ArcelorMittal

Annual financial statements 2022

Report contents

Our annual reporting suite

The full 2022 financial statements provide comprehensive insight into the financial position and performance of the company for the year.

These are available at **https://www.arcelormittalsa.com/InvestorRelations/AnnualFinancialStatements.aspx**

Our second ESG report is also available online at **https://www.arcelormittalsa.com/InvestorRelations/Environmental,SocialandGovernance.aspx**

Our integrated report is also available online at **https://www.arcelormittalsa.com/InvestorRelations/IntegratedAnnualReports.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 2022, 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), 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 2023. 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 38 and the directors' report for further details.

The annual financial statements for the year ended 31 December 2022 have been audited by Ernst & Young Inc. (EY), 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 30 March 2023 and are signed on its behalf by:

HJ Verster
Chief executive officer

SM van Wyk
Interim chief financial officer

Statement by the CEO and interim CFO 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) To the best of our knowledge and belief, 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 effectively prepare the financial statements of the issuer

(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 as executive directors with primary responsibility for implementation and execution of controls

(e) Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies

(f) We are not aware of any fraud involving directors

HJ Verster
Chief executive officer

30 March 2023

SM van Wyk
Interim chief financial officer

30 March 2023

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

30 March 2023

Directors' report

for the year ended 31 December 2022

The directors submit their report for the year ended 31 December 2022.

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 the inside of the back cover 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 adequately reflect the financial performance of the group for the financial year ended 31 December 2022.

Further detailed reports on the activities and performance of the group and the various segments of the group are contained in the integrated report.

At 31 December 2022, the group had a net asset value per share of 1 047 cents (2021: 812 cents). The net asset value per share was calculated using a net asset value of R11 675 million (2021: R9 053 million), and total number of shares outstanding of 1 114 612 789 (2021: 1 114 612 789).

Refer to note 10 of the annual financial statements for information on earnings and headline profit 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 2022 financial year (2021: Rnil).

Property, plant and equipment

Details of capital expenditure are provided in note 12.

Compliance with Competition Commission (the Commission) Settlement Agreement

As announced during September 2022, a payment plan was agreed with the Commission, on the terms and conditions set out therein. Aside from the above, the remaining provisions of the Settlement Agreement and ArcelorMittal South Africa's compliance obligations under the agreement, relating, among others, to capital expenditure and the earnings before interest and tax (EBIT) margin percentage cap, concluded in November 2021. ArcelorMittal South Africa has provided the Commission with all requested information and supporting documents throughout the settlement period, and submitted the final annual compliance report in March 2022, including information on the EBIT margin percentage. The Commission has not raised any objection to the information, methodology and calculations submitted.

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 24 of the annual financial statements.

Directors' report continued

for the year ended 31 December 2022

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, holds 53.1% (2021: 53.1%) of the ordinary shares in issue and an effective shareholding of 69.2% (2021: 69.2%). Details of beneficial shareholders equal to or exceeding 5% as at 31 December 2022 are disclosed in note 24.

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 34 of the 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:

	2022			2021		
Director	Direct	Indirect	Total	Direct	Indirect	Total
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
Total	100 000	68 566 966	68 666 966	100 450	68 566 966	68 667 416

NP Gosa's indirect interest is due to a 40% beneficial interest in Likamva Resources (Pty) Ltd. Likamva Resources (Pty) Ltd holds 70.47% in Amandla We Nsimbi (RF) (Pty) Ltd.

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 (2021: Rnil). 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 2022 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 15 and 16 of this annual financial statements.

Directors' report continued

for the year ended 31 December 2022

Borrowing powers

In terms of clause 35 of the Memorandum of Incorporation (MoI), 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.

Directorate

B Mohale was appointed as independent non-executive director and chair of the board with effect from 19 May 2022.

A Thebyane was appointed as independent non-executive director and chair of the human resources committee with effect from 19 May 2022.

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 (IR) and the environmental, social and governance (ESG) report.

Retirement by rotation

Directors are appointed in line with the MoI and in terms thereof a third shall retire at each AGM, subject to being eligible for re-election.

The chairman of the board, PM Makwana, appointed in 2013, was not available for re-election and retired by rotation with effect from 19 May 2022.

NP Mnxasana, an independent non-executive director and chair of the audit and risk committee, appointed in 2013, retired by rotation with effect from 19 May 2022.

D Earp, an independent non-executive director, has been appointed as chairperson of the audit and risk committee, with effect from 19 May 2022.

NP Gouws, a non-executive director of the board appointed in 2017, as well as NF Nicolau, an independent non-executive director of the board appointed in 2015, retire by rotation and have indicated that they will be available for re-election at the AGM to be held on 25 May 2023.

M Musonda, non-executive director of the board, indicated that she would not be available for re-election at the AGM in 2023, in light of the fact that as at that date she would have served a period of about six years as director.

Going concern

A strong start was enjoyed by ArcelorMittal South Africa in the first half of 2022, however, the impact of the conflict between Russia and Ukraine, coupled with economic slowdown in China and other global economic factors, had a significant impact from the second half of the year with demand and sales prices declining and the cost of material increasing, resulting in the group recognising a net profit after tax of R2 634 million for the 2022 financial year. This is R3 991 million lower than the profit after tax of R6 625 million reported in 2021.

The group's solvency and liquidity saw an improvement, as at 31 December 2022 current assets exceed current liabilities by R6 072 million (2021: current assets exceed current liabilities by R5 256 million). The group generated negative cash flow of R1 310 million with cash, bank balances and restricted cash at year-end being R3 392 million (2021: R4 652 million), and net debt increased to R2 808 million at year-end 2022 (2021: R1 258 million).

Directors' report continued

for the year ended 31 December 2022

The group was in compliance with all covenants as it pertains to the borrowing-based facility (BBF), and continues to work closely with all lenders to ensure the required facility remains in place. The balance of the BBF was R2 500 million as at 31 December 2022 (2021: R1 800 million).

ArcelorMittal Holdings AG continues to demonstrate its support through its sub-ordinated group loan of R2 700 million as at 31 December 2022 (2021: R2 700 million) in favour of the lenders of the BBF.

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 in account, among other initiatives, the company's value plan, which realised improvements of R1 561 million (2021: R2 085 million) composed of commercial-related initiatives of R839 million and cost-based initiatives of R722 million.

Shareholders are advised that the group's and company's financial performance is dependent upon the wider economic environment in which the group and company operate. Factors beyond the control of management, such as volatility of the rand/US dollar exchange rate, steel demand, and commodity and steel prices, can all have an impact on the business. The directors and management continue to evaluate, develop and improve business plans and liquidity models in order to effectively deal with the effects of these factors.

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's 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 believes that the group has sufficient funds to pay debts as they become due over the next 12 months, and therefore will remain a going concern.

Independent auditors

Ernst & Young Inc (EY) was appointed as the independent auditor of the group with effect from the date of the AGM, 19 May 2022.

The group financial statements have been audited by independent auditor, EY.

The board has endorsed the recommendation of the audit and risk committee (committee) to shareholders that EY be appointed as the independent auditor of the group for the ensuing year with effect from the date of the AGM to be held on 25 May 2023.

The committee has confirmed that EY is independent of the company as required by section 90 of the Companies Act. The board agrees with the committee's assessment.

Subsequent events

On 31 January 2023, the settlement date of the unsubordinated portion of the loan from the holding company, amounting to R1 000 million, was extended from 31 January 2023 to 1 April 2024. This portion of the loan was classified as a current borrowing as at 31 December 2022.

The directors are not aware of any material matters or circumstances arising since 31 December 2022 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 committee has pleasure in submitting its report for the year ended 31 December 2022 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 and the King Report on Governance for South Africa 2016 (King IV report).

Membership of the committee, evaluation of members and attendance at meetings

NP Mnxasana resigned as an independent non-executive director and independent chairperson with effect from 19 May 2022.

D Earp, an independent non-executive director, has been appointed as chairperson of the committee, with effect from 19 May 2022.

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 2022 to serve until the next AGM to be held on 25 May 2023:
- LC Cele (independent non-executive director)
- D Earp (independent non-executive director and chairperson)
- NF Nicolau (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 is set out on pages 20 and 21 respectively of the integrated report. The committee was found to be effective and to have served as critical support structure of the board after its last evaluation and the review of its terms of reference during the year, and will conduct a further evaluation during 2023.

The committee held five meetings during the financial year. The chief executive officer and interim chief financial officer attended the committee meetings by invitation.

Statutory duties and functions of the committee

The committee is a statutory committee of the board in terms of the Companies Act and has an independent role. The committee aids the board in carrying out its oversight duties and responsibilities and has terms of reference in place which regulate both its statutory duties and responsibilities and those duties delegated to it by the board. The terms of reference were reviewed and updated in March 2022. The committee's scope extends to all activities of the group and company.

The committee supports the board in monitoring the group's internal control effectiveness, the internal audit function, financial and regulatory risk management, and compliance with policies, plans, procedures, rules, and regulations. The committee also assists in evaluating the group's internal control effectiveness.

In order to create an efficient control environment and to validate that the assurance given supports the quality and integrity of the information produced and reported by the group, the committee has accessed both internal and external assurance services. The oversight of information and technology (IT) governance also falls within the delegated duties of the committee.

