

## Short-Form Announcement - Group financial results for the year ended 31 December 2021

### SALIENT FEATURES

<ul style="list-style-type: none"> <li>Strongest annual EBITDA since 2008 of R8 569 million</li> <li>13% increase in sales volumes and 34% increase in crude steel production</li> <li>Raw material basket (RMB) increase limited to 10% against a 42% increase in the international RMB (rand terms)</li> <li>Business Transformation Programme savings of R2 085 million</li> </ul>	<ul style="list-style-type: none"> <li>91% increase in average international dollar steel prices, with a 47% increase in realised rand prices</li> <li>Free cash flow of R1 961 million results in R2 366 reduction in net borrowings to R1 258 million, after a R2 724 million reduction in a payable with extended credit terms</li> <li>Headline earnings of R6 860 million (2020: R2 033 million loss)</li> </ul>
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### KEY STATISTICS

	Year ended		
	31 December 2021	31 December 2020	% Change
<b>Financials (R millions)</b>			
Revenue	39 708	24 643	61.1
EBITDA	8 569	37	
Profit/(loss) from operations	7 976	(963)**	
Net profit/(loss)	6 625	(1 973)	
Headline earnings/(loss)	6 860	(2 033)	
Net borrowings	(1 258)	(3 624)	65.3
Net asset value	9 053	2 344	286.2
<b>Financial ratios (%)</b>			
EBITDA margin	21.6	0.2	
Return on ordinary shareholders' equity	120.3	(61.3)	
Net borrowings to equity	(13.9)	(154.6)	
<b>Share statistics (cents)</b>			
Profit/(loss) per share	594	(180)	
Headline earnings/(loss) per share	615	(185)	
Dividends per share			
Net asset value per share	8.12	2.10	286.7
<b>Safety</b>			
Lost time injury frequency rate	0.98	0.58	-69.0
<b>Operational statistics ('000 tonnes)</b>			
Crude steel production*	3 026	2 257	34.1
Steel sales	2 473	2 189	13.0
- Local	2 171	1 871	16.0
- Export	302	318	-5.0
Commercial Coke sales	308	305	1.0
<b>Segmental performance (R millions)</b>			
Steel operations			
- Revenue	37 250	22 632	64.6
- EBITDA	8 147	(272)	
Non-steel operations			
- Revenue	2 508	2 046	22.6
- EBITDA	820	385	113.0
Corporate and other			
- EBITDA	(398)	(76)	-423.7

\* Key statistics changed from liquid steel to crude steel

\*\* Profit/(loss) from operations has been restated to include net impairment reversal/(impairment loss)

### Overview and sustainability

Despite the volatility from the ongoing presence and repercussions of Covid-19 and its various variants, 2021 was an exceptionally strong year for ArcelorMittal South Africa.

The Company's annual results were supported by a continuing strong price environment, higher sales volumes, and the benefit of robust price-cost effects, all resulting in the highest yearly EBITDA (R8 569 million) and headline earnings (R6 860 million) since 2008.

## Overview and sustainability continue

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An acceleration of free cash flow generation, from the first half of the financial year's R985 million to the full year's R1 962 million, resulted in a reduction of net borrowings by R2 366 million to R1 258 million, against R3 624 million at 31 December 2020. The free cash flow performance was after the R2 724 million reduction in a significant payable with extended credit terms. This represents meaningful progress against one of the key strategic pillars of the business, namely, to improve financial resilience by operating on a net cash funding basis.

The Business Transformation Programme (BTP) contributed a further R2 085 million (2020: R1 543 million) in improvements, bringing the cumulative benefit achieved since the programme started in the second half of 2018 to R5,6 billion.

The global steel environment for 2021 was characterised by overall positive, yet differing dynamics, when comparing the two halves of the year. The first half of the year saw strong demand recovery due to low supply chain inventories and a strong recovery in steel spreads (i.e. the difference between steel prices and raw material costs). It was during the first half of the year that China reduced the incentive to export steel by cancelling the export rebates on VAT. Given the scale of the China steel industry and the size of its exports, this represented a material change to the medium-term prospects of the global ex-China steel industry. The second half of the year saw still-positive demand, though with steel prices off record highs. Falling iron ore and volatile coking coal prices were also experienced in response to easing supply constraints among exporters and notable economic interventions evident in China.

