



ArcelorMittal

Financial Results

For the six months ended 30 June 2021



Disclaimer

Forward-looking statements

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AGENDA



Key messages and salient features

Kobus Verster



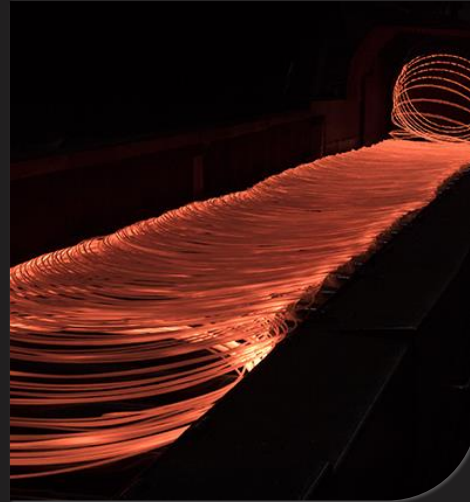
Operations and Market Review

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 features

Kobus Verster



Overview and salient features



+R4 474 million

STRONG EBITDA PROFITABILITY

H1 2021: R3 218 million
H1 2020: - R1 256 million

+R1 291 million

POSITIVE FREE CASH FLOW

H1 2021: R985 million
H1 2020: - R306 million

+36%

LIQUID STEEL PRODUCTION

H1 2021: 1 526 kt
H1 2020: 1 123 kt

+51%

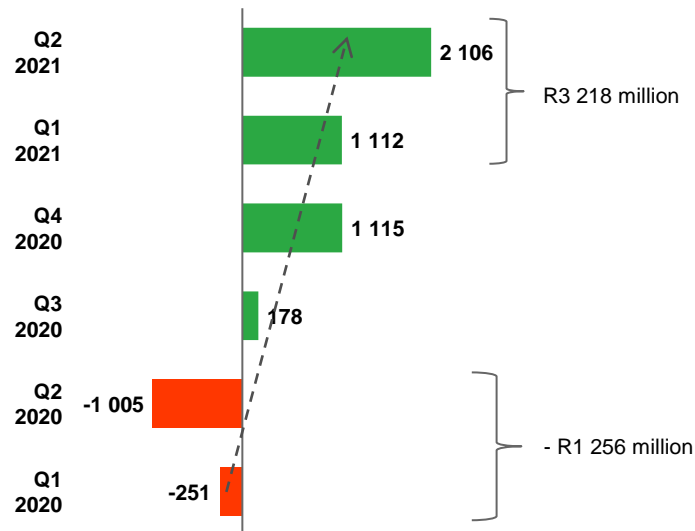
BUSINESS TRANSFORMATION PROGRAMME (BTP) SAVINGS

H1 2021: R1 001 million
H1 2020: R663 million

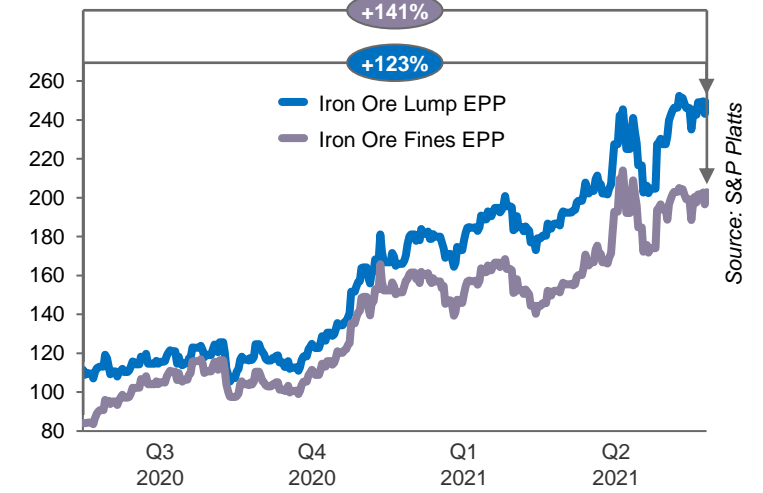
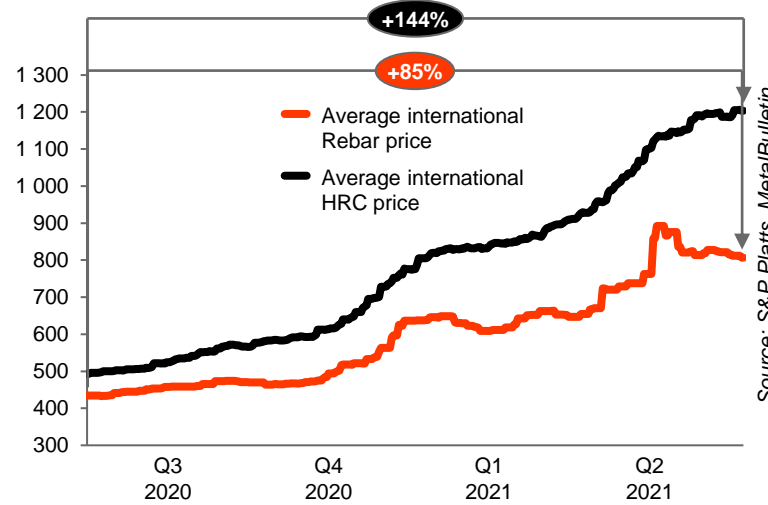
- Strongest half yearly EBITDA in a decade
- Headline profit of R2 482 million (H1 2020: R2 613 million loss)
- Sales volumes increased by 10% to 1,3 million tonnes

- Average international dollar steel prices increased by 79%*
- Realised a 42% increase in rand steel prices
- Raw material basket (RMB)** increase limited to 2% against a 44% increase in the international RMB (rand terms)

EBITDA evolution (Rm)



12 months ended 30 June 2021 International HRC***, rebar*** and iron ore price evolution (\$/t)



* Source: CRU index

** ArcelorMittal South Africa's raw material basket in rand terms

*** 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



- Regrettably, four fatalities in H1 2021: three at Vanderbijlpark Works (17 February 2021) and another at Newcastle Works (19 June 2021)
- We are determined to improve our safety performance and eradicate fatalities at the Company
- Stepped up focus and intensity – regular alignment and information sharing sessions with ArcelorMittal group
- Continued efforts and dedicated focus assured by all leaders
- Ongoing active response to the pandemic:
 - Precautionary weekly audits with corrective actions
 - Remote working is the norm
 - Employee visual communication campaign
 - Vaccines for own employees in final phase

