



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")

ArcelorMittal South Africa Limited: Short-Form Announcement Reviewed condensed consolidated financial results for the six months ended 30 June 2021

- Strongest half yearly EBITDA in a decade of R3 218 million
- 79% increase in average international dollar steel prices, with a 42% increase in realised rand prices
- 10% increase in sales volumes, and a 36% increase in liquid steel production benefitting supply chain normalisation
- Raw material basket (RMB) increase limited to 2% against a 44% increase in the international RMB (rand terms)
- Business Transformation Programme savings of R1 001 million
- Free cash flow of R985 million resulting in a net debt of R2 782 million
- Headline profit of R2 482 million (H1 2020: R2 613 million loss)

KEY STATISTICS

	Six months ended			Year ended
	30 June 2021	30 June 2020	% Change	31 December 2020
Financials (R millions)				
Revenue	18 596	12 014	54.8	24 643
EBITDA	3 218	-1 256		37
Profit/(loss) from operations	2 945	-1 528		-924
Net profit/(loss)	2 253	-2 304		-1 973
Headline earnings/(loss)	2 482	-2 613		-2 037
Net borrowing	-2 782	-3 702		-3 624
Net asset value	4 602	1 540	198.8	2 344
Financial ratios (%)				
EBITDA margin	17.3	-10.5		0.2
Return on ordinary shareholders' equity	142.9	-173.7		-57.2
Net borrowing to equity	-60.5	-240.4		-154.6
Share statistics (cents)				
Profit/(loss) per share	202	-211		-180
Headline earnings/(loss) per share	223	-239		-185
Dividends per share	-	-		-
Net asset value per share	4.13	1.41	192.9	2.10
Safety				
Lost-time injury frequency rate	1.13	0.55	105.5	0.58
Operational statistics ('000 tonnes)				
Liquid steel production	1 526	1 123	35.9	2 307
Steel sales	1 263	1 147	10.1	2 189
- Local	1 141	946	20.6	1 871
- Export	122	201	-39.3	318
Commercial Coke and Tar sales	219	143	53.2	305
Segmental performance (R millions)				
Steel operations				
- Revenue	17 325	11 244	54.1	22 761
- EBITDA	3 120	-1 391		-277
Non-Steel operations				
- Revenue	1 295	788	64.3	1 917
- EBITDA	351	108	225.0	380
Corporate and other				

	Six months ended			Year ended
	30 June 2021	30 June 2020	% Change	31 December 2020
- EBITDA	-253	27		-66

OVERVIEW

As anticipated in February 2021, both stronger sales volumes and the benefit of robust price-cost effects enabled ArcelorMittal South Africa to enjoy a strong start to 2021, recording a half yearly EBITDA of R3 218 million, its strongest in a decade.

Cash flow performance for the period was another highlight. Despite the R1 661 million investment in working capital (reflecting market factors), the Company generated free cash flow of R985 million, resulting in a net debt of R2 782 million against R3 702 million for the comparative period and R3 624 million at 31 December 2020.

This performance was remarkably achieved against the backdrop of one of the most challenging operating environments in the company's long history, characterised by:

- two Covid-19 waves
- inclement weather events at the beginning of the year

OVERVIEW continue

- a highly inconsistent rail service necessitating frequent and costly operational stops
- tragic and painful safety incidents, and the particularly noteworthy efforts of the entire business in restoring the damaged plants and stabilising operations
- a successful long maintenance stop at the Newcastle Works' blast furnace to address damage caused as a result of the hard lockdown and
- ramp-up challenges associated with restoring and accelerating production in the complex integrated steelmaking routes.

The recovery in the global steel environment observed since the second half of 2020, has accelerated in 2021. Activity levels in steel markets have continued to recover. Strong demand and low supply chain inventories (following significant destocking in prior periods) have combined to support a strong recovery in steel spreads (being the difference between steel prices and raw material costs).

