



ArcelorMittal

FINANCIAL RESULTS

For the six months ended 30 June 2020

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Kobus Verster



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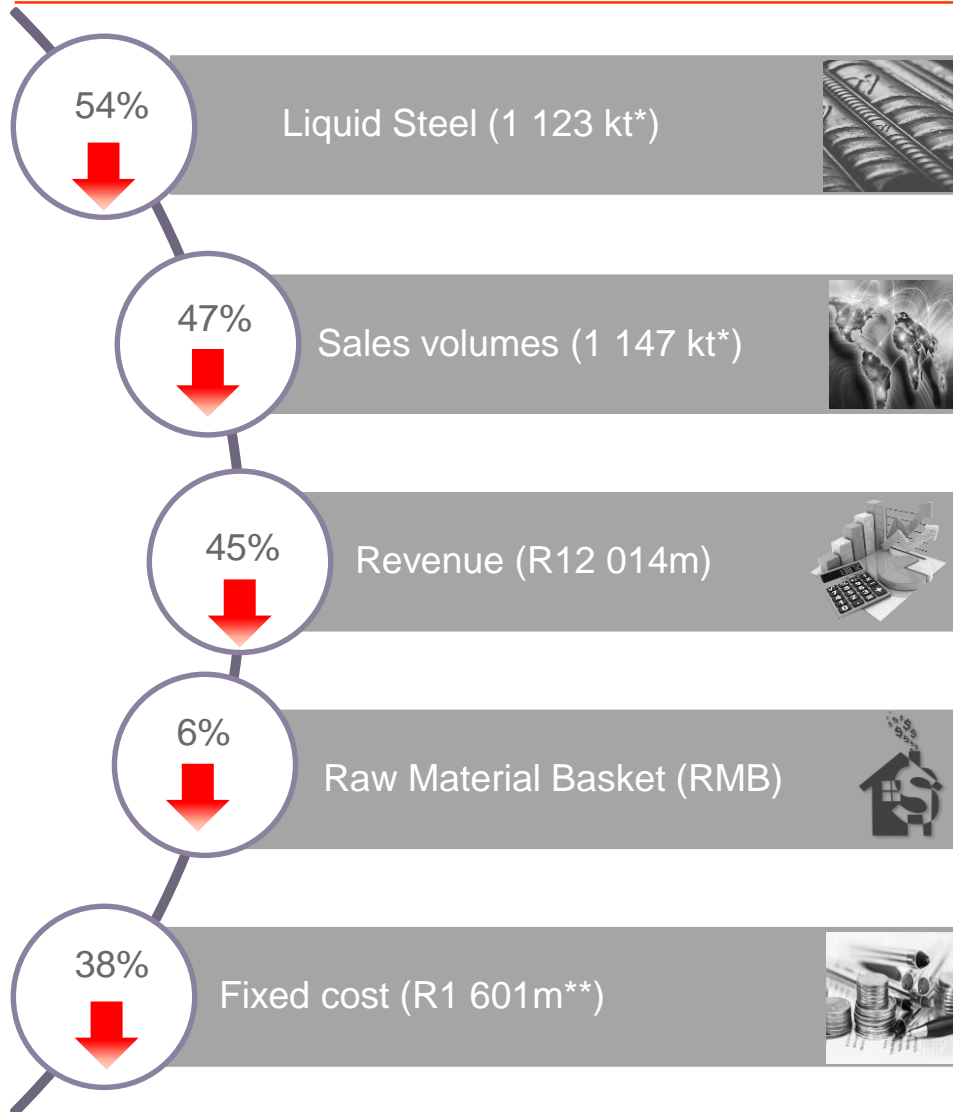


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Overview

Kobus Verster

Overview and salient features



- Extraordinary liquidity and cost control measures implemented in response to disrupted supply chain, electricity load shedding and the COVID-19 pandemic
- Overall plant utilisation reduced from 76% to 35%, or 39% after normalising for Saldanha Works' being placed under care and maintenance in late Q1 2020
- Average international steel prices fell by 13%
- R1 256 million EBITDA loss (2019***: R167 million profit)
- Headline loss of R2 613 million (2019: R638 million loss)
- Net debt of R3 702 million (December 2019: R3 370 million)
- 2020 Strategic asset footprint review resulted in the temporary idling of Blast Furnace C from Q2 2020, and the Vereeniging Electric Arc Furnace from Q3 2020, until demand recovers
- Large-scale labour re-organisation announced on 18 June 2020 in response to economic consequences of the pandemic

* Kt - Kilotonne

** R341 million from Business Transformation Programme (BTP) initiatives

*** The analysis in this presentation relates to the six months ended 30 June 2020 (current period) compared to the six months ended 30 June 2019 (prior or comparable period), except where otherwise indicated



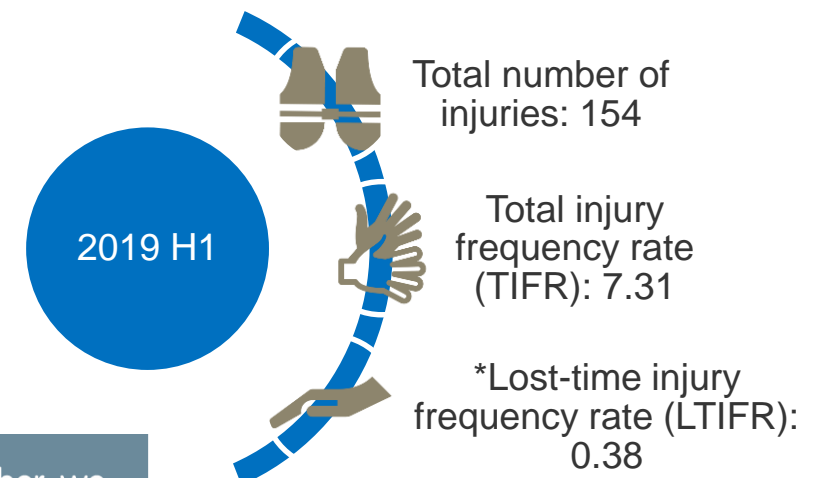
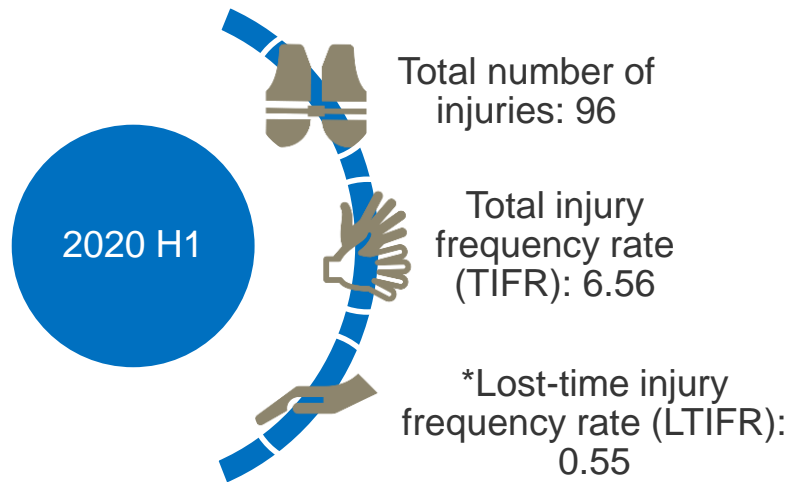
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Operational and market review

