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ArcelorMittal South Africa

Management Presentation

May 2021

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Investment case

- ArcelorMittal South Africa Limited ("AMSA", the "Company") has in the last decade, faced a number of headwinds that have acted as an impediment to the business' performance
- AMSA remains systemically important to South African industry and its key productive economic sectors, such as manufacturing – as such, AMSA's sustainability is a key success factor for both the South African and national industrial imperatives
- Starting in 2018, the AMSA's management team has embarked on a process with three key objectives:

  i. **Restructuring:** addressing, over the medium term, certain key constraints faced by the business and local steel sector, namely (structural factors relating to the SA steel sector; uncompetitive prices for key inputs, specifically iron ore, coking coal, power, port and rail costs)
    - AMSA is successfully implementing a number of key commercial and operational actions to address some of these constraints
    - These will reduce costs and enhance efficiencies
    - A significant number of these have already been implemented and will begin to yield financial benefits in the short and medium term
      - Business Transformation Programme (BTP)
      - *OneOrganisation* (new operating model) initiative
      - Strategic raw material sourcing

  ii. **Strengthening of AMSA's balance sheet, through:**
    - Improved cash generation
    - Reducing extended foreign payables exposure
    - Disposal of non-core assets

  iii. **Repositioning and Growth:**
    - National champion and backbone of SA's industrial policy
    - AMSA has identified selective capital growth projects to reposition itself for the sustainable future
    - Steering AMSA's expansion through:
      - Import replacement
      - Maximising value capture in the supply chain
      - Expanding the addressable markets

- This document provides a detailed discussion of the factors above, with a focus on remedial actions already taken and being taken to reposition AMSA for the future

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AMSA overview

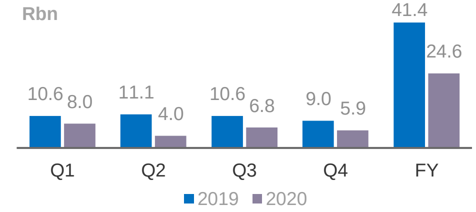
Business Overview

- AMSA has been in existence since 1928; previously known as Iscor, a parastatal organisation with its first operations in Pretoria
- AMSA is the largest steel producer in Africa with three major operation sites in South Africa being Vanderbijlpark Works, Newcastle Works and Vereeniging Works
- The Company produces steel in flat and long products which are further processed by downstream manufacturers
- The Coke and Chemicals operations produce metallurgical coke for internal consumption and commercial-grade coke for use by, primarily, the ferro-alloy industry
- The Saldanha Works is under care and maintenance from Q2-2020
- The Pretoria Works ceased steel making operations in the late 1990's. The coke battery was placed under care and maintenance in Q4-2020 in response to market conditions. The site is presently an industrial rental park, supplement by a small sections rolling mill

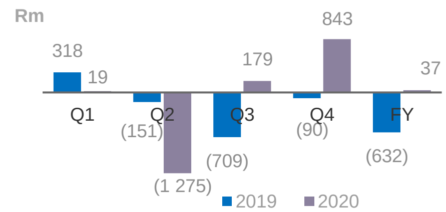
Key Investment Highlights

- ✓ Largest steel producer in Africa
- ✓ Strategically located plants with good access via road and rail network and ports
- ✓ AMSA's operational sustainability is essential for national industrial requirements to drive economic growth
- ✓ Systemically important asset to achieve realisation of Government's National Development Plan 2030
- ✓ Multi-industry, multi-product and multi-regional capability
- ✓ Experienced and capable management team supported by a motivated and skilled workforce
- ✓ Significant progress to date on optimizing current cost structure and repositioning of asset base

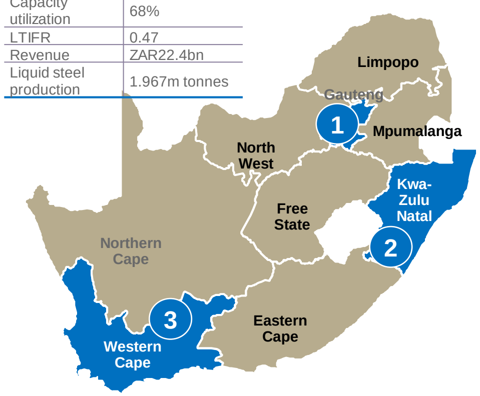
Revenue



EBITDA



Operations



1 Capacity	2019
Vanderbijlpark Works:	2.9 m tonnes
Capacity utilization	68%
LTIFR	0.47
Revenue	ZAR22.4bn
Liquid steel production	1.967m tonnes

2 Capacity	2019
Coke:	220,000 tonnes
LTIFR	0.80
Revenue	ZAR1.3bn
Liquid steel production	191,000 tonnes

2 Capacity	2019
Newcastle Works:	1.9 m tonnes
Capacity utilization	66%
LTIFR	0.41
Revenue	ZAR15.7bn
Liquid steel production	1.514m tonnes

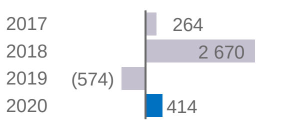
3 Capacity	2019
Saldanha Works:	1.2 m tonnes
Capacity utilization	72%
LTIFR	0.00
Revenue	ZAR7.6bn
Liquid steel production	0.930m tonnes

