ArcelorMittal South Africa Limited
Preliminary reviewed condensed consolidated financial statements for the year ended 31 December 2021

Salient features

- Strongest annual EBITDA since 2008 of R8 569 million
- 13% increase in sales volumes and 34% increase in crude steel production
- Raw material basket (RMB) increase limited to 10% against a 42% increase in the international RMB (rand terms)
- Business Transformation Programme savings of R2 085 million
- 91% increase in average international dollar steel prices, with a 47% increase in realised rand prices
- Unreliable rail and electricity supply limit volume growth
- Free cash flow of R1 961 million results in R2 366 reduction in net borrowings to R1 258 million, after a R2 724 million reduction in a payable with extended credit terms
- Headline earnings of R6 860 million (2020: R2 033 million loss)
- Increased capital allocated to improve reliability and quality, enhance environmental compliance and target growth opportunities
- Significant progress on decarbonisation roadmap development

The analysis below relates to year ended 31 December 2021 (current period) compared to the 12-months ended 31 December 2020 (prior or comparable period), except where otherwise indicated.

Overview and sustainability

Despite the volatility from the ongoing presence and repercussions of Covid-19 and its various variants, 2021 was an exceptionally strong year for ArcelorMittal South Africa.

The Company's annual results were supported by a continuing strong price environment, higher sales volumes, and the benefit of robust price-cost effects, all resulting in the highest yearly EBITDA (R8 569 million) and headline earnings (R6 860 million) since 2008.

An acceleration of free cash flow generation, from the first half of the financial year's R985 million to the full year's R1 961 million, resulted in a reduction of net borrowings by R2 366 million to R1 258 million, against R3 624 million at 31 December 2020. The free cash flow performance was after the R2 724 million reduction in a significant payable with extended credit terms. This represents meaningful progress against one of the key strategic pillars of the business, namely, to improve financial resilience by operating on a net cash funding basis.

The Business Transformation Programme (BTP) contributed a further R2 085 million (2020: R1 543 million) in improvements, bringing the cumulative benefit achieved since the programme started in the second half of 2018 to R5,6 billion.

These results were far from effortless, and were achieved through the significant commitment and efforts of the Company's employees and service providers as several difficulties were traversed and responded to though the year, most notably:

- a painful, disappointing and unacceptable safety performance
- ramping-up of production and restoring stability after the
  - restart of operations in late 2020 and early 2021; and
  - interruptions due to the safety incidents
- adverse impact of the civil unrest in July 2021
- spill-over effects of last October's paralysing labour strike in the downstream industry, which necessitated the rebalancing of dispatches to export markets
- unreliable electricity supply at both the generator and, particularly, at local municipal distribution levels
- an ever-worsening rail logistics service aggravated by significant fire damage at Transnet's Richard Bay's facility
- managing through the extreme volatility in international coking coal prices in the second half of 2021.

The global steel environment for 2021 was characterised by overall positive yet differing dynamics when comparing the two halves of the year. The first half of the year saw strong demand recovery due to low supply chain inventories and a strong recovery in steel spreads (i.e., the difference between steel prices and raw material costs). It was during the first half of the year that China reduced the incentive to export steel by cancelling the export rebates on VAT. Given the scale of the China steel industry and the size of its exports, this represented a material change to the medium-term prospects of the global ex-China steel industry. The second half of the year saw still-positive demand, though with steel prices off record highs. Falling iron ore and volatile coking coal prices were also experienced in response to easing supply constraints among exporters, and notable economic interventions evident in China.

Overview and sustainability continued

Regarding fair trade policy, ArcelorMittal South Africa continues to support actions which target unfair trade practices in the jurisdictions in which it operates and trades. 2021 proved to be a particularly active year as globally the unfair practices, which initially provided protection, remained prevalent. A very real risk exists of those unfair practices intensifying as supply constraints ease and markets normalise in time.

Within Europe, at least seven new or review investigations were launched, and new or extended protection measures implemented, targeting mainly hot rolled coil, galvanised sheet and wire rod from China, Russia and Turkey. In the US, Section 232 continues to apply a 25% tariff on all steel product categories from most countries, though, from 1 January 2022, it will replace the existing tariffs on EU steel with a tariff-rate quota on a product category and EU member state basis. Imports above the permitted volumes will continue to be subjected to the 25% tariff.

The average international dollar steel prices increased by 91%, with iron ore by 48%, coking coal by 82%, and scrap by 68%.

Turning to South Africa and the regional economy, consensus GDP growth forecasts for South Africa are around 4,6% for 2021, and those for near- and Sub-Saharan Africa markets between 3.0% and 3.3%.

Steel inventory levels have largely returned to normal, while business conditions in South Africa, particularly in the second half of 2021, proved to be more challenging than initially anticipated. This was due to the negative impact on sentiment of events such as the civil unrest in July, labour disputes in the downstream sector, continuing electricity load-shedding, municipal distribution network failures, and lockdown uncertainty. In contrast, the anticipation of impactful progress on the renewable electricity build programme, private sector's potential involvement in rail and port logistics, the advancing of the next tranche of "shovel ready" projects within the Infrastructure Investment Programme, and positive spin-offs for growth from the upcoming band spectrum auction, serve as a basis for some optimism.

Diversifying the sourcing of strategic raw materials continued to yield significant though hard-won benefits, as best illustrated during times of extreme price volatility. Disposal of Coza Mining and the consequential offtake agreement reached financial closure during the last quarter of 2021. The second phase of the Thabazimbi iron ore beneficiation project is scheduled to begin in the first half of 2022.

As reported in July, the Company took a very conscious though responsible and well-considered decision to invest in certain key fixed cost areas. This was extended to also encompass targeted capital investment, both incurred in 2021 and allocated for 2022. This additional fixed cost and capital investment is directed at improving reliability and quality, further enhancing environmental compliance, and targeting growth opportunities. A return to stable, reliable production is key to the Company's commitment to improving its customer service experience after a difficult 2020 and early-2021. Additional fixed cost, amounting to R2 362 million, was largely attributed to higher activity levels, additional investment in maintenance to improve reliability and quality, and supplementary temporary staff for pandemic risk mitigation purposes.

With varying degrees of global supply chain seizures, and the impact of government stimulus packages being progressively felt in the real economy, expectedly, inflation has made an unwelcome return, with the prospect of a tighter fiscal and monetary environment into 2022. Aggravated by the high electricity and logistics cost in South Africa, improving ArcelorMittal South Africa's position on the global cost curve while bettering its product offering to customers, will be critical to the next phase of its *Transforming for Sustainable Growth* strategy, as best expressed through the strategic pillars: *reposition, restructure and resilience*.

For 2022, the BTP will advance to the more ambitious and more encompassing multi-year Value Plan Programme (VPP), targeting:

- greater integration between suppliers and customers to improve the overall efficiency of the supply and value chains, including integration and consolidation opportunities
- improving the product and value offering to customers
- adopting a more agile and variabilised fixed cost structure
- pursuing alternatives to counter unsustainable cost inflation of both rail and electricity, which is limiting volume recovery and risking growth aspirations
- implementing the decarbonisation roadmap which is being finalised for formal announcement later in 2022.