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Safety

- Safety remains the number one priority
- Taking from the experiences of the ArcelorMittal group, a response plan was crafted to protect the wellbeing of our employees
- WHO and government guidelines implemented with very strict hygiene and PPE practices, while remote working becoming the norm, where possible
- Critical to create a consistent safety culture with clear accountability



If we all work together, we will beat this virus

* Increase in LTIFR due to lower Full Time Equivalent Employee numbers as a result of the nationwide lockdown

Managing through the pandemic

- H1 2020 proved to be an incredibly difficult and extraordinary period:
 - General freeze in steel demand and supply chains during the nationwide lockdown
 - All steel-using sectors affected by lockdown measures, with some highly exposed to the prolonged demand shock and disruption in global supply chains
 - Large build-up of steel inventories occurred in major steel exporting countries due to massive dislocations in spending, labour markets, and confidence
 - Unable to sell inventories and to free up cash locally, these major exporting countries target regions with limited steel trade protections, such as Sub-Saharan Africa
 - Extraordinary number of customer liquidations and business rescues
- Impact of pandemic on economic activity was abrupt and the business had to respond sharply and decisively
- Unprecedented and rapid shutdown of assets affected safely, while enabling a swift but well-controlled restart
- Grateful for support of employees during lockdown and subsequent restart of operations
- As there were only limited volumes of commercial market coke sales permissible during lockdown Level 5, rapidly reducing fixed cost structure became critical
- At Level 4 (able to operate at 50%), the company focused on completing work-in-process inventories and dispatching finished inventories
- On 24 April, most flat and long product rolling mills restarted
- Level 3 (1 June) allowed for unrestricted operations, though, while customers returned to work, most operated on reduced shift patterns, which impacted sales volumes

Managing through the pandemic (continued)

- ArcelorMittal South Africa maintains the capability to meet local demand expectations in the context of the pandemic, while ensuring continuity and sustainability of its operations
 - Two of three blast furnaces restarted, and expected to be sufficient to meet demonstrable demand for H2 2020
 - Restart of a third furnace possible if supported by sustainable demand
- Large-scale labour reorganisation announced in response to economic consequences of the pandemic
- In addition to significant fixed cost reductions in response to the pandemic, the Business Transformation Programme (BTP) contributed a further R663 million (2019: R635 million*) in saving for H1 2020, adding to the R2,1 billion since H2 2018
- Notable events for Q1:
 - Electricity load shedding and raw material supply disruptions caused significant production interruptions, with consequential stop-start shocks impacting on plant and equipment reliability
 - Combined negative impact of these uncontrollable events on earnings amounted to R272 million
 - Demand remained weak as the spread of the virus and the anticipated downgrades depressed business sentiment
- Notable events for Q2:
 - Quarterly steel sales volumes fell by 54% (425 000 tonnes) to 361 000 tonnes compared to Q1 2020
 - Liquid steel production limited to 153 000 tonnes with the blast furnaces idled for the months of April and May 2020
 - Additional energy costs of R328 million as internally generated gases were unavailable due to idling of facilities during lockdown
 - Quarterly fixed costs reduced by 35% (R540 million) compared to Q1 2020

* Reconciliation to 2019 presentation: R635 million (BTP commencing H1 2018) + R143 million (assimilated predecessor initiatives) = R778 million

Steel environment - Global

PRODUCTION

- Global crude steel production decreased to 874 million tonnes, 5% lower than H1 2019
- China constitutes 57% of global steel production (2019: 53%)
 - China* exports decreased 17% to 12,1 million tonnes
 - Subsequent prompt restart of production driven by central government's support of infrastructure projects
- EU's* crude steel production declined 16% while USA* fell 15% year-on-year
 - Measures to support and protect local manufacturing and steel production

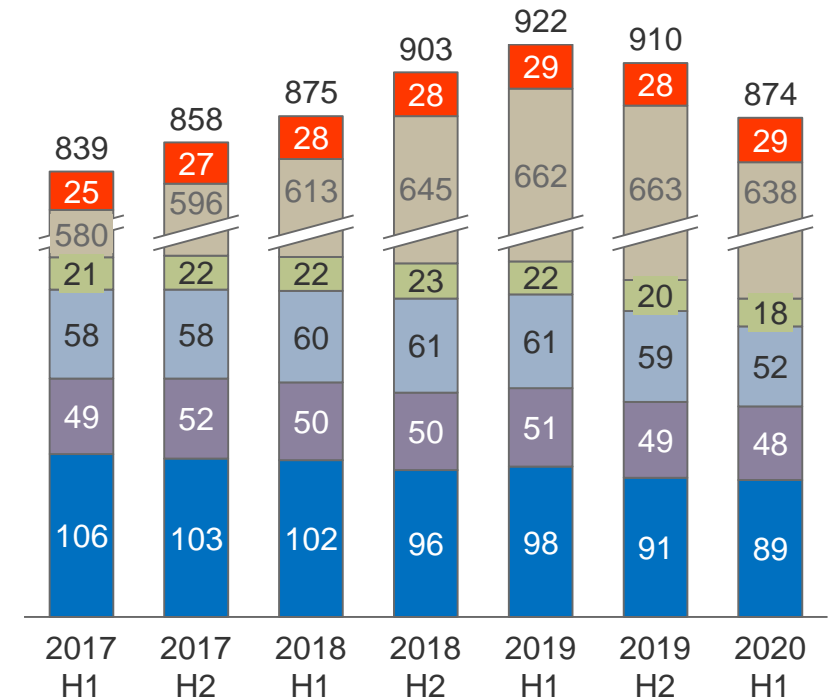
SALES PRICES

- Benchmark China hot rolled coil (HRC) and rebar prices declined by 13%
- Average international steel prices fell by 13%

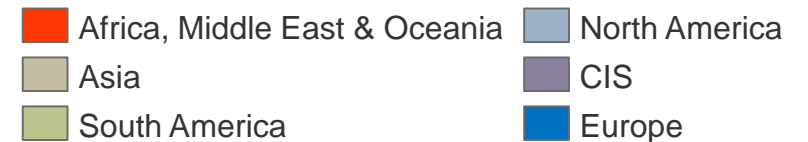
INPUT COST

- International raw material basket (RMB**) cost decreased by 15% in dollar terms
 - Coking coal decreased 34% with a weighting of 30% within the RMB (2019: 39%)
 - Iron ore prices rose 2% with a weighting of 54% within the RMB (2019: 45%)

Global crude steel production (mt)



