ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

Salient features

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

The analysis below relates to the six months ended 30 June 2021 (current period) compared to the six months ended 30 June 2020 (prior or comparable period) except where otherwise indicated.

Overview and sustainability

As anticipated in February 2021, both stronger sales volumes and the benefit of robust price-cost effects enabled ArcelorMittal South Africa to enjoy a strong start to 2021, recording a half yearly EBITDA of R3 218 million, its strongest in a decade.

Cash flow performance for the period was another highlight. Despite the R1 661 million investment in working capital (reflecting market factors), the Company generated free cash flow of R985 million, resulting in a net debt of R2 782 million against R3 702 million for the comparative period and R3 624 million at 31 December 2020.

This performance was remarkably achieved against the backdrop of one of the most challenging operating environments in the Company's long history, characterised by:

- two Covid-19 waves
- inclement weather events at the beginning of the year
- a highly inconsistent rail service necessitating frequent and costly operational stops
- tragic and painful safety incidents, and the particularly noteworthy efforts of the entire business in restoring the damaged plants and stabilising operations
- a successful long maintenance stop at the Newcastle Works' blast furnace to address damage caused as a result of the hard lockdown and
- ramp-up challenges associated with restoring and accelerating production in the complex integrated steelmaking routes.

Despite these events, the performance is a testament to the hard work and resilience demonstrated by teams across the business.

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

Average international dollar steel prices increased by 79%. This contrasts to iron ore indices which increased by 101%.

Turning to South Africa and the regional economy, consensus GDP growth forecasts for South Africa are around 4,5% for 2021, which is positive for steel demand. Market inventory levels are increasing albeit at varying speeds for different products. By June 2021, ArcelorMittal South Africa's monthly production levels and dispatches were largely balanced.

Given the structural impediment of the credit insurance available to the steel industry, and the serious constraint it currently presents to businesses, the Company is working closely with its customers to manage the limited available credit in how back-orders are being fulfilled, given that many customers do not have the credit cover lines to fund such back-orders. This position is being aggravated by the arrival of long-lead time imported material, for those who chose this option and now are experiencing a funding squeeze.

Overview and sustainability continued

The strong results reflect the real-world benefits of the Company's new operating model, and improvements made to its structural cost position, notably regarding strategic raw materials and fixed cost.

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

Contrasting the hard-won and most necessary rescaling of fixed costs in 2020, against the operating challenges noted earlier, a very conscious though responsible and well-considered decision was made to invest in certain key fixed cost areas. Some of these investments reflect the natural consequences of increased operating activities as production levels are restored from the lows of 2020, while others are largely non-recurring in nature, such as the temporary additional staffing levels to compensate for the Covid-19 related shift pattern disruptions, and restorative maintenance as operations were restarted. ArcelorMittal South Africa's philosophy towards its fixed cost structure firmly remains one that is agile and variabilised, as far as responsibly possible.

ArcelorMittal South Africa is a proud signatory of the Steel Industry Masterplan, prepared by the Department of Trade, Industry and Competition (DTIC), and has committed senior resources to this ambitious but critically important initiative. This, along with the Infrastructure Investment Programme (IIP) - which needs far more national attention allocated to it - and the African Continental Free Trade Area (AfCFTA) agreement, represent real opportunities for the steel industry to start growing again. The Company is ready and eager to contribute.

ArcelorMittal South Africa started its current strategic journey in 2018 with the aim of *Transforming for Sustainable Growth*. For the rest of 2021 and the foreseeable future, this strategic aim will be fulfilled through three priorities: Reposition, Restructure and Revitalise. Reposition the Company as the champion of South Africa's manufacturing backbone. Continue to restructure the organisation to ensure it remains internationally cost competitive. Revitalise the balance sheet of the business to improve its sustainability and enhance its flexibility and agility.

Safety, Environmental, Social and Governance (ESG)

With South Africa deep in the third wave, clearly the Covid-19 pandemic is far from over, having become so much more personalised as virulency has increased.

ArcelorMittal South Africa continues to be vigilant in efforts against the virus, ensuring its workforce can protect themselves, strictly implementing the latest guidelines and ensuring its workforce are enabled to follow strict hygiene and social distancing standards at work, and continue to monitor their health.

Encouragingly, with the vaccination programme started for those above 35 years of age, the bulk of its workforce (own employees and sub-contractors) will be eligible for the vaccine and the business will encourage its employees to participate in this nationally important process.

ArcelorMittal South Africa board, management and employees were greatly saddened by the four fatalities which happened in the past six months and commiserate with the families and friends of these colleagues. The Company's commitment and resolve to achieve zero harm has never been stronger.

With deep self-reflection, and the assistance of the ArcelorMittal group, the business has reviewed, refocused, and reinvigorated its efforts to eradicate accidents and fatalities across the business. The message behind this refreshed approach could not be more explicit: *ArcelorMittal South Africa is determined to improve its safety performance and eradicate fatalities at the Company*.

The lost-time injury frequency rate (LTIFR) increased from 0,55 to 1,13 and the total injury frequency rate (TIFR) increased from 7,31 to 8,86.