Safety, Environmental, Social and Governance (ESG)

The Company's financial performance was overshadowed by its safety results.

ArcelorMittal South Africa's board, management and employees were saddened by the six fatalities in 2021 and commiserate with the families and friends of these colleagues. Unfortunately, the Company's lost-time injury frequency rate (LTIFR) increased from 0,58 to 0,98 and the total injury frequency rate (TIFR) increased from 7,21 to 7,80.

Improving the business's safety performance is the highest priority. With the assistance of its parent company, ArcelorMittal, and external advisors, the Company has intensified its efforts by rigorously applying the necessary safety tools and accelerating in-person training. The Company is also analysing further interventions that can be introduced to ensure fatalities are eliminated.

A step-change in safety performance with greater visible and tangible care for the Company's employees and service providers has started and will be significantly intensified in the coming year. This will be supported by greater people engagement initiatives, with a particular focus on addressing skills gaps, training and development, and diversity.

With the assistance of external specialists, front-line managers and supervisors are being upskilled in areas such as safety engagements, observation and interactions, and risk awareness and analysis.

Beyond ongoing vigilance against Covid-19 (that is, strictly implementing the latest guidelines and ensuring the workforce is enabled to follow strict prevention protocols at work, supported by continuous health monitoring), early in the second half of 2021, the Company launched its own Covid-19 vaccination programme. By early February 2022, more than 2 500 doses had been administered on-site.

The ArcelorMittal Group's stated aim is to lead the steel industry's important role in ensuring the global economy achieves net zero emissions. It has made a series of well-published and sizable decarbonisation commitments as the necessary government and funding support is secured. Positively, ArcelorMittal South Africa has made significant progress from the second half of 2021 to develop various roadmap options to achieve a material reduction in carbon intensity by 2030 and net zero by 2050. Numerous bankable "no-regret" opportunities have been identified, central of which is energy efficiency improvement, both of a non-capital and capital-intensive nature. Of critical importance is the establishment and adoption of an international carbon price, supportive policies and enabling funding solutions. Securing the benefits of early-mover advantages are being explored with various private and public sector entities. This represents an unprecedented opportunity to redefine South Africa's industrial footprint.

Other important ESG initiatives include greater engagement with the Company's environmental stakeholders (also incorporating details on its progress on the decarbonisation journey), improving ArcelorMittal South Africa's B-BBEE standing as a proudly South African corporate citizen, and opportunities to further leverage off an already significant learner training programme, by exploring upscaling opportunities with government.

Markets

Global crude steel production[1] increased to 1 910 million tonnes for 2021 off a vigorous recovery in demand, returning to pre-pandemic levels (other than for China) earlier than anticipated. This performance is 68 million tonnes (or 4%) higher than 2020, and reflects pent-up demand by mining, construction and manufacturing, as well as the notable recovery within the automotive industry and increased fixed capital formation levels. Global crude steel production decreased by 9% to 909 million tonnes in the second half, compared to 1 001 million in the first half of 2021.

Early in the second half of 2021, China aggressively reduced steel production to limited output to 2020 levels to address energy constraints and limit emission volumes.

Generally, developed countries' demand has recovered more strongly than that of developing countries due to higher vaccination rates and greater government stimulus, against intermittent stop-starts due to infection resurgency.

[1] Source: Worldsteel Association and Statistics

Markets continued

China's crude steel production decreased by 3% to 1 031 million tonnes, its market share dropping to 53% from 58% a year earlier. Europe's[2] crude steel output increased by 14% to 206 million tonnes. North America was up by 17% to 118 million tonnes. Turkey and Russia managed to increase production by approximately 13% and 6% respectively while India rose by 18% to 118 million tonnes. Africa's output increased by 27% to 16 million tonnes due to higher production in South Africa and Egypt. South Africa's crude steel production increased by 28% to 5 million tonnes.

In South Africa, apparent steel consumption (ASC) for 2021 increased by 25% to 4,5 million tonnes, driven by the recovery of construction, mining and manufacturing. ASC decreased by 5% to 2,2 million tonnes in the second half compared to 2,3 million in the first half of 2021.

Total steel imports of primarily hot rolled coil, galvanised sheet and tinplate increased by 47% to 1,4 million tonnes[3] in response to inventory rebuilding in the local market. This volume constituted some 30% of South Africa's ASC (2020: 25%). Imports decreased by 23% to 594 000 tonnes in the second half compared to 770 000 tonnes in the first half of 2021.

The Company's total sales volumes increase by 13%, or 284 000 tonnes, to 2,5 million tonnes compared to 2020, due to a 16% rise in domestic sales to 2,2 million while exports decreased by 5% to 302 000 tonnes. The regional mix of exports improved significantly with Africa Overland customers at 218 000 tonnes, representing an increase of 47%. Total sales volumes decreased by 4% between the first and the second halves of 2021.

Average benchmark China export hot rolled coil prices increased by 70% year-on-year, while rebar prices increased by 60%. Benchmark hot rolled coil prices increased by 9% between the first and second halves of 2021, with rebar prices up by 6% for the same period.

The Company's overall realised steel price in dollars increased by 62%. In rand terms, this represented a 47% increase as the average dollar/rand exchange rates strengthened by 10%. Realised dollar steel prices increased by 15% between the first and second halves of 2021, with rand prices up by 19% for the same period. The improvement reflects the lagged benefits of the higher steel prices which characterise the Company's order intakes.

The Company is the only primary producer in South Africa which supports the downstream industry though a formal support programme. Our industry support saw a 67% increase to R308 million in value added export assistance and rebates.

[2]Europe including Turkey
[3]Source: Company projection based on import statistics from Customs

Operations

Excluding Saldanha Works, which through an orderly and commercial wind-down was placed under care and maintenance early in the second quarter of 2020, the Company's average capacity utilisation increased from 42% in 2020 to 60% in 2021 and is currently at 79%.

Crude steel production (including that from Saldanha Works) increased by 34%, or 769 000 tonnes, from 2,2 million tonnes to 3,0 million tonnes in 2021. Crude steel production marginally increased by 3% to 1,53 million tonnes in the second half, compared to 1,49 million tonnes in the first half of 2021.

In addition to the significant maintenance programme undertaken in 2021:

- in November and December, Vanderbijlpark Works' second blast furnace underwent a successful scheduled maintenance programme targeting refractory shotcreting, and certain electrical components, conveyors and structures; and

Operations continued

- in December, Newcastle Works' blast furnace similarly underwent a refractory shotcreting following the postponement of its mini-reline to the second quarter of 2022 due to a combination of market dynamics and to ensure the availability and preparedness of appropriate skills (amid pandemic-related availability factors).

