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**")

DECISION ON THE WIND DOWN OF THE LONGS STEEL BUSINESS ("LONGS BUSINESS"), BUSINESS UPDATE AND TRADING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

INTRODUCTION

In October 2024, ArcelorMittal South Africa informed shareholders of the anticipated Q3 losses, driven by weak financial performance in the Longs Business. Key contributing factors included deteriorating global and local steel markets, unaffordable energy and logistics costs, and surging low-cost steel imports, particularly from China.

The Company highlighted ongoing engagement with Government since December 2023 to address structural issues affecting the Longs Business and emphasised the urgency of policy interventions to create a level playing field in the steel industry. Initial signs of recovery in international steel prices, following announced Chinese stimulus measures, were short-lived. Despite implementing significant cost-cutting and cash management measures, the financial outlook for Q4 2024 remained extremely challenging, and consequently the expected financial performance for the 2024 financial year against that of 2023, will be substantially weaker.

BACKGROUND

In November 2023, the Company announced its decision to place the Longs Business into care and maintenance due to prolonged weak economic conditions, logistics and energy challenges, and unsustainable competition from low-cost imports. Stakeholders raised concerns about the potential loss of high-quality local steel production and the socio-economic impacts on Newcastle and its surrounding communities.

Subsequently, ArcelorMittal South Africa worked extensively with Government and stakeholders to explore alternatives for sustaining the Longs Business. While not seeking subsidies, the Company requested policy support to address structural constraints affecting the steel sector. Efforts to delay closure through targeted short- and longer term interventions continued throughout 2024, with operations extended to provide time for securing solutions.

While the Company appreciates the support from Government and other stakeholders, and having made some progress with the identified initiatives, these have not been adequate. Persistent high logistics and energy costs, combined with insufficient policy interventions, (especially those policy decisions made some time ago (namely, PPS and Export Scrap tax) relating to the substantial subsidisation of scrap-based steelmaking operations to the detriment of the Newcastle Works - which beneficiates largely South African-sourced raw materials), has left the Longs Business unsustainable.

Despite all efforts, unfortunately, the package of initiatives sought has not materialised to a level that will change the fundamentals of the structural problems the Company has been experiencing in the Longs Business.

By year-end, the Company faced no alternative but to proceed with the winding down of the Longs Business, prioritising a well-considered and responsible process to minimise the impact on employees and stakeholders, while ensuring the sustainability of its remaining operations.

Furthermore, market conditions worsened into Q4 2024, with global steel demand and prices under severe pressure which detrimentally affected the financial performance of the entire ArcelorMittal South Africa business.

DECISION ON THE WIND DOWN OF THE LONGS BUSINESS

ArcelorMittal South Africa has been working intensively on this issue for over a year. The Company is at a point where any further delay could affect the sustainability of the Company and therefore, a decision cannot be pushed back any further. The Board and Management of ArcelorMittal South Africa have a fiduciary and legal duty to ensure that the overall business remains sustainable in the longer term.

Consequently, and with deep regret, the Board and Management has had no option but to take the difficult decision to proceed with the wind down of the Longs Business, which will be placed into care and maintenance subject to the consultation process outlined below.

ArcelorMittal South Africa remains confident that the remaining business can be successfully restructured to be competitive, sustainable and profitable.

Process

One of the greatly unfortunate implications is that jobs and enterprises, of varying sizes, supplying the affected works, will be negatively impacted. The wind down will impact all Long steel plants, including the Newcastle Works, Vereeniging Works, and the rail and structures subsidiary, AMRAS. Newcastle's coke-making operations will continue, though scaled back to reflect reduced demand.

Regarding jobs, the Company will be commencing with a consultation process in terms of Section 189(3) of the Labour Relations Act. A notice in terms of the Labour Relations Act will shortly be issued and a large-scale retrenchment is contemplated.

The final number of retrenchments will depend on agreed alternatives and consultation outcomes, but it is envisaged that approximately 3 500 direct and indirect jobs may be affected. Steel production is anticipated to cease by late January 2025, with the wind-down of the remaining production processes completed in Q1 2025. Discussions are underway to re-align the R1 billion working capital facility secured in 2024 to support this transition.

CEO Kobus Verster commented: *"As a Company, we are disappointed that all our efforts over the last year have not translated into a sustainable solution. The issues tabled for resolution sought to level the playing field against international and local competitors. The* *issues raised outlined those factors that could have, and still can, firmly address the structural problems within the South African steel industry, especially for our Longs Business, but also within the Company, the South African steel industry and value chain. We had hoped that matters would not have come to this conclusion, at a time when our country can ill-afford job losses and the further erosion of industrial capacity. Nevertheless, we are grateful to all stakeholders who have tried to assist, and we are particularly grateful to our employees who have remained dedicated and supportive during the last year."*

BUSINESS UPDATE

Steel market overview

The recovery in international steel prices seen in September 2024 with the anticipated Chinese stimulus measures, turned out to be muted. The lack of specifics relating to these stimulus measures, especially regarding the impact on steel demand, have seen Chinese Hot Rolled Coil and Rebar prices retreating to below $500 per tonne levels again in Q4 2024. International steel prices remain unsustainably low amidst record Chinese exports.

Ever-higher exports from China have been met globally by high-profile announcements regarding unsustainable margin pressures, production stoppages, capacity cutbacks, plant closures, job losses, alerts around the risk of de-industrialisation, the need to reprioritise decarbonisation ambitions due to unaffordability concerns, and urgent fair trade actions. The trade actions have been especially prolific in Brazil, India, Europe and the US where their steel industries are considered strategic, but has also found favour in the South East Asian region, such as Vietnam and South Korea.