Safety and ESG continued

Out of the difficult events of 2019 and 2020, the Company had committed to improve communication and engagement with employees and other stakeholders. This will be achieved through initiatives that will address topics such as skills development, transformation and diversity.

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

Leveraging the relationship with its parent Company, ArcelorMittal South Africa is exploring, in collaboration with various large industrial partners, research organisations, and business initiatives, opportunities relating to carbon capture and storage (CCS), blue and green hydrogen applications in directly reduced iron (DRI) production, and improved energy efficiency initiatives. Saldanha Works has been identified in a study by the SA-EU Partnership and the CSIR (published in February 2021) as being ideally suited for green DRI production, with the Company's integrated steelmaking sites being prime candidates for CCS technology. Along with improving environmental compliance, ArcelorMittal South Africa will finalise its implementation roadmap for meaningful carbon reduction by the end of 2022. In South Africa, we will need funding support for carbon neutrality initiatives along with an enabling environment to encourage cross-sector and industry collaboration.

Markets

Global crude steel production[1] increased to 1,0 billion tonnes by 30 June 2021 as economic stimulus packages continued to benefit the mining, manufacturing and infrastructural, while keeping supply chains under pressure. This is 122 million tonnes (or 14%) higher than comparative period levels.

China's crude steel production increased by 11% to 560 million tonnes, maintaining its market share at 56%.

Europe's[2] crude steel output increased by 19% to 100 million tonnes. North America was up by 16% year-on-year to 59 million tonnes. Turkey and Russia managed to increase their production by approximately 21% and 8% respectively while India rose by 31% to 58 million tonnes.

Africa's crude steel output increased by 28% to 8 million tonnes due to higher production in South Africa and Egypt. South Africa's crude steel production increased by 39% to 2,5 million tonnes reflecting 2020's hard economic lockdown in the region which was not necessary the case throughout the rest of the world.

Regarding fair trade practices, although the European Union is prolonging for three additional years the safeguard measure currently in place on imports of certain steel products, and the US Section 232 measures remain in force, disappointingly South Africa's safeguard duties are set to lapse in August 2021.

Turning to South Africa, apparent steel consumption for the first half of 2021 increased by 9% to 2,2 million tonnes compared to the preceding six months (H2 2020). The improvement in steel demand is being driven by the faster recovery in the mining, automotive, manufacturing and fabrication, construction and infrastructure sectors along with energy projects.

Total steel imports of primarily hot rolled coil, galvanised sheet and tinplate increased by 25% to 687 000 tonnes[3] compared to the preceding six months (H2 2020) in response to the supply chain shortages in the local market. This constituted some 31% of South Africa's apparent steel consumption (H1 2020: 24%), which is likely to reduce during the remainder of the year as the supply chain normalises mainly due to domestic output which is recovering, the cancelation of steel exports incentives by China, and the imposition of imports duties by Russia.

[1] Source: WorldSteel statistics, with June 2021 projected based on May 2021 data

[2] Europe including Turkey

[3] Source: Company projection based on import statistics from Customs

Markets continued

The Company's total sales volumes increase by 10% or 116 000 tonnes to 1,3 million tonnes compared to H1 2020, due to a 21% or 195 000 tonnes rise in domestic sales and a 39% or 79 000 tonne fall in mainly seaborne exports, as volumes were reallocated to Africa Overland markets.

Average benchmark China export hot rolled coil price increased by 79% year-on-year, while rebar prices increased by 69%.

China has reduced the incentive to export steel by cancelling the export rebates on VAT, which has a significant impact on prices. Considering the Chinese industry significance in the global markets, this development is expected to not only affect pricing but also the origins of export sources.

The Company's overall realised steel price in dollars increased by 57%. In rand terms, realised steel prices increased by 42% as the average dollar/rand exchange rates strengthened by 13%.

Company provided R85 million in value-added export and rebate assistance to the downstream industry, compared to R84 million in the comparative period in response to lower exports.

Operational

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 39% in H1 2020 to 59% in H1 2021, and is currently at 85%.

Liquid steel production (including that from Saldanha Works) increased by 36% or 403 000 tonnes, from 1,1 million tonnes to 1,5 million tonnes during H1 2021.

Operationally, the business remains firmly focused on achieving greater operational reliability and an improved delivery performance in support of its customer base, while also securing cost improvements. Improving the delivered cost of raw materials, optimising inventory levels and addressing the cost and reliability risk associated with electricity and rail will receive further attention.

The organisation's preparedness for the mini-reline of the Newcastle Works' blast furnace, starting in November 2021 is well progressed, as is the interaction with customers to manage the impact on their supply chains.

With a crude steel production capacity of 6,4 million tonnes (including Saldanha Works) and an estimated full year apparent steel production (ASC) of 4,6 million tonnes (4,1 million tonnes excluding the products not manufactured in South Africa), the Company is well placed to fully service South Africa's entire steel demand.

The safety incident in the Vanderbijlpark Works' coke-making environment was the primary contributor to the lower commercial coke production, requiring careful management of the supply situation to customers to minimise disruption to their businesses. Although commercial coke production was 22% lower at 91 000 tonnes, supplemented with available inventory, sales volumes were 61% higher at 193 000 tonnes.

