ArcelorMittal

Annual financial statements 2021

Report contents

Additional online reporting

The full 2021 financial statements provide comprehensive insight into the financial position and performance of the company for the year. These are available at **https://arcelormittalsa.com/investorrelations/annualfinancialstatements.aspx.**

Our King IV* application statement is also available online at **https://www.arcelormittalsa.com/Sustainability/CorporateGovernance.aspx**

Directors' responsibility and approval of the group and company annual financial statements

To the shareholders of ArcelorMittal South Africa Ltd

The board of directors (directors) is required to maintain adequate accounting records and is responsible for the content and integrity of the consolidated group and company annual financial statements (annual financial statements) and related financial information included in this report. It is their responsibility to ensure that the annual financial statements, comprising the statements of financial position as at 31 December 2021, the statements of comprehensive income, cash flows, changes in equity for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, are prepared in accordance with International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants (SAICA), Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, audited in accordance with International Standards on Auditing, the requirements of the Companies Act 71 of 2008, as amended (Companies Act) and the Johannesburg Stock Exchange (JSE) Listings Requirements. The annual financial statements have been prepared by the finance staff of ArcelorMittal South Africa Ltd, headed and supervised by SM van Wyk CA(SA), the group's interim chief financial officer.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The directors, primarily through the audit and risk committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit and risk committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the period under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements.

The directors have reviewed the group and company's financial budgets for the year to 31 December 2022. In light of their review of the current financial position and existing borrowing facilities, they consider it appropriate that the group and company annual financial statements continue to be prepared on the going concern basis. Refer to note 40 and the directors' report for further details.

The financial statements for the year ended 31 December 2021 have been audited by Deloitte & Touche, the company's independent external auditors, whose report can be found on pages 12 to 15 .

The directors of the company accept responsibility for the annual financial statements which were approved by the board of directors on 12 April 2022 and are signed on its behalf by:

HJ Verster
Chief executive officer

SM van Wyk
Interim chief financial officer

Statement by the chief executive officer and interim chief financial officer in terms of the JSE's Listings Requirements paragraph 3.84(k)

The directors, whose names are stated below, hereby confirm that:

(a) The annual financial statements set out on pages 16 to 103, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS

(b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to prepare the financial statements of the issuer effectively

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action

HJ Verster
Chief executive officer
12 April 2022

SM van Wyk
Interim chief financial officer
12 April 2022

Certificate by the company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission all returns and notices required of a public company and that all such returns are true, correct and up to date.

FluidRock Co Sec (Pty) Ltd
Company secretary
12 April 2022

Directors' report

for the year ended 31 December 2021

The directors submit their report for the year ended 31 December 2021.

Nature of business

ArcelorMittal South Africa Ltd (ArcelorMittal South Africa or the company) and its subsidiaries (together, the group) manufacture and sell long and flat steel products and beneficiated by-products. The group's operations are primarily concentrated in South Africa with a sales focus domestically and internationally, with a specific emphasis on sub-Saharan Africa.

The company is a public company incorporated and domiciled in South Africa. The address of the registered office is detailed on page 104 of this report.

The company is listed on the main board of the JSE Ltd in Johannesburg, South Africa, and is a subsidiary of ArcelorMittal Holdings AG, which is part of the ArcelorMittal group. The functional and reporting currency is the South African rand (ZAR).

Financial results and activities

The contents of the annual financial statements fairly presents the financial performance of the group for the financial year ended 31 December 2021.

Further detailed reports on the activities and performance of the group and the various segments of the group are contained in the integrated report and environmental, social and governance (ESG) report.

At 31 December 2021, the group had a net asset value per share of 812 cents (2020: 210 cents). The net asset value per share was calculated using a net asset value of R9 053 million (2020: R2 344 million), and total number of shares outstanding of 1 114 612 789 (2020: 1 114 612 789).

Refer to note 12 of the annual financial statements for information on profit/(loss) and headline profit/(loss) per share.

Dividends

Consistent with the group's dividend policy, payment of dividends is subject to the discretion of the board of directors. No dividends were declared for the 2021 financial year (2020: Rnil).

Property, plant and equipment

Details of capital expenditure are provided in note 38.

Compliance with Competition Commission (the Commission) Settlement Agreement

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

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

Authorised and issued share capital

Details of the authorised and issued share capital are set out in note 25 of the annual financial statements.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, holds 53.1% (2020: 53.1%) of the ordinary shares in issue and an effective shareholding of 69.2% (2020: 69.2%). Details of beneficial shareholders equal to or exceeding 5% as at 31 December 2021 are disclosed in note 25.

Directors' interests

The details of the beneficial direct and indirect interests of executive directors in the shares of the company are set out in note 36 of these annual financial statements.

Details of the direct and indirect interests of non-executive and executive directors, including their associates, in the shares of the company are set out below:

	2021			2020		
Director	Direct	Indirect	Total	Direct	Indirect	Total
JRD Modise	–	–	–	85 025	–	85 025
NF Nicolau	100 000	–	100 000	100 000	–	100 000
NP Gosa	–	68 566 674	68 566 674	–	68 566 674	68 566 674
GS Gouws	–	292	292	–	292	292
AD Maharaj	450	–	450	450	–	450
PM Makwana	–	–	–	50	–	50
Total	100 450	68 586 966	68 687 416	185 525	68 566 966	68 752 491

Ms NP Mnxasana declared her interest regarding the relationship between Noma Namuhla Trading and Projects (Pty) Ltd (Noma), a company owned by NP Mnxasana, and ArcelorMittal South Africa. In terms of the arrangement, Noma participates in ArcelorMittal South Africa's enterprise and supplier development initiatives and supplied products and services to ArcelorMittal South Africa totalling Rnil (2019: R69 000). An interest-free loan of R350 000 with no fixed repayment terms was granted under the terms of the supplier development initiative to Noma in fiscal year 2016 and is still outstanding.

There have been no changes to the directors' interests since the financial year ended 31 December 2021 and the date of this report.

Investments in joint ventures, associates and subsidiaries

The financial information in respect of interests in jointly controlled entities, associates and subsidiaries of the company is disclosed in notes 17 and 18 of the annual financial statements.

Borrowing powers

In terms of clause 35 of the Memorandum of Incorporation, the directors have the power to borrow for purposes of the company and secure payment or repayment of such sums subject to the aggregate sum (if any) authorised to be borrowed at that time.

Directors' report continued

for the year ended 31 December 2021

Directorate

Mr JRD Modise resigned as a non-executive director and as chairman of the audit and risk committee with effect from 26 January 2021. The board appointed Ms NP Mnxasana, an independent non-executive director and member of the audit and risk committee, as chairperson of the audit and risk committee with effect from 29 January 2021.

Mr B Aranha has resigned as a non-executive director with effect from 31 March 2021. The board has appointed Mr B Davey as a non-executive director with effect from 1 April 2021.

Ms D Earp was appointed as an independent director with effect from 1 July 2021.

Mr AD Maharaj resigned as chief financial officer effective from 30 September 2021. The board has approved the appointment of Ms SM van Wyk, senior manager responsible for statutory reporting, as interim chief financial officer (CFO), effective from 1 October 2021.

The names and details of the directors who presently hold office and served on the various committees of the board are set out in the integrated report and ESG report.

Retirement by rotation

Directors are appointed in line with the Memorandum of Incorporation and in terms thereof a third shall retire at each annual general meeting (AGM), subject to being eligible for re-election.

The chairman of the board, Mr PM Makwana, as well as Ms NP Mnxasana, who were appointed as directors in 2013, have indicated that they would not be available for re-election at the AGM in 2022, in light of the fact that as at that date each would have served a period of about nine years as directors. Consequently, the board initiated a process to identify suitable directors for appointment during 2022, and in particular, a director that could be considered for appointment as chairman of the board.

A company was appointed to assist with the process and after having interviewed shortlisted candidates, and based on the recommendation of the human resources, remuneration and nominations committee, the board identified suitable candidates to be appointed as directors of the company.

In the circumstances, shareholders are advised as follows:

- Mr Mpho Makwana and Ms Nomavuso Mnxasana will retire by rotation at the AGM in May 2022
- Mr Bonang Mohale and Mr Abe Thebyane will in due course be nominated for appointment as directors at the AGM. Should Mr Bonang Mohale's appointment be approved at the AGM, the board intends appointing Mr Bonang Mohale as chairman of the board
- Mr Bonang Mohale is the president of Business Unity South Africa (BUSA), chancellor of the University of the Free State, professor of the practice in the Johannesburg Business School (JBS) College of Business and Economics, chairman of both Bidvest Group Ltd and SBV Services. He is the author of the bestselling books, "Lift As You Rise" and "Behold The Turtle!"
- Mr Abe Thebyane currently serves on the board of AVI Group as the lead independent director and chairs the remuneration committee. He has vast experience in the field of human resources in both the mining and banking industries

Going concern

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

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

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

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

As required, the directors have prepared cash flow forecasts for a period of 12 months from the end of the reporting period, based on the most recent forecast and all available information. The forecast takes into account, among other initiatives, the continued business transformation programme that has proved to realise cost savings over the past four years of R5 600 million.

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

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

Independent auditors

Deloitte & Touche (Deloitte) continued in office as auditors of the group for the year.

The group financial statements have been audited by the independent auditors, Deloitte.

The board has endorsed the recommendation of the audit and risk committee (committee) to shareholders that Ernst & Young (E&Y) be appointed as the independent auditors of the group for the ensuing year, with effect from the date of the AGM to be held on 19 May 2022. The committee has confirmed that E&Y is independent of the company as required by section 90 of the Companies Act. The board agrees with the committee's assessment.

The change in the external auditors from Deloitte to E&Y was required in terms of the Independent Regulatory Board of Auditors mandatory audit firm rotation rule.

Subsequent events

On 24 February 2021, the Minister of Finance announced a change in the corporate income tax rate from 28% to 27%, applicable to companies. The minister further announced on 23 February 2022 that this change is effective for companies with years of assessment commencing on or after 1 April 2022. Current and deferred tax balances are reflected at 28% as the rate which was substantively enacted at 31 December 2021. Had we recorded a deferred tax asset, the estimated impact of the rate change would result in a R408 million decrease in deferred tax asset for the group and R297 million decrease for the company. The change in corporate income tax rate is considered a non-adjusting event after the reporting period.

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

Audit and risk committee report

The audit and risk committee (the committee) has pleasure in submitting its report for the year ended 31 December 2021 to the shareholders as required by section 94(7)(f) of the Companies Act 71 of 2008, as amended (Companies Act). The committee confirms that it has executed the responsibilities set out in section 3.84(g) of the JSE Listings Requirements.

Membership of the committee and attendance at meetings

Mr JRD Modise resigned as a non-executive director and independent chairman with effect from 26 January 2021.

Ms NP Mnxasana, an independent non-executive director and member of the audit and risk committee, has been appointed as chairperson of the audit and risk committee and Mr NF Nicolau, an independent non-executive director, was appointed as an additional member of the committee pursuant to section 94(6) of the Companies Act, both with effect from 29 January 2021.

In compliance with the Companies Act, the following committee members were elected by shareholders at the annual general meeting (AGM) of the company held in 2021 to serve until the next AGM on Thursday, 19 May 2022:

- NP Mnxasana (independent chairperson)
- NF Nicolau (independent non-executive director)
- LC Cele (independent non-executive director)

The committee comprises only independent non-executive directors who are all financially literate and have the adequate, relevant skills and experience to execute their duties and responsibilities effectively.

The experience and qualifications of the members and the details of the committee meetings attended by each of the members are set out in the integrated report and the environmental, social and governance (ESG) report.

The committee held seven meetings during the past financial year. The CEO and CFO attend committee meetings by invitation.

Functions of the committee

The committee reports that it has adopted appropriate formal terms of reference as its mandate and has regulated its affairs in compliance with this mandate and has discharged all of the responsibilities set out therein. During the financial year under review, the committee carried out its functions by reviewing the following matters:

- Considered and satisfied itself of the appropriateness of the expertise and experience of the interim chief financial officer
- Reviewed and approved, for recommendation to and approval by the board, the interim reports and the integrated report, the ESG report, the annual financial statements, preliminary reports, accounting policies for the company and all subsidiaries, and other announcements regarding the company's results or other financial information that was made public
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal controls, including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- Assessed the suitability for appointment of the audit firm and designated individual partner
- The auditor's findings and recommendations
- Statements on ethical standards for the company and considered how they are promoted and enforced
- Significant cases of unethical activity by employees or by the company itself
- Reports on the risk management process in the company and assessed the company's exposure to the following risks:
  - Top strategic risks (including credit risk, liquidity risks, market risk, human resources risks and compliance risks)
  - Operational risks
  - Information technology risks

Independence and effectiveness of the external auditor

Deloitte & Touche (Deloitte) was reappointed as auditor of the company until the next AGM. During the year, the committee reviewed a presentation by Deloitte and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte as external auditors. The committee is satisfied that the auditor has at all times acted with unimpaired independence. Deloitte has been the auditor since 2005. A letter in terms of the Johannesburg Stock Exchange (JSE) Listings Requirements, paragraph 22.15(h) has been submitted by Deloitte. The committee is satisfied that Deloitte is compliant with the relevant external audit partner JSE qualification and the rotation rules, whereby the lead engagement partner is required to rotate every five years. The current lead partner has been the auditor since June 2021.

The committee further approved the fees paid to Deloitte and its terms of engagement. The details of the fees paid to Deloitte are disclosed in note 8 to the annual financial statements.

All non-audit services were approved by the committee during the current financial year in accordance with the board-approved policy on non-audit services performed by the external auditor. The committee meets with the auditor independently of senior management.

The committee agendas provide for confidential meetings between committee members and the internal and external auditors.

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Ltd and the group for the year ended 31 December 2021 and, based on the information provided to the committee, considers that the group and company and comply, in all material respects, with the requirements of the Companies Act, the IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council and applicable legislation.

Key financial statement reporting issues

The committee reviewed the critical judgements and assumptions made by management together with the sensitivity analyses performed and the conclusions on the key financial statement reporting issues during the year. The key issues are:

- Impairment of property, plant and equipment
  The committee reviewed and assessed the assumptions used in determining the recoverable amount of the cash generating units (CGUs). The committee supported management's recommendation that none of the CGUs should be impaired
- Environmental remediation provision and asset retirement obligation
  The committee reviewed the key assumptions and the discount rate used together with the movement in the provisions. The committee is satisfied that these provisions were externally reviewed during 2019 and the methods applied since 2019 are consistent

The committee had oversight and monitored the liquidity and cash management including the covenants of the borrowing based facility (BBF). The committee is satisfied that the group and company have complied with all covenants as at year-end and that the liquidity position is adequate to support the going concern basis applied in preparing the financial statements.

Internal financial controls

The committee has oversight of the group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees cooperation between internal and external auditors and serves as a link between the board of directors and these functions. The head of internal audit reports administratively to the chief executive officer and functionally to the chairman of the committee and head of group internal audit of the holding company, ArcelorMittal Holdings AG.

The CEO and interim CFO's evaluation of controls included the identification and classification of risks together with the determination of materiality, the testing of the design and determining the implementation of controls.

The committee, the CEO and interim CFO rely on the assurance provided by the internal audit function of the group on the system of internal financial controls. Management provides quarterly feedback on the status of the effectiveness of internal controls together with remediation action plans. The committee has discussed the impact of the internal control deficiencies together with compensating controls, including financial statement review controls with internal and external auditors as well as management.

Combined assurance

The committee is responsible for monitoring the appropriateness of the company's combined assurance model and ensuring that significant risks facing the company are adequately addressed as well as monitoring the relationship between the external assurance providers and the company. The committee further ensured that the combined assurance provided by the internal and external assurance providers and management are sufficient to satisfy the committee that significant risk areas with the company have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

Audit and risk committee report continued

Expertise and experience of the chief financial officer and the finance function

Mr AD Maharaj resigned as from 30 September 2021. The board approved the appointment of Ms SM van Wyk, senior manager responsible for statutory reporting, as interim chief financial officer (CFO), effective from 1 October 2021. With her many years of experience at ArcelorMittal South Africa and extensive knowledge of our financial operations, Ms SM van Wyk will fill this role until a new suitable successor has been appointed.

The committee has satisfied itself that the interim CFO, Ms SM van Wyk, has the appropriate expertise and experience to carry out her duties.

The committee has assessed the competency, skills and resourcing of the group's finance function, and is satisfied as to the overall adequacy and appropriateness of the finance function, and further ensured that the company has established appropriate financial reporting procedures and that these procedures are operating.

Based on an assessment performed annually, the committee is of the opinion that the finance function, as well as the interim CFO, is effective.

Expertise and experience of the company secretary

The committee has satisfied itself that FluidRock Co Sec (Pty) Ltd has the appropriate competence and experience to serve as company secretary of the company.

Discharge of responsibilities

The company continues to prepare group accounts that comply with IFRS and the statutory requirements of the Companies Act and the JSE Listings Requirements, and these responsibilities are discharged within an acceptable timeframe.

The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the board and the shareholders. On all responsibilities delegated to it by the board, apart from the statutory duties, the committee makes recommendations for approval by the board.

The committee determined that, during the financial year under review, it had discharged its legal and other responsibilities as outlined in its terms of reference, details of which are included in the integrated report and the ESG report.

The chairperson of the committee attends the AGM and is available to answer any questions in relation to matters pertaining to the committee.

NP Mnxasana
Chairperson
12 April 2022

Shareholders' analysis

ArcelorMittal South Africa Ltd

Analysis of ordinary shareholders as at 31 December 2021

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	40 876	88.92	4 794 283	0.42
1 001 – 10 000	3 706	8.06	12 324 291	1.08
10 001 – 100 000	1 101	2.40	34 328 087	3.02
100 001 – 1 000 000	246	0.54	71 165 983	6.25
Over 1 000 000	39	0.08	1 015 447 181	89.23
Total	**45 968**	**100.00**	**1 138 059 825**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Corporate holdings	3	0.01	771 535 624	67.79
Retirement benefit funds	21	0.05	32 788 767	2.88
Collective investment schemes and hedge funds	42	0.09	13 263 793	1.17
Retail shareholders, trusts and private companies	1 390	3.02	140 030 348	12.30
Other managed funds	14	0.03	97 250 607	8.55
Custodians, brokers and nominees	41	0.09	59 112 932	5.19
Unclassified holders (less than 10 000 shares)	44 457	96.71	24 077 754	2.12
Total	**45 968**	**100.00**	**1 138 059 825**	**100.00**

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	7	0.01	771 636 690	67.80
Directors and associates	3	0.01	100 742	0.01
GS Gouws	1	0.00	292	0.00
AD Maharaj	1	0.00	450	0.00
NF Nicolau	1	0.00	100 000	0.01
ArcelorMittal SA Ltd	2	0.00	46 548	0.00
ArcelorMittal Holdings AG	2	0.00	771 489 400	67.79
Public shareholders	45 961	99.99	366 423 135	32.20
Total	**45 968**	**100.00**	**1 138 059 825**	**100.00**

Fund managers with a holding in 5% or more of the issued shares	Number of shares	% of issued capital
None		

Shareholders' analysis continued

Beneficial shareholders with a holding in 5% or more of the issued shares	Number of shares	% of issued capital
ArcelorMittal Holdings AG	771 489 724	67.79
Industrial Development Corporation	93 044 068	8.18
Amandla We Nsimbe (RF) (Pty) Ltd – A1 Shares	243 240 276	–
The Isabelo Employee Share Trust – A2 shares	72 972 083	–
Total	**1 180 746 151**	**75.97**

Beneficial shareholders in the A1 and A2 register	A1 shares	A2 shares
Amandla We Nsimbe (RF) (Pty) Ltd	243 240 276	–
The Isabelo Employee Share Trust	–	72 972 083
Total	**243 240 276**	**72 972 083**

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Switzerland	8	0.02	777 182 091	68.29
South Africa	45 680	99.37	342 271 874	30.08
United States	23	0.05	9 940 938	0.87
United Kingdom	28	0.06	5 352 101	0.47
Namibia	100	0.22	1 651 850	0.15
Luxembourg	1	0.00	962 336	0.08
Swaziland	33	0.07	449 800	0.04
Balance	95	0.21	248 835	0.02
Total	**45 968**	**100.00**	**1 138 059 825**	**100.00**

Share price performance	
Opening price 4 January 2021	R1.00
Closing price 31 December 2021	R8.88
Closing high for period	R9.00
Closing low for period	R1.03
Number of shares in issue	1 138 059 825
Volume traded during period	630 991 155
Ratio of volume traded to shares issued (%)	55.44
Rand value traded during the period	3 190 143 697
Price/earnings ratio as at 31 December 2021	3.21
Earnings yield as at 31 December 2021 (%)	31.19
Dividend yield as at 31 December 2021 (%)	–
Market capitalisation at 31 December 2021	R10 105 971 246

Independent auditor's report

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LTD

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of ArcelorMittal South Africa Ltd (the group and company) set out on pages 16 to 103, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of ArcelorMittal South Africa Ltd and its subsidiaries as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

Valuation of property, plant and equipment

Key audit matter	How the matter was addressed in the audit
As disclosed in notes 3.3 and 14 of the consolidated and separate financial statements, the following significant judgements and estimates impact the valuation of property plant and equipment: • Impairment assessment of property, plant and equipment • Residual values and useful lives of property, plant and equipment Judgement is required by the directors in assessing the impairment of the group of assets or the cash generating units (CGUs), which is determined with reference to fair value less cost to sell or the value in use, based on the cash flow forecast for each CGU. The discounted cash flow model used to determine the recoverable amount of the CGUs is detailed and complex and included the following key inputs: • Future sales volumes and selling prices • The discount rate, which is based on the weighted average cost of capital. The determination of the weighted average cost of capital is highly complex • The company-specific risk premium applied to the discount rate to address the forecasting risk identified in the CGUs, as well as the risk related to decarbonising the steel making process • Exchange rate forecasts • Projected input cost prices The complexity of the above, as well as the judgements related to determining the useful lives and residual values of property plant and equipment results in complex accounting considerations and this was determined as a key audit matter.	In evaluating the impairment assessment of property, plant and equipment within the Vanderbijlpark and Newcastle CGUs, we reviewed the value-in-use calculations prepared by the directors, with a particular focus on the assumptions with the most significant impact. We performed various procedures, including the following: • Testing of the key entity's controls relating to the preparation and management review of the cash flow forecasts • Testing of inputs into the cash flow forecast, including the assumptions relating to revenue growth, in particular the forecasted sales volumes and input prices, against historical performance and in comparison to the directors' strategic plans in respect of the applicable CGUs • Consideration of the directors' ability to accurately forecast, based on a comparison of historical actual performance against previous forecasts • We engaged our internal valuation experts to perform the following: – Critically evaluate whether the value-in-use calculation used by the directors to calculate the value-in-use of the individual cash-generating units complies with the requirements of IAS 36 *Impairment of Assets* (IAS 36) – Compare the growth rates used to historical data regarding economic growth rates for the regions included in the CGUs – Assess the weighted average cost of capital including the company-specific risk premium (discount rate) and the determination of this rate – Assess the exchange rates used in the model to ensure that they comply with the requirements of IAS 36 in relation to the valuation method used – Analyse the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of the applicable CGUs, against external market data, historical performance and forecasts • Compared the forecast commodity prices (iron ore and coking coal) used in determining the sales prices and input costs against independent third-party sources • Subjecting the key assumptions to sensitivity analysis • Recalculated the value in use of all CGUs • Compared the value in use of each CGU to its carrying value We assessed the management review control as effective. We assessed most of the assumptions to be balanced and within appropriate ranges. We assessed the discount rate as conservatively determined at a level above our independently determined range which, at this conservative level, did not highlight the need for further impairment in the current period. We assessed the controls over management's determination of residual values and useful lives of property, plant and equipment as effective. We evaluated the useful lives and residual values of property, plant and equipment on a sample basis. We independently recalculated the depreciation recorded for the year based on the aforementioned inputs. We considered the related disclosures to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ArcelorMittal South Africa Ltd's annual financial statements for the year ended 31 December 2021", which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the integrated report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern

Independent auditor's report continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of ArcelorMittal South Africa Ltd for 17 years.

