against 2019 at 1,8 billion tonnes
- China's crude steel production increased to 1,1 billion tonnes; market share up from 54% to 58%
- Since Q2 2020 China exceeded its 2019 monthly crude steel output, due to infrastructure-focused stimulus package
- Europe's* crude steel output declined by 9% to 172 million tonnes while North America fell by 16% to 101 million tonnes
- Turkey and Russia managed to increase production by 6% and 2%
- India's production fell by 11% to 100 million tonnes
- Africa's output decreased by 10% to 13 million tonnes due to lower production in South Africa and Egypt
- Fair trade practices:
 - Continued imposition of market protection measures to prevent excessive imports specifically from Asia
 - Experts suggest the pandemic led to increased levels of protectionism within domestic markets

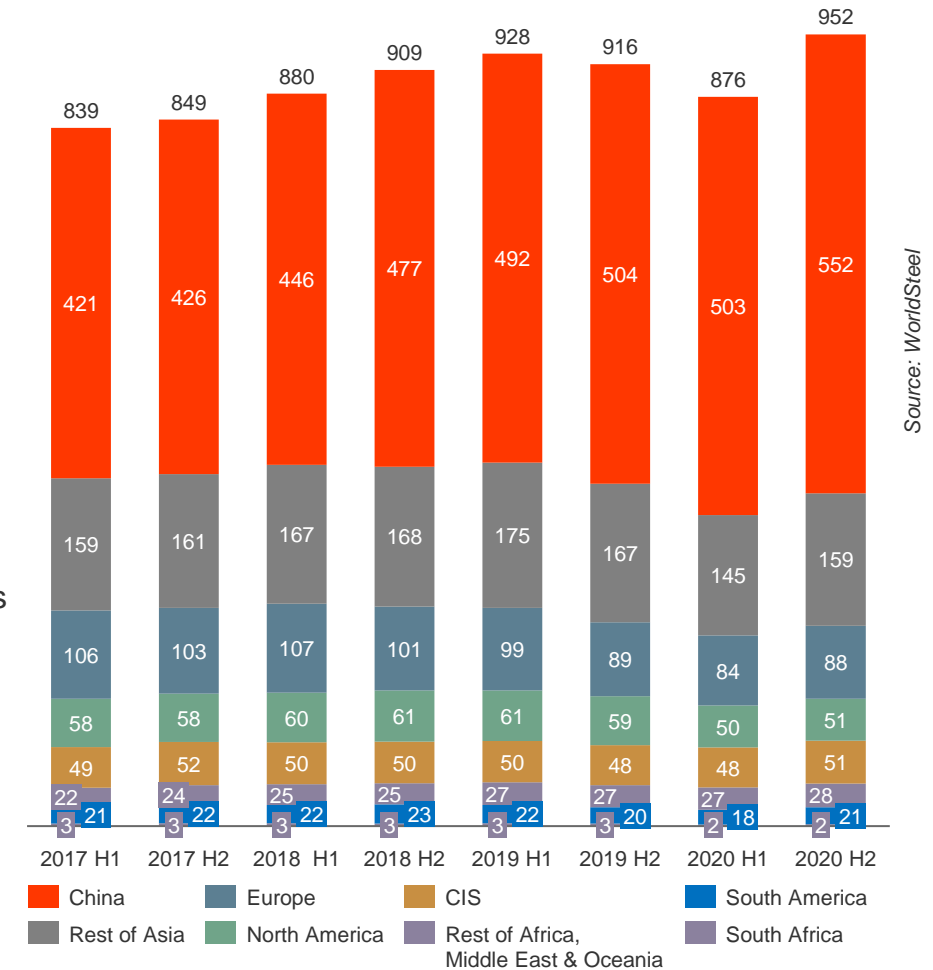
SALES PRICES

- Benchmark China hot rolled coil (HRC) remained flat while rebar prices declined by 3%
- Average international dollar steel prices decreased by 4%

INPUT COST

- International raw material basket (RMB**) cost decreased by 3% in dollar terms:
 - Coking coal decreased 30% (27% weighting in RMB (2019: 37%))
 - Iron ore prices rose 16% (58% weighting in RMB (2019: 49%))

Global crude steel production (million tonnes)



* Europe including Turkey

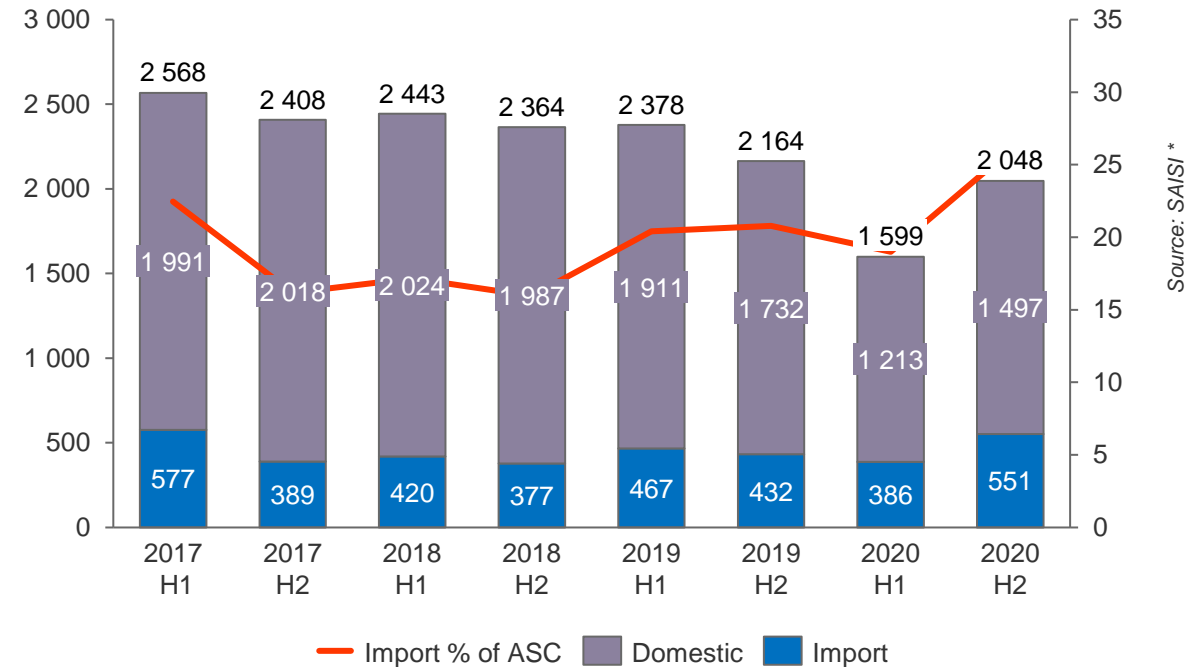
** RMB is composed of iron ore, coking coal and scrap

