

# Finance director's pre-close message

Financial year ending 31 December 2024 (FYE24)

This is an overview of the group's expected business performance for FYE24, encompassing strategic, operational, and financial information. Unless otherwise indicated, all comparisons are against the financial year ended 31 December 2023 (FY23).

## DEAR STAKEHOLDER

As of 31 October 2024, the group achieved 26 months without any work-related fatalities and recorded nine lost-time injuries, resulting in a lost-time injury frequency rate (LTIFR) of 0.06, against a target of 0.05. This performance is consistent with the same period last year. To improve the current performance, various safety initiatives have been deployed across all our business units.

After a soft start to 2024, the overall global economic growth improved, owing to stronger-than-expected performance by the US, the eurozone, the UK, Russia, Brazil, and India. Following a higher-for-longer headline consumer price index in the US, the initial policy rate reduction was delayed and only started in mid-September 2024. The initial Federal Reserve policy rate cut followed those by the European Central Bank, Bank of Canada and Bank of England which marked the end of the most aggressive rate hiking cycle in decades.

With respect to Exxaro's key commodities, the average benchmark API4 Richards Bay Coal Terminal (RBCT) export price for FYE24 is expected to average US\$105 (FY23: US\$120) per tonne, free on board (FOB), a 12.5% decline from the previous year, and the iron ore fines price for FYE24 is expected to average US\$107 (FY23: US\$121) per dry metric tonne, cost, and freight (CFR) China, a 11.6% decline from the previous year.

Total coal product (including buy-ins) is expected to decrease by 6%, and sales volumes are expected to decrease by 2% when compared to FY23.

In terms of our capital allocation programme, we expect the capital expenditure for our coal business to be about 11% lower when compared to FY23, due to lower sustaining capital spend at Grootegeluk.

As at 31 October 2024, the group had a net cash balance of R16 billion (excluding our energy net debt) and the intention is to continue to retain cash of between R12 billion and R15 billion to fund our growth strategy.

We will provide a detailed account of FYE24 business performance and an outlook on the subsequent six months (1H25) when we announce our annual financial results on or about 13 March 2025.

Yours sincerely

**Riaan Koppeschaar**  
Finance Director



# Macro-economic environment

## Global economy and commodity prices

As the year progressed, global inflation rates continued their gradual downward trend, which enabled central banks worldwide to cut interest rates. The global economic activity in 2024 centred around gradually moderating inflation rates, a more widespread monetary policy (interest rates) easing, geopolitical developments, the US presidential election outcome, and additional stimulus to support China's economy. After a 2.7% increase in 2023, there is an expectation that global real GDP will expand at the same pace in 2024.

Seaborne thermal coal prices started the year under pressure mainly due to weak demand in Asia and Europe, aggravated by lower natural gas prices. As 2024 progressed, prices strengthened due to concerns around the impact of tightening sanctions on Russia, ongoing geopolitical tensions in the Middle East, disruptions to US coal exports to India following the collapse of the Baltimore bridge, and

disruptions to rail operations in South Africa's main coal export line. The European natural gas prices edged higher at times, as supply constraints in the liquefied natural gas (LNG) market emerged. However, adequate European gas storage levels, well ahead of the peak winter demand period, contributed to the stable seaborne thermal coal markets towards the end of 2024.

Throughout 2024, subdued Chinese economic growth, persistent downturn in the Chinese property market, robust global iron ore supply, and increasing China port inventories weighed on the iron ore market and pricing. Following a set of policy announcements by China, the impact on iron ore and steel demand was not as supportive. The initial stimulus targeted the well-being of the consumer and not the acceleration in the property and infrastructure sectors.

## Operational performance

### Coal operations

#### MARKETS

The year 2024 started off on a bearish note in 1Q24 from the end of 2023. This was due to sufficient supply of coal in major markets such as Europe, Japan, South Korea, and Taiwan, with gas prices posing an advantage to gas economics.

However, geopolitics played a major role in lifting prices higher, together with the Transnet Freight Rail (TFR) derailment in 1Q24, and early 2Q24.

The resurgence in Indian demand was maintained most of the time due to its economic growth, despite a brief disruption between July and September. This was in addition to high stockpiles of South African coal, the monsoon season, low domestic coal prices and low steel prices. European demand faced headwinds resulting from strong renewable energy generation, revision of coal phase-out targets and cheaper gas prices.

Japanese and South Korean demand remained steady, with South Korean demand being more opportunistic when prices were favourable, especially in 3Q24 when prices corrected due to a lack of demand in the seaborne market. Japan continued to enjoy a rich energy mix (gas, renewables, nuclear, and coal) with the restarting of several nuclear plants posing a risk to coal demand.