During the financial year under review, the committee:
- Considered and satisfied itself of the appropriateness of the expertise and experience of the interim chief financial officer, and the expertise and experience of the finance function
- Reviewed and approved, for recommendation to and approval by the board, the interim reports, the IR, the ESG report, the annual financial statements, preliminary reports, accounting policies, critical judgements for the group and company, and other announcements regarding the company's results or other financial information that was made public
- Considered and satisfied itself that management's assessment and responsive actions to the JSE proactive monitoring process report findings are acceptable
- Considered and concluded on the effectiveness of the combined assurance model
- Considered and satisfied itself of the appropriateness of the expertise and experience of the senior manager, internal audit, and the expertise and experience of the internal audit function
- Reviewed the reports of the internal audit function on the state of internal control, including its forensic reports regarding fraud prevention and detection
- Assessed the suitability for appointment of the audit firm and designated individual partner for recommendation to the shareholders
- Reviewed the auditor's findings and recommendations
- Reviewed the statements on ethical standards for the company and considered how they are promoted and enforced

Audit and risk committee report continued

- Significant cases of unethical activity by employees or by the company itself
- Reviewed the solvency and liquidity tests undertaken prior to dividend declarations recommendation to the board
- Reviewed balance sheet and liquidity policies and dividend policies, treasury and tax policies, IT (information technology) governance framework and IT strategy
- Reviewed significant tax provisions or significant uncertain tax matters of the company and significant subsidiaries
- Reviewed and approved the compliance framework, risk framework and insurance cover
- Reported 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
  - IT risks

Independence and effectiveness of the external auditor

The committee nominated EY to serve as external auditor of the group, and the nomination was approved by the shareholders on 19 May 2022. EY will serve as external auditor until the AGM to be held on 25 May 2023. The committee reviewed a presentation by EY and, after conducting its own review, is satisfied with the independence and objectivity of EY as external auditor. The committee is satisfied that the auditor has at all times acted with unimpaired independence. A letter in terms of the JSE Listings Requirements, paragraph 22.15(H), has been submitted by EY. The committee is satisfied that EY is compliant with the relevant external audit partner's JSE qualification and the rotation rules.

The committee further approved the fees paid to EY and its terms of engagement. The details of the fees paid to EY are disclosed in note 6 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 and the group for the year ended 31 December 2022 and, based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act, the IFRS, 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 environmental remediation and asset retirement obligation cost models were assessed during the current financial year by an external independent third-party reviewer in terms of standard internationally recognised good practices to ensure objectivity of costs related to rehabilitation and closure. The committee is satisfied with management's assessment of the reviewer's reports

The committee had oversight and monitored the liquidity and cash management including the covenants of the 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 and company 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 CEO and functionally to the chairman of the committee and head of group internal audit of the holding company, ArcelorMittal Holdings AG.

Audit and risk committee report continued

The review of controls by the CEO and interim CFO comprised the identification and classification of risks, as well as the determination of materiality, testing of the design, and determining control implementation. The process was supported by utilisation of the internal audit function to test the operating effectiveness of controls.

The committee, the CEO and the 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.

Risk management

The committee has an oversight of the risk management processes, development and has recommended the annual review of a policy and plan for risk management to the board. The committee has reviewed the integrity of the overall risk exposure and the of risk control systems, as well as the key risks and responses from management that the group had faced, and the committee is satisfied with risk mitigation measures that are in place. The committee receives and reviews key risks faced by the group on a quarterly basis.

Combined assurance

The committee is responsible for monitoring the appropriateness of the group and company 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 within the company have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

Expertise and experience of the interim CFO and the finance function

The committee has satisfied itself that the interim CFO, 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 performed with due care.

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

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, the statutory requirements of the Companies Act and the JSE Listings Requirements and King IV report, 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.

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

D Earp
Chairperson
30 March 2023

Shareholders' analysis

ArcelorMittal South Africa Ltd

Analysis of ordinary shareholders as at 31 December 2022

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	43 822	88.40	4 921 925	0.43
1 001 – 10 000	4 155	8.38	14 425 011	1.27
10 001 – 100 000	1 308	2.64	39 884 519	3.51
100 001 – 1 000 000	247	0.50	64 235 086	5.64
Over 1 000 000	42	0.08	1 014 593 284	89.15
Total	**49 574**	**100.00**	**1 138 059 825**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance and insurance companies	11	0.02	13 078 964	1.15
Collective investment schemes and hedge funds	37	0.08	25 222 861	2.22
Corporate holdings	4	0.01	771 571 447	67.80
Custodians, brokers and nominees	46	0.09	35 451 087	3.11
Other managed funds	27	0.05	105 711 288	9.29
Retail shareholders, trusts and private companies	1 619	3.27	151 050 149	13.27
Retirement benefit funds	29	0.06	18 387 093	1.62
Unclassified holders (less than 10 000 shares)	47 801	96.42	17 586 936	1.54
Total	**49 574**	**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	6	0.01	771 636 240	67.80
Directors and associates	2	0.00	100 292	0.01
GS Gouws	1	0.00	292	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	49 568	99.99	366 423 585	32.20
Total	**49 574**	**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 ordinary shares issued	Number of shares	% of issued capital
ArcelorMittal Holdings AG	771 489 400	67.79
Industrial Development Corporation	93 044 068	8.18
Total	**864 533 468**	**75.97**

Beneficial shareholders in the A1 and A2 register	A1 shares	A2 shares
Amandla We Nsimbi (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	7	0.01	775 692 089	68.16
South Africa	49 236	99.32	332 583 944	29.22
United States	31	0.06	13 933 428	1.23
United Kingdom	23	0.05	12 171 414	1.07
Namibia	134	0.27	2 536 102	0.22
Luxembourg	1	0.00	739 166	0.07
Swaziland	30	0.06	125 541	0.01
Balance	112	0.23	278 141	0.02
Total	**49 574**	**100.00**	**1 138 059 825**	**100.00**

Share price performance	
Opening price 3 January 2022	R8.87
Closing price 30 December 2022	R4.74
Closing high for period	R10.54
Closing low for period	R4.23
Number of shares in issue	1 138 059 825
Volume traded during period	428 286 693
Ratio of volume traded to shares issued (%)	37.63
Rand value traded during the period	3 433 715 233
Price/earnings ratio as at 30 December 2022	0.71
Earnings yield as at 30 December 2022 (%)	139.87
Dividend yield as at 30 December 2022 (%)	–
Market capitalisation at 30 December 2022	R5 394 403 571

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 Limited and its subsidiaries (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 2022, 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 the group and company as at 31 December 2022, 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 of the group and company and 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' International Code of Ethics for Professional Accountants (including International Independence Standards). 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Independent auditor's report continued

The key audit matters apply equally to the audit of the consolidated and separate financial statements.

Key audit matter	How the matter was addressed in the audit
Valuation of property, plant and equipment As at 31 December 2022, the property, plant and equipment asset balance of the group and company amounted to R9 570 million and R9 275 million respectively. As explained in note 12 to the consolidated and separate financial statements, the group and company's evaluation for impairment of property, plant and equipment as part of the relevant cash generating units, involves a comparison of the recoverable amount of each cash generating unit to their respective carrying amounts. Key assumptions that had a significant impact on the estimate of the recoverable amounts of the relevant cash generating units, included: • Future volumes of shipments • Future selling prices • Variable costs • Discount rate Changes in these assumptions could have a significant impact on the recoverable amount of a cash-generating unit and the valuation of property, plant and equipment. Significant judgments are made by management to estimate these assumptions. Auditing the valuation of property, plant and equipment and specifically the recoverable amounts of the relevant cash-generating units was complex and required a high degree of auditor judgement including the involvement of valuation specialists. Due to the significant estimation uncertainty and subjective nature of the assumptions used in these estimates, this was considered a key audit matter.	As part of our procedures, among others, we: • Obtained an understanding, evaluated the design and tested the operating effectiveness of key controls over the preparation and review of the cash flow forecasts • Evaluated management's ability to reasonably estimate future cash flows by comparing actual results to management's historical forecasts • We evaluated forecasted volumes of shipments included in the models by: – Comparing forecasted shipments to that historically achieved – Assessing forecasted shipments to anticipated market demand during the forecast period by assessing to actual results and GDP movements – Assessing forecasted shipments to production capacity • With the involvement of our internal valuation specialists, we compared management's estimates to external third-party data for: – Future selling prices – Raw material pricing – Variable costs In addition to the above, with the support of our internal valuation specialists, we performed the following procedures: • Assessed the appropriateness and logic of the valuation methodology utilised to the requirements of IAS 36 – *Impairment of Assets* • Developed an independent discount rate range based on external market data and compared the results thereof to that calculated by management • Reviewed the arithmetic accuracy of the discounting formulae to present value the free cash flows included in the models • Assessed the appropriateness of managements terminal value calculations within the model, including terminal period cash flows and long-term growth rate to valuation best practise and long-term inflation forecasts • Recalculated the cash-generating units carrying value as at the valuation date • Subjecting the key assumptions to sensitivity analysis using our external market data to determine ranges We also evaluated the adequacy of the disclosures in note 12 of the consolidated and separate financial statements to the requirements of IAS 36 – *Impairment of Assets*.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
Environmental rehabilitation and asset retirement obligations As disclosed in note 27 to the consolidated and separate financial statements, at 31 December 2022, the provisions for environmental remediation and asset retirement in aggregate amounted to R2 305 million and R2 194 million for the group and company respectively. The group and company incur obligations to restore and remediate its production facilities. Auditing these environmental remediation and asset retirement provisions was complex as a result of the high estimation uncertainty of the provision and the significance of these provisions in relation to the consolidated and separate financial statements The determination of the provision is based on, among other things, judgements and estimates of the costs to restore and remediate as well as the nature, timing and amount of these future costs to be incurred to rehabilitate these facilities, estimates of future inflation and discount rates. These assumptions, detailed above, are inherently judgemental and subject to change due to continued production activity and rehabilitation, legislation and environmental changes, which cannot be predicted with certainty and thus requires specific focus each year and the involvement of specialists on our team and is thus considered as a key audit matter.	As part of our procedures, among others, we: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the group's process to estimate environmental remediation and asset retirement provisions • With the support of our valuation specialists, we assessed management's macro-economic assumptions in their models by comparing them to available market information. The most significant of these macro-economic assumptions were: – The risk-free interest rate – The expected inflation rates • Assessed the mathematical accuracy of the rehabilitation models and compared the timing of the expected cash flows with reference to the life of production facilities • Compared the current year cash flow assumptions to those of the prior year and considered management's explanations where these have changed or deviated • Compared the base costs used by management for future remediation to reports obtained from management's external specialists • Assessed the independence, competence, capabilities and objectivity of the management specialists We also evaluated the adequacy of the disclosures in note 27 of the consolidated and separate financial statements to the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 104-page document titled "ArcelorMittal South Africa Audited annual financial statements 2022" which includes the directors' report, the audit and risk committee's report and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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, 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 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 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

Independent auditor's report continued

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 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 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.
- 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 and separate 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 directors 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 directors 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 Ernst & Young Inc. has been the auditor of ArcelorMittal South Africa Limited for one year.