After safety, production reliability and stability to enable improved delivery to the Company's customer base, are key focus areas. To deliver against these objectives, efforts continue to attract new process- and maintenance-related skills and to develop existing skills though specialised training programmes, all supported by a refreshed and more structured management system.

As reported in July 2021, the safety incident at Vanderbijlpark Works' coke-making unit was the primary contributor to the lower commercial coke production. For 2021, although commercial coke production was 43% lower at 160 000 tonnes, supplemented with available inventory, sales volumes remained flat at 308 000 tonnes. Sales fell by 40% to 115 000 tonnes in the second half compared to 193 000 tonnes in the first half of 2021 due to lower inventories and a slower post-incident production recovery.

Financial results

ArcelorMittal South Africa reported an EBITDA of R8 569 million against R37 million in the previous period, while its operating profit increased substantially from a loss of R963 million in 2020 to a profit of R7 976 million. The headline earnings of R6 860 million recovered strongly from a loss of R2 033 million, amounting to a 615 cents per share profit against a 185 cents loss for 2020.

EBITDA increased by 66% to R5 351 million in the second half, compared to R3 218 million in the first half of 2021.

Revenue increased by 61% to 39 708 million due to a 13% rise in total steel sales volumes and a 47% rise in net realised steel sales prices. Revenue increased by 14% to R21 112 million in the second half compared to R18 596 million in the first half of 2021.

The Company's raw material basket (iron ore, coking coal, and scrap), representing 43% (2020: 41%) of cash cost per tonne, was 10% higher in rand terms, which is satisfying given the 42% increase in the international raw material basket in rand terms. This reflects the work done in diversifying the sources of raw materials. Consumables and auxiliaries represented approximately 30% of cash cost per tonne (2020: 32%), increased by 5%. Electricity tariffs increased by 14%.

Fixed costs increased from R5 066 million in 2020 to R7 428 million in 2021, an increase of 47% reflecting higher activity levels as well as efforts to improve reliability and quality. Fixed costs increased by 20% to R4 052 million in the second half compared to R3 376 million in the first half of 2021 in response to the higher maintenance activity.

Net financing charges were marginally up at R1 163 million (2020: R1 123 million) due to a higher interest expense and the unwinding of the discounting effect on provisions.

The debit fair value adjustment on investment properties of R228 million (2020: R118 million) is based on the latest fair value of these properties obtained from independent valuators.

Cash flow and borrowing position

Cash generated from operations of R3 024 million improved by R2 157 million in 2021, despite a significant investment of R6 120 million (2020: R1 896 million release) in working capital, reflecting higher prices and improved activity levels.

Net finance cost outflow decreased by 3% or R7 million to R261 million. A net foreign exchange profit of R60 million was realised compared to a loss of R289m in 2020.

The net capital expenditure cash outflow was R860 million against R509 million in 2020, reflecting higher activity levels and the postponement into 2022 of the mini blast furnace reline at Newcastle Works.

The net borrowing position of R3 624 million at 31 December 2020, improved by R2 366 million to R1 258 million at 31 December 2021. At 30 June 2021, the net borrowing position was R2 782 million.

Legal and regulatory matters

Safeguard duties
The Safeguard Duties were not extended beyond 10 August 2021.

Competition Commission (the Commission)
As previously reported, ArcelorMittal South Africa has been engaging the Commission regarding payment of part of the administrative penalty, and the progress against the capital expenditure programme. In line with the Settlement Agreement and as contemplated therein, the Company had no option but to revise its capital expenditure programme commitment, as previously reported. However, actual capital expenditure for 2021 has been higher than initially planned (but still below the initial targeted amount) and, it should be noted, that although the Settlement Agreement came to an end in November 2021, the Company's capital expenditure programme has been revised upwards when compared to previous plans, focusing on environmental projects, improving quality, maintenance and structural renovations.

In addition, since May 2021, ArcelorMittal South Africa has been engaging with the Commission regarding the Raw Material Basket methodology for determining Earnings Before Interest and Taxation (EBIT) under the Settlement Agreement, which may affect the calculation of the EBIT margin. The Company has provided the Commission with supporting information as requested by it, which is being considered by the Commission. To date, the Commission has not noted any objections to either the methodology or the EBIT calculations. ArcelorMittal South Africa expects that all outstanding issues relating to the Settlement Agreement will be resolved after the final compliance report is submitted to the Commission for its evaluation. Subject to the above, ArcelorMittal South Africa has in all other material respects complied with the Settlement Agreement entered into with the Commission.

Changes to the board of directors

- Mr Jacob Modise resigned as a non-executive director and as chairman of the audit and risk committee with effect from 26 January 2021.
- Ms Nomavuso Mnxasana, an independent non-executive director and member of the audit and risk committee, was appointed as chair of the audit and risk committee with effect from 29 January 2021.
- Mr Brian Aranha retired as a non-executive director with effect from 31 March 2021.
- Mr Bradley Davey was appointed as a non-executive director with effect from 1 April 2021.
- Ms Dawn Earp was appointed as an independent director with effect from 1 July 2021.
- Mr Desmond Maharaj, CFO and executive director resigned with effect from 30 September 2021.
- Mrs Suretha van Wyk was appointed as interim CFO and executive director with effect from 1 October 2021.
- The chairman of the Board, Mr Mpho Makwana, as well as Ms Nomavuso Mnxasana, who were appointed as directors in 2013, have indicated that they would not be available for re-election at the annual general meeting (AGM) in 2022, in light of the fact that as at that date each would have served a period of about nine years as directors. Consequently, the board initiated a process to identify suitable directors for appointment during 2022, and in particular, a director that could be considered for appointment as chairman of the Board.

  A company was appointed to assist with the process and after having interviewed a short list of candidates, and based on the recommendation of the Human Resources, Remuneration and Nominations Committee, the Board identified suitable candidates to be appointed as directors of the Company.

  In the circumstances, shareholders are advised as follows:
  - Mr Mpho Makwana and Ms Nomavuso Mnxasana will retire by rotation at the AGM in May 2022.
  - Mr Bonang Mohale and Mr Abe Thebyane will in due course be nominated for appointment as directors at the AGM. Should Mr Bonang Mohale's appointment be approved at the AGM, the board intends appointing Mr Bonang Mohale as chairman of the board.
    - Mr Bonang Mohale is the President of Business Unity South Africa (BUSA), Chancellor of the University of the Free State, Professor of Practice in the Johannesburg Business School (JBS) College of Business and Economics, Chairman of both Bidvest Group Limited and SBV Services. He is the author of the bestselling books, "Lift As You Rise" and "Behold The Turtle!"
    - Mr Abe Thebyane currently serves on the board of AVI Group as the Lead Independent Director and chairs the Remuneration Committee. He has vast experience in the field of human resources in both the mining and banking industries.

Dividends

No dividends were declared for the year ended 31 December 2021.

Outlook for the first half of 2022

The outlook for global steel demand remains generally positive heading into 2022. In South Africa and neighbouring countries, it is likely that demand will ease back to more moderate growth levels.