The South African domestic market demand remained resilient in the second half of the year despite macro impacts on domestic end users. In the Waterberg region, there were some improvements with Eskom's coal offtake, however operational challenges at the power stations severely impacted the power utility's ability to consistently take coal from our Grootegeluk mine.

#### PRODUCTION AND SALES VOLUMES

The tables below show a year-on-year comparison of production and sales performance between FY23 and FYE24, as well as FYE24 compared to previous guidance.

Table 1: Coal product ('000 tonnes)

	PRODUCT					
	FY23 Actual	FYE24 Current Forecast <sup>1</sup>	% Change	FYE24 Previous Guidance <sup>2</sup>	FYE24 Current Forecast <sup>1</sup>	% Change
<b>Thermal coal</b>	39 824	<b>37 420</b>	<b>(6)</b>	<b>37 688</b>	<b>37 420</b>	<b>(1)</b>
<b>Buy-ins</b>	175	<b>2</b>	<b>(99)</b>		<b>2</b>	<b>100</b>
<b>Total thermal product (including buy-ins)</b>	39 999	<b>37 422</b>	<b>(6)</b>	<b>37 688</b>	<b>37 422</b>	<b>(1)</b>
<b>Total metallurgical</b>	2 465	<b>2 591</b>	<b>5</b>	<b>2 668</b>	<b>2 591</b>	<b>(3)</b>
<b>Total product</b>	42 464	<b>40 013</b>	<b>(6)</b>	<b>40 356</b>	<b>40 013</b>	<b>(1)</b>

<sup>1</sup> Based on the latest internal management forecast assumptions. Final numbers may differ by ±5%.

<sup>2</sup> Provided at results presentation for the six-month period ended 30 June 2024 on 15 August 2024.

# Operational performance continued

## Production

Thermal coal production is expected to be 6% lower compared to FY23, mainly impacted by lower Eskom demand in the Waterberg region and lower offtake at Leeuwpan in the Mpumalanga region. This is partially offset by improved production at Belfast realising value through alternative ports.

The increase in metallurgical coal production is demand driven.

Table 2: Coal sales volumes ('000 tonnes)

	SALES					
	FY23 Actual	FYE24 Current Forecast <sup>1</sup>	% Change	FYE24 Previous Guidance <sup>2</sup>	FYE24 Current Forecast <sup>1</sup>	% Change
<b>Thermal coal</b>	34 733	<b>32 291</b>	<b>(7)</b>	<b>32 558</b>	<b>32 291</b>	<b>(1)</b>
Eskom	23 693	<b>23 216</b>	<b>(2)</b>	<b>24 417</b>	<b>23 216</b>	<b>(5)</b>
Domestic	5 025	<b>3 334</b>	<b>(34)</b>	<b>2 954</b>	<b>3 334</b>	<b>13</b>
Tied <sup>3</sup>	6 015	<b>5 741</b>	<b>(5)</b>	<b>5 187</b>	<b>5 741</b>	<b>11</b>
<b>Total metallurgical</b>	684	<b>704</b>	<b>3</b>	<b>665</b>	<b>704</b>	<b>6</b>
<b>Exports</b>	5 109	<b>6 849</b>	<b>34</b>	<b>6 579</b>	<b>6 849</b>	<b>4</b>
<b>Total sales</b>	40 526	<b>39 844</b>	<b>(2)</b>	<b>39 802</b>	<b>39 844</b>	<b>-</b>

<sup>1</sup> Based on latest internal management forecast assumptions. Final numbers may differ by ±5%.

<sup>2</sup> Provided at results presentation for the six-month period ended 30 June 2024 on 15 August 2024.

<sup>3</sup> Production supplied to Eskom.

## Sales

Thermal sales are expected to decrease by 7% from FY23, mainly due to a 2% decrease in Eskom demand. The expected decrease in the domestic market is as a result of more products being channelled to the export market, mainly from Belfast, as well as logistical constraints on the uptake of coal from Leeuwpan.

The forecasted 34% increase in export volumes is driven by optimal logistical resource scheduling and using alternative distribution channels.

Metallurgical sales are expected to increase by 3% compared to FY23, driven by increased demand by domestic end users.

Thermal sales at Matla mine (Tied) are expected to decline as we ceased mining at the Mine 2 shortwall, in line with the mine plan.

## LOGISTICS AND INFRASTRUCTURE

TFR railed 42.1Mt to RBCT from January to October 2024, equivalent to an annualised tempo of 50.51Mtpa. The performance from Grootegeluk averaged three trains per week due to the impact of security, vandalism, and locomotive shortages. The Mpumalanga export rail performance averaged eight trains per week for the same period. With the support of the coal industry through the Corridor Recovery Team and the identified initiatives, the rail performance improved during the year from an annualised tempo of 47Mt to 50.5Mt.