Source: WorldSteel



* China being part of Asia's, EU part of Europe's, and USA part of North America's total in graph above

** RMB is composed of iron ore, coking coal and scrap

Steel environment - South Africa

VOLUMES – South Africa

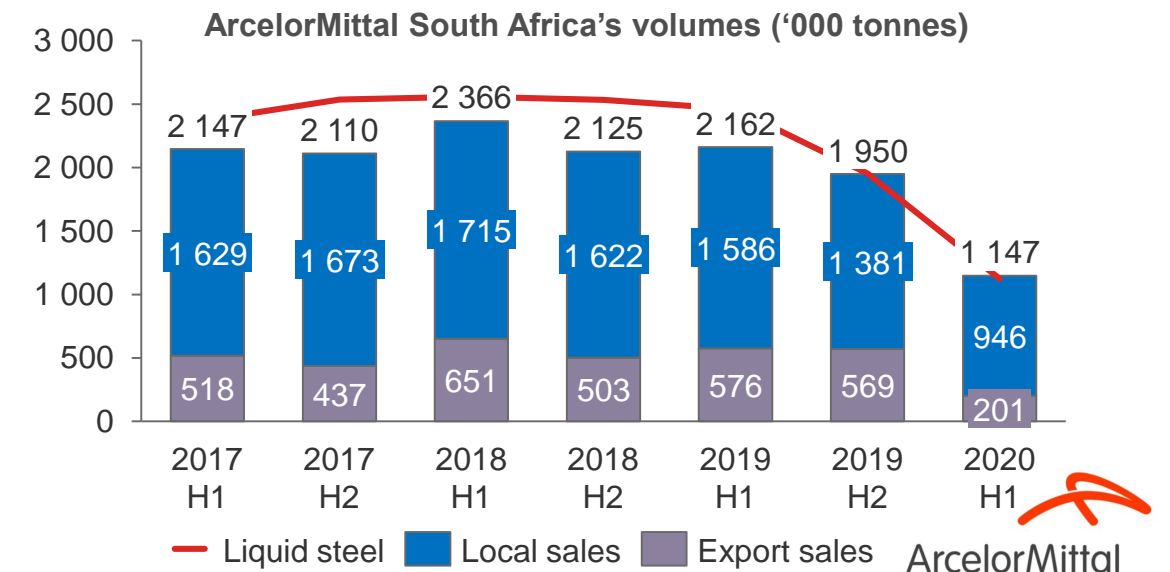
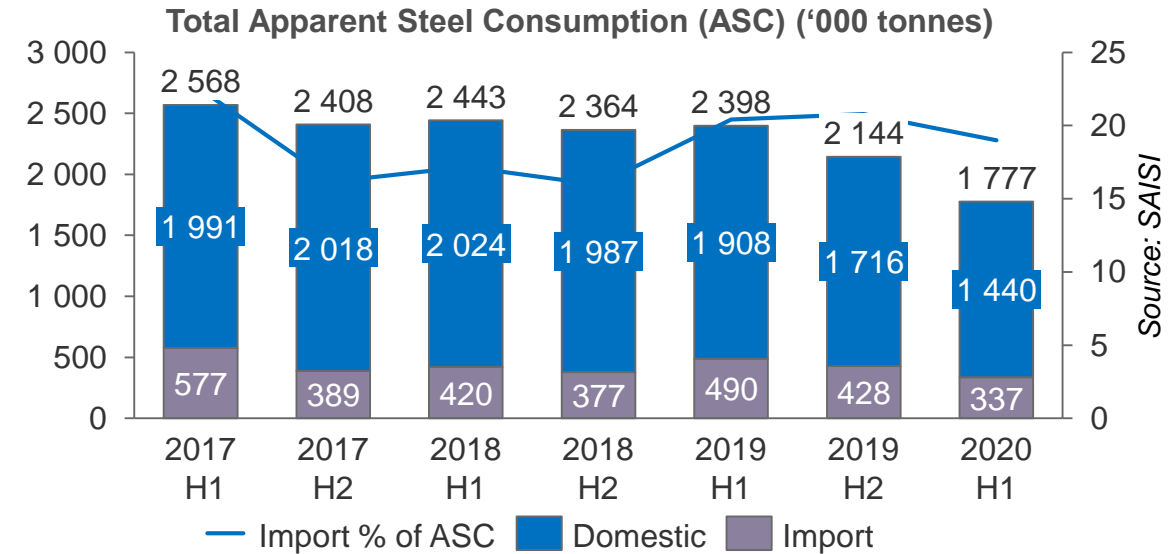
- 26% year-on-year reduction in apparent steel consumption (ASC) to 1,8 million tonnes
- 31% decrease in steel imports to 0,3 million tonnes*
- Imports constitute 19% of ASC compared to 20% in H1 2019
- Major source countries of imports are China, Europe, Japan, Russia and Taiwan

VOLUMES – ArcelorMittal South Africa

- 54% reduction in liquid steel production to 1,1 million tonnes
- 47% reduction in sales volumes to 1,1 million tonnes
- 40% reduction in domestic sales volumes to 0,9 million tonnes
- 65% decrease in export sales** volumes to 0,2 million tonnes