Steel environment - South Africa



- 2020 Real GDP anticipated to reduce by 8%
- 20% fall in apparent steel consumption (ASC) to 3,7 million tonnes
- Steel imports increased by 4% to 937 000 tonnes (2019: 899 000 tonnes)
 - Flat steel products 828 000 tonnes – ca. 50% not manufactured locally
 - Long steel products 109 000 tonnes – ca. 70% not manufactured locally
 - Major sources of imports are China, Russia and Taiwan
 - Is likely to reduce in the coming year as the supply chain normalises

Total Apparent Steel Consumption (ASC) ('000 tonnes)



Steel environment - ArcelorMittal South Africa



VOLUMES

- 48% reduction in liquid steel production to 2,3 million tonnes
- 47% reduction in sales volumes to 2,2 million tonnes
 - 37% excluding loss-making Saldanha Works volumes
 - 28% excluding loss-making (i) Saldanha Works and (ii) long steel export volumes
- 37% reduction in local sales volumes to 1,9 million tonnes
- 72% decrease in export sales volumes to 318 000 tonnes

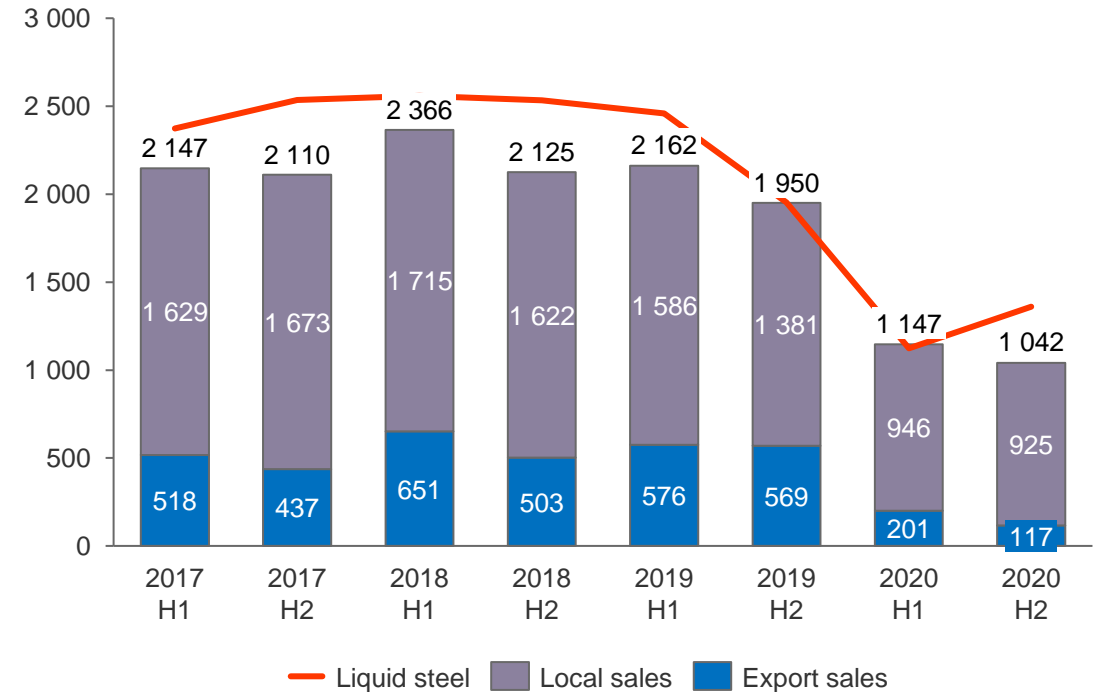
SALES PRICE

- 5% reduction in overall realised dollar steel price
- 6% increase in realised rand prices due to ZAR/USD weakness
- R130 million value added export assistance provided to downstream industry

INPUT COSTS

- RMB constitutes 41% (2019: 51%) of cash cost per tonne
 - RMB decreased by 10% in rand terms
- Consumables and auxiliaries constitutes 31% of cash cost per tonne (2019: 29%)
 - Consumables and auxiliaries increased by 24%
 - Electricity increased by 10%
- Fixed cost constitutes 28% of cash cost per tonne (2019: 23%)
 - Despite the impact of lower volumes, the increase in fixed cost was limited to 34%

Sales and production volumes ('000 tonnes)