DocuSigned by:
Deloitte & Touche
5BB2CBE87EC44AE...

Deloitte & Touche

Registered auditor
Per: PWM van Zijl
Partner

12 April 2022

5 Magwa Crescent
Waterfall City
Gauteng, 2090

Group and company statements of comprehensive income

for the year ended 31 December 2021

	Notes	Group 2021 Rm	Group Restated* 2020 Rm	Company 2021 Rm	Company Restated* 2020 Rm
Revenue	4	39 708	24 643	39 646	24 085
Raw materials and consumables used		(19 634)	(12 840)	(19 619)	(13 214)
Employee costs		(3 786)	(3 457)	(3 754)	(3 447)
Energy		(4 476)	(3 598)	(4 360)	(3 215)
Movement in inventories of finished goods and work-in-progress		2 955	(1 203)	2 956	(542)
Depreciation		(589)	(546)	(589)	(546)
Amortisation of intangible assets		(12)	(10)	(12)	(10)
Impairment of trade receivables		(14)	(4)	(14)	(4)
Other operating expenses		(6 179)	(3 909)	(6 106)	(3 764)
Net impairment reversal on financial assets	6	3	57	198	52
Net impairment loss on non-financial assets	7	–	(96)	–	(125)
Profit/(loss) from operations	8	7 976	(963)	8 346	(730)
Finance and investment income	9	165	112	165	125
Finance costs	10	(1 328)	(1 235)	(1 294)	(1 211)
Income after tax from equity-accounted investments		40	13	–	–
Fair value adjustment on investment properties	15	(228)	(118)	(95)	(131)
Reclassification of foreign currency differences on liquidation of foreign investment		–	280	–	–
Profit/(loss) before taxation		6 625	(1 911)	7 122	(1 947)
Income taxation expense	11	–	(62)	–	(48)
Profit/(loss) for the year		6 625	(1 973)	7 122	(1 995)
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss:					
Equity investments at fair value through other comprehensive income (FVTOCI) – net change in fair value (net of tax)		(5)	(29)	(5)	(29)
Revaluation of property, plant and equipment		–	30	–	1
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations (net of tax)		(1)	(36)	–	–
Share of other comprehensive income of equity-accounted investments (net of tax)		1	3	–	–
Reclassification of foreign currency differences on liquidation of foreign investment (net of tax)		–	(280)	–	–
Cash flow hedges – effective portion of changes in fair value (net of tax)		–	(202)	–	(202)
Cash flow hedges – reclassified to profit or loss (net of tax)		–	66	–	66
Total comprehensive profit/(loss) for the year		6 620	(2 421)	7 117	(2 159)
Profit/(loss) attributable to:					
Owners of the company		6 625	(1 973)	7 122	(1 995)
Total comprehensive profit/(loss) attributable to:					
Owners of the company		6 620	(2 421)	7 117	(2 159)
Profit/(loss) per share (cents)					
– Basic	12	594	(180)	–	–
– Diluted	12	594	(180)	–	–

** Profit/(loss) from operations has been restated to include net impairment reversal/(impairment loss) as part of the JSE proactive monitoring of financial statements. Refer to note 2.3 for disclosure related to the restatement.*

Group and company statements of financial position

as at 31 December 2021

	Notes	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	14	8 065	7 675	8 051	7 675
Investment properties	15	754	983	636	731
Intangible assets	16	67	72	67	72
Equity-accounted investments	17	227	205	168	172
Investments in subsidiaries	18	–	–	1 510	797
Investments held by environmental trust	19	412	378	–	–
Non-current receivables	22	21	9	21	9
Other financial assets	20	6	11	6	11
Total non-current assets		9 552	9 333	10 459	9 467
Current assets					
Inventories	21	12 175	7 348	12 113	7 251
Trade and other receivables	22	2 712	1 623	2 654	1 602
Asset held-for-sale	23	–	135	–	–
Other financial assets	20	2	30	2	30
Cash, bank balances and restricted cash	24	4 652	3 340	4 648	3 337
Total current assets		19 541	12 476	19 417	12 220
Total assets		29 093	21 809	29 876	21 687
EQUITY AND LIABILITIES					
Equity					
Stated capital	25	4 537	4 537	4 537	4 537
Reserves		(3 594)	(3 715)	1 314	1 229
Retained income/(accumulated loss)		8 110	1 522	4 502	(2 620)
Total equity		9 053	2 344	10 353	3 146
Non-current liabilities					
Borrowings	26	3 700	4 514	3 700	4 514
Lease obligations	27	60	44	60	30
Provisions	28	1 716	1 832	1 501	1 557
Trade and other payables	29	279	283	278	282
Total non-current liabilities		5 755	6 673	5 539	6 383
Current liabilities					
Borrowings	26	2 210	2 450	2 210	2 450
Lease obligations	27	29	29	16	12
Provisions	28	820	770	746	695
Trade and other payables	29	10 059	8 420	9 957	7 984
Other financial liabilities	30	1 055	1 017	1 055	1 017
Taxation		112	106	–	–
Total current liabilities		14 285	12 792	13 984	12 158
Total equity and liabilities		29 093	21 809	29 876	21 687

Group and company statements of cash flows

for the year ended 31 December 2021

		Group		Company	
	Notes	2021 Rm	2020 Rm	2021 Rm	Restated 2020 Rm
Cash flows from operating activities					
Cash generated from operations	31.1	3 024	867	3 636	1 368
Interest income		66	111	65	111
Finance costs	31.2	(327)	(380)	(306)	(355)
Income tax refunded	31.3	–	24	–	25
Net cash generated by operating activities		2 763	622	3 395	1 149
Cash flows from investing activities					
Investment to maintain operations	31.4	(820)	(469)	(811)	(450)
Investment to expand operations	31.5	(40)	(40)	(36)	(39)
Proceeds on disposal or scrapping of assets		17	4	11	–
Proceeds from equity-accounted investments		17	–	17	–
Dividend from equity-accounted investments/subsidiaries		3	–	3	15
Proceeds from assets held-for-sale		135	–	–	–
Loans advanced to subsidiaries*		–	–	(525)	(563)
Net cash utilised by investing activities		(688)	(505)	(1 341)	(1 037)
Cash flows from financing activities					
Net borrowings (repaid)/raised	31.6	(650)	1 300	(650)	1 300
Lease obligation repaid		(36)	(35)	(16)	(14)
Settlement on long-term incentive plans (LTIPs)		(78)	(8)	(78)	(7)
Net cash (utilised)/generated by financing activities		(764)	1 257	(744)	1 279
Net increase in cash, cash equivalents and restricted cash		1 311	1 374	1 310	1 391
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		1	(22)	1	(26)
Cash, cash equivalents and restricted cash at the beginning of the year		3 340	1 988	3 337	1 972
Cash, cash equivalents and restricted cash at the end of the year		4 652	3 340	4 648	3 337

* *Loans advanced to subsidiaries was incorrectly presented as a financing activity in the prior period. It is now correctly presented as an investing activity. The correction did not result in any changes in figures reported.*

Group and company statements of changes in equity

for the year ended 31 December 2021

	Stated capital Rm	Retained income Rm	Treasury share equity reserve[1] Rm	Management share trust reserve[2] Rm	Share-based payment reserve[3] Rm	Attributable reserves of equity-accounted investments Rm	Other reserves[4] Rm	Total equity Rm
Group								
Year ended 31 December 2020								
Balance as at 1 January 2020	4 537	3 508	(3 919)	(302)	1 282	(830)	201	4 477
Total comprehensive (loss)/income for the year	–	(1 973)	–	–	–	3	(451)	(2 421)
Loss	–	(1 973)	–	–	–	–	–	(1 973)
Other comprehensive income/(loss)	–	–	–	–	–	3	(451)	(448)
Share-based payment expense	–	–	–	–	35	–	–	35
Settlement on LTIP	–	–	–	–	(8)	–	–	(8)
Deemed equity contribution	–	–	–	–	–	–	261	261
Transfer between reserves	–	(13)	1 854	–	–	13	(1 854)	–
Balance at 31 December 2020	4 537	1 522	(2 065)	(302)	1 309	(814)	(1 843)	2 344
Year ended 31 December 2021								
Balance as at 1 January 2021	4 537	1 522	(2 065)	(302)	1 309	(814)	(1 843)	2 344
Total comprehensive profit for the year	–	6 625	–	–	–	1	(6)	6 620
Profit	–	6 625	–	–	–	–	–	6 625
Other comprehensive loss	–	–	–	–	–	1	(6)	(5)
Share-based payment expense	–	–	–	–	30	–	–	30
Settlement on LTIP	–	–	–	–	(78)	–	–	(78)
Deemed equity contribution	–	–	–	–	–	–	137	137
Transfer between reserves	–	(37)	–	–	–	37	–	–
Balance at 31 December 2021	4 537	8 110	(2 065)	(302)	1 261	(776)	(1 712)	9 053

Group and company statements of changes in equity continued

for the year ended 31 December 2021

	Stated capital Rm	Retained income/ (accumulated loss) Rm	Treasury share equity reserve[1] Rm	Management share trust reserve[2] Rm	Share-based payment reserve[3] Rm	Other reserves[4] Rm	Total equity Rm
Company							
Year ended 31 December 2020							
Balance as at 1 January 2020	4 537	(625)	–	(302)	1 282	125	5 017
Total comprehensive (loss)/income for the year	–	(1 995)	–	–	–	(164)	(2 159)
Loss	–	(1 995)	–	–	–	–	(1 995)
Other comprehensive income	–	–	–	–	–	(164)	(164)
Share-based payment expense	–	–	–	–	35	–	35
Settlement on LTIP	–	–	–	–	(8)	–	(8)
Deemed equity contribution	–	–	–	–	–	261	261
Balance at 31 December 2020	4 537	(2 620)	–	(302)	1 309	222	3 146
Year ended 31 December 2021							
Balance as at 1 January 2020	4 537	(2 620)	–	(302)	1 309	222	3 146
Total comprehensive income/(loss) for the year	–	7 122	–	–	–	(5)	7 117
Profit	–	7 122	–	–	–	–	7 122
Other comprehensive income	–	–	–	–	–	(5)	(5)
Share-based payment expense	–	–	–	–	30	–	30
Settlement on LTIP	–	–	–	–	(78)	–	(78)
Deemed equity contribution	–	–	–	–	–	138	138
Balance at 31 December 2021	4 537	4 502	–	(302)	1 261	355	10 353

Group and company statements of changes in equity continued

for the year ended 31 December 2021

In the context of the statement of changes in equity, the following equity reserves are of relevance:

1. Treasury share equity reserve

In 2009, the company implemented a share buyback arrangement and acquired 9.995% of the shareholding of each shareholder. In 2015 the Ikageng Broad-Based Employee Share Trust was created to hold in trust, the shares for the employee share ownership plan, and purchased 4.7% of the shareholding through a contribution from ArcelorMittal South Africa. The trust is consolidated in accordance with IFRS 10 *Consolidated Financial Statements*. The shares that were held in trust for the employee share ownership plan vested on 30 September 2020. The treasury shares were issued to the employees. The treasury shares utilised as part of the employee share ownership plan amount to Rnil (2020: R1 854) and were transferred to other reserves.

2. Management share trust reserve

The management share trust reserve represents the net outflow from the purchase of treasury shares in order to meet obligations in terms of the ArcelorMittal South Africa equity-settled share option plan housed in the management share trust.

The trust is consolidated as a consolidated structured entity in compliance with IFRS 10 *Consolidated Financial Statements*.

3. Share-based payment reserve

The share-based payment reserve represents the accumulated charge for share options and LTIP units in terms of IFRS 2 *Share-Based Payment*, which are all equity-settled.

4. Other reserves

Other reserves consist of the following:

Capital redemption reserve of R24 million (2020: R24 million) for the group and company. The capital redemption reserve was created in terms of the South African Companies Act 61 of 1973, following the redemption of shares during the year ended 30 June 2000, out of profits that would otherwise be available for distribution to ordinary shareholders.

Equity instruments carried at FVTOCI reserve of -R72 million (2020: -R67 million). This reserve relates to the unrealised fair value gains/(losses) relating to the group's investment in Hwange Colliery Company Ltd and MC Mining Ltd.

The vested treasury shares of -R1 854 million (2020: -R1 854 million) were transferred from treasury share equity reserve.

Deemed equity reserve of R398 million (2020: R261 million) for the group and company. The reserve relates to the measurement of borrowings at amortised cost on the borrowings of group which is interest-free – refer to note 26, where the restructure of this loan in 2021 is described.

Translation of the foreign operation reserve of -R238 million (2020: -R237 million) for the group. The remaining other reserves relate to revaluation of property, plant and equipment of R30 million (2020: R30 million) following the transfer of properties from property, plant and equipment to investment properties.

Notes to the group and company annual financial statements

for the year ended 31 December 2021

1. General information

ArcelorMittal South Africa Ltd (the company), and its subsidiaries consolidated in these annual financial statements to reflect "the group", is one of the largest steel producers on the African continent. The company is domiciled in South Africa and it is a public limited company listed on the JSE.

2. Application of new and revised IFRS

2.1. Changes in significant accounting policies due to new IFRS

In the current year the group and company have applied a number of amendments to IFRS and interpretations issued by the International Accounting Standards Board (IASB) that are effective for the annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Further amendment – Covid-19-Related Rent Concessions beyond 30 June 2021

In March 2021 the IASB issued "Covid-19 Related Rent Concessions beyond 30 June 2021", in which the application was extended to also include rent concessions related to payments originally due on or before 30 June 2022.

The amendment did not have a significant impact on the results of the group or company.

Interbank Offered Rate (IBOR) Reform and its Effects on Financial Reporting – Phase 2

In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ("IBOR – phase 1") and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.

The amendment did not have a significant impact on the group and company's borrowing facilities as disclosed in note 26. Expectations are that the group's borrowing facilities will be settled prior to the amendment becoming effective. The impact of the amendment will be considered for the group's borrowing facilities that would be in place when the amendment becomes effective.

2.2 Standards and interpretations not yet effective for December 2021

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, and earlier application is permitted; however, the group and company have not early adopted the new or amended standards in preparing these consolidated financial statements. Those which may be relevant to the group and company are set out below. These will be adopted in the period that they become mandatory unless otherwise indicated.

The following amended standards are not expected to have a significant impact on the group and company's financial statements:

Standard	Details of amendment	Expected adoption date
Annual improvements to IFRS: 2018 – 2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases*.	1 January 2022
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	1 January 2022
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment – *Onerous Contracts – Cost of Fulfilling a Contract*)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

2. Application of new and revised IFRS continued

2.2 Standards and interpretations not yet effective for December 2021 continued

Standard	Details of amendment	Expected adoption date
IAS 16 *Property, Plant and Equipment* (Amendment – *Proceeds before Intended Use*)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
IAS 1 *Presentation of Financial Statements* (Amendment – *Classification of Liabilities as Current or Non-current*)	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the Covid-19 pandemic. An exposure draft issued in November 2021 proposes to defer the effective date further (see the final paragraph of this section). These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (the committee) issued a tentative agenda decision, which analysed the applicability of the amendments to three scenarios. However, due to the feedback received and various concerns raised about the outcome of applying the amendment, the committee did not finalise the tentative agenda decision and referred the matter to the IASB. The IASB, at its meeting held in June 2021, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to annual reporting periods beginning no earlier than on or after 1 January 2024. In November 2021, the IASB issued an exposure draft to modify the 2020 amendments – Non-Current Liabilities with Covenants. This exposure draft aims to address the concerns raised by stakeholders.	1 January 2023
IAS 1 *Presentation of Financial Statements* (Amendment - *Disclosure of Accounting Policies*)	The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	1 January 2023

2. Application of new and revised IFRS continued

2.2 Standards and interpretations not yet effective for December 2021 continued

Standard	Details of amendment	Expected adoption date
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment - *Definition of Accounting Estimates*)	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting prospectively remain unchanged.	1 January 2023
IAS 12 *Income Taxes* (Amendment - *Deferred Tax-related to Assets and Liabilities arising from a Single Transaction*)	The amendment clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (eg a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability, which at the time of the transaction gives rise to equal taxable and deductible temporary differences.	1 January 2023

2.3 Prior period error

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

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

	Group	Company
Reconciliation of loss from operations as previously disclosed in 2020	2020	2020
Loss from operations as previously reported	**(924)**	**(657)**
Impairment reversal on financial assets	57	52
Net impairment loss on non-financial assets	(96)	(125)
Impairment reversal of property, plant and equipment	29	–
Impairment of property, plant and equipment and intangible assets	(125)	(125)
Loss from operations as reported	**(963)**	**(730)**

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies

The principal accounting policies applied in the preparation of the group and company annual financial statements are set out below.

These policies have been consistently applied from the comparative year presented, except as noted above.

3.1 Statement of compliance

The annual financial statements are prepared in compliance with IFRS, the Companies Act 71 of 2008, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2021.

3.2 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, except for certain equity instruments which are at fair value through other comprehensive income (FVTOCI), certain equity instruments and derivatives at fair value through profit or loss (FVTPL) and investment properties at fair value.

3.3 Significant judgements, estimates and assumptions uncertainty

The preparation of the annual financial statements in compliance with IFRS requires management to make judgements, to calculate 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 annual financial statements include:

- Valuation of investment properties – a level 3 fair value utilising significant unobservable inputs, specifically the capitalisation rate, vacancy provision and expense ratio – refer to note 15, investment properties note
- Expected credit loss assessment on trade receivables – specifically the forward-looking adjustment – refer to note 22, the trade and other receivables note
- Going concern basis – refer to note 40, the going concern note
- The residual value and useful life of property, plant and equipment were reassessed as required by IAS 16 *Property, Plant and Equipment* – refer to note 14, the property, plant and equipment note
- Impairment assessment of property, plant and equipment – The discount rate, future exchange rates, future sales prices and future sales volumes – refer to note 14, the property, plant and equipment note
- Environmental remediation provision and asset retirement obligation – specifically the expectation of future cost and the discount rate – refer to note 28, the provisions note

3.4 Investments in subsidiaries, joint ventures and associates by the company

The company accounts for all investments in subsidiaries, jointly controlled entities and associates at cost less impairment.

Dividends received from subsidiaries, jointly controlled entities and associates are recognised in profit or loss when the company has the right to receive the dividend.

3.5 Basis of consolidation

The group's annual financial statements incorporate financial statements of the company and its subsidiaries.

Subsidiaries are all investees over which the group has control. The group controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

3. Significant accounting policies continued

3.6 Interest in equity-accounted investees

A joint venture is a contractual arrangement whereby the parties that have joint control over the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement that exists only when the decision about the relevant activities requires the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The assets and liabilities of jointly controlled entities and associates are incorporated in the group's annual financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, investments in joint ventures and associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the group's share of the net assets of the joint venture and associate, less any impairment in the value of individual investments.

The group's share of its jointly controlled entities' post-acquisition profits or losses and other comprehensive income is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised as reserves of the group. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investment.