# Energy operations

Cennergi's wind operations are forecast to generate 729 GWh of electricity for FYE24 (FY23: 727 GWh), marginally higher than the previous guidance provided of 720 GWh.

Construction of the 68 MW Lephalale Solar PV Project (LSP) at Grootegeluk continues with commercial operations anticipated in 1H25.



# Capital allocation

TABLE 3: COAL CAPEX (R'million)

	FY23 Actual	FYE24 Current Forecast <sup>1</sup>	% Change	FYE24 Previous Guidance <sup>2</sup>	FYE24 Current Forecast <sup>1</sup>	% Change
<b>Grootegeluk Complex</b>	2 217	1 904	(14)	2 127	1 904	(10)
<b>Mpumalanga</b>	216	271	25	483	271	(44)
<b>Total</b>	2 433	2 175	(11)	2 610	2 175	(17)

<sup>1</sup> Based on the latest internal management forecast assumptions and estimates, excluding tied operations. Final numbers may differ by ±5%.

<sup>2</sup> Provided at results presentation for the sixth-month period ended 30 June 2024 on 15 August 2024.

Capital expenditure for FYE24 is expected to be 11% lower compared to the previous year.

Maintaining our assets to enable effective production remains a core focus in our Capital Excellence journey, resulting in the prioritisation of investments in projects that have a high impact on business performance. The capex reduction is driven by aligning the equipment plan with optimal production plans at all our mines and refinement of the equipment and infrastructure strategies.

The Matla Mine 1 Relocation project commenced with construction in August 2020. Eskom has approved all required funding to implement the project. The expected completion date of the Matla Life of Mine project is 1H26.

## MINERALS AND ENERGY

In terms of the group's Sustainable Growth and Impact Strategy, we continue to evaluate investment opportunities in minerals and energy aligned with our capital allocation framework and investment criteria.

# Portfolio optimisation

The FerroAlloys disposal process is progressing well with the signing of a sale and purchase agreement expected to be concluded in 1Q25.

# Sustainable development

## CLIMATE CHANGE RESPONSE STRATEGY IMPLEMENTATION

The peer review of the draft decarbonisation roadmap and draft Climate Change Transition Action Plan (CTAP), a key document demonstrating our climate commitments and actions to investors, customers, communities and other key stakeholders, has been completed. The review was undertaken to ensure the credibility and application of relevant principles and international frameworks such as the Task Force of Climate-related Financial Disclosures (TCFD) recommendations. The review outcomes were positive, with recommendations provided on the way forward and further technical information required for the refinement and finalisation of the roadmap. It is envisaged that the roadmap and CTAP will be finalised during 1Q25 upon the availability of updated or new information.

On the climate policy front, we are following developments on the implementation of the Climate Change Act, which was signed into law by the President in July 2024, but is not yet operational. The President still needs to issue a proclamation to bring it into effect.

Concerning the carbon budget allocation process, we are awaiting feedback from the Department of Forestry, Fisheries and Environment (DFFE) on the way forward. Potential changes to the Carbon Tax structure by the National Treasury are also being closely followed to ensure risk management and opportunity identification.

## SOCIAL INVESTMENT AND DEVELOPMENT

Social investments for the ten months ended 31 October 2024 amounted to R2.4 billion, which is 26% higher than the R1.9 billion spent in FY23. The local procurement spend on black Small Medium and Micro Enterprises (SMMEs) constituted 75% of the social investment. Combined, these initiatives have supported 488 SMMEs through local procurement as well as enterprise and supplier development.

# Outlook for 1H25

## ECONOMIC CONTEXT

Going into 2025, global economic activity remains well positioned for a further gradual moderation of consumer price inflation, more accommodative financial conditions, and a continuation of the steady global real GDP growth rates. Various global developments have the potential to significantly alter economic activity, such as potential post-election policy shifts in the US and the escalation or de-escalation of geopolitical tensions.

Turning to South Africa, following the smooth completion of the 29th of May 2024 general election, together with the formation of the Government of National Unity, the global investor sentiment towards South Africa improved significantly with cautious optimism to translate sustainably into much-needed higher economic growth performances. It is anticipated that private investment in renewable energy, increased maintenance by Eskom, a smooth run without loadshedding and transmission system developments, along with the continuation and acceleration in the implementation of the structural reforms in ports and rail, will result in further reducing energy and logistical constraints and positive improvements in investment sentiment towards South Africa.

