ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2022

Salient features

- Pleasing improvement in safety performance
- Headline earnings up 22% at R3 025 million (2021: R2 482 million) with net finance charges down 44% at R250 million (2021: R445 million)
- 61% lower net debt position of R1 087 million (2021: R2 782 million)
- EBITDA up 12% at R3 591 million (2021: R3 218 million)
- 23% increase in realised dollar steel prices
- Raw material basket (RMB) increased by 41% (rand terms) (international RMB up 39% in rand terms)
- Value Plan Programme realised improvements at R577 million
- Successful R464 million Newcastle blast furnace mid-life campaign restoration due to be completed in early August 2022
- Progressing the feasibility of the announced investment in two 100 MW renewable energy projects

The analysis below relates to the six months ended 30 June 2022 (current period) compared to the six months ended 30 June 2021 (prior or comparable period), except where otherwise indicated.

Overview and sustainability

On 10 February 2022, at the announcement of the Company's 2021 full-year financial results, the outlook for the coming six months was overall positive, though with demand returning to more normal levels and steel pricing generally being supported by raw material pricing trends. Central banks' responses to rising inflation was flagged as a risk.

Broadly assessed, the Company has successfully delivered against its predicted outlook and, in some instances, outperformed expectation. That said, the specifics of the delivery were far more complicated, and a particular word of thanks goes to ArcelorMittal South Africa's loyal staff, customers and suppliers who enabled the Company to manage through some tumultuous events.

Stronger headline earnings of R3 025 million (2021: R2 482 million) were supported by higher EBITDA of R3 591 million (up 12%) and notably lower net finance charges of R250 million (2021: R445 million). The net debt position was 61% lower at R1 087 million (2021: R2 782 million), as well as R171 million below 31 December 2021 levels (R1 258 million) due to cash generated from operations.

ArcelorMittal South Africa's realised average steel prices increased by 30% (rand terms). Its raw material basket increased by 41%. In absolute rand terms coking coal increased by 91%, scrap by 8% and iron ore by 4%.

As anticipated, with the higher maintenance activity undertaken in the second half of 2021 beginning to wind down into 2022, fixed costs of R3 448 million were lower by a significant R604 million (-15%) against the immediately preceding six months.

Free cash flow of R177 million (2021: R985 million) after capital expenditure of R693 million, the final settlement of a dollar-denominated trade payable with extended credit terms of R628 million, and other temporary investments in working capital of R1 951 million.

The Company's more growth-orientated Value Plan Programme, successor to the successful Business Transformation Programme, realised improvements of R577 million, being commercial-related initiatives of R343 million and cost-based initiatives of R234 million. This result was notable given the backdrop of disruptive events which lead to a 30% drop in crude steel production.

Overview and sustainability continued

The following events require highlighting to appreciate the complexity of the delivery of this financial performance:

- A month-long shutdown of one of Vanderbijlpark’s blast furnaces and the intermittent stoppages of the remaining fleet to avoid the risk of an uncontrolled stop due to insufficient inventory (particularly of iron ore), resulting from the unavailability of the rail service
- Impact on customers of the damaging floods in KwaZulu-Natal
- An unnecessary two-week labour strike and associated violence, intimidation, criminality and misconduct
- Severe electricity load shedding which is proving to be particularly disruptive to suppliers and customers
- A softer local steel trading environment

The rail, labour and electricity events represent lost opportunities, which is lamentable for a country that so desperately needs to take advantage of every economic opportunity to rebuild after the destructive pandemic.

Having maximised road transport opportunities, the Company and Transnet Freight Rail (TFR) launched a CEO-led initiative to collaborate on aspects of security and technical assistance. ArcelorMittal South Africa is supporting tactical security initiatives to support TFR’s own initiatives. Technical teams from both businesses are working on actions to improve locomotive spares’ assessment and availability. Although locomotive availability has improved, it remains far below the contracted service levels and is still very volatile. As a result, in the third quarter of this year, the Company will deploy external consultants to assist the operational teams to improve their effectiveness. Should the Department of Transport’s Rail Policy be successfully implemented, ArcelorMittal South Africa has appetite to progress a commercially sensible train investment programme to supplement volumes which TFR does not have capacity to move. The renewable energy sector is proof of what can be achieved when government policy is both certain and enabling.

It is a well-known industry fact that ArcelorMittal South Africa’s bargaining category pay scales are the highest in the sector. Though satisfied with the outcome of the wage negotiation, which ended after an unnecessary and disruptive two-week strike, much work remains to reset the relationship with organised labour, while addressing the unsustainable increases in base pay that undermine the Company’s competitiveness. The steel industry is highly cost sensitive, and all parties need to agree on ways to address this vulnerability, particularly given the more challenging economic landscape ahead. Further, the Company condemns in the strongest possible terms the violence, intimidation, criminality and misconduct displayed during the strike, which led to disciplinary action and criminal charges. Such behaviour has no place within ArcelorMittal South Africa's culture, which is being refreshed following the difficult but necessary restructuring initiatives. The culture refresh is supported by the rebuilding of the management system to ensure that responsibility, accountability, performance- and consequence management are engrained throughout all levels of the business.

South Africa experienced its worst bout of electricity loadshedding in June 2022, taking the year-to-date levels for 2022 to the full-year 2021 levels. The situation is aggravated by highly unreliable municipal infrastructure. Loadshedding is negatively impacting the economy and does not bode well for investor sentiment and job creation. As a sign of confidence in the country, ArcelorMittal South Africa, with the support of the ArcelorMittal Group, announced that it was embarking on a process to develop two 100MW renewable energy projects, planned for Gauteng and the Western Cape, subject to the outcome of a feasibility study, which should be finalised in 2023/2024.with the objective of yielding meaningful cost reduction benefit by 2024/25. These benefits will be increased and accelerated if regulations are relaxed.