Due to a combination of supply side constraints and interventions, along with the sporadic demand momentum (especially in developing economies), international steel prices are off the highs of 2021, although prices continue to receive support from robust raw material prices.

Overall, this view is conditional upon central banks' responses to rising inflation, the extent to which growth slows in China and the progress with vaccination coverage, especially in developing countries.

The Company targets improved production reliability and greater customer focus into 2022, though volume recovery will be dependent on the reliability of the rail service.

After safety, securing the first benefits of the Value Plan Programme (VPP) will be the key focus area.

The Company's financial results will continue to be impacted by exchange rate volatility.

On behalf of the board of directors

HJ Verster
Chief Executive Officer
10 February 2022

S van Wyk
Chief Financial Officer (Interim)

ArcelorMittal South Africa Limited

Preliminary reviewed condensed consolidated financial statements for the year ended 31 December 2021

KEY STATISTICS

In millions of Rands	Year ended 31 December 2021	 31 December 2020
Unreviewed/unaudited information		
Operational		
Crude steel production*	**3 026**	2 257
Total steel sales (Thousand tonnes)	**2 473**	2 189
Local steel sales (Thousand tonnes)	**2 171**	1 871
Export steel sales (Thousand tonnes)	**302**	318
Capacity utilisation (%)	**60**	36
Average steel net realised price (R/t)	**14 470**	9 875
Commercial coke sales (Thousand tonnes)	**308**	305
Safety		
Lost time injury frequency rate	**0.98**	0.58
Reviewed information		
Financial		
Revenue (R million)	**39 708**	24 643
Profit/(loss) from operations (R million)	**7 976**	(963)**
Net profit/(loss) (R million)	**6 625**	(1 973)
Earnings/(loss) per share (cents)	**594**	(180)
Headline earnings/(loss) (R million)	**6 860**	(2 033)
Headline earnings/(loss) per share (cents)	**615**	(185)
Net borrowings (R million)	**(1 258)**	(3 624)
Ratios		
Return on ordinary shareholders' equity per annum:		
- Attributable earnings (%)	**116.3**	(57.8)
- Headline earnings (%)	**120.3**	(61.3)
Net borrowings to equity (%)	**(13.9)**	(154.6)
Ebitda margin	**21.6**	0.2
Share statistics		
Ordinary shares (thousands):		
- in issue	**1 138 060**	1 138 060
- outstanding	**1 114 612**	1 114 612
- weighted average number of shares	**1 114 612**	1 098 828
- diluted weighted average number of shares	**1 114 612**	1 098 828
Share price (closing) (Rand)	**8.88**	1.00
Market capitalisation (R million)	**10 106**	1 138
Net asset value per share (Rand)	**8.12**	2.10

** Key statistics changed from liquid steel to crude steel.*
***Amount was restated as per note 4.*

Reconciliation of earnings before interest, taxation, depreciation, amortisation and exceptional items

In millions of Rands	Year ended 31 December 2021 Reviewed	 31 December 2020 Reviewed
Profit/(loss) from operations	**7 976**	(963)**
Adjusted for:		
- Depreciation	**589**	546
- Amortisation of intangible assets	**12**	10
- Net impairment (reversal)/loss	**(3)**	39
- Restructuring cost	**(5)**	134
- Inventory adjusted to net realisable value	**-**	271
Earnings before interest, taxation, depreciation, amortisation and exceptional items	**8 569**	37

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated financial statements of ArcelorMittal South Africa Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at 31 December 2021 and the condensed consolidated statement of comprehensive income and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a preliminary report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: PWM Van Zijl
Partner
10 February 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

In millions of Rands	Note	Year ended 31 December 2021 Reviewed	Restated* 31 December 2020 Reviewed
Revenue		**39 708**	24 643
Raw materials and consumables used		**(19 634)**	(12 840)
Employee costs		**(3 786)**	(3 457)
Energy		**(4 476)**	(3 598)
Movement in inventories of finished goods and work in progress		**2 955**	(1 203)
Depreciation		**(589)**	(546)
Amortisation of intangible assets		**(12)**	(10)
Impairment of trade and other receivables		**(14)**	(4)
Other operating expenses		**(6 179)**	(3 909)
Impairment reversal on financial assets	7	**3**	57
Net impairment loss on non-financial assets	8	**-**	(96)
Profit/(loss) from operations		**7 976**	(963)
Finance and investment income	9	**165**	112
Finance costs	10	**(1 328)**	(1 235)
Fair value adjustment on investment property	15	**(228)**	(118)
Income from equity accounted investments (net of tax)		**40**	13
Reclassification of foreign currency differences on liquidation of foreign investment	11	**-**	280
Profit/(loss) before tax		**6 625**	(1 911)
Income tax expense	12	**-**	(62)
Profit/(loss) for the year		**6 625**	(1 973)
Other comprehensive (loss)/profit			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on equity instruments (net of tax)		**(5)**	(29)
Revaluation of property, plant and equipment	13	**-**	30
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1)**	(36)
Share of other comprehensive income of equity-accounted investments		**1**	3
Cash flow hedge – effective portion of changes in fair value net of tax		**-**	(202)
Reclassification of cash flow hedges to profit or loss (net of tax)		**-**	66
Reclassification of foreign currency differences on liquidation of foreign investment	11	**-**	(280)
Other comprehensive loss for the year		**(5)**	(448)
Total comprehensive profit/(loss) for the year		**6 620**	(2 421)
Profit/(loss) attributable to:			
Owners of the company		**6 625**	(1 973)
Total comprehensive profit/(loss) attributable to:			
Owners of the company		**6 620**	(2 421)
Earnings/(loss) per share (cents) attributable to owners of the company			
- basic		**594**	(180)
- diluted		**594**	(180)

** Profit/(loss) from operations has been restated to include net impairment reversal/(impairment loss). Refer to note 4.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of Rands	Note	As at 31 December 2021 Reviewed	As at 31 December 2020 Reviewed
Assets			
Non-current assets		**9 552**	9 333
Property, plant and equipment		**8 065**	7 675
Investment properties	15	**754**	983
Intangible assets		**67**	72
Equity accounted investments		**227**	205
Investment held by environmental trust		**412**	378
Non-current receivable		**21**	9
Other financial assets		**6**	11
Current assets		**19 541**	12 476
Inventories		**12 175**	7 348
Trade and other receivables		**2 712**	1 623
Asset held for sale	16	**-**	135
Other financial assets		**2**	30
Cash, bank balances and restricted cash	17	**4 652**	3 340
Total assets		**29 093**	21 809
Equity and Liabilities			
Shareholders' equity		**9 053**	2 344
Stated capital		**4 537**	4 537
Non-distributable reserves		**(3 594)**	(3 715)
Retained income		**8 110**	1 522
Non-current liabilities		**5 755**	6 673
Borrowings	18	**3 700**	4 514
Provisions		**1 716**	1 832
Trade and other payables		**279**	283
Lease obligations		**60**	44
Current liabilities		**14 285**	12 792
Borrowings	18	**2 210**	2 450
Current provisions		**820**	770
Trade and other payables		**10 059**	8 420
Taxation payable		**112**	106
Other financial liabilities		**1 055**	1 017
Lease obligations		**29**	29
Total equity and liabilities		**29 093**	21 809