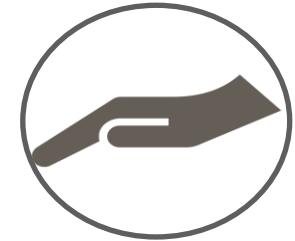


Total number of injuries:
H1 2021: 118
H1 2020: 96



Lost-time injury frequency rate (LTIFR)

H1 2021: 1,13
H1 2020: 0,55

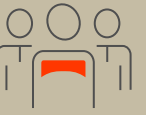


Total injury frequency rate (TIFR)

H1 2021: 8,86
H1 2020: 7,31



Environmental, social and governance (ESG)



ARCELORMITTAL GROUP

- Committed to leading the steel industry globally on sustainability
- XCarb™ brand brings together ArcelorMittal's reduced, low and zero-carbon products
- ArcelorMittal Sestao to become the world's first full-scale steel plant to manufacture zero carbon emissions steel

ARCELORMITTAL SOUTH AFRICA

- Improve and intensify environmental compliance (emissions performance, water and waste management, environmental investment)
- Carbon neutrality
 - Exploring opportunities relating to:
 - Carbon capture and storage (CCS)
 - Blue and green hydrogen applications in directly reduced iron (DRI)
 - Improved energy efficiency initiatives
 - Saldanha Works identified by SA-EU Partnership and CSIR for potential green DRI production opportunity for export purposes
 - Implementation roadmap for meaningful carbon reduction to be finalised by end-2022
 - Funding support required for carbon neutrality and an enabling environment to encourage cross-sector and industry collaboration
- Stakeholder engagement and involvement
 - Commitment to improving communication and engagement with employees and other stakeholders
 - Initiatives to address skills development, transformation and diversity
 - Greater community engagement

XCarb™
Towards carbon neutral steel



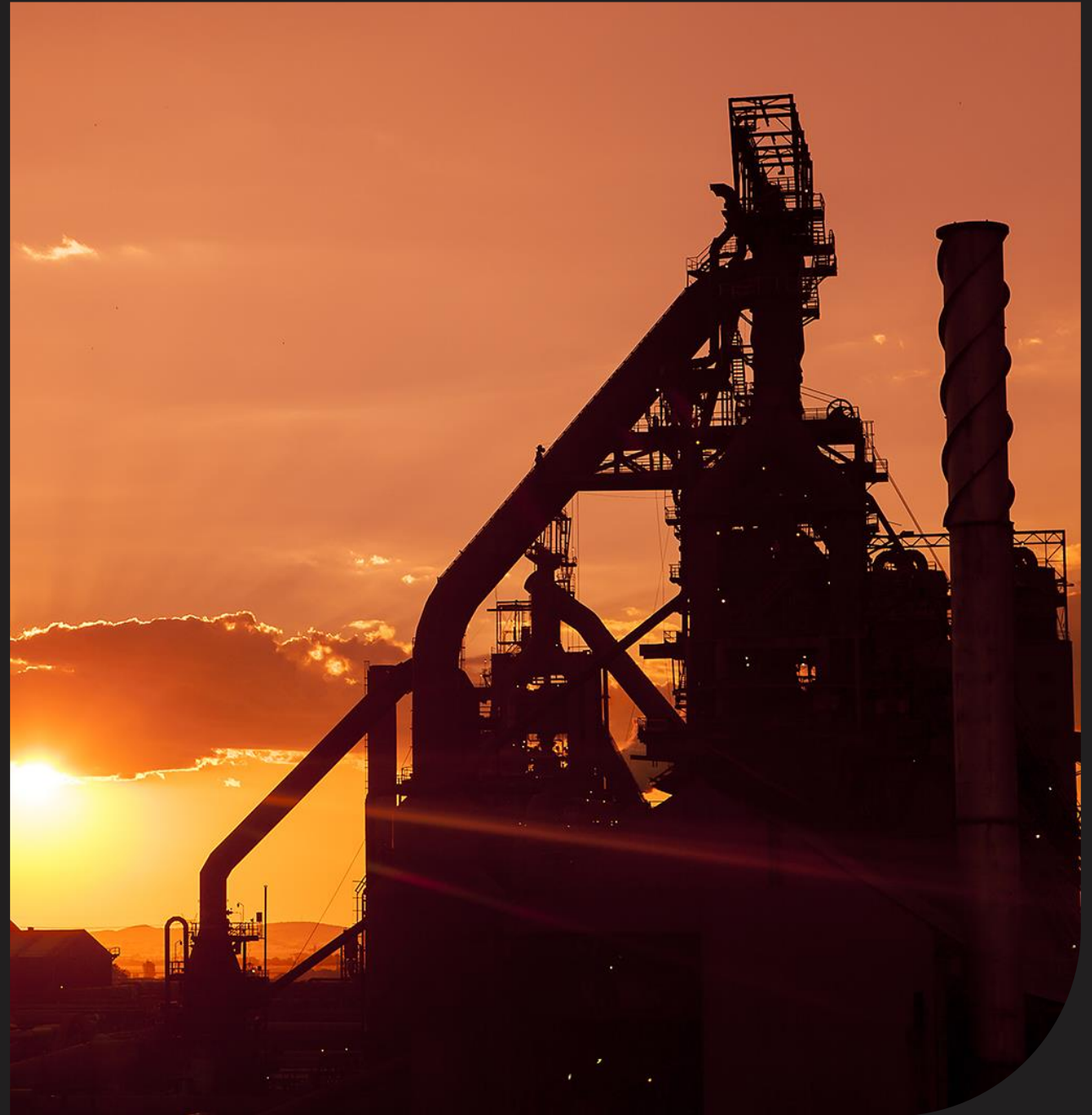
"Proud of our
people
Looking forward
together"

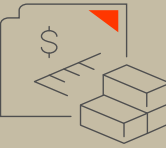


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Market and operational review

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INTERNATIONALLY

- Recovery of global steel environment observed since second half of 2020, accelerated in 2021
- Strong demand coupled with low supply chain inventories supported a strong recovery in steel spreads

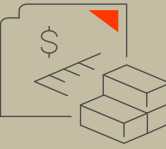
SOUTH AFRICA, THE REGIONAL ECONOMY AND OUR COMPANY

- One of the most challenging operating environments:
 - Two Covid-19 waves
 - Inclement weather events
 - Highly inconsistent rail service
 - Tragic and painful safety incidents
 - Long maintenance stop at the Newcastle Works' blast furnace
 - Ramp-up challenges associated with restoring and accelerating production
- Strong results reflect benefits of new operating model and structural cost position
- Investment in additional fixed cost – increased operating activities, temporary additional staffing levels for Covid-19 risk, and restorative maintenance
- Market inventory levels increasing at varying speed for different products
- Company's production levels and market demand in balance
- Working closely with customers to manage credit limitations due to structural impediments in available credit insurance