Regarding energy diversity and supply, like many major manufacturers, ArcelorMittal South Africa is dependent on a ready supply of competitively priced natural gas. With dwindling supplies of natural gas from the current source in Mozambique, the Company is working closely with the Industrial Gas Users Association of Southern Africa (IGUA-SA) to find a solution to this challenge. Progressing South Africa’s Gas Master Plan with key public and private sector participants will be vital to ensure that South Africa is not inappropriately exposed to the increasingly vital commodity.

In the first quarter of 2022, the global steel environment reflected the implications on supply from the Russia-Ukraine conflict, with stronger than anticipated steel prices because of tighter supply/demand dynamics. The second quarter saw an increase in uncertainties and risk, including the length of the Russia-Ukraine conflict; implications of higher energy prices and inflation on economic activity and consumer confidence; the slow-down in China; and the risk of recession in the US and EU due to tighter monetary policy.

Regarding fair trade protection, numerous import duty and safeguard investigations and reviews were initiated internationally with a specific focus on China, Russia, Turkey and India. South Africa is one of the least protected jurisdictions globally for steel trade, with rate structures notably lower than comparable countries.

Overview and sustainability continued

In the wake of the global pandemic and reverberating effects of the Russia-Ukraine conflict, global economic activity is expected to slow to a GDP growth rate of 2,3% in 2022. After a substantial increase in international steel prices in May 2022, prices started correcting from June. In developing economies, the positivity in the near-term improvement in some commodity exports, more than offset headwinds of global inflation and tighter monetary policy. GDP growth in these regions has been reduced to 3%.

Understandably therefore, slowing economic growth and the heightened risk of a global recession present challenges for the outlook of commodities and steel demand in the next 12 to 18 months. In China, the world's largest steelmaker, plants are being idled to reduce high inventories and address weak orders. Inflation is at its highest levels in decades across many parts of the world. Inflationary pressures are expected to continue at least through 2022. It is against this backdrop, that the Company is intensifying its Value Plan Programme by prioritising key actions:

- Address specific immediate and short-term product pipeline opportunities arising from broader industry supply chain challenges
- Improve asset utilisation, production yields and overall reliability in, particularly, the coke making and long steel business, especially following the mid-life campaign restoration of the Newcastle blast furnace
- Realise the first volumes of the next phase of the Thabazimbi iron ore mine stockpile beneficiation project by the last quarter of 2022, while launching a definitive feasibility study into the banded iron mining opportunity
- Accelerate the regional sourcing of hard coking coal to reduce dependency on sea-borne imports
- Improve the effectiveness of logistics spend by implementing an integrated platform for efficient tactical planning of road logistics around rail availability and capacity. This process, which will start in the second half of the year, is a multi-year project
- Rebase and rescope the variable cost base with a focus on procurement effectiveness. This initiative will be implemented in the second half of 2022
- Accelerate energy efficiencies in the remainder of 2022, with a specific focus on reducing fuel and gas consumption rates. This initiative has multi-year targets
- Reduce fixed costs with a focus on discretionary spend, overtime, sub-contractors and vacancy management, with immediate, short and medium targets having been set.

Safety, Environmental, Social and Governance (ESG)

Safety is the Company's highest priority as it remains committed to Zero Harm.

Substantial time has been invested in:

- Behavioural interventions to change the safety culture, with a clear safety culture roadmap, firmly based on the recognition that staff, depend on one another for their collective safety
- Refreshed Seven Focus areas, being leadership visibility and audits, reporting of unsafe conditions, plant quarantines, environmental focus, leadership training, recognition and fatality prevention standards

Weekly safety stops have been implemented to reach each employee and contractor to emphasise the importance of safety. The objectives of the stops are to focus on the Life Saving Golden Rules, to unpack any safety incidents of the previous week to avoid a reoccurrence, and to explore a specific Topic of the Week.

The Company's lost-time injury frequency rate (LTIFR) improved from 1,13 to 0,71 and the total injury frequency rate (TIFR) improved from 8,86 to 5,78.

Later in the third quarter of this year, ArcelorMittal South Africa will present its Decarbonisation Roadmap. As alluded to in the most recent Integrated Report, the roadmap will describe how the Company plans to achieve its competitive carbon reduction targets for 2030 and 2050, through the application of energy efficiency initiatives, renewable energy sources, carbon capture and use, green hydrogen applications, and electric steelmaking. In addition to these initiatives, close collaboration with the ArcelorMittal Group and local and international first-mover public and private sector participants will be vital. Joint development agreements have been, or are in the process of being, concluded and span the range of advancing steel localisation, energy efficiency, carbon capture and use, green hydrogen and green iron and steel. With the appropriate support, the restart of Saldanha Works as an early supplier of green directly reduced iron to the international market is a very exciting prospect.

Safety, Environmental, Social and Governance (ESG) continued

Specific joint collaboration programmes with the Gauteng Department of Economic Development, the KwaZulu-Natal Growth Coalition, and the Department of Economic Development and Tourism of the Western Cape Government have been established to pursue initiatives of common interest.

Markets

Global crude steel production[1] decreased to 949 million tonnes due largely to plant idling because of pandemic-related lockdowns, high inventories and weak order levels in China. This performance is 54 million tonnes (or 5%) lower than the 2021 comparative period. Global crude steel production increased by 5% compared to the immediately preceding six months.