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Note	Year ended 31 December 2021 Reviewed	Year ended 31 December 2020 Reviewed
Cash flows from operating activities		**2 763**	622
Cash generated from operations	19	**3 024**	867
Interest income		**66**	111
Finance cost		**(327)**	(380)
Income tax paid		**-**	24
Cash flows from investing activities		**(688)**	(505)
Investment to maintain and expand operations		**(860)**	(509)
Proceeds on disposal or scrapping of assets		**17**	4
Proceeds from equity-accounted investments		**17**	-
Dividend from equity-accounted investment		**3**	-
Proceeds from asset held for sale	16	**135**	-
Cash flows from financing activities		**(764)**	1 257
Borrowings (repaid)/raised - net		**(650)**	1 300
Lease obligation repaid		**(36)**	(35)
Cash settlement on long term incentive plan		**(78)**	(8)
Increase in cash, cash equivalents and restricted cash		**1 311**	1 374
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**1**	(22)
Cash, cash equivalents and restricted cash at the beginning of the year		**3 340**	1 988
Cash, cash equivalents and restricted cash at the end of the year		**4 652**	3 340

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Rands	Stated Capital	Treasury share equity reserve	Other Reserves	Retained earnings	Total
Year ended 31 December 2020 (Reviewed)					
Balance as at 1 January 2020	4 537	(3 919)	351	3 508	4 477
Total comprehensive loss	-	-	(448)	(1 973)	(2 421)
Share-based payment expense	-	-	35	-	35
Settlement of long-term incentive plan	-	-	(8)	-	(8)
Measurement of borrowings at amortised cost	-	-	261	-	261
Transfer between reserves	-	1 854	(1 841)	(13)	-
Balance as at 31 December 2020 (Reviewed)	4 537	(2 065)	(1 650)	1 522	2 344
Year ended 31 December 2021 (Reviewed)					
Balance as at 1 January 2021	**4 537**	**(2 065)**	**(1 650)**	**1 522**	**2 344**
Total comprehensive profit	**-**	**-**	**(5)**	**6 625**	**6 620**
Share-based payment expense	**-**	**-**	**30**	**-**	**30**
Settlement of long-term incentive plan	**-**	**-**	**(78)**	**-**	**(78)**
Measurement of borrowings at amortised cost	**-**	**-**	**137**	**-**	**137**
Transfer between reserves	**-**	**-**	**37**	**(37)**	-
Balance as at 31 December 2021 (Reviewed)	**4 537**	**(2 065)**	**(1 529)**	**8 110**	**9 053**

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Corporate information

ArcelorMittal South Africa Limited is a public company incorporated and domiciled in the Republic of South Africa and listed on the JSE Limited (JSE). These condensed consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the Group). The Group is one of the largest steel producers on the African continent.

2. Basis of preparation

The condensed consolidated financial statements were prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports as well as the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. It also contains, at a minimum, the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were prepared under the supervision of Mrs. SM van Wyk CA (SA), the interim chief financial officer.

The auditor’s conclusion does not necessarily report on all of the information contained in this announcement. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group’s auditors. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should read the auditor’s conclusion together with the accompanying financial information contained in this announcement.

3. Accounting policies

The accounting policies and methods of computation applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

4. Restatement of profit/(loss) from operations

In terms of the JSE’s proactive monitoring of financial statements issued on 9 November 2021, the JSE highlighted potential concerns in preparing financial statements. The exclusion of items of an operating nature from operating activities results is one such area that has been highlighted. Profit/(loss) from operations is not defined in terms of IFRS; however, the amount disclosed should represent the Group’s activities that would normally be considered core operating activities. An example of an item that is excluded from profit/(loss) from operating activities is impairments due to normal business activities of the Group. The Group has considered the JSE’s findings and noted that historically, impairment or the reversal of impairment was excluded from profit/(loss) from operations in the Group's financial statements.

As part of the Group’s compliance assessment to IFRS, the requirements of the proactive monitoring report of the JSE and IAS 1 Presentation of Financial Statements were considered, and it was concluded that it will be more appropriate to include net impairments from financial and non-financial assets as part of the profit/(loss) from operations. This is a change in the presentation from prior year where this amount was presented below the profit/(loss) from operations sub-total. The change has no impact on profit/(loss) for the year nor on any of the earnings per share figures.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reconciliation of loss from operations as previously disclosed in 2020

	2020
Loss from operations as previously reported	**(924)**
Impairment reversal on financial assets	57
Net impairment (loss)/reversal on non-financial assets	(96)
- Impairment reversal of property, plant and equipment	29
- Impairment of property, plant and equipment and intangible assets	(125)
Loss from operations as reported	**(963)**

5. Significant judgement, estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. Judgements, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they were revised and in any further periods affected.

Key judgements, estimates and assumptions which have the most significant effect on the financial statements include:

- Valuation of investment properties - refer to note 20, the fair value measurement note
- Expected credit loss assessment
  The exposure to credit risk is insured and mainly underwritten by the Credit Guarantee Insurance Corporation of South Africa. The insurance excess ranges from 0% to 10%. The credit limits of customers were monitored and adjusted where applicable throughout the period. Goods were dispatched to customers in line with the approved credit limits. The assessment of expected credit losses was reperformed as at 31 December 2021 and the impairment loss on trade and other receivables increased by R14 million (2020: R4 million) compared to December 2020.
- Going concern basis – refer to note 24, the going concern note.
- The residual value and useful life of property, plant and equipment were re-assessed as required by IAS16, *Property, plant and equipment.*
- Impairment assessment of property, plant and equipment – an impairment assessment was done as at 1 October 2021 using a discounted cash flow model with an explicit forecast period for five years. These cash flows are USD based. To determine the terminal value, the Gordon growth model is used and year five is taken in perpetuity except in respect of capital expenditure that will either be normalised in perpetuity or the capital expenditure over the five years will be average and use in perpetuity. The value in use for all the cash-generating units was higher than the carrying amounts. Based on the assumptions illustrated below, it was concluded that none of the CGU's carrying amount exceeded its recoverable amount, no impairment loss recognised in the current financial year.