* Source: SARS

** Export sales volumes = Bluewater + Africa Overland volumes



Steel environment - ArcelorMittal South Africa

SALES PRICE

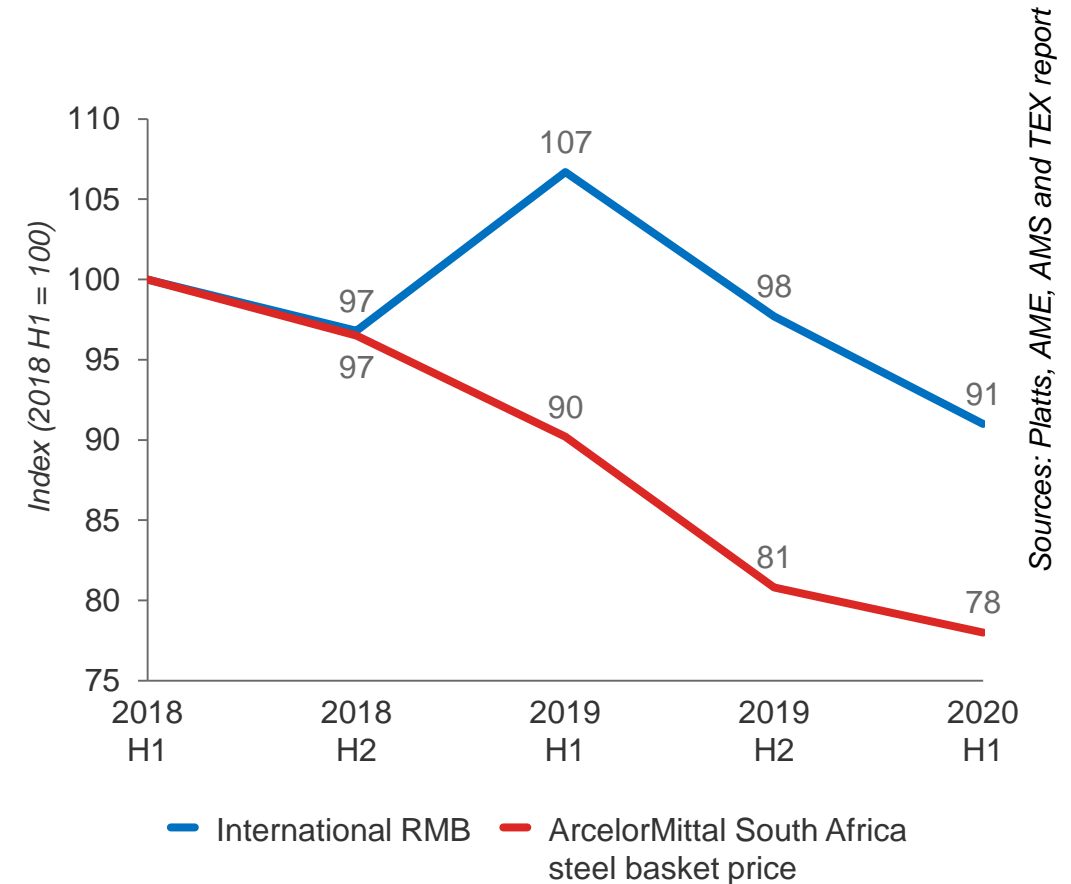
- 11% reduction in overall realised dollar steel price
- Weaker USD/ZAR exchange rate aided in absorbing drop in realised dollar prices, resulting in flat overall realised rand steel prices
- R56 million value added export assistance provided to the downstream industry
- Import safeguard submissions:
 - Extension application on hot rolled products, as current safeguards are due to expire in August 2020
 - Application on heavy beams manufactured at Highveld Structural Mill

INPUT COSTS

- RMB* decreased by 6% in rand terms
 - Iron ore prices down 14% (26% in USD)
 - Coking coal prices down 3% (17% in USD)
 - Scrap prices up 5% (-11% in USD)
- RMB constitutes 47% (2019 H1: 53%) of total production costs per tonne

* A higher percentage of iron ore and coal sourced locally

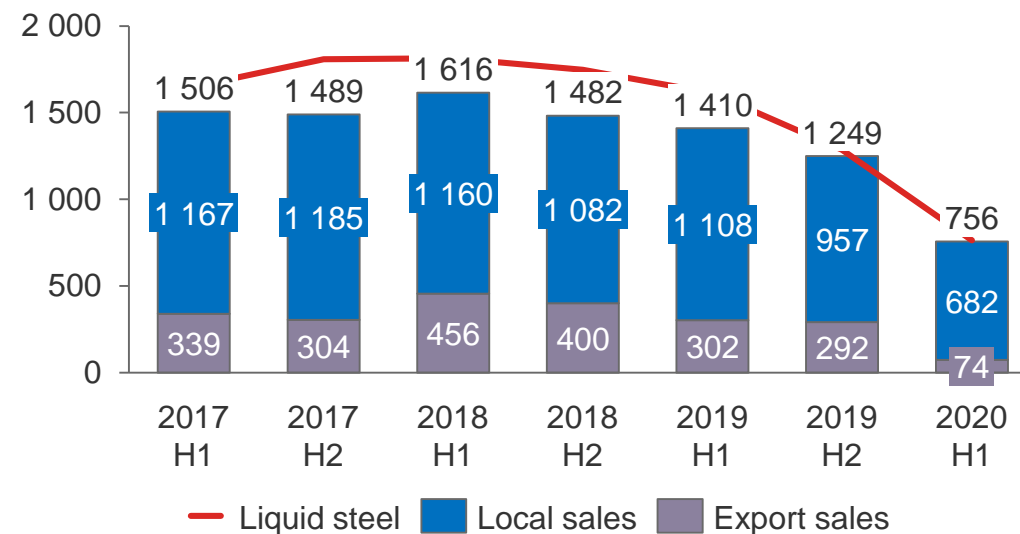
ArcelorMittal South Africa
Steel basket prices compared to an international RMB



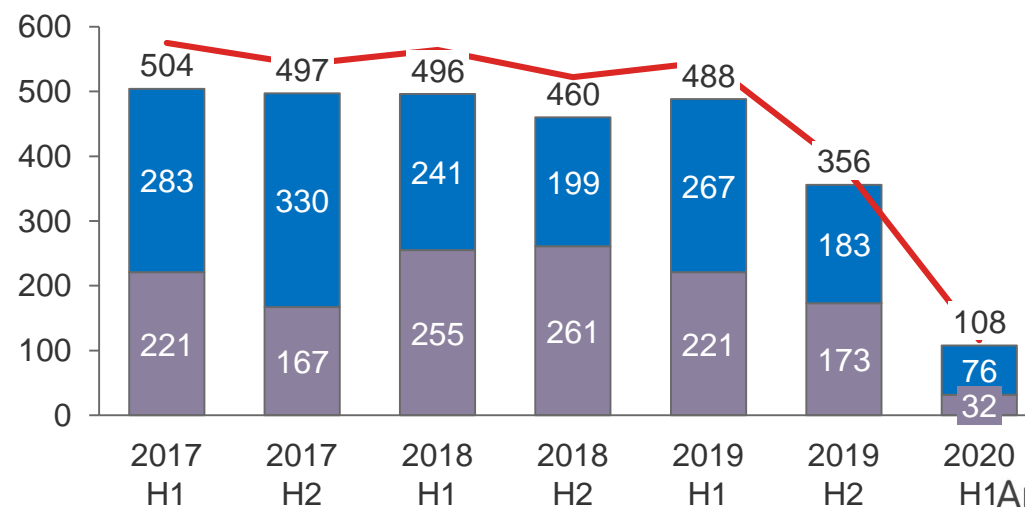
Operating environment - Flat steel

- Lower production and sales due to economic lockdown, rail and electricity supply disruptions
- 53% lower liquid steel production to 764 000 tonnes
- Lower plant utilisation of 37% (2019: 78%)
- 38% reduction in local sales volumes to 682 000 tonnes
- 75% reduction in export sales volumes to 74 000 tonnes
- Focus on cost improvement and inventory level reduction
- Progress on development of the thin gauge material at Vanderbijlpark Works (ex Saldanha Works material)
- Saldanha Works under full care and maintenance
- One blast furnace operating at full capacity at Vanderbijlpark Works, though will monitor market demand for returning additional capacity to operation
- Realisation of full cost savings benefit of BTP initiatives should be evident in H2 2020

Flat steel product sales and production volumes ('000 tonnes)