China's crude steel production decreased by 6% to 526 million tonnes, maintaining its market share of 55%. Europe's[2] crude steel output decreased by 6% to 99 million tonnes. North America was down by 2% to 57 million tonnes. Both Russia and Turkey continued the downward trend as production fell by 7% and 4% respectively while India succeeded in increasing production by 8% to 63 million tonnes. Africa's output decreased by 9% to 7,0 million tonnes due to lower production in South Africa and Egypt. South Africa's crude steel production decreased by 16% to 2,1 million tonnes.

International hot rolled coil prices increased by 6% year-on-year, while rebar prices increased by 13% (dollar terms). These hot rolled coil prices decreased by 10% compared to the immediately preceding six months, with rebar prices increasing by 2% for the same period. The international raw material basket (iron ore, coking coal, and scrap) was 31% higher in dollar terms. In absolute terms, coking coal increasing by 250%, scrap increased by 17% with iron ore decreasing by 24%.

Turning to South Africa and the regional economy, the GDP growth forecast for South Africa is 2,3% for 2022, and those for near- and Sub-Saharan African markets between 3,4% and 3,7% but with significant risk and the potential for downward revision.

In South Africa, apparent steel consumption (ASC) for the first half of 2022 decreased by 14% to 2,0 million tonnes, reflecting high market inventory levels; slowing market activity in key steel-consuming sectors[4]; slow realisation of infrastructure projects; inflation and rising interest rates affecting disposable income in the retail sector. ASC decreased by 9% compared to 2,2 million in the immediately preceding six months.

Total steel imports of primarily hot rolled coil, galvanised sheet and plates decreased by 41% to 456 000 tonnes[3] in response to slowing market conditions. This volume constituted some 23% of South Africa's ASC (2021: 33%). As predicted, imports decreased by 23% compared to 594 000 tonnes in the immediately preceding six months.

The Company's total sales volumes decreased by 8%, or 104 000 tonnes, to 1,2 million tonnes compared to the 2021 comparable period, due to a 10% fall in domestic sales to 1,0 million while exports increased by 12% to 137 000 tonnes. The regional mix of exports weakened as Africa Overland sales fell to 81 000 tonnes, being a decrease of 26%. Total sales volumes decrease by 4% compared to the immediately preceding six months.

The Company's overall realised steel price in dollars increased by 23%. In rand terms, this represented a 30% increase as the average dollar/rand exchange rates weakened by 6%. Realised dollar steel prices increased by 7% compared to the immediately preceding six months, with rand prices up by 10% for the same period. This trend reflects the lag-effect of steel price movements which characterise the Company's order intakes. The higher international steel prices early in the year contributed to this improvement. By the same measure, when steel prices drop, the impact thereof is delayed in reflecting in the realised prices.

The Company is the only primary producer in South Africa which supports the downstream industry through a formal support programme. This industry support saw a 19% increase to R126 million in value added export and strategic rebate assistance.

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[1] Source: Worldsteel Association and Statistics
[2] Europe including Turkey
[3] Source: Company projection based on import statistics from Customs
[4] Year on year % sectoral growth forecast change: Manufacturing (-12%), Mining (-13%), Automotive (-30%), Construction (+1%)

Operations

The Company's average capacity utilisation decreased from 59% in the 2021 comparable period to 42% in 2022 and should reach at 76% after the Newcastle blast furnace mid-life campaign restoration. The reduction in capacity utilisation reflects the impact of the delivery complexities associated with rail service unavailability, labour disruptions and electricity loadshedding as described earlier.

Crude steel production decreased by 30%, or 441 000 tonnes, from 1,5 million tonnes to 1,1 million tonnes in 2022. Crude steel production decreased by 31% to 1,1 million tonnes compared to 1,5 million tonnes in the immediately preceding six months.

The focus on maintenance and reliability restoration, which started in 2021, continued into the new year. Particular attention is being given to the coke battery restoration programme, lowering fuel rates in iron making, reducing energy consumption, improving yields in steelmaking and rolling, and increasing scrap melting. The latter is particularly relevant given the anticipated impact of a complete ban on the export of domestic steel scrap.

The R464 million, three-month Newcastle blast furnace mid-life campaign restoration is rapidly approaching completion with more than 40 000 hours worked without a single lost-time injury. The major benefits of the project include plant life extension, improved reliability and cost competitiveness, lower energy consumption and a reduced carbon footprint. Some 50 tonnes of steel, 5 382 carbon blocks and 14 047 refractory bricks have been consumed while 1 030 temporary job opportunities were created supported by 28 contractor companies.

For 2022, commercial coke production was 34% lower at 60 000 tonnes, with sales volumes down by 38% at 120 000 tonnes, reflecting intensive inventory balancing due to the continuing restoration of the coke batteries, and the use of more coke internally due to intermittent production interruptions arising out of the rail service unavailability and labour disruptions. Sales increased by 5% to 120 000 tonnes compared to 114 000 tonnes compared to the immediately preceding six months.

Financial results

ArcelorMittal South Africa reported an EBITDA of R3 591 million against R3 218 million in the comparative period, while its operating profit increased from R2 945 million to R3 235 million. The headline earnings of R3 025 million rose from R2 482 million, amounting to a 271 cents per share profit against 223 cents for the 2021 comparative period.

EBITDA decreased by 33% to R3 591 million compared to R5 351 million in the immediately preceding six months.

Revenue increased by 19% to R22 176 million due to a 30% rise in net realised steel sales prices, despite an 8% decrease in total steel sales volumes. Revenue increased by 5% to R22 176 million compared to R21 112 million in the immediately preceding six months.

