ArcelorMittal

ArcelorMittal South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1989/002164/06)
Share Code: ACL
ISIN: ZAE000134961
("ArcelorMittal South Africa" or the "Company")

STATUS OF THE LONGS BUSINESS, TRADING STATEMENT, AND BUSINESS UPDATE FOR THE SIX MONTHS ENDED 30 JUNE 2025

STATUS OF THE LONGS BUSINESS

On 31 March 2025, ArcelorMittal South Africa announced that the decision to wind down the Long Steel Business ("Longs Business") had been deferred for at least 6 months, to 30 September 2025 ("Deferral Period"). The deferral was enabled by a facility provided by the Industrial Development Corporation of South Africa SOC Limited ("IDC") in the amount of R1 683 million. The facility now has been fully drawn, enabling the Longs Business to continue to operate and fund its working capital and associated financial needs for Quarter 3 2025 ("2025 Q3").

The main objectives during the Deferral Period are to advance the normalisation of structural impediments, improve the sustainability and viability of the Longs Business, while sustaining jobs and manufacturing supply chains in South Africa.

The main structural impediments that have been highlighted for several years are:

- The structural distortion created by the Preferential Pricing System ("PPS") and export tax on ferrous scrap in favour of scrap-based steel makers to the disadvantage of integrated steel makers, such as ArcelorMittal South Africa.

- Weak domestic demand and the lack of growth projects for steel.

- Insufficient import protection and the continued circumvention of existing tariff protections by local companies, without prosecution.

- Poor rail service performance and associated high, globally uncompetitive and unaffordable tariffs.

- Unaffordable and globally uncompetitive electricity tariffs.

Regrettably, limited progress has been made to date in redressing the major structural impediments. High imports continue to flood into the domestic market. Transnet's rail performance deteriorated to its lowest levels ever, resulting in significantly elevated operating risk and unaffordable additional cost being borne by the Company.

During the Deferral Period, and as previously announced, the Company has been exploring various strategic options while the IDC has simultaneously been conducting its due diligence into the Company and the Government has been pursuing structural interventions. Significant effort has been given to this exercise, which remains ongoing.

With regards to the Longs Business, and as previously communicated, that business will only be able to continue with financial support as the Company does not have the ability to bear any further financial risk associated with its continued operations after the Deferral Period. Therefore, unless a solution is implemented timeously, and to ensure the orderly closure of the Longs Business as soon as possible after the Deferral Period, ArcelorMittal South Africa may have no option but to take certain operational steps to prepare for the wind down process well in advance of 30 September 2025. Notwithstanding, the Longs Business will continue to trade until the end of September 2025, having regard to the commitments made to its customers.

ArcelorMittal South Africa will provide further updates on this process in its announcement of its financial results for the six months ended 30 June 2025, on 31 July 2025.

TRADING STATEMENT

In terms of paragraph 3.4(b) of the JSE Limited ("JSE") Listings Requirements , the Company is required to publish a trading statement as soon as there is a reasonable degree of certainty that the financial results for the six months ended 30 June 2025 ("the Current Period") are expected to differ by at least 20% or more from the financial results for the previous corresponding reporting period ("the Comparable Period").

Based on information currently available, shareholders are advised that the Company expects:

- Earnings per share to improve from a loss of R1,09 per share (Comparable Period) to a loss within a range of R0,82 and R0,93 per share for the Current Period (representing a decrease in the loss per share of between 15% to 25%), and;

- Headline earnings per share to improve from a R1,00 loss per share (Comparable Period) to a loss within a range of R0,89 and R0,99 per share for the Current Period (representing a decrease of between 11% to 1%)

The financial information on which this trading statement is based has not been reviewed and reported on by the Company's external auditors.

ArcelorMittal South Africa's reviewed condensed consolidated financial statements for the six months ended 30 June 2025 are expected to be released on the Stock Exchange News Service of the JSE ("SENS") on Thursday, 31 July 2025, with a virtual presentation on the same day.

The presentation will be made available to all stakeholders on the Company's website at www.arcelormittalsa.com.

BUSINESS UPDATE

Safety

Safety is the Company's highest priority as it remains committed to Zero Harm.