Losses of a jointly controlled entity and associate in excess of the group's interest in that entity (which includes any long-term interests that, in substance, form part of the group's net investment in the jointly controlled entity and associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity and associate.

Where a group entity transacts with a jointly controlled entity and associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant jointly controlled entity and associate.

3.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee of the group.

3.8 Foreign currency translation

Functional and presentation currency items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in ZAR, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as gains or losses in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

For fair value through other comprehensive income assets, changes in the fair value of such monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences are recognised in the statement of comprehensive income. Changes in carrying amounts on non-monetary securities are recognised in equity.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

3.8 Foreign currency translation continued

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency of the group as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at the date of the statement of financial position
- Income and expenses for each reporting period are translated at average exchange rates for the reporting period
- All resulting exchange differences are recognised as a separate component of equity within the translation of foreign operations reserve

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are disclosed in the statement of comprehensive income and are taken to shareholders' equity.

3.9 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the group and company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset.

Property, plant and equipment, except land, are depreciated using the straight-line method over the useful lives of the related assets. Depreciation, gains and losses on disposal and impairment losses are recognised in the statement of comprehensive income when incurred.

Major improvements, which are expected to generate future economic benefits over more than one reporting period, are capitalised, while repairs and maintenance are charged as an expense when incurred. Where a tangible fixed asset comprises, major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as assets under construction until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Gains and losses on retirement or disposal of assets are reflected in the statement of comprehensive income.

3.10 Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under development for such purposes).

Investment property is initially recognised at cost including transaction costs. Cost includes initial costs, costs incurred subsequently to extend or refurbish investment property and the cost of any development rights.

Investment property is subsequently measured at fair value as determined on an annual basis by an independent registered valuer. Gains or losses arising from changes in fair value, after deducting the straight-line rental income accrual, are included in profit or loss for the period in which they arise.

In instances where an investment property has been sold, but not yet transferred to the purchaser at year-end, the fair value is determined as the sale price.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the property. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

Realised gains or losses arising on the disposal of investment properties are recognised in profit or loss for the year.

3. Significant accounting policies continued

3.11 Leases

The group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. The group and company assess whether a contract is, or contains a lease at inception of the contract.

3.11.1 Accounting for leases as lessee

The group and company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), and leases of low-value assets. For these leases, the group and company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group and company use its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group and company remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The group and company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group and company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as part of the property, plant and equipment line in the consolidated statement of financial position.

The group and company apply IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group and company have not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the group allocated the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

3.11 Leases continued

3.11.2 Accounting for leases as lessor

The group determines at the inception of the agreement whether each agreement is a finance lease or an operating lease. The group assesses whether the agreement transfers substantially all the risk and rewards incidental to ownership of the underlying lease assets to the lessee and classifies it as a finance lease. If not the case, the agreement is classified as an operating lease. If the arrangement contains lease and non-lease components, the group allocates the consideration in the contract to each component on the basis of their relative standalone prices.

Assets leased out under operating lease are included under investment properties. The group recognises rental income, net of any incentives given to the lessee, on a straight-line basis over the lease term.

3.12 Intangible assets

3.12.1 Internally generated intangible assets – research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the criteria of IAS 38 *Intangible Assets* are met.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred.

3.12.2 Purchased intangible assets other than goodwill

Patents

The cost of acquisition of patents is capitalised at their cost as intangible assets and amortised on a straight-line basis over the right-of-use period.

Non-integrated computer software

Acquired computer software licences and computer software development costs are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives.

3.13 Impairment of tangible and intangible non-financial assets

At each statement of financial position date, the group and company review the carrying amounts of tangible and intangible non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In order to ensure completeness of the impairment assessment of individual assets, all tangible assets and intangible assets are allocated to the cash-generating unit (CGU) to which they belong. An impairment assessment is then undertaken on the individual CGU.

In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

3. Significant accounting policies continued

3.14 Financial assets

Financial assets are recognised and derecognised on the trade date where the purchase or sale of the asset is under a contract whose terms require delivery within the timeframe established by the market concerned. These assets are initially measured at fair value, net of transaction costs except for those financial assets classified as FVTPL, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- Amortised cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

3.14.1 Measured at amortised cost

Trade receivables and other receivables held to collect contractual cash flows that are solely payments of principal and interest on specified dates are classified as measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3.14.2 FVTOCI financial assets

Certain listed shares and similar securities held by the group and company that are traded in an active market are classified as being FVTOCI and are subsequently measured at fair value. The entity has elected to measure certain listed shares at FVTOCI because these are seen as long-term investments and are not speculative.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income (OCI) and are never reclassified to profit or loss.

3.14.3 FVTPL financial assets

All other financial assets that are neither classified as measured at amortised cost nor FVTOCI are classified as FVTPL.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

3.14.4 Impairment of financial assets

The group and company recognise a loss allowance for expected credit losses on financial assets measured at amortised cost.

The group and company measure loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured at 12-month expected credit losses:

- Debt securities that are determined to have low credit risk at the reporting date
- Other debt securities and bank balances for which credit risk (ie the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition

Twelve-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the credit losses that result from all probable default events over the expected life of a financial asset.

A trade receivable is in default once the credit term is exceeded. A trade receivable is written off upon the conclusion of an insurance claim by the credit insurance provider.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

3.15 Financial liabilities and equity instruments issued by the group and company

3.15.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.15.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

3.15.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or measured at amortised cost. A financial liability is classified as an FVTPL if it is held for trading, a derivative or it is designated as such on initial recognition.

3.15.4 Measured at amortised cost

Borrowings

Borrowings are recognised initially at cost, which typically reflects the fair value of the funding transaction. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the group and company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequently, these are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any loss or gain on derecognition is also recognised in profit or loss.

3.15.5 FVTPL financial liabilities

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

3.16 Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group and company designate certain derivatives as either hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). Hedges are accounted for as prescribed in IFRS 9 *Financial Instruments*.

At inception of designated hedging relationships, the group documents the risk management objective and strategy for undertaking the hedge. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

3. Significant accounting policies continued

3.16 Derivative financial instruments continued

3.16.1 Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The effective portion accumulated in hedging reserves is released to the income statement against the revenue upon recognition of the sale.

3.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method or weighted average cost method. Work-in-progress and finished goods include the purchase costs of raw materials and conversion costs such as direct labour and an allocation of fixed and variable production overheads. Raw materials, qualifying spare parts and consumables are valued at cost inclusive of freight, shipping and handling costs.

Net realisable value represents the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution.

Costs incurred when production levels are abnormally low are capitalised as inventories based on normal capacity with the remaining costs incurred recorded as a component of cost of sales in the consolidated statements of operations.

3.18. Assets held for sale

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value
- A sale is expected to complete within 12 months from the date of classification

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy
- Fair value less costs of disposal

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated and equity accounting of interests in equity-accounted investees ceases.

3.19 Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Restricted cash includes cash held in ceded bank accounts relating to environmental obligations and the true sale of receivables (TSR) facility. The restricted cash related to the TSR facility is cash proceeds subsequently received from TSR debtors by the company that are collected on behalf of the TSR facility provider and will be paid over to them.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

3.20 Stated capital

Equity instruments issued by the group and company are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group and company after deducting all liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or portions are shown in equity as a deduction, net of tax effects, from the proceeds.

Where any group or company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised in an equity reserve attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

Capital distributions to shareholders through capital reduction programmes are credited against stated capital.

Income tax consequences of such and similar transactions are charged to profit or loss and not stated capital.

3.21 Deferred income tax

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group and company annual financial statements. Deductible temporary differences are only recognised to the extent that taxable temporary differences exist or it is probable that future taxable profit will flow to the entity.

3.22 Employee benefits

3.22.1 Short-term employee benefits

Services rendered by employees during a reporting period are recognised as the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability, after deducting any amount already paid; and as an expense, unless included in the cost of inventory or property, plant and equipment. The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

3.22.2 Short-term compensated absences (leave pay benefits)

The expected cost of short-term employee benefits in the form of compensated absences are recognised (i) in the case of accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences; and (ii) in the case of non-accumulating compensated absences, when the absences occur. The leave pay benefits of the group and company are accumulative in nature.

3.22.3 Retirement benefits

Contributions are paid in return for services rendered by the employees during the period. Such payments are expensed as they are incurred in line with the treatment of short-term employee benefits. No provisions are established in respect of defined contribution plans as they do not generate future commitments.

3.22.4 Medical benefits

No contributions are made to the medical aid of retired employees, except for a closed group of early retirees in respect of whom contributions are made. The present value of the post-retirement medical aid obligation for such early retirements is actuarially determined annually on the projected unit credit method and any deficit or surplus is immediately recognised in profit or loss.

3. Significant accounting policies continued

3.22 Employee benefits continued

3.22.5 Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group and company recognise termination benefits when demonstrably committed to either:

- Terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- Provide termination benefits as a result of an accepted offer made to encourage voluntary redundancy in exchange for these benefits

3.23 Provisions and contingent liabilities

3.23.1 Provisions

Provisions for asset retirement obligations, environmental remediation obligations, onerous contracts, restructuring costs, legal claims and similar obligations are recognised when:

- A present legal or constructive obligation exists as a result of past events
- It is probable that an outflow of resources will be required to settle the obligation
- The amount has been reliably estimated

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in provisions due to the passage of time is recognised as accretion expenses within finance charges. Changes in the discount rate are recognised as finance charges or finance income.

3.23.2 Contingent liabilities

Legal claims are assessed to determine whether a present obligation exists and whether the obligations are measurable.

For claims that are reasonably possible and for claims that are a present obligation, but where settlement is not probable or not measurable, the facts and circumstances of the possible loss and an estimate of the amount, if determinable, are disclosed.

Remote claims are not disclosed or provided for, however, voluntary disclosure may be made if the matter is significant.

3.24 Revenue recognition

The group and company generate revenue primarily from the sale of long and flat steel products as well as beneficiated by-products in the ordinary course of the group and company's activities.

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised at a point in time and to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Revenue is presented net of value added tax, returns, rebates and discounts. The group and company base such estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. All amounts invoiced to a customer in a sale transaction related to distribution and handling costs are classified as revenue, at a point in time with the costs related thereto shown as distribution and handling costs within other operating expenses.

For contracts that permit the customer to return an item, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the most likely outcome (which is determined using historical data). In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

3. Significant accounting policies continued

3.24 Revenue recognition continued

The group and company review its estimate of expected returns at each reporting date and update the amounts of the asset and liability accordingly.

The group and company recognise revenue when it transfers control over goods to a customer. Sales of goods are recognised based on the relevant delivery terms at which point the performance obligations are met and control of goods has been transferred to the customer. Control of goods transfers either when the customer has accepted the products in accordance with the sales contract or the group and company have objective evidence that all criteria for acceptance have been satisfied.

The standard payment terms range between 0 – 30 days from month-end statement date.

The group has taken advantage of the practical exemptions:

- Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less
- Expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less

3.25 Borrowing costs

Qualifying borrowing costs calculated in accordance with the effective interest rate method and directly attributable to the acquisition, construction or production of qualifying assets, for those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period incurred.

3.26 Share-based payments

3.26.1 Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Fair value determination of equity-settled share-based transactions is measured using the share price as a reference point.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group and company's estimate of the number of equity instruments that will eventually vest. At each statement of financial position date, the group and company revise their estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share-based payment reserve.

3.26.2 Vesting conditions

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Features of a share-based payment that are not vesting conditions are included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

3.27 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.27.1 Current tax

The current tax is based on taxable income or loss for the year. Taxable income or loss differs from income or loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

4. Revenue

The group and company generate revenue primarily from the sale of steel products as well as beneficiated by-products in the ordinary course of the group and company's activities.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Revenue from major products				
Steel operations				
Hot rolled	12 581	8 772	12 581	8 343
Uncoated	5 139	2 609	5 139	2 609
Coated	7 500	3 931	7 500	3 931
Merchant bars	8 108	4 855	8 108	4 855
Wire rod	3 343	2 030	3 343	2 030
Seamless	579	435	579	435
	37 250	22 632	37 250	22 203
Non-steel operations				
Coke and tar	2 188	1 716	2 188	1 716
Other	270	295	208	166
	2 458	2 011	2 396	1 882
Total	39 708	24 643	39 646	24 085
Revenue to external customers				
Local	35 317	21 667	35 255	21 323
Export	4 391	2 976	4 391	2 762
Africa	3 561	2 660	3 561	2 446
Asia	315	166	315	166
Other	515	150	515	150
Total	39 708	24 643	39 646	24 085

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

5. Segment report

Following the internal restructuring and the OneOrganisation principle at the end of December 2020, which was implemented effectively in January 2021, a reassessment of the operating and reportable segments in terms of IFRS 8 Operating Segments was performed and reported on together with the interim results for the six months ended 30 June 2021. The segment report for the year ended 31 December 2020 has been restated in accordance with the reassessed operating and reportable segments.

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the CODM, 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 reassessment, the group's reportable segments are:

- Steel operations consists of Vanderbijlpark plant, Newcastle plant and Vereeniging plant
- Non-steel operations consists of Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial-grade coal and the Saldanha plant, the decommissioned Maputo plant, Pretoria Works and Thabazimbi Iron Ore Mine
- Corporate and other consists 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

Earnings before interest, tax, depreciation and amortisation represents the earnings by each segment without the allocation of depreciation, amortisation, net impairments and exceptional items, such as restructuring costs.

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
- 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.

5. Segment report continued

	Steel operations Rm	Non-steel operations Rm	Corporate and other Rm	Adjustments and eliminations Rm	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2021					
Revenue					
External customers	37 250	2 458	–	–	39 708
Intersegment customers	–	50	–	(50)	–
Total revenue	37 250	2 508	–	(50)	39 708
Revenue to external customers distributed as:					
Local	32 859	2 458	–	–	35 317
Export	4 391	–	–	–	4 391
Africa	3 561	–	–	–	3 561
Asia	315	–	–	–	315
Other	515	–	–	–	515
Total	37 250	2 458	–	–	39 708
Results					
Earnings before interest, tax, depreciation and amortisation and exceptional items	8 147	820	(397)	(1)	8 569
Depreciation and amortisation	(518)	(56)	(27)	–	(601)
Retrenchment packages	7	(6)	4	–	5
Net impairment reversal on financial assets	–	–	385	(382)	3
Profit/(loss) from operations	7 636	758	(35)	(383)	7 976
Finance and investment income	70	43	52	–	165
Finance costs	(337)	(102)	(889)	–	(1 328)
Fair value adjustment on investment properties	–	(228)	–	–	(228)
Profit after tax from equity-accounted investments	–	–	40	–	40
Profit/(loss) before taxation	7 369	471	(832)	(383)	6 625
Income taxation expense	–	–	–	–	–
Profit/(loss) for the year	7 369	471	(832)	(383)	6 625
Additions to non-current assets	912	31	22	–	965
Segment assets (excluding investments in equity-accounted entities)	20 597	2 918	5 901	(550)	28 866
Investments in equity-accounted entities	–	–	227	–	227
Segment liabilities	7 972	1 862	10 593	(387)	20 040
Cash generated from/(utilised in) operations	4 889	206	(2 044)	(27)	3 024
Capital expenditure	811	34	15	–	860
Number of employees at the end of the year	6 146	180	687	–	7 013

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

5. Segment report continued

	Steel operations[1] Rm	Non-steel operations[1] Rm	Corporate and other Rm	Adjustments and eliminations Rm	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2020					
Revenue					
External customers	22 632	2 011	–	–	24 643
Intersegment customers	–	35	–	(35)	–
Total revenue	22 632	2 046	–	(35)	24 643
Revenue to external customers distributed as:					
Local	19 656	2 011	–	–	21 667
Export	2 976	–	–	–	2 976
Africa	2 660	–	–	–	2 660
Asia	166	–	–	–	166
Other	150	–	–	–	150
Total	22 632	2 011	–	–	24 643
Results					
Earnings before interest, tax, depreciation and amortisation and exceptional items	(272)	385	(75)	(1)	37
Depreciation and amortisation	(462)	(69)	(25)	–	(556)
Retrenchment packages	(52)	(20)	(62)	–	(134)
Inventory adjustment to net realisable value	(271)	–	–	–	(271)
Net impairment reversal on financial assets	–	–	626	(569)	57
Net impairment loss on non-financial assets	29	(125)	–	–	(96)
Loss/(profit) from operations	(1 028)	171	464	(570)	(963)
Finance and investment income	19	3	90	–	112
Finance costs	(136)	(76)	(1 023)	–	(1 235)
Reclassification of foreign currency differences on liquidation of foreign investment	–	–	280	–	280
Fair value adjustment on investment properties	–	(118)	–	–	(118)
Profit after tax from equity-accounted investments	–	–	13	–	13
Loss before taxation	(1 145)	(20)	(176)	(570)	(1 911)
Income taxation expense	(9)	(3)	(50)	–	(62)
Loss for the year	(1 154)	(23)	(226)	(570)	(1 973)
Additions to non-current assets	388	14	4	–	406
Segment assets (excluding investments in equity-accounted entities)	15 307	2 960	3 707	(370)	21 604
Investments in equity-accounted entities	–	–	205	–	205
Segment liabilities	6 046	2 306	11 471	(358)	19 465
Cash generated from/(utilised in) operations	1 632	(90)	(675)	–	867
Capital expenditure	469	34	6	–	509
Number of employees at the end of the year	6 028	348	759	–	7 135

[1] *Saldanha Steel was part of steel operations for the first months of 2020. From the second half of 2020, Saldanha Steel is included under non-steel operations as Saldanha Steel was placed under care and maintenance after production was stopped.*

5. Segment report continued

		2021 Rm	2020 Rm
5.1	Revenue from major products		
	The group's revenue from its major products sold to external customers was:		
	Steel operations	37 250	22 632
	Hot rolled	12 581	8 772
	Uncoated	5 139	2 609
	Coated	7 500	3 931
	Merchant bars	8 108	4 855
	Wire rod	3 343	2 030
	Seamless tubular products	579	435
	Non-steel operations	2 458	2 011
	Coke and tar	2 188	1 716
	Other	270	295
	Total consolidated revenue	39 708	24 643

5.2 Geographical information

The group operates principally in South Africa. Export sales are primarily sold into sub-Saharan Africa and Asia.

5.3 Information about major customers

	Steel operations Rm	% of group revenue
2021		
Revenue of major customers		
Customer 1	5 374	13.53
Total	5 374	13.53
2020		
Revenue of major customers		
Customer 1	3 835	15.56
Total	3 835	15.56

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

6. Impairment reversal/(impairment) of financial assets

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Impairment reversal of equity-accounted investments	3	57	12	4
Impairment reversal of investment in subsidiaries	–	–	186	53
Impairment of investment in subsidiaries	–	–	–	(5)
Total	3	57	198	52

Impairment reversal of equity-accounted investments

Group

An impairment reversal of Rnil (2020: R53 million) of a previously accounted impairment of the equity-accounted investment Coza Mining (Pty) Ltd following the announcement of the sale of the investment to Afrimat on 17 August 2020. In the prior year, the recoverable amount was determined at R135 million, using a fair value less cost to cost of disposal. The fair value hierarchy used to value the investment is a level 3. R3 million (2020: R4 million) relates to an impairment reversal of a loan advanced to Microsteel (Pty) Ltd that is considered recoverable following the liquidation process of the company.

Company

R12 million (2020: R4 million) relates to an impairment reversal of a loan advanced to Microsteel (Pty) Ltd that is considered recoverable following the liquidation process of the company.

Impairment reversal of investment in subsidiaries

Company

An impairment reversal of R186 million (2020: -R5 million impairment) relates to the investment in Vicva Investments and Trading Nine (Pty) Ltd that was measured at fair value. Fair value is based on the share price of ArcelorMittal South Africa Ltd being a level 1 fair value.

Vicva Investments and Trading Nine (Pty) Ltd is a beneficial shareholder of ArcelorMittal South Africa Ltd and holds 1.6% (2020: 1.6%) of the issued shares.

An impairment reversal of R53 million for the 2020 financial year relates to the subsidiary Oakwood Trading (Pty) Ltd. The loan provided to the subsidiary in the previous years was considered to be recoverable following the sale of its investment in Coza Mining (Pty) Ltd.