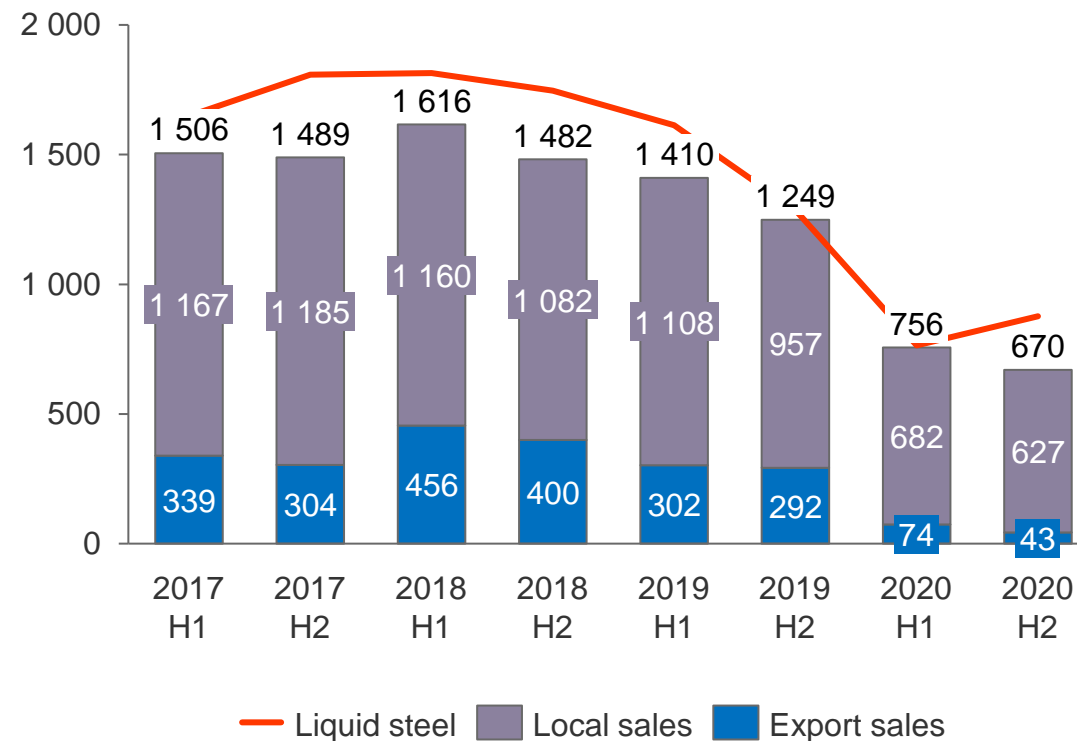


Operating environment - Flat steel



- Lower production and sales
 - Loss-making Saldanha Works and Tin volumes removed
 - Economic lockdown
 - Rail and electricity supply disruptions
- 28% lower liquid steel production to 1,4 million tonnes (excluding Saldanha Works)
- Successful re-start of Blast Furnace C in December 2020
- Third Basic Oxygen Furnace, and Direct Reduced Iron plant started
- Current Q1-2021 plant utilisation of 80% (2020: 49% excluding Saldanha Works; 2019: 68%)
- Additional capacity available if required
- Focus on operational reliability
- Increase production of thin gauge material at Vanderbijlpark Works

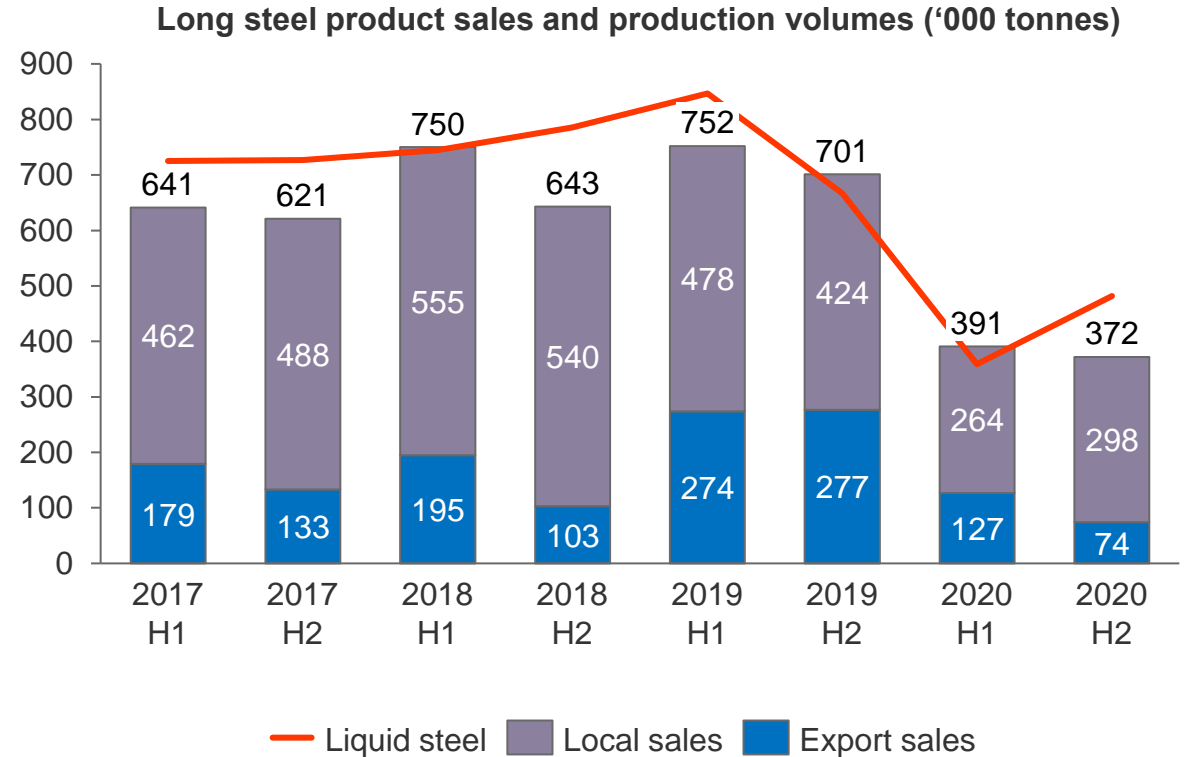
Flat steel product sales and production volumes ('000 tonnes)



Operating environment - Long steel



- Lower production and sales
 - Strategic footprint adjustment
 - Lower exports targeted
 - Economic lockdown
 - Blast furnace operational performance
- 49% lower liquid steel production to 769 000 tonnes
- Current Q1-2021 plant utilisation of 58% (2020: 33%; 2019: 66%)
- Focus on:
 - Vereeniging electric arc furnace to continue operations
 - Newcastle blast furnace refurbishment