Product Overview

Flat Steel Products

- Produced at Vanderbijlpark and Saldanha Works
- Products include slabs and heavy plates as well as hot rolled coil, cold rolled and coated products
- Major consumers are the construction, piping, packaging and automotive Industries

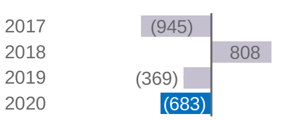
EBITDA Contribution (Rm)



Long Steel Products

- Produced at Newcastle and Vereeniging Works
- Products include bars, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, light, medium and heavy sections, rod and forged products

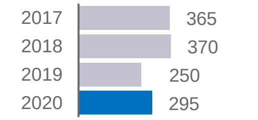
EBITDA Contribution (Rm)



Coke & Chemicals

- Produced from batteries in Vanderbijlpark, Newcastle and Pretoria Works
- Produces metallurgical coke for our furnaces in Vanderbijlpark and Newcastle, and commercial coke for sale to the ferro-alloy industry

EBITDA Contribution (Rm)



Source: Company information

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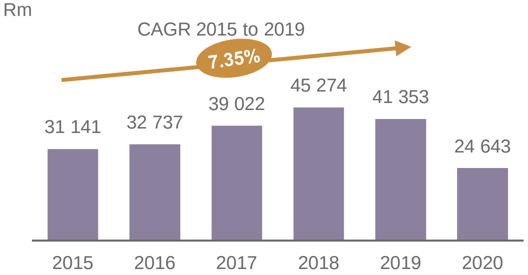
Since 2018, the survival, restructuring and turnaround initiative is well underway and will continue as an integral part of the Company's DNA

Key Financial Metrics

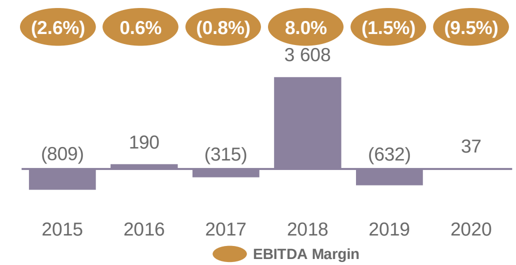
1 Revenue

Rm



2 EBITDA

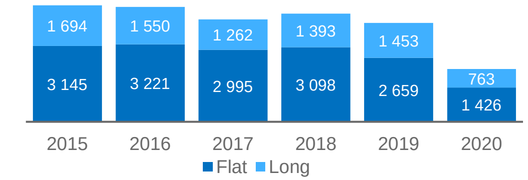
Rm



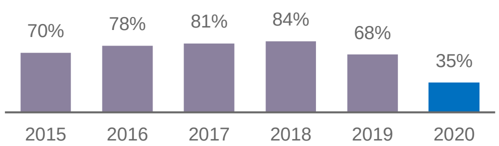
Key Production Metrics

3 Production

'000 tonnes

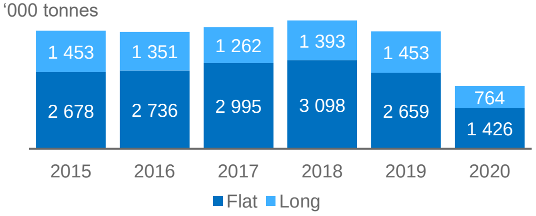


Capacity Utilisation (Liquid Steel)



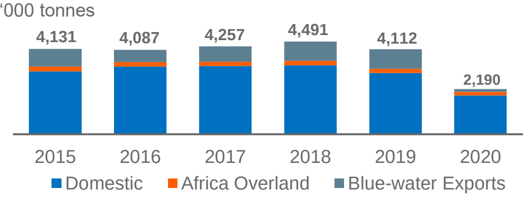
Sales

'000 tonnes



Sales by Market

'000 tonnes



Commentary on 2020 Performance

1. Revenue decrease by 40% in FY2020 from FY2019 due to lower production and sales due to economic lockdown, rail and electricity supply disruptions
2. EBITDA supported by fixed cost reduction programme which continues to yield substantial results, with a R2.5bn reduction in fixed costs in 2020 including the impact of the closure of Saldanha Works of R951m. All fixed cost elements were targeted to rescale the cost structure of the business to the anticipated lower normalised volume. The variabilisation of fixed cost will continue to be a key focus area going forward
3. Against the backdrop of an arduous 2019 which led to downstream steel market inventories being at diminished levels, the decision was made to restart the second blast furnace at Vanderbijlpark in December 2020 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

Outlook – H1 2021

- ✓ Continue to focus on the health and wellbeing of employees
- ✓ Strong international steel prices are expected to remain in the near term
- ✓ The benefits of sustainable cost savings and asset footprint adjustments to be fully realised
- ✓ Focus on further cost improvement, inventory optimization and operational reliability to supply the market
- ✓ Improved performance from H2 2020 to continue in H1 2021

Source: Company information

Strategic initiatives to drive EBITDA recovery from FY 2019

Since 2018 to 2020

- Cash generated from operations remained under pressure
- R5.9bn cash released from improved working capital management
- Capex of R3.3bn paid over the last 3 years
- Proceeds of R3.2bn realised from Macsteel Int share sale in 2018

Strategic Initiatives since 2019 looking towards 2021

Against a 2019 EBITDA loss of R1.5bn*, the following structural changes were made:

- Fixed Reduction of fixed cost via BTP process and S189 restructuring. (excluded fixed cost for Saldanha, Highveld Steel and Tin line at Vanderbijlpark) of ca. R1.7bn
- Total EBITDA loss impact for Saldanha Works of ca. R1.2bn
- Diversify raw material sourcing
- Tin line closure (saving in fixed cost and routing of volume to local HRC) of R0.1bn
- Total EBITDA impact for Highveld Structural Mill of R0.1bn

* Before adjusting for exceptional items of R896m. (Saldanha wind-down cost R396m, restructuring cost R234m, inventory adjustment to net realisable value R267m)

Source: Company Information

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Environmental matters and climate change

Water management

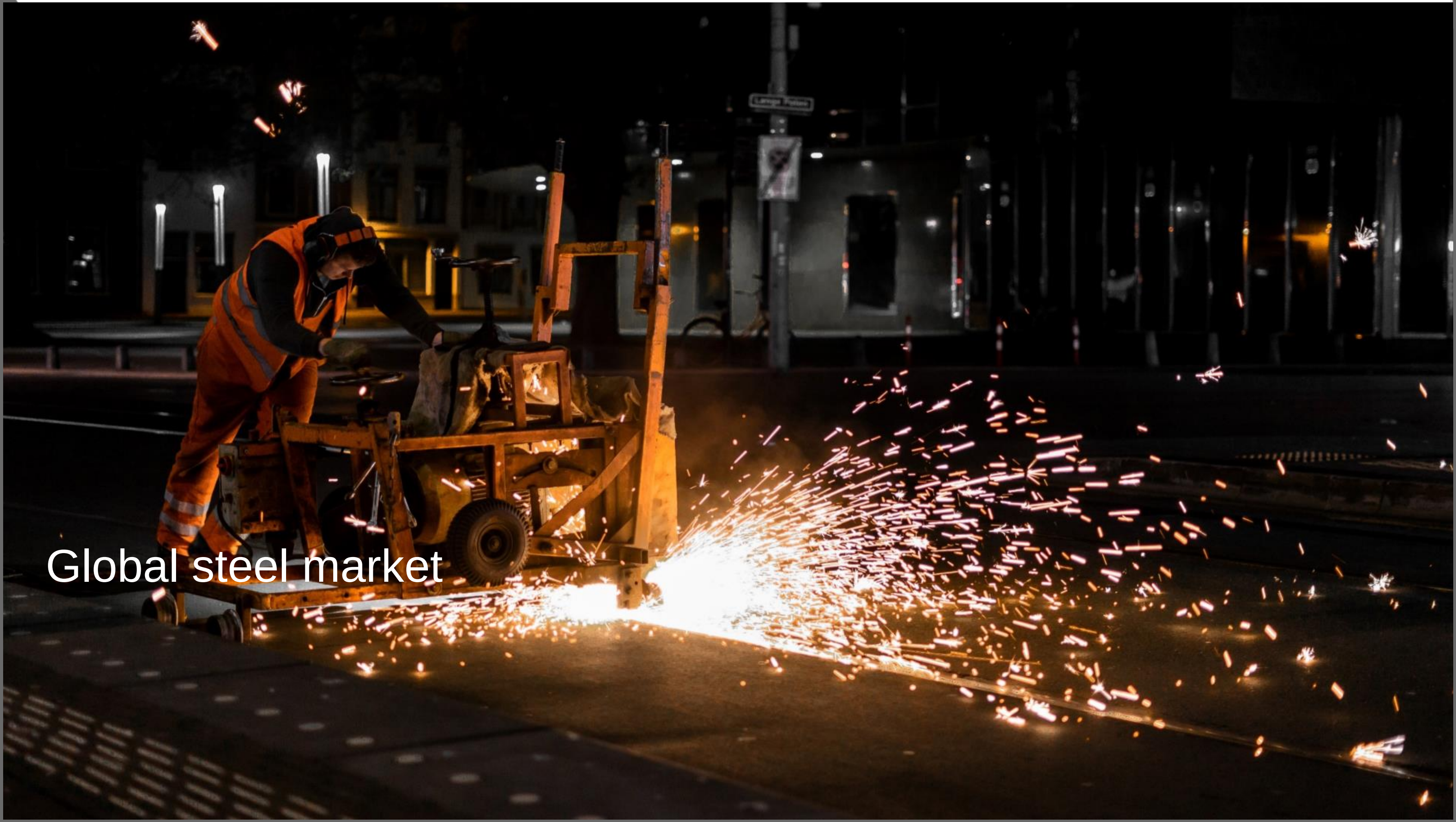
Air Quality Act

By-products

Saldanha - Care and maintenance

Climate change

- Carbon neutrality roadmap will depend upon national targets as will be set by the SA Government
- Promising technologies to reduce Greenhouse Gas emissions are currently being researched, evaluated and tested on small scale internationally
- Greenhouse Gas emissions fully disclosed in Integrated Annual Report. Performance in specific terms during 2020 not optimal due to continuity of operations being affected by pandemic
- First Carbon Tax payment made in October 2020 relating to emissions incurred in 2019. Next payment for 2020 due in July 2021