Other matter

The annual financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 12 April 2022.

Ernst & Young Inc.

Ernst & Young Inc.

Director – Michiel (Mike) Christoffel Herbst
Registered Auditor
Chartered Accountant (SA)

30 March 2023

102 Rivonia Road, Sandton
Johannesburg
South Africa
2146

Group and company statements of comprehensive income

for the year ended 31 December 2022

		Group		Company	
	Notes	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Revenue	4	**40 771**	39 708	**39 824**	39 646
Raw materials and consumables used		**(22 054)**	(19 634)	**(21 884)**	(19 619)
Employee costs		**(3 828)**	(3 786)	**(3 761)**	(3 754)
Energy		**(4 536)**	(4 476)	**(4 351)**	(4 360)
Movement in inventories of finished goods and work-in-progress		**(260)**	2 955	**174**	2 956
Depreciation	12	**(760)**	(589)	**(755)**	(589)
Amortisation of intangible assets	14	**(11)**	(12)	**(11)**	(12)
Impairment reversal/(loss) of trade and other receivables		**6**	(14)	**3**	(14)
Net impairment reversal/(impairment) on financial assets		**–**	3	**(97)**	198
Other operating expenses		**(5 829)**	(6 179)	**(5 657)**	(6 106)
Profit from operations	6	**3 499**	7 976	**3 485**	8 346
Finance and investment income	7	**283**	165	**284**	165
Finance costs	8	**(1 235)**	(1 328)	**(1 170)**	(1 294)
Income after tax from equity-accounted investments	15	**30**	40	**–**	–
Fair value adjustment on investment properties	13	**57**	(228)	**36**	(95)
Profit before taxation		**2 634**	6 625	**2 635**	7 122
Income taxation expense	9	**–**	–	**–**	–
Profit for the year		**2 634**	6 625	**2 635**	7 122
Other comprehensive income/(loss)					
Items that will not be reclassified to income or loss (net of tax):					
Fair value adjustment on equity instruments		**17**	(5)	**17**	(5)
Items that may be reclassified subsequently to income or loss (net of tax):					
Exchange differences on translation of foreign operations		**6**	(1)	**–**	–
Share of other comprehensive (loss)/income of equity-accounted investments		**(2)**	1	**–**	–
Total comprehensive income for the year		**2 655**	6 620	**2 652**	7 117
Profit attributable to:					
Owners of the company		**2 634**	6 625	**2 635**	7 122
Total comprehensive income attributable to:					
Owners of the company		**2 655**	6 620	**2 652**	7 117
Earnings per share (cents) attributable to owners of the company:					
– Basic	10	**236**	594	**–**	–
– Diluted	10	**236**	594	**–**	–

Group and company statements of financial position

as at 31 December 2022

	Notes	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	12	**9 570**	8 065	**9 275**	8 051
Investment properties	13	**737**	754	**672**	636
Intangible assets	14	**71**	67	**71**	67
Equity-accounted investments	15	**251**	227	**166**	168
Investments in subsidiaries	16	**–**	–	**2 159**	1 510
Investments held by environmental trust	17	**408**	412	**–**	–
Other receivables	18	**10**	21	**10**	21
Investment in sub-lease	19	**–**	–	**77**	–
Other financial assets	20	**23**	6	**23**	6
Total non-current assets		**11 070**	9 552	**12 453**	10 459
Current assets					
Inventories	21	**11 973**	12 175	**11 665**	12 113
Trade and other receivables	18	**3 486**	2 712	**3 296**	2 654
Other financial assets	20	**–**	2	**–**	2
Investment in sub-lease	19	**–**	–	**21**	–
Cash, bank balances and restricted cash	22	**3 392**	4 652	**3 389**	4 648
Total current assets		**18 851**	19 541	**18 371**	19 417
Asset held-for-sale	23	**80**	–	**–**	–
Total assets		**30 001**	29 093	**30 824**	29 876
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	**4 537**	4 537	**4 537**	4 537
Reserves		**(3 576)**	(3 594)	**1 298**	1 314
Retained income		**10 714**	8 110	**7 137**	4 502
Total equity		**11 675**	9 053	**12 972**	10 353
Non-current liabilities					
Borrowings	25	**2 700**	3 700	**2 700**	3 700
Lease obligations	26	**176**	60	**176**	60
Provisions	27	**1 784**	1 716	**1 678**	1 501
Trade and other payables	28	**262**	279	**260**	278
Other financial liabilities	29	**625**	–	**625**	–
Total non-current liabilities		**5 547**	5 755	**5 439**	5 539
Current liabilities					
Borrowings	25	**3 500**	2 210	**3 500**	2 210
Lease obligations	26	**26**	29	**26**	16
Provisions	27	**862**	820	**790**	746
Trade and other payables	28	**8 184**	10 059	**8 002**	9 957
Other financial liabilities	29	**95**	1 055	**95**	1 055
Taxation		**112**	112	**–**	–
Total current liabilities		**12 779**	14 285	**12 413**	13 984
Total equity and liabilities		**30 001**	29 093	**30 824**	29 876

Group and company statements of cash flows

for the year ended 31 December 2022

	Notes	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Cash flows from operating activities					
Cash generated from operations	30.1	**1 174**	3 024	**1 687**	3 636
Interest income		**65**	66	**67**	65
Finance costs	30.2	**(823)**	(327)	**(785)**	(306)
Income tax refunded	30.3	**–**	–	**–**	–
Net cash generated by operating activities		**416**	2 763	**969**	3 395
Cash flows from investing activities					
Investment to maintain operations	30.4	**(1 809)**	(820)	**(1 648)**	(811)
Investment to expand operations	30.5	**(103)**	(40)	**(80)**	(36)
Proceeds on disposal of assets		**1**	17	**1**	11
Proceeds from equity-accounted investments		**2**	17	**2**	17
Dividend from equity-accounted investment		**–**	3	**–**	3
Proceeds from assets held-for-sale		**–**	135	**–**	–
Loans advanced to subsidiaries		**–**	–	**(750)**	(525)
Net cash utilised by investing activities		**(1 909)**	(688)	**(2 475)**	(1 341)
Cash flows from financing activities					
Borrowings: Borrowing-based facility raised/(repaid)	30.7	**700**	(650)	**700**	(650)
Borrowings: Loan from holding company repaid	30.7	**(410)**	–	**(410)**	–
Lease obligation repaid	30.7	**(33)**	(36)	**(19)**	(16)
Settlement of long-term incentive plan (LTIP)		**(74)**	(78)	**(74)**	(78)
Net cash generated from/(utilised by) financing activities		**183**	(764)	**197**	(744)
Net (decrease)/increase in cash, cash equivalents and restricted cash		**(1 310)**	1 311	**(1 309)**	1 310
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**50**	1	**50**	1
Cash, cash equivalents and restricted cash at the beginning of the year		**4 652**	3 340	**4 648**	3 337
Cash, cash equivalents and restricted cash at the end of the year		**3 392**	4 652	**3 389**	4 648

Group and company statements of changes in equity

for the year ended 31 December 2022

	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 2021								
Balance at 1 January 2021	4 537	1 522	(2 065)	(302)	1 309	(814)	(1 843)	2 344
Total comprehensive income for the year	–	6 625	–	–	–	1	(6)	6 620
Profit	–	6 625	–	–	–	–	–	6 625
Other comprehensive income/(loss)	–	–	–	–	–	1	(6)	(5)
Share-based payment expense	–	–	–	–	30	–	–	30
Settlement of long-term incentive plan	–	–	–	–	(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
Year ended 31 December 2022								
Balance at 1 January 2022	**4 537**	**8 110**	**(2 065)**	**(302)**	**1 261**	**(776)**	**(1 712)**	**9 053**
Total comprehensive income for the year	**–**	**2 634**	**–**	**–**	**–**	**(2)**	**23**	**2 655**
Profit	**–**	**2 634**	**–**	**–**	**–**	**–**	**–**	**2 634**
Other comprehensive (loss)/income	**–**	**–**	**–**	**–**	**–**	**(2)**	**23**	**21**
Share-based payment expense	**–**	**–**	**–**	**–**	**41**	**–**	**–**	**41**
Settlement of long-term incentive plan	**–**	**–**	**–**	**–**	**(74)**	**–**	**–**	**(74)**
Transfer between reserves	**–**	**(30)**	**–**	**–**	**–**	**30**	**–**	**–**
Balance at 31 December 2022	**4 537**	**10 714**	**(2 065)**	**(302)**	**1 228**	**(748)**	**(1 689)**	**11 675**

Group and company statements of changes in equity continued

for the year ended 31 December 2022

	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 2021							
Balance at 1 January 2021	4 537	(2 620)	–	(302)	1 309	222	3 146
Total comprehensive income for the year	–	7 122	–	–	–	(5)	7 117
Profit	–	7 122	–	–	–	–	7 122
Other comprehensive loss	–	–	–	–	–	(5)	(5)
Share-based payment expense	–	–	–	–	30	–	30
Settlement of long-term incentive plan	–	–	–	–	(78)	–	(78)
Deemed equity contribution	–	–	–	–	–	138	138
Balance at 31 December 2021	4 537	4 502	–	(302)	1 261	355	10 353
Year ended 31 December 2022							
Balance at 1 January 2022	**4 537**	**4 502**	**–**	**(302)**	**1 261**	**355**	**10 353**
Total comprehensive income for the year	**–**	**2 635**	**–**	**–**	**–**	**17**	**2 652**
Profit	**–**	**2 635**	**–**	**–**	**–**	**–**	**2635**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**17**	**17**
Share-based payment expense	**–**	**–**	**–**	**–**	**41**	**–**	**41**
Settlement of long-term incentive plan	**–**	**–**	**–**	**–**	**(74)**	**–**	**(74)**
Balance at 31 December 2022	**4 537**	**7 137**	**–**	**(302)**	**1 228**	**372**	**12 972**

Group and company statements of changes in equity continued

for the year ended 31 December 2022

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.