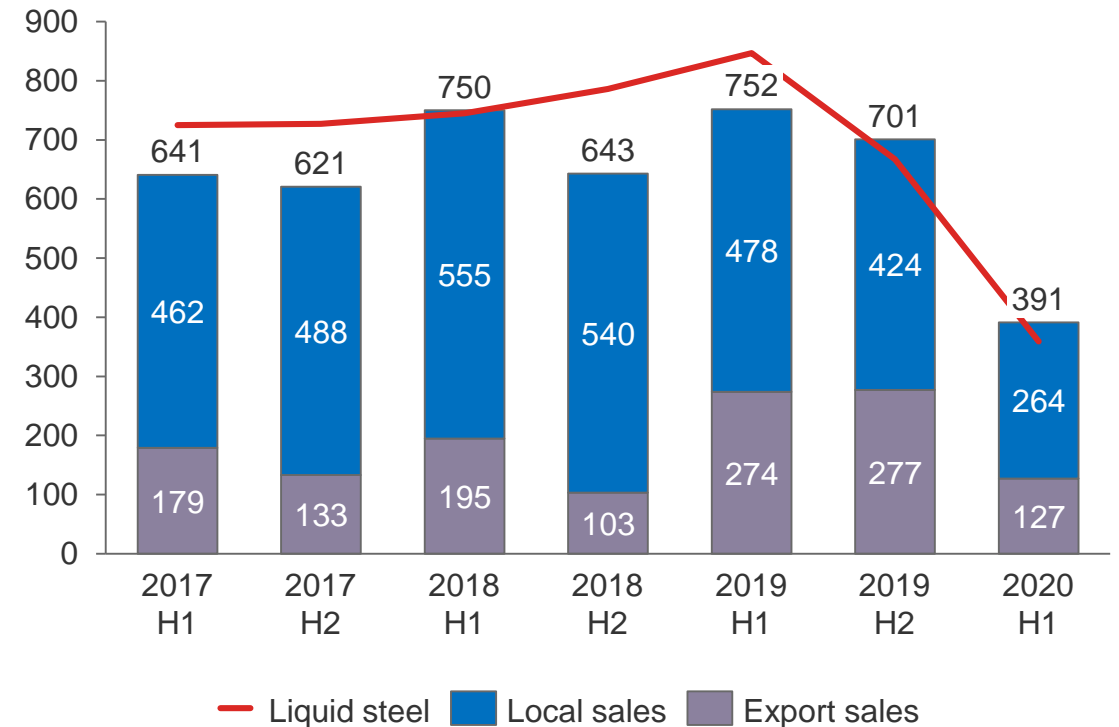
Saldanha Works product sales and production volumes ('000 tonnes)



Operating environment - Long steel

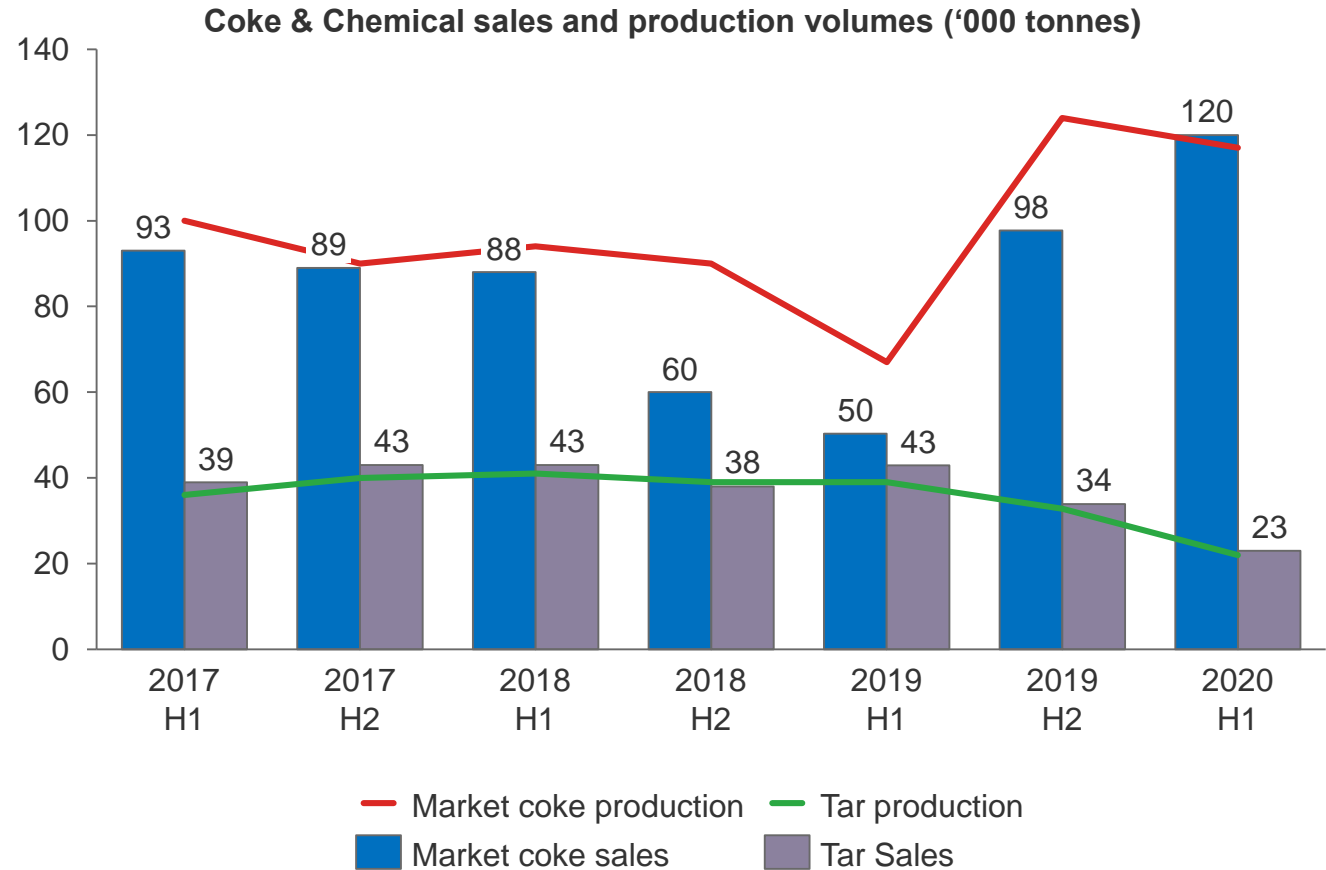
- Lower production and sales due to economic lockdown, and rail supply disruptions
- 58% lower liquid steel production to 359 000 tonnes
- Lower plant utilisation of 31% (2019: 74%)
- 45% reduction in local sales volumes to 264 000 tonnes
- 54% decrease in export sales volumes to 127 000 tonnes
- Focus on delivered raw material cost and inventory level reduction
- High delivered raw material cost due to uncompetitive rail tariffs will be a core focus
- Blast furnace at Newcastle Works operating at 70% capacity
- Vereeniging steel plant to be placed under care and maintenance

Long steel product sales and production volumes ('000 tonnes)