Together

we are adapting,
exploring and evolving
EmbracingNewWays

Steel environment - Global



PRODUCTION

- Global crude steel production increased by 14% against H1 2020 to 1 001 million tonnes*
- China's crude steel production increased by 11% to 560 million tonnes, maintaining its market share at 56%
- Europe's** crude steel output increased by 19% to 100 million tonnes and North America by 16% to 59 million tonnes
- Russian production increased by 8% to 38 million tonnes and Turkey up 21% to 20 million tonnes
- India's production increased by 31% to 58 million tonnes
- Africa's output increased by 28% to 8 million tonnes: Egypt increased to 5 million tonnes. South Africa's crude steel output increased by 39% to 3 million tonnes

FAIR TRADE PRACTICES

- Europe's safeguard measures to remain in place for three additional years
- US's Section 232 measures remain in place
- China reduced the incentive to export steel by cancelling the export rebates on VAT, impacting prices
- South Africa's safeguard duties to lapse in August 2021

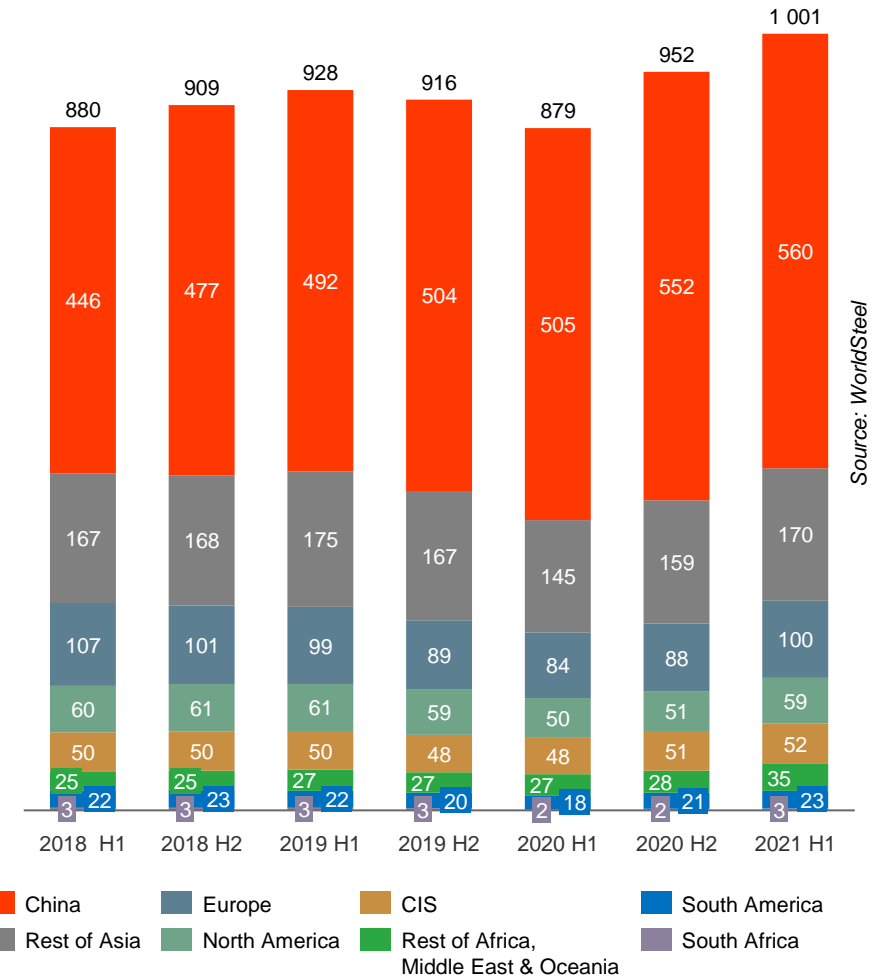
SALES PRICES

- China export hot rolled coil and rebar prices increased by 79% and 69% respectively

INPUT COST

- International raw material basket (RMB***) cost increased by 65% in dollar terms:
 - Iron ore rose 100% (65% weighting in RMB (H1 2020: 54%))
 - Scrap rose 77% (16% weighting in RMB (H1 2020: 16%))
 - Coking coal decreased 2% (19% weighting in RMB (H1 2020: 30%))

Global crude steel production (million tonnes)

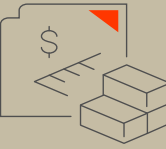


* Source: Worldsteel

** Europe including Turkey

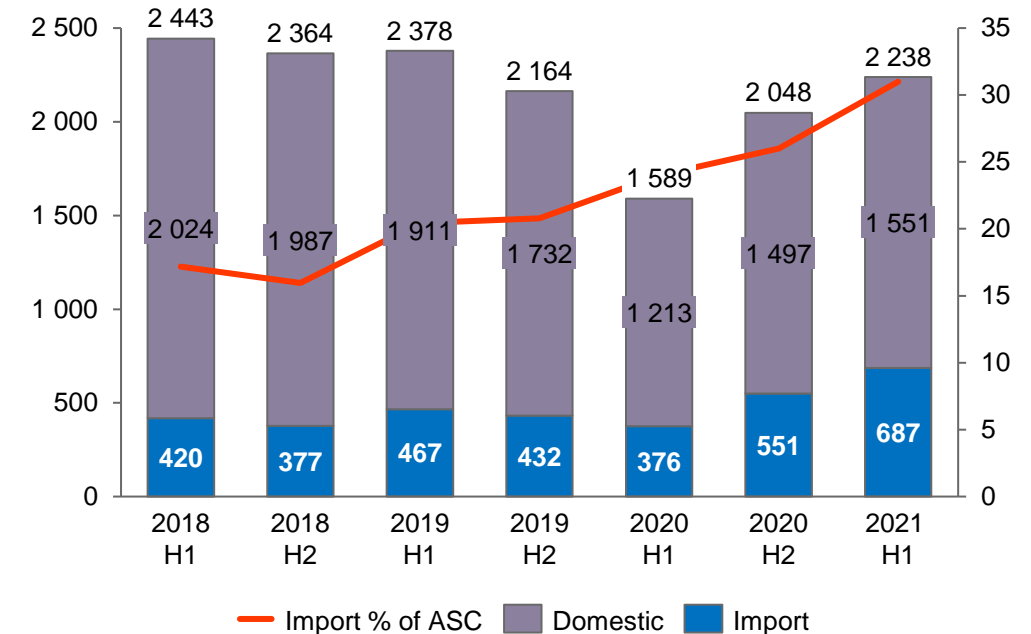
*** RMB is composed of iron ore, coking coal and scrap