Financial results

ArcelorMittal South Africa reported a EBITDA profit of R3 218 million against a loss of R1 256 million in the previous period, while its operating profit increased from a loss of R1 528 million in H1 2020 to a profit of R2 945 million. The headline profit of R2 482 million recovered from a loss of R2 613 million, amounting to a 223 cents per share profit against 239 cents loss for the comparative period in 2020.

Revenue increased by 55% to R18 596 million due to a 10% rise in total steel sales volumes and a 42% rise in net realised steel sales prices.

Financial results continued

The Company's raw material basket (iron ore, coking coal, and scrap), representing 43% (H1 2020: 42%) of total cash cost was 2% higher in rand terms, which is very pleasing given the 44% increase in the international raw material basket. This reflects the work done in diversifying the sources of raw materials. Consumables and auxiliaries, which represented approximately 31% of cash cost per tonne (H1 2020: 31%) remained flat for the period. Electricity cost increased by 12% on a per tonne basis.

Fixed costs increased from R2 569 million (R2 238 per tonne of steel sold) in H1 2020 to R3 376 million (R2 674 per tonne of steel sold) in H1 2021, an increase of 19%. The increase of R807 million largely represented additional investment in restorative maintenance, higher activity levels and additional temporary staff for pandemic risk mitigation purposes.

Net financing charges fell by R632 million to R445 million as foreign exchange losses abated from R977 million in H1 2020 to R14 million in H1 2021.

The debit fair value adjustment on investment properties of R224 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 R1 508 million improved by R1 430 million against H1 2020, despite a significant investment of R1 661 million (H1 2020: R1 651 million release) in working capital, reflecting improved activity levels and higher steel prices.

Net finance costs decreased by 4% or R6 million to R130 million. Net foreign exchange losses of R46 million were realised.

The net capital expenditure cash outflow was R350 million against R248 million in H1 2020, reflecting higher activity levels.

The net borrowing position of R3 702 million at 30 June 2020, improved by R920 million to R2 782 million at 30 June 2021. At 31 December 2020, the net borrowing position was R3 624 million.

Renewal of the borrowing base facility, with available financial liquidity lines of R3 500 million, is progressing well and is scheduled to be signed in August 2021. It will replace the current borrowing base facility of R4 500 million that will mature 22 July 2022.

Legal and regulatory matters

- Covid-19: The Company had to manage the effects of the pandemic in compliance with the regulations pursuant to the Disaster Management Act 2002. This included the development, implementation and ongoing monitoring of safety and health management protocols to maintain a safe working environment for all employees and contractors who were required to return to work on site, while remote working was encouraged where possible.

- Safety incident at Vanderbijlpark Works on Wednesday, 17 February 2021: An investigation was duly instituted as previously announced, led by an external independent party and included representatives from labour. The investigation is being finalised which will be followed by an investigation report. The Department of Employment and Labour (DEL) has also conducted an investigation and we await the final report.

- Competition Commission: The Company continues to engage with the Commission regarding the administrative penalty and matters related to the Settlement Agreement.

Changes to the board of directors

- Mr Brian Aranha retired as a non-executive director of ArcelorMittal South Africa with effect from 31 March 2021.
- Mr Bradley Davey was appointed as a non- executive Director, with effect from 1 April 2021.
- Mr Desmond Maharaj, CFO and executive director has resigned. His effective date of resignation will be no earlier than 31 July 2021 but no later than 30 September 2021.
- Ms Dawn Earp was appointed as an independent director of ArcelorMittal South Africa with effect from 1 July 2021.

Dividends

No dividends were declared for the half year ended 30 June 2021.

Outlook for the second half of 2021

During the civil unrest in the second week of July 2021, we were able to effectively protect both our workforce and physical assets, but lost some production and shipments. Given the current status of the pandemic, the health and wellbeing of employees will continue to receive attention.

Conditional upon the extent of the current economic lockdown in South Africa, and therefore the avoidance of damaging the overall business sentiment, the impact of a healthier market and operating environment should be more fully reflected in the Company's performance in the second half of the year.

During these times which typically see higher activity levels and additional restoration costs being incurred, the focus on structural cost competitiveness will remain critical.

The results of the Company will continue to be impacted by the exchange rate volatility.

