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For immediate release

# news release

## ArcelorMittal South Africa interim results for the half year ended 30 June 2021

- Half-year EBITDA of R3 218 million strongest in a decade
- 79% increase in average international dollar steel prices, with a 42% increase in realised rand prices
- 10% increase in sales volumes and 36% increase in liquid steel production
- Raw material basket (RMB) increase limited to 2% against a 44% increase in the international RMB (rand terms)
- Business Transformation Programme savings of R1 001 million
- Free cash flow of R985 million resulting in a net debt of R2 782 million
- Headline profit of R2 482 million (H1 2020: R2 613 million loss)

***“The strong half-year results reflect the benefits of ArcelorMittal South Africa’s new operating model, and improvements made to our structural cost position, notably regarding strategic raw materials and fixed costs.”*** Kobus Verster, CEO, ArcelorMittal South Africa.

*The analysis below relates to the half year ended 30 June 2021 (current period) compared to the half year ended 30 June 2020 (previous or comparable period), except where otherwise indicated.*

**Johannesburg, 29 July 2021:** ArcelorMittal South Africa enjoyed a strong start to 2021, recording a half yearly EBITDA of R3 218 million (against a loss of R1 256 million in the previous period), its strongest in a decade thanks to stronger sales volumes and the benefit of robust price-cost effects as a result of higher steel prices against raw material costs.

The company’s operating profit increased from a loss of R1 528 million in H1 2020 to a profit of R2 945 million, while headline profit of R2 482 million recovered from a loss of R2 613 million, amounting to a 223 cents per share profit against 239 cents loss for the comparative period in 2020.

“This performance was remarkably achieved against the backdrop of one of the most challenging operating environments in our company’s long history,” explains Kobus Verster, Chief Executive Officer of ArcelorMittal South Africa.

The challenges in the first half of the year included two Covid-19 waves, ramp-up challenges associated with restoring and accelerating production in the complex integrated steelmaking environment, a long maintenance stop at Newcastle’s blast furnace to address damage caused by the hard lockdown, a highly inconsistent rail service which led to frequent and costly operational stops, and tragic safety incidents.

The recovery in the global steel environment since the second half of 2020, has accelerated in 2021. Activity levels in steel markets have continued to recover. Strong demand and low supply chain inventories (following significant destocking in previous periods) have supported a recovery in steel spreads (the difference between steel prices and raw material costs).

Market inventory levels are increasing, albeit at varying speeds for different products. By the end of June 2021, ArcelorMittal South Africa’s monthly production levels and dispatches were largely balanced.

Limitations in credit insurance available to the steel industry currently are presenting serious challenges to the industry. ArcelorMittal South Africa is working closely with customers to manage supply, given that many customers do not have the necessary credit cover lines to fund back-orders.

Global crude steel production increased to 1,0 billion tonnes by 30 June 2021 as economic stimulus packages continued to benefit the mining, manufacturing and infrastructural sectors, while supply chains remained under pressure.

The company's average capacity utilisation excluding Saldanha Works increased to 59% (39% H1 2020) and is currently at 85%. Liquid steel production increased by 36% or 403 000 tonnes, from 1,1 million tonnes to 1,5 million tonnes in H1 2021.

Total sales volumes increased by 10% or 116 000 tonnes to 1,3 million tonnes for the company, due to a 21% rise in domestic sales and a 39% fall in seaborne exports, as volumes were reallocated to Africa Overland markets.

The tragic safety incident at the company's Vanderbijlpark coke-making operation was the main reason for lower commercial coke production. Although commercial coke production was 22% lower at 91 000 tonnes, supplemented with available inventory, sales volumes were 61% higher at 193 000 tonnes.

Apparent steel consumption (ASC) in South Africa for the first half of 2021 increased by 9% to 2,2 million tonnes compared to the preceding six months (H2 2020).