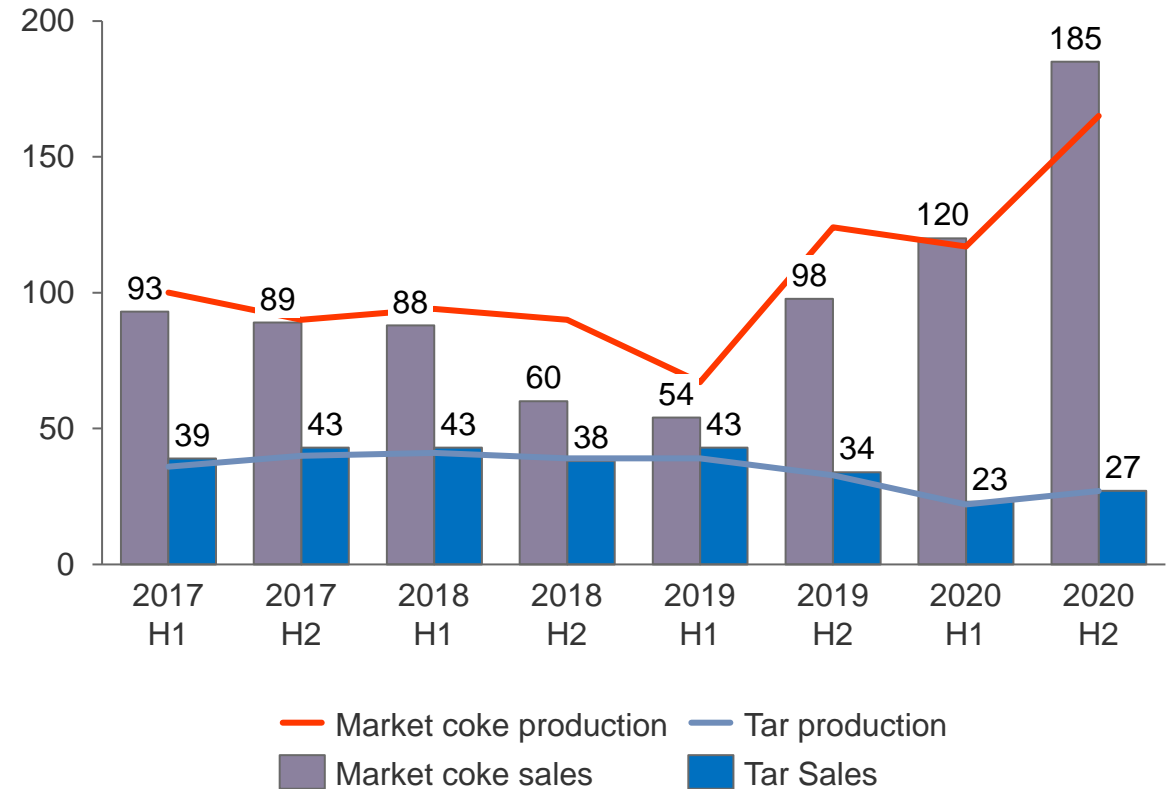


Operating environment - Coke operations



- 48% increase in commercial market coke production to 282 000 tonnes (2019: 191 000 tonnes)
- 101% increase in sales volumes to 305 000 tonnes (2019: 152 000 tonnes)
- Resilient commercial market coke demand expected supported by import replacement
- Tar production and sales affected by hot idle of most coke batteries during economic lockdown
- Pretoria coke battery placed under care and maintenance

Coke & Chemical sales and production volumes ('000 tonnes)





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Financial review and capital allocation

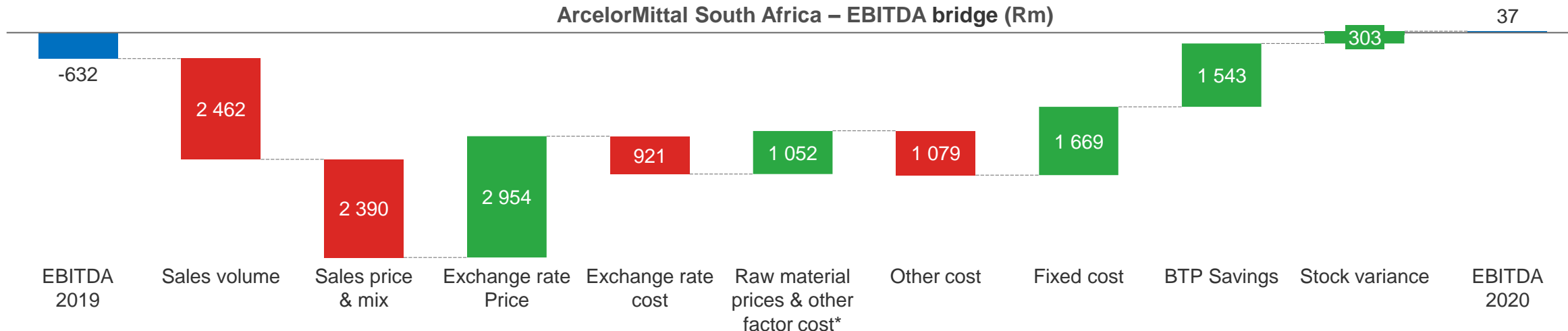
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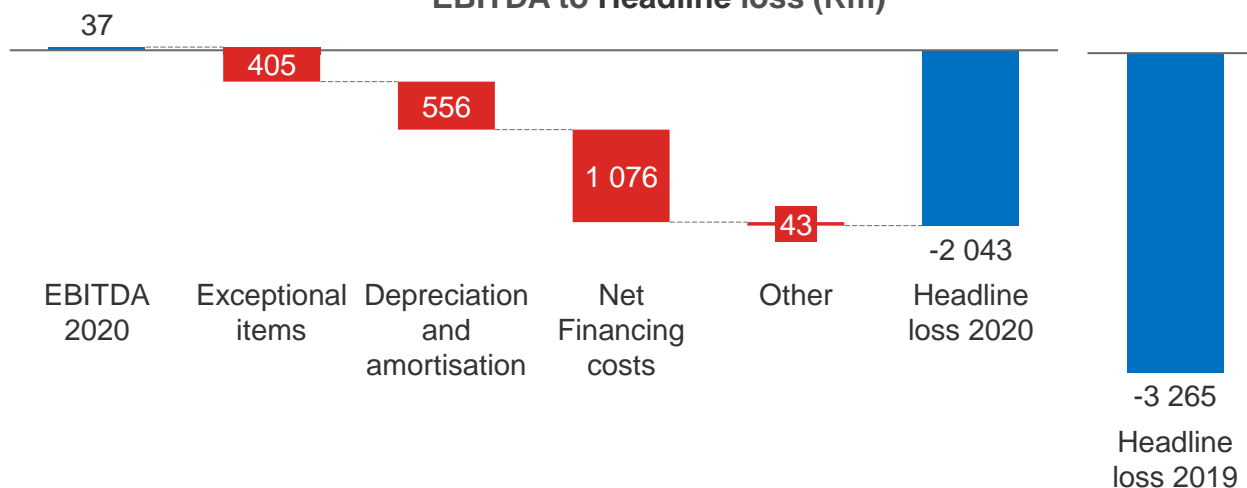
Financial results - Financial performance