Steel environment - South Africa



- 2021 real GDP anticipated to improve by 4,5% from a 7% decline in 2020
- 9% increase from the preceding six months (H2 2020) in apparent steel consumption (ASC) to 2,2 million tonnes*
 - Current ASC reflects 2019 average half year levels
- Drivers of steel demand being the faster recovery in:
 - Mining
 - Automotive
 - Manufacturing and fabrication
 - Construction and infrastructure
 - Energy projects
- Steel imports** increased by 25% to 687 000 tonnes when compared to the preceding six months (H2 2020)
 - ca. 40% of steel imports not manufactured locally imported mainly from Europe and Japan
 - Imports likely to reduce as supply chain normalises
 - Domestic output normalised
 - Export incentives from China cancelled
 - Russia impose export duties

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



* Source: ArcelorMittal South Africa estimates

** Source: SARS, May 2021 import statistics, June 2021 estimates

Steel environment - ArcelorMittal South Africa



VOLUMES

- 36% increase in liquid steel production to 1,5 million tonnes
- 10% increase in sales volumes to 1,3 million tonnes
- 21% increase in local sales volumes to 1,1 million tonnes
- 39% decrease in export* sales volumes to 122 000 tonnes

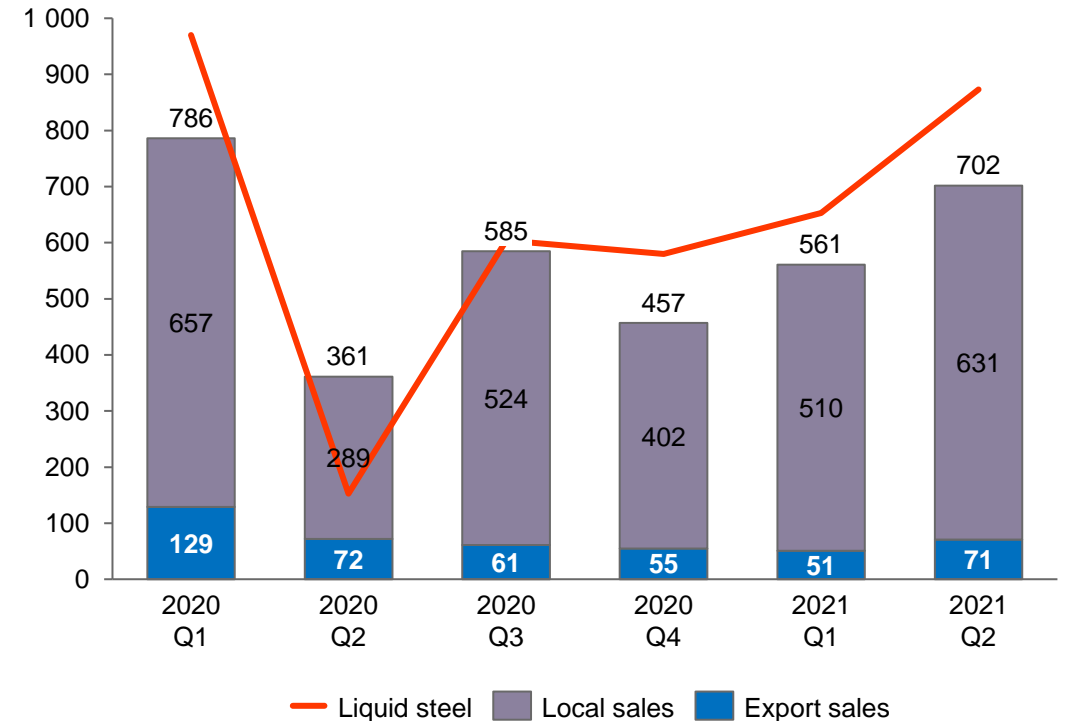
SALES PRICE

- 57% increase in overall realised dollar steel price
- 42% increase in realised rand prices due to strengthening of ZAR/USD exchange rate
- R85 million value added export assistance and rebates provided to downstream industry despite lower export volumes (H1 2020: R84 million)

INPUT COSTS

- RMB constitutes 43% (H1 2020: 42%) of cash cost per tonne
 - Increased by 2% in rand terms on a cash cost per tonne basis
- Consumables and auxiliaries constitutes 31% of cash cost per tonne (H1 2020: 31%)
 - Decreased by 3% per tonne of steel
 - Electricity tariffs increased by 12%
- Fixed cost constitutes 26% of cash cost per tonne (H1 2020: 27%)
 - Although production volumes were 36% higher, the decrease per tonne was 7% due to a R807 million investment in additional fixed cost

Sales and production volumes ('000 tonnes)



Operating environment - ArcelorMittal South Africa



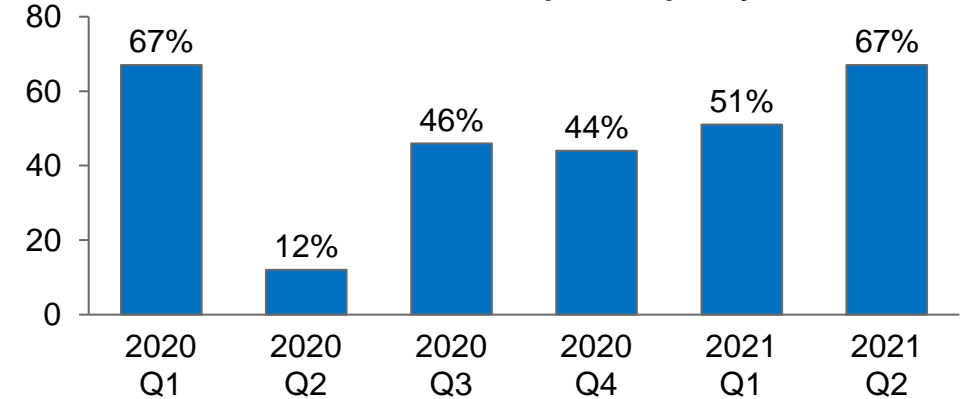
STEEL OPERATIONS

- Focus to achieve greater operational reliability and improve plant utilisation
- Excluding Saldanha Works current capacity utilisation of 85% (H1 2021: averaged 59%; H1 2020: averaged 39%)
- Both blast furnaces at Vanderbijlpark Works and the one at Newcastle Works in operation
- Successful restart of Blast Furnace C in December 2020 at Vanderbijlpark Works but experienced low hearth temperature conditions in March 2021
- Third basic oxygen furnace and direct reduced iron plant in operation at Vanderbijlpark Works
- Long maintenance stop successfully completed to address sub-standard blast furnace performance at Newcastle Works
- Progressing well with preparations for blast furnace mini reline towards end of 2021 at Newcastle Works
- Vereeniging Works electric arc furnace to continue operations
- With a crude steel production capacity of 6,4 million tonnes (including Saldanha Works) and an estimated full year apparent steel production (ASC) of 4,6 million tonnes (4,1 million tonnes excluding the products not manufactured in South Africa), the Company is well placed to fully service South Africa's entire steel demand