The Company's raw material basket (iron ore, coking coal and scrap), representing 43% (2021: 43%) of cash cost per tonne, was 41% higher in rand terms, against a 39% increase in the international raw material basket in rand terms. This reflects a fly-up in imported coal prices along with lower, more stable local iron ore prices against higher but falling international prices.

Consumables and auxiliaries, representing approximately 31% of cash cost per tonne (2021: 31%), increased by 46%. Electricity tariffs increased by 12%. Dollar-denominated commodity-indexed consumables increased by 61%.

Fixed costs increased from R3 376 million in the 2021 comparative period to R3 448 million in 2022, an increase of 2%. Fixed costs decreased by R604 million (-15%) compared to R4 052 million in the immediately preceding six months in response to lower maintenance activity.

Net financing charges were substantially down at R250 million (2021: R445 million) mainly due to a higher foreign exchange profit of R140 million and a decrease in net interest charge on bank overdrafts and loans of R96 million.

Financial results continued

Cash flow and borrowing position

Cash generated from operations of R1 102 million decreased by R406 million in 2022, due to a temporary investment of R1 951 million (2021: R1 721 million) in working capital, and the final settlement of a dollar-denominated trade payable with extended credit terms of R628 million.

Net finance cost outflows increased by 78% or R102 million to R232 million. A net foreign exchange loss of R9 million was realised compared to R46 million in the 2021 comparative period.

The net capital expenditure cash outflow was R693 million against R350 million in the 2021 comparative period, reflecting activities related to the Newcastle blast furnace mid-life campaign restoration of R173 million.

The net borrowing position of R1 087 million at 30 June 2022 decreased by R1 695 million from R2 782 million at 30 June 2021. At 31 December 2021, the net borrowing position was R1 258 million.

Legal and regulatory matters

Competition Commission (the Commission)
As previously reported, the Settlement Agreement with the Competition Commission expired in November 2021. Notwithstanding this fact, the engagement regarding payment of part of the administrative penalty will continue. In addition, the issue regarding the raw material basket methodology for determining earnings before interest and taxation (EBIT) remains outstanding. Since May 2021, ArcelorMittal South Africa has been engaging with the Commission regarding this methodology for applying the raw material basket under the Settlement Agreement, which may affect the calculation of the EBIT margin. The Company has provided the Commission with supporting information as requested, which is now being considered by the Commission. To date, the Commission has not noted any objections. ArcelorMittal South Africa has submitted its final compliance report and expects that all outstanding issues relating to the Settlement Agreement will be resolved in due course.

Highveld heavy structural section steel business
Shareholders were advised that ArcelorMittal South Africa had entered into a sale of business agreement with Highveld Structural Mill (Pty) Ltd (“Seller”) and Evraz Highveld Steel & Vanadium Limited (in Business Rescue), for the acquisition of the assets and liabilities of the heavy structural section mill ("Business") currently operated by the Seller (“Transaction").

The Transaction was subject to the fulfilment of the certain conditions precedent, including ArcelorMittal South Africa obtaining an air emissions licence from the relevant Governmental authority to operate the Business from the closing date. This condition was changed to ArcelorMittal South Africa obtaining a Provisional Air Emissions Licence. All the conditions precedent were fulfilled on 15 July 2022, and the closing date shall be 1 August 2022 with the Purchase Price paid into an Escrow account pending the final Air Emissions Licence being issued. This will operate as a resolutive condition and should the final Air Emissions Licence not be issued within a period of 12 to 24 months from the closing date, the Transaction will be unwound.

Changes to the board of directors

No changes since the latest Annual General Meeting.

Dividends

No dividends were declared for the six months ended 30 June 2022.

Outlook for the second half of 2022

Building on the current year's improved safety performance remains a priority.

With economic headwinds having intensified both internationally and domestically, it will significantly affect the trading environment.

International price correction in a soft local demand environment will impact results. Managing through a cyclical business environment is all-too familiar territory for ArcelorMittal South Africa, its employees, customers, and suppliers.
The Company's focus areas are:

- The preservation of the hard-won gains of the last few years
- An essential intensification of Value Plan initiatives
- Agile management of the asset and cost base
- Cash preservation in a downward price cycle

Barring any further rail services challenges, it is anticipated that production levels should improve as capacity utilisation levels recover.

As ever, the ZAR/USD exchange will continue to have an impact on the results.

Finally, it remains worthwhile to re-emphasise that despite the current challenges and the short-term weaker trading environment, the long-term investment case for steel remains intact given steel's inherently vital role in the transition to a low carbon, circular economy.

The Company will publish its Carbon Footprint Roadmap later in the third quarter of this year.

On behalf of the board of directors

HJ Verster
Chief Executive Officer

SM van Wyk
Chief Financial Officer (Interim)

28 July 2022

KEY STATISTICS

	Six months ended	
	30 June 2022	30 June 2021
Unreviewed/unaudited information		
Operational		
Crude steel production*	**1 051**	1 492
Total steel sales (Thousand tonnes)	**1 159**	1 263
Local steel sales (Thousand tonnes)	**1 022**	1 141
Export steel sales (Thousand tonnes)	**137**	122
Capacity utilisation (%)	**42**	59
Average steel net realised price (R/tonne)	**17 243**	13 260
Commercial coke sales (Thousand tonnes)	**120**	193
Safety		
Lost time injury frequency rate	**0.71**	1.13
Reviewed information		
Financial		
Revenue (R million)	**22 176**	18 596
Profit from operations (R million)	**3 235**	2 945
Net profit (R million)	**3 072**	2 253
Earnings per share (cents)	**276**	202
Headline earnings (R million)	**3 025**	2 482
Headline earnings per share (cents)	**271**	223
Return on ordinary shareholders' equity per annum:		
- Attributable earnings (%)	**58.0**	129.7
- Headline earnings (%)	**57.1**	142.9
Ebitda margin (%)	**16.2**	17.3