ArcelorMittal South Africa – EBITDA bridge (Rm)

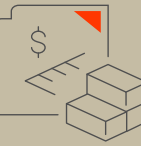


EBITDA to Headline loss (Rm)

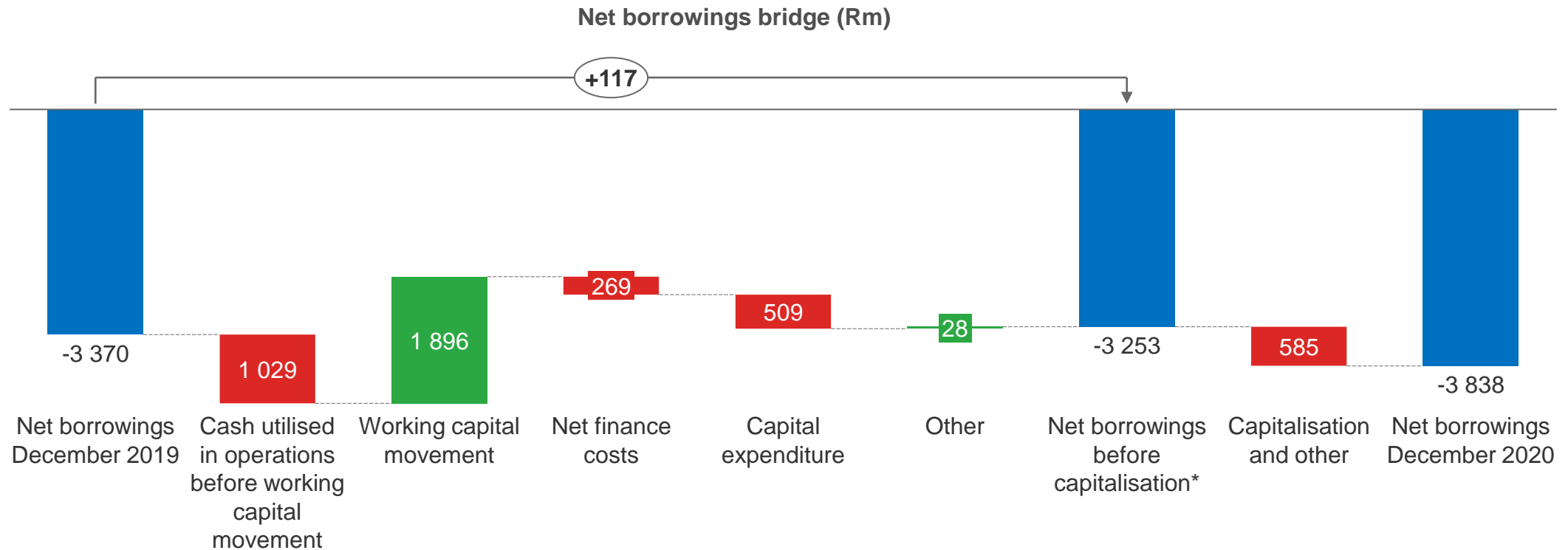


EBITDA per segment (Rm)	2020	2019
Flat steel	414	(574)
Long Steel	(683)	(369)
Coke & Chemicals	295	250
Corporate and other	11	61
Total	37	(632)

Financial results - Net borrowings




- R1 896 million of cash released by reduction in working capital levels
- Inventories decreased by R1 555 million
- Free Cash Flow positive at R117 million (2019: -R1 350 million)