Global steel market

Temperature of the global steel market place

“Iron ore eyes $200/t amid steel boom” – Wood Mackenzie

“Iron ore prices hit record high with appetite for steel ‘far beyond expectations’ ” – Marketwatch.com

“Global steel boom builds as rampant demand overwhelms supply – finance.yahoo.com

“Steel prices may take 2 years to cool down as demand increases” – business-standard.com

“Steel price have tripled. Sound the alarm” – Bank of America

“US Steel shipments decrease by 9.2% in February” – nwitimes.com

“China seeks to cool red-hot steel sector and aims at Australia – reuters.com

China’s steel prices could come under near-term pressure on rising output – spglobal.com

Source: Company information

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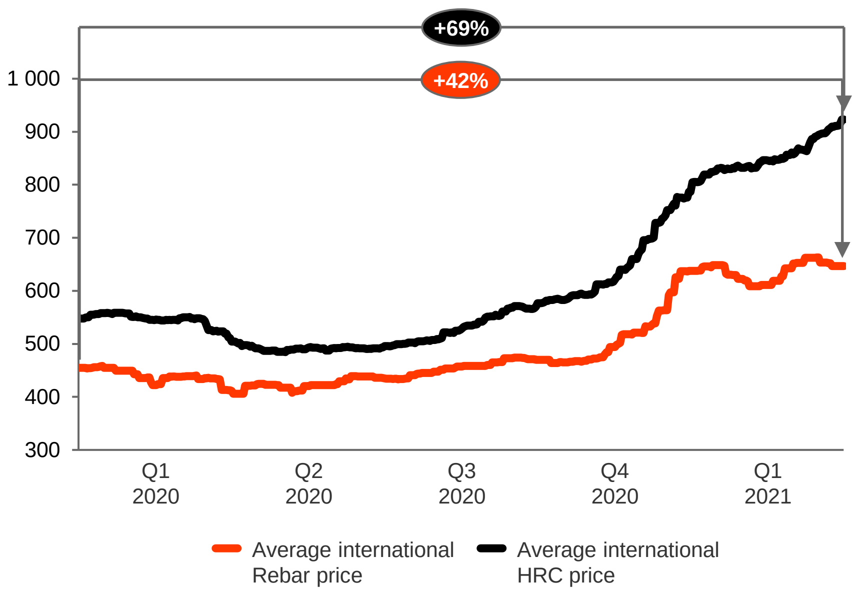
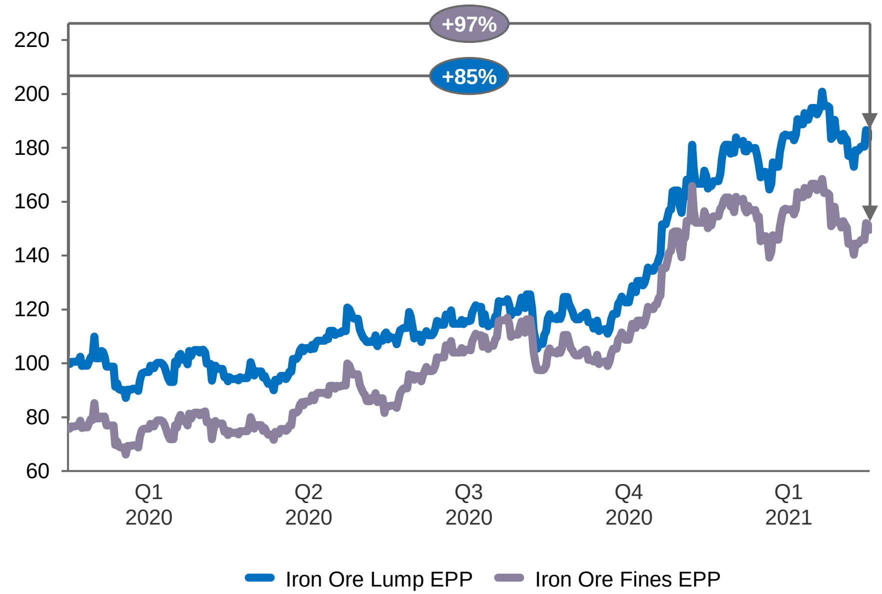
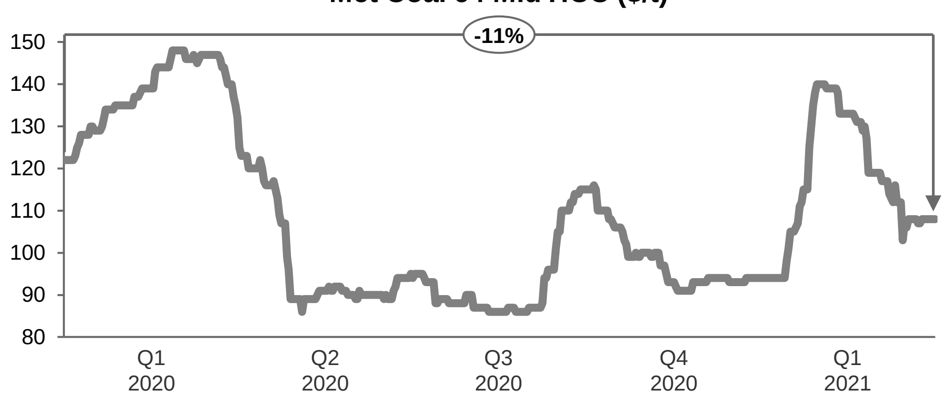
Temperature of the global steel market place (cont).