Regarding fair trade policy, ArcelorMittal South Africa continues to support actions which target unfair trade practices in the jurisdictions in which it operates and trades. 2021 proved to be a particularly active year as globally the unfair practices, which initially provided protection, remained prevalent. A very real risk exists of those unfair practices intensifying as supply constraints ease and markets normalise in time.

The average international dollar steel prices increased by 91%, iron ore by 48%, coking coal by 82%, and scrap by 68%.

Turning to South Africa and the regional economy, consensus GDP growth forecasts for South Africa is around 4,6% for 2021, and those for near- and Sub-Saharan Africa markets between 3.0% and 3.3%.

Steel inventory levels have largely returned to normal while business conditions in South Africa, particularly in the second half of 2021, proved to be more challenging than initially anticipated. This was due to the negative impact on sentiment of events such as the civil unrest in July, labour disputes in the downstream sector, continuing electricity load-shedding, municipal distribution network failures and lockdown uncertainty. In contrast, the anticipation of impactful progress on the renewable electricity build programme, private sector's potential involvement in rail and port logistics, the advancing of the next tranche of "shovel ready" projects within the Infrastructure Investment Programme and positive spin-offs for growth from the upcoming band spectrum auction serve as a basis for some optimism.

With varying degrees of global supply chain seizures and the impact of government stimulus packages being progressively felt in the real economy, expectedly inflation has made an unwelcome return with the prospect of a tighter fiscal and monetary environment into 2022. Aggravated by the high electricity and logistics cost in South Africa, improving ArcelorMittal South Africa's position on the global cost curve while bettering its product offering to customers will be critical to the next phase of its *Transforming for Sustainable Growth* strategy, and best expressed through the strategic pillars: *reposition, restructure and resilience*.

## Safety, Environmental, Social and Governance (ESG)

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The Company's financial performance was overshadowed by its safety results.

The ArcelorMittal South Africa board, management and employees were deeply saddened by the six fatalities in 2021 and commiserate with the families and friends of these colleagues. Unfortunately, the Company's lost-time injury frequency rate (LTIFR) increased from 0,58 to 0,98 and the total injury frequency rate (TIFR) increased from 7,21 to 7,80.

## **Safety, Environmental, Social and Governance (ESG) continue**

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Improving the business's safety performance is the highest priority. With the assistance of its parent company, and external advisors, the Company has intensified its efforts by rigorously applying the necessary safety tools and accelerating in-person training. The Company is also analysing further interventions that can be introduced to ensure fatalities are eliminated.

The ArcelorMittal group's stated aim is to lead the steel industry's important role in ensuring the global economy achieves net zero emissions. It has made a series of well-published and sizable decarbonisation commitments as the necessary government and funding support is secured. Positively, ArcelorMittal South Africa has made significant progress from the second half of 2021 to develop various roadmap options to achieve a material reduction in carbon intensity by 2030 and net zero by 2050. Numerous bankable "no-regret" opportunities have been identified, central of which is energy efficiency improvement, both of a non-capital and capital-intensive nature. Of critical importance is the establishment and adoption of an international carbon price, supportive policies and enabling funding solutions.

Securing the benefits of early-mover advantages are being explored with various private and public sector entities. This represents an unprecedented opportunity to redefine South Africa's industrial footprint.

## **Operational**

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Excluding Saldanha Works, which through an orderly and commercial wind-down was placed under care and maintenance early in the second quarter of 2020, the Company's average capacity utilisation increased from 42% in 2020 to 60% in 2021 and is currently at 79%.

Crude steel production (including that from Saldanha Works) increased by 34% or 769 000 tonnes, from 2,2 million tonnes to 3,0 million tonnes in 2021. Crude steel production marginally increased by 3% to 1,53 million tonnes in the second half, compared to 1,49 million tonnes in the first half of 2021.

