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**")

Short-Form Announcement

Group financial results for the year ended 31 December 2020

SALIENT FEATURES

- Successful implementation of a rapid response plan against the pandemic to protect our people, our assets and our financial lifelines
- Transformation and strategic initiatives yield substantial benefits
- R1 022 million profit in H2 2020, resulting in a full year EBITDA profit of R37 million (2019: R632 million loss)
- R1 467 million improvement in free cash flow to an inflow of R117 million (2019: R1 350 million outflow)
- R2 531 million (33%) reduction in total fixed costs to R5 066 million (2019: R7 597 million)
- 10% reduction in rand terms in the raw material basket
- 4% reduction in average international dollar steel prices, with a 6% increase in realised rand prices
- 48% lower liquid steel production of 2,3 million tonnes and 47% lower sales volumes of 2,2 million tonnes
- R1 222 million reduction in the headline loss to R2 043 million (2019: R3 265 million loss)

KEY STATISTICS

	Year ended		
	31 December 2020	31 December 2019 Restated[1]	% Change
Financials (R millions)			
Revenue	**24 643**	**41 353**	-40.4
EBITDA (before exceptional items)	**37**	**-632**	
Loss from operations	**-924**	**-2 359**	+60.8
Net loss	**-1 926**	**-4 604**	+58.2
Headline loss	**-2 043**	**-3 265**	+37.4
Net borrowings	**-3 838**	**-3 370**	-13.9
Net asset value	**2 130**	**4 477**	-52.4
Financial ratios (%)			
EBITDA margin	**0.2**	**-1.5**	
Return on ordinary shareholders' equity	**-61.8**	**-48.6**	
Net borrowings to equity	**-180.2**	**-75.3**	
Share statistics (cents)			
Loss per share [2]	**-175**	**-419**	+58.2
Headline loss per share [2]	**-186**	**-297**	+37.4
Dividends per share	**-**		
Net asset value per share	**1.91**	**4.09**	+53.3
Safety			
Lost time injury frequency rate	**0.58**	**0.44**	-31.8
Operational statistics (Thousand tonnes)			
Liquid steel production	**2 307**	**4 411**	-47.7
Steel sales	**2 189**	**4 112**	-46.8
- Local	**1 871**	**2 967**	-36.9
- Export	**318**	**1 145**	-72.2
Commercial Coke sales	**305**	**152**	+100.7
Segmental performance (R millions)			
Flat steel products			
- Revenue	**16 130**	**27 709**	-41.8
- EBITDA	**414**	**-574**	
Long steel products			
- Revenue	**8 797**	**14 599**	-39.7
- EBITDA	**-683**	**-369**	-85.1
Coke and chemicals			
- Revenue	**1 917**	**1 310**	-46.3
- EBITDA	**295**	**250**	+18.0
Corporate and other			
- EBITDA	**11**	**61**	-82.0

Overview and sustainability

2020 proved to be an exceptionally difficult year with unprecedented challenges. Despite this, the year also proved to be highly transformative with constructive learnings. The work done to minimise the impact of Covid-19 on the business was invaluable in at least two respects: firstly, adapting operations to keep our employees and service providers safe; and secondly, fundamentally resizing the cost structure of the Company in response to lower production and sales volumes.

[1] Restated change in accounting policy recognition of Investment properties at fair value impact R72 million.
[2] Restated due to employee share scheme vested 30 September 2020.

ArcelorMittal South Africa was able to craft a rapid response plan to protect its people, assets and financial lifelines during the initial hard lockdown and subsequent restart of operations by implementing guidelines issued by the World Health Organisation and the South African Government. The Company gratefully acknowledges the support of its employees during this period.

Emerging from a first half broadly characterised by lockdowns, internationally the second half of 2020 saw an unexpected bounce in near-term steel demand. Virtually without exception, major steel making economies around the globe struggled to respond to meet this demand in a timely manner. Those regions with integrated primary steelmaking operations were especially affected as the complex supply chain components took time to be restored. Internationally, this restoration effort remains a work-in-progress.