7. Net impairment loss on non-financial assets

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Impairment of property, plant and equipment	–	(125)	–	(125)
Impairment reversal of property, plant and equipment	–	29	–	–
Total	–	(96)	–	(125)

8. Profit/(loss) from operations

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Profit/(loss) from operations has been arrived at after charging:				
Amortisation	(12)	(10)	(12)	(10)
Depreciation	(589)	(546)	(589)	(546)
Employee costs				
Salaries and wages	(3 361)	(2 997)	(3 333)	(2 978)
Termination benefits	–	(134)	–	(153)
Pension and medical costs	(395)	(292)	(391)	(282)
Share-based payment expense	(30)	(35)	(30)	(35)
Loss on disposal or scrapping of property, plant and equipment	(7)	(8)	(13)	(9)
Railage and transport	(982)	(688)	(981)	(678)
Repairs and maintenance	(2 642)	(1 547)	(2 608)	(1 464)
Research and development	(294)	(53)	(294)	(53)
(Write-down)/reversal of write-down of inventory to net realisable value	(283)	215	(285)	70
Auditor's remuneration				
Audit fees	(17)	(9)	(16)	(8)
Other services and expenses	(4)	(2)	(4)	(2)
Allowance for impairment recognised on trade receivables	(14)	(4)	(14)	(4)
Other allowances on trade receivables	(156)	(54)	(156)	(62)
Allowance for impairment on other receivables	–	(24)	–	(22)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

9. Finance and investment income

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Finance income				
Bank deposits and other interest income	66	112	65	111
Discount rate adjustment of provisions and financial instruments	99	–	97	–
Investment income				
Dividends	–	–	3	14
Total	165	112	165	125

10. Finance costs

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Interest expense on loans	(620)	(300)	(585)	(308)
Interest expense on lease obligations	(7)	(10)	(3)	(4)
Net foreign exchange losses on financing activities	(109)	(415)	(119)	(400)
Discount rate adjustment of provisions and financial liabilities	–	(147)	–	(142)
Unwinding of discounting effect on borrowings and provisions:	(592)	(363)	(587)	(357)
Provisions	(219)	(214)	(212)	(206)
Other financial liabilities	(57)	(102)	(59)	(104)
Borrowings – loans from holding company	(316)	(47)	(316)	(47)
Total	(1 328)	(1 235)	(1 294)	(1 211)

11. Income taxation (expense)/credit

		Group		Company	
		2021 Rm	2020 Rm	2021 Rm	2020 Rm
11.1	Income tax recognised in profit or loss				
	Current income tax charge (paid)	–	(13)	–	–
	Current income tax charge received	–	4	–	5
	Current deferred tax charge	–	(53)	–	(53)
	Total	–	(62)	–	(48)
	Profit/(loss) before tax	6 625	(1 911)	7 122	(1 947)
	Income tax calculated at 28%	1 855	(535)	1 994	(545)
	Effect of income that is non-taxable/(exempt) – dividend received	–	7	(1)	3
	Effect of deductible allowances – learnerships	(11)	(17)	(11)	(17)
	Effect of other expenses that are non-deductible	31	45	31	41
	Effect of non-deductible interest on group loan	89	–	89	–
	Impairment of investments in subsidiaries	(1)	(16)	(55)	(14)
	Revaluation of investment properties	6	12	6	12
	Effect of timing differences not recognised in the current year in relation to unrecognised deferred tax asset	(1 961)	583	(2 053)	519
	Effect of:				
	(i) equity-accounted investments disclosed net of tax on the statement of comprehensive income and				
	(ii) the effect of different tax rates of subsidiaries operating in other jurisdictions	(15)	(79)	–	–
	Deferred tax income relating to the origination and reversal of temporary differences	–	53	–	53
	Adjustment recognised in the current year in relation to the current tax and deferred tax of prior years	–	13	–	–
	SARS interest and penalties	7	–	–	–
	SARS interest income	–	(4)	–	(4)
	Total income tax expense/(credit)	–	62	–	(48)

Although the corporate tax rate is 28%, the actual average tax rate for the group and company was 0% (2020: negative 1%) and 0% (2020: negative 1%), respectively. The negative tax rate was a result of utilising previously accumulated assessed losses.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

11. Income taxation (expense)/credit continued

11.1 Income tax recognised in profit or loss continued

Tax on each component of other comprehensive income is as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Items that will not be reclassified to profit or loss:				
Equity investments at FVTOCI – net change in fair value	1	8	1	8
Revaluation of property, plant and equipment	–	–	–	–
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	–	10	–	–
Share of other comprehensive income of equity-accounted investments	–	(1)	–	–
Reclassification of foreign currency differences on liquidation of foreign investment	–	79	–	–
Cash flow hedges – effective portion of changes in fair value	–	71	–	71
Related tax on cash flow hedges	–	(14)	–	(14)
Cash flow hedges – reclassified to profit or loss	–	(18)	–	(18)

11. Income taxation (expense)/credit continued

11.2 Deferred income tax liability

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	Property, plant, equipment and intangible assets Rm	Investment property Rm	Employee costs Rm	Provisions Rm	Doubtful debts Rm	Lease obligations Rm	Other Rm	Unused tax losses and credits Rm	Closing balance Rm
Group									
2021									
Temporary differences									
At the beginning of the year	1 113	175	(184)	(544)	(109)	(21)	(377)	(53)	–
Charged to income	37	(20)	5	(152)	(11)	(4)	420	(275)	–
At the end of the year	1 150	155	(179)	(696)	(120)	(25)	43	(328)	–
2020									
Temporary differences									
At the beginning of the year	1 007	220	(238)	(532)	(85)	(28)	(446)	102	–
Charged to income	106	(45)	54	(12)	(24)	7	69	(155)	–
At the end of the year	1 113	175	(184)	(544)	(109)	(21)	(377)	(53)	–
Company									
2021									
Temporary differences									
At the beginning of the year	1 302	135	(186)	(637)	(35)	(12)	(382)	(185)	–
Charged to income	36	(20)	6	(165)	(8)	(9)	411	(251)	–
At the end of the year	1 338	115	(180)	(802)	(43)	(21)	29	(436)	–
2020									
Temporary differences									
At the beginning of the year	1 195	160	(200)	(531)	(29)	(15)	(409)	(171)	–
Charged to income	107	(25)	14	(106)	(6)	3	27	(14)	–
At the end of the year	1 302	135	(186)	(637)	(35)	(12)	(382)	(185)	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

11. Income taxation (expense)/credit continued

11.3 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Unrecognised deferred tax losses	14 153	21 293	10 136	17 422
Total	14 153	21 293	10 136	17 422

Management believes that the turnaround initiatives will result in the group and company returning to profitability, but also considers the timing and uncertainty of these initiatives. With the difficulty of accurately measuring the possible future effects, 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, no deferred tax asset has been recognised.

12. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing loss attributable to the owners of the company by the weighted average number of ordinary shares, after taking the effects of the vesting of the treasury shares to the employee share ownership plan (ESOP) into account. Where appropriate, adjustments are made in calculating diluted loss, headline and diluted headline loss per share.

	Group	
	2021	2020
Weighted average number of shares	1 114 612 789	1 098 828 738
Weighted average number of diluted shares	1 114 612 789	1 098 828 738
Weighted average number of diluted shares is calculated by adjusting the weighted average number of ordinary shares with additional ordinary shares held by third parties that would have been outstanding assuming the conversion of all outstanding share options representing dilutive potential ordinary shares. Based on the current share price of ArcelorMittal South Africa Ltd, the B-BBEE transaction does not have a dilutive impact on the shareholding. No other outstanding shares had a dilutive impact.		
Profit/(loss) attributable to the owners of the company per share		
Basic		
Profit/(loss) attributable to owners of the company (Rm)	6 625	(1 973)
Weighted average number of shares	1 114 612 789	1 098 828 738
Basic profit/(loss) per share (cents)	594	(180)
Diluted		
Profit/(loss) attributable to owners of the company (Rm)	6 625	(1 973)
Weighted average number of diluted shares	1 114 612 789	1 098 828 738
Diluted profit/(loss) per share (cents)	594	(180)
Headline profit/(loss) per share		
The calculation for headline profit/(loss) per share is based on the basic profit/(loss) per share calculation, reconciled as follows:		
Gross		
Profit/(loss) before tax (Rm)	6 625	(1 911)
Add: Impairment charges of property, plant and equipment (Rm)	–	125
Less: Impairment reversal of property, plant and equipment (Rm)	–	(29)
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	7	8
Add: Fair value adjustment on investment properties (Rm)	228	118
Less: Reclassification of foreign currency differences on liquidation of foreign investment (Rm)	–	(280)
Headline profit/(loss) before tax (Rm)	6 860	(1 969)

12. Profit/(loss) per share continued

	Group	
	2021	2020
Net of tax		
Profit/(loss) attributable to owners of the company (Rm)	6 625	(1 973)
Add: Impairment charges of property, plant and equipment (Rm)	–	125
Less: Impairment reversal of property, plant and equipment (Rm)	–	(29)
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	7	6
Add: Fair value adjustment on investment properties (Rm)	228	118
Less: Reclassification of foreign currency differences on liquidation of foreign investment (Rm)	–	(280)
Headline profit/(loss) net of tax (Rm)	6 860	(2 033)
Basic		
Headline profit/(loss) (Rm)	6 860	(2 033)
Weighted average number of shares	1 114 612 789	1 098 828 738
Basic headline profit/(loss) per share (cents)	615	(185)
Diluted		
Headline profit/(loss) (Rm)	6 860	(2 037)
Weighted average number of diluted shares	1 114 612 789	1 098 828 738
Diluted headline profit/(loss) per share (cents)	615	(185)

13. Dividend per share

Consistent with the group's dividend policy, payment of any dividends is subject to the discretion of the board. It will depend on the earnings, financial condition, cash availability and any capital requirements necessary to sustain the business and support future growth. No dividends were declared for the 2021 and 2020 financial years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

14. Property, plant and equipment

	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration Rm	Asset retirement obligation Rm	Right-of-use assets – machinery, plant and equipment Rm	Con-struction in progress Rm	Total Rm
Group								
For the year ended 31 December 2021								
Carrying amount at the beginning of the year	27	177	6 806	13	–	48	604	7 675
Additions	1	–	368	–	–	46	589	1 004
Disposals	(1)	(1)	(27)	–	–	–	–	(29)
Depreciation	–	(34)	(537)	(3)	–	(15)	–	(589)
Impairment reversal	–	–	–	–	–	–	4	4
Other movements	–	–	111	–	–	–	(111)	–
Carrying amount at the end of the year	27	142	6 721	10	–	79	1 086	8 065
At 31 December 2021								
Cost	59	2 338	36 544	93	233	1 792	1 149	42 208
Accumulated depreciation and impairment	(32)	(2 196)	(29 823)	(83)	(233)	(1 713)	(63)	(34 143)
Net carrying value	27	142	6 721	10	–	79	1 086	8 065
For the year ended 31 December 2020								
Carrying amount at the beginning of the year	27	216	7 041	14	–	62	606	7 966
Additions	–	–	188	–	–	–	205	393
Disposals	–	–	(13)	–	–	–	–	(13)
Depreciation	–	(34)	(497)	(1)	–	(14)	–	(546)
Impairment	–	(5)	(113)	–	–	–	(7)	(125)
Impairment reversal	8	21	–	–	–	–	–	29
Other movements	–	–	200	–	–	–	(200)	–
Revaluation through other comprehensive income	(3)	33	–	–	–	–	–	30
Transfer to investment properties	(5)	(54)	–	–	–	–	–	(59)
Carrying amount at the end of the year	27	177	6 806	13	–	48	604	7 675
At 31 December 2020								
Cost	59	2 350	36 197	93	233	1 746	671	41 349
Accumulated depreciation and impairment	(32)	(2 173)	(29 391)	(80)	(233)	(1 698)	(67)	(33 674)
Net carrying value	27	177	6 806	13	–	48	604	7 675

14. Property, plant and equipment continued

	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration Rm	Asset retirement obligation Rm	Right-of-use assets – machinery, plant and equipment Rm	Con-struction in progress Rm	Total Rm
Company								
For the year ended 31 December 2021								
Carrying amount at the beginning of the year	26	177	6 804	13	–	48	607	7 675
Additions	1	–	362	–	–	46	582	991
Disposals	(1)	(1)	(24)	–	–	–	–	(26)
Depreciation	–	(34)	(537)	(3)	–	(15)	–	(589)
Other movements	–	–	111	–	–	–	(111)	–
Carrying amount at the end of the year	26	142	6 716	10	–	79	1 078	8 051
At 31 December 2021								
Cost	49	1 971	25 569	93	198	1 576	1 090	30 546
Accumulated depreciation and impairment	(23)	(1 829)	(18 853)	(83)	(198)	(1 497)	(12)	(22 495)
Net carrying value	26	142	6 716	10	–	79	1 078	8 051
For the year ended 31 December 2020								
Carrying amount at the beginning of the year	27	216	7 041	14	–	62	606	7 966
Additions	–	–	182	–	–	–	208	390
Disposals	–	–	(9)	–	–	–	–	(9)
Depreciation	–	(34)	(497)	(1)	–	(14)	–	(546)
Impairment	–	(5)	(113)	–	–	–	(7)	(125)
Other movements	–	–	200	–	–	–	(200)	–
Revaluation through other comprehensive income	1	–	–	–	–	–	–	1
Transfer to investment properties	(2)	–	–	–	–	–	–	(2)
Carrying amount at the end of the year	26	177	6 804	13	–	48	607	7 675
At 31 December 2020								
Cost	49	1 983	25 239	93	198	1 530	619	29 711
Accumulated depreciation and impairment	(23)	(1 806)	(18 435)	(80)	(198)	(1 482)	(12)	(22 036)
Net carrying value	26	177	6 804	13	–	48	607	7 675

The residual values of classes of assets excluding land and buildings, has been reassessed during the financial year and changed accordingly for group and company.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

14. Property, plant and equipment continued

The useful lives of the classes of plant, machinery and equipment reflect current estimated life over which the group has the ability and intention to use such assets.

Land	Not depreciated
Buildings and infrastructure	5 to 50 years
Machinery, plant and equipment	2 to 50 years
Site preparation	9 to 20 years
Right-of-use assets machinery, plant and equipment	10 years

These useful lives represent management's current best estimates.

Impairment of assets

In accordance with IAS 36 *Impairment of Assets*, an impairment test was performed on all cash-generated units (CGUs). An asset is impaired if the carrying amount of the asset is greater than the recoverable amount of the asset.

The recoverable amount of the unit was determined using a discounted cash flow model and an explicit forecast period for five years. These cash flows are USD-based. To determine the terminal value, the Gordon growth model was used, and year five was taken into perpetuity. The value in use for all the CGUs was higher than the carrying amounts. Based on the assumptions illustrated below, it was concluded that none of the CGUs carrying amount exceeded its recoverable amount, and no impairment loss was recognised in the current financial year.

The impairment of Saldanha property assets that were transferred to investment properties during 2020, to the value of R29 million, was reversed. This reversal relates to the steel segment. The recoverable amount on these assets was R58 million.

The coke battery at Pretoria Works was placed on cold idle and was impaired at a value of R125 million in 2020.

The other major assumptions in arriving at the present value of future cash flows are:

	Vanderbijlpark		Newcastle		Vereeniging		Coke and Chemicals	
	2021	2020	2021	2020	2021	2020	2021	2020
Major assumptions								
Total pre-tax WACC/discount rate (% USD-based)[2]	19.43	21.94	20.56	19.18	16.55	16.39	16.08	16.83
Company-specific premium (% USD-based)[2]	2.75	2.25	3.85	2.75	1.05	1.25	0.95	2.25
Growth rate (% USD-based)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Exchange rate range (R/USD)[1]	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94	15.00 - 17.27	15.50 - 16.94
Steel sales price range (average USD/t)[3]	625 - 922	628 - 685	564 - 663	563 - 581	819 - 1 029	796 - 821	31 - 33[3]	23 - 28[3]
Sales volume range (kt)[1]	2 103 - 2 624	1 959 - 2 469	1 076 - 1220	927 - 1 067	185 - 207	135 - 197	1 352 - 1 394	1 615 - 1 670

[1] *Lowest to highest range over period of 2022 to 2026 (2020: 2021 to 2025).*
[2] *Decarbonisation risk is incorporated in company-specific premium of 2021.*
[3] *Commercial coke sales price range (average USD/t).*

15. Investment properties

	2021 Rm	2020 Rm
Group		
For the year ended 31 December 2021		
Carrying amount at the beginning of the year	983	1 080
Transfer from property, plant and equipment	–	59
Change in fair value	(228)	(118)
Exchange rate movement	(1)	(38)
Carrying amount at the end of the year	754	983
Company		
For the year ended 31 December 2021		
Carrying amount at the beginning of the year	731	860
Transfer from property, plant and equipment	–	2
Change in fair value	(95)	(131)
Carrying amount at the end of the year	636	731
Amounts recognised in profit or loss for investment properties		
Group		
Rental income	62	67
Direct operating expenses from rental property	(13)	(32)
Impairment reversal	–	29
Fair value loss	(228)	(118)
Revaluation recognised in equity on reclassification from property, plant and equipment to investment properties	–	30
Company		
Rental income	55	63
Direct operating expenses from rental property	(11)	(30)
Fair value loss recognised in other income	(95)	(131)
Revaluation recognised in equity	–	1

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

15. Investment properties continued

Fair value measurement of the investment property

The fair value of the group and company's investment property at 31 December 2021 has been arrived at on the basis of a valuation carried out at that date by Broll Valuation and Advisory Services, independent valuators not connected with the group or company. Valuations are the responsibility of Roger Long, FRICS, MIV (SA), Chartered Valuation Survey, RICS Registered Valuer (59664), Professional Valuer (2649/5).

The valuer has experience in the location and category of the property being valued. The valuation conforms to international standards. The fair value hierarchy used to value these properties is a level 3.

The investment properties can be divided between industrial sector, residential vacant land sector and farmland.

The fair value of the property in the industrial sector was determined by adopting the income capitalisation method or the depreciable replacement cost approach or market value approach. The income capitalisation method requires a market-derived projection of economic net annual income for the property, which is then capitalised into perpetuity using a market-related capitalisation rate to determine the market value estimate. Gross market rentals have been applied to the accommodation elements and then normal landlord outgoings were deducted and a management fee to arrive at a net annual income figure. The following key assumptions were applied:

- Expense ratio 17.5% - 19.7% (2020: 17.2% - 36.4%)
- Vacancy provision 5% - 7.5% (2020: 5% - 7.5%)
- Capitalisation rate 12.5% - 13.5% (2020: 12.5% - 15%)

A 2.5% increase or decrease in the vacancy provision will impact the fair value by R2 million (2020: R1.8 million). A 1% increase or decrease in the capitalisation rate will impact the fair value by R37 million (2020: R33.9 million). A 2.5% increase or decrease in the expense ratio will impact the fair value by R2 million (2020: R2.4 million).

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

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

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

Non-current assets pledged as security

None of the investment properties are pledged as security by the group.

Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Leasing arrangements

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	2021 Rm	2020 Rm
Year 1	46	45
Year 2	45	37
Year 3	36	38
Year 4	28	38
Year 5	28	39
Longer than 5 years	58	158
	241	355

16. Intangible assets

	Patents Rm	Non-integrated software Rm	Total Rm
Group			
For the year ended 31 December 2021			
Carrying amount at the beginning of the year	–	72	72
Additions	–	7	7
Amortisation	–	(12)	(12)
Carrying amount at the end of the year	–	67	67
At 31 December 2021			
Cost	38	431	469
Accumulated amortisation and impairment	(38)	(364)	(402)
Net carrying amount	–	67	67
For the year ended 31 December 2020			
Carrying amount at the beginning of the year	–	70	70
Additions	–	12	12
Amortisation	–	(10)	(10)
Carrying amount at the end of the year	–	72	72
At 31 December 2020			
Cost	38	424	462
Accumulated amortisation and impairment	(38)	(352)	(390)
Net carrying amount	–	72	72

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

16. Intangible assets continued

	Non-integrated software Rm	Total Rm
Company		
For the year ended 31 December 2021		
Carrying amount at the beginning of the year	72	72
Additions	7	7
Amortisation	(12)	(12)
Carrying amount at the end of the year	67	67
At 31 December 2021		
Cost	419	419
Accumulated amortisation and impairment	(352)	(352)
Net carrying amount	67	67
For the year ended 31 December 2020		
Carrying amount at the beginning of the year	70	70
Additions	12	12
Amortisation	(10)	(10)
Carrying amount at the end of the year	72	72
At 31 December 2020		
Cost	412	412
Accumulated amortisation and impairment	(340)	(340)
Net carrying amount	72	72

No intangible assets have restricted titles or have been pledged as security in the current year.

Useful lives and residual values of intangible assets

The estimates of amortisation rates and the residual lives of the assets are reviewed annually taking cognisance of:

- Forecast commercial and economic realities
- Benchmarking within the greater ArcelorMittal group

The useful lives of the classes of intangible assets reflect current estimated life over which the group has the ability and intention to use such assets.

Useful life range	
Non-integrated software	5 to 20 years
Patents	20 years

These useful lives represent management's current best estimates.

17. Equity-accounted investments

None of the company's associates or jointly controlled entities are considered to be individually material compared to the others.

Summarised financial information

		2021 Rm	2020 Rm
17.1	Associates		
	Aggregate information of associates not individually material		
	Profit after tax	2	1
	Share of other comprehensive income	(2)	2
	Share of total comprehensive income	–	3
	Aggregate carrying amount of the group's interest in these associates		
	Group	28	32
	Company	16	16
17.2	Joint venture		
	Aggregate information of joint ventures not individually material		
	Profit	38	11
	Share of other comprehensive income	3	2
	Share of total comprehensive income	41	13
	Aggregate carrying amount		
	Group	199	173
	Company	152	156
17.3	Total carrying amount of equity-accounted joint ventures and associates		
	Group	227	205
	Company	168	172

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

18. Investments in subsidiaries

	Company	
	2021 Rm	2020 Rm
Shares at cost	–	–
Indebtedness – by subsidiaries	1 510	797
Total	1 510	797
Aggregate attributable after-tax losses	(150)	(182)

The carrying value of the company's investment in subsidiaries consists largely of its investment in Saldanha Steel (Pty) Ltd, being the cost of shares and indebtedness at the initial and subsequent acquisition dates. Refer to note 6 regarding the impairment of the subsidiaries.

Consolidation of entities

ArcelorMittal South Africa Management Share Fund Trust is consolidated into the group results, with the cost of open-market share purchases being included as a debit to the group's equity.

The following entities are not consolidated:

- Certain non-core services and corporate social development activities of the company are managed via two associations not for gain, namely the Vesco group and Vesco Community Enterprises. While the company has de facto control over both entities, these entities are not consolidated within the group accounts because they are not material to the group
- Likewise, the results of the ArcelorMittal Foundation Trust, a public benefit organisation, are not included in the consolidated results of the group

The effect if these entities were to be consolidated by the group would be immaterial on the numbers and/or disclosure.