On behalf of the board of directors

HJ Verster
Chief Executive Officer
29 July 2021

AD Maharaj
Chief Financial Officer

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

KEY STATISTICS

	Six months ended	
	30 June 2021	30 June 2020
Unreviewed information		
Operational		
Liquid steel production (000 tonnes)	**1 526**	1 123
Total steel sales (000 tonnes)	**1 263**	1 147
- Local steel sales (000 tonnes)	**1 141**	946
- Export steel sales (000 tonnes)	**122**	201
Capacity utilisation (%)	**59**	35
Commercial coke and tar sales (000 tonnes)	**219**	143
Average net realised price (R/t)	**13 260**	9 338
Safety		
Lost time injury frequency rate	**1.13**	0.55
Reviewed information		
Financial		
Revenue (R million)	**18 596**	12 014
Profit/(loss) from operations (R million)	**2 945**	(1 528)
Profit/(loss) for the period (R million)	**2 253**	(2 304)
Profit/(loss) per share (cents)	**202**	(211)
Headline earnings/(loss) (R million)	**2 482**	(2 613)
Headline earnings/(loss) per share (cents)	**223**	(239)
Net borrowings (R million)	**2 782**	3 702
Ratios		
Return on ordinary shareholders' equity per annum:		
- Attributable profit/(loss) (%)	**129.7**	(153.2)
- Headline earnings/(loss) (%)	**142.9**	(173.7)
Net borrowings to equity (%)	**(60.5)**	(240.4)
EBITDA margin (%)	**17.3**	(10.5)
Share statistics		
Ordinary shares (thousands):		
- in issue	**1 138 060**	1 138 060
- outstanding	**1 114 613**	1 093 510
- weighted average number of shares	**1 114 613**	1 093 510
- diluted weighted average number of shares	**1 114 613**	1 093 510
Share price (closing) (Rand)	**5.23**	0.62
Market capitalisation (R million)	**5 829**	678
Net asset value per share (Rand)	**4.13**	1.41

Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)

	Six months ended	
In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Profit/(loss) from operations	**2 945**	(1 528)
Adjusted for:		
- Depreciation	**269**	266
- Amortisation of intangible assets	**4**	6
EBITDA	**3 218**	(1 256)

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INDEPENDENT AUDITOR'S REVIEW ON INTERIM 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 interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2021 and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these 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 Financial Reporting Standards Council as well as 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these 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 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 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 financial statements.

MAKING AN IMPACT THAT MATTERS since 1845

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer: Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal *MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *R Redfearn Chair of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of ArcelorMittal South Africa Limited for the six months ended 30 June 2021 are not prepared, in all material respects, in accordance with 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 as well as the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: PWM van Zijl
Partner
29 July 2021

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In millions of Rands	Notes	Six months ended 30 June 2021 Reviewed	30 June 2020 Reviewed
Revenue		**18 596**	12 014
Raw materials and consumables used		**(8 338)**	(6 276)
Employee costs		**(1 859)**	(1 677)
Energy		**(2 065)**	(1 841)
Movement in inventories of finished goods and work in progress		**(410)**	(1 453)
Depreciation		**(269)**	(266)
Amortisation of intangible assets		**(4)**	(6)
Impairment loss on trade and other receivables		**(23)**	(5)
Other operating expenses		**(2 683)**	(2 018)
Profit/(loss) from operations		**2 945**	(1 528)
Finance and investment income	6	**44**	68
Finance costs	7	**(489)**	(1 145)
Impairment reversal of property, plant and equipment	8	**-**	29
Reclassification of foreign currency differences on liquidation of foreign investment	9	**-**	280
Fair value adjustment on investment properties	11	**(224)**	-
Profit/(loss) after tax from equity accounted investments		**23**	(2)
Profit/(loss) before taxation		**2 299**	(2 298)
Income tax	12	**(46)**	(6)
Profit/(loss) for the period		**2 253**	(2 304)
Other comprehensive profit/(loss)			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on equity instrument		**(5)**	(32)
Revaluation of property, plant and equipment		**-**	30
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(8)**	6
Cash flow hedges – effective portion of changes in fair value		**-**	(271)
Reclassification of cash flow hedges to profit or loss		**-**	(96)
Reclassification of foreign currency differences on liquidation of foreign investment	9	**-**	(280)
Total comprehensive profit/(loss) for the period		**2 240**	(2 947)
Profit/(loss) attributable to:			
Owners of the Company		**2 253**	(2 304)
Total comprehensive profit/(loss) attributable to:			
Owners of the Company		**2 240**	(2 947)
Profit/(loss) per share (cents) attributable to owners of the Company			
- basic		**202**	(211)
- diluted		**202**	(211)

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of Rands	Notes	As at 30 June 2021 Reviewed	30 June 2020 Reviewed	31 December 2020 Audited
Assets				
Non-current assets		**9 184**	9 665	9 333
Property, plant and equipment		**7 735**	7 830	7 675
Investment properties	11	**751**	1 139	983
Intangible assets		**70**	65	72
Equity accounted investments		**226**	265	205
Investment held by environmental trust		**394**	348	378
Non-current receivable		**1**	9	9
Other financial assets		**7**	9	11
Current assets		**16 036**	12 948	12 476
Inventories		**8 014**	6 856	7 348
Trade and other receivables		**3 983**	2 454	1 623
Taxation		**-**	25	-
Asset held for sale	13	**-**	-	135
Other financial assets		**36**	7	30
Cash, bank balances and restricted cash	14	**4 003**	3 606	3 340
Total assets		**25 220**	22 613	21 809
Equity and Liabilities				
Shareholders' equity		**4 602**	1 540	2 344
Stated capital		**4 537**	4 537	4 537
Non-distributable reserves		**(3 687)**	(4 203)	(3 715)
Retained income		**3 752**	1 206	1 522
Non-current liabilities		**6 738**	8 911	6 673
Borrowings		**4 635**	4 208	4 514
Other payables		**273**	2 492	283
Lease obligations		**27**	60	44
Provisions		**1 803**	1 851	1 832
Other financial liabilities		**-**	300	-
Current liabilities		**13 880**	12 162	12 792
Trade payables and other payables		**9 868**	7 502	8 420
Taxation		**109**	103	106
Borrowings		**2 150**	3 100	2 450
Lease obligations		**32**	27	29
Provisions		**690**	563	770
Other financial liabilities		**1 031**	867	1 017
Total equity and liabilities		**25 220**	22 613	21 809