** Key statistics changed from liquid steel to crude steel.*

	As at	
	30 June 2022	31 December 2021
Reviewed information		
Financial		
Net borrowings (R million)	**1 087**	1 258
Net borrowings to equity (%)	**9.0**	13.9
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**	1 114 612
- diluted weighted average number of shares	**1 114 612**	1 114 612
Share price (closing) (Rand)	**5.90**	8.88
Market capitalisation (R million)	**6 715**	10 106
Net asset value per share (Rand)	**10.89**	8.12

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

	Six months ended	
In millions of Rands	**30 June 2022 Reviewed**	30 June 2021 Reviewed
Profit from operations	**3 235**	2 945
Adjusted for:		
- Depreciation	**351**	269
- Amortisation of intangible assets	**5**	4
Earnings before interest, taxation, depreciation, amortisation and exceptional items	**3 591**	3 218

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated interim financial statements of ArcelorMittal South Africa Limited in the accompanying interim report on pages 10 to 22, which comprise the condensed consolidated statement of financial position as at 30 June 2022, the condensed consolidated statement of comprehensive income and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Interim Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting*, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council as well as the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud and error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial 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 condensed consolidated interim 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 condensed consolidated interim 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 and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of ArcelorMittal South Africa Limited for the six months ended 30 June 2022 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Other matter – Prior Period Reviewed / Audited by Another Auditor

The condensed consolidated interim financial statements of ArcelorMittal South Africa Limited for the six month period ended 30 June 2021, and the annual financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2021, were reviewed and audited respectively, by another auditor who expressed an unmodified conclusion and an unmodified opinion on those financial statements on 29 July 2021, and 12 April 2022, respectively.

DocuSigned by:
Ernst & Young Inc
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Ernst & Young Inc.
Director - Michiel (Mike) Christoffel Herbst
Registered Auditor
Chartered Accountant (SA)

28 July 2022

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of Rands	Note	Six months ended 30 June 2022 Reviewed	Six months ended 30 June 2021 Reviewed
Revenue		**22 176**	18 596
Raw materials and consumables used		**(10 142)**	(8 338)
Employee costs		**(1 845)**	(1 859)
Energy		**(2 022)**	(2 065)
Movement in inventories of finished goods and work in progress		**(1 566)**	(410)
Depreciation		**(351)**	(269)
Amortisation of intangible assets		**(5)**	(4)
Impairment of trade and other receivables		**8**	(23)
Other operating expenses		**(3 018)**	(2 683)
Profit from operations		**3 235**	2 945
Finance and investment income	6	**267**	44
Finance costs	7	**(517)**	(489)
Fair value adjustment on investment property	10	**51**	(224)
Share of profit from equity accounted investments (net of tax)		**36**	23
Profit before tax		**3 072**	2 299
Income tax expense	8	**-**	(46)
Profit for the period		**3 072**	2 253
Other comprehensive income			
Items that will not be reclassified to profit or loss (net of tax):			
Fair value adjustment on equity instruments		**2**	(5)
Items that may be reclassified subsequently to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		**2**	(8)
Other comprehensive income/(loss) for the period		**4**	(13)
Total comprehensive income for the period		**3 076**	2 240
Profit attributable to:			
Owners of the company		**3 072**	2 253
Total comprehensive income attributable to:			
Owners of the company		**3 076**	2 240
Earnings per share (cents) attributable to owners of the company			
- basic		**276**	202
- diluted		**276**	202

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of Rands	Note	As at 30 June 2022 Reviewed	As at 31 December 2021 Audited
Assets			
Non-current assets		**10 061**	9 552
Property, plant and equipment		**8 587**	8 065
Investment properties	10	**731**	754
Intangible assets		**53**	67
Equity accounted investments		**259**	227
Investment held by environmental trust		**407**	412
Non-current receivable		**15**	21
Other financial assets		**9**	6
Current assets		**20 598**	19 541
Inventories		**12 250**	12 175
Trade and other receivables		**4 177**	2 712
Other financial assets		**48**	2
Cash, bank balances and restricted cash	11	**4 123**	4 652
Investment property held for sale	12	**76**	-
Total assets		**30 735**	29 093
Equity and Liabilities			
Shareholders' equity		**12 143**	9 053
Stated capital		**4 537**	4 537
Non-distributable reserves		**(3 540)**	(3 594)
Retained income		**11 146**	8 110
Non-current liabilities		**4 656**	5 755
Borrowings	13	**2 700**	3 700
Provisions		**1 613**	1 716
Trade and other payables		**278**	279
Lease obligations		**65**	60
Current liabilities		**13 936**	14 285
Borrowings	13	**2 510**	2 210
Current provisions		**876**	820
Trade and other payables		**9 321**	10 059
Taxation payable		**112**	112
Other financial liabilities		**1 095**	1 055
Lease obligations		**22**	29
Total equity and liabilities		**30 735**	29 093

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Note	Six months ended 30 June 2022 Reviewed	 30 June 2021 Reviewed
Cash flows from operating activities		**870**	1 335
Cash generated from operations	14	**1 102**	1 508
Interest income		**30**	44
Finance cost		**(262)**	(174)
Income tax paid		**-**	(43)
Cash flows from investing activities		**(693)**	(350)
Investment to maintain and expand operations		**(693)**	(350)
Cash flows from financing activities		**(716)**	(315)
Borrowings BBF repaid		**(600)**	(300)
Borrowings Group loan repaid		**(100)**	-
Loan repaid by equity-accounted investment		**1**	-
Lease obligation repaid		**(17)**	(18)
Cash settlement on long term incentive plan		**-**	3
(Decrease)/increase in cash, cash equivalents and restricted cash		**(539)**	670
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**10**	(7)
Cash, cash equivalents and restricted cash at the beginning of the period		**4 652**	3 340
Cash, cash equivalents and restricted cash at the end of the period		**4 123**	4 003