The *World Steel Association* reported that for year-to-date November 2024, global steel production of 1 695 million tonnes, was down 1.4% year-on-year, with the largest contributors to the decline being China / Asia, North America and Russia and the Commonwealth of Independent States (CIS). Africa's production was 20.4 million tonnes, up 1.3%.

The South African Iron and Steel Institute (SAISI) reported that South Africa's year-to-date November 2024 crude steel production of 4.42 million tonnes was 2.3% lower year-on-year. This year's crude steel production level is likely to be some 30% below that of 2018, now placing South Africa behind Egypt and Algeria in Africa. Zimbabwe, Kenya and Tanzania, amongst others, are rapidly supporting and expanding their steel industries. Imports into South Africa will have grown by almost 50% since 2018, whilst exports are down by 40%.

The South African steel industry is facing its greatest sustained challenge since the events of the financial crisis of 2008/09.

At the inaugural sectoral engagement (convened by the Steel and Engineering Industries Federation of South Africa (SEIFSA) on 20 November 2024), between the Department of Trade Industry and Competition (DTIC) and all key stakeholders in the steel and engineering value chain, it was agreed that urgent, radical and ambitious interventions were needed to address the decline.

Operational and commercial overview

The Company's crude steel production for the 2024 financial year is anticipated to be marginally below comparative levels for 2023 due to the blast furnace instability in the Flats Business in Q2, and the undertaking of the planned hearth repair and refectory wall restoration of Blast Furnace C in Q4 (which having been successfully completed, will support production stability and reduce operating costs into 2025). Set against the immediately preceding six months, crude steel production levels posted a double-digit percentage improvement due to the improved asset utilisation levels in the Flats Business. Asset utilisation in the Longs Business continued to be around the 50% level as weak market conditions necessitated the operation of its blast furnace at the lowest level technically and responsibly possible.

Sales volumes are expected to reflect the marginally downward trend evident in crude steel production. The regional sales mix will be notably weaker, however, mainly due to the higher export levels out of the Longs Business to compensate for the weak domestic market conditions, as the local market for Long steel products could not sustain the over-capacity.

In 2024, the Chinese export Hot Rolled Coil prices averaged approximately $515 per tonne and Rebar prices at approximately $530 per tonne. These prices are some 11% lower compared to 2023. As with the crude steel production and sales volumes, net realised prices (in rand terms) for the Company's entire sales basket are anticipated to be marginally weaker against the comparative period. Due to the challenges already referred to in the Longs Business (necessitating high levels of export sales volumes), the Company's overall net realised prices for H2 are expected to more closely follow international pricing trends approaching close to double-digit percentage reductions compared to H1 2024.

Commercial market coke sales volumes improved compared to 2023, though margins were under notable pressure, due to the over-supply of coke from China, given the difficulties within its domestic steel industry.

Financial overview

Revenue is expected to be more than 5% down in 2024 compared to 2023. Although the international raw material basket (in US dollar terms) is expected to be more than 10% lower against that of 2023, the Company's basket is expected to remain largely flat due to higher than anticipated inflation increases, higher coal prices which are lagging international prices, and punitive local rail costs.

Variable conversion costs followed a similar trend to that evident in the raw material basket as lower-cost input blends, better fuel rates in H2 (having overcome the blast furnace instability in Q2), and cheaper road-based transport costs were offset by weaker yields (especially affecting the rolling mills in the Longs Business, given the inconsistent rolling schedules), and overall higher energy costs.

Actions are underway to address those cost competitiveness aspects that are within the Company's control, especially considering the wind down of the Longs Business and the material impact the wind down will have on the way ArcelorMittal South Africa will be managed and organised in the future.

Due to the wind down of the Longs Business and contemplated large-scale retrenchment, the Company will cumulatively recognise asset impairment, wind down and severance charges of approximately R2,7 billion.

The Company continued to assertively manage its cash and net borrowings position by targeting working capital optimisation, incremental cash initiatives (sales of non-core properties) and by optimising the timing of the receipts and payments in managing its peak funding requirements. Net borrowing levels continue to remain within tolerable levels.

The Company going forward will be focused on re-establishing ArcelorMittal South Africa as the champion of innovative, export driven, steel-based industrialisation in South Africa, for Sub-Saharan Africa and other key geographies, by building on the existing competitive supply chain and ensuring the continued growth and competitiveness of core downstream industries such as automotive, renewable energy, mining, and key construction and infrastructure projects. To this end, ArcelorMittal South Africa continues to advance the bankability of its high-payback investment portfolio, which includes addressing its balance sheet resilience through a potential recapitalisation.

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 2024 (“the period”) are expected to differ by at least 20% or more from the financial results for the previous corresponding reporting period ("the comparable period"). Based on information currently available, shareholders are advised that the Company expects:

- Earnings per share to decline from a loss of R3,52 per share (comparable period) to a loss within a range of R5,48 and R6,21 loss per share for the period (representing a decrease of between 56% to 76%)
- Headline earnings per share to decline from a R1,70 loss per share (comparable period) to a loss within a range of R4,06 and R4,41 loss per share for the period (representing a decrease of between 139% to 159%)

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

ArcelorMittal South Africa’s reviewed condensed consolidated financial statements for the year ended 31 December 2024 are expected to be released on SENS on Thursday, 6 February 2025, 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.

Vanderbijlpark

06 January 2025

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