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Notes	Six months ended 30 June 2021 Reviewed	30 June 2020 Reviewed
Cash flows from operating activities		**1 335**	(58)
Cash generated from operations	15	**1 508**	78
Interest income		**44**	68
Finance cost		**(174)**	(204)
Income tax paid		**(43)**	-
Cash flows from investing activities		**(350)**	(248)
Investment to maintain and expand operations		**(350)**	(248)
Cash flows from financing activities		**(315)**	1 929
Borrowings (repaid)/raised		**(300)**	1 950
Finance lease obligation repaid		**(18)**	(18)
Cash settlement on long term incentive plan		**3**	(3)
Increase in cash, cash equivalents and restricted cash		**670**	1 623
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**(7)**	(5)
Cash, cash equivalents and restricted cash at beginning of the period		**3 340**	1 988
Cash, cash equivalents and restricted cash at end of the period		**4 003**	3 606

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 2020 (Reviewed)					
Balance as at 31 December 2019	4 537	(3 919)	351	3 508	4 477
Total comprehensive loss	-	-	(643)	(2 304)	(2 947)
Share-based payment reserve	-	-	10	-	10
Transfer between reserves	-	-	(2)	2	-
Balance as at 30 June 2020 – (Reviewed)	4 537	(3 919)	(284)	1 206	1 540
Six months ended 31 December 2020					
Balance as at 30 June 2020	4 537	(3 919)	(284)	1 206	1 540
Total comprehensive profit	-	-	195	331	526
Share-based payment reserve	-	-	25	-	25
Settlement of long-term incentive plan	-	-	(8)	-	(18)
Measurement of borrowings at amortised cost	-	-	261	-	261
Transfer between reserves	-	1 854	(1 839)	(15)	-
Balance as at 31 December 2020 (Audited)	4 537	(2 065)	(1 650)	1 522	2 344
Six months ended 30 June 2021					
Balance as at 31 December 2020	**4 537**	**(2 065)**	**(1 650)**	**1 522**	**2 344**
Total comprehensive income	**-**	**-**	**(13)**	**2 253**	**2 240**
Share-based payment reserve	**-**	**-**	**18**		**18**
Transfer between reserves	**-**	**-**	**23**	**(23)**	**-**
Balance as at 30 June 2021 (Reviewed)	**4 537**	**(2 065)**	**(1 622)**	**3 752**	**4 602**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. Corporate information

ArcelorMittal South Africa Limited is a public Company domiciled in the Republic of South Africa and listed on the JSE Limited. These condensed consolidated financial statements for the six months ended 30 June 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 interim financial statements for the period ended 30 June 2021 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 Mr AD Maharaj CA(SA), the chief financial officer.

The auditor's conclusion does not necessarily report on all of the information contained in this announcement. 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, except for a re-assessment of the reportable segments in terms of IFRS8 *Operating Segments* following the restructuring and implementation of the OneOrganisation principle.

4. Significant judgement, estimates and assumptions

The preparation of interim 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. Judgement, 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 the fair value measurement note
- Impairment assessment of property, plant and equipment
  At 31 December 2020 the recoverable amounts of the cash generating units (CGU) were significantly greater than its 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 2021.
- Net realisable value assessment of inventory
  The net realisable value of all inventory was compared to the cost price together with the assessment of the age of the inventory items. As at 30 June 2021, the inventory was valued at cost and a write down to net realisable value was not required.

- 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 performed as at 30 June 2021 and the impairment loss on trade and other receivables increased by R23 million compared to December 2020.

5. 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.

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, capital gains tax and value added tax-related liabilities, as applicable.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 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)
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 year	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					
Liquid steel production ('000 tonnes)	1 526	-	-	-	1 526
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/t)	13 260	-	-	-	13 260
EBITDA margin (%)	16,1	-	-	-	17,3