***International HRC, rebar and iron ore price evolution ($/t)**





****Met Coal 64 Mid HCC ($/t)**



** Source: ArcelorMittal*
** HRC: Hot Rolled Coil. Average domestic price between N. Europe, Japan, Midwest, China, Turkey, India and Russia*
** Rebar: Average price between China FOB and Turkey FOB*

*** Source: ArcelorMittal*
*** Met Coal 64 Mid HCC. Metallurgical coal Hard Coking Coal (Australia)*

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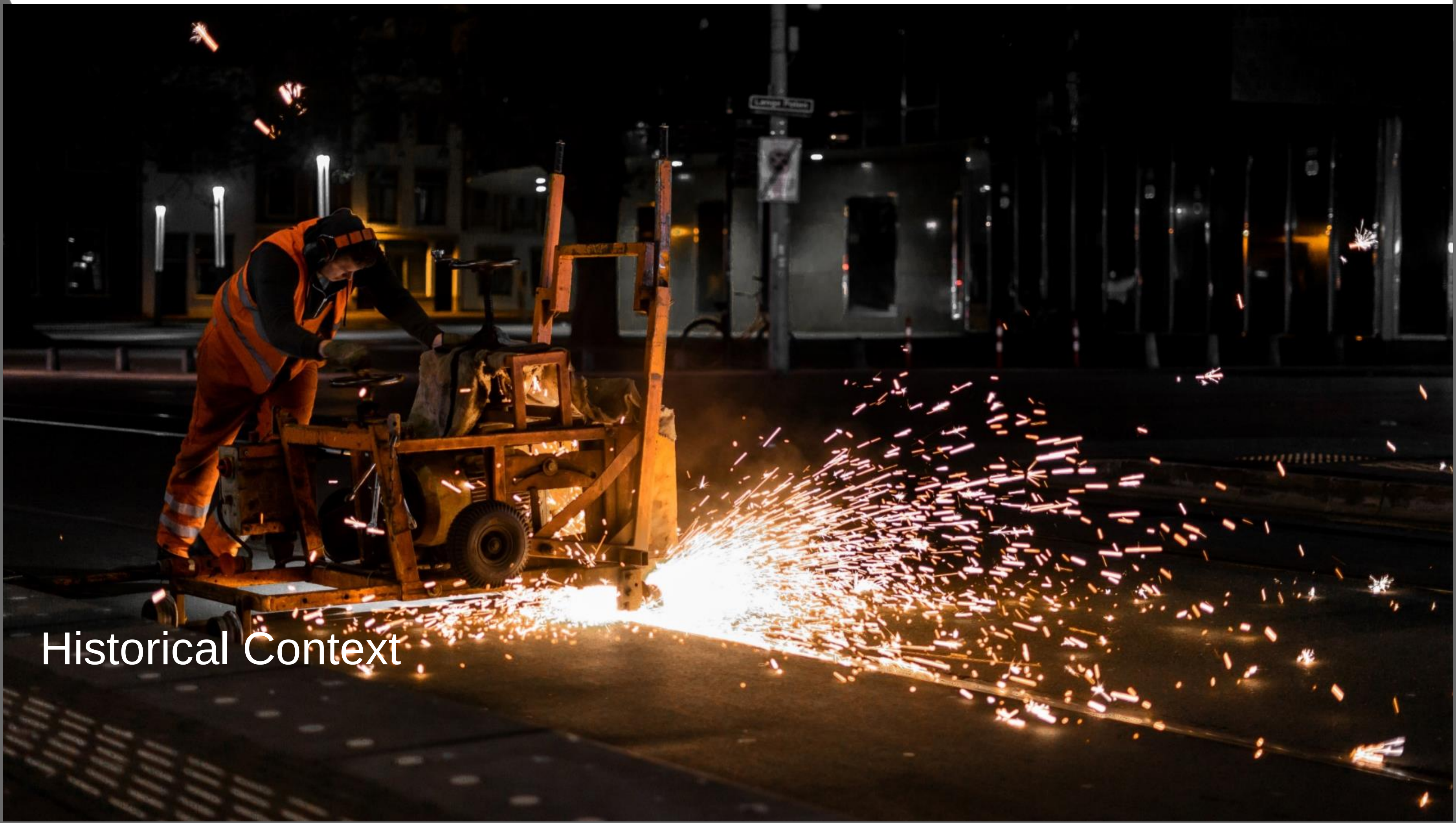

Historical Context

Historical context

1. International crude steel oversupply
   - Global crude steel production of 1,8 billion tonnes in 2020
2. Local economy and apparent steel consumption
   - Low / no growth / recessionary environment up to 2019, with real GDP anticipated to fall by ca. 8% in 2020
   - 20% reduction in apparent steel consumption (ASC) to 3,7 million tonnes in 2020
   - Steel imports of 941 000 tonnes for 2020
     - Major imports being Hot Rolled, Galvanised sheet and Tinplate
     - Major source countries of imports are China, Russia and Taiwan
3. Growth in SA steel making capacity leading to excess capacity (induction furnace and electric arc furnace)
4. Unaffordable cost escalation
   - Variable cost
   - Fixed cost
5. Limited investment in quality and growth