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Rands	Stated Capital	Treasury share equity reserve	Other Reserves	Retained earnings	Total
Six months ended 30 June 2021 (Reviewed)					
Balance as at 31 December 2020	4 537	(2 065)	(1 650)	1 522	2 344
Total comprehensive loss	-	-	(13)	2 253	2 240
Share-based payment expense	-	-	18	-	18
Transfer between reserves	-	-	23	(23)	-
Balance as at 30 June 2021 (Reviewed)	4 537	(2 065)	(1 622)	3 752	4 602
Six months ended 30 June 2022					
Balance as at 31 December 2021	**4 537**	**(2 065)**	**(1 529)**	**8 110**	**9 053**
Total comprehensive profit	**-**	**-**	**4**	**3 072**	**3 076**
Share-based payment expense	**-**	**-**	**14**	**-**	**14**
Transfer between reserves	**-**	**-**	**36**	**(36)**	**-**
Balance as at 30 June 2022 (Reviewed)	**4 537**	**(2065)**	**(1 475)**	**11 146**	**12 143**

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2022

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 six months ended 30 June 2022 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 interim financial statements for the period ended 30 June 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the JSE Limited Listings Requirements for interim reports as well as the requirements of the Companies Act of South Africa.

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. Significant judgement, estimates, assumptions and derecognition of financial assets

4.1 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 15, 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 30 June 2022 and the impairment loss on trade and other receivables decreased by R8 million (2021: R23 million increased) compared to June 2021.
- Impairment assessment of property, plant and equipment - At 31 December 2021 the recoverable amounts of the cash generating units (CGU) were significantly greater than it's carrying amounts. For reporting purposes an impairment indicator assessment was performed and none of the indicators were triggered that could cause the recoverable amounts of the CGU to be lower than the carrying amounts as at 30 June 2022.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2022

4.2 Derecognition of financial assets

The true sale of receivable (TSR) programme is the sale of receivables balances by the Group with no recourse to third parties. At the date of sale, Group transfers control and all significant risks and rewards and retains the right to receive cash normally associated with ownership of these receivables. These trade receivables were derecognised from the statement of financial position as financial assets at the date of sale to the bank, as the group have not retained substantially all of the risks and rewards – primarily credit risk of these trade receivables. The debtors, however, will settle the balance due to Group and thereafter the Group is obligated to transfer those amounts to the third parties.

During the six months ended 30 June 2022, the conditions of the purchase agreement with the bank were amended. The amendment resulted in the group retaining substantially all of the risks and rewards – primarily credit risk on the trade receivables sold to the bank.

As at 30 June 2022 the trade receivables sold to the bank with a carrying amount of R468 million were not derecognised from the statement of financial position as financial assets, and the cash proceeds of R468 million from the bank received for the sale of the trade receivables have been recognised as a financial liability.

5. Segment report

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 Group’s reportable segments are:

- Steel Operations consisting of Vanderbijlpark plant, Newcastle plant and 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 SIX MONTHS ENDED 30 JUNE 2022 *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 six months ended 30 June 2022					
Revenue					
- External customers	**20 864**	**1 312**	**-**	**-**	**22 176**
- Internal customers	**-**	**12**	**-**	**(12)**	**-**
Total revenue	**20 864**	**1 324**	**-**	**(12)**	**22 176**
Results					
Earnings before interest, tax, depreciation and amortisation	**3 460**	**443**	**(214)**	**(98)**	**3 591**
Depreciation and amortisation	**(313)**	**(29)**	**(14)**	**-**	**356**
Profit/(loss) from operations	**3 147**	**414**	**(228)**	**(98)**	**3 235**
Finance and investment income	**92**	**46**	**129**	**-**	**267**
Finance cost	**(165)**	**(58)**	**(294)**	**-**	**(517)**
Fair value adjustment on investment properties	**-**	**51**	**-**	**-**	**51**
Share of profit after tax from equity-accounted investments	**-**	**-**	**36**	**-**	**36**
Profit/(loss) before taxation	**3 074**	**453**	**(357)**	**(98)**	**3 072**
Income taxation expense	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the period	**3 074**	**453**	**(357)**	**(98)**	**3 072**
Segment assets (excluding investments in equity-accounted entities)	**22 582**	**2 968**	**5 506**	**(580)**	**30 476**
Investments in equity-accounted entities	**-**	**-**	**259**	**-**	**259**
Segment liabilities	**7 414**	**1 826**	**9 744**	**(392)**	**18 592**
Unreviewed information					
Crude steel production (‘000 tonnes)	**1 051**	**-**	**-**	**-**	**1 051**
Steel sales (‘000 tonnes)	**1 159**	**-**	**-**	**-**	**1 159**
- Local	**1 022**	**-**	**-**	**-**	**1 022**
- Export	**137**	**-**	**-**	**-**	**137**
Capacity utilisation (%)	**42**	**-**	**-**	**-**	**42**
Average net realised price (R/t)	**17 243**	**-**	**-**	**-**	**17 243**
EBITDA margin (%)	**16.6**	**-**	**-**	**-**	**16.2**