Ikageng Broad-Based Employee Share Trust

The Ikageng Broad-Based Employee Share Trust Ltd *(Ikageng)* was created in 2015 to give effect to the ESOP. Ikageng held the investment in shares in ArcelorMittal South Africa for the benefit of the company's employees, until it vested on 30 September 2020. The ESOP was created by ArcelorMittal South Africa to facilitate black economic empowerment and meaningful wealth for its employees. The trust is consolidated in accordance with IFRS 10 *Consolidated Financial Statements*.

Isabelo Empowerment Share Trust and Amandla we Nsimbi (RF) (Pty) Ltd

During 2016, the Isabelo Empowerment Share Trust and Amandla we Nsimbi (RF) (Pty) Ltd were created as part of the company's initiative to transform ArcelorMittal South Africa Ltd in order to achieve sustainable ownership by black people. In terms of the scheme, ArcelorMittal South Africa issued empowerment shares to Amandla we Nsimbi (RF) (Pty) Ltd, and the Isabelo Empowerment Share Trust (representing 17% and 5%, respectively, of the voting rights in ArcelorMittal South Africa through a notional loan). Both the trust and company are consolidated in terms of IFRS 10 *Consolidated Financial Statements*.

18. Investments in subsidiaries continued

Name of subsidiary	% Share-holding	Country of incorporation	Reporting currency	Number of ordinary shares issued	Shares at cost 2021 R	Shares at cost 2020 R	Indebtedness[1] 2021 Rm	Indebtedness[1] 2020 Rm
Manufacturing								
Iscor Building Systems (Pty) Ltd	100	RSA	ZAR	100	100	100	–	
Saldanha Steel (Pty) Ltd[1]	100	RSA	ZAR	2 000	1 009	1 009	1 000	450
ArcelorMittal Rail and Structures (Pty) Ltd	100	RSA	ZAR	100	100	100	–	–
Mining								
Oakwood Trading 21 (Pty) Ltd	100	RSA	ZAR	100	100	100	–	134
Thabazimbi Iron Ore Mine (Pty) Ltd	100	RSA	ZAR	1	1	1	302	191
Services								
Pybus Fifty-Seven (Pty) Ltd	100	RSA	ZAR	1	1 000	1 000	–	–
Vicva Investments and Trading Nine (Pty) Ltd	100	RSA	ZAR	1	1 000	1 000	208	22
Dombotema Mining Investments (Pty) Ltd	100	RSA	ZAR	100	100	100	–	–
ArcelorMittal African Investments	100	Mauritius	USD	100	716	716	–	–
					4 126	4 126	1 510	797

[1] *The indebtedness amount includes the shareholders' loan of R2 567 million (2020: R2 567 million) and intercompany balances in favour of Saldanha Steel (Pty) Ltd of R1 567 million (2020: R2 117 million).*

19. Investments held by environmental trust

	Group 2021 Rm	Group 2020 Rm
Balance at the beginning of the year	378	348
Fair value adjustment (FVTPL)	34	30
Balance at the end of the year	412	378

The group holds an environmental trust which holds equity investments.

The trust's investment activities are managed by Old Mutual Investment Group (South Africa) (Pty) Ltd. It aims to achieve its objectives by investing in a diversified portfolio of equity (South African listed companies).

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations relating to Thabazimbi's mining operations. The investment returns are reinvested by the trust. Refer to note 28 for the environmental rehabilitation provisions. The trust is consolidated in terms of IFRS 10 *Consolidated Financial Statements*.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

20. Other financial assets

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Non-current				
Equity instruments – FVTOCI	6	11	6	11
Total	6	11	6	11
Current				
Financial assets carried at FVTPL				
Other forward exchange contracts	2	–	2	–
Financial assets carried at FVTOCI				
Forward exchange contracts and options used for hedging	–	30	–	30
Total	2	30	2	30

Critical judgements and estimates

Equity instruments carried at FVTOCI

Hwange Colliery Company Ltd

The company holds 10% of the ordinary share capital of Hwange Colliery Company Ltd, a coal, coke and by-products producer in Zimbabwe. The shares of Hwange Colliery Company Ltd are traded on the dollarised Zimbabwe Stock Exchange. The Zimbabwean miner was placed under administration in October 2018 and consequently suspended on the JSE. As a result of the suspension, the shares were valued as a level 3 in terms of the fair value hierarchy. The carrying amount of the investment is Rnil (2020: Rnil).

MC Mining Ltd

The company holds 6 306 672 (4%) shares in MC Mining Ltd. MC Mining Ltd is listed on the Australian Stock Exchange, JSE and London Stock Exchange. The shares are valued at a fair value of R1.06 (2020: R1.80) per share and therefore are valued at the market value of R6 million (2020: R11 million). The fair value is observed on the open market and is therefore a level 1.

Financial assets carried at FVTPL

Foreign exchange contracts

Financial instruments carried at FVTPL represent gains on foreign exchange contracts (FECs).

Financial assets carried at FVTOCI

Forward exchange contracts and options used for hedging

Financial instruments carried at FVTOCI represent gains on the revaluation of options and forward exchange contracts designated in a hedging relationship.

21. Inventories

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Finished products	2 607	1 156	2 607	1 156
Work-in-progress	5 041	2 968	5 030	2 965
Raw materials	3 511	2 275	3 510	2 269
Plant, spares and consumables	995	933	945	845
Right to recover returned goods	21	16	21	16
Total	12 175	7 348	12 113	7 251

Inventories and receivables are provided as security to the lenders of the BBF to the extent of the drawn amount of R1 800 million (2020: R2 450 million). Refer note 26 for detail on borrowings.

21. Inventories continued

Right to recover returned goods

An asset for a right to recover returned goods is recognised in relation to products sold with a right to return.

Inventory at net realisable value

Included in the above are finished products of R384 million (2020: R373 million), work-in-progress of R507 million (2020: R331 million) and raw materials of R2 250 million (2020: R1 497 million) carried at net realisable value.

During the year an adjustment of inventory to net realisable value of -R283 million (2020: R212 million reversal of a previous adjustment of inventory) was recognised in profit or loss.

22. Trade and other receivables

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Trade receivables				
Local	2 536	1 466	2 531	1 458
Exports	180	207	180	207
Total gross trade receivables	2 716	1 673	2 711	1 665
Allowance for impairment				
Local	(61)	(45)	(58)	(42)
Exports	–	(2)	–	(2)
Total allowances for impairment	(61)	(47)	(58)	(44)
Other allowances				
Local	(463)	(300)	(463)	(300)
Exports	(20)	(25)	(20)	(25)
Total other allowances	(483)	(325)	(483)	(325)
Net trade receivables				
Local	2 012	1 121	2 010	1 116
Exports	160	180	160	180
Total net trade receivables	2 172	1 301	2 170	1 296
Other receivables				
Net value added tax receivable	117	11	113	7
Sundry receivables	591	432	538	422
Allowance for impairment of other receivables	(147)	(124)	(146)	(122)
Total other receivables	561	330	505	314
Total	2 733	1 631	2 511	1 610
Non-current other receivables	21	9	21	9
Current trade and other receivables	2 712	1 623	2 654	1 602
Total	2 733	1 632	2 675	1 611

Included in other receivables is capitalised transaction cost relating to the BBF amounting to R32 million (2020: R21 million) of which R21 million (2020: R9 million) is non-current.

Inventories and receivables are provided as security for the BBF to the extent of the drawdown of R1 800 million (2020: R2 450 million). Refer to note 26 for details on borrowings.

Transfer of trade receivables

The group and company sold, with no recourse, trade receivables with a carrying amount of R1 271 million (2020: R965 million) to the bank for cash proceeds. This amount represents the outstanding receivables that were sold at 31 December 2021. This is referred to as the TSR programme. These trade receivables have been derecognised from the statement of financial position at the date of sale to the bank because the group and company have not retained substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as cash.

Expenses incurred under the TSR programmes (reflecting the discount granted to the acquirers of the accounts receivable) recognised in the statement of comprehensive income for the year ended 31 December 2021 are R38 million (2020: R34 million).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

22. Trade and other receivables continued

Credit risk

Credit risk is the risk of financial loss to the group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group and company's receivables from customers, defined as trade receivables.

The carrying amounts of financial assets represent the maximum credit exposure.

The credit risk management policy sets out the framework within which the customer credit risk is managed.

The objectives of the credit risk management policy are to:
- Increase sales through investing in the customer base
- Avoid extensions that could lead to financial distress and default by customers
- Maintain productive customer relationships within the framework of prudent risk management
- Optimise cash collection periods
- Diversify credit exposure over a broad client base

The credit risk management policy is enacted by the credit management department. Credit management ensures that credit extension and management are conducted within the approved frameworks, and adequately assesses and reports all credit exposures, which include the maintenance of appropriate collateral, financial guarantees and credit insurance. The credit management's review includes the review of financial statements, credit insurers' information and industry information.

The group and company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Each customer's credit profile is determined by taking into account the customer's financial position, payment record, guarantees and other relevant information. Credit limits are monitored regularly, and credit exposures are monitored on a daily basis. Any sales exceeding those limits either require additional credit cover, collateral or guarantees. Where these are not available, it requires the approval of the executive directors, and above certain threshold that of ArcelorMittal group. This decision will be based on past payment history, size of the customer and the strategic nature of the customer.

Credit insurance is mainly underwritten by the Credit Guarantee Insurance Corporation of South Africa Ltd under five different policies with a maximum liability of R1.4 billion on the largest policy.

The insurance excess ranges from 0% to 10%. Hollard was added as an additional credit insurer in 2018 for a specific customer. The excess in relation to this policy is 15%.

The group and company are exposed to three main customers. These top three customers operate in the domestic market. The table below details the cumulative credit limit and balances (both inclusive of value added tax) of the top three customers at the statement of financial position date for the group and company:

	Credit limit inclusive of VAT		Balance	
	2021	2020	2021	2020
Outstanding balance of the top three customers by sales for the year (Rm)				
Group – Grading B	2 427	1 924	627	459
Company – Grading B	2 427	1 924	627	459
Percentage of net trade receivables (%)				
Group	–	–	29	35
Company	–	–	29	35

The most significant export customer is Macsteel International Trading BV (Grading A). Macsteel International Trading BV does not have a credit limit and is not insured due to the short-term nature of this receivable. The group and company have an agreement with this company for all export sales. The outstanding customer balance as at 31 December 2021 was R6 million (2020: R142 million).

22. Trade and other receivables continued

	Group		Company	
	2021 %	2020 %	2021 %	2020 %
Credit risk exposure by class for the group and company is:				
Local	95	95	95	95
Exports	5	5	5	5
Total	100	100	100	100

	Group		Company	
	2021 Days	2020 Days	2021 Days	2020 Days
Average credit period for trade receivables				
Local	39	36	39	35
Exports	15	21	15	21

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at 2% per month on the outstanding balance.

Other receivables relate primarily to by-product sales, site rental due, staff education and bursary loans. In determining the recoverability of trade and other receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Allowances

The following allowances exist:

Allowance for impairment, which is based on the ageing and recoverability of receivables. Customers handed over for collection are fully provided for unless insured, in which case the participation percentage of the insurer is deducted. Overdue customers without cover are fully provided for.

Movement in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Balance at the beginning of the year	(47)	(43)	(44)	(40)
Amounts written off	1	17	1	17
Remeasurement of loss allowance	(15)	(21)	(15)	(21)
Balance at the end of the year	(61)	(47)	(58)	(44)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

22. Trade and other receivables continued

Movement in other allowances

Other allowances relate to settlement discounts, price, quality, dispatch and related claims for which credit notes still have to be issued.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Balance at the beginning of the year	(325)	(271)	(325)	(263)
Allowances raised	(1 516)	(1 103)	(1 516)	(1 085)
Allowances utilised	1 358	1 049	1 358	1 023
Balance at the end of the year	(483)	(325)	(483)	(325)

An allowance is also made for impairment on other receivables that are more than 90 days overdue.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Balance at the beginning of the year	(124)	(101)	(122)	(100)
Impairment losses recognised	(23)	(70)	(24)	(67)
Amounts recovered during the year	–	46	–	45
Balance at the end of the year	(147)	(124)	(146)	(122)

Trade receivables are written off.

Expected credit loss assessment for trade receivables

The group and company allocate each exposure to credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings from credit insurers, audited financial statements, management accounts and cash flow projections, and available press/industry information). Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating factors from credit insurers. The estimation techniques and assumptions used in the expected credit loss assessment have been consistently applied.

The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2021:

		Group		Company	
Grading	Risk	2021 Rm	2020 Rm	2021 Rm	2020 Rm
A – grading	Low risk	6	171	6	171
B – grading	Medium risk	2 656	1 456	2 651	1 448
C – grading	High risk	54	46	54	46
Total		2 716	1 673	2 711	1 665

22. Trade and other receivables continued

Risk profiles

Grading	Subgrade	Description	Characteristics	Application
A		Low risk	1. Net asset value – minimum value of R1 billion	The company can opt for an open account basis without additional cover or securities.
	A1	Going concern approach	2. Strong asset base	
	A2	Liquidation approach	3. Positive cash inflow Exceptions may be made in case of capital investments	
	A3	Strategic decision	4. Consistent profit 5. Excellent payment history	
B		Medium risk	1. Positive net asset value	Additional orders, which will cause customers to exceed their approved credit facility, will be subjected to a prior investigation by credit risk management.
	B1	Going concern approach	2. Strong asset base	
	B2	Liquidation approach	3. Positive cash inflow Exceptions may be made in case of capital investments	The group may opt for securities listed below:
	B3	Strategic decision	4. Consistent profit	• Cession of debtors
	B4	Full credit insurance	5. Excellent payment history	• Company guarantee (by a company with adequate liquidation value and with a low/medium company risk profile)
	B5	Facility fully covered by a guarantee from a financial institution	6. Full insurance cover 7. Sufficient securities	• Cession of loan account • Notarial bonds (special or general) over plant and machinery • Debt set-off agreement • Cession of shares in listed companies on the JSE • Second bond on property
C		High risk	1. Negative net asset value. Deficit on revalued assets 2. Poor payment history. Defaults often and needs to be reminded to pay 3. Fluctuation in cash flow 4. No adequate securities 5. Adequate credit insurance cover cannot be obtained 6. Customer experiences operating losses regularly	If additional orders are required, the group and company **must** then insist on securities listed below: • Guarantees from acceptable financial institutions (approved by treasury) • First bonds over fixed property • Letters of credit • Cession of endowment policies • Guarantees from the IDC

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

22. Trade and other receivables continued

Determining the allowance for impairment

In accordance with IFRS 9, the group and company followed a simplified approach when determining expected credit losses for trade receivables. In terms of the simplified approach, the group and company are not required to determine whether the credit risk has increased significantly since the initial recognition of the trade receivable. Instead, the group and company recognised a loss allowance equal to the lifetime expected credit losses on every reporting date. The trade receivables do not have a significant financing component.

In addition, all known specifically impaired trade receivables are provided for. The group and company use the following matrix:

	Group				
	Default rate %	Ageing of overdue trade receivables Rm	Lifetime expected credit loss Rm	Specifically impaired trade receivables Rm	Total impairment Rm
30 – 60 days	0.4	235	(1)	(7)	(8)
60 – 90 days	1	47	–	–	–
90 – 120 days	1.4	18	–	–	–
120 – 150 days	2.5	5	–	–	–
>150 days	1.3	55	–	(53)	(53)
Total		360	(1)	(60)	(61)

23. Asset held-for-sale

	Group	
	2021 Rm	2020 Rm
Carrying amount at the beginning of the year	135	–
Net investment in Coza Mining (Pty) Ltd reclassified from equity-accounted investments	–	135
Proceeds received	(135)	–
Carrying amount at the end of the year	–	135

The disposal of the 25% interest in Coza Mining (Pty) Ltd through its wholly owned subsidiary, Oakwood Trading (Pty) Ltd, to Afrimat Ltd, which was announced on 17 August 2020 was finalised during the year. The net investment in Coza Mining (Pty) Ltd was presented in Corporate and other segment as per note 5.

Net investment in Coza Mining (Pty) Ltd:

	Group	
	2021 Rm	2020 Rm
Carrying amount at the beginning of the year	–	79
Increase in loan advanced	–	3
Impairment reversal recognised in profit or loss	–	53
Reclassified to asset held-for-sale	–	(135)
Carrying amount at the end of the year	–	–

24. Cash, bank balances and restricted cash

The group and company held cash and cash equivalents of R4 652 million and R4 648 million, respectively, as at 31 December 2021 (2020: R3 340 million and R3 337 million). The group and company also entered into various derivatives with banks and financial institutions. The cash and cash equivalents are held with and derivatives are entered into with banks and financial institutions that are rated A+ to BB based on ratings from Fitch.

The group and company consider that their cash and cash equivalents have a low credit risk based on the external ratings of the counterparties. Based on this and the short-term maturities of these exposures, there is no expected credit loss and hence no provision for impairments has been raised against these positions and balances.

For the purposes of the group and company statements of cash flows, cash, cash equivalents and restricted cash include cash on hand and in banks, net of outstanding bank overdrafts. Cash, cash equivalents and restricted cash at the end of the reporting period as shown in the group and company statements of cash flows can be reconciled to the related items in the group and company statements of financial position as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Bank balances	4 652	3 340	4 648	3 337

Included in cash and bank is restricted cash of R1 419 million (2020: R816 million) relating to the TSR facility of R767 million (2020: R501 million); the environmental rehabilitation obligations of R302 million (2020: R302 million) as contained in note 28; Coza guarantee of Rnil million (2020: R13 million) in respect of Coza Mining (Pty) Ltd; and R350 million (2020: Rnil) in respect of standby letters of credit issued to foreign suppliers.

The restricted cash amount relating to the TSR facility are amounts collected on behalf of the TSR provider after the financing of the debtors. These amounts are required to be paid over to the TSR provider.

The restricted cash is held in bank accounts of ArcelorMittal South Africa Ltd.

Bank accounts of R1 277 million (2020: R695 million) were ceded in favour of the lenders of the BBF and TSR facility.

25. Stated capital

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Ordinary shares	4 537	4 537	4 537	4 537
A1 ordinary shares at no par value*	–	–	–	–
A2 ordinary shares at no par value*	–	–	–	–
Total	4 537	4 537	4 537	4 537

* *Value less than R1 million.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

25. Stated capital continued

	Group		Company	
	2021 Number of shares	2020 Number of shares	2021 Number of shares	2020 Number of shares
Reconciliation of authorised shares				
Ordinary shares at no par value	1 200 000 000	1 200 000 000	1 200 000 000	1 200 000 000
A1 ordinary shares at no par value	243 240 276	243 240 276	243 240 276	243 240 276
A2 ordinary shares at no par value	72 972 083	72 972 083	72 972 083	72 972 083
	1 516 212 359	1 516 212 359	1 516 212 359	1 516 212 359
Issued shares				
Ordinary shares of no par value	1 138 059 825	1 138 059 825	1 138 059 825	1 138 059 825
A1 ordinary shares of no par value	243 240 276	243 240 276	243 240 276	243 240 276
A2 ordinary shares of no par value	72 972 083	72 972 083	72 972 083	72 972 083
Total shares in issue	1 454 272 184	1 454 272 184	1 454 272 184	1 454 272 184
Reconciliation of shares issued to shares outstanding				
Total shares issued	1 454 272 184	1 454 272 184	1 454 272 184	1 454 272 184
Amandla we Nsimbi (RF) (Pty) Ltd	(243 240 276)	(243 240 276)	(243 240 276)	(243 240 276)
Isabelo Employee Share Trust	(72 972 083)	(72 972 083)	(72 972 083)	(72 972 083)
Ordinary shares	1 138 059 825	1 138 059 825	1 138 059 825	1 138 059 825
Vicva Investments and Trading Nine (Pty) Ltd	(23 447 036)	(23 447 036)	(23 447 036)	(23 447 036)
Total shares outstanding	1 114 612 789	1 114 612 789	1 114 612 789	1 114 612 789

The unissued ordinary shares are not under the control of the directors.

25. Stated capital continued

A1 and A2 shares

In 2016, a successful B-BBEE transaction was completed. This transaction was part of ArcelorMittal South Africa's initiatives to transform the group and achieve sustainable ownership by black people.

In terms of the scheme, ArcelorMittal South Africa issued empowerment shares to Amandla we Nsimbi (RF) (Pty) Ltd and Isabelo Employee Share Trust (representing 17% and 5%, respectively, of the voting rights in ArcelorMittal South Africa) through a notional loan.

The shareholders approved the issue of A1 and A2 ordinary shares. Amandla we Nsimbi (RF) (Pty) Ltd whose shares are owned by broad-based black consortium, Likamva Resources, subscribed for 243 240 276 A1 ordinary shares in ArcelorMittal South Africa. A1 ordinary shares were issued at a nominal value through a notional loan structure. The original notional loan was for 10 years of which 5.75 years are still left. Likamva Resources was initially the only shareholder but has introduced a broad-based party in the form of a community trust during November 2019. The trust holds 29.53% (2020: 29.53%) of the shares in Amandla we Nsimbi (RF) (Pty) Ltd, reducing Likamva Resources' shareholding to 70.47%. Therefore, an indirect effective shareholding of 5% is achieved by the community trust.

The Isabelo Employee Share Trust was established to facilitate B-BBEE ownership in compliance with the B-BBEE codes and to create meaningful wealth for qualifying employees in order to ensure their long-term dedication and the retention of skills, while enhancing the transformation of ArcelorMittal South Africa. The trust was set up for permanently employed management and non-management employees of all job grades of ArcelorMittal South Africa. The Isabelo Employee Share Trust subscribed for 72 972 083 A2 ordinary shares in ArcelorMittal South Africa, representing 5% of the voting rights in ArcelorMittal South Africa. A2 ordinary shares are also issued at a nominal value through a notional loan structure.