## COMMODITY MARKETS AND PRICE

2024 has been characterised, by coal price corrections with pre-Russian-Ukraine war prices becoming the norm at levels below US\$110 per tonne. The price decrease was exacerbated by ample supply on the seaborne market with Australia and Indonesia (largest exporters) recording strong production because of favourable weather conditions.

Geopolitics has had minimal influence on prices on a broader spectrum, signalling an end to price volatility due to geopolitical operational response. The uncertainty regarding the severity of Europe, Japan, and South Korea's winter and the potential risks around gas availability (especially in Europe due to geopolitics) also seemed to wear off with mild winter expectations in those regions. This is in addition to sufficient gas stocks in Europe. The domestic market remains sensitive to macro-factors, and any improvements in the economic environment will result in increased coal demand from domestic end users.

Extreme weather patterns, together with the anticipated tightness in spot supply availability, are expected to support seaborne thermal coal prices, but moderated by the expected nature of the European winter, natural gas availability and prices. Furthermore, the Russia-Ukraine war, under a US Trump administration, is expected to weigh on the global seaborne thermal coal markets.

The seaborne iron ore market is to be encouraged by overall positive global steel demand; however, a continuous vulnerable property sector performance, together with any stimulus measures to be implemented by the Chinese government, should be closely monitored.

## OPERATIONAL PERFORMANCE

Our coal business Performance continues to be impacted by logistical challenges, and low commodity prices. However, through our Optimisation Programme, which focuses on improving efficiencies across the value chain, combined with the utilisation of insights from advanced analytics, we continue to alleviate the impact of external factors on our business and thus ensure that our business remains resilient and continues to deliver stakeholder value.

# Review of the update

The information in this update is the responsibility of the directors of Exxaro and has not been reviewed or reported on by Exxaro's independent external auditors.

## TELECONFERENCE CALL DETAILS

A dial-in teleconference call on the details of this announcement will be held on Tuesday, 3 December 2024 starting at 13:00 SAST.

## PRE-REGISTRATION LINK

To register for the conference call please pre-register through this link:

<https://services.choruscall.za.com/DiamondPassRegistration/register?confirmationNumber=6167410&linkSecurityString=19977aaa5c>

Please note that only registered participants will receive a dial-in number upon registration.

## PLAYBACK

A playback will be available one hour after the end of the conference until 12 December 2024. To access the playback, dial one of the following numbers using the playback code 46941:

- South Africa 010 500 4108
- UK 0 203 608 8021
- Australia 073 911 1378
- USA 1 412 317 0088
- International +27 10 500 4108

To access the replay using an international dial-in number, please select the link below.

<https://services.choruscall.com/ccforms/replay.html>

Participants will be required to state their name and company upon entering the call.

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## EDITOR'S NOTE

Exxaro is one of the largest South Africa-based diversified resources companies, with main interests in coal, iron ore, and energy commodities. [www.exxaro.com](http://www.exxaro.com)

Annual financial results for the year ended 31 December 2024 will be announced on or about 13 March 2025.

## INVESTOR RELATIONS

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## LEGEND

FY23 - Financial year ended 31 December 2023

FYE24 - Financial year ending 31 December 2024

1Q24 - First quarter ended 31 March 2024

2Q24 - Second quarter ended 30 June 2024

3Q24 - Third quarter ended 30 September 2024

1Q25 - First quarter ending 31 March 2025

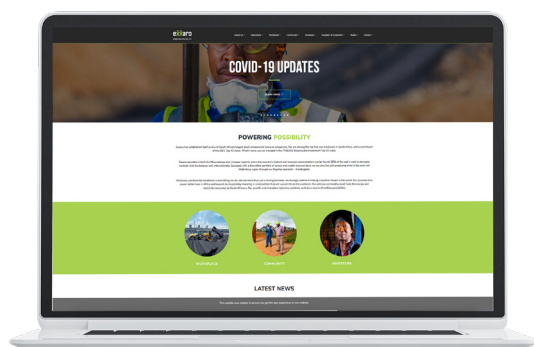
1H25 - Six-month period ending 30 June 2025

## COMMODITY PRICES SOURCE

Coal - IHS Energy

Iron ore - MB Online

3 December 2024



[www.exxaro.com](http://www.exxaro.com)



## DISCLAIMER

The financial information on which any outlook statements are based has not been reviewed nor reported on by Exxaro's external auditor. These forward-looking statements are based on management's current beliefs and expectations and are subject to uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the group's operations, markets, products, services, and prices. Exxaro undertakes no obligation to update or reverse the forward-looking statements, whether because of new information or future developments.