While the Company is implementing a wide range of safety initiatives, it is pleasing that the lost-time injury frequency rate ("LTIFR") reflects a significant improvement with a year-to-date performance of 0,44 compared to 1,13 in the Comparable Period for 2024.

Trading conditions

The global cyclical downturn in the steel industry has continued for almost two years, which is longer than the norm.

Compared to the same period in 2024, global crude steel production reduced by 1.3% in the period January to May 2025, according to World Steel Association. Primary steel exports from China increased by 8%. International spread levels (being the difference between steel prices and input raw material costs) were on average around USD130 per tonne, and well below the normal USD 200 to USD 220 per tonne sustainability range. It is anticipated that international crude steel production levels could continue to reduce and ease the supply-side pressure into the second half of 2025, thereby presenting some relief towards the end of the year.

In South Africa, GDP growth expectations have been pared back to no more than 0.7% for 2025. All sectors except agriculture contributed to the weaker outlook. The economic headwinds have resulted in tough trading conditions in key steel consuming sectors, namely, construction, automotive, mining, fabrication, and energy and transport.

Apparent steel consumption in South Africa for the first half of 2025 (“2025 H1”) is expected to be marginally lower year-on-year, with a high share of demand supplied by imports, estimated at around 37% share of local consumption.

Sales volumes for 2025 H1 are expected to be approximately 10% down compared to 2024 H1. Apart from lower demand, the sales volumes for Flat steel products continue to be affected by the high import levels, whilst Long steel product sales reflected the uncertainty around its continuation.

Net realised prices in rand terms are anticipated to be more than 5% lower than 2024 H1, impacted in part by a stronger ZAR/USD exchange rate.

Operations

Crude steel production for 2025 H1 is anticipated to be marginally higher than the 2024 H1 performance, with the Flat Steel Business (“Flats Business”) posting double-digit improvements on avoidance of the blast furnace chilled hearth which detrimentally impacted the 2024 results. The lower production in the Longs Business reflects the production interruptions impacted by the poor rail service performance.

Operationally, the Flats Business welcomed the return to operation of Blast Furnace C following its successful shotcrete and hearth repair. The Plate mill complex underwent a significant multi-year programme of technological upgrades and refurbishment following a significant capital investment of R505 million. The last phase of the programme was successfully completed and the plant returned to operation in 2025 Q1.

On two occasions during the past six months, the risk of uncontrolled blast furnace stops arose due to major rail service interruptions on account of an unprecedent spate of cable theft and locomotive failures. Additional unplanned road transport had to be deployed, resulting in higher direct, operational and handling costs of R317 million for the current period.

Government and related initiatives

The steel and manufacturing industry, represented by various industry associations, appeared before the portfolio committee responsible for trade, industry and competition on 4 June 2025. The industry expressed general disillusionment with policy developments and dissatisfaction with the continued decline of the steel sector, which is creating a challenging business and investment climate in South Africa.

The rapid rise of imports (notably from China, Indonesia, and Vietnam) has taken the industry by surprise, reaching levels described by the South African Iron and Steel Institute as “unacceptable”. Imports now represent more than 35% of apparent steel consumption and thus significantly undermine domestic supply. The industry called for the urgent imposition of definitive actions from the ongoing tariffs reviews, along with the amending of the ill-conceived and ill-implemented Preferential Pricing System and the associated export tax regime relating to scrap prices. The fact that illicit trade is not being addressed by the responsible authorities was bemoaned.

Structural demand issues, fragmented policy implementation, ceaseless electricity cost increases, and the crippled rail performance, pose significant challenges to the South African steel and manufacturing industry.

While there has been unprecedented action by governments around the world to protect their industries, with expedited protective tariff implementation and strong localisation programmes, support for the South African steel industry is required and this cannot happen quickly enough.

South Africa can maintain a thriving steel industry, but government must act decisively to ensure that commitments translate into real supportive action.

The immediate two priorities are, firstly, ensuring that the high levels of imports are dramatically reduced; and, secondly, enabling a vibrant level of steel demand that is accessible to all South African steel producers.

Conclusion

The board of directors and management continue to operate ArcelorMittal South Africa in a responsible and well-considered manner, navigating a highly complex set of circumstances, as the South African steel industry is facing unprecedented global and local pressure.

Vanderbijlpark
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Sponsor
Absa Bank Limited (acting through its Corporate and Investment Banking division)