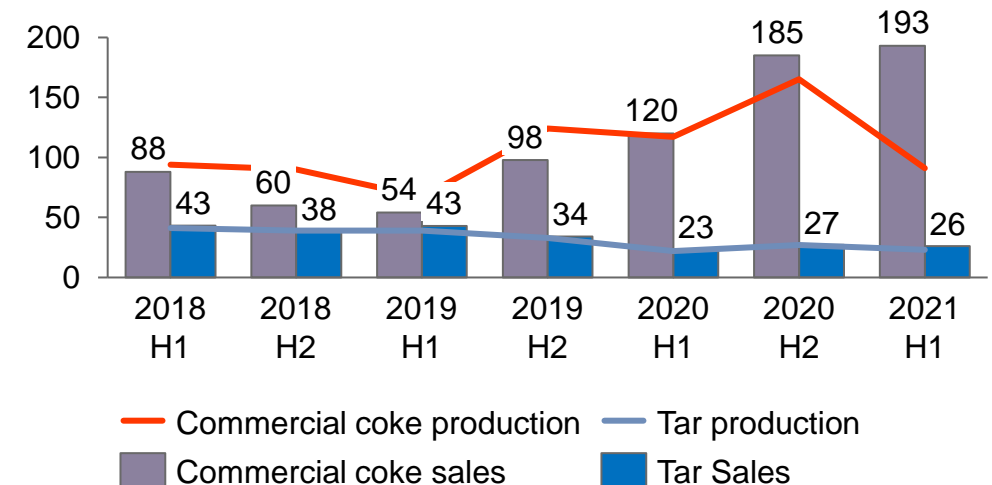
COKE OPERATIONS

- 22% decrease in commercial coke production to 91 000 tonnes (H1 2020: 117 000 tonnes) due to safety incident at Vanderbijlpark Works
- 61% increase in sales volumes to 193 000 tonnes (H1 2020: 120 000 tonnes) supplemented by inventory

ArcelorMittal South Africa plant capacity utilisation*



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





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Financial review and capital allocation

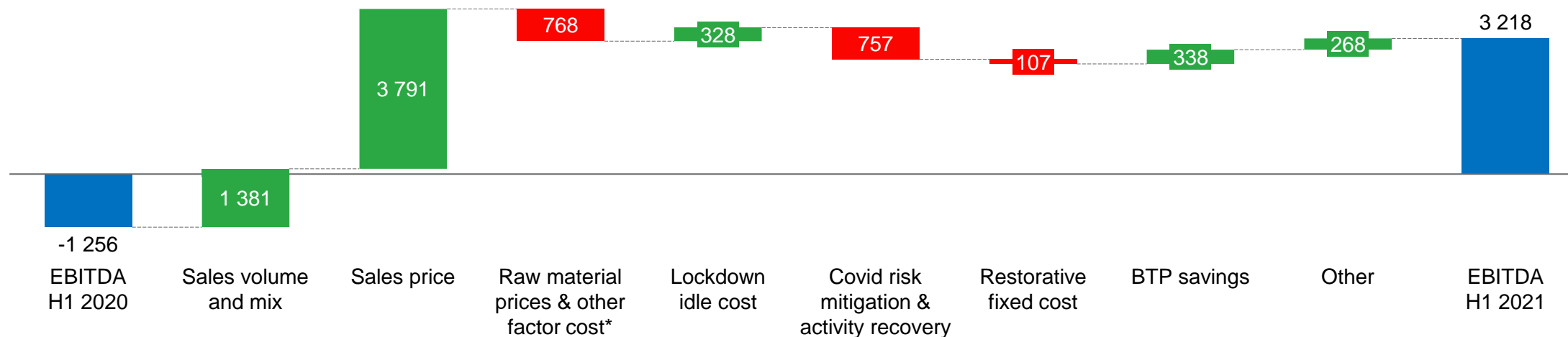
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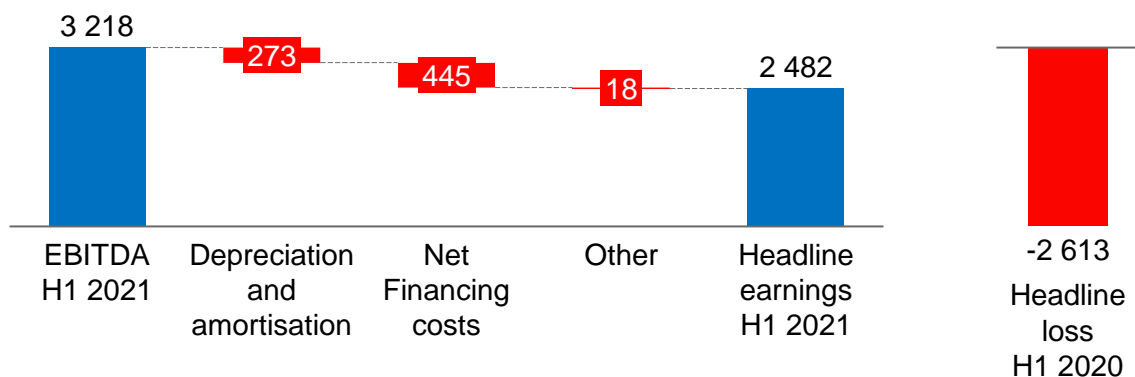
Financial results - Financial performance



ArcelorMittal South Africa – EBITDA evolution (Rm)



EBITDA to Headline earnings (Rm)



EBITDA per segment (Rm)	H1 2021	H1 2020
Steel operations	3 120	(1 391)
Non-steel operations	351	108