The following major assumptions were used:

	Vanderbijlpark		Newcastle		Vereeniging		Coke and Chemicals	
	2021	2020	2021	2020	2021	2020	2021	2020
Major assumptions								
Total Pre-tax WACC/discount rate (%USD-based)**	19.43	21.94	20.56	19.18	16.55	16.39	16.08	16.83
Company specific premium (%USD-based)**	2.75	2.25	3.85	2.75	1.05	1.25	0.95	2.25
Growth rate (%USD-based)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Exchange rate range (R/USD)*	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94
Steel sales price range (average USD/t)*	625 - 922	628-685	564 - 663	563 - 581	819 - 1029	796 - 821	31 - 33	23 - 28
Sales volume range (kt)*	2 103 - 2 624	1 959 -2 469	1 076 - 1220	927 - 1 067	185 - 207	135 - 197	1 352 - 1 394	1 615 - 1 670

** Lowest to highest range over period of 2022 to 2026 (2020: 2021 to 2025).*
*** Decarbonisation risk is incorporated in company specific premium of 2021.*

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

6. Segment report

Following the restructuring and implementation of the OneOrganisation principle at the end of December 2020 a re-assessment of the operating and reportable segments in terms of IFRS 8 *Operating segments* was performed and reported on together with the interim results for the six months ended 30 June 2021. The segment report for the year ended 31 December 2020 has been restated in accordance with the re-assessed operating and reportable segments.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker, in order to allocate resources to the segment and to assess its performance. The operating segments, flat rolling and long rolling, were aggregated on the basis of the nature of the production process, the markets being serviced, the regulatory environment and the overall economic environment in which these segments operate.

Following the re-assessment, the Group's reportable segments are:

- Steel Operations consisting of Vanderbijlpark plant, Newcastle plant, Vereeniging plant.
- Non-Steel Operations consisting of Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial grade coal and Saldanha plant, decommissioned Maputo plant, Pretoria Works and Thabazimbi Iron Ore Mine.
- Corporate and other, consisting of sales and marketing functions, procurement and logistics activities, shared services, centre of excellence, investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities.

Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

All assets and liabilities are allocated to the operating segments, other than for the following items that are allocated exclusively to the corporate and other segment, reflecting the manner in which resource allocation is measured.

Assets not allocated to operating segments:

- Results of consolidated subsidiaries and consolidated structured entities
- Investments in equity-accounted entities
- Financial investments
- Cash and cash equivalents
- Income tax, capital gains tax and value added tax related assets, as applicable.

Liabilities not allocated to operating segments are income tax and value added tax-related liabilities, as applicable.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
For the year ended 31 December 2021					
Revenue					
- External customers	37 250	2 458	-	-	39 708
- Internal customers		50	-	(50)	-
Total revenue	37 250	2 508	-	(50)	39 708
Results					
Earnings before interest, tax, depreciation and amortisation	8 147	820	(397)	(1)	8 569
Restructuring cost	7	(6)	4	-	5
Depreciation and amortisation	(518)	(56)	(27)	-	(601)
Net impairment	-	-	385	(382)	3
Profit/(loss) from operations	7 636	758	(35)	(383)	7 976
Finance and investment income	70	43	52	-	165
Finance costs	(337)	(102)	(889)	-	(1 328)
Fair value adjustment on investment properties	-	(228)	-	-	(228)
Profit after tax from equity-accounted investments	-	-	40	-	40
Profit/(loss) before taxation	7 369	471	(832)	(383)	6 625
Income taxation expense	-	-	-	-	-
Profit/(loss) for the year	7 369	471	(832)	(383)	6 625
Segment assets (excluding investments in equity-accounted entities)	20 574	2 941	5 871	(520)	28 866
Investments in equity-accounted entities			227		227
Segment liabilities	7 972	1 862	10 652	(447)	20 040
Unreviewed information					
Crude steel production ('000 tonnes)	3 026	-	-	-	3 026
Steel sales ('000 tonnes)	2 473	-	-	-	2 473
- Local	2 171	-	-	-	2 171
- Export	302	-	-	-	302
Capacity utilisation (%)	60	-	-	-	60
Average net realised price (R/t)	14 470	-	-	-	14 470
EBITDA margin (%)	21.9	-	-	-	21.6

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NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
For the year ended 31 December 2020					
Revenue					
- External customers	22 632	2 011	-	-	24 643
- Internal customers	-	35	-	(35)	-
Total revenue	22 632	2 046	-	(35)	24 643
Results					
Earnings before interest, tax, depreciation and amortisation	(272)	385	(75)	(1)	37
Depreciation and amortisation	(462)	(69)	(25)	-	(556)
Restructuring cost	(52)	(20)	(62)	-	(134)
Inventory adjustment to net realisable value	(271)	-	-	-	(271)
Net impairment	29	(125)	626	(569)	(39)
Profit/(loss) from operations	(1 028)	171	464	(570)	(963)
Finance and investment income	19	3	90	-	112
Finance cost	(136)	(76)	(1 023)	-	(1 235)
Reclassification of foreign currency differences on liquidation of foreign investment	-	-	280	-	280
Fair value adjustment on investment properties	-	(118)	-	-	(118)
Profit after tax from equity-accounted investments	-	-	13	-	13
(Loss)/profit before taxation	(1 145)	(20)	(176)	(570)	(1 911)
Income taxation expense	(9)	(3)	(50)	-	(62)
(Loss)/profit for the year	(1 154)	(23)	(226)	(570)	(1 973)
Segment assets (excluding investments in equity-accounted entities)	15 307	2 960	3 707	(370)	21 604
Investments in equity-accounted entities	-	-	205	-	205
Segment liabilities	6 046	2 306	11 530	(417)	19 465
Unreviewed information					
Crude steel production ('000 tonnes)	2 257	-	-	-	2 257
Steel sales ('000 tonnes)	2 189	-	-	-	2 189
- Local	1 871	-	-	-	1 871
- Export	318	-	-	-	318
Capacity utilisation (%)	36	-	-	-	36
Average net realised price (R/t)	9 875	-	-	-	9 875
EBITDA margin (%)	(1.2)	-	-	-	0.2

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

Information about major customers

	Steel Operations R'm	% of Group revenue
2021		
Revenue of major customers		
Customer 1	**5 374**	**13.53**
Total	**5 374**	**13.53**
2020		
Revenue of major customers		
Customer 1	3 834	15.56
Total	3 834	15.56

Note: Saldanha Steel was part of steel operations for the first six months of 2020. From the second half of 2020 Saldanha Steel is included under non steel operations as Saldanha Steel was placed under care and maintenance after production was stopped.

	Group 2021 R'm	Group 2020 R'm
Revenue from major products		
Steel operations		
Hot rolled	**12 571**	8 772
Uncoated	**5 139**	2 609
Coated	**7 500**	3 931
Merchant bars	**8 108**	4 855
Wire rod	**3 343**	2 030
Seamless	**579**	435
	37 250	22 632
Non-steel operations		
Coke and tar	**2 188**	1 716
Other	**270**	295
	2 458	2 011
Total	**39 708**	24 643
Revenue to external customers		
Local	**35 317**	21 667
Export	**4 391**	2 976
Africa	**3 561**	2 660
Asia	**315**	166
Other	**515**	150
Total	**39 708**	24 643

7. Impairment reversal on financial assets

In million of Rands	Year ended 31 December 2021 Reviewed	Year ended 31 December 2020 Reviewed
Impairment reversal of investment	**3**	57

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

The impairment reversal of R3 million for 2021 relates to loans advanced to Microsteel (Pty) Ltd that is recoverable following the liquidation process of the company.