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 long-term incentive plan (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 (2021: 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 fair value through other comprehensive income (FTVOCI) reserve of -R55 million (2021: -R72 million) for the group and company. 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 (2021: -R1 854 million) for the group were transferred from treasury share equity reserve.

Deemed equity reserve of R398 million (2021: R398 million) for the group and company. The reserve relates to the measurement of borrowings at amortised cost on the borrowings of the group which was interest free.

Translation of the foreign operation reserve of -R232 million (2021: -R238 million) for the group. The remaining other reserves relate to revaluation of property, plant and equipment of R30 million (2021: R30 million) for the group 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 2022

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 Standard Board (IASB) that are effective for the annual period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these annual financial statements.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

Annual Improvements to IFRS 2018–2020

IFRS 9

The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

2.2 Standards and interpretations not yet effective for December 2022

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023, 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
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

2. Application of new and revised IFRS continued

2.2 Standards and interpretations not yet effective for December 2022 continued

Standard	Details of amendment	Expected adoption date
Definition of Accounting Estimates (Amendments to IAS 8)	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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendment clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. 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. The impact of adoption is not expected to be material.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	The amendments clarify how an entity classifies liabilities as current or non-current. 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. The amendment will be early adopted by the group and company in the 2023 financial year. Application of the amendment is not expected to have an impact.	1 January 2024

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

2. Application of new and revised IFRS continued

2.2 Standards and interpretations not yet effective for December 2022 continued

Standard	Details of amendment	Expected adoption date
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	In September 2022, the board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment will be early adopted by the group and company in the 2023 financial year. Application of the amendment is not expected to have an impact.	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	The amendments in *Non-current Liabilities with Covenants* (Amendments to IAS 1) modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendment will be early adopted by the group and company in the 2023 financial year. The impact of adoption of the amendment is not expected to be material as the group and company has complied with all covenants.	1 January 2024

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, and the Financial Pronouncements as issued by the Financial Reporting Standards Council relevant to its operations.

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 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.3 Significant judgements, estimates and assumptions uncertainty continued

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 13, investment properties note
- Expected credit loss assessment on trade receivables – refer to note 18, the trade and other receivables note
- Going concern basis – refer to note 38, 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 12, 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 12, 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 27, 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.

3.6 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.6 Interest in equity-accounted investees continued

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.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

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.

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.

3.11 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.11 Leases continued

3.11.1 Accounting for leases as lessee continued

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.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

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 are 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 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.

3.14 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
- FVTOCI
- 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 gross carrying amount is reduced by impairment losses and other allowances.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.14 Financial assets continued

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 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.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

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

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 gain or loss 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

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 is collected on behalf of the TSR facility provider and will be paid over to them.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.21 Employee benefits

3.21.1 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.

3.21.2 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 absence, when the absence occurs. The leave pay benefits of the group and company are accumulative in nature.

3.21.3 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.

3.21.4 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.

3.21.5 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
- Provide termination benefits as a result of an accepted offer made to encourage voluntary redundancy in exchange for these benefits

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.22 Provisions and contingent liabilities

3.22.1 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.

3.22.2 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.

3.23 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.

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 and 30 days from month-end statement date.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

3. Significant accounting policies continued

3.23 Revenue recognition continued

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

3.24 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.

3.25 Share-based payments

3.25.1 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.

3.25.2 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.

3.26 Taxation

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

3.26.1 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.

3.26.2 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Revenue from major products				
Steel operations				
Hot rolled	**11 735**	12 581	**11 735**	12 581
Uncoated	**6 558**	5 139	**6 558**	5 139
Coated	**7 564**	7 500	**7 564**	7 500
Merchant bars	**7 508**	8 108	**6 614**	8 108
Wire rod	**3 587**	3 343	**3 587**	3 343
Seamless	**1 814**	579	**1 814**	579
Total	**38 766**	37 250	**37 872**	37 250
Non-steel operations				
Coke and tar	**1 750**	2 188	**1 750**	2 188
Other	**255**	270	**202**	208
	2 005	2 458	**1 952**	2 396
Total	**40 771**	39 708	**39 824**	39 646
Revenue to external customers				
Local	**35 057**	35 317	**34 172**	35 255
Export	**5 714**	4 391	**5 652**	4 391
Africa	**3 429**	3 561	**3 367**	3 561
Asia	**471**	315	**471**	315
Europe	**1 043**	342	**1 043**	342
America	**761**	161	**761**	161
Other	**10**	12	**10**	12
Total	**40 771**	39 708	**39 824**	39 646

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

5. Segment report

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 group's reportable segments are:
- Steel Operations consisting of Vanderbijlpark plant, Newcastle plant, Vereeniging plant and Highveld plant
- Non-Steel Operations consisting of Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial grade coal, decommissioned Saldanha plant, decommissioned Maputo plant, Pretoria Works and Thabazimbi Iron Ore Mine
- Corporate and other, consisting of commercial functions, procurement and logistics activities, shared services, 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 retrenchment packages.

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.

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:
- Investments in equity-accounted entities
- Financial investments
- Cash and cash equivalents
- Income tax, capital gains tax and value added tax-related assets as applicable

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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 2022					
Revenue					
External customers	38 765	2 006	–	–	40 771
Internal customers	–	43	–	(43)	–
Total revenue	38 765	2 049	–	(43)	40 771
Revenue to external customers distributed as:					
Local	33 051	2 006	–	–	35 057
Export	5 714	–	–	–	5 714
Africa	3 429	–	–	–	3 429
Asia	471	–	–	–	471
Europe	1 043	–	–	–	1 043
America	761	–	–	–	761
Other	10	–	–	–	10
Total	38 765	2 006	–	–	40 771
Results					
Raw materials and consumables used*	(21 750)	(281)	(24)	1	(22 054)
Employee costs*	(3 073)	(73)	(682)	–	(3 828)
Energy*	(4 371)	(164)	(1)	–	(4 536)
Movement in inventories of finished goods and work-in-progress*	515	(815)	–	40	(260)
Impairment reversal/(loss) of trade and other receivables*	9	(7)	4	–	6
Other operating expenses	(6 347)	(95)	617	–	(5 825)
Earnings before interest, tax, depreciation, amortisation and exceptional items	3 748	614	(86)	(2)	4 274
Retrenchment packages	(3)	–	(1)	–	(4)
Depreciation and amortisation	(686)	(60)	(25)	–	(771)
Net (impairment)/impairment reversal on financial assets	–	–	(97)	97	–
Profit/(loss) from operations	3 059	554	(209)	95	3 499
Finance and investment income	28	9	248	(2)	283
Finance costs	(462)	(163)	(612)	2	(1 235)
Income after tax from equity-accounted investments	–	–	30	–	30
Fair value adjustment on investment properties	2	52	3	–	57
Profit/(loss) before taxation	2 627	452	(540)	95	2 634
Income taxation expense	–	–	–	–	–
Profit/(loss) for the year	2 627	452	(540)	95	2 634
Additions to non-current assets	(2 086)	(34)	(26)	–	(2 146)
Segment assets (excluding investments in equity-accounted entities)	23 018	2 982	4 446	(696)	29 750
Investments in equity-accounted entities	–	–	251	–	251
Segment liabilities	8 413	2 067	8 508	(662)	18 326
Cash generated from/(utilised in) operations	2 707	660	(2 289)	96	1 174
Capital expenditure	1 889	9	14	–	1 912
Number of employees at the end of the year	5 634	174	746	–	6 554

* *Material expense items have been provided per segment in order to provide more useful information.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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
Internal 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
Europe	342	–	–	–	342
America	161	–	–	–	161
Other	12	–	–	–	12
Total	37 250	2 458	–	–	39 708
Results					
Raw materials and consumables used*	(19 312)	(296)	(26)	–	(19 634)
Employee costs*	(3 007)	(85)	(694)	–	(3 786)
Energy*	(4 321)	(155)	–	–	(4 476)
Movement in inventories of finished goods and work-in-progress*	3 947	(1 041)	–	49	2 955
Impairment loss of trade and other receivables*	(14)	–	–	–	(14)
Other operating expenses*	(6 396)	(111)	323	–	(6 184)
Earnings before interest, tax, depreciation, amortisation and exceptional items	8 147	820	(397)	(1)	8 569
Retrenchment packages	7	(6)	4	–	5
Depreciation and amortisation	(518)	(56)	(27)	–	(601)
Net (impairment)/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)
Income after tax from equity-accounted investments	–	–	40	–	40
Fair value adjustment on investment properties	–	(228)	–	–	(228)
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)	2 040
Cash generated from/(utilised in) operations	4 889	206	(2 044)	(27)	3 024
Capital expenditure	810	34	15	–	860
Number of employees at the end of the year	–	–	–	–	7 013

* *Material expense items have been provided per segment in order to provide more useful information. Comparative figures have been updated accordingly.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

5. Segment report continued

	2022 Rm	2021 Rm
5.1 Revenue from major products		
The group's revenue from its major products sold to external customers was:		
Steel operations	**38 766**	37 250
Hot rolled	**11 735**	12 581
Uncoated	**6 558**	5 139
Coated	**7 564**	7 500
Merchant bars	**7 508**	8 108
Wire rod	**3 587**	3 343
Seamless tubular products	**1 814**	579
Non-steel operations	**2 005**	2 458
Coke and tar	**1 750**	2 188
Other	**255**	270
Total consolidated revenue	**40 771**	39 708

5.2 Geographical information

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

5.3 Information about major customers

	Steel operations Rm	% of group revenue
2022		
Revenue of major customers		
Customer 1	**5 192**	**12.73**
Total	**5 192**	**12.73**
2021		
Revenue of major customers		
Customer 1	5 374	13.53
Total	5 374	13.53

5.4 Information about recognition

All revenue is recognised at a point in time.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