Turning to South Africa and the regional economy, results from multiple customer surveys, starting late in the first half of the year and stretching through the second half, reflected significant changes in steel demand estimates as time progressed. In many instances, there were notably mixed views as to the sustainability of this demand, especially as the second wave of Covid-19 began to take hold in the country.

Overview and sustainability continue

Against the backdrop of an arduous 2019 which led to downstream steel market inventories being at diminished levels, the second blast furnace at Vanderbijlpark Works was restarted in December 2020, followed by a third basic oxygen furnace and the direct reduced iron plant to support flat steel supply, while the electric arc furnace at Vereeniging, which was scheduled to be placed under care and maintenance in the third quarter of 2020, will continue to operate for the foreseeable future in support of long steel supply.

Rising international steel prices, particularly in the fourth quarter of 2020, were the consequence of global steel supply shortages due to a sharper than expected recovery in virtually all international markets, nine-year-high iron ore prices, and increasing scrap and other raw material prices. By late December 2020 and into early January 2021, international steel prices rose to levels last seen in 2008.

The Company continued to implement its strategic initiatives in 2020 to achieve long-term sustainability. A key element was the finalisation of the asset footprint review. The orderly and commercial wind-down of Saldanha Works was completed to ensure that significant historical losses did not reoccur in 2020, nor in the future. The Saldanha plant will remain under care and maintenance until a sustainable input cost solution can be developed, however, alternative value-adding and job creation options are being pursued. For example, the establishment of a back-of-port logistics hub using the ancillary land and equipment at Saldanha Works is being considered.

The Company's significant fixed cost reduction programme continues to yield substantial results, with a R2.5 billion reduction in fixed costs in 2020 including the impact of the closure of Saldanha Works of R951 million. All fixed cost elements were targeted to rescale the cost structure of the business to the anticipated lower normalised volume. The variabilisation of fixed costs will continue to be a key focus area going forward.

The pandemic necessitated the accelerated implementation of the Company's new *OneOrganisation* operating model and a large-scale labour reorganisation (announced on 18 June 2020 in terms of Section 189(3) of the Labour Relations Act 66 of 1995). Both initiatives were completed within December 2020 and January 2021 and a reorganisation charge of R134 million was recognised for severance packages.

Safety

Safety remains the Company's number one priority, as reemphasised by ArcelorMittal South Africa's proactive response to the Covid-19 pandemic. Notwithstanding the intention to achieve zero fatalities and injuries, the Company regrettably experienced one fatal incident at its Newcastle Works on 13 November 2020. The board and management extend their deepest condolences to the family and colleagues of the deceased.

Operational

Excluding Saldanha Works, which was placed under care and maintenance early in the second quarter, the Company's capacity utilisation reduced from 68% in 2019 to 42% recovering to 71% at the start of 2021.

Liquid steel production (including that from Saldanha Works) fell by 48% or 2,1 million tonnes, from 4,4 million tonnes to 2,3 million tonnes during 2020 and by 37% or 1,3 million tonnes, excluding Saldanha Works.

The Company's total sales volumes fell by 47% or 1,9 million tonnes to 2,2 million tonnes compared to 2019, mainly due to a 37% or 1,1 million tonnes reduction in domestic sales and a 72% or 827 000 tonnes reduction in seaborne export sales. Flat steel products decreased by 46% or 1,2 million tonnes (excluding Saldanha 27% or 499 000 tonnes), while long steel products decreased by 47% or 690 000 tonnes.

Average 2020 annual benchmark China export hot rolled coil (HRC) price remained flat year-on-year. At the same time, benchmark China export rebar steel prices decreased by 3% compared to 2019. The Company's overall realised steel price in dollars fell by 5% while in rand terms, realised steel prices increased by 6% as the average dollar/rand exchange rate weakened by 14%.