The B-BBEE employee share ownership scheme is equity-settled. The ArcelorMittal South Africa empowerment shares will receive notional dividends during the "lock-in" period. From the first business day following the seventh anniversary of the issue date until the expiry of the lock-in period, Amandla we Nsimbi (RF) (Pty) Ltd and the Isabelo Employee Share Trust are entitled to receive cash dividends on the ArcelorMittal South Africa empowerment shares amounting to 5% of the ordinary dividend paid on ArcelorMittal South Africa shares. This is applicable to the extent that a dividend is declared and shall not create any obligation on ArcelorMittal South Africa to declare a dividend.

The "A" class shares granted to Amandla we Nsimbi (RF) (Pty) Ltd and the Isabelo Employee Share Trust will convert into ArcelorMittal South Africa ordinary shares upon expiry of the "lock-in" period. The number of shares that will convert will be the equivalent of the value of the shares in surplus of the balance of the notional loan upon expiry of the "lock-in" period. There is a 10-year vesting period for the share-based payment benefit provided to the Isabelo Employee Empowerment Share Trust and no vesting period for the share-based payment benefit provided to Amandla we Nsimbi (RF) (Pty) Ltd. There are no performance targets for vesting for both ownership schemes.

Analysis of shareholding

The analysis of ordinary shareholders below represents a summary of beneficial shareholders with a holding greater than 5% of issued shares as at 31 December 2021:

	2021		2020	
	Number of shares	% of shares in issue	Number of shares	% of shares in issue
ArcelorMittal Holdings AG	771 489 400	53.05	771 489 400	53.05
Amandla we Nsimbi (RF) (Pty) Ltd	243 240 276	16.73	243 240 276	16.73
Industrial Development Corporation	93 044 068	6.40	93 044 068	6.40
Isabelo Employee Share Trust	72 972 083	5.02	72 972 083	5.02
Shareholding more than 5%	1 180 745 827	81.20	1 180 745 827	81.20
Shareholding less than 5%	273 526 357	18.80	273 526 357	18.80
Total	1 454 272 184	100	1 454 272 184	100

Of the issued shares, Vicva Investments and Trading Nine (Pty) Ltd owns 1.6% (2020: 1.6%).

The shares held by Vicva Investments and Trading Nine (Pty) Ltd, Amandla we Nsimbi (RF) (Pty) Ltd and Isabelo Employee Share Trust are treated as treasury shares as these companies are consolidated.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

26. Borrowings

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Secured – at amortised cost				
Bank	1 800	2 450	1 800	2 450
Loans from holding company	4 110	4 514	4 110	4 514
Loans	5 910	6 964	5 910	6 964
Non-current	3 700	4 514	3 700	4 514
Current	2 210	2 450	2 210	2 450
Total	5 910	6 964	5 910	6 964

The group renewed the BBF with various financial institutions at the end of August 2021. At 31 December 2021, R1 800 million (2020: R2 450 million) was drawn down on the facility and R1 700 million (2020: R2 050 million) was still available. Eligible inventories and receivables are provided as securities for the BBF to the extent of the drawdown. The group currently has no intention to replace any portion of the BBF.

The loan from the holding company has been subordinated in favour of the lenders of the BBF loan. The loan from the holding company was renegotiated during December 2021 and as a result the loan decreased by R614 million; this amount was restructured to other payables. The loan decreased by a further R137 million; this was a deemed contribution by the holding company.

The subordinated loan of R2 700 million (2020: R4 514 million) matures on 31 August 2024, R410 million matures on September 2022 and the remaining balance of R1 000 million matures on 31 January 2023. Interest is payable on a quarterly basis.

The weighted average interest rate payable on the BBF loan is 7.37% (2020: 8.03%) and on the group loan it is 7.10% (2020: 8.27%).

The BBF available to the group is subject to financial covenants. At year-end, the group is in compliance with all covenants.

27. Lease obligations

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Secured – at amortised cost				
Non-current	60	44	60	30
Current	29	29	16	12
Total	89	73	76	42
Maturity profile				
Minimum lease payments				
Due in 2021	–	36	–	15
Due in 2022	36	31	21	16
Due in 2023	22	17	22	17
Due in 2024	6	–	6	–
Due in 2025	6	–	6	–
Due in 2026	6	–	6	–
Due in 2027	7	–	7	–
Thereafter	32	–	32	–
Total	115	84	100	48
Future finance charges	(26)	(11)	(24)	(6)
Present value of minimum lease payments	89	73	76	42

The group leases plant and machinery over a period of 10 years. The lease liabilities are effectively secured as the rights to the leased assets are embedded in the supply agreements and would generally revert to the lessor or supplier in the event of defaults.

There were no breaches or defaults in contracts during the current or comparative year.

27. Lease obligations continued

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Balance at the beginning of the year	73	100	42	54
Additions	46	–	46	–
Accretion of interest	7	10	3	4
Payments	(37)	(37)	(15)	(16)
Balance at the end of the year	89	73	76	42
Non-current	60	44	60	30
Current	29	29	16	12
The following are the amounts recognised in profit or loss:				
Depreciation expense of right-of-use assets	15	14	15	14
Accretion of interest	7	10	3	4
Total amount recognised in profit or loss	22	24	18	18

There were no lease contracts that include extension and termination options during the current or comparative year.

Refer to note 14 for disclosure related to the right-of-use assets.

28. Provisions

	Asset retirement obligation Rm	Environ-mental reme-diation Rm	Onerous contracts Rm	Restruc-turing costs Rm	Other Rm	Total Rm
Group						
For the year ended 31 December 2021						
At the beginning of the year	285	1 895	10	115	297	2 602
Charge to the statement of comprehensive income	17	111	(3)	(51)	74	148
Additions and scope changes	–	8	(3)	(51)	74	28
Discount rate change	(12)	(87)	–	–	–	(99)
Unwinding of the discount effect	29	190	–	–	–	219
Utilised during the year	–	(103)	(4)	(64)	(43)	(214)
At the end of the year	302	1 903	3	–	328	2 536
Non-current	234	1 478	–	–	4	1 716
Current	68	425	3	–	324	820
Total	302	1 903	3	–	328	2 536
For the year ended 31 December 2020						
At the beginning of the year	252	1 791	167	366	265	2 841
Charge to the statement of comprehensive income	35	166	(69)	(13)	122	241
Additions and scope changes	(9)	(151)	(69)	(13)	122	(120)
Discount rate change	17	130	–	–	–	147
Unwinding of the discount effect	27	187	–	–	–	214
Utilised during the year	(2)	(62)	(88)	(238)	(90)	(480)
At the end of the year	285	1 895	10	115	297	2 602
Non-current	222	1 607	–	–	3	1 832
Current	63	288	10	115	294	770
Total	285	1 895	10	115	297	2 602

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

28. Provisions continued

	Asset retirement obligation Rm	Environ-mental remediation Rm	Restruc-turing cost Rm	Other Rm	Total Rm
Company					
For the year ended 31 December 2021					
At the beginning of the year	241	1 672	113	226	2 252
Charge to the statement of comprehensive income	(1)	83	(49)	72	105
Additions and scope changes	(13)	(20)	(49)	72	(10)
Discount rate change	(12)	(85)	–	–	(97)
Unwinding of the discount effect	24	188	–	–	212
Utilised during the year	–	(11)	(64)	35	(110)
At the end of the year	240	1 744	–	263	2 247
Non-current	218	1 278	–	5	1 501
Current	22	466	–	258	746
Total	240	1 744	–	263	2 247
For the year ended 31 December 2020					
At the beginning of the year	205	1 523	223	185	2 136
Charge to the statement of comprehensive income	36	161	28	110	335
Additions and scope changes	–	(151)	28	110	(13)
Discount rate change	14	128	–	–	142
Unwinding of the discount effect	22	184	–	–	206
Utilised during the year	–	(12)	(138)	(69)	(219)
At the end of the year	241	1 672	113	226	2 252
Non-current	209	1 346	–	2	1 557
Current	32	326	113	224	695
Total	241	1 672	113	226	2 252

28. Provisions continued

Maturity profile

The gross value maturity profile of the provisions is set out in the table below:

Maturity profile	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Restruc-turing costs Rm	Other Rm	Total Rm
Group						
For the year ended 31 December 2021						
Less than one year	75	466	4	–	356	901
More than one year, less than five years	284	1 700	–	–	7	1 991
Greater than five years	73	687	–	–	1	761
Total	432	2 853	4	–	364	3 653
Company						
For the year ended 31 December 2021						
Less than one year	24	511	–	–	285	820
More than one year, less than five years	279	1 496	–	–	7	1 782
Greater than five years	44	551	–	–	1	596
Total	347	2 558	–	–	293	3 198

The present value maturity profile of the provisions is set out in the table below:

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Restruc-turing costs Rm	Other Rm	Total Rm
Group						
For the year ended 31 December 2021						
Less than one year	68	425	3	–	325	821
More than one year less than five years	200	1 217	–	–	3	1 420
Greater than five years	34	261	–	–	–	295
Total	302	1 903	3	–	328	2 536
Company						
For the year ended 31 December 2021						
Less than one year	22	466	–	–	259	747
More than one year less than five years	197	1 070	–	–	4	1 271
Greater than five years	21	208	–	–	–	229
Total	240	1 744	–	–	263	2 247

Asset retirement obligation and environmental remediation obligation provisions

Environmental obligations consist of asset retirement obligations and environmental remediation obligations.

Environmental remediation obligations represent the present value of the cost of remedial action to clean up and restore a site. These actions are primarily attributable to legacy waste disposal activities. Legal obligations exist to remediate these facilities. Estimating the future cash flows associated with these obligations and the related asset components is complex. In particular, judgement is required in distinguishing between asset retirement obligations and environmental remediation obligations. Existing laws and guidelines are not always clear as to the required end-state situation. The provisions are also affected by changing technologies, environmental, safety, business and legal considerations.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

28. Provisions continued

Asset retirement obligation and environmental remediation obligation provisions continued

The directors assess the long-term operational plans, technological and legislative developments, guidelines issued by the authorities, advice from external environmental experts, and computations provided by quantity surveyors in order to derive an estimated future cash flow profile to serve as a basis for the computation of the obligations and related assets.

The asset retirement obligations represent management's best estimate of the present value of costs that will be required to retire plant and equipment. The majority of the obligation relates to ancillary plant and equipment that will be retired as part of the clean-up and closure of those facilities to be remediated via the asset remediation obligation. The net carrying amount of the asset retirement obligation, asset component, included in note 14 amounts to Rnil (2020: Rnil) for the group and Rnil (2020: Rnil) for the company. The investment held in environmental trust will be used in part to settle this obligation (refer to note 19).

The term of the obligation assessment varies according to the site. The maximum term is 14 years.

	2021 %	2020 %
Average discount rates		
Asset retirement obligation	11.04	9.83
Environmental remediation obligation	11.95	11.25

The average escalation factor applied to the current cash flow estimates is 4.43% (2020: 3.56%).

The sensitivity of the carrying amount of the obligations at 31 December 2021 in response to changes in key inputs is:

Carrying amount at 31 December 2021	Asset retirement obligation increase/ (decrease) Rm	Environmental remediation obligation increase/ (decrease) Rm
Percentage change in all cash flows		
+10%	30	190
-10%	(30)	(190)
Percentage change in cash flows in first five years		
+10%	27	164
-10%	(27)	(164)
Basis point change in discount rate		
+100 bps	(3)	(21)
-100 bps	3	21
Basis point change in discount rate in first five years		
+100 bps	(3)	(17)
-100 bps	3	17

Onerous contract

The onerous contract relates to a take-or-pay contract relating to Saldanha Works. The Saldanha plant was placed in care and maintenance during 2020.

Restructuring cost

The restructuring cost relates to the Section 189 retrenchments announced in June 2020 and finalised during December 2020 and January 2021. The provision was utilised during the 2021 financial year and the remainder of a balance was reversed.

Other cost

The provision relates to a dispute with a supplier in relation to a penalty clause.

29. Trade and other payables

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Trade payables				
Trade payables	7 597	7 411	7 507	6 984
TSR programme	960	501	960	501
Total	8 557	7 912	8 467	7 485
Other payables				
Leave pay	485	474	483	473
Refund liability	8	7	8	7
Sundry	1 288	310	1 277	301
Total	1 781	791	1 768	781
Non-current trade and other payables	279	283	278	282
Current trade and other payables	10 059	8 420	9 957	7 984
Total	10 338	8 703	10 235	8 266

TSR programme

The TSR programme is the sale of receivables balances to third parties. At the date of sale, ArcelorMittal South Africa transfers control and all significant risks and rewards and retains the right to receive cash normally associated with ownership of these receivables. Therefore, these trade receivables were derecognised at the date of sale. The debtors, however, will settle the balance due to ArcelorMittal South Africa Ltd and thereafter the company is obligated to transfer those amounts to the third parties.

Leave pay benefits accrual

In terms of group and company policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

Refund liability

The refund liability relates to customers with a right to return goods.

Sundry

Sundry payables primarily comprise accruals for corporate fees, other general accruals and payroll-related payables.

30. Other financial liabilities

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Current				
Financial liabilities carried at FVTPL				
Other forward exchange contracts	–	19	–	19
Financial liabilities carried at amortised cost				
Competition Commission administrative penalty	1 055	998	1 055	998
Total	1 055	1 017	1 055	1 017

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

30. Other financial liabilities continued

Financial liabilities carried at amortised cost

Competition Commission administrative penalty

In 2016 the Competition Tribunal approved a settlement agreement reached with the Competition Commission and which provided for an administrative penalty of R1 500 million to be paid over a five-year period. The balance represents the present value of the repayment of the administrative penalty over the remaining period at the prevailing interest rate on debt owing to the State prescribed by the Minister of Finance in terms of section 80(1)(b) of the Public Finance Management Act 1 of 1999, as amended. The company has been engaging with the Commission regarding the payment of the part of the administrative penalty that is outstanding.

In addition, ArcelorMittal South Africa is subject to an earnings before interest and tax margin cap on flat products produced at Vanderbijlpark and sold into the local market as well as spending R4 600 million on capital expenditure projects subject to it being affordable and feasible (refer to note 38). Both commitments applied until November 2021, when the agreement came to an end.

Financial liabilities carried at FVTPL

Forward exchange contracts

Financial liabilities carried at FVTPL represent losses on forward foreign exchange contracts (FECs).

31. Notes to the statement of cash flows

		Group		Company	
		2021 Rm	2020 Rm	2021 Rm	2020 Rm
31.1	Cash generated from/(utilised in) operations				
	Profit/(loss) from operations	7 976	(963)	8 346	(730)
	Adjusted for:				
	Depreciation and amortisation	601	556	601	556
	Net impairment loss on non-financial assets	–	96	–	125
	Net impairment reversal on financial assets	(3)	(57)	(198)	(52)
	Unrealised profit on sales to joint ventures	1	1	–	–
	Share option and participation costs	30	34	30	34
	Non-cash movement in provisions and financial liabilities	17	(126)	8	(9)
	Write-down/(reversal of write-down) of inventory to net realisable value	283	(212)	285	(67)
	Movements in trade and other receivable allowances	36	27	36	27
	Reconditionable spares usage	1	1	1	1
	Loss on disposal or scrapping of property, plant and equipment	7	8	13	8
	Fair value adjustment on environmental trust	(34)	(30)	–	–
	Realised foreign exchange movements	60	(289)	52	(284)
	Changes in:				
	(Increase)/decrease in inventories	(5 110)	1 555	(5 149)	806
	(Increase)/decrease in trade and other receivables	(1 126)	1 196	(1 146)	1 110
	Increase/(decrease) in trade and other payables	381	(614)	749	(100)
	Utilisation of provisions	(150)	(241)	(46)	(81)
	Changes in financial liabilities or assets	–	(35)	–	(35)
	Other payables raised, released and utilised relating to employee benefit	54	(40)	54	59
		3 024	867	3 636	1 368

31. Notes to the statement of cash flows continued

		Notes	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
31.2	Finance costs					
	Finance costs per statement of comprehensive income	10	**(1 328)**	(1 235)	**(1 294)**	(1 211)
	Adjusted for:					
	Non-cash movement on interest expense on loans					
	– Borrowings – loans from holding company		**231**	263	**231**	263
	– Borrowings – other loans excluding from holding company		**62**	(343)	**48**	(310)
	Interest expense on lease obligations	27	**7**	10	**3**	4
	Net foreign exchange losses on financing activities		**109**	415	**119**	400
	Discount rate adjustment of provisions and financing liabilities	28	**–**	147	**–**	142
	Unwinding of the discounting effect on provisions and financial liabilities		**592**	363	**587**	357
	– Provisions	28	**219**	214	**212**	206
	– Other financial liabilities	30	**57**	102	**59**	104
	– Borrowings - loans from holding company		**316**	47	**316**	47
			(327)	(380)	**(306)**	(355)

		Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
31.3	Income tax refunded/(paid)				
	Normal taxation payable at the beginning of the year	**(106)**	(72)	**–**	21
	Amounts charged to the statement of comprehensive income	**–**	(10)	**–**	4
	Interest charge on tax outstanding	**(6)**	–	**–**	–
	Less: Normal taxation payable at the end of the year	**112**	106	**–**	–
		–	24	**–**	25
31.4	Investment to maintain operations				
	Replacement of property, plant and equipment	**(711)**	(372)	**(702)**	(355)
	Intangible assets	**(6)**	(16)	**(6)**	(15)
	Environmental	**(57)**	(55)	**(57)**	(54)
	Reconditionable spares	**(46)**	(26)	**(46)**	(26)
		(820)	(469)	**(811)**	(450)
31.5	Investment to expand operations				
	Property, plant and equipment for expansion	**(40)**	(40)	**(36)**	(39)
	Total capital expenditure	**(860)**	(509)	**(847)**	(489)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

31. Notes to the statement of cash flows continued

31.6 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021		2020	
	Borrowings Rm	Lease liabilities Rm	Borrowings Rm	Lease liabilities Rm
Group				
At the beginning of the year	6 964	73	5 358	100
Repayment of borrowings	(2 375)	–	(2 300)	–
Proceeds from borrowings	1 725	–	3 600	–
Restructuring accrued interest and payables to group	(618)	–	520	–
Measurement of borrowings at amortised cost	214	–	(214)	–
Increase in lease liability	–	46	–	–
Payment of lease liability	–	(30)	–	(27)
Interest expense	–	7	–	10
Interest paid	–	(7)	–	(10)
At the end of the year	5 910	89	6 964	73
Company				
At the beginning of the year	6 964	42	5 358	54
Repayment of borrowings	(2 375)	–	(2 300)	–
Proceeds from borrowings	1 725	–	3 600	–
Restructuring of accrued interest and payables to group	(618)	–	520	–
Measurement of borrowings at amortised cost	214	–	(214)	–
Increase in lease liability	–	46	–	–
Payment of lease liability	–	(12)	–	(12)
Interest expense	–	3	–	4
Interest paid	–	(3)	–	(4)
At the end of the year	5 910	76	6 964	42

32. Financial instruments – fair value and risk management

32.1 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Trade and other receivables and trade and other payables classified as held-for-sale are not included in the table below. Their carrying amount is a reasonable approximation of fair value.

	2021				
	FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm
Group					
Options and financial assets measured at fair value					
Forward exchange contracts used for hedging	–	–	–	–	–
Other forward exchange contracts	–	2	–	–	2
Equity securities	–	412	6	–	418
	–	414	6	–	420
Financial assets not measured at fair value					
Trade and other receivables	–	–	–	2 669	2 669
Cash, cash equivalents and restricted cash	–	–	–	4 652	4 652
	–	–	–	7 321	7 321
Financial liabilities measured at fair value					
Other forward exchange contracts	–	–	–	–	–
	–	–	–	–	–
Financial liabilities not measured at fair value					
Borrowings	–	–	–	5 910	5 910
Competition Commission penalty	–	–	–	1 055	1 055
Lease obligations	–	–	–	89	89
Trade payables	–	–	–	8 557	8 557
Other payables*	–	–	–	1 223	1 223
	–	–	–	16 834	16 834

* *Other payables that are not financial liabilities are not included.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

2020					
FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm	Fair value hierarchy
–	30	–	–	30	Level 2
–	–	–	–	–	Level 2
–	378	11	–	389	Level 1
–	408	11	–	419	
–	–	–	1 623	1 623	
–	–	–	3 340	3 340	
–	–	–	4 963	4 963	
–	19	–	–	19	Level 2
–	19	–	–	19	
–	–	–	6 964	6 964	
–	–	–	998	998	
–	–	–	73	73	
–	–	–	7 912	7 912	
–	–	–	305	305	
–	–	–	16 252	16 252	

32. Financial instruments – fair value and risk management continued

32.1 Accounting classifications and fair values continued

	2021				
	FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm
Company					
Financial assets measured at fair value					
Options and forward exchange contracts used for hedging	–	–	–	–	–
Other forward exchange contracts	–	2	–	–	2
Equity securities	–	–	6	–	6
	–	2	6	–	8
Financial assets not measured at fair value					
Trade and other receivables	–	–	–	2 654	2 654
Cash, cash equivalents and restricted cash	–	–	–	4 648	4 648
	–	–	–	7 302	7 302
Financial liabilities measured at fair value					
Other forward exchange contracts	–	–	–	–	–
	–	–	–	–	–
Financial liabilities not measured at fair value					
Borrowings	–	–	–	5 910	5 910
Competition Commission penalty	–	–	–	1 055	1 055
Lease obligations	–	–	–	76	76
Trade payables	–	–	–	8 467	8 467
Other payables*	–	–	–	1 214	1 214
	–	–	–	16 722	16 722

* *Other payables that are not financial liabilities are not included.*

The carry amount of financial assets and liabilities measured at amortised costs approximates their fair value.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

2020					
FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm	Fair value hierarchy
–	30	–	–	30	Level 2
–	–	–	–	–	Level 2
–	–	11	–	11	Level 1
–	30	11	–	41	
–	–	–	1 602	1 602	
–	–	–	3 337	3 337	
–	–	–	4 939	4 939	
–	19	–	–	19	Level 2
–	19	–	–	19	
–	–	–	6 964	6 964	
–	–	–	998	998	
–	–	–	42	42	
–	–	–	7 485	7 485	
–	–	–	297	297	
–	–	–	15 786	15 786	

32. Financial instruments – fair value and risk management continued

32.2 Measurement of fair values – valuation techniques

The following tables show the valuation techniques used in measuring level 2 fair values for financial instruments measured at fair value in the statement of financial position.