Source: Company Information

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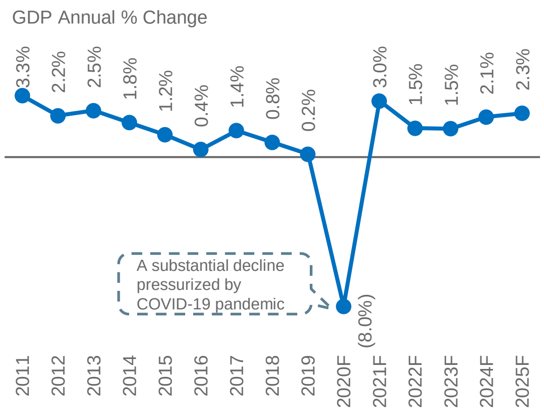
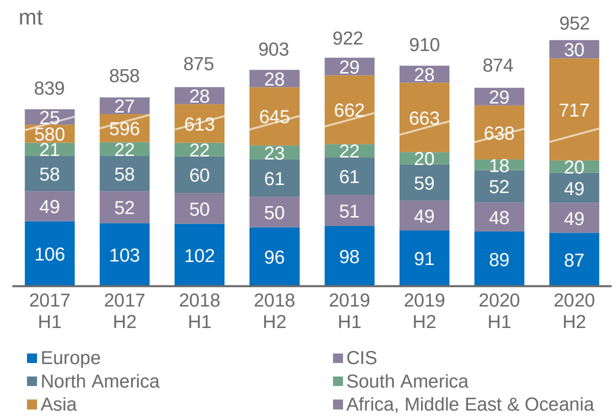
Structural Challenges in the South African Steel Sector

Weak GDP Growth



- Over the last few years, South Africa has been struggling with weak growth, increasing unemployment, negative GDP per capita growth, and mounting public debt
- Before the COVID-19 pandemic struck, real GDP growth forecasts to 2022 were ~ 1%, due to persisting structural challenges and ongoing electricity supply woes, among other things
- In March 2020, Statistics South Africa (Stats SA) lowered the annual 2019 GDP growth rate to 0.2% for 2019, sending the economy in a technical recession, considering two consecutive quarters of negative growth during the end of the year
- COVID-19 has further impacted the already-challenging economic environment, while exposing deep structural divides in the economy
- Economic activity came to a complete halt for a number of weeks in Q2 2020 across many sectors; As a result, real GDP dropped by 51% QoQ in Q2 2020
- However, the economy started recovery in Q3, registering a growth of around 66%, as the country gradually started to ease in COVID restrictions; The economy is further projected to increase ~3% in 2021

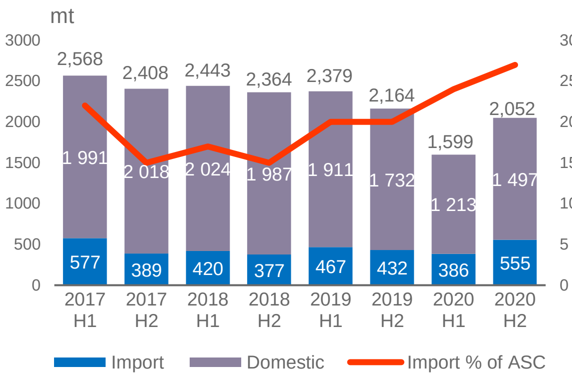
Over Supply of Steel Globally



Production

- Global crude steel production remain flat against 2019 at 1,8 billion tonnes
- China's crude steel production increased to 1,1 billion tonnes, with market share up from 54% from 58%
- Since Q2 2020 China exceeded its 2019 monthly crude steel output, due to infrastructure-focused stimulation package
- EU's crude steel output declined by 12% to 115 million tonnes while the USA fell by 18% to 72 million tonnes
- Turkey managed to increase its production by about 5% whilst Russia and India fell by 1% and 12% respectively
- Africa's output decreased by 13% to 12 million tonnes due to lower production in South Africa and Egypt
- Fair trade practices:
  - Continued imposition of market protection measures to prevent excessive imports specifically from Asia
  - Experts suggest the pandemic led to increased levels of protectionism within domestic markets

Threat of Imports



Sales prices

- Benchmark China hot rolled coil (HRC) remained flat whilst rebar prices declined by 3%
- Average international steel prices decreased by c.5%

Input cost

- International raw material basket (RMB) cost decreased by 3% in dollar terms
  - Coking coal decreased 30% with a weighting of 27% within the RMB (2019: 37%)
  - Iron ore prices rose 16% with a weighting of 58% within the RMB (2019: 49%)

Volumes – South Africa

- Real GDP is anticipated to reduce by 8% in 2020
- 20% reduction is apparent steel consumption (ASC) to 3,7 million tonnes
- Steel imports increased to 941 000 (2019: 899 000)
  - H2 2020 increased by 54% compared to H1 2020 in response to the supply chain shortages
  - Major imports being Hot Rolled, Galvanised sheet and Triplate
  - Major source countries of imports are China, Russia and Taiwan
  - Anticipated that this will reduce in the coming year as the supply chain normalises

Source: Company Information, Department of Trade, Industry and Competition Trade Stats, IMF, WorldSteel, SAISI

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COVID-19 impact on business sustainability