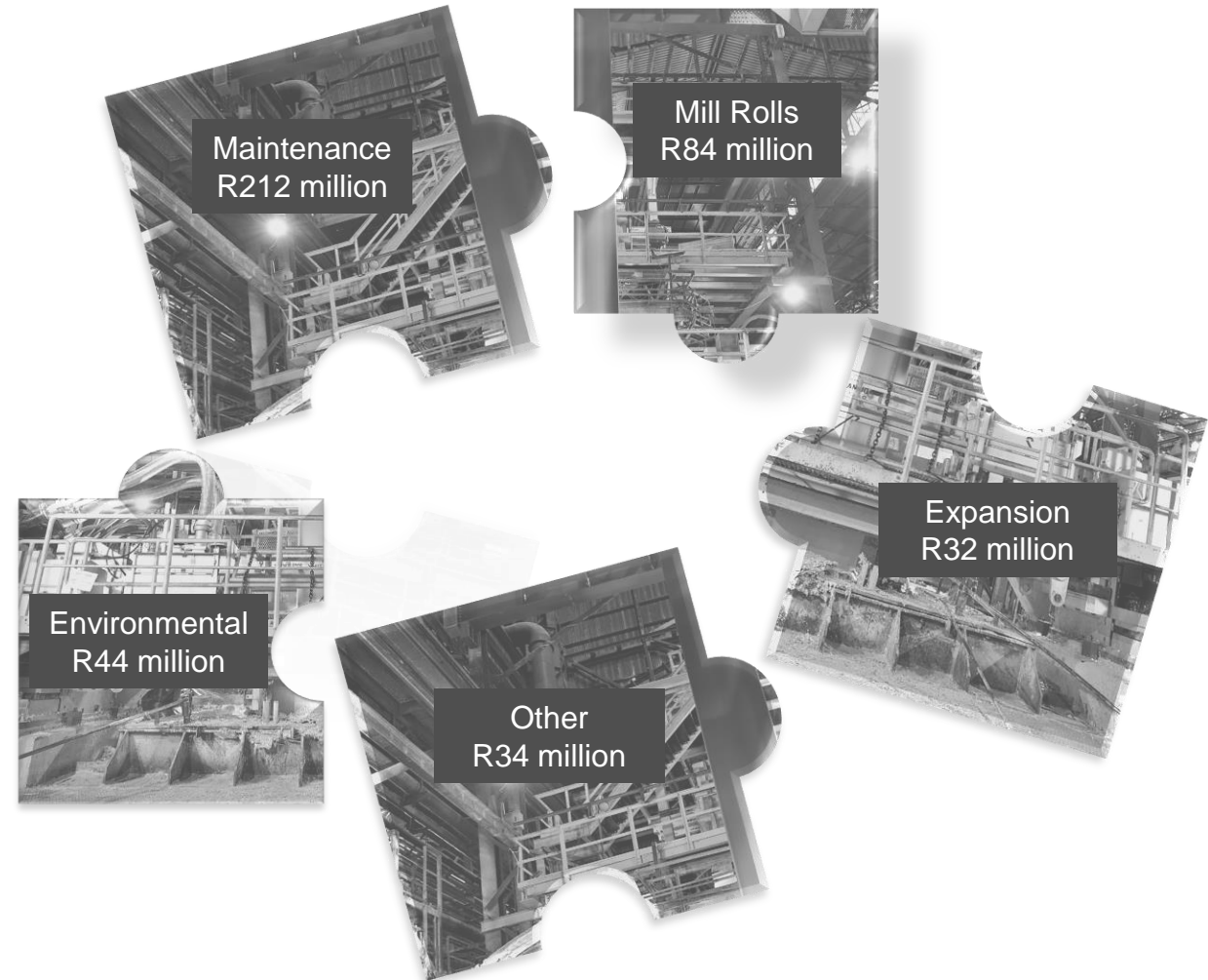


Financial results - Capital allocation



CAPITAL ALLOCATION (Rm)		
	2020	2019
Vanderbijlpark	313	859
Newcastle	70	150
Saldanha	4	153
Vereeniging	5	19
Coke operations, Corporate & other	14	23
Total	406	1 204

Spend per category 2020

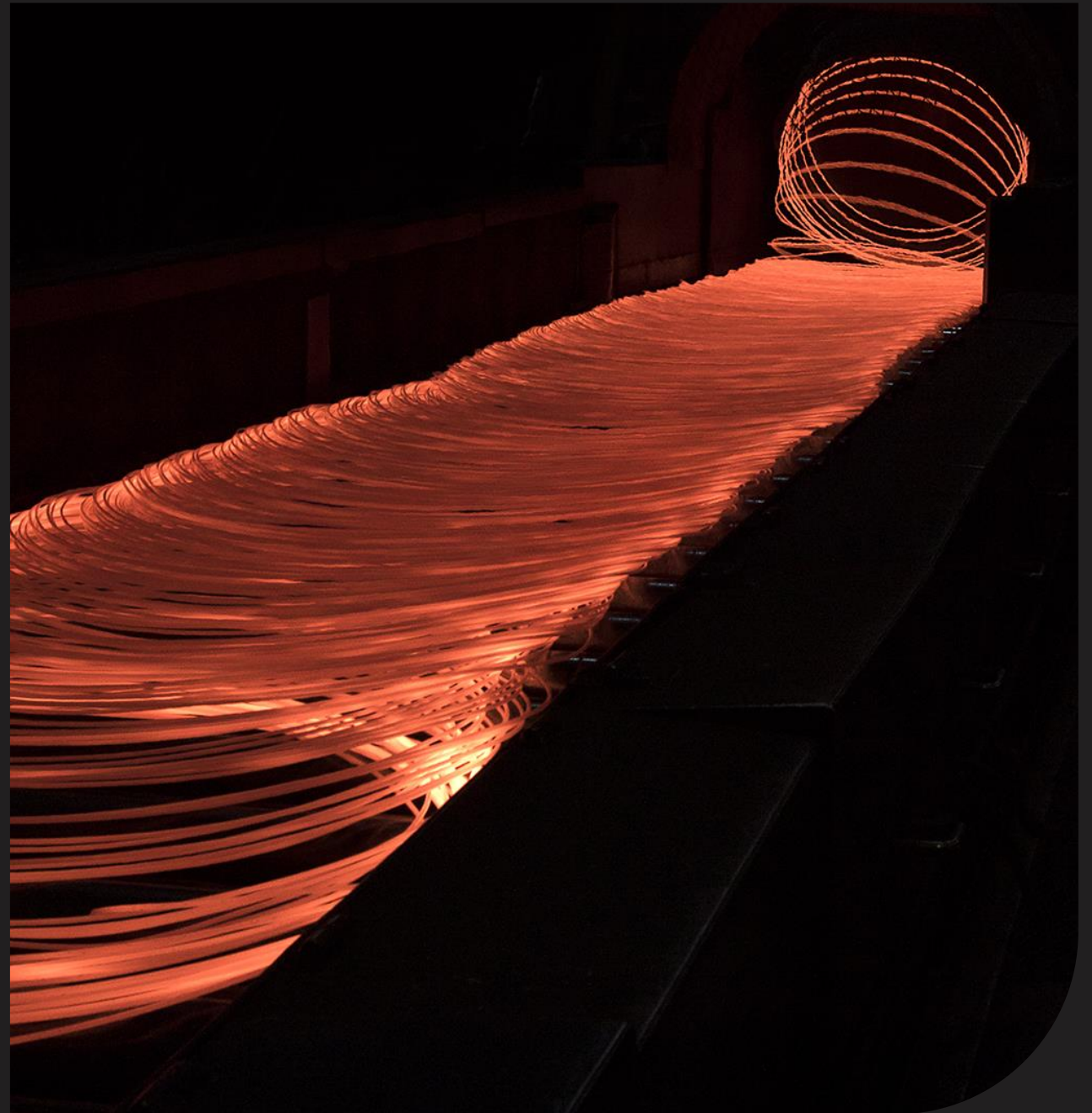




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Transform for sustainability and
growth