The nationwide lockdown reduced the demand for metallurgical coke, enabling an increase in commercial market coke production. Commercial market coke production was 48% higher at 282 000 tonnes, though sales volumes were 101% higher at 305 000 tonnes as lower internal metallurgic coke demand could be routed as commercial market coke to ferro-chrome producers.

Financial results

ArcelorMittal South Africa's reported an EBITDA profit (before exceptional items) of R37 million against a loss of R632 million (before exceptional items), while its operating loss decreased from R2 359 million to R924 million. The headline loss decreased from R3 265 million to R2 043 million, amounting to a 186 cents per share loss against 299 cents loss for 2019.

Revenue decreased by 40% to R24 643 million due to a 47% reduction in total sales volumes. This was partly mitigated by a 6% improvement in net realised steel prices in rand terms against the comparative period. Commercial market coke sales volumes increased by 101% while sales prices decreased by 1% in rand terms.

The Company's raw material basket (iron ore, coking coal and scrap), representing 41% (2019: 51%) of cash cost per tonne, was 10% lower in rand terms, which is exceptional given the 11% increase in the international raw material basket reflecting the work done in diversifying the sources of raw material. Consumables and auxiliaries, which represented approximately 31% of cash cost per tonne (2019: 29%), increased by 24%. Electricity increased by 10%.

Needing to act with decisiveness and agility in response to the fall in production and sales volumes, fixed cash costs were reduced by 33% or R2,5 billion. The reduction includes R1 billion of BTP-related fixed cost improvements, with just less than R600 million in new actions to variabilise these costs and the remainder being the fixed cost of Saldanha Works being placed under care and maintenance.

Despite significant cost savings from the BTP initiatives, the Company's cash cost per tonne of steel sold increased by 8%, largely driven by lower volumes.

Cash flow and borrowing position

Cash generated from operations of R867 million improved by R624 million against 2019.

Net finance costs increased by 10% or R25 million to R269 million. Net foreign exchange losses amounted to R415 million, of which R126 million is unrealised.

The net capital expenditure cash outflow was R509 million against R1 491 million in 2019, reflecting the interruption in projects due to the impact of the lockdown.

The net borrowing position of R3 370 million in 2019 increased to R3 838 million at 31 December 2020, including R520 million relating to the capitalisation of interest and group payables to the loan from ArcelorMittal Holding AG.

Changes to the board of directors

Mr JRD Modise resigned as an independent non-executive director, with effect from 26 January 2021, resulting in a vacancy on the audit and risk committee as he was the chairman of the audit and risk committee.

Ms NP Mnxasana, an independent non-executive director and member of the audit and risk committee has been appointed as chair of the audit and risk committee and Mr N Nicolau, an independent non-executive director was appointed as an additional member of the committee pursuant to section 94(6) of the Companies Act, both with effect from 29 January 2021.

Outlook

Covid-19 infection rates remain a risk, and therefore the health and wellbeing of our employees will continue to receive significant attention.

Barring a return to more restrictive lockdown regulations, it is anticipated that both sales volumes and prices should improve. Strong international steel prices are expected to remain in the near-term.

The improved price and volume environment combined with the sustained fixed cost and footprint benefits should see the improved performance of H2 2020 continue in the first half of 2021. On behalf of the board of directors

HJ Verster
Chief Executive Officer

AD Maharaj
Chief Financial Officer

11 February 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 preliminary reviewed condensed consolidated financial statements which was reviewed by Deloitte & Touche who issued a modified review conclusion report on those preliminary reviewed condensed consolidated financial statements due to an Emphasis of Matter paragraph on the material uncertainty related to going concern. Their 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/2021/JSE/ISSE/ACL/AMSA-FYE20.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 (ArcelorMittal South Africa Limited, Room N3-5, 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.

FORWARD-LOOKING STATEMENTS

Statements in this announcement that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to risks and uncertainties which could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's auditors.

Sponsor to ArcelorMittal South Africa Limited
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