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2021

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 2020					
Revenue					
- External customers	11 244	770	-	-	12 014
- Internal customers	-	18	-	(18)	-
Total revenue	11 244	788	-	(18)	12 014
Results					
Earnings before interest, tax, depreciation and amortisation	(1 391)	108	28	(1)	(1 256)
Depreciation and amortisation	(223)	(34)	(15)	-	(272)
Profit/(loss) from operations	(1 614)	74	13	(1)	(1 528)
Net impairments	29	-	-	-	29
Finance and investment income	25	7	36	-	68
Finance cost	113	-	(1 258)	-	(1 145)
Reclassification of foreign currency differences on liquidation of foreign investment	-	-	280	-	280
Profit after tax from equity-accounted investments	-	-	(2)	-	(2)
(Loss)/profit before taxation	(1 447)	81	(931)	(1)	(2 298)
Income taxation expense	(9)	-	3	-	(6)
(Loss)/profit for the year	(1 456)	81	(928)	(1)	(2 304)
Segment assets (excluding investments in equity-accounted entities)	16 168	2 869	3 593	(282)	22 348
Investments in equity-accounted entities	-	-	265	-	265
Segment liabilities	7 037	1 461	12 860	(285)	21 073
Unreviewed information					
Liquid steel production ('000 tonnes)	1 123	-	-	-	1 123
Steel sales ('000 tonnes)	1 147	-	-	-	1 147
- Local	946	-	-	-	946
- Export	201	-	-	-	201
Capacity utilisation (%)	35	-	-	-	35
Average net realised price (R/t)	9 338	-	-	-	9 338
EBITDA margin (%)	(11,2)	-	-	-	(10,5)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 *continued*

Information about major customers

	Steel Operations R'm	% of group revenue
2021		
Revenue of major customers		
- Macsteel Services Centres SA (Pty) Ltd	**2 684**	**14,43**
- Allied Steelrode (Pty) Ltd	**1 494**	**8,0**
- Macsteel International Trading BV	**769**	**4,1**
Total	**4 947**	**26,6**
2020		
Revenue of major customers		
- Macsteel Services Centres SA (Pty) Ltd	1 576	13,1
- Macsteel International Trading BV	997	8,3
- Allied Steelrode (Pty) Ltd	805	6,7
Total	3 378	28,1

Note: Saldanha Steel was part of steel operations for the six months ended 30 June 2020. For the six months ended 30 June 2021 Saldanha Steel is included under non steel operations as Saldanha Steel was placed under care and maintenance after production was stopped.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 *continued*

The results of the previous segments, Flat Steel Products, Long Steel Product, Coke and Chemicals and Corporate, are as follows should it have been reported as previously:

	Flat steel products R'm	Long steel products R'm	Coke and Chemicals 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	12 044	5 321	1 231			18 596
- Internal customers	563	1 049	24		(1 636)	-
Total revenue	12 607	6 370	1 255		(1 636)	18 596
Results						
Earnings before interest, tax, depreciation and amortisation	2 601	464	401	(247)	(1)	3 218
Depreciation and amortisation	(143)	(91)	(27)	(12)	-	(273)
Profit/(loss) from operations	2 458	373	374	(259)	(1)	2 945
Finance and investment income	10	5	4	25	-	44
Finance costs	(78)	(48)	-	(363)	-	(489)
Fair value adjustment on investment properties	(82)	(118)	-	(24)	-	(224)
Profit after tax from equity-accounted investments	-	-	-	23	-	23
Profit/(loss) before taxation	2 308	212	378	(598)	(1)	2 299
Income taxation expense	(46)	-	-	-	-	(46)
Profit/(loss)/profit for the year	2 262	212	378	(598)	(1)	2 253
Segment assets (excluding investments in equity-accounted entities)	12 607	6 430	1 050	5 330	(423)	24 994
Investments in equity-accounted entities	-	-	-	226	-	226
Segment liabilities	5 406	2 932	145	12 492	(357)	20 618
Unreviewed information						
Liquid steel production ('000 tonnes)	1 019	507	-	-	-	1 526
Steel sales ('000 tonnes)	819	444	-	-	-	1 263
- Local	760	381	-	-	-	1 141
- Export	59	63	-	-	-	122
Capacity utilisation (%)	71	45	-	-	-	59
Average net realised price (R/t)	14 194	11 538	-	-	-	13 260
EBITDA margin (%)	20,6	7,3	-	-	-	17,3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 *continued*

	Flat steel products R'm	Long steel products R'm	Coke and Chemicals 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 2020						
Revenue						
- External customers	7 673	3 571	770	-	-	12 014
- Internal customers	399	606	18	-	(1 023)	-
Total revenue	8 072	4 177	788	-	(1 023)	12 014
Results						
Earnings before interest, tax, depreciation and amortisation	(674)	(717)	70	66	(1)	(1 256)
Depreciation and amortisation	(131)	(93)	(35)	(13)	-	(272)
(Loss)/profit from operations	(805)	(810)	35	53	(1)	(1 528)
Net impairments	29	-	-	-	-	29
Finance and investment income	20	5	7	36	-	68
Finance costs	(11)	124	-	(1 258)	-	(1 145)
Reclassification of foreign currency differences on liquidation of foreign investment	-	-	-	280	-	280
Profit after tax from equity-accounted investments	-	-	-	(2)	-	(2)
(Loss)/profit before taxation	(767)	(681)	42	(891)	(1)	(2 298)
Income taxation expense	(9)	-	-	3	-	(6)
(Loss)/profit for the year	(776)	(681)	42	(888)	(1)	(2 304)
Segment assets (excluding investments in equity-accounted entities)	10 728	5 668	1 205	5 029	(282)	22 348
Investments in equity-accounted entities	-	-	-	265	-	265
Segment liabilities	4 879	2 159	175	14 145	(285)	21 073
Unreviewed information						
Liquid steel production ('000 tonnes)	764	359	-	-	-	1 123
Steel sales ('000 tonnes)	756	391	-	-	-	1 147
- Local	682	264	-	-	-	946
- Export	74	127	-	-	-	201
Capacity utilisation (%)	37	31	-	-	-	35
Average net realised price (R/t)	9 613	8 807	-	-	-	9 338
EBITDA margin (%)	(8,3)	(17,2)	-	-	-	(10,5)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 *continued*