Operating environment - Coke operations

- Economic lockdown reduced the need for metallurgical coke production, enabling an increase in commercial market coke production
- 75% increase in commercial market coke production to 117 000 tonnes (2019: 67 000 tonnes)
- 142% increase in sales volumes to 120 000 tonnes (2019: 50 000 tonnes)
- Tar production and sales affected by hot idle of most coke batteries during economic lockdown
- Pretoria Works coke battery under hot idle
- One of three batteries at Newcastle Works under hot idle
- One of five batteries in Vanderbijlpark Works under hot idle
- Resilient commercial market coke demand supported by import replacement expected for H2



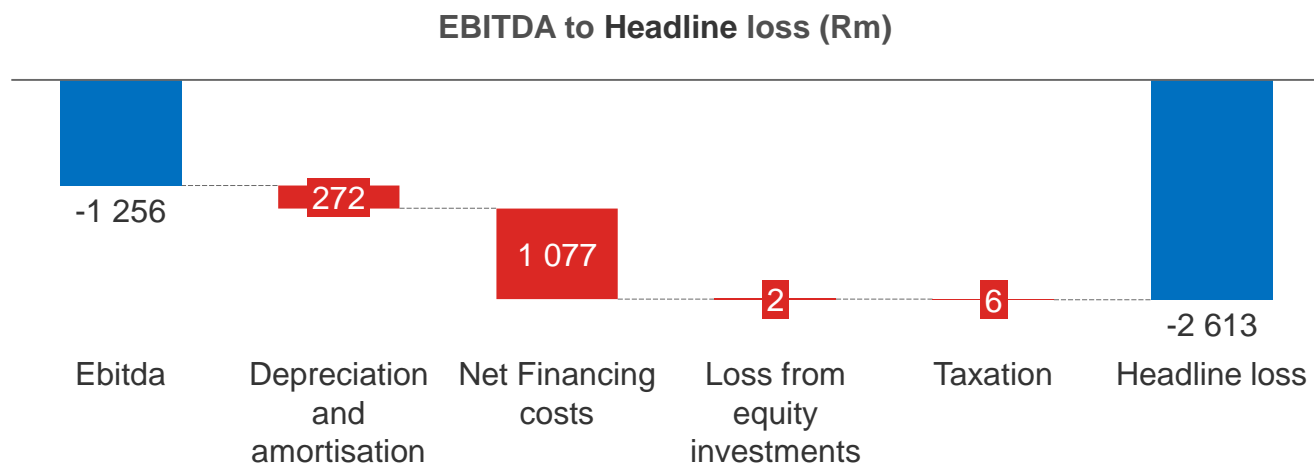
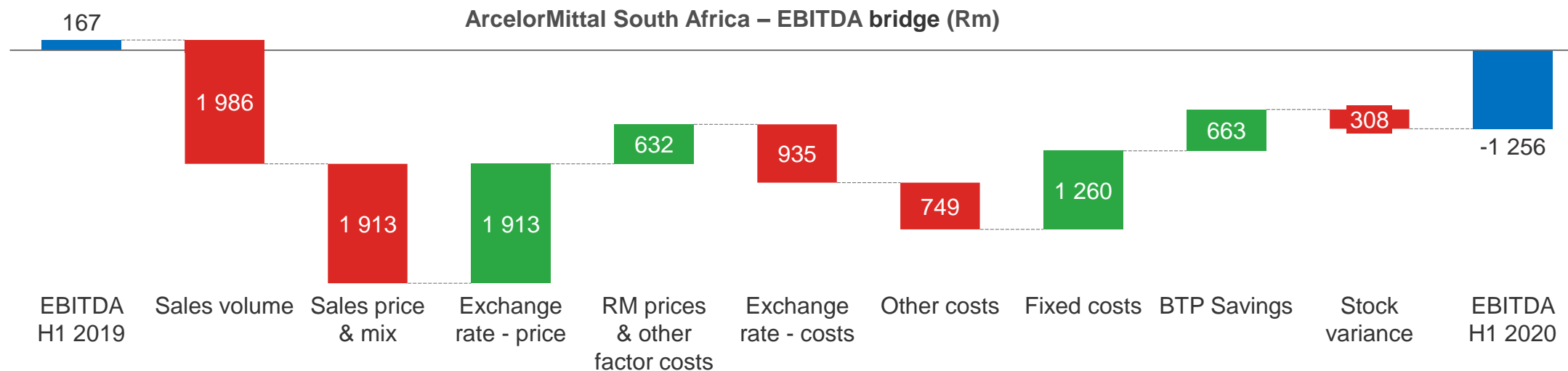


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Financial review and capital allocation

Desmond Maharaj

Financial results - Financial performance

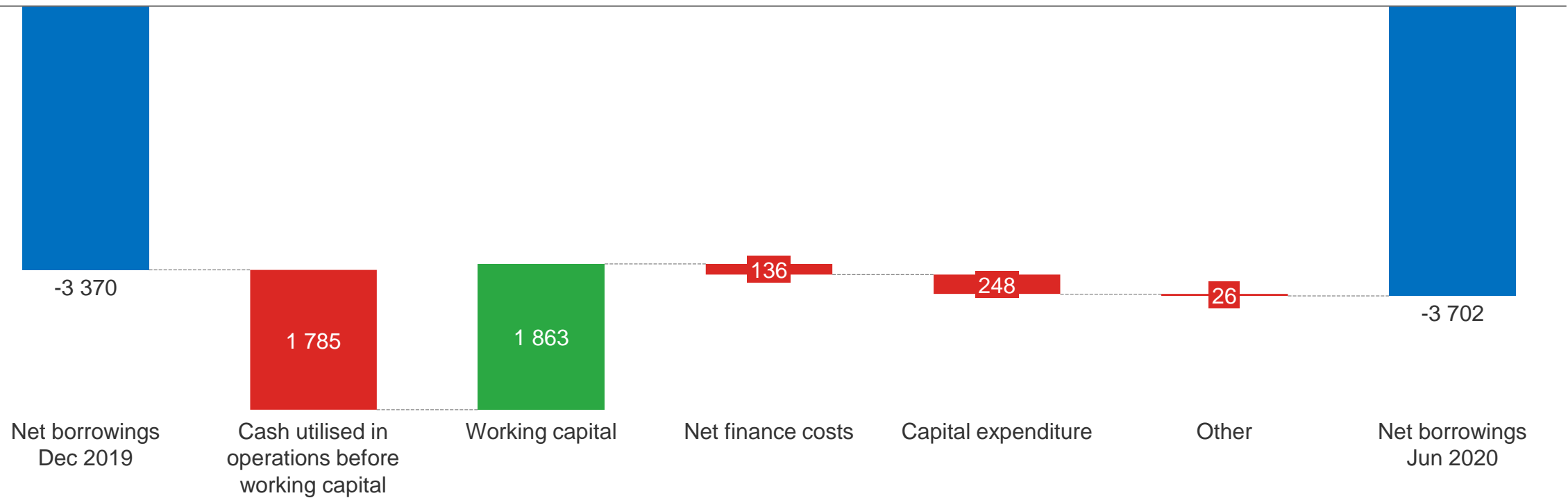


DIVISIONAL EBITDA		
	H1 2020	H1 2019
Flat Steel	(674)	86
Long Steel	(717)	(66)
Coke operations	70	108
Corporate & Other	65	39

