



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")

TRADING STATEMENT AND BUSINESS UPDATE FOR THE YEAR ENDED 31 DECEMBER 2022, AND RELEASE OF THE COMPANY'S DECARBONISATION ROADMAP

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements ("JSE Listing 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 year ended 31 December 2022 ("the period") are expected to differ by at least 20% or more from the financial results for the previous corresponding reporting period ("the comparative period").

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

- The earnings per share to decline from R5,94 profit per share for the comparative period to a profit within a range of R2,20 and R2,50 per share for the period (representing a decrease of between 58% and 63%)
- The headline earnings per share to decline from R6,15 headline profit per share for the comparative period to a headline profit per share within a range of R2,15 and R2,45 per share for the period (representing a decrease of between 60% and 65%).

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

BUSINESS UPDATE

On 28 July 2022, at the announcement of the Company's six-months financial results, it was indicated that the outlook for the coming six months was strongly influenced by intensified economic headwinds which threatened to significantly affect the trading environment for steel. As anticipated, the international price correction in a soft local demand environment did significantly impact the financial results of the business.

Globally, steel prices have declined at a faster rate than raw materials. This has led to negative price-cost effects with spreads (i.e. the difference between steel prices and raw material costs) under significant pressure. The Company could not escape the impact of the year's energy crunch, as seen in the extreme increase of imported coal prices (up 117% year-on-year).

Domestically, market conditions proved to be especially challenging as customers aggressively destocked. This was particularly notable in the last quarter of the year, where market activity dissipated dramatically in certain sectors (being somewhat reminiscent of late-2008).

The business is responding effectively, through among other things, its Value Plan and fixed cost resizing. Thus, despite the sharp weakness which characterised the second half of the year, the financial results are significantly stronger than during other crisis or near-crisis environments of the past.

An aspect of the business which unexpectedly came under significantly more pressure than initially anticipated, was the net borrowing position. Having successfully improved average capacity utilisation in the second half (54%) compared to the first half (42%) of the year, the suddenness of slowdown in market activity in the latter part of the fourth quarter was greatly aggravated by a notable shortage of readily available road trucks for sales deliveries. The well-publicised rail logistic failures on the country's coal export rail corridors, and the very attractive prices offered for that product, resulted in a dramatic and unexpected shortage of road trucks for domestic and Africa overland deliveries in the last quarter of the year.

Considerable time, resources and capital investment have been invested in physical infrastructure to improve safety, and environmental compliance.

ArcelorMittal South Africa's preliminary reviewed condensed consolidated financial statements for the year ended

31 December 2022 will be released on SENS on 9 February 2022, with a virtual presentation on the same day. The presentation will be available for all stakeholders on the Company's website at www.arcelormittalsa.com.

DECARBONISATION ROADMAP

In its 2021 (inaugural) Environmental, Social and Governance (ESG) report, ArcelorMittal South Africa communicated that it was planning to play its part in achieving the ArcelorMittal group's 2050 net-zero carbon goal.

Shareholders were informed that ArcelorMittal South Africa intended publishing a Carbon Footprint Roadmap (Decarbonisation Roadmap). The Company is therefore pleased to publish its Decarbonisation Roadmap, which is available here

[https://www.arcelormittalsa.com/Portals/0/ArcelorMittal%20South%20Africa%20Decarbonisation%20Roadmap%20\(January%202023\).pdf](https://www.arcelormittalsa.com/Portals/0/ArcelorMittal%20South%20Africa%20Decarbonisation%20Roadmap%20(January%202023).pdf) and on the Company's website.

The Decarbonisation Roadmap is a bold endeavour that will guide the work required to reach ArcelorMittal South Africa's decarbonisation commitments. As the Company progresses towards net zero, implementation of the ArcelorMittal group's systems, technology and intellectual property will represent real knowledge transfer to South Africa. Confidence in the Company's ability to achieve net zero is substantially bolstered by the support of the group's many experts and its ongoing investments.

The Decarbonisation Roadmap is based on the implementation of clear actions and interventions. However, it is by no means cast in stone and will be subject to regular updates and changes as breakthrough technologies emerge and are proven – which will influence how the Company ultimately implements its energy transition.

Key features of the Decarbonisation Roadmap are:

- Targeting a reduction of ArcelorMittal South Africa's carbon intensity from 2.9 tonnes of carbon dioxide per tonne of crude steel (tCO₂/tCS) in 2018 to 2.16 tCO₂/tCS by 2030, and a residual 0.4 tCO₂/tCS by 2050.
- Based on these targets, the Company will have succeeded in reducing its carbon intensity by 25% by 2030, and 86% by 2050, with residual emissions being offset by yet-to-be-developed technologies and/or carbon offset arrangements.

The Decarbonisation Roadmap sets out key assumptions and initiatives supporting implementation. These include:

- One of the two Blast Furnaces at Vanderbijlpark undergoing a reline and upgrade between 2027 and 2030 and the commissioning of a suitable electric arc furnace (EAF) in Vanderbijlpark. This means that in 2030, in addition to the EAF, one Blast Furnace will then be permanently closed, and another returned to service as a low carbon-enabled furnace.
- The substantial transformation of the Company's current electricity supply will require an active, real transition from coal-based electricity to electricity from renewables and other clean sources. In this regard the Company has announced projects to generate at least 200 megawatts of renewable power on its premises.
- Collaboration with various partners and potential opportunities related to the use of green hydrogen in Saldanha resulting in the production of lower carbon steel.
- Opportunities at Vanderbijlpark for capture and the conversion of process carbon into various much-needed net-zero energy and chemical products.

Kobus Verster, CEO of ArcelorMittal South Africa, said: "The Decarbonisation Roadmap is based on clear actions that can support the achievement of the Company's decarbonisation targets. It is testimony to our commitment to becoming a net-zero steel business by 2050. Implementation of our Decarbonisation Roadmap will not only change the way the Company operates but will be a catalyst for changing the steel industry and the economy of South Africa."

Vanderbijlpark
24 January 2023

For further information please contact:
Tami Didiza: Senior Manager: Corporate Communications
Tel: (016) 889 2549

Company Secretary: FluidRock Co Sec (Pty) Ltd

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