As reported in July 2021, the safety incident at Vanderbijlpark Works' coke-making unit was the primary contributor to the lower commercial coke production. For 2021, although commercial coke production was 43% lower at 160 000 tonnes, supplemented with available inventory, sales volumes remained flat at 308 000 tonnes. Sales fell by 40% to 114 000 tonnes in the second half compared to 193 000 tonnes in the first half of 2021 due to lower inventories and a slower post-incident production recovery.

## **Financial results**

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ArcelorMittal South Africa reported an EBITDA of R8 569 million against R37 million in the previous period, while its operating profit increased substantially from a loss of R963 million in 2020 to a profit of R7 976 million. The headline earnings of R6 860 million recovered strongly from a loss of R2 033 million, amounting to a 615 cents per share profit against a 185 cents loss for 2020.

EBITDA increased by 66% to R5 351 million in the second half, compared to R3 218 million in the first half of 2021.

Revenue increased by 61% to 39 708 million due to a 13% rise in total steel sales volumes and a 47% rise in net realised steel sales prices. Revenue increased by 14% to R21 112 million in the second half compared to R18 596 million in the first half of 2021.

The Company's raw material basket (iron ore, coking coal, and scrap), representing 43% (2020: 41%) of cash cost per tonne, was 10% higher in rand terms, which is satisfying given the 42% increase in the international raw material basket in

rand terms. This reflects the work done in diversifying the sources of raw materials. Consumables and auxiliaries represented approximately 30% of cash cost per tonne (2020: 32%), increased by 5%. Electricity tariffs increased by 14%.

## Legal and regulatory matters

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### Safeguard duties

The Safeguard Duties were not extended beyond 10 August 2021.

### Competition Commission (the “Commission”)

As previously reported, ArcelorMittal South Africa has been engaging the Commission regarding payment of part of the administrative penalty, and the progress against the capital expenditure programme. In line with the Settlement Agreement and as contemplated therein, the Company had no option but to revise its capital expenditure programme commitment, as previously reported. However, actual capital expenditure for 2021 has been higher than initially planned (but still below the initial targeted amount) and it should be noted that, although the Settlement Agreement came to an end in November 2021, the Company’s capital expenditure programme has been revised upwards when compared to previous plans, focusing on environmental projects, improving quality, maintenance and structural renovations.

In addition, since May 2021, ArcelorMittal South Africa has been engaging with the Commission regarding the Raw Material Basket methodology for determining Earnings Before Interest and Taxation (EBIT) under the Settlement Agreement, which may affect the calculation of the EBIT margin. The Company has provided the Commission with supporting information as requested by it, which is being considered by the Commission. To date, the Commission has not noted any objections to either the methodology or the EBIT calculations. ArcelorMittal South Africa expects that all outstanding issues relating to the Settlement Agreement will be resolved after the final compliance report is submitted to the Commission for its evaluation. Subject to the above, ArcelorMittal South Africa has in all other material respects complied with the Settlement Agreement entered into with the Commission.

## Changes to the board of directors

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- Mr Jacob Modise resigned as a non-executive director and as chairman of the audit and risk committee with effect from 26 January 2021.
- Ms Nomavuso Mnxasana, an independent non-executive director and member of the audit and risk committee, was appointed as chair of the audit and risk committee with effect from 29 January 2021.
- Mr Brian Aranha retired as a non-executive director with effect from 31 March 2021.
- Mr Bradley Davey was appointed as a non-executive director with effect from 1 April 2021.
- Ms Dawn Earp was appointed as an independent director with effect from 1 July 2021.
- Mr Desmond Maharaj, CFO and executive director resigned with effect from 30 September 2021.
- Mrs Suretha van Wyk was appointed as interim CFO and executive director with effect from 1 October 2021.
- The chairman of the Board, Mr Mpho Makwana, as well as Ms Nomavuso Mnxasana, who were appointed as directors in 2013, have indicated that they would not be available for re-election at the annual general meeting (AGM) in 2022, in light of the fact that as at that date each would have served a period of about nine years as directors. Consequently, the board initiated a process to identify suitable directors for appointment during 2022, and in particular, a director that could be considered for appointment as chairman of the Board.