The impairment reversal of R57 million for 2020 relates to a reversal of R53 million of a previously accounted impairment of the equity-accounted investment Coza Mining (Pty) Ltd following the announcement of the sale of the investment to Afrimat on 17 August 2020. R4 million relates to loans advanced to Microsteel (Pty) Ltd that is considered recoverable following the liquidation process of the company.

8. Net impairment on non-financial assets

	Year ended	
In million of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Impairment of property, plant and equipment	**-**	125
Impairment reversal of property, plant and equipment	**-**	(29)
Total	**-**	96

The impairment in 2020 relates to the coke battery at Pretoria Works that was part of the Coke and Chemical business, which was impaired by R125 million following the decision to cold idle the coke battery.

The reversal in 2020 is the result of the transfer of the property at Saldanha Works from property, plant and equipment to investment property. In previous years the property, plant and equipment of Saldanha Works was impaired.

9. Finance and investment income

	Year ended	
In million of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Finance income		
Bank deposits and other interest income	**66**	112
Discount rate adjustment of provisions and financial liabilities	**99**	-
Total	**165**	112

10. Finance costs

	Year ended	
In million of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Interest expense on bank overdrafts and loans	**620**	300
Interest expense on lease obligations	**7**	10
Net foreign exchange losses	**109**	415
Discount rate adjustment of provisions	**-**	147
Unwinding of discounting effect on borrowings, provisions and financial liabilities	**592**	363
Total	**1 328**	1 235

11. Reclassification of foreign currency translation differences

In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Reclassification of foreign currency translation differences	**-**	280

In 2020 ArcelorMittal Investment BV, a 100%-owned subsidiary, registered in the Netherlands with a functional currency of US dollars, was deregistered. Due to the deregistration, the balance in the foreign currency translation reserve had to be reclassified through profit and loss.

12. Taxation

The Group only recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences. However, based on the considerations presented, management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be utilised. Therefore deferred tax assets have been recognised to the extent of taxable temporary differences.

13. Revaluation of property, plant and equipment

In 2020 the property of Saldanha Works and more specifically the Distribution Centre and Conference Centre were transferred from property, plant and equipment to investment property following the wind down of Saldanha. These properties are held for long term capital appreciation and to earn rental income.

14. Headline earnings/(loss)

	Year ended	
In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Profit/(loss) for the year	**6 625**	(1 973)
Adjusted for:		
- Net impairment loss on non-financial assets	**-**	96
- Reclassification of foreign currency differences on liquidation of foreign investment	**-**	(280)
- Fair value adjustment on investment properties	**228**	118
- Loss on disposal or scrapping of property, plant and equipment	**7**	6
Headline earnings/(loss) for the year	**6 860**	(2 033)
Headline earnings/(loss) per share (cents)		
- basic	**615**	(185)
- diluted	**615**	(185)

15. Investment properties

In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Carrying amount at the beginning of the year	**983**	1 080
Fair value adjustment	**(228)**	(118)
Transfer from property, plant and equipment	**-**	59
Exchange rate movement	**(1)**	(38)
Carrying amount at the end of the year	**754**	983

16. Asset held for sale

	Year ended	
In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Balance at the beginning of the year	**135**	-
Net investment in Coza Mining (Pty) Ltd reclassified from equity-accounted investments	**-**	135
Proceeds received	**(135)**	-
Balance at the end of the year	**-**	135

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

The disposal of the 25% interest in Coza Mining (Pty) Ltd through its wholly-owned subsidiary, Oakwood Trading (Pty) Ltd to Afrimat Limited which was announced on 17 August 2020 were finalised during the year.

17. Cash, bank balances and restricted cash

At 31 December 2021, the Group had restricted cash of R1 419 million (2020: R816 million). This consists of R767 million (2020: R501 million) regarding the True Sales Receivables (TSR) facility, R302 million (2020: R302 million) for the environmental rehabilitation obligations, a guarantee of Rnil (2020: R13 million) in respect of Coza Mining (Pty) Ltd and R350 million in respect of cash collateral for standby letter of credit issued to foreign suppliers.

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the draw down. At 31 December 2021 the balance of the borrowing base facility was R1 800 million (2020: R2 450 million) with R1 700 million (2020: R2 050 million) still available.

Bank accounts of R1 277 million (2020: R695 million) were ceded in favour of the borrowing base facility.

18. Borrowings

	Year ended	
In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Banks	**1 800**	2 450
Loan from holding company	**4 110**	4 514
Total loans	**5 910**	6 964
Non-current	**3 700**	4 514
Current	**2 210**	2 450

The bank loan relates to the borrowing base facility with various financial institutions. The loan from the holding company was renegotiated during December 2021 and as a result the loan decreased by R617 million, this amount was restructured to other payables. The loan decreased by a further R137 million, this was a deemed contribution by the holding company. R2 700 million of the Group loan is sub-ordinated (2020: R4 514 million).

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NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

19. Cash generated from operations

In millions of Rands	Year ended 31 December 2021 Reviewed	31 December 2020 Reviewed
Profit/(loss) from operations	**7 976**	(963)
Adjusted for:		
- Depreciation and amortisation of intangible assets	**601**	556
- Impairment reversal of financial assets	**(3)**	(57)
- Net impairment loss on non-financial assets	**-**	96
- Unrealised profit on sales to joint ventures	**1**	1
- Equity-settled share-based payment expense	**30**	34
- Non-cash movement in provisions and financial liabilities	**68**	(126)
- Write-down/(reversal of write-down) of inventory to net realisable value	**283**	(212)
- Movement in trade and other receivable allowances	**36**	27
- Reconditionable spares usage	**1**	1
- Loss on disposal or scrapping of property, plant and equipment	**7**	8
- Fair value adjustment on environmental trust	**(34)**	(30)
- Realised foreign exchange movements	**60**	(289)
- Changes in financial liabilities or assets	**-**	(35)
- Other payables raised, released and utilised relating to employees	**118**	(40)
- Operating working capital movements:		
- (Increase)/decrease in inventories	**(5 110)**	1 555
- (Increase)/decrease in trade and other receivables	**(1 126)**	1 196
- Increase/(decrease) in trade and other payables	**381**	(614)
- Utilisation of provisions	**(265)**	(241)
Cash generated from operations	**3 024**	867

20. Fair value measurements

In millions of Rands	31 December 2021 Reviewed	31 December 2020 Reviewed	Fair Value hierarchy	Classification
Assets				
Investment properties	**754**	983	Level 3	FVTPL
Other forward exchange contracts	**2**	30	Level 2	FVTPL
Equity securities	**6**	11	Level 1	FVTOCI
Equity securities	**412**	378	Level 1	FVTPL
Liabilities				
Other forward exchange contracts	**-**	20	Level 2	FVTPL

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

<table>
<tr><td colspan="3">FVTPL – Fair value through profit or loss.
FVTOCI – Fair value through other comprehensive income.</td></tr>
<tr><td colspan="3">Fair value hierarchy</td></tr>
<tr><td>Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.</td><td></td><td>Observable market price</td></tr>
<tr><td>Level 2: Fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).</td><td></td><td>Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.</td></tr>
<tr><td>Level 3: Inputs for the assets or liability that are unobservable.</td><td></td><td>The valuation policy adopted by management is to revalue investment property externally at financial year-end. The investment properties can be divided between industrial sector, residential vacant land sector and farm land.