Financial results - Net borrowings

- R1 863 million of cash released by reduction in working capital levels
- Inventories decreased by R1 960 million

Net borrowings bridge December 2019 to June 2020 (Rm)



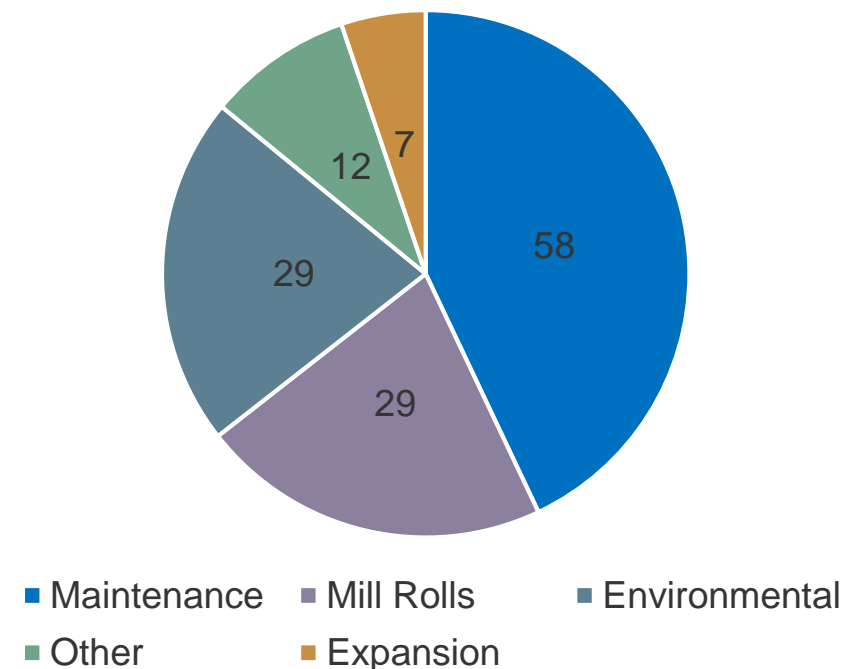
Financial results - Capital allocation

CAPITAL ALLOCATION PER DIVISION (Rm)		
	2020 H1	2019 H1
Vanderbijlpark	109	474
Newcastle	18	75
Saldanha	-	50
Vereeniging	1	7
Coke operations, Corporate & other	7	5
Total	135	611

Investments in H1 2020:

- Coke making by-product gas cleaning project
- Plate Mill main drive upgrade
- Coke battery through wall repairs
- Mill rolls

Spend per category (Rm)





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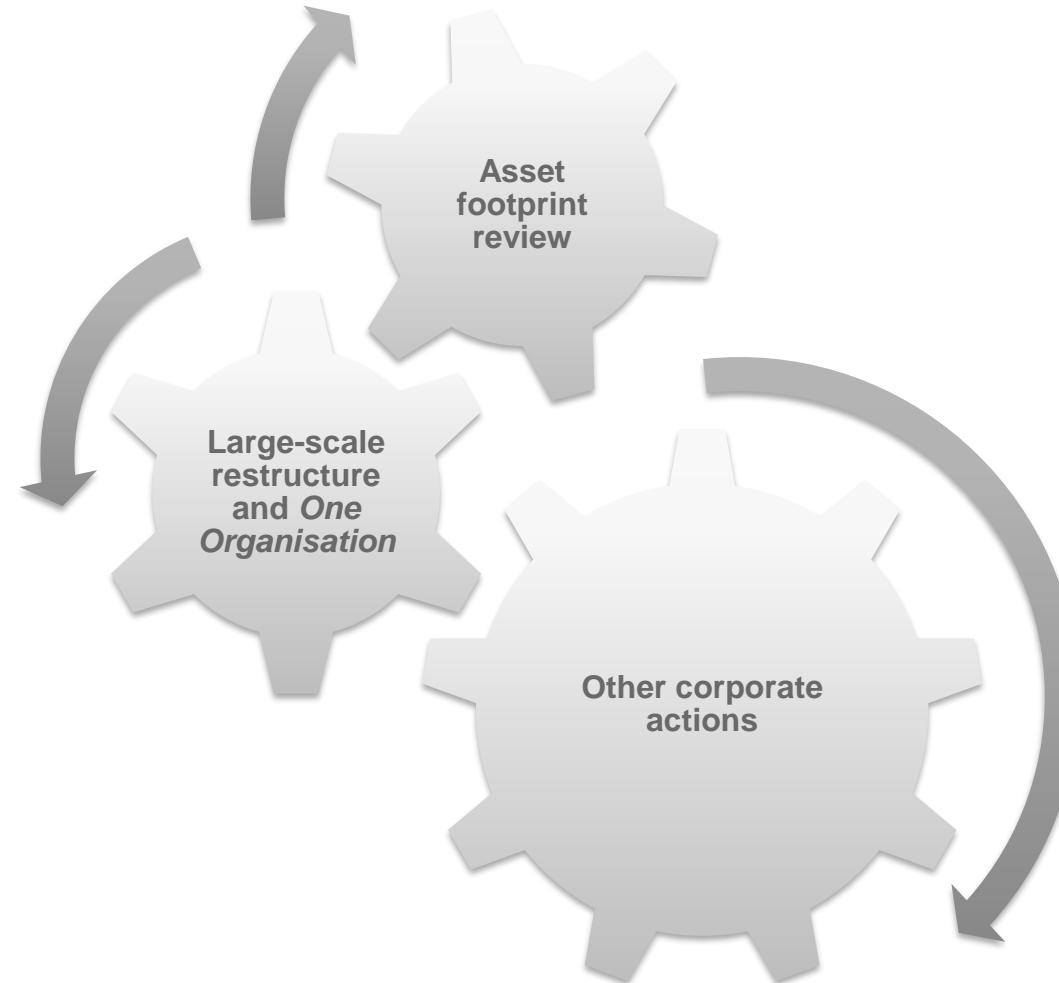
Transform for sustainability and growth

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Sustainability and growth

LARGE-SCALE RESTRUCTURE AND ONEORGANISATION

- Accelerated the *OneOrganisation* single operating model, to:
 - simplify and de-clutter management mechanisms
 - adopt a common information technology infrastructure for planning, scheduling and production
 - improve the customer service experience by a more flexible sales and marketing organisation
- With anticipated steel demand at 70-75% of pre-pandemic levels, a large-scale labour reorganisation announced in June 2020
- Final outcome subject to a formal consultation process
- Company aims to negotiate a multi-faceted and flexible solution