- Global steel supply chain disruptions has led to an international shortage of steel
- In response to the tight supply, and as restocking takes place, steel and raw material prices have increase to record levels in all regions – starting in late 2020 and continuing into Q1-2021
- The company's liquid steel production declined sharply to 2.3 million tonnes (-48%) in 2020
- Whereas South Africa's already weak economy was profoundly shaken by Covid-19, when measured in terms of steel demand, the pace of recovery was faster than in many other, larger markets.
- Ramping-up production and energising our sales and distribution capabilities are critical focus areas
    - Blast Furnace C at Vanderbijlpark was successfully restarted in December 2020
    - Newcastle's blast furnace shotcrete repair was successful completed in Q1 2021
    - Vereeniging's steel-making operation is ramping-up volumes
- Historical high commodity and raw material prices
- Strong international demand and prices.

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Managing through the pandemic

1

Rapid response to Covid-19:
- Adapting operations to keep employees and service providers safe
- Fundamentally resizing the cost structure in response to lower volumes
- Cash management and cost control measures, implemented during the months of hard lockdown to continue

2

International markets:
- Unexpected bounce in near-term steel demand in H2 2020
- Supply chain restoration proved complex
- Rising steel prices due to:
  - Steel supply shortage;
  - Iron ore prices at a 9-year high
  - Scrap and other raw material prices

3

South Africa and the regional economy:
- Significant changes in anticipated steel demand
- Mixed views on the sustainability of this demand

4

ArcelorMittal South Africa's reaction:
- Flat steel supply: Restart the second Blast Furnace at Vanderbijlpark Works in December 2020
- Long steel supply: Vereeniging electric arc furnace continued operations
- Additional capacity available

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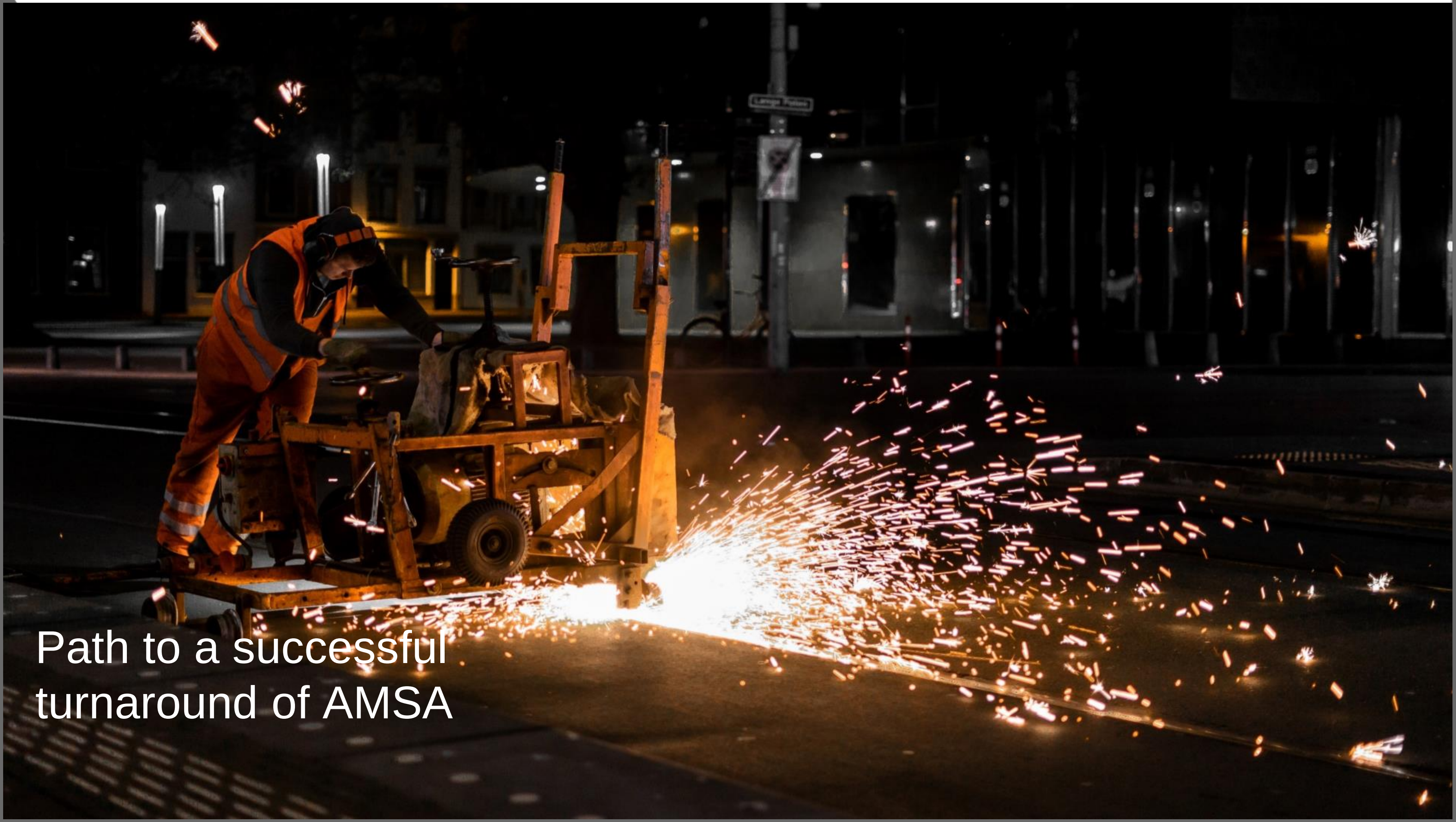
5