The fair value of the property in the industrial sector was determined adopting the income capitalisation method or the market value approach.
The income capitalisation method requires a market-derived projection of economic net annual income for the property, which is then capitalised into perpetuity using a
market-related capitalisation rate to determine the market value estimate.
Gross market rentals have been applied to the accommodation elements and then normal landlord outgoings were deducted and a management fee to arrive at a net annual income figure.
The following key assumptions were applied:
Expense ratio 17.5% - 19.7% (2020: 17.2% - 36.4%)
Vacancy provision 5% - 7.5% (2020: 5% - 7.5%)
Exit capitalisation rate 12.5% - 13.5% (2020: 12.5% - 15%)

A 2.5% (2020: 2.5%) increase or decrease in the vacancy provision will impact the fair value by R2 million (2020: R1.8 million). A 1% increase or decrease in the exit capitalisation rate will impact the fair value by R37 million (2020: R33.9 million).

The depreciable replacement cost approach is based on the economic theory of substitution and it involves comparing the asset being valued with another. This approach was applied to the conference facilities on the farm land

The fair value of properties in the residential vacant land sector has been determined by applying the market approach, which is based on comparing the subject assets with identical or similar assets for which price information is available, such as a comparison with market sales transactions in the same, or closely similar, type of asset within an appropriate time horizon.

In assessing the value of the farm, the sales comparison approach was followed, whereby comparable sales were researched together with asking current prices in the surrounding areas. The market value for the improvements on the farm was determined by using the depreciated replacement cost method of valuation.</td></tr>
</table>

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

21. Commitments

	Year ended	
In millions of Rands	**31 December 2021 Reviewed**	31 December 2020 Reviewed
Capital commitments on property, plant and equipment		
Capital commitments authorised and contracted for	**1 483**	1 063
Capital commitments authorised but not contracted for	**1 166**	994

Included in the capital commitments above is an amount of R969 million to address emissions at Vanderbijlpark Works over the next two years.

22. Related party transactions

The Group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2020: 69%) of the Group's shares. At 31 December 2021, the outstanding ArcelorMittal Holdings AG loan amounted to R4 110 million (2020: R4 514 million). The bank loan relates to the borrowing base facility with various financial institutions. The loan from the holding company was renegotiated during December 2021 and as a result the loan decreased by R617 million, this amount was restructured to other payables. The loan decreased by a further R137 million, this was a deemed contribution by the holding company. The interest expense for the year was R231 million (2020: R263 million).

The Group purchased products and services to the value of R3 385 million (2020: R2 481 million) from and sold goods to the value of R55 million (2020: R36 million) to other companies in the ArcelorMittal Group.

The Company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business. These transactions were concluded at arm's length.

23. Subsequent events

The directors are not aware of any matter or circumstances arising since 31 December 2021 to the date of this report that would significantly affect the operations, the results or financial position of the Group.

24. Going Concern

The strong start enjoyed by ArcelorMittal South Africa continued on from the first half of 2021 and resulted in recognising a net profit after tax of R6 625 million for the 2021 financial year. This is R8 598 million higher than the loss after tax of R1 973 million reported in 2020.

The Group's solvency and liquidity also saw a significant improvement, as at 31 December 2021 current assets exceed current liabilities by R5 256 million (2020: current liabilities exceed current assets by R316 million). The Group generated free cash flow of R1 961 million, resulting in a net debt of R1 258 million (2020: R2 782 million).

The Group was in compliance with all covenants as it pertains to the borrowing-based facility and continues to work closely with all lenders to ensure the required facility remains in place. The renewal of the borrowing-based facility was finalised at the end of August 2021. The balance of the borrowing-based facility was R1 800 million as at 31 December 2021 (2020: R2 450 million).

ArcelorMittal Holdings AG continues to demonstrate their support by subordinating R2 700 million of the R4 110 million owing to them as at 31 December 2021in favour of the lenders of the borrowing-based facility. In the prior year, ArcelorMittal Holdings AG subordinated the full R4 514 million owing to them as at 31 December 2020.

As required, the Directors have prepared cash flow forecasts for a period of twelve months from the end of the reporting period, based on the most recent forecast and all available information. The forecast takes in account amongst other initiatives, the continued business transformation programme that has proved to realise cost savings over the past four years of R5 600 million.

The Directors are not aware of any other matters or circumstances that the Group and Company faces and concluded that there are no other matters that may impact the Group's and Company's ability to continue as a going concern.

Based on Group's 12-month funding plan and taking banking facilities into consideration, together with the ongoing support from the holding company, ArcelorMittal Holding AG, the Directors believes that the Group has sufficient funds to pay debts as they become due over the next 12 months, and therefore will remain a going concern.

FORWARD-LOOKING STATEMENTS

Statements in this announcement that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to risks and uncertainties which could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

CORPORATE INFORMATION

Registered Office
ArcelorMittal South Africa Limited
Room N3-5, Main Building
Delfos Boulevard, Vanderbijlpark, 1911

Non-executive directors
PM Makwana* (Chairman)
LC Cele*
B Aranha (resigned 31 March 2021)
B Davey º (appointed 1 April 2021)
D Earp* (appointed 1 July 2021)
GS Gouws
NP Gosa
R Karol+
NP Mnxasana*
JRD Modise (resigned 26 January 2021)
KMM Musonda*^
NF Nicolau*

º Citizen of Canada
+ Citizen of India
^ Citizen of Zambia
* Independent non-executive

Company secretary
FluidRock Co Sec (Pty) Ltd
Registration number: 2016/093836/07
Registered address: Monument Office Park, Suite 5-201, 79 Steenbok Avenue, Monument Park, 0181

Sponsor
ABSA Bank Limited (acting through its Corporate and Investment Banking division)
15 Alice Lane, Sandton, 2196
Private Bag x10056, Sandton, 2146

Auditor
Deloitte & Touche
5 Magwa Cresent
Waterfall City, 2090

Executive directors
HJ Verster (chief executive officer)
AD Maharaj (resigned 30 September 2021)
SM van Wyk (interim chief financial officer) (appointed 1 October 2021)

Release date: 10 February 2022

ArcelorMittal South Africa Limited
Registration number 1989/002164/06
Share code: ACL
ISIN: ZAE000134961
("ArcelorMittal South Africa", "the Company" or "the Group")