ASSET FOOTPRINT

- Vanderbijlpark Works: single blast furnace operation and one of five coke batteries hot idling
- Newcastle Works: blast furnace operating at reduced volumes with one of three coke batteries hot idling
- Pretoria Works: Coke battery hot idling
- Vereeniging Works: Steel plant to be placed under care and maintenance
- Saldanha Works: Steel-making operations under care and maintenance; investigating logistics hub using available land and infrastructure

OTHER CORPORATE ACTIONS

- Highveld Structural Mill
- Strategic raw materials
- By-product joint ventures
- Commercial Market Coke co-investment
- Non-core property disposals
- Strengthening the balance sheet

Socio-economic footprint

- Early childhood development support programme continued for under-privileged and disabled children based in the Saldanha area
- Science centres continue with their 2020 academic support programmes to formal schools in Saldanha, Newcastle and Vanderbijlpark. The centres provided educational support to over 10 000 learners and 500 teachers. During lockdown, online teaching and support was accessible for schools
- On-boarded 75 unemployed youth in our second YES intake, a one-year work-based experience programme strongly supported by the South African government
- The ArcelorMittal Foundation, through Thusong Projects, is providing 800 litres of soup and 445 loaves of bread each day to local communities
- During the nationwide lockdown, ArcelorMittal South Africa provided 600 food parcels to the vulnerable farm communities of Overvaal and 15 000 masks were donated to NGO workers who care for vulnerable members of the community





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Conclusion
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Outlook – H2 2020

- Some improvement in demand is expected post lockdown
- Uncertainty and risk will remain high within the economy and steel sector
- Order book is strong due to backlogs created by various factors in H1 2020, including initial lockdown
- Full benefit of 2019 and H1 2020 cost reduction expected
- Further reduction and variabilisation of fixed costs to align with reduced production levels
- Improved international steel prices likely
- USD/ZAR exchange rate will continue to impact results



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Appendix

Headline earnings (Rm)

	H1 2020	H1 2019
Revenue	12 014	21 743
EBITDA and exceptional items	(1 256)	167
Depreciation and amortisation	(272)	(389)
Loss from operations	(1 528)	(222)
Reclassification of foreign currency differences	280	
Net impairment	29	(7)
Net finance costs	(1 077)	(472)
Loss after tax from equity-accounted investments	(2)	(5)
Income tax charge/credit	(6)	62
Loss after tax	(2 304)	(644)
Add back net impairment	(29)	7
Add back loss on disposal of assets (net of tax)		(1)
Reclassification of foreign currency differences	(280)	
Headline loss	(2 613)	(638)
US\$m	(157)	(45)

Cash flow (Rm)

	H1 2020	H1 2019
Cash (utilised in)/generated from operations before working capital	(1 785)	301
Working capital	1 863	(578)
Cash generated from operations	78	(277)
Capital expenditure	(248)	(862)
Net finance costs	(136)	(126)
Income tax refund		7
Finance lease obligations repaid	(18)	(19)
Borrowings raised	1 950	1 500
Others	(3)	12
Decrease in cash	1 623	235
Effect of forex rate change on cash	(5)	(1)
Net decrease in cash and cash equivalents	1 618	234
Cash and bank balances	3 606	2 759
Borrowings (current and non-current)	7 308	4 500
Net borrowings	3 702	1 741

Working Capital	H1 2020	H1 2019
Inventories	1 960	(602)
Receivables	368	(849)
Payables	(465)	873
Working capital movement	1 863	(578)

Financial results - Reconciliation of loss from operations to earnings before interest, tax, depreciation and amortisation

	H1 2020	H1 2019
Loss from operations	(1 528)	(222)
Adjusted for:		
Depreciation	266	384
Amortisation of intangible assets	6	5
Earnings before interest, tax, depreciation and amortisation	(1 256)	167

Divisional EBITDA

Divisional EBITDA	H1 2020	H1 2019
Flat steel products (Rm)	(674)	86
EBITDA margin %	(8,3)	0,6
Net realised price R/t	9 613	9 659
Long steel products (Rm)	(717)	(66)
EBITDA margin %	(17,2)	(0,9)
Net realised price R/t	8 807	8 734
Coke and Chemicals (Rm)	70	108
EBITDA Margin %	8,9	18,8
Corporate and other	65	39
Total EBITDA	(1 256)	167
EBITDA margin %	(10,5)	0,8

Our value creation model

Inputs

Natural capital

Raw materials consumed (kilotonne)



	2020 H1	2019 H1
Iron ore	1 371	3 646
Coal	997	2 045
Scrap	70	112
Fluxes	347	614

Energy

	2020 H1	2019 H1
Electricity purchased (TWh)	0.93	1.54

Water intake

	2020 H1	2019 H1
Water intake (Mℓ)	6 705	7 980

Human and intellectual capital



	2020 H1	2019 H1
Employees*	7 368	8 795
Hired labour	64	346
Service contractors	1 720	2 906

* Permanently employed (including fixed term contractors)

Financial capital



	2020 H1	2019 H1
Equity	R1 540m	R8 443m
Borrowings	R7 308m	R4 500m

Our working business model

We produce iron and steel, commercial coke and useful by-products, in processes that sustain hundreds of thousands of jobs.



We produce three types of products:



Flat steel products Coke and Chemicals Long steel products

ArcelorMittal South Africa is no ordinary business – our company is intimately integrated into the economic and social fabric of South Africa while our products and our procurement of goods and services have far-reaching consequences. Our business model and our execution of strategy require us to demonstrate that we are creating meaningful value not only for investors but for multiple stakeholders including employees, communities, suppliers, government and customers

We are committed to growing our socio-economic impact

Our flat steel prices are set taking into account a basket of prices prevailing in international markets

We place the highest value on safety, all other values are subordinate to keeping our people safe

Outputs and outcomes

Financial capital

Shareholders, investors, employees



	2020 H1	2019 H1
Revenue	R12 014m	R21 743m
EBITDA	(R1 256m)	R167m
Loss from operations	(R1 528m)	(R222m)
EBITDA margin	(10,5%)	(0,8%)
Headline loss per share	(239c)	(58c)
Headline loss	(R2 613m)	(R638m)

Social capital

Local communities, supplies and HDSA businesses



	2020 H1	2019 H1
Socio-economic development	R7.3m	R9.6m
Procurement spend	R7.1m	R15.0m
Taxes contributed	R397m	R40m
Procurement – QSE and EME	R0.2m	R1.2m

Manufactured capital

Customers



	2020 H1	2019 H1
Flat steel products sold	756kt	1 410kt
Domestic market	682kt	1 108kt
Export market	74kt	302kt
Long steel products sold	391kt	752kt
Domestic market	264kt	478kt
Export market	127kt	274kt
Coke and Chemicals		
Commercial Market coke	120kt	50kt
Tar	23kt	43kt

Human capital

Employees, contractors



	2020 H1	2019 H1
Safety: LTIFR	0.55	0.38
Safety: Fatalities	0	0

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Thank you