A company was appointed to assist with the process and after having interviewed a short list of candidates, and based on the recommendation of the Human Resources, Remuneration and Nominations Committee, the Board has identified suitable candidates to be appointed as directors of the Company.

In the circumstances, shareholders are advised as follows:

- Mr Mpho Makwana and Ms Nomavuso Mnxasana will retire by rotation at the AGM in May 2022.
- Mr Bonang Mohale and Mr Abe Thebyane will in due course be nominated for appointment as directors at the AGM. Should Mr Bonang Mohale’s appointment be approved at the AGM, the board intends appointing Mr Bonang Mohale as chairman of the board.
  - Mr Bonang Mohale is the President of Business Unity South Africa (BUSA), Chancellor of the University of the Free State, Professor of Practice in the Johannesburg Business School (JBS) College of Business and Economics, Chairman of both Bidvest Group Limited and SBV Services. He is the author of the bestselling books, “Lift As You Rise” and “Behold The Turtle!”

- Mr Abe Thebyane currently serves on the board of AVI Group as the Lead Independent Director and chairs the Remuneration Committee. He has vast experience in the field of human resources in both the mining and banking industries.

## OUTLOOK

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The outlook for global steel demand remains generally positive heading into 2022. In South Africa and neighbouring countries, it is likely that demand will ease back to more moderate growth levels.

Due to a combination of supply side constraints and interventions, along with the sporadic demand momentum (especially in developing economies), international steel prices are off the highs of 2021, although prices continue to receive support from robust raw material prices.

Overall, this view is conditional upon central banks' responses to rising inflation, the extent to which growth slows in China and the progress with vaccination coverage, especially in developing countries.

The Company targets improved production reliability and greater customer focus into 2022, though volume recovery will be dependent on the reliability of the rail service.

After safety, securing the first benefits of the Value Plan Programme will be the key focus area.

The Company's financial results will continue to be impacted by exchange rate volatility.

**HJ Verster**  
Chief Executive Officer

**SM van Wyk**  
Interim Chief Financial Officer

10 February 2022

**Sponsor to ArcelorMittal South Africa Limited**  
Absa Bank Limited (acting through its Corporate and Investment Banking division)



## SHORT-FORM ANNOUNCEMENT

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This short-form announcement is the responsibility of the board of directors of ArcelorMittal South Africa and is a summarised version of the group's full announcement and as such, it does not contain full or complete details pertaining to the group's results. This short-form announcement is itself not reviewed but extracted from the reviewed condensed consolidated financial statements which was reviewed by Deloitte & Touche who issued an unmodified review conclusion on the reviewed consolidated financial statements for the year ended 31 December 2021.

This review conclusion report can be obtained from the company's registered office and on the group's website at <https://southafrica.arcelormittal.com/InvestorRelations/AnnualResults.aspx>. Any investment decisions by investors and or shareholders should be made after taking into consideration the full announcement. The full results announcement is available for viewing at <https://senspdf.jse.co.za/documents/2022/JSE/ISSE/ACL/AMSA-FYE21.pdf> and on the group's website at <https://southafrica.arcelormittal.com/InvestorRelations/AnnualResults.aspx>. The full announcement is available for inspection, at no charge, at the registered office of (ArcelorMittal South Africa Limited, Room N3-7, Main Building, Delfos Boulevard, Vanderbijlpark) and the offices of the sponsor (Absa Bank Limited (acting through its Corporate and Investment Bank Division), 15 Alice Lane, Sandton), from 09:00 to 16:00 on business days.

Copies of a full announcement can be requested from the registered office by contacting (016) 889 2352. The short-form announcement has not been audited or reviewed by the company's auditors.

**This report is available on the ArcelorMittal South Africa's Web site at: <http://www.arcelormittal.com/southafrica/>.  
Share queries: Please call the ArcelorMittal South Africa Share care toll free on 0800 006 960 or +27 11 370 7850.**

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