Kobus Verster



Sustainability and growth



Business Transformation Programme (BTP)

2021 Focus

Operational reliability and maintenance



Energy and logistics transformation



Enablement of customer centricity through technology



Retain previous realised saving benefits

Other corporate transactions



Raw materials

- Disposal of iron ore interest and the conclusion of supply agreement
- Phase 2 beneficiation of discard material planned at Thabazimbi mine
- Focus of 2021: Further diversify raw material supply base



Stakeholders and the steel master plan

- Government's economic reconstruction and recovery plan
- Steel Industry Masterplan



By-product joint ventures

- Monetisation of by-products
 - Granulated blast furnace slag
 - Steel slag



Non-core properties

- Disposals are taking longer due to pandemic
- Gain traction in H1 2021



Commercial market coke co-investment

- Search for a co-investor postponed due to funding challenges faced by interested investors



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Conclusion
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Outlook – H1 2021

- Increased infection rate continue to pose a risk
- Continued focus on health and wellbeing of employees
- Strong international steel prices expected to remain in the near-term
- Benefits of cost savings and asset footprint adjustments to be sustained
- Improved performance from H2 2020 to continue in H1 2021



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Appendix



Headline earnings (Rm)

	2020 FY	2019 FY
Revenue	24 643	41 353
EBITDA and exceptional items	(368)	(1 529)
Depreciation and amortisation	(556)	(830)
Loss from operations	(924)	(2 359)
Reclassification of foreign currency differences	280	
Net impairment	(39)	(1 401)
Net finance costs	(1 076)	(969)
Profit/(Loss) after tax from equity-accounted investments	13	(17)
Fair value adjustment on investment properties	(118)	72
Income tax charge/credit	(62)	70
Loss after tax	(1 926)	(4 604)
Add back net impairment	39	1 401
Add back loss on disposal of assets (net of tax)	6	10
Reclassification of foreign currency differences	(280)	
Fair value adjustments on investment properties	118	(72)
Headline loss	(2 043)	(3 265)
US\$m	(124)	(226)

Revenue per quarter	2020	2019
Q1	8 011	10 627
Q2	4 003	11 116
Q3	6 764	10 602
Q4	5 865	9 008
Total	24 643	41 353

Statement of financial position (Rm)

	2020	2019
Non-current assets	9 333	9 794
Property, plant and equipment	7 675	7 966
Investment properties	983	1 080
Intangible assets	72	70
Equity-accounted investments	205	268
Investments held by Environmental Trusts	378	348
Non-current receivables	8	22
Other financial assets	12	40
Current assets	12 476	13 739
Inventories	7 348	8 700
Trade and other receivables	1 623	2 837
Taxation		21
Assets held for sale	135	
Other financial assets	30	193
Cash and bank balances	3340	1 988
Total assets	21 809	23 533

	2020	2019
Shareholders Equity	2 130	4 477
Stated Capital	4 537	4 537
Non-distributable reserves	(3 976)	(3 568)
Retained income	1 569	3 508
Non-current liabilities	6 887	6 716
Finance lease obligations	44	74
Provisions	1 832	1 761
Borrowings	4 728	4 208
Other financial liabilities		300
Other payables	283	373
Current liabilities	12 792	12 340
Trade and other payables	8 420	9 391
Taxation	106	93
Other financial liabilities	1 017	600
Borrowings	2 450	1 150
Finance lease obligations	29	26
Provisions	770	1 080
Total equity and liabilities	21 809	23 533

Cash flow (Rm)

	2020	2019
Cash (utilised in)/generated from operations before movement in working capital	(1 029)	(1 366)
Movement in Working capital *	1 896	1 609
Cash generated from operations	867	243
Capital expenditure	(509)	(1 491)
Net finance costs	(269)	(244)
Income tax refund	24	130
Finance lease obligations repaid	(35)	(37)
Borrowings raised	1 300	850
Others	(4)	9
Increase/(Decrease) in cash	1 374	(540)
Effect of forex rate change on cash	(22)	3
Net decrease in cash and cash equivalents	1 352	(537)
Cash and bank balances	3 340	1 988
Borrowings (current and non-current)	(7 178)	(5 358)
Net borrowings	(3 838)	(3 370)

Movement in Working Capital *	2020	2019
Inventories	1 555	3 415
Receivables	1 196	1 208
Payables	(614)	(2 876)
Other	(241)	(138)
Total	1 896	1 609

Financial results - Reconciliation of loss from operations to earnings before interest, tax, depreciation and amortization (Rm)

	2020	2019
Loss from operations	(924)	(2 359)
Adjusted for:		
Depreciation	546	819
Amortisation of intangible assets	10	11
Saldanha Works wind-down cost		396
Restructuring cost	134	234
Inventory adjusted to net realisable value	271	267
Earnings before interest, tax, depreciation and amortisation	37	(632)

Divisional EBITDA (Rm)

	2020	2019
Flat steel products (Rm)	414	(574)
EBITDA margin %	2,6	(2,1)
Net realised price R/t	10 275	9 620
Long steel products (Rm)	(683)	(369)
EBITDA margin %	(7,8)	(2,5)
Net realised price R/t	9 162	8 598
Coke and Chemicals (Rm)	295	250
EBITDA Margin %	15,4	19,1
Corporate and other	11	61
Total EBITDA	37	(632)
EBITDA margin %	0.2	(1,5)