Information about major customers

	Flat steel products R'm	Long steel products R'm	Total revenue R'm	% of group revenue
2021				
Revenue of major customers				
- Macsteel Services Centres SA (Pty) Ltd	**1 760**	**924**	**2 684**	**14,43**
- Allied Steelrode (Pty) Ltd	**1 494**	**-**	**1 494**	**8,0**
- Isilo Steel (Pty) Ltd	**652**	**117**	**769**	**4,1**
Total	**3 906**	**1 041**	**4 947**	**26,6**
2020				
Revenue of major customers				
- Macsteel Services Centres SA (Pty) Ltd	1 037	539	1 576	13,1
- Macsteel International Trading BV	266	731	997	8,3
- Allied Steelrode (Pty) Ltd	805	-	805	6,7
Total	2 108	1 270	3 378	28,1

6. Finance and investment income

In millions of Rands	30 June 2021 Reviewed	30 June 2020 Reviewed
Finance income		
Bank deposit and other interest income	**44**	68

7. Finance cost

In millions of Rands	30 June 2021 Reviewed	30 June 2020 Reviewed
Interest expense on loans	**439**	387
Reversal of interest on supplier	**-**	(385)
Interest expense on finance lease obligations	**4**	5
Net foreign exchange losses on financing activities	**14**	977
Discount rate adjustment of the provisions	**(90)**	(20)
Unwinding of the discounting effect on provisions and financial liabilities	**122**	181
	489	1 145

8. Impairment reversal

In millions of Rands	30 June 2021 Reviewed	30 June 2020 Reviewed
Impairment reversal on property, plant and equipment	**-**	29

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020 *continued*

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. Reclassification of foreign currency translation differences

In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Reclassification of foreign currency translation differences	**-**	280

ArcelorMittal Investment BV, a 100% owned subsidiary, registered in the Netherlands with a functional currency of US dollars, was deregistered during 2020.

Due to the deregistration the balance in the foreign currency translation reserve had to be reclassified through profit and loss.

10. Headline earnings/(loss)

	Six months ended	
In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Profit/(loss) for the period	**2 253**	(2 304)
Adjusted for:		
- Impairment reversal	**-**	(29)
- Loss on disposal or scrapping of assets	**7**	-
- Fair value adjustment on investment properties	**224**	-
- Reclassification of foreign currency differences on liquidation of foreign investment	**-**	(280)
- Tax effect	**(2)**	-
Headline earnings/(loss) for the period	**2 482**	(2 613)
Headline earnings/(loss) per share (cents)		
- basic	**223**	(239)
- diluted	**223**	(239)

11. Investment properties

In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Balance at beginning of the period	**983**	1 080
Fair value adjustment	**(224)**	-
Foreign exchange rate movements	**(8)**	-
Transfer from property, plant and equipment	**-**	59
Balance at end of the period	**751**	1 139

12. Taxation

The effective tax rate of 2% (compared to the statutory tax rate of 27%) for the six months ended 30 June 2021 is primarily as a result of not recognising the deferred tax asset on the available income tax losses, and the derecognition of a deferred tax liability that originated from unrealised gains from cash flow hedges. The deferred tax asset was only recognised to the extent of available deferred tax liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 *continued*

Management believes that the turnaround initiatives will result in the group returning to profitability at some point in the future. However, based on 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.

13. Asset held for sale

The disposal of the 25% interest in Coza Mining (Pty) Ltd through wholly-owned subsidiary, Oakwood Trading (Pty) Ltd was completed, after the fulfilment of all conditions to the transaction.

14. Cash, bank balances and restricted cash

At 30 June 2021, ArcelorMittal South Africa has restricted cash of R950 million (2020: R414 million). This consists of R635 million (2020: R70 million) regarding the True Sales Receivables (TSR) facility and R315 million (2019: R344 million) for environmental rehabilitation obligations.

Eligible inventories and receivables are provided as securities to the lenders of the borrowing base facility to the extent of the draw down. At 30 June 2021, R2 150 million (2020: R3 100 million) was drawn down on the borrowing base facility and R2 350 million (2020: R1 400 million) was still available.

Bank accounts of R808 million (2020: R1 185 million) were ceded in favour of the lenders of the borrowing base and TSR facilities.