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *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 six months ended 30 June 2021					
Revenue					
- External customers	17 325	1 271	-	-	18 596
- Internal customers	-	24	-	(24)	-
Total revenue	17 325	1 295	-	(24)	18 596
Results					
Earnings before interest, tax, depreciation and amortisation	3 120	351	(252)	(1)	3 218
Depreciation and amortisation	(233)	(28)	(12)	-	(273)
Profit/(loss) from operations	2 887	323	(264)	(1)	2 945
Finance and investment income	15	4	25	-	44
Finance costs	(119)	(7)	(363)	-	(489)
Fair value adjustment on investment properties	-	(224)	-	-	(224)
Share of profit after tax from equity-accounted investments	-	-	23	-	23
Profit/(loss) before taxation	2 783	96	(579)	(1)	2 299
Income taxation expense	-	(46)	-	-	(46)
Profit/(loss) for the period	2 783	50	(579)	(1)	2 253
Segment assets (excluding investments in equity-accounted entities)	18 756	2 704	3 957	(423)	24 994
Investments in equity-accounted entities	-	-	226	-	226
Segment liabilities	7 850	1 968	11 157	(357)	20 618
Unreviewed information					
Crude steel production ('000 tonnes)	1 492	-	-	-	1 492
Steel sales ('000 tonnes)	1 263	-	-	-	1 263
- Local	1 141	-	-	-	1 141
- Export	122	-	-	-	122
Capacity utilisation (%)	59	-	-	-	59
Average net realised price (R/tonne)	13 260	-	-	-	13 260
EBITDA margin (%)	18.0	-	-	-	17.3

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

Information about major customers

	Steel Operations R'm	% of Group revenue
2022		
Revenue of major customers		
Customer 1	**2 803**	**12.6**
Total	**2 803**	**12.6**
2021		
Revenue of major customers		
Customer 1	2 684	14.4
Total	2 684	14.4

	Group	
	30 June 2022 R'm	30 June 2021 R'm
Revenue from major products		
Steel operations		
Hot rolled	**6 447**	6 164
Uncoated	**3 682**	2 053
Coated	**4 183**	3 786
Merchant bars	**4 075**	3 583
Wire rod	**1 912**	1 463
Seamless	**565**	276
	20 864	17 325
Non-steel operations		
Coke and tar	**1 178**	1 125
Other	**134**	146
	1 312	1 271
Total	**22 176**	18 596
Revenue to external customers		
Local	**19 600**	17 044
Export	**2 576**	1 552
Africa	**1775**	1 286
Asia	**330**	219
Other	**471**	47
Total	**22 176**	18 596

6. Finance and investment income

	Six months ended	
In million of Rands	**30 June 2022 Reviewed**	30 June 2021 Reviewed
Finance income		
Bank deposits and other interest income	**30**	44
Net foreign exchange profit	**126**	-
Discount rate adjustment of provisions*	**111**	-
Total	**267**	44

**Previously included in Finance cost (June 2021: R90 million)*

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

7. Finance costs

In million of Rands	Six months ended 30 June 2022 Reviewed	30 June 2021 Reviewed
Interest expense on bank overdrafts and loans	**329**	439
Interest expense on lease obligations	**3**	4
Interest expense on other financial liabilities	**40**	-
Net foreign exchange losses	**-**	14
Discount rate adjustment of provisions*	**-**	(90)
Unwinding of discounting effect on borrowings, provisions and financial liabilities	**145**	122
Total	**517**	489

** June 2022 accounted in Finance and investment income*

8. 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.

9. Headline earnings

In millions of Rands	Six months ended 30 June 2022 Reviewed	30 June 2021 Reviewed
Profit for the year	**3 072**	2 253
Adjusted for:		
- Fair value adjustment on investment properties	**(51)**	224
- Loss on disposal or scrapping of property, plant and equipment*	**6**	7
- Total tax effect of adjustments	**(2)**	(2)
Headline earnings for the period	**3 025**	2 482
Headline earnings per share (cents)		
- basic	**271**	223
- diluted	**271**	223

** Adjustments for headline earnings are shown pre-tax and the tax effect of adjustments separately.*

10. Investment properties

In millions of Rands	30 June 2022 Reviewed	31 December 2021 Audited
Carrying amount at the beginning of the year	**754**	983
Fair value adjustment	**51**	(228)
Investment property held for sale	**(76)**	-
Exchange rate movement	**2**	(1)
Carrying amount at the end of the period	**731**	754

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

11. Cash, bank balances and restricted cash

At 30 June 2022, the Group had restricted cash of R983 million (Dec 2021: R1 419 million). This consists of R679 million (December 2021: R767 million) regarding the TSR facility, R302 million (December 2021: R302 million) for the environmental rehabilitation obligations, and Rnil (December 2021: R350 million) in respect of cash collateral for standby letter of credit issued to foreign suppliers and R2 million (December 2021: Rnil) in respect of litigation.

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the draw down. At 30 June 2022 the balance of the borrowing base facility was R1 200 million (December 2021: R1 800 million) with R2 300 million (December 2021: R1 700 million) still available.

Bank accounts of R942 million (December 2021: R1 277 million) were ceded in favour of the borrowing base facility.

12. Investment property held for sale

In millions of Rands	**30 June 2022 Reviewed**	31 December 2021 Audited
The following non-core office property are held for sale: • Maputo	**76**	-

During the six months ended 30 June 2022, the decision was taken to sell one of the investment properties in Maputo (Level 3 in the fair value hierarchy), and this property forms part of the Groups' non-core property disposal strategy. The sale of the property is expected to be completed within a year from the reporting date. The investment property was part of the non-steel operations segment.

Refer to note 15 for details on the measurement, valuation techniques and inputs used for this investment property.