Our value creation model

Inputs

Natural capital

Raw materials consumed (kilotonne)

	2020	2019
Iron ore	3 125	6 127
Coal	2 279	3 754
Purchased scrap	161	187
Fluxes	729	1 428

Energy

	2020	2019
Electricity purchased (TWh)	1.73	2.95

Human and intellectual capital*

	2020	2019
Employees**	6 622	8 379
Hired labour	44	129
Service contractors	1 877	2 174

* End of period figures

**Permanently employed (including fixed term contractors)

Financial capital

	2020	2019
Equity	R2 130m	R4 477m
Borrowings	R7 178m	R5 358m

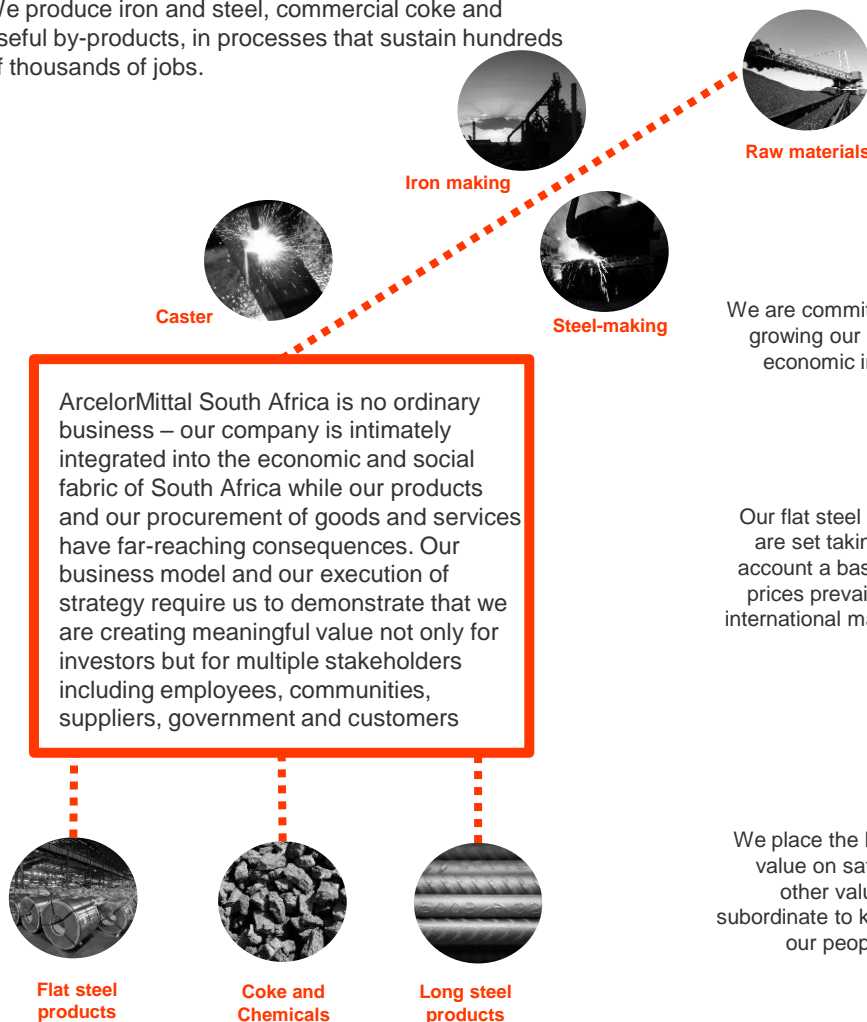
Human capital

Employees, contractors

	2020	2019
Safety: LTIFR	0.58	0.44
Safety: Fatalities	1	1

Our working business model

We produce iron and steel, commercial coke and useful by-products, in processes that sustain hundreds of thousands of jobs.



Outputs and outcomes

Financial capital

Shareholders, investors, employees

	2020	2019
Revenue	R24 643m	R41 353m
EBITDA	R37m	(R632m)
Loss from operations	(R924m)	(R2 359m)
EBITDA margin	0,2%	(1,5%)
Headline loss per share	(186c)	(297c)
Headline loss	(R2 043m)	(R3 265m)

We are committed to growing our socio-economic impact

Social capital

Local communities, supplies and HDSA businesses

	2020	2019
Socio-economic development	R13.4m	R18.0m
Procurement spend (excluding energy)	R14 940m	R28 531m
Taxes contributed	R617m	R348m
Procurement – QSE and EME	R1 016m	R2 258m

Our flat steel prices are set taking into account a basket of prices prevailing in international markets

Manufactured capital

Customers

	2020	2019
Flat steel products sold	1 426kt	2 659kt
Domestic market	1 309kt	2 065kt
Export market	117kt	594kt
Long steel products sold	763kt	1 453kt
Domestic market	562kt	902kt
Export market	201kt	551kt
Coke and Chemicals		
Commercial Market coke	305kt	152kt
Tar	50kt	77kt

We place the highest value on safety, all other values are subordinate to keeping our people safe

Socio-economic footprint



The Thusong Projects Soup kitchen, located in Vanderbijlpark, continues to provide nutritious meals to less fortunate community members – 800 litres of soup and 100 loaves of bread each day. Feeding 1 600 beneficiaries



Sponsorship to Lusa Community Chest for Xmas program - Wish Upon A Star - to purchase gifts and playground equipment for vulnerable children



YES Learners who completed their 12-month training in 2020



Feathers award received from Lusa Community Chest for our commitment and contributions towards building our communities



Donating 300 parcels in Evaton North during December 2020. Earlier in the year the foundation donated 600 food parcels to the most vulnerable farm communities of Vaal Oewer and Barrage informal settlements



Throughout the lockdown levels, the Science centres continued to provide virtual and online educational support to learners, teachers and schools, reaching:

- 4300 learners & parents
- 368 teachers
- 81 schools
- 24 000 public



ArcelorMittal

Thank you

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