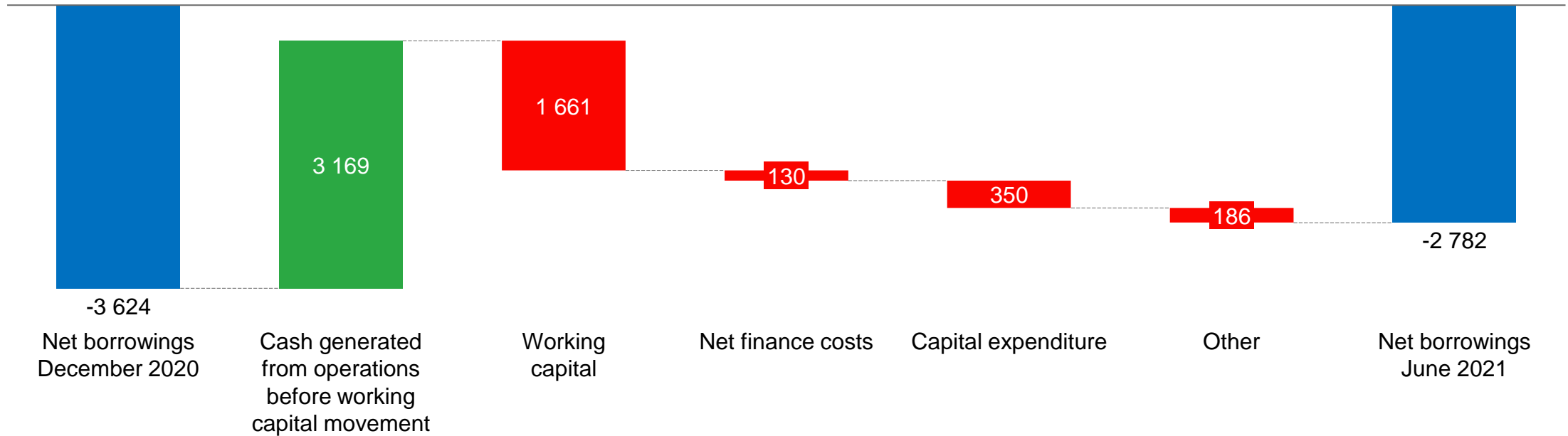
* Other factor cost: Electricity, Rail and Port

Financial results - Net borrowings



- Free Cash Flow positive at R985 million (H1 2020: -R306 million)
- R1 661 million of cash invested in working capital level as a result of higher activities
 - Receivables increased by R2 360 million

Net borrowings bridge (Rm)




Financial results - Capital allocation



The Company is committed to continued investment in its assets

- Maintenance investments to preserve and increase asset capacity
 - Newcastle Works blast furnace mini reline (interim stave and shell repairs) for long term sustainability
 - Coke battery pad-ups over the next 6 years to maintain coke-making capacity
- Coke oven gas cleaning plant for improved environmental compliance
- Product development pipeline enriched across steel operations:
 - Plate mill capability improvements to roll heavy plate for wind towers in renewable energy
 - Quench and tempered plate product range expansion for supply to the mining industry
 - Development of high strength steel for transportation industry to replace imports
 - Improved capacity for cold rolled products for drawing and forming industries
 - New corrosion protection coatings - Optigal™ and Magnelis™
 - Mainline rail to supply African demand from Highveld Structural Mill
 - New grades of grinding media to supply to mining industry

CAPITAL ALLOCATION (Rm) 		
	H1 2021	H1 2020
Maintenance	242	58
Mill Rolls	57	29
Expansion	10	7
Environmental	13	29
Other	16	12
Total	338	135

Reliability
pays for
everything...



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Transforming for
sustainability and growth
Kobus Verster



Strategic initiatives and growth opportunities



Focus for 2021 and foreseeable future

Reposition

Reposition as the champion of South Africa's manufacturing backbone

Restructure

Ensure international cost competitiveness

Revitalise

Revitalise balance sheet to improve sustainability, enhance flexibility and agility



Business Transformation Programme (BTP)

- Contributed a further R1 billion in improvements adding to the R3,6 billion since 2018



Customer centricity

- Improve service delivery, product lead times and customer experience



Growth opportunities

- Proud signatory of the Steel Industry Masterplan
- Infrastructure Investment Programme (IIP) and African Continental Free Trade Area (AfCFTA) agreement presents further opportunities



Asset Capability

- *Rapid Ramp-up* break-through initiative launched in February 2021
- Improve operating stability and asset capabilities



Strategic raw materials

- Further diversify raw material supply base



Energy

- Increase energy self-dependency and cost structure



Logistics

- Improve logistics efficiency with a lower cost profile



Human capital

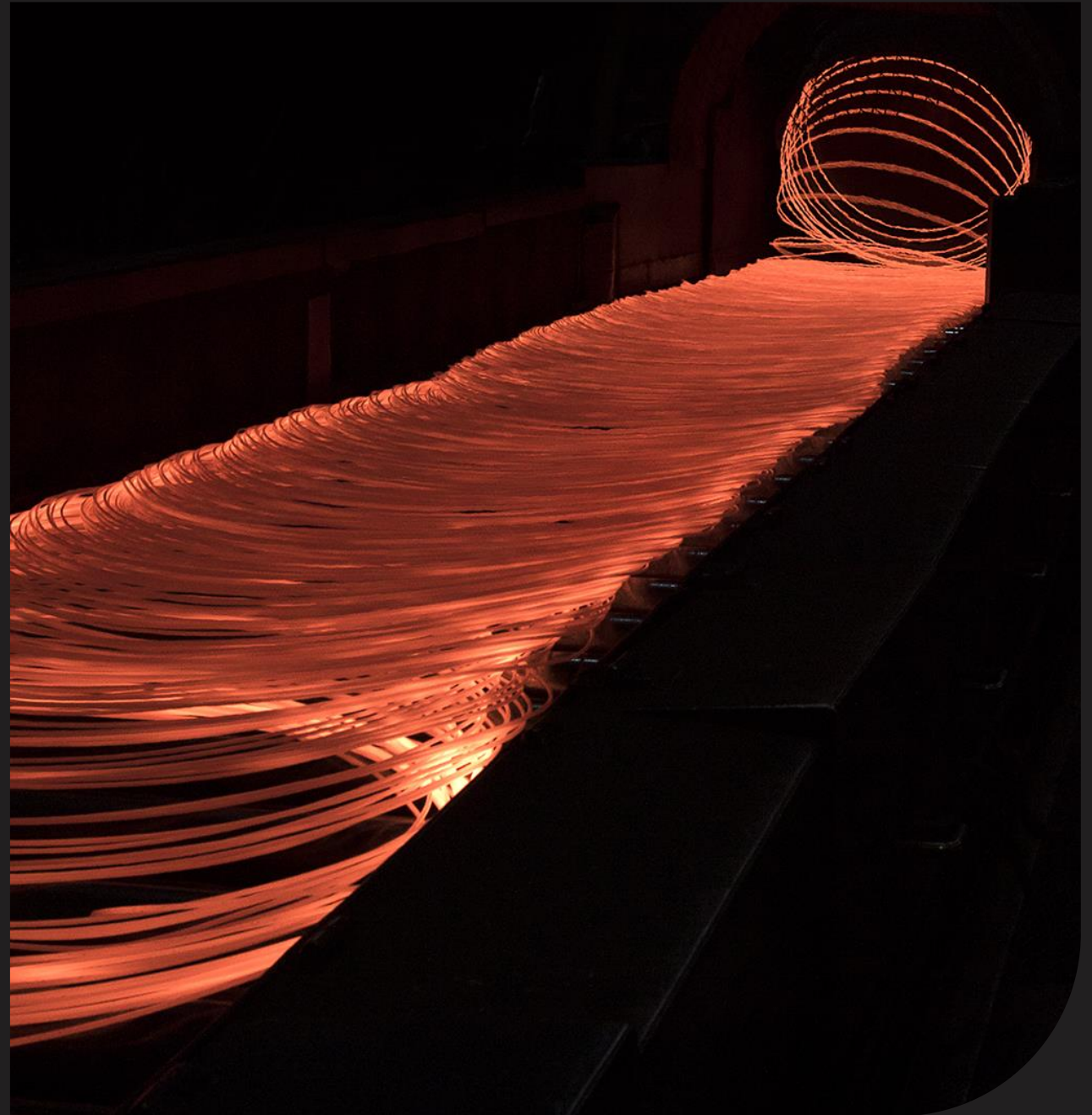
- Establish an engaged and informed workforce through the “*We can 2.0*” programme