Total steel imports of primarily hot rolled coil, galvanised sheet and tinplate increased by 25% to 687 000 tonnes compared to the preceding six months (H2 2020) because of supply chain shortages in the local market. This is 31% of South Africa's ASC (H1 2020: 24%), which is expected to reduce as the supply chain normalises due to recovering domestic output, the cancellation of steel export incentives by China, and the imposition of import duties by Russia.

Although the European Union is extending the current safeguard measure on imports of certain steel products for three years, and the US Section 232 measures remain in force, disappointingly South Africa's safeguard duties are set to lapse in August 2021.

The company's overall realised steel price increased by 57% in dollars and 42% in rand terms, as the average dollar/rand exchange rates strengthened by 13%. Average international dollar steel prices increased by 79%. This contrasts to iron ore indices which increased by 101%.

The company's raw material basket (iron ore, coking coal, and scrap), representing 43% of total cash cost, was 2% higher in rand terms, which is pleasing given the 44% increase in the international raw material basket. This reflects the work done in diversifying the sources of raw materials. Electricity tariffs increased by 12% for the company.

ArcelorMittal South Africa's Business Transformation Programme (BTP) contributed a further R1 001 million (H1 2020: R663 million) in savings, adding to R3,6 billion of improvements achieved since the programme started in the second half of 2018.

With South Africa deep in the third wave, ArcelorMittal South Africa continues to be vigilant in efforts against the virus, ensuring its employees protect themselves, strictly implementing the latest guidelines and ensuring its workforce is enabled to follow strict hygiene and social distancing standards at work.

ArcelorMittal South Africa board, management and employees were saddened by the four fatalities which happened in the first six months of 2021. An investigation into the safety incident at Vanderbijlpark on 17 February 2021, in which three ArcelorMittal South Africa employees were tragically killed, is being led by an external independent party and includes representatives from labour. Once finalised, an investigation report will be issued.

“With the assistance of the ArcelorMittal group, we have reviewed, refocused, and reinvigorated our efforts to eradicate accidents and fatalities across the business,” said Verster.

One of the priorities of the ArcelorMittal group is to lead the steel industry globally on sustainability. This is reflected in the XCarb™ brand which brings together all ArcelorMittal’s reduced, low and zero-carbon products and steelmaking activities, as well as wider initiatives and green innovation projects, into a single effort focused on achieving demonstrable progress towards carbon neutral steel and the net zero commitment by 2050.

Leveraging the relationship with its parent company, ArcelorMittal South Africa is exploring, in collaboration with various large industrial partners, research organisations, and business initiatives, opportunities relating to carbon capture and storage (CCS), blue and green hydrogen applications in directly reduced iron (DRI) production, and improved energy efficiency initiatives. Saldanha Works has been identified in a study by the SA-EU Partnership and the CSIR as being ideally suited for green DRI production, with the company’s integrated steelmaking sites being prime candidates for CCS technology. ArcelorMittal South Africa will finalise its implementation roadmap for meaningful carbon reduction by the end of 2022. In South Africa, the company will need funding support for carbon neutrality initiatives along with an enabling environment to encourage cross-sector and industry collaboration.

ArcelorMittal South Africa is a proud signatory of the Steel Industry Masterplan and has committed senior resources to this ambitious but critically important initiative. Together with the Infrastructure Investment Programme (IIP) and the African Continental Free Trade Area (AfCFTA) agreement, the plan presents real opportunities for the steel industry to start growing again and ArcelorMittal South Africa is ready and eager to contribute.

Looking to H2 2021, stronger GDP growth forecasts for South Africa for 2021 are positive for steel demand. Unless there is damage to overall business sentiment in South Africa as a result of further economic lockdowns for Covid-19, ArcelorMittal South Africa expects the impact of a healthier market and operating environment to be more fully reflected in the company’s performance in the second half of the year. However, during these times which typically see higher activity levels and additional restoration costs being incurred, the focus on structural cost competitiveness will remain critical.

**\*\* Please refer to the detailed SENS announcement (available on the company’s website <https://arcelormittalsa.com/>) for further financial information**

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