15. Cash generated from operations

	Six months ended	
In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Profit/(loss) from operations	**2 945**	(1 528)
Adjusted for:		
Depreciation and amortisation	**273**	272
Reversal of write-down of inventory to net realisable value	**(56)**	(128)
Other non-cash movements	**53**	30
Realised foreign exchange movement	**(46)**	(219)
Changes in:		
(Increase)/decrease in inventories	**(616)**	1 960
(Increase)/decrease in trade and other receivables	**(2 360)**	368
Changes in financial assets and liabilities	**-**	23
Increase/(decrease) in trade and other payables	**1 390**	(465)
Other payables raised, released and utilised relating to employee benefits	**60**	108
Utilisation of provisions	**(135)**	(343)
	1 508	78

16. Related party transactions

The group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (June 2020: 69%) of the group's shares. At 30 June 2021, the outstanding ArcelorMittal Holdings AG subordinated loan amounted to R4 635 million (June 2020: R4 208 million). Interest is payable on an amount of R3 178 million (June 2020: R3 178 million) at a market-related interest rate and an amount of R110 million (June 2020: R149 million) was incurred for the six months ended 30 June 2021.

During the period, the Company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business at arm's length.

17. Fair value measurements

In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed	Fair Value hierarchy	Classification
Assets				
Investment properties	**751**	**1 139**	Level 3	FVTPL
Other forward exchange contracts	**36**	**7**	Level 2	FVTPL
Equity securities	**6**	**9**	Level 1	FVTOCI
Equity securities	**394**	**348**	Level 1	FVTPL
Liabilities				
Hedging instruments designated for hedge accounting	**-**	**202**	Level 2	FVTOCI
Other forward exchange contracts	**13**	**4**	Level 2	FVTPL

FVTPL – Fair value through profit or loss.
FVTOCI – Fair value through other comprehensive income.
Valuation techniques

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.	Observable market data
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.

In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed	Fair Value hierarchy	Classification
Level 3: Inputs for the assets or liability are not based on observable market data (unobservable inputs)	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 or the market approach. The valuation approach for two of the properties was changed from the income capitalisation method and depreciable replacement cost approach to the market approach. This change in the valuation approach was due to changes in the use of the underlying properties and let to a decrease in the fair value of these properties to an amount of R220 million. 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 and discount rate were applied: Expense ratio 17.3% - 18.4% Vacancy provision 5% - 7,5% Exit capitalisation rate 12.5% - 13.5%			
	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 research together with asking current prices in the surrounding areas. The market value for the improvements on the Farm were determined by using the depreciated replacement cost method of valuation.			

18. Commitments

	Six months ended	
In millions of Rands	**30 June 2021 Reviewed**	30 June 2020 Reviewed
Capital expenditure authorised and contracted for	**1 186**	1 066
Capital expenditure authorised but not contracted for	**955**	772
Total	**2 141**	1 838

Included in capital expenditure above is an amount of R790 million (June 2020: R908 million) for equipment to address emissions at Vanderbijlpark operations over the next two years.

19. Going Concern

The group's profit after tax of R2 253 million for the six months ended 30 June 2021, contrast sharply against the loss of R2 304 million reported for the comparable period ended 30 June 2020. The profit of R2 253 million is mainly attributable to:

- 42% increase in realised selling prices;
- 10% increase in sales volumes;
- 36% increase in liquid steel production; and
- Business Transformation Programme savings of R1 001 million.

The group generated free cash flow of R985 million, resulting in a net debt of R2 782 million against R3 702 million for the comparative period and R3 624 million at 31 December 2020. This decrease in net debt was achieved despite a R1 661 million investment in working capital.

At 30 June 2021, the group was in compliance with all covenants as it pertains to the borrowing-based facility. The balance of the borrowing-based facility was R2 150 million (31 December 2020: R2 450 million). The group continues to work closely with all lenders to ensure the required facilities remains in place and is currently in the process of renewing the borrowing base facility for a new 3-year period, since the current facility reduce by one-twelfth per month over the next 12-months.

ArcelorMittal Holding AG continued to demonstrate their support through its sub-ordinated group loan being extended.

Based on the group's 12-month funding plan and taking banking facilities into account, together with the continued support from the holding Company, ArcelorMittal Holdings AG, the board believes that the group has sufficient funds to pay debts as they become due over the next 12 months.

Assumptions and events, specifically COVID-19 and exchange rate volatility, remains uncontrollable that will have an impact on the business.

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

Based on the above, the Directors conclude that the going concern assumption is appropriate in the preparation of the group and Company financial statements.

20. Subsequent events

Following the unprecedented unrest and rioting in South Africa, especially in KwaZulu - Natal and Gauteng in the second week of July 2021 impacting major highways and transport routes, the Company declared a force majeure event. This was necessitated after transport companies gave noticed of force majeure event. These force majeure events were lifted during the third week of July 2021. The impact on the operations of the Company were not significant and lost dispatches to customers should be recovered in August.

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 whose impact could cause actual results and group 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 Davey º
D Earp*
GS Gouws
NP Gosa
R Karol+
NP Mnxasana*
KMM Musonda*^
NF Nicolau*

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

Executive directors
HJ Verster (Chief executive officer)
AD Maharaj (Chief financial officer)

Release date
29 July 2021

ArcelorMittal South Africa Limited
Registration number 1989/002164/06
Share code: ACL ISIN: ZAE 000134961
("ArcelorMittal South Africa", "the Company" or "the group")

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

Auditors
Deloitte & Touche
5 Magwa Crescent
Waterfall City, 2090