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Conclusion and outlook

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Outlook – H2 2021



- During the civil unrest in the second week of July 2021, we were able to effectively protect both our workforce and physical assets, but lost some production and shipments
- Continued focus on health and wellbeing of employees
- Full impact of healthier market should be more fully reflected in the Company's performance in H2 2021
- Performance is conditional upon the extent of any further Covid-19 economic lockdowns and the avoidance of damage to overall business sentiment
- Focus on structural cost competitiveness will remain critical
- Financial results will continue to be impacted by the exchange rate volatility



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Appendices



Headline earnings (Rm)

	H1 2021	H1 2020
Revenue	18 596	12 014
EBITDA	3 218	(1 256)
Depreciation and amortisation	(273)	(272)
Profit/(Loss) from operations	2 945	(1 528)
Reclassification of foreign currency differences		280
Impairment reversal		29
Net finance costs	(445)	(1 077)
Profit/(Loss) after tax from equity-accounted investments	23	(2)
Fair value adjustment on investment properties	(224)	
Income tax charge/credit	(46)	(6)
Profit/(Loss) after tax	2 253	(2 304)
Add back impairment reversal		(29)
Add back loss on disposal of assets (net of tax)	5	
Reclassification of foreign currency differences		(280)
Fair value adjustments on investment properties	224	
Headline earnings/(loss)	2 482	(2 613)
US\$m	171	(157)

Revenue per quarter	H1 2021	H1 2020
Q1	7 939	8 011
Q2	10 657	4 003
H1	18 596	12 014

Statement of financial position (Rm)

	H1 2021	H1 2020
Non-current assets	9 184	9 665
Property, plant and equipment	7 735	7 830
Investment properties	751	1 139
Intangible assets	70	65
Equity-accounted investments	226	265
Investments held by Environmental Trusts	394	348
Non-current receivables	1	9
Other financial assets	7	9
Current assets	16 036	12 948
Inventories	8 014	6 856
Trade and other receivables	3 983	2 454
Taxation		25
Other financial assets	36	7
Cash and bank balances	4 003	3 606
Total assets	25 220	22 613

	H1 2021	H1 2020
Shareholders Equity	4 602	1 540
Stated capital	4 537	4 537
Non-distributable reserves	(3 687)	(4203)
Retained income	3 752	1 206
Non-current liabilities	6 738	8 911
Finance lease obligations	27	60
Provisions	1 803	1 851
Borrowings	4 635	4 208
Other financial liabilities		300
Other payables	273	2 492
Current liabilities	13 880	12 162
Trade payables	9 868	7 502
Taxation	109	103
Other financial liabilities	1 031	867
Borrowings	2 150	3 100
Finance lease obligations	32	27
Provisions	690	563
Total equity and liabilities	25 220	22 613

Cash flow (Rm)

	H1 2021	H1 2020
Cash (utilised in)/generated from operations before movement in working capital	3 169	(1 573)
Movement in working capital *	(1 661)	1 651
Cash generated from operations	1 508	78
Capital expenditure	(350)	(248)
Net finance costs	(130)	(136)
Income tax payment	(43)	
Finance lease obligations repaid	(18)	(18)
Borrowings (repaid)/raised	(300)	1 950
Others	3	(3)
Increase/(Decrease) in cash	670	1 623
Effect of forex rate change on cash	(7)	(5)
Net decrease in cash and cash equivalents	663	1 618
Cash and bank balances	4 003	3 606
Borrowings (current and non-current)	(6 785)	(7 308)
Net borrowings	(2 782)	(3 702)

Movement in working capital *	H1 2021	H1 2020
Inventories	(616)	1 960
Receivables	(2 360)	368
Payables	1 390	(465)
Other	(75)	(212)
Total	(1 661)	1 651

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

	H1 2021	H1 2020
Profit/(Loss) from operations	2 945	(1 528)
Adjusted for:		
Depreciation	269	266
Amortisation of intangible assets	4	6
Earnings/(loss) before interest, tax, depreciation and amortization	3 218	(1 256)

Divisional EBITDA (Rm)

	H1 2021	H1 2020
Steel operations (Rm)	3 120	(1 391)
EBITDA margin %	16,1	(11,2)
Net realised price R/t	13 260	9 338
Non-steel operations	351	108
EBITDA margin %	27,1	13,7
Corporate	(253)	27
Total EBITDA	3 218	(1 256)
EBITDA margin %	17,3	(10,5)

Our value creation model

Inputs

Natural capital

Raw materials consumed (kilotonne)

	H1 2021	H1 2020
Iron ore	2 125	1 371
Coal	1 436	997
Purchased scrap	125	70
Fluxes	575	347