6. Profit from operations

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Profit from operations have been arrived at after charging:				
Amortisation	**(11)**	(12)	**(11)**	(12)
Depreciation	**(760)**	(589)	**(755)**	(589)
Employee costs				
Salaries and wages	**(3 365)**	(3 361)	**(3 301)**	(3 333)
Termination benefits	**(4)**	–	**(4)**	–
Pension and medical costs	**(418)**	(395)	**(415)**	(391)
Share-based payment expense	**(41)**	(30)	**(41)**	(30)
Loss on disposal or scrapping of property, plant and equipment	**(30)**	(7)	**(30)**	(13)
Railage and transport	**(1 086)**	(982)	**(1 053)**	(981)
Repairs and maintenance	**(2 556)**	(2 642)	**(2 530)**	(2 608)
Research and development	**(187)**	(294)	**(187)**	(294)
Write-down of inventory to net realisable value	**(139)**	(283)	**(137)**	(285)
Auditor's remuneration				
Audit fees	**(20)**	(17)	**(19)**	(16)
Other services and expenses	**(1)**	(4)	**(1)**	(4)
Allowance for impairment recognised on trade receivables	**11**	(14)	**8**	(14)
Other allowances on trade receivables	**(76)**	(156)	**(72)**	(156)
Allowance for impairment on other receivables	**(5)**	–	**(5)**	–

7. Finance and investment income

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Finance income				
Bank deposits and other interest income	**65**	66	**67**	65
Discount rate adjustment of provisions and financial instruments	**–**	99	**–**	97
Net foreign exchange profit and net gains from foreign exchange contracts	**218**	–	**217**	–
Investment income				
Dividends	**–**	–	**–**	3
Total	**283**	165	**284**	165

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

8. Finance costs

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Interest expense on loans	**(724)**	(620)	**(678)**	(585)
Interest expense on lease obligations	**(10)**	(7)	**(9)**	(3)
Net foreign exchange and foreign exchange contracts losses	**–**	(109)	**–**	(119)
Discount rate adjustment of provisions and financial liabilities	**(94)**	–	**(85)**	–
Unwinding of discounting effect on borrowings and provisions:	**(407)**	(592)	**(398)**	(587)
Provisions	**(294)**	(219)	**(285)**	(212)
Other financial liabilities	**(78)**	(57)	**(78)**	(59)
Borrowings – loan from holding company	**(35)**	(316)	**(35)**	(316)
Total	**(1 235)**	(1 328)	**(1 170)**	(1 294)

9. Income taxation (expense)/credit

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
9.1 Income tax recognised in profit or loss				
Current income tax charge	**–**	–	**–**	–
Current deferred tax charge	**–**	–	**–**	–
Adjustments for current tax of prior periods	**–**	–	**–**	–
Total	**–**	–	**–**	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

9. Income taxation (expense)/credit continued

9.1 Income tax recognised in profit or loss continued

The total charge for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Profit/(loss) before tax	2 634	6 625	2 635	7 122
Income tax calculated at 28%	738	1 855	738	1 994
Permanent differences:				
Effect of deductible special allowances – learnerships	(11)	(11)	(11)	(11)
Effect of non-taxable income	(115)	(1)	(89)	(56)
Dividends received	–	–	–	(1)
Other non-taxable income – Competition Commission and intergroup interest	(112)	–	(88)	–
Revaluation of investment properties	(1)	–	(1)	–
Impairment reversal of investment in subsidiaries	–	(1)	–	(55)
Provisions – previous year permanent movement	(2)	–	–	–
Effect of non-deductible expenses	68		95	
Unwinding of discounting effect on loan from holding company and Competition Commission	32	89	32	89
Provisions	–	13	–	13
Impairment of investments in subsidiaries	–	–	27	–
Revaluation of investment properties	–	6	–	6
Accounting loss on assets disposed	–	(3)	–	(3)
Depreciation	34	14	34	14
Other capital gains tax	–	3	–	3
Legal and professional fees	2	4	2	4
SARS interest and penalties	–	7	–	–
Effect of timing differences not recognised in the current year in relation to unrecognised deferred tax asset	(680)	(1 961)	(733)	(2 053)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(15)	–	–
Total income tax (expense)/credit	–	–	–	–

In February 2022, the Minister of Finance announced a change in the corporate tax rate in South Africa from 28% to 27%. The change in tax rate is effective for the group for the 2023 financial year. Deferred tax assets and liabilities have been remeasured based on the change in substantively enacted rate.

Although the corporate tax rate is 28%, the actual average tax rate for the group and company was 0% (2021: 0%) and 0% (2021: 0%) respectively.

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

	Group		Company	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Items that will not be reclassified to profit or loss:				
Equity investments at FVTOCI – net change in fair value	–	1	–	1

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

9. Income taxation (expense)/credit continued

9.2 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									
2022									
Temporary differences									
At the beginning of the year	**1 150**	**155**	**(179)**	**(696)**	**(120)**	**(25)**	**43**	**(328)**	**–**
(Credit)/charged to profit or loss	**176**	**(22)**	**43**	**(338)**	**79**	**(3)**	**(45)**	**110**	**–**
At the end of the year	**1 326**	**133**	**(136)**	**(1 034)**	**(41)**	**(28)**	**(2)**	**(218)**	**–**
2021									
Temporary differences									
At the beginning of the year	1 113	176	(184)	(544)	(109)	(21)	(377)	(53)	–
(Credit)/charged to profit/(loss)	37	(20)	5	(152)	(11)	(4)	420	(275)	–
At the end of the year	1 150	155	(179)	(696)	(120)	(25)	43	(328)	–
Company									
2022									
Temporary differences									
At the beginning of the year	**1 338**	**115**	**(180)**	**(802)**	**(43)**	**(21)**	**29**	**(436)**	**–**
(Credit)/charged to profit or loss	**27**	**4**	**45**	**(37)**	**2**	**(7)**	**(31)**	**(3)**	**–**
At the end of the year	**1 365**	**119**	**(135)**	**(839)**	**(41)**	**(28)**	**(2)**	**(439)**	**–**
2021									
Temporary differences									
At the beginning of the year	1 302	135	(186)	(637)	(35)	(12)	(382)	(185)	–
(Credit)/charged to profit/(loss)	36	(20)	6	(165)	(8)	(9)	411	(251)	–
At the end of the year	1 338	115	(180)	(802)	(43)	(21)	29	(436)	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

9. Income taxation (expense)/credit continued

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

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Unrecognised deferred tax losses	**11 838**	14 153	**7 746**	10 136
Total	**11 838**	14 153	**7 746**	10 136

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.

10. Earnings per share attributable to owners of the company

Earnings per share is calculated by dividing profit 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 into account. Where appropriate, adjustments are made in calculating diluted loss, headline and diluted headline loss per share.

	Group 2022	Group 2021
Weighted average number of shares	**1 114 612 789**	1 114 612 789
Weighted average number of diluted shares	**1 114 612 789**	1 114 612 789
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, the B-BBEE transaction does not have a dilutive impact on the shareholding. No other outstanding shares had a dilutive impact.		
Profit attributable to the owners of the company per share		
Basic		
Profit attributable to owners of the company (Rm)	**2 634**	6 625
Weighted average number of shares	**1 114 612 789**	1 114 612 789
Earnings per share (cents)	**236**	594
Diluted		
Profit attributable to owners of the company (Rm)	**2 634**	6 625
Weighted average number of diluted shares	**1 114 612 789**	1 114 612 789
Diluted earnings per share (cents)	**236**	594

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

10. Earnings per share attributable to owners of the company continued

	Group 2022	Group 2021
Headline profit per share		
The calculation for headline profit per share is based on the earnings per share calculation, reconciled as follows:		
Gross		
Profit before tax (Rm)	**2 634**	6 625
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	**30**	7
(Less)/add: Fair value adjustment on investment properties (Rm)	**(57)**	228
Headline profit before tax (Rm)	**2 607**	6 860
Net of tax		
Profit attributable to owners of the company (Rm)	**2 634**	6 625
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	**30**	7
(Less)/add: Fair value adjustment on investment properties (Rm)	**(57)**	228
Headline profit net of tax (Rm)	**2 607**	6 860
Basic		
Headline profit (Rm)	**2 607**	6 860
Weighted average number of shares	**1 114 612 789**	1 114 612 789
Basic headline earnings per share (cents)	**234**	615
Diluted		
Headline profit (Rm)	**2 607**	6 860
Weighted average number of diluted shares	**1 114 612 789**	1 114 612 789
Diluted headline earnings per share (cents)	**234**	615

11. 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 2022 and 2021 financial years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

12. Property, plant and equipment

	Land 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 2022								
Carrying amount at the beginning of the year	27	142	6 721	10	–	79	1 086	8 065
Additions	–	6	488	–	–	165	1 636	2 295
Disposals	–	–	(16)	–	–	(14)	–	(30)
Depreciation	–	(19)	(719)	–	–	(22)	–	(760)
Other movements	–	135	47	(4)	–	4	(182)	–
Carrying amount at the end of the year	27	264	6 521	6	–	212	2 540	9 570
At 31 December 2022								
Cost	59	2 340	37 060	89	233	1 895	2 590	44 266
Accumulated depreciation and impairment	(32)	(2 076)	(30 539)	(83)	(233)	(1 683)	(50)	(34 696)
Net carrying value	27	264	6 521	6	–	212	2 540	9 570
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

12. Property, plant and equipment continued

	Land 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 2022								
Carrying amount at the beginning of the year	26	142	6 716	10	–	79	1 078	8 051
Additions	–	6	465	–	–	62	1 476	2 009
Disposals	–	–	(16)	–	–	(14)	–	(30)
Depreciation	–	(19)	(718)	–	–	(18)	–	(755)
Other movements	–	134	43	(4)	–	–	(173)	–
Carrying amount at the end of the year	26	263	6 490	6	–	109	2 381	9 275
At 31 December 2022								
Cost	49	1 973	26 037	89	198	1 576	2 381	32 303
Accumulated depreciation and impairment	(23)	(1 710)	(19 547)	(83)	(198)	(1 467)	–	(23 028)
Net carrying value	26	263	6 490	6	–	109	2 381	9 275
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

None of the property, plant and equipment have been pledged as security by the group.