Average international dollar steel prices increased by 79%. This contrasts to iron ore indices which increased by 101%.

Turning to South Africa and the regional economy, consensus GDP growth forecasts for South Africa are around 4,5% for 2021, which is positive for steel demand. Market inventory levels are increasing albeit at varying speeds for different products. By June 2021, ArcelorMittal South Africa's monthly production levels and dispatches were largely balanced.

The Business Transformation Programme (BTP) contributed a further R1 001 million (H1 2020: R663 million) in improvements, adding to the R3,6 billion of improvements achieved since the programme started in the second half of 2018.

Safety and Environmental, Social and Governance

ArcelorMittal South Africa board, management and employees were greatly saddened by the four fatalities which happened in the past six months and commiserate with the families and friends of these colleagues. The Company's commitment and resolve to achieve zero harm has never been stronger.

The lost-time injury frequency rate (LTIFR) increased from 0,55 to 1,13 and the total injury frequency rate (TIFR) increased from 7,31 to 8,86.

One of the priorities of the ArcelorMittal group is to lead the steel industry globally on sustainability. This is reflected in the XCarb™ brand which brings together all ArcelorMittal's reduced, low and zero-carbon products and steelmaking activities, as well as wider initiatives and green innovation projects, into a single effort focused on achieving demonstrable progress towards carbon neutral steel and the net zero commitment by 2050.

Leveraging the relationship with its parent company, ArcelorMittal South Africa is exploring, in collaboration with various large industrial partners, research organisations, and business initiatives, opportunities relating to carbon capture and storage (CCS), blue and green hydrogen applications in directly reduced iron (DRI), production, and improved energy efficiency initiatives. Saldanha Works has been identified in a study by the SA-EU Partnership and the CSIR (published in February 2021) as being ideally suited for green DRI production, with the Company's integrated steelmaking sites being prime candidates for CCS technology. Along with improving environmental compliance, ArcelorMittal South Africa will finalise its implementation roadmap for meaningful carbon reduction by the end of 2022. In South Africa, we

will need funding support for carbon neutrality initiatives along with an enabling environment to encourage cross-sector and industry collaboration.

Markets

Global crude steel production⁽¹⁾ increased to 1,0 billion tonnes by 30 June 2021 as economic stimulus packages continued to benefit the mining, manufacturing and infrastructural, while keeping supply chains under pressure. This is 122 million tonnes (or 14%) higher than comparative period levels.

China's crude steel production increased by 11% to 560 million tonnes maintaining its market share of 56%.

(1) Source: WorldSteel statistics, with June 2021 projected based on May 2021 data

Markets continue

Europe's⁽²⁾ crude steel output increased by 19% to 100 million tonnes. North America was up by 16% year-on-year to 59 million tonnes. Turkey and Russia managed to increase their production by approximately 21% and 8% respectively while India rose by 31% to 58 million tonnes.

Africa's crude steel output increased by 26% to 8 million tonnes due to higher production in South Africa and Egypt. South Africa's crude steel production increased by 39% to 2,5 million tonnes reflecting 2020's hard economic lockdown in the region which was not necessary the case throughout the rest of the world.

Turning to South Africa, apparent steel consumption for the first half of 2021 increased by 9% to 2,2 million tonnes compared to the preceding six months (H2 2020). The improvement in steel demand is being driven by faster recovery in the mining, automotive and fabrication, construction and infrastructure sectors along with energy projects.

Total steel imports of primarily hot rolled coil, galvanised sheet and tinplate increased by 25% to 687 000 tonnes⁽³⁾ compared to the preceding six months (H2 2020) in response to the supply chain shortages in the local market. This constituted some 31% of South Africa's apparent steel consumption (H1 2020: 24%), which is likely to reduce during the remainder of the year as the supply chain normalises mainly due to domestic output which is recovering, the cancelation of steel exports incentives by China, and the imposition of imports duties by Russia.