13. Borrowings

In millions of Rands	**30 June 2022 Reviewed**	31 December 2021 Audited
Banks	**1 200**	1 800
Loan from holding company	**4 010**	4 110
Total loans	**5 210**	5 910
Non-current	**2 700**	3 700
Current	**2 510**	2 210

The bank loan relates to the borrowing base facility with various financial institutions. R2 700 million of the Group loan is sub-ordinated (December 2021: R2 700 million).

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

14. Cash generated from operations

In millions of Rands	Six months ended 30 June 2022 Reviewed	Six months ended 30 June 2021 Reviewed
Profit before tax*	**3 072**	2 299
Adjusted for:		
- Finance and investment income	**(267)**	(134)
- Finance cost	**517**	579
- Fair value adjustment on investment property	**(51)**	224
- Share of profit from equity accounted investments	**(36)**	(23)
- Depreciation and amortisation of intangible assets	**356**	273
- Unrealised profit on sales to joint ventures	**2**	1
- Equity-settled share-based payment expense	**14**	15
- Non-cash movement in provisions and financial liabilities	**44**	(1)
- Write-down/(reversal of write-down) of inventory to net realisable value	**1**	(56)
- Movement in trade and other receivable allowances	**(8)**	47
- Loss on disposal or scrapping of property, plant and equipment	**6**	7
- Fair value adjustment on environmental trust	**5**	(16)
- Realised foreign exchange movements	**(9)**	(46)
- Other payables raised, released and utilised relating to employees	**35**	60
- Operating working capital movements:		
- Increase in inventories	**(87)**	(616)
- Increase in trade and other receivables	**(1 462)**	(2 360)
- (Decrease)/increase in trade and other payables	**(934)**	1 390
- Utilisation of provisions	**(96)**	(135)
Cash generated from operations	**1 102**	1 508

** In terms of IAS 1 the reconciliation of the cash generated from operations should start either with profit or loss before tax or after tax. The reconciliation has been restructured to comply with this requirement, previously the reconciliation was started from profit from operations. The update had no impact on any reported totals, or on any amounts presented in the statement of cash flows.*

15. Fair value measurements

In millions of Rands	30 June 2022 Reviewed	31 December 2021 Audited	Fair Value hierarchy	Classification
Assets				
Investment properties	**731**	754	Level 3	FVTPL
Investment property held for sale	**76**	-	Level 3	FVTPL
Other forward exchange contracts	**48**	2	Level 2	FVTPL
Equity securities	**9**	6	Level 1	FVTOCI
Equity securities	**407**	412	Level 1	FVTPL

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

FVTPL – Fair value through profit or loss. FVTOCI – Fair value through other comprehensive income.	
Fair value hierarchy	
Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.	Observable market price
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).	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.
Level 3: Inputs for the assets or liability that are unobservable.	The valuation policy adopted by management is to revalue investment property externally at financial year-end and for interim reporting purposes. The investment properties can be divided between industrial sector and residential sector. In determining the fair value of the property in the industrial sector the value was determined adopting the income capitalisation method, the depreciable replacement cost approach, the sales comparison of the market 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 17.29% - 19.70% (June 2021: 17.3% - 18.94%) Vacancy provision 7.5% (June 2021: 5% - 7.5%) Exit capitalisation rate 12.75% - 13.5% (June 2021: 12.5% - 13.5%) A 2.5% increase or decrease in the vacancy provision will impact the fair value by R2 million (June 2021: R2 million). A 1% increase or decrease in the capitalisation rate will impact the fair value by R39 million (June 2021: R37 million). A 2.5% increase or decrease in the expense ration will impact the fair value by R3 million (June 2021: R3 million). The depreciable replacement cost approach is based on the economic theory of substitution and it involves comparing the asset being valued with another. The fair value of properties in the residential sector and some of the industrial properties 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 fair value for the improvements on the farm were determined by using the depreciated replacement cost method of valuation. Included in the Maputo properties, is a property for which a promissory sale and purchase agreement to the value of $5 200 000 was signed. The price is subject to conditions, with a possible reduction of $500 000. The value of $4 700 000 was used as fair value for this property.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022 *continued*

16. Commitments

In millions of Rands	30 June 2022 Reviewed	31 December 2021 Audited
Capital commitments on property, plant and equipment		
Capital commitments authorised and contracted for	1 502	1 483
Capital commitments authorised but not contracted for	805	1 166

Included in the capital commitments above is an amount of R1 001 million (December 2021: R969 million) to address emissions at Vanderbijlpark Works over the next two years.

17. Related party transactions

The Group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (June 2021: 69%) of the Group's shares. At 30 June 2022, the outstanding ArcelorMittal Holdings AG loan amounted to R4 010 million (December 2021: R4 110 million). The interest expense for the period was R165 million (period ended June 2021: R110 million).

The Group purchased products and services to the value of R530 million (June 2021: R2 659 million) from and sold goods to the value of R9 million (June 2021: R45 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.

18. Subsequent events

The directors are not aware of any matter or circumstances arising since 30 June 2022 to the date of this report that would significantly affect the operations, the results or financial position of the Group.

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
Prof B Mohale (Chairman) (appointed 19 May 2022)
PM Makwana* (retired 19 May 2022)
LC Cele*
B Davey º
D Earp*
GS Gouws
NP Gosa
R Karol+
NP Mnxasana* (retired 19 May 2022)
KMM Musonda*^
NF Nicolau*
A Thebyane (appointed 19 May 2022)

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
Ernst and Young Inc.
102 Rivonia Road
Sandton

Executive directors
HJ Verster (chief executive officer)
SM van Wyk (interim chief financial officer)

Release date: 28 July 2022

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