Type	Valuation technique
Forward exchange contracts	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. The use of observable market information results in a level 2 fair value measurement.

When measuring the fair value of an asset or a liability, the group and company use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level	Valuation technique
Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32.3 Financial risk management overview and objectives

The group and company's board of directors have overall responsibility for the establishment and oversight of the group and company's risk management framework. The audit and risk committee is responsible for developing and monitoring the group and company's risk management policies. The committee reports regularly to the board of directors on its activities.

The group and company's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group and company's activities. The group and company, through its training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group and company's audit and risk committee oversee how management monitors compliance with the group and company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group and company. The group and company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

Financial risks to which the group and company are exposed include:

- Financial market risk, consisting of:
  a. Foreign currency risk
  b. Commodity price risks
  c. Interest rate risk
  d. Liquidity risk, being:
     – Cash flow volatility
     – Fair value and cash flow interest rate risk
  e. Equity price risk
- Capital management and gearing risk
- Customer credit risk
- Cash management through liquidity management

The treasury policy addresses market, liquidity, capital management, gearing risk and customer credit risk through the direction of the following activities. The treasury policy is enacted by the treasury department (treasury). Treasury identifies, evaluates and mitigates financial risks in close cooperation with the group and company's operating units. Board-approved written policies cover the specific activities noted above and address risk limits, the use of derivative and non-derivative financial instruments to hedge certain exposures, and the approval framework governing transaction levels.

32.3.1 Financial market risk

Through its activities, the group is exposed primarily to the financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and potential liquidity constraints.

The group manages currency risk through economic hedging of foreign exchange rates relating primarily to capital procurement and trade imports.

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.2 Foreign currency risk management

The carrying amount in ZAR, as translated at the closing exchange rate, of the foreign-denominated monetary assets and monetary liabilities at the reporting date is:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Monetary assets				
United States dollar (USD)				
Cash and cash equivalents	392	84	392	81
Trade and other receivables (unrelated parties)	199	225	199	225
Options and forward exchange contracts used for hedging	–	30	–	30
Other forward exchange contracts	2	–	2	–
Euro (EUR)				
Cash and cash equivalents	–	3	–	3
Trade and other receivables (unrelated parties)	57	–	57	–
Pound sterling (GBP)				
Trade and other receivables (unrelated parties)	–	3	–	3
Metical (MZN)				
Cash and cash equivalents	2	3	–	–
Total foreign-denominated monetary assets	652	348	650	342
Monetary liabilities				
USD				
Trade and other payables (related parties)	(856)	(3 397)	(856)	(3 051)
Trade and other payables (unrelated parties)	(832)	–	(832)	–
Other forward exchange contracts	–	(19)	–	(19)
EUR				
Trade and other payables (related parties)	(55)	(49)	(55)	(49)
Trade and other payables (unrelated parties)	–	(72)	–	(72)
GBP				
Trade and other payables (unrelated parties)	(7)	–	(7)	–
Total foreign-denominated monetary liabilities	(1 750)	(3 537)	(1 750)	(3 191)
Total net foreign-denominated monetary liabilities	(1 098)	(3 189)	(1 100)	(2 849)

Only notable currency holdings are disclosed.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

32. Financial instruments – fair value and risk management continued

31.2 Financial risk management overview and objectives continued

32.3.2 Foreign currency risk management continued

The following table details the sensitivity to a 10% strengthening in the ZAR against the respective foreign currencies. As the risks are symmetrical in nature, weakening of the ZAR would result in an equal but opposite amount to that detailed in the sensitivity below.

A positive number indicates an increase in profit where the ZAR strengthens against the relevant currency.

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
USD				
Profit or loss	110	307	110	273
EUR				
Profit or loss	–	12	–	12
GBP				
Profit or loss	1	–	1	–
MZN				
Profit or loss	–	–	–	–
Total	111	319	111	285

32.3.3 Currency risk

The group and company are exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated. The currencies in which these transactions are primarily denominated are USD and EUR.

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.3 Currency risk continued

Economic hedging using derivative contracts

The foreign exchange hedging derivative contracts not designated within hedge accounting relationships, outstanding at the end of the reporting period are:

Unmatured instruments

Foreign currency	Average price FC/R	Contract value FCm	Fair value favourable/ (unfavourable) Rm	Profit or (loss) Rm
Group				
2021				
Other forward contracts				
Buy USD	15.68	5	2	2
2020				
Other forward contracts	15.41	28	(19)	(19)
Company				
2021				
Other forward contracts				
Buy USD	15.68	5	2	2
2020				
Other forward contracts				
Buy USD	15.41	28	(19)	(19)

32.3.4 Interest rate risk management

Sources of interest rate risk are:

- Interest expenses, on drawn financing facilities, and promissory notes issued to trade vendors as well as arrangements to fund the construction of assets either in the form of bona fide borrowing arrangements or through supply arrangements containing financial lease structures at fixed interest rates
- Interest income due to the group and company's net cash position and the investment thereof at variable interest rates

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Estimated impact on profit or loss based on a 100 basis point change in interest rate:				
100 basis point increase	(12.58)	(25.82)	(12.63)	(25.85)
100 basis point decrease	12.58	25.82	12.63	25.85

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.5 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group and company's short, medium and long-term funding and liquidity management requirements.

The objectives of the liquidity management policy are to:

- Maintain adequate reserves, banking facilities and reserve borrowing facilities by monitoring the forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities
- Optimise the account and domestic cash pool structures
- Minimise bank charges
- Optimise the availability and use of short-term liquidity positions across the group without compromising the day-to-day cash needs
- Optimise the net interest result
- Minimise the number of bank accounts

Details of additional undrawn financing facilities that the group and company have at their disposal to reduce liquidity risk are:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Facilities at the end of the reporting period	1 700	2 050	1 700	2 050

The BBF loan decreased from R2 450 million at 31 December 2020 to R1 800 million at 31 December 2021.

The BBF available to the group is subject to financial covenants. As at 31 December 2021, the group is in compliance with all covenants.

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.5 Liquidity risk management continued

Contractual maturity for its non-derivative financial liabilities

The following table details the group and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows.

	1 year Rm	2 years Rm	3 years Rm	4 - 9 years Rm	Total Rm	Carrying amount Rm
Group						
For the year ended 31 December 2021						
Trade payables	8 557	–	–	–	8 557	8 557
Other payables	1 252	–	–	–	1 252	1 223
Other financial liabilities	1 055	–	–	–	1 055	1 055
Lease obligations	36	22	6	51	115	89
Borrowings	2 526	1 220	2 952	–	6 698	5 910
Total	13 426	1 242	2 958	51	17 677	16 834
For the year ended 31 December 2020						
Trade payables	7 912	–	–	–	7 912	7 912
Other payables	305	–	–	–	305	305
Other financial liabilities	998	–	–	–	998	998
Lease obligations	36	31	17	–	84	73
Borrowings	2 450	4 728	–	–	7 178	6 964
Total	11 701	4 759	17	–	16 477	16 252

The group and company have access to financing facilities as noted earlier, of which R1 700 million (2020: R2 050 million) was undrawn at the end of the reporting date. The group and company expect to meet most of their other obligations from operating cash flows and proceeds from maturing financial assets.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.5 Liquidity risk management continued

Contractual maturity for its non-derivative financial liabilities continued

	1 year Rm	2 years Rm	3 years Rm	4 – 9 years Rm	Total Rm	Carrying amount Rm
Company						
For the year ended 31 December 2021						
Trade payables	8 467	–	–	–	8 467	8 467
Other payables	1 243	–	–	–	1 243	1 214
Other financial liabilities*	1 055	–	–	–	1 055	1 055
Lease obligations	21	22	6	51	100	76
Borrowings	2 526	1 220	2 952	–	6 698	5 910
Total	13 312	1 242	2 958	51	17 563	16 722
For the year ended 31 December 2020						7 485
Trade payables	7 485	–	–	–	7 485	7 485
Other payables	297	–	–	–	297	297
Other financial liabilities	998	–	–	–	998	998
Lease obligations	15	16	17	–	48	42
Borrowings	2 450	4 728	–	–	7 178	6 964
Total	11 245	4 744	17	–	16 006	15 786

* *Other financial liabilities consist of the Competition Commission administration penalty as per note 30. The carrying amount of R1 055 million is the present value including interest until November 2021. The undiscounted cash flow value is equal to the carrying amount due to the uncertainty regarding the payment date.*

Expected maturity of non-derivative financial assets

The following table details the group and company's expected maturity for non-derivative financial assets.

The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
Group					
For the year ended 31 December 2021					
Trade and other receivables	2 712	–	–	2 712	2 712
Cash, cash equivalents and restricted cash	4 652	–	–	4 652	4 652
Total	7 364	–	–	7 364	7 364
For the year ended 31 December 2020					
Trade and other receivables	1 623	–	–	1 623	1 623
Cash, cash equivalents and restricted cash	3 340	–	–	3 340	3 340
Total	4 963	–	–	4 963	4 963

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.5 Liquidity risk management continued

Expected maturity of non-derivative financial assets continued

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
Company					
For the year ended 31 December 2021					
Trade receivables	2 654	–	–	2 654	2 654
Cash, cash equivalents and restricted cash	4 648	–	–	4 648	4 648
Total	7 302	–	–	7 302	7 302
For the year ended 31 December 2020					
Trade receivables	1 602	–	–	1 602	1 602
Cash, cash equivalents and restricted cash	3 337	–	–	3 337	3 337
Total	4 939	–	–	4 939	4 939

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments.

The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net cash-settled basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rate and foreign currency forward curves existing at the reporting date.

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
Financial assets					
Group					
For the year ended 31 December 2021					
Net cash-settled foreign currency derivatives	2	–	–	2	2
Total	2	–	–	2	2
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	30	–	–	30	30
Total	30	–	–	30	30
Company					
For the year ended 31 December 2021					
Net cash-settled foreign currency derivatives	2	–	–	2	2
Total	2	–	–	2	2
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	30	–	–	30	30
Total	30	–	–	30	30

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

32. Financial instruments – fair value and risk management continued

32.3 Financial risk management overview and objectives continued

32.3.5 Liquidity risk management continued

Derivative financial instruments continued

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
Financial liabilities					
Group					
For the year ended 31 December 2021					
Net cash-settled foreign currency derivatives	–	–	–	–	–
Total	–	–	–	–	–
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	14	5	–	19	19
Total	14	5	–	19	19
Company					
For the year ended 31 December 2021					
Net cash-settled foreign currency derivatives	–	–	–	–	–
Total	–	–	–	–	–
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	14	5	–	19	16
Total	14	5	–	19	16

32.3.6 Equity price risk

Equity price risk arises from changes in share prices for the group's listed investments. The group is exposed to insignificant equity price risk.

32.4 Capital risk management

The group and company objectives when managing capital are:

- To safeguard the ability to continue as a going concern, so as to be able to continue to provide returns for shareholders and benefits for other stakeholders
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk

The amount of capital is set in proportion to risk. The capital structure is managed and adjusted in light of changes in economic conditions within the domestic and global steel industry and the risk characteristics of the underlying assets.

The group and company overall strategy remained unchanged in 2021.

Consistent with others in the industry, the group and company monitor capital on a debt-to-total shareholders' equity basis.

Net debt is total interest-bearing borrowings less cash and cash equivalents. Total shareholders' equity is as per the statement of financial position.

32. Financial instruments – fair values and risk management continued

32.4 Capital risk management continued

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Cash, cash equivalents and restricted cash	4 652	3 340	4 648	3 337
Interest-bearing borrowings	(5 910)	(5 922)	(5 910)	(5 922)
Non-interest-bearing borrowings	–	(1 042)	–	(1 042)
Net debt	(1 258)	(3 624)	(1 262)	(3 627)
Total shareholders' equity	(9 053)	(2 344)	(10 353)	(3 146)
Gearing ratio (%)	13.9	154.6	12.2	118.3
Estimated impact on profit or loss based on a 100 basis point change in interest rate:				
100 basis points increase	(12.58)	(25.82)	(12.63)	(25.85)
100 basis point decrease	12.58	25.82	12.63	25.85

32.5 Customer credit risk

The total exposure to credit risk is as follows:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Trade and other receivables				
- Gross carrying value	3 074	2 116	3 063	2 094
- Impairment allowances	(205)	(171)	(204)	(166)
Bank balances				
- Gross carrying value	4 652	3 340	4 648	3 337
- Impairment allowances	–	–	–	–

The treasury and financial risk management policy (treasury policy) details the framework within which the financial risk (other than customer credit risk) of the group is managed. The policy is approved by the board of directors and is reviewed annually.

This is discussed further in note 22.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

33. Related-party disclosures

During the year the group, in the ordinary course of business, entered into various sales and purchase transactions with its jointly controlled entities, its associates and other entities within the greater ArcelorMittal group. These transactions occurred under terms that are no less favourable to the company than those arranged with third parties.

Companies within the greater ArcelorMittal group

The group purchased products and services to the value of R3 385 million (2020: R3 481 million) from and sold goods to the value of R55 million (2020: R36 million) to other companies in the ArcelorMittal group. The payment terms are 30 days.

The outstanding balances at year-end are:
- Included in trade receivables, R29 million (2020: R26 million)
- Included in trade and other payables, R691 million (2020: R3 069 million)

Included in payables is the corporate service fee of R36 million (2020: R15 million) payable to ArcelorMittal group for corporate services rendered and a fee for research and development of R168 million (2020: Rnil).

Included in borrowings (refer to note 28) is a loan of R4 110 million (2020: R4 514 million) with the holding company. The group loan was renegotiated during December 2021 and as a result the loan decreased by R614 million, this amount was restructured to other payables. The loan decreased by a further R137 million, this was a deemed contribution by the holding company.

Jointly controlled entities

The group purchased goods and services to the value of R10 million (2020: R23 million) from and sold goods to the value of R532 million (2020: R412 million) to its equity-accounted entities.

The outstanding balances at year-end are:
- Included in trade receivables, R71 million (2020: R43 million)
- Included in trade payables, Rnil (2020: Rnil)

No bad debts were realised and the payment terms are 30 days.

Included in the carrying value of jointly controlled entities are non-current loans of R130 million (2020: R125 million).

Associates

The group purchased goods and services to the value of Rnil (2020: Rnil) and sold goods and services to the value of R209 million (2020: R162 million) to its associates.

The outstanding balances at year-end are:
- Included in trade receivables, R25 million (2020: R18 million)

No bad debts were realised and the payment terms are 30 days.

Subsidiaries

Details of income from investments and indebtedness in subsidiaries are disclosed in note 17.

ArcelorMittal South Africa Ltd received a management fee of R10 million (2020: R71 million) from Saldanha Steel (Pty) Ltd for ArcelorMittal South Africa employees employed at Saldanha Works.

Directors

Details relating to directors' remuneration and shareholdings (including Long-term incentive plan (LTIP) units) in the company are disclosed in note 35 and 36. In 2019, Noma Namuhla Trading and Projects (Pty) Ltd, a company owned by Ms NP Mnxasana, made sales to ArcelorMittal South Africa totalling R57 600 (2020: Rnil). In 2016, a loan of R350 000 was given to Noma Namuhla Trading and Projects (Pty) Ltd. This loan is still outstanding and has no fixed repayment terms.

Senior employees and prescribed officers

Details relating to option and share transactions are disclosed in note 35.

34. Post-employment benefits

34.1 Pensions

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial year, the following funds were in existence:

- ArcelorMittal South Africa Selector Pension Fund (registration number 12/8/35421) and ArcelorMittal South Africa Selector Provident Fund (registration number 12/8/35423), both operating as defined contribution plans
- Iscor Employees' Umbrella Provident Fund (registration number 12/8/27484), operating as a defined contribution plan

The assets of these plans are held separately from those of the group and are in funds under the control of the trustees. All funds are governed by the South African Pension Funds Act of 1956 as amended.

34.2 Defined contribution plans

Membership of each fund and employer contributions to each fund recognised in the statement of comprehensive income were:

	Working members		Employer contributions	
	2021	2020	2021 Rm	2020 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	4 091	4 324	141	43[1]
Iscor Employees' Umbrella Provident Fund	1 948	2 182	54	30[1]
Total	6 039	6 506	195	73

[1] *Lower due to Covid-19 – a contribution holiday from April 2020 to December 2020. A rule amendment to only cover the risk for the still active members of R99.49; some members opted to still contribute.*

34.3 Medical benefits

The company contributes to medical aid schemes for the benefit of retired employees and their dependants, where those qualifying retirees accepted early retirement in 1994. At 31 December 2021 there were 14 qualifying retirees (2020: 14). At year-end the liability was R5 million (2020: R3 million).

35. Share-based payments

35.1 Equity-settled share plan – local employees

Long-term incentive plan (LTIP)

The LTIP was adopted for the first time in 2012. The LTIP scheme was designed to replace the equity-settled share option plan. An LTIP is a conditional award of company shares offered to eligible senior employees. The shares vest only after a predetermined period over which certain grant conditions must be met. The extent to which these grant conditions are met, governs the number of shares that vest.

The number of LTIP shares granted is calculated in accordance with the employees' grading within the group and is approved by the board, human resources, remuneration and nominations committee.

Designated members of the executive committee and senior management are eligible for participation in the scheme. LTIP shares granted to senior management will vest after three years. LTIP to the executive committee members only vest after three years provided that the prescribed performance conditions are met. Senior management receives shares subject to ongoing employment, prescribed performance conditions and individual performance conditions. Proportionate awards are made in the event of change of effective control of the company, retrenchment, retirement or death.

Upon vesting of the award, the company shall deliver the number of shares that have vested to the participating employee. The unvested units carry neither rights to dividends nor voting rights until the date of vesting.

The fair value of each equity-settled unit is determined using the market value at measurement date.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

35. Share-based payments continued

35.1 Equity-settled share plan – local employees continued

ArcelorMittal South Africa share option plan (AMSA share options)

The group and company operated the management share trust consisting of an option share plan for the benefit of the group and company's senior management, including executive directors.

This scheme was effective from 12 December 2005 to 2011. Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4%, respectively, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

The option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Ltd on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted was calculated in accordance with employees' role grading within the company and group as approved by the remuneration committee of ArcelorMittal South Africa, and as incorporated within the trust deed of the management share trust. Upon resignation, the share options lapse immediately. Upon death, the options lapse within six months.

Employee share ownership plan (ESOP)

The ESOP became effective in 2015. Qualifying employees were granted 21 103 219 shares that vested after five years of continued service in the company on 30 September 2020. All permanent employees who do not qualify for the company's LTIP programme are qualified to participate in the ESOP.

The ESOP is equity-settled. The relevant employees had during the lifespan of the scheme benefited proportionately in the dividends earned from the ArcelorMittal South Africa shares that had been the subject of the scheme.

There were no performance targets for vesting, and qualifying employees were not required to pay any consideration to participate in the scheme. The only vesting requirement was five years of continued employment in the company.

Isabelo Employee Share Trust (B-BBEE)

During 2016, the Isabelo Employee Share Trust and Amandla we Nsimbi (RF) (Pty) Ltd were created as part of the company's initiative to transform ArcelorMittal South Africa in order to achieve sustainable ownership by black people. In terms of the scheme ArcelorMittal South Africa issued empowerment shares to Amandla we Nsimbi (RF) (Pty) Ltd and the Isabelo Employee Share Trust, representing 17% and 5%, respectively, of the voting rights in ArcelorMittal South Africa through a notional loan.

