



# 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, UPDATE ON THE DILIGENCE AND CONSULTATION PROGRESS IN RELATION TO THE LONGS BUSINESS, AND OVERALL BUSINESS UPDATE FOR THE YEAR ENDED 31 DECEMBER 2023**

### **TRADING STATEMENT**

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 2023 ("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 a R2.36 profit per share for the comparative period to a loss within a range of R3.25 and R3.80 per share for the period (representing a decrease of between 238% and 261%).
- The headline earnings per share to decline from a R2.34 headline profit per share for the comparative period to a headline loss per share within a range of R1.55 and R1.85 per share for the period (representing a decrease of between 166% and 179%).

Included within the above range of the earnings per share guidance, is the recognition of an impairment charge primarily relating to Company's Longs steel operations ("Longs Business").

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

### **UPDATE ON THE DILIGENCE AND CONSULTATION PROGRESS IN RELATION TO THE LONGS BUSINESS**

On Thursday, 28 November 2023, shareholders were advised that ArcelorMittal South Africa's Board and Management had no option but to embark on a process that contemplates the wind down of the Company's Longs Business. This would be subject to a due diligence and a consultative process involving key customers, suppliers, organised labour, and other stakeholders.

It was explained that despite best efforts, the initiatives implemented up to that point were not able to counter the combined effect of the following:

- A slow economy and difficult trading environment including low demand.
- National constraints beyond the control of the Company and in particular, high transport and logistics costs as well as energy prices, exacerbated by the well-publicised logistics

failures and their resultant cost impact, and the prevailing electricity challenges which the country faces.

- Scrap advantage over iron ore with respect to steel production as a consequence of policy.

Since making the announcement, ArcelorMittal South Africa has been engaging with various stakeholders, including Government, represented, by among others, the Minister of Trade, Industry and Competition, Transnet, the IDC, numerous industry associations and institutions, organised labour, affected and interested customers, suppliers, and community forums, amongst others.

These stakeholders have expressed widespread concern regarding the negative economic impact of the closure. The Company was requested to consider what support was needed to change the closure decision. ArcelorMittal South Africa reiterated that it did not need any preferential treatment or subsidies, rather it required Government to ensure that a level playing field exists for South Africa's primary steel producers, by addressing the structural constraints affecting the steel industry.

The engagement process has been constructive. Understandably, however, finding solutions to the structural shortcomings highlighted above is complex. Reversing the closure decision holds substantial risks and requires the commitment of, at a minimum, the Company, its customers and suppliers, the Government, state-owned enterprises, and our employees. ArcelorMittal South Africa expects to be in a position to make a further announcement regarding the Company's Longs Business in the near future.

## **OVERALL BUSINESS UPDATE**

In the six-month outlook for the second half of 2023 as published on Thursday, 27 July 2023, the Company indicated that it anticipated that steel demand was expected to improve as economic indicators improved aided by renewable energy and regional infrastructure projects coming to market. Against a market backdrop that has remained extremely challenging, the anticipated improvement in steel demand did not materialise unfortunately. Internationally, global steel production was stagnant. There is slow growth in China. Steel spreads remained unsustainably low resulting in severe profit margin squeeze. Additionally, decarbonisation pressure is necessitating that careful consideration be given to the effort, time and cost to both create and deploying new steel making technologies.

The South Africa steel market is experiencing real demand weakness. Business confidence also deteriorated as the year progressed. Key steel consuming sectors remained weak, with low to no growth. Inventory levels in the market are high, impacted by higher imports further negatively disrupting the supply/demand equilibrium. Elevated imports from China, where the majority of the steel industry is loss-making, is impacting not only South Africa significantly, with its low trade protection measures, but also the Africa overland and Sub-Saharan Africa markets, in general.

As a result of the very challenging trading environment, earnings levels were severely pressurised, aggravated further by a substantial impairment charge of R2,1 billion recognised against the property plant and equipment and other intangible assets of the Longs Business only. No closure-related nor retrenchment costs were provided based on the current consultation process that is still ongoing.

Despite these major earnings challenges, the intense focus on cash management yielded notable benefits, enabling the Company to maintain debt levels within tolerable levels.

ArcelorMittal South Africa's reviewed condensed consolidated financial statements for the year ended 31 December 2023 will be released on SENS on Thursday, 8 February 2024, 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](http://www.arcelormittalsa.com).

**Vanderbijlpark**  
**29 January 2024**

For further information please contact:

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**Company Secretary:** FluidRock Co Sec (Pty) Ltd

**Sponsor to ArcelorMittal South Africa Limited**

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