The Company's total sales volumes increase by 10% or 116 000 tonnes to 1,3 million tonnes compared to H1 2020, due to a 21% or 195 000 tonnes rise in domestic sales and a 39% or 79 000 tonne fall in mainly seaborne exports, as volumes were reallocated to Africa Overland markets.

(2) Europe including Turkey

(3) Source: AMSA projection based on import statistics from Customs

Operational

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 39% in H1 2020 to 59% in H1 2021, and is currently at 85%.

Liquid steel production (including that from Saldanha Works) increased by 36% or 403 000 tonnes, from 1,1 million tonnes to 1,5 million tonnes during H1 2021.

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.

Financial results

ArcelorMittal South Africa reported a EBITDA profit of R3 218 million against a loss of R1 256 million in the previous period, while its operating profit increased from a loss of R1 528 million in H1 2020 to a profit of R2 945 million. The headline profit of R2 482 million recovered from a loss of R2 613 million, amounting to a 223 cents per share profit against 239 cents loss for the comparative period in 2020.

Revenue increased by 55% to R18 596 million due to a 10% rise in total steel sales volumes and a 42% rise in net realised steel sales prices.

The Company's raw material basket (iron ore, coking coal, and scrap), representing 43% (H1 2020: 42%) of total cash cost, was 2% higher in rand terms, which is very pleasing given the 44% increase in the international raw material basket. This reflects the work done in diversifying the sources of raw materials. Consumables and auxiliaries, which

represented approximately 31% of cash cost per tonne (H1 2020: 31%) remained flat for the period. Electricity cost increased by 12% on a per tonne basis.

Fixed costs increased from R2 569 million (R2 238 per tonne of steel sold) in H1 2020 to R3 376 million (R2 674 per tonne of steel sold) in H1 2021, an increase of 19%. The increase of R807 million largely represented additional investment in restorative maintenance, higher activity levels and additional temporary staff for pandemic risk mitigation purposes.

Financial results continue

Net financing charges fell by R632 million to R445 million as foreign exchange losses abated from R977 million in H1 2020 to R14 million in H1 2021.

The debit fair value adjustment on investment properties of R224 million is based on the latest fair value of these properties obtained from independent valuers.

Cash flow and borrowing position

Cash generated from operations of R1 508 million improved by R1 430 million against H1 2020, despite a significant investment of R1 661 million (H1 2020: R1 651 million release) in working capital, reflecting improved activity levels and higher steel prices.

Net finance costs decreased by 4% or R6 million to R130 million. Net foreign exchange losses of R46 million were realised.

The net capital expenditure cash outflow was R350 million against R248 million in H1 2020, reflecting higher activity levels.

The net borrowing position of R3 702 million at 30 June 2020, improved by R920 million to R2 782 million at 30 June 2021. At 31 December 2020 the net borrowing position was R3 624 million.

Outlook for the second half of 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.

Given the current status of the pandemic, the health and wellbeing of employees will continue to receive attention.

Conditional upon the extent of the current economic lockdown in South Africa, and therefore the avoidance of damaging the overall business sentiment, the impact of a healthier market and operating environment should be more fully reflected in the Company's performance in the second half of the year.

During these times which typically see higher activity levels and additional restoration costs being incurred, the focus on structural cost competitiveness will remain critical.

The results of the Company will continue to be impacted by the exchange rate volatility.

HJ Verster
Chief Executive Officer

AD Maharaj
Chief Financial Officer

29 July 2021

SHORT-FORM ANNOUNCEMENT

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 interim financial statements. There review conclusion report can be obtained from the company's registered office and on the group's website at <https://southafrica.arcelormittal.com/InvestorRelations/InterimResults.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/2021/JSE/ISSE/ACL/AMSAInt21.pdf> and on the group's website at <https://southafrica.arcelormittal.com/InvestorRelations/InterimResults.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 Banking 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.

Sponsor to ArcelorMittal South Africa Limited

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