Useful lives and residual values of property, plant and equipment

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 55 years
Machinery, plant and equipment	2 to 50 years
Site preparation	10 to 30 years
Right-of-use assets – machinery, plant and equipment	5 to 10 years

These useful lives represent management's current best estimates.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

12. Property, plant and equipment continued

Impairment of assets

In accordance with IAS 36 *Impairment of Assets*, an impairment test was performed on all 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 GCU 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 free cash flow 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. Management does not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

Since the establishment of the OneOrg operating model, the executive committee of ArcelorMittal South Africa (CODMs) has been in charge of monitoring and managing the Newcastle and Vereeniging operations. The Electric Arc Furnace at Vereeniging was placed under care and maintenance at end of October 2022, and as a result, Vereeniging is now receiving material from Newcastle's steel production. The cash flow for sale of products by Newcastle and Vereeniging operations are contingent on the steel production at Newcastle.

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

	Vanderbijlpark		Long Products (previously Newcastle)[4]		Vereeniging[4]		Coke and Chemicals	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Major assumptions								
Total pre-tax WACC/discount rate (% USD-based)[2]	**21.13**	19.43	**20.88**	20.56		16.55	**17.66**	16.08
Company-specific premium (% USD-based)[2]	**3.05**	2.75	**3.45**	3.85		1.05	**0.85**	0.95
Growth rate (% USD-based)	**2.00**	2.00	**2.00**	2.00		2.00	**2.00**	2.00
Exchange rate range (R/USD)[1]	**17.00 – 20.18**	15.00 – 17.27	**17.00 – 20.18**	15.00 – 17.27		15.00 – 17.27	**17.00 – 20.18**	15.00 – 17.27
Steel sales price range (average USD/t)[1]	**714 – 853**	625 – 922	**612 – 717**	564 – 663		819 – 1 029	**31 – 40[3]**	31 – 33[3]
Sales volume range (kt)[1]	**1 884 – 2 521**	2 103 – 2 624	**1 304 – 1 377**	1 076 – 1 220		185 – 207	**1 127 – 1 471**	1 352 – 1 394

1 *Lowest to highest range over period of 2023 to 2027 (2021: 2022 to 2026).*
2 *Decarbonisation risk is incorporated in company-specific premium.*
3 *Commercial coke sales price range (average USD/t).*
4 *From 2022 Long Products consist of Newcastle and Vereeniging. Previously Long Products consisted of Newcastle only.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

13. Investment properties

		Group		Company	
	Notes	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Carrying amount at the beginning of the year		754	983	636	731
Investment property held-for-sale	23	(76)	–	–	–
Change in fair value		57	(228)	36	(95)
Exchange rate movement		2	(1)	–	–
Carrying amount at the end of the year		737	754	672	636
Amounts recognised in profit or loss for investment properties					
Rental income		55	62	53	55
Direct operating expenses from rental property		(14)	(13)	(11)	(11)
Fair value gain/(loss)		57	(228)	36	(95)

Fair value measurement of the investment property

The fair value of the group's and company's investment property at 31 December 2022 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 valued at R724 million (2021: R745 million), residential vacant land sector valued at R2 million (2021: R2 million) and farm land valued at R11 million (2021: R7 million).

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 17.4% – 19.9% (2021: 17.5 % – 19.7%)
- Vacancy provision 7.5% (2021: 5% – 7.5%)
- Capitalisation rate 12.8% – 13.5% (2021: 12.5% – 13.5%)

A 2.5% increase or decrease in the vacancy provision will impact the fair value by R2 million (2021: R2 million).
A 1% increase or decrease in the capitalisation rate will impact the fair value by R39 million (2021: R37 million).
A 2.5% increase or decrease in the expense ratio will impact the fair value by R3 million (2021: R2 million).

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

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

In assessing the value of the farm land, 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

13. Investment properties continued

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:

	2022 Rm	2021 Rm
Year 1	**46**	46
Year 2	**37**	45
Year 3	**28**	36
Year 4	**26**	28
Year 5	**18**	28
Longer than 5 years	**26**	58
	181	241

14. Intangible assets

	Patents Rm	Non-integrated software Rm	Total Rm
Group			
For the year ended 31 December 2022			
Carrying amount at the beginning of the year	**–**	**67**	**67**
Additions	**–**	**15**	**15**
Amortisation	**–**	**(11)**	**(11)**
Carrying amount at the end of the year	**–**	**71**	**71**
At 31 December 2022			
Cost	**38**	**446**	**484**
Accumulated amortisation and impairment	**(38)**	**(375)**	**(413)**
Net carrying amount	**–**	**71**	**71**
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

14. Intangible assets continued

	Non-integrated software Rm	Total Rm
Company		
For the year ended 31 December 2022		
Carrying amount at the beginning of the year	**67**	**67**
Additions	**15**	**15**
Amortisation	**(11)**	**(11)**
Carrying amount at the end of the year	**71**	**71**
At 31 December 2022		
Cost	**434**	**434**
Accumulated amortisation and impairment	**(363)**	**(363)**
Net carrying amount	**71**	**71**
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

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

Patents	20 years
Non-integrated software	5 to 25 years

These useful lives represent management's current best estimates.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

15. 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

		2022 Rm	2021 Rm
15.1	**Associates**		
	Aggregate information of associates not individually material		
	Profit after tax	**9**	2
	Share of other comprehensive income	**(2)**	(2)
	Share of total comprehensive income	**7**	–
	Aggregate carrying amount of the group's interest in these associates		
	Group	**33**	28
	Company	**16**	16
15.2	**Joint venture**		
	Aggregate information of joint ventures not individually material		
	Profit after tax	**21**	38
	Share of other comprehensive income	**–**	3
	Share of total comprehensive income	**21**	41
	Aggregate carrying amount		
	Group	**218**	199
	Company	**150**	152
15.3	**Total carrying amount of equity-accounted joint ventures and associates**		
	Group	**251**	227
	Company	**166**	168

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

16. Investments in subsidiaries

	Company	
	2022 Rm	2021 Rm
Shares at cost	**–**	–
Indebtedness – by subsidiaries	**2 159**	1 510
Total	**2 159**	1 510
Aggregate after-tax losses	**(125)**	(150)

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.

Consolidation of entities

ArcelorMittal South Africa Management Share Fund 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 ArcelorMittal South Africa Management Share Fund is in the process to be de-registered.

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 Thusong Projects NPC (formerly known as Vesco Community Enterprises.) The company is involved in these entities by way of the Memorandum of Incorporation of each entity which gives the company the authority to appoint the members of the board on the Vesco group board of directors and for Vesco group to appoint the members of the board of Thusong Projects NPC board of directors. The company is not exposed to returns from these associations, being not for gain entities, and therefore does not have control of these entities. These entities are therefore not consolidated within 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.

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*.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

16. Investments in subsidiaries continued

Name of subsidiary	% share-holding	Country of incorporation	Reporting currency	Number of ordinary shares issued	Shares at cost 2022 R	Shares at cost 2021 R	Indebtedness[1] 2022 Rm	Indebtedness[1] 2021 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	**1 213**	1 000
ArcelorMittal Rail and Structures (Pty) Ltd	100	RSA	ZAR	100	**100**	100	**332**	–
Mining								
Oakwood Trading 21 (Pty) Ltd	100	RSA	ZAR	100	**100**	100	**–**	–
Thabazimbi Iron Ore Mine (Pty) Ltd	100	RSA	ZAR	1	**1**	1	**503**	302
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	**111**	208
Dombotema Mining Investments (Pty) Ltd	100	RSA	ZAR	100	**100**	100	**–**	–
ArcelorMittal African Investments	100	Mauritius	USD	100	**716**	716	**–**	–
					4 126	4 126	**2 159**	1 510

[1] *The indebtedness amount includes the shareholders' loan of R2 627 million (2021: R2 567 million) and intercompany balances in favour of Saldanha Steel (Pty) Ltd of R1 414 million (2021: R1 567 million).*

17. Investments held by environmental trust

	Group 2022 Rm	Group 2021 Rm
Balance at the beginning of the year	**412**	378
Fair value adjustment (FVTPL)	**(4)**	34
Balance at the end of the year	**408**	412

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). The fair value is derived from the underlying listed share prices, and is therefore a level 2 fair value.

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 27 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 2022

18. Trade and other receivables

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Trade receivables				
Local	**2 539**	2 536	**2 438**	2 531
Exports	**897**	180	**881**	180
Total gross trade receivables	**3 436**	2 716	**3 319**	2 711
Allowance for impairment				
Local	**(50)**	(61)	**(50)**	(58)
Total allowances for impairment	**(50)**	(61)	**(50)**	(58)
Other allowances				
Local	**(539)**	(463)	**(535)**	(463)
Exports	**(20)**	(20)	**(20)**	(20)
Total other allowances	**(559)**	(483)	**(555)**	(483)
Net trade receivables				
Local	**1 950**	2 012	**1 853**	2 010
Exports	**877**	160	**861**	160
Total net trade receivables	**2 827**	2 172	**2 714**	2 170
Other receivables				
Net value added tax receivable	**126**	117	**96**	113
Other receivables	**695**	591	**647**	538
Allowance for impairment of other receivables	**(152)**	(147)	**(151)**	(146)
Total other receivables	**669**	561	**592**	505
Total	**3 496**	2 733	**3 306**	2 675
Non-current other receivables	**10**	21	**10**	21
Current trade and other receivables	**3 486**	2 712	**3 296**	2 654
Total	**3 496**	2 733	**3 306**	2 675

Included in other receivables is capitalised transaction cost relating to the BBF amounting to R20 million (2021: R32 million) of which R9 million (2021: R20 million) is non-current.

Inventories and receivables are provided as security for the BBF to the extent of the drawdown of R2 500 million (2021: R1 800 million). Refer to note 25 for detail on borrowings.