Key assumptions

For the purposes of valuing the different grants, the following assumptions were made:

	Isabelo		ESOP**		LTIP		AMSA share options	
	2021	2020	2021	2020	2021	2020	2021	2020
Weighted average fair value on grant date (R)*	3.30	3.30	–	9.13	–	–	–	–
Expected attrition rate over the life of the scheme (%)	28.98	31.64	–	10.16	14.43	9.03	14.43	9.03
Charge to statement of comprehensive income (Rm)	(4)	17	–	18	53	(9)	–	–

* *Market value of ArcelorMittal South Africa shares (which takes dividends into account) is used as the fair value.*
** *ESOP vested in September 2020.*

35. Share-based payments continued

Key assumptions continued

	Group and company	
	2021 million	2020 million
Shares available for distribution		
Opening balance	0.1	0.1
Utilisation	(11.4)	–
Releases, forfeitures, resignations	30.9	–
Closing balance	19.6	0.1

Reconciliation of outstanding LTIP units/share options/shares

	Isabelo		ESOP		LTIP		AMSA share options	
	2021	2020	2021	2020	2021	2020	2021	2020
Outstanding at the beginning of the year (millions)	64	64	–	17.3	47.4	55.5	1.1	(1.3)
Granted (millions)	–	–	–	3.8	11.4	–	–	–
Expired	–	–	–	–	–	–	(1.1)	(0.2)
Exercised/forfeited	–	–	–	(21.1)	–	(8.1)	–	–
Cancelled	(13)	–	–	–	–	–	–	–
Outstanding at the end of the year (millions)	51	64	–	–	37.3	47.4	–	(1.1)
Exercisable options/units								
Weighted average remaining contractual life in days at year-end								
Average days until fully vested/until expiry (days)	1 795	2 160	–	–	446	352	–	311
Weighted average prices applicable per transaction type								
Granted (R/unit)	3.30	3.30	–	9.13	4.99	–	–	–
Exercised share price (R/unit)	N/A	N/A	–	N/A	5.32	1.14	–	–
Lapsed/cancelled (R/unit)	3.30	N/A	–	N/A	3.32	7.62	52.60	45.04
Outstanding (R/unit)	3.30	3.30	–	–	3.18	2.75	–	52.60

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

35. Share-based payments continued

Details of outstanding options/LTIP units as at 31 December are:

	Isabelo		ESOP		LTIP		AMSA share options	
	2021	2020	2021	2020	2021	2020	2021	2020
Latest expiry date	N/A	N/A	–	N/A	–	N/A	–	2 021
Exercise price range (R/unit)	N/A	N/A	–	N/A	–	N/A	–	6.50 – 87.20
Number of outstanding units/options	50 527 045	64 303 844	–	–	37 262 527	39 496 158	–	1 138 735
Total proceeds to employees if exercised immediately* (Rm)	449	64	–	–	331	38	–	–
Total intrinsic value of out-of-the-money options (Rm)	N/A	N/A	–	N/A	–	N/A	–	(59)
ArcelorMittal South Africa closing price at 31 December (R)	8.88	1.00	–	1.00	8.88	1.00	–	1.00

** Proceeds to employees should all options vest on 31 December.*

Terms of the options outstanding at the reporting date are:

	Options			
	Exercise price range 2021 R/units	Outstanding numbers 2021 units	Exercise price range 2020 R/units	Outstanding numbers 2020 units
For the year ended 31 December				
Expiry date details				
2021	–	–	6.50 – 87.20	1 138 735
2022	–	–	–	–
Total	–	–	–	1 138 735

35. Share-based payments continued

The following table reflects the status of long-term incentive plans (LTIP) for executive directors, prescribed officers and highest paid employees.

	Award date	Number of allocations outstanding at the start of the year	Number of allocations made during the year	Adjustment for units not expected to vest	Number of allocations vested during the year	Number of allocations forfeited during the year	Number of allocations at the end of the year	Present value of invested share units at the end of the year[1] R
Executive directors								
HJ Verster	20-06-2018	2 845 185	–	–	(1 350 932)	(1 494 253)	–	–
	20-08-2019	3 578 943	–	(1 107 206)	–	–	2 471 737	21 949 025
	27-05-2021	–	1 635 269	–	–	–	1 635 269	14 521 189
		6 424 128	1 635 269	(1 107 206)	(1 350 932)	(1 494 253)	4 107 006	36 470 214
AD Maharaj	20-08-2019	1 944 447	–	–	–	(1 944 447)	–	–
		1 944 447	–	–	–	(1 944 447)	–	–
Prescribed officers and highest paid employees								
S Achmat	10-10-2016	25 423	–	–	(12 711)	(12 712)	–	–
	20-06-2018	100 522	–	–	(74 126)	(26 396)	–	–
	20-08-2019	1 582 356	–	(489 528)	–	–	1 092 828	9 704 313
	27-05-2021	–	368 738	–	–	–	368 738	3 274 373
		1 708 301	368 738	(489 528)	(86 837)	(39 108)	1 461 566	12 978 706
M Adam	10-10-2016	195 204	–	–	–	(195 204)	–	–
	20-06-2018	1 061 776	–	–	(504 145)	(557 631)	–	–
	20-06-2019	589 891	–	(182 493)	–	–	407 398	3 617 694
	27-05-2021	–	539 058	–	–	–	539 058	4 786 835
		1 846 871	539 058	(182 493)	(504 145)	(752 835)	946 456	8 404 529
TS Didiza	27-05-2021	-	115 431	-	-	-	115 431	1 025 027
		-	115 431	-	-	-	115 431	1 025 027
GA Griffiths	19-08-2019	548 247	–	(84 795)	-	–	463 452	4 115 454
	27-05-2021	–	180 361	-	–	–	180 361	1 601 606
		548 247	180 361	(84 795)	-	–	643 813	5 717 060
J Kotze	19-08-2019	276 316	–	(42 737)	–	–	233 579	2 074 182
	27-05-2021	–	384 258	–	–	–	384 258	3 412 211
		276 316	384 258	(42 737)	–	–	617 837	5 486 393
G Nagpal	02–08–2021	–	581 819	–	–	–	581 819	5 166 553
		–	581 819	–	–	–	581 819	5 166 553
JPS Olivier	20-08-2019	1 473 684	–	(455 909)	–	–	1 017 775	9 037 842
	27-05-2021	–	577 154	–	–	–	577 154	5 125 128
		1 473 684	577 154	(455 909)	–	–	1 594 929	14 162 970
JF Swart	10-10-2016	46 882	–	–	(23 441)	(23 441)	–	–
	20-06-2018	218 916	–	–	(161 430)	(57 486)	–	–
	19-08-2019	250 001	–	(38 666)	–	–	211 335	1 876 655
	27-05-2021	–	423 617	–	–		423 617	3 761 719
		515 799	423 617	(38 666)	(184 871)	(80 927)	634 952	5 638 374

LTIP shares vest within three to five years.

[1] *Based on the closing price as at 31 December 2021 of R8.88.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

35. Share-based payments continued

	Award date	Number of allocations outstanding at the start of the year	Number of allocations made during the year	Adjustment for units not expected to vest	Number of allocations vested during the year	Number of allocations forfeited during the year	Number of allocations at the end of the year	Present value of invested share units at the end of the year[1] R
Prescribed officers and highest paid employees continued								
SM van Wyk	27–05–2021	–	92 586	–	–	–	92 586	822 164
		–	92 586	–	–	–	92 586	822 164
W Venter	10-10-2016	98 769	–	–	–	(98 769)	–	–
	20-06-2018	644 686	–	–	(306 106)	(338 580)	–	–
	20-09-2019	810 947	–	(250 880)	–	–	560 067	4 973 395
	27-05-2021	–	370 533	–	–	–	370 533	3 290 333
		1 554 402	370 533	(250 880)	(306 106)	(437 349)	930 600	8 263 728

LTIP shares vest within three to five years.

[1] *Based on the closing price as at 31 December 2021 of R8.88.*

The following table reflects the LTIP units for the executive directors, prescribed officers and highest paid employees that vested.

	2021 R	2020 R
Executive directors		
HJ Verster	9 321 431	–
Sub-total	9 321 431	–
Prescribed officers and highest paid employees	614 008	–
S Achmat	1 434 186	–
M Adam	609 000	–
JF Swart	2 134 194	–
W Venter	4 791 388	–
Total	14 112 819	–

Restricted/performance stock unit plan

The ArcelorMittal group commenced with the restricted/performance stock unit plan in 2011. The stock units are issued for the benefit of senior executives of the group. The restricted stock unit entitles the holder of the unit to receive one ArcelorMittal group share on or after the vesting date of the restricted stock unit, subject to the vesting conditions being met. Restricted stock units vest after three years of continued employment within the group. Performance stock units vest upon continued employment as well as specific performance conditions being met. This plan replaces the Executive International Mobility Share Option Plan.

	16 December 2021	20 December 2020
Number of units outstanding	10 400	40 395
Units fully vested	675	13 220
Weighted average fair value at grant date (USD/unit)	24.06	19.99
Average days until fully vested	556	718
Reconciliation of outstanding restricted stock units		
Outstanding at the beginning of the year	40 395	41 518
Granted	3 300	7 287
Transfers	(13 563)	(500)
Exercised/expired	(19 732)	(7 910)
Outstanding at the end of the year	10 400	40 395

36. Remuneration of directors, prescribed officers and highest paid employees

The following tables summarises the fixed and variable remuneration of executive directors, prescribed officers and highest paid employees for services rendered.

Fixed remuneration

	Cash salary[1] 2021 R	Retirement funding 2021 R	Other[2] 2021 R	Total 2021 R	Total[3] 2020 R
Executive directors					
HJ Verster	8 458 833	521 151	272 139	9 252 123	7 163 489
AD Maharaj[4]	2 423 823	201 180	342 580	2 967 583	2 844 994
Sub-total	10 882 656	722 331	614 719	12 219 706	10 008 483
Prescribed officers and highest paid employees					
S Achmat	2 123 732	176 272	56 183	2 356 187	1 905 559
M Adam	3 104 684	257 692	190 433	3 552 809	2 630 968
TS Didiza	1 772 851	147 149	56 120	1 976 120	1 603 900
GA Griffiths	2 255 931	191 601	187 336	2 634 868	2 053 927
C Hautz[5]	939 036	–	1 332 125	2 271 161	4 118 421
J Kotze	1 846 068	155 472	143 350	2 144 890	1 650 958
G Nagpal[6]	2 631 579	218 424	302 381	3 152 384	–
JPS Olivier	3 324 096	275 904	91 887	3 691 887	2 954 552
JF Swart	2 149 784	174 500	73 218	2 397 502	1 739 701
SM van Wyk[7]	355 495	29 507	2 490	387 492	–
W Venter	2 205 205	183 035	56 151	2 444 391	1 906 295
Sub-total	22 708 461	1 809 556	2 491 674	27 009 691	20 564 281
Total	33 591 117	2 531 887	3 106 393	39 229 397	30 572 764

[1] *Cash salary includes basic salary (cash component).*
[2] *Other includes UIF, COID, monthly leave structuring, leave encashment, travel claims, telephone costs, ad hoc payments, death benefit, employer contribution to medical aid and travel allowance. Other also includes mobility benefits paid to expatriates.*
[3] *Fixed remuneration in 2020 was lower due to the salary sacrifices implemented from April to December 2020 as part of the measures to ensure business sustainability during the difficult and uncertain period.*
[4] *AD Maharaj resigned as chief financial officer, effective 30 September 2021.*
[5] *C Hautz's group mobility contract ended as chief marketing officer at end April 2021.*
[6] *G Nagpal appointed as chief marketing officer, effective 1 April 2021.*
[7] *SM van Wyk appointed as interim chief financial officer, effective 1 October 2021.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

36. Remuneration of directors, prescribed officers and highest paid employees continued

Variable remuneration

	Short-term incentives[1] 2021 R	Retention/ sign-on bonus/ ex gratia/ VSP 2021 R	Total 2021 R	Total 2020 R
Executive directors				
HJ Verster	4 036 500	1 600 000	5 636 500	1 600 000
AD Maharaj[2]	918 500	583 334	1 501 834	583 334
Sub-total	4 955 000	2 183 334	7 138 334	2 183 334
Prescribed officers and highest paid employees				
S Achmat	566 000	–	566 000	–
M Adam	827 300	–	827 300	–
TS Didiza	319 000	–	319 000	–
GA Griffiths	498 500	–	498 500	–
C Hautz[3]	693 100	–	693 100	–
J Kotze	481 500	483 000	964 500	483 000
G Nagpal[4]	452 500	1 266 667	1 719 167	–
JPS Olivier	885 600	1 200 000	2 085 600	1 200 000
JF Swart	514 500	–	514 500	–
W Venter	568 700	–	568 700	–
Sub-total	5 806 700	2 949 667	8 756 367	1 683 000
Total	10 761 700	5 133 001	15 894 701	3 866 334

[1] *Short-term incentives relate to bonus earned for 2020.*
[2] *AD Maharaj resigned as chief financial officer, effective 30 September 2021.*
[3] *C Hautz's group mobility contract ended as chief marketing officer at end April 2021.*
[4] *G Nagpal appointed as chief marketing officer, effective 1 April 2021.*

Following the restructuring and implementation of the OneOrganisation principle at the end of December 2020, previously prescribed officers no longer occupied the strategic positions which qualified as prescribed officers.

36. Remuneration of directors, prescribed officers and highest paid employees continued

	Directors' fees 2021 R	Committee fees 2021 R	Total remune-ration 2021 R	Total remune-ration 2020 R
Non-executive directors[1]				
LC Cele	202 041	326 800	528 841	547 566
D Earp[2]	100 608	130 514	231 122	–
NP Gosa	203 691	297 452	501 143	432 525
GS Gouws	203 691	336 337	540 028	492 613
PM Makwana	1 582 776	–	1 582 776	1 345 680
NP Mnxasana	203 691	853 903	1 057 594	804 095
JRD Modise[2]	–	–	–	758 014
KM Musonda	203 691	216 745	420 436	370 203
NF Nicolau	203 691	696 488	900 179	638 596
Total	2 903 880	2 858 239	5 762 119	5 389 291

[1] *NED fees based on invoices received.*
[2] *JRD Modise resigned 26 January 2021 and D Earp was appointed 1 July 2021.*

37. Contingent liabilities

At year-end the group had contingent liabilities in respect of matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

38. Commitments

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Capital expenditure commitments on property, plant and equipment				
Capital expenditure authorised and contracted for	1 483	1 063	1 460	1 063
Capital expenditure authorised but not contracted for	1 166	994	1 164	994
Total	2 649	2 057	2 624	2 057
Capital expenditure commitments on intangible assets				
Capital expenditure authorised and contracted for	2	–	2	–
Capital expenditure authorised but not contracted for	5	21	5	21
Total	7	21	7	21

Notes to the group and company annual financial statements continued

for the year ended 31 December 2021

38. Commitments continued

Capital commitments

In accordance with the Competition Commission Settlement Agreement concluded in 2016, ArcelorMittal South Africa was committed to spend capital expenditure on qualifying projects of R4 600 million over five years, subject to affordability and feasibility (in light of financial circumstances and economic market or other conditions as referred to in the agreement). In total, R3 057 million (2020: R2 798 million) has been invested in various projects to date.

It should be noted that ArcelorMittal South Africa would have exceeded its capital commitments had it not been for the revised asset strategy in certain areas and the placement of Saldanha Steel under care and maintenance – in other words, had the company not been compelled to adapt to deal with the adverse economic market and financial circumstances, which are beyond our control.

Included in the capital expenditure above is an amount of R969 million (2020: R991 million) to address emissions at Vanderbijlpark Works over the next two years.

39. Subsequent events

On 24 February 2021, the Minister of Finance announced a change in the corporate income tax rate from 28% to 27%, applicable to companies. The minister further announced on 23 February 2022 that this change is effective for companies with years of assessment commencing on or after 1 April 2022. Current and deferred tax balances are reflected at 28% as the rate which was substantively enacted at 31 December 2021. Had we recorded a deferred tax asset, the estimated impact of the rate change would result in a R408 million decrease in deferred tax asset for group and R297 million decrease for company. The change in corporate income tax rate is considered a non-adjusting event after the reporting period.

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

40. Going concern

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

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

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

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

As required, the directors have prepared cash flow forecasts for a period of 12 months from the end of the reporting period, based on the most recent forecast and all available information. The forecast takes into account, among other initiatives, the continued business transformation programme that has proved to realise cost savings over the past four years of R5 600 million.

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

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

Corporate information

Company registration
ArcelorMittal South Africa Ltd
Registration number: 1989/002164/06
Share code: ACL
ISIN: ZAE000134961

Registered office
Vanderbijlpark Works
Main Building
Delfos Boulevard
Vanderbijlpark, 1911

Postal address
PO Box 2
Vanderbijlpark, 1900
Telephone: +27 (0) 16 889 9111
Facsimile: +27 (0) 16 889 2079

Internet address
https://southafrica.arcelormittal.com

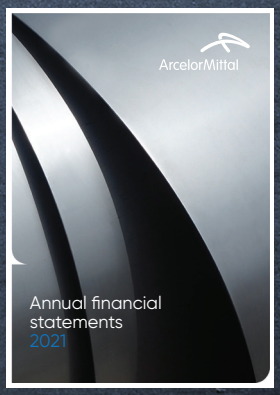
Company secretary
FluidRock Co Sec (Pty) Ltd
Registration number: 2016/093836/07
Unit 5 First Floor Right
Berkley Office Park
8 Bauhinia Street
Highveld Technopark
Centurion, 0169

Sponsor
Absa Bank Ltd (acting through its corporate and investment banking division)
Alice Lane North
15 Alice Lane, Sandton, 2196
Telephone: +27 (0) 11 895 6843
Email: equitysponsor@absacapital.com

Auditors
Deloitte & Touche
5 Magwa Crescent
Waterfall City, 2090
Telephone: +27 (0) 11 806 5000

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank
P.O. Box 61051, Marshalltown, 2107
Telephone: +27 0861 100 950
Facsimile: +27 (0) 11 688 5217
Email: web.queries@computershare.co.za

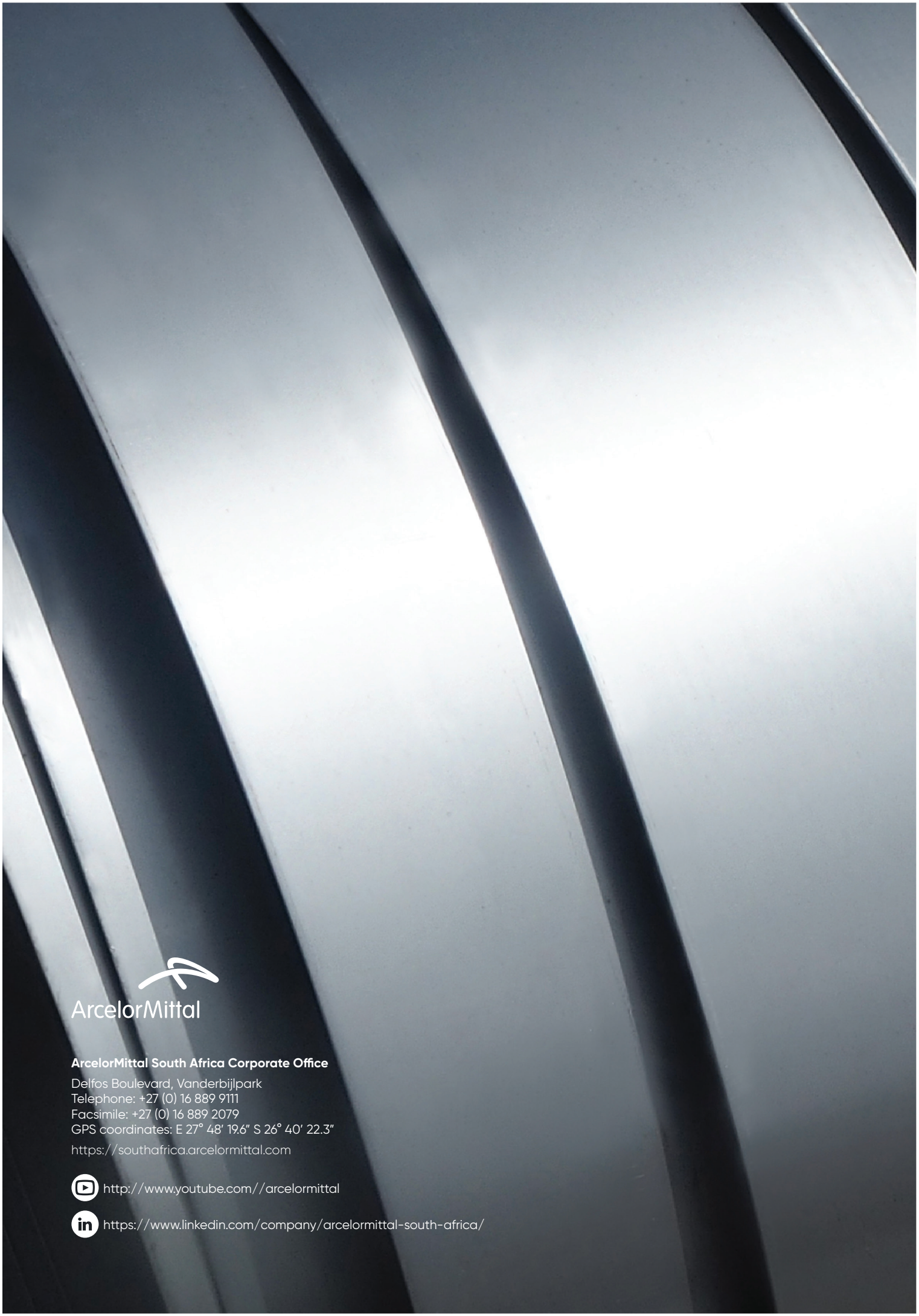
United States ADR depositary
The Bank of New York Mellon
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Internet: www.bnymellon.com



A printed copy of the ArcelorMittal South Africa Integrated report or annual financial statements can be requested by sending an email to:
Veronique.Fernandes@arcelormittal.com

ArcelorMittal

Bastion



ArcelorMittal

ArcelorMittal South Africa Corporate Office

Delfos Boulevard, Vanderbijlpark
Telephone: +27 (0) 16 889 9111
Facsimile: +27 (0) 16 889 2079
GPS coordinates: E 27° 48′ 19.6″ S 26° 40′ 22.3″

https://southafrica.arcelormittal.com

http://www.youtube.com//arcelormittal

https://www.linkedin.com/company/arcelormittal-south-africa/