Energy

	H1 2021	H1 2020
Electricity purchased (TWh)	0.90	0.93

Human and intellectual capital

	H1 2021	H1 2020
Employees*	6 322	7 368
Hired labour	303	64
Service contractors	2 065	1 720

* Permanently employed (including fixed term contractors)

Financial capital

	H1 2021	H1 2020
Equity	R4 602m	R1 540m
Borrowings	R6 785m	R7 308m

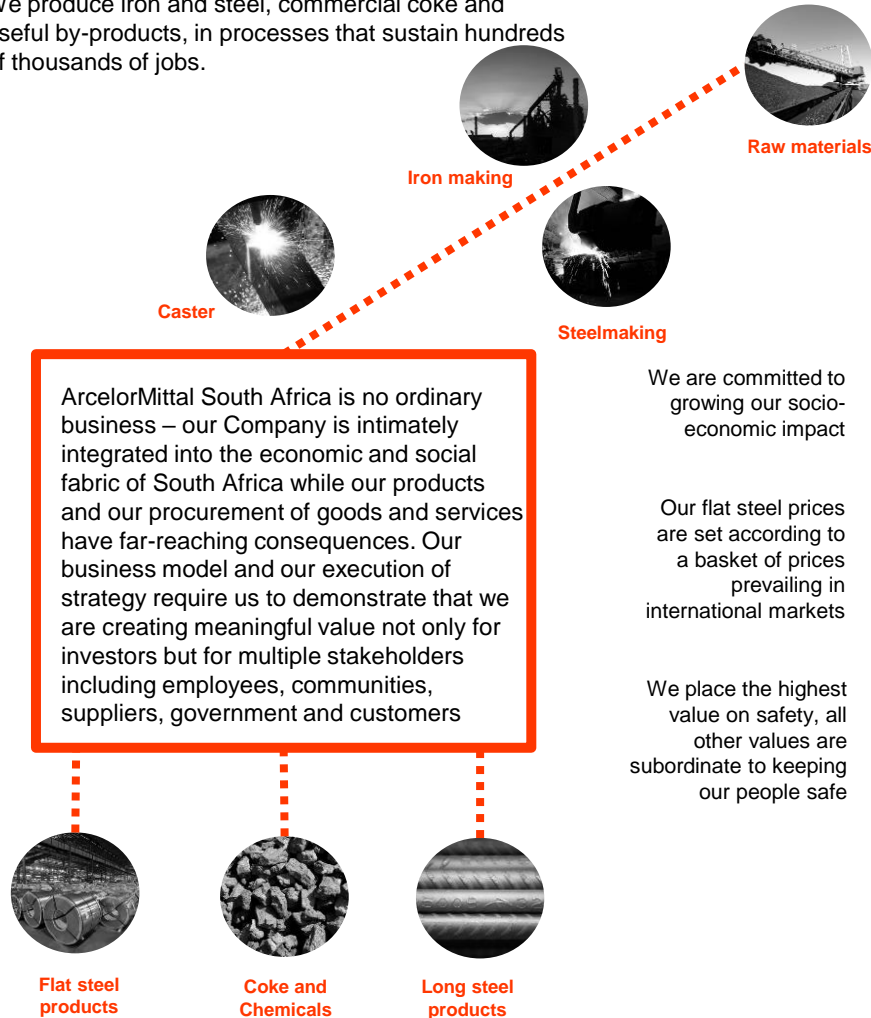
Human capital

Employees, contractors

	H1 2021	H1 2020
Safety: LTIFR	1,13	0,55
Safety: Fatalities	4	0

Our working business model

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



We produce three types of products

Outputs and outcomes

Financial capital

Shareholders, investors, employees

	H1 2021	H1 2020
Revenue	R18 596m	R12 014m
EBITDA	R3 218m	(R1 256m)
Profit/(Loss) from operations	R2 945m	(R1 528m)
EBITDA margin	17,3%	(10,5%)
Headline earning/(loss) per share	223c	(239c)
Headline earnings/(loss)	R2 482m	(R2 613m)

Social capital

Local communities, suppliers and HDSA businesses

	H1 2021	H1 2020
Socio-economic development	R6.3m	R7.3m
Procurement spend (<i>excluding energy</i>)	R11.5m	R7.1m
Taxes contributed	R892m	R397m
Procurement – QSE and EME	R0.6m	R0.2m

Manufactured capital

Customers

	H1 2021	H1 2020
Steel products sold	1 263kt	1 147kt
Domestic market	1 141kt	946kt
Export market	122kt	201kt
Coke and Chemicals		
Commercial Market coke	193kt	120kt
Tar	26kt	23kt

Socio-economic footprint

Project	Description
Science Centres	<ul style="list-style-type: none"> Virtual and online teaching for Grade 10, 11 & 12 learners; Classroom contact for ECD classes and teachers; Grade 12 Matric Holiday Programmes; Robotics Holiday Programme; Mid-year exam preparations; Introduction of Maths Week; Outreach programmes supported 13 966 learners, educators and public
Lusa Community Chest	<ul style="list-style-type: none"> Annual support of orphaned and vulnerable children through Winter Warmth Programme on 28 May 2021. ArcelorMittal South Africa received an award for its contribution to the community (1 500 children in the Vaal region)
GetOn Foundation Skills Development & Entrepreneurial Training	<ul style="list-style-type: none"> Annual support of Skills Development & Entrepreneurial Training for unemployed youth (200 student graduated in April 2021, 70 beneficiaries completed entrepreneurial training, 94% successfully registered their businesses)
CSI Activities	<ul style="list-style-type: none"> School uniform drive: donations of school shirts, school shoes, brush & polish in collaboration with Thusong Projects (50 learners); Agricultural training for 10 unemployed women who already have vegetable gardens; Steel donations to Tugela vocational school and Amajuba College in Newcastle for training in the Artisan Programme (1 020 learners)
Thusong Projects	<ul style="list-style-type: none"> Soup kitchen serves daily meals to various NGOs and homes (36 beneficiary organisations = 11 000 individuals); School Uniform Drive: donations of school shoes, brush & polish to learners of Tsokodibane and Phepane Primary Schools in Evaton (50 learners); Blanket drive and food parcels to various homes & NGOs (200 + beneficiaries); Support to disabled persons with vegetable hampers, sanitisers, sewing machines, bags and sewing kits (50 beneficiaries); Craft material - wools, wax cords, beads, knotting needles, sewing machines, linen sheets and sewing kits - for sustainability of the centre (60 beneficiaries)





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Thank you

ArcelorMittal South Africa Limited

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