Transfer of trade receivables

The true sale of receivable (TSR) programme is the sale of receivables balances by the group with no recourse to third parties. At the date of sale, the group transfers control and all significant risks and rewards and retains the right to receive cash normally associated with ownership of these receivables. These trade receivables were derecognised from the statement of financial position as financial assets at the date of sale to third parties, as the group has not retained substantially all of the risks and rewards – primarily credit risk of these trade receivables.

The debtors, however, will settle the balance due to the group and thereafter the group is obligated to transfer those amounts to the third parties.

During the current financial year, the conditions of the purchase agreement with third parties were amended. The amendment resulted in the group retaining substantially all of the risks and rewards – primarily credit risk on the trade receivables sold to third parties.

As at 31 December 2022, the trade receivables sold to third parties with a carrying amount of R544 million were not derecognised from the statement of financial position as financial assets, and the cash proceeds of R544 million from third parties received for the sale of the trade receivables have been recognised as a financial liability. As at 31 December 2021, trade receivables with a carrying amount of R 1 271 million was sold to third parties for cash proceeds without recourse to the group and company.

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 2022 are R41 million (2021: R38 million).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

18. 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	
	2022	2021	**2022**	2021
Outstanding balance of the top three customers by sales for the year (Rm)				
Group – Grading B	**2 473**	2 427	**1 179**	627
Company – Grading B	**2 473**	2 427	**1 179**	627
Percentage of net trade receivables (%)				
Group	**–**	–	**42**	29
Company	**–**	–	**43**	29

The most significant export customer is Customer 2 (Grading A). Customer 2 does not have a credit limit and is not insured due to the short-term nature of this receivable. The outstanding customer balance as at 31 December 2022 was R871 million (2021: R6 million).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

18. Trade and other receivables continued

	Group		Company	
	2022 %	2021 %	**2022 %**	2021 %
Credit risk exposure by class for the group and company is:				
Local	**75**	95	**75**	95
Exports	**25**	5	**25**	5
Total	**100**	100	**100**	100

	Group		Company	
	2022 Days	2021 Days	**2022 Days**	2021 Days
Average credit period for trade receivables				
Local	**42**	39	**42**	39
Exports	**16**	15	**15**	15

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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Balance at the beginning of the year	**(61)**	(47)	**(58)**	(44)
Amounts written off	**–**	1	**–**	1
Remeasurement of loss allowance	**11**	(15)	**8**	(15)
Balance at the end of the year	**(50)**	(61)	**(50)**	(58)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

18. 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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Balance at the beginning of the year	**(483)**	(325)	**(483)**	(325)
Allowances raised	**(1 612)**	(1 516)	**(1 612)**	(1 516)
Allowances utilised	**1 536**	1 358	**1 540**	1 358
Balance at the end of the year	**(559)**	(483)	**(555)**	(483)

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

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Balance at the beginning of the year	**(147)**	(124)	**(146)**	(122)
Impairment losses recognised	**(5)**	(23)	**(5)**	(24)
Balance at the end of the year	**(152)**	(147)	**(151)**	(146)

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 2022:

		Group		Company	
Grading	**Risk**	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
A – grading	Low risk	**935**	6	**903**	6
B – grading	Medium risk	**2 459**	2 656	**2 375**	2 651
C – grading	High risk	**42**	54	**41**	54
Total		**3 436**	2 716	**3 319**	2 711

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

18. 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 2022

18. 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 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	240	(4)	(7)	(11)
60 – 90 days	1	22	–	–	–
90 – 120 days	1.4	10	–	–	–
120 – 150 days	2.5	–	–	–	–
>150 days	1.3	44	(21)	(18)	(39)
Total		316	(25)	(25)	(50)

19. Investment in sub-lease

	Company	
	2022 Rm	2021 Rm
Secured – at amortised cost		
Non-current	77	–
Current	21	–
Total	98	–
Maturity profile		
Minimum lease payments receivable		
Due in 2023	30	–
Due in 2024	32	–
Due in 2025	55	–
Total	117	–
Future finance income	(19)	–
Present value of minimum lease receipts	98	–

During the current year, the company entered into a sub-lease agreement for plant and machinery within the group.

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

19. Investment in sub-lease continued

Set out below are the carrying amounts of net investment of finance lease and the movements during the period:

	Company	
	2022 Rm	2021 Rm
Balance at the beginning of the year	**–**	–
Additions	**102**	–
Interest income	**3**	–
Rentals received	**(7)**	–
Balance at the end of the year	**98**	–
Non-current	**77**	–
Current	**21**	–
The following are the amounts recognised in profit or loss:		
Interest income	**3**	–
Total amount recognised in profit or loss	**3**	–

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

Refer to note 26 for disclosure related to the lease liabilities.

20. Other financial assets

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Equity instruments carried at FVTOCI	**23**	6	**23**	6
Other forward exchange contracts carried at FVTPL	**–**	2	**–**	2
Total	**23**	8	**23**	8
Non-current	**23**	6	**23**	6
Current	**–**	2	**–**	2

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, resulting in the carrying amount of the investment reducing to Rnil (2021: Rnil). The fair value is observed on the open market and is therefore a level 1.

MC Mining Ltd

The company holds 3.2% of the shares in MC Mining Ltd. MC Mining Ltd and is listed on the Australian Stock Exchange, JSE and London Stock Exchange. The shares are valued at a fair value of R3.75 (2021: R1.06) per share and therefore are valued at the market value of R23 million (2021: R6 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).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

21. Inventories

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Finished products	**2 112**	2 607	**2 007**	2 607
Work-in-progress	**5 538**	5 041	**5 402**	5 030
Raw materials	**3 073**	3 511	**3 066**	3 510
Plant, spares and consumables	**1 236**	995	**1 176**	945
Right to recover returned goods	**14**	21	**14**	21
Total	**11 973**	12 175	**11 665**	12 113

Inventories and receivables are provided as security to the lenders of the BBF to the extent of the drawn amount of R2 500 million (2021: R1 800 million). Refer note 25 for detail on borrowings.

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

During the year, the group recognised an adjustment of inventory to net realisable value of R139 million (2021: R283 million) in profit or loss, company R137 million (2021: R285 million).

22. Cash, bank balances and restricted cash

The group and company held cash and cash equivalents of R3 392 million and R3 389 million respectively as at 31 December 2022 (2021: R4 652 million and R4 648 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 its 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. 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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Bank balances	**3 392**	4 652	**3 389**	4 648

Included in cash and bank is restricted cash of R737 million (2021: R1 419 million) relating to the TSR facility of R433 million (2021: R767 million), the environmental rehabilitation obligations of R302 million (2021: R302 million) as contained in note 27, Rnil (2021: R350 million) in respect of cash collateral for standby letter of credit issued to foreign suppliers, R2 million in respect of litigation.

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.

Bank accounts of R1 091 million (2021: R1 277 million) were ceded in favour of the lenders of the BBF and TSR facility.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

23. Asset held-for-sale

23.1 Investment property held-for-sale

	Notes	Group 2022 Rm	Group 2021 Rm
Carrying amount at the beginning of the year		–	–
Transfer from investment properties	13	76	–
Exchange rate movement		4	–
Carrying amount at the end of the year		80	–

During the six months ended 30 June 2022, the decision was taken to sell one of the investment properties in Maputo (Level 3 in the fair value hierarchy) as this property forms part of the group's non-core property disposal strategy. A promissory sale and purchase agreement to the value of USD5 200 000 was signed. The price is subject to conditions, with a possible reduction of USD500 000. The value of USD4 700 000 was used as fair value for this property.

The sale of the property is expected to be concluded by June 2023. The investment property was part of the non-steel operations segment.

23.2 Investment in associate held-for-sale

	Group 2022 Rm	Group 2021 Rm
Carrying amount at the beginning of the year	–	135
Proceeds received	–	(135)
Carrying amount at the end of the year	–	–

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 in the 2021 financial year. The net investment in Coza Mining (Pty) Ltd was presented in the 2021 period under Corporate and other segment as per note 5.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

24. Stated capital

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 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.*

	Group		Company	
	2022 Number of shares	2021 Number of shares	**2022 Number of shares**	2021 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 at no par value	**1 138 059 825**	1 138 059 825	**1 138 059 825**	1 138 059 825
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
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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

24. 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 3.75 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% (2021: 29.53%) of the shares in Amandla we Nsimbi (RF) (Pty) Ltd, reducing Likamva Resources' shareholding to 70.47% (2021: 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 2022:

	2022		2021	
	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 (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**	**100.00**	1 454 272 184	100.00

Of the issued shares, Vicva Investments and Trading Nine (Pty) Ltd owns 1.6% (2021: 1.6%).

The shares held by Vicva Investments and Trading Nine (Pty) Ltd, Amandla we Nsimbi (Pty) Ltd and Isabelo Employee Share Trust are treated as treasury shares for accounting purposes.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

25. Borrowings

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Secured – at amortised cost				
Bank	**2 500**	1 800	**2 500**	1 800
Loan from holding company	**3 700**	4 110	**3 700**	4 110
Total	**6 200**	5 910	**6 200**	5 910
Non-current	**2 700**	3 700	**2 700**	3 700
Current	**3 500**	2 210	**3 500**	2 210

During 2021, the group renewed the BBF with various financial institutions for a three-year tenure. At 31 December 2022, R2 500 million (2021: R1 800 million) was drawn down on the facility and R1 000 million (2021: R1 700 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 decreased by R410 million during the current year as a result of the repayment (2021: Rnil). The loan was renegotiated during December 2021 and as a result the loan decreased by R614 million; this amount was restructured to other payables and paid on 30 September 2022. The loan decreased by a further R137 million in 2021; this was a deemed contribution by the holding company.

The subordinated loan of R2 700 million (2021: R2 700 million) matures on 31 August 2024, and as at 31 December 2022 the remaining balance of R1 000 million was to mature on 31 January 2023. Subsequent to year-end an agreement was reached with the holding company to extend the date of maturity on the R1 000 million balance to 1 April 2024, refer note 37. Interest is payable on a quarterly basis.

The weighted average interest rate payable on the BBF loan is 9.15% (2021: 7.37%) and on the group loan it is 8.93% (2021: 7.10%).

The BBF loan available to the group is subject to the following financial covenants:
- The consolidated tangible net worth of the group on the last day of the relevant period (each quarter of each financial year of the group) must be not less than R6 000 million
- At least R2 700 million of the consolidated tangible net worth of the group on the last day of that relevant period must consist of subordinated loans from the holding company
- At all times, the borrowings of the group (excluding any permitted borrowings, which include subordinated loans from the holding company, environmental guarantees and any bank guarantees in favour of Eskom) must not exceed R1 500 million (or its equivalent in any other currency or currencies)

The consolidated tangible net worth of the group is R14 304 million at year-end (2021: R11 685 million), which is determined as the sum of equity of the group, the subordinated loan from the holding company of R2 700 million (2021: R2 700 million) and excluding intangible assets, in accordance with the BBF agreement.

The borrowings of the group are R1 203 million at year-end (2021: R1 500 million), determined as the unsubordinated portion of the loan from the holding company and the group's finance lease obligations. Therefore, the group is in compliance with all covenants as at 31 December 2022 and has been in compliance at the end of each relevant period.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

26. Lease obligations

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Secured – at amortised cost				
Non-current	**176**	60	**176**	60
Current	**26**	29	**26**	16
Total	**202**	89	**202**	76
Maturity profile				
Minimum lease payments				
Due in 2022	**–**	36	**–**	21
Due in 2023	**45**	22	**45**	22
Due in 2024	**48**	6	**48**	6
Due in 2025	**71**	6	**71**	6
Due in 2026	**17**	6	**17**	6
Due in 2027	**17**	7	**17**	7
Thereafter	**78**	32	**78**	32
Total	**276**	115	**276**	100
Future finance charges	**(74)**	(26)	**(74)**	(24)
Present value of minimum lease payments	**202**	89	**202**	76

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.

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

	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Balance at the beginning of the year	**89**	73	**76**	42
Additions	**165**	46	**165**	46
Interest	**10**	7	**9**	3
Derecognition	**(19)**	–	**(19)**	–
Payments	**(43)**	(37)	**(29)**	(15)
Balance at the end of the year	**202**	89	**202**	76
Non-current	**176**	60	**176**	60
Current	**26**	29	**26**	16
The following are the amounts recognised in profit or loss:				
Depreciation expense of right-of-use assets	**22**	15	**18**	15
Interest	**10**	7	**9**	3
Total amount recognised in profit or loss	**32**	22	**27**	18

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

Refer to note 12 for disclosure related to the right-of-use assets.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

27. 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 2022						
At the beginning of the year	302	1 903	3	–	328	2 536
Charge to the statement of comprehensive income	30	309	(1)	–	116	454
Additions and scope changes	(28)	(21)	(1)	–	116	66
Discount rate change	18	76	–	–	–	94
Unwinding of the discount effect	40	254	–	–	–	294
Utilised during the year	(23)	(216)	–	–	(105)	(344)
At the end of the year	309	1 996	2	–	339	2 646
Non-current	231	1 549	–	–	4	1 784
Current	78	447	2	–	335	862
Total	309	1 996	2	–	339	2 646
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

27. 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 2022					
At the beginning of the year	240	1 744	–	263	2 247
Charge to the statement of comprehensive income	14	384	–	116	514
Additions and scope changes	(32)	60	–	116	144
Discount rate change	11	74	–	–	85
Unwinding of the discount effect	35	250	–	–	285
Utilised during the year	1	(189)	–	(105)	(293)
At the end of the year	255	1 939	–	274	2 468
Non-current	211	1 463	–	4	1 678
Current	44	476	–	270	790
Total	255	1 939	–	274	2 468
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

27. Provisions continued

Maturity profile

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

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Other Rm	Total Rm
Group					
For the year ended 31 December 2022					
Less than one year	84	482	2	361	929
More than one year, less than five years	228	1 524	–	6	1 758
Greater than five years	116	890	–	–	1 006
Total	428	2 896	2	367	3 693
Company					
For the year ended 31 December 2022					
Less than one year	47	513	–	292	852
More than one year, less than five years	217	1 433	–	6	1 656
Greater than five years	97	850	–	–	947
Total	361	2 796	–	298	3 455

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	Other Rm	Total Rm
Group					
For the year ended 31 December 2022					
Less than one year	78	447	2	335	862
More than one year less than five years	173	1 149	–	4	1 326
Greater than five years	58	400	–	–	458
Total	309	1 996	2	339	2 646
Company					
For the year ended 31 December 2022					
Less than one year	44	476	–	270	790
More than one year less than five years	164	1 080	–	4	1 248
Greater than five years	47	383	–	–	430
Total	255	1 939	–	274	2 468

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 2022

27. 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 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 12 amounts to Rnil (2021: Rnil) for the group and Rnil (2021: Rnil) for the company. The investment held in environmental trust will be used in part to settle this obligation (refer to note 17).

The term of the obligation assessment varies according to the site. The maximum term is 13 years.

	2022 %	2021 %
Average discount rates		
Asset retirement obligation	**9.19**	11.04
Environmental remediation obligation	**9.77**	11.95

The average escalation factor applied to the current cash flow estimates is 5.49% (2021: 4.43%).

The sensitivity of the carrying amount of the obligations at 31 December 2022 in response to changes in key inputs is:

Carrying amount at 31 December 2022	Asset retirement obligation increase/ (decrease) Rm	Environmental remediation obligation increase/ (decrease) Rm
Percentage change in all cash flows		
+10%	**31**	**200**
-10%	**(31)**	**(200)**
Percentage change in cash flows in first five years		
+10%	**25**	**160**
-10%	**(25)**	**(160)**
Basis point change in discount rate		
+100 bps	**(5)**	**(35)**
-100 bps	**5**	**35**
Basis point change in discount rate in first five years		
+100 bps	**(4)**	**(24)**
-100 bps	**4**	**24**

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

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

28. Trade and other payables

	Group		Company	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Trade payables				
Trade payables	6 913	7 597	6 744	7 507
TSR programme	544	960	544	960
Total	7 457	8 557	7 288	8 467
Other payables				
Leave pay	429	485	427	483
Refund liability	9	8	9	8
Sundry	551	1 288	538	1 277
Total	989	1 781	974	1 768
Non-current	262	279	260	278
Current	8 184	10 059	8 002	9 957
Total	8 446	10 338	8 263	10 235

TSR programme

The TSR programme is the sale of receivables balances by the group with no recourse to third parties. Refer to note 18 for more details on the amended agreement during the current financial year.

As a result of the amendment of the purchase agreement, the trade receivables sold to the bank with a carrying amount and cash proceeds amount of R544 million have been recognised as a financial liability. As at 31 December 2021, the transferable amount to third parties was R960 million.

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

29. Other financial liabilities

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Financial liabilities carried at amortised cost				
Competition Commission administrative penalty	**720**	1 055	**720**	1 055
Total	**720**	1 055	**720**	1 055
Non-current	**625**	–	**625**	–
Current	**95**	1 055	**95**	1 055

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 No. 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 due since November 2021 and in August 2022, the Commission accepted a revised payment plan which led to derecognition of the original liability and recognition of a new liability in September 2022, following an assessment performed in terms of IFRS 9 whereby it was determined that the terms of the revised payment plan is substantially different from the terms of the original financial liability. The new financial liability is to be paid over a period of seven years with the last payment being due in 2028.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

30. Notes to the statement of cash flows

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
30.1 Cash generated from operations				
Profit before tax*	**2 634**	6 625	**2 635**	7 122
Adjusted for:				
Finance and investment income	**(283)**	(165)	**(284)**	(165)
Finance cost	**1 235**	1 328	**1 170**	1 294
Fair value adjustment on investment property	**(57)**	228	**(36)**	95
Income after tax from equity-accounted investments	**(30)**	(40)	**–**	–
Impairment on financial assets	**–**	–	**97**	–
Depreciation and amortisation	**771**	601	**766**	601
Net impairment reversal on financial assets	**–**	(3)	**–**	(198)
Unrealised profit on sales to joint ventures	**2**	1	**–**	–
Share-based payment expenses	**41**	30	**41**	30
Non-cash movement in provisions and financial liabilities	**118**	17	**114**	8
Write-down of inventory to net realisable value	**139**	283	**137**	285
Movements in trade and other receivable allowances	**(2)**	36	**(2)**	36
Reconditionable spares usage	**–**	1	**–**	1
Loss on disposal of property, plant and equipment	**30**	7	**30**	13
Fair value adjustment on environmental trust	**4**	(34)	**–**	–
Realised foreign exchange movements	**44**	60	**43**	52
Changes in:				
Decrease/(increase) in inventories	**61**	(5 110)	**310**	(5 149)
Increase in trade and other receivables	**(870)**	(1 126)	**(822)**	(1 146)
(Decrease)/increase in trade and other payables	**(1 933)**	381	**(2 004)**	749
Utilisation of provisions	**(344)**	(150)	**(126)**	(46)
Changes in financial liabilities or assets	**(414)**	–	**(414)**	–
Other payables raised, released and utilised relating to employee benefit	**28**	54	**27**	54
Investments in sub-lease	**–**	–	**5**	–
Cash generated from operations	**1 174**	3 024	**1 687**	3 636

* *In terms of IAS 7 the reconciliation of the cash generated from operations should start either with profit or loss before tax or after tax. The reconciliation has been restructured to comply with this requirement, previously the reconciliation was started from profit from operations. The update had no impact on any reported totals, or on any amounts presented in the statement of cash flows.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

30. Notes to the statement of cash flows continued

	Notes	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
30.2 Finance costs					
Finance costs per statement of comprehensive income	8	**(1 235)**	(1 328)	**(1 170)**	(1 294)
Adjusted for:					
Non-cash movement on interest expense on loans					
– Borrowings – loan from holding company		**(133)**	231	**(133)**	231
– Borrowings – other loans excluding from holding company		**44**	62	**35**	48
Interest expense on lease obligations	26	**–**	7	**–**	3
Net foreign exchange and foreign exchange contracts losses		**–**	109	**–**	119