Asset footprint review:
- Saldanha Works will remain under care and maintenance until a sustainable input cost solution can be developed
- Alternative value adding and job creation alternatives under consideration:
  - Back-of-port logistics hub;
  - Enabling Gas-to-Power project

6

Variabilisation of fixed cost will continue to be a key focus area going forward:
- All fixed cost elements were targeted to re-scale the business
- Accelerated implementation of the new OneOrganisation operating model
- Large-scale labour reorgansation was completed in December 2020 / January 2021

Source: Company information



Path to a successful turnaround of AMSA

AMSA has formulated an achievable turnaround plan for its future success

The future financial performance of AMSA is dependent on the successful implementation of a turnaround plan predicated by three key elements

1	**Restructuring**	• Addressing, over the medium term, certain key constraints faced by the business and local steel sector, namely (structural factors relating to the SA steel sector; uncompetitive prices for key inputs, specifically iron ore, coking coal, power, port and rail costs, and co-operations with key Government stakeholders) • AMSA is successfully implementing a number of key commercial and operational actions to address these constraints • These will reduce costs and enhance efficiencies • A significant number of these have already been implemented and will begin to yield financial benefits in the short and medium term – Business Transformation Programme (BTP) – OneOrganisation (new operating model) initiative – Strategic raw material sourcing
2	**Balance sheet**	• Improved cash generation • Reducing extended foreign payables exposure • Disposal of non-core assets
3	**Repositioning and Growth**	• National champion and backbone of SA's industrial policy • AMSA has identified selective capital growth projects to reposition itself for the sustainable future • Steering AMSA's expansion through: – Import replacement – Maximising value capture in the supply chain – Expanding the addressable markets

AMSA will be strategically repositioned as the major and key driver of the South African steel industry, being transformed into:

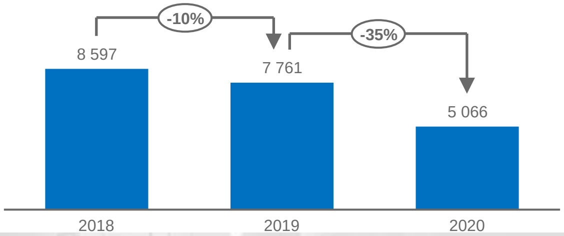
- a globally cost competitive enterprise;
- having gained recognition and goodwill as a credible South African corporate citizen with a social license to operate; and
- meaningfully and constructively engaged and dialogued with both the South Africa Government and the relevant public and private sector stakeholders to ensure that AMSA is a robust and sustainable steel manufacturing enterprise, with the consequential benefits for the South African steel industry and the broader South African economy

Source: Company information

Restructuring: International cost competitiveness

- Business Transformation Programme (BTP) – savings of R3.8bn by December 2020 since start of programme in late 2018
- BTP 2021 targets comprising primarily of:
  - fixed costs
  - strategic raw materials
  - energy, procurement and operational (process) savings
- Continue with successful iron ore and coking coal supply diversification
- Managing fixed cost and the fixed cost stubborn fixed cost volume trap in the steel industry

Total Fixed Cost (Rm)*



Business Transformation Programme (BTP)

2021
Focus

Operational reliability and maintenance

•

Energy and logistics transformation

•

Enablement of customer centricity through technology

•

Retain previous realised saving benefits

Other corporate transactions

Raw materials
- Disposal of iron ore interest and the conclusion of supply agreement
- Phase 2 beneficiation of discard material planned at Thabazimbi mine
- Focus of 2021: Further diversify raw material supply base

Stakeholders and the steel master plan
- Government's economic reconstruction and recovery plan
- Steel Industry Masterplan

By-product joint ventures
- Monetisation of by-products
  - Granulated blast furnace slag
  - Steel slag

Non-core properties
- Disposals are taking longer due to pandemic
- Gain traction in H1 2021

Commercial market coke co-investment
- Search for a co-investor postponed due to funding challenges faced by interested investors

* Total fixed cost reduction including Saldanha and BTP savings

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Repositioning for Growth

A number of aspects of AMSA's financial and capital structure need to be addressed to deliver a reconstituted, sustainable national steel champion

Becoming a Key Player in South Africa's Industrial Manufacturing Programme

1. Retain and enhance restructuring benefits captured to date
2. Strengthen the balance sheet
3. Vertically expand the business platform to enhance the industrial value chain (raw materials, ACFTA etc.)
4. Remedy structural disadvantages with respect to pricing of electricity, logistics and raw materials
5. Growth of a sustainable and profitable business. Increase capacity on current asset and Saldanha steel volume upside available
6. Contributing to Government Steel Master Plan

- Reposition AMSA as the key driver of the South African Steel Industry
- Strategically align with the mutually beneficial objectives and interests of the Government
- Strengthen dialogue and relationships with key Government, private and public sector stakeholders
- Become a globally cost competitive enterprise
- Import replacement
- Value chain optimization through a targeted market approach
- Expanding the addressable market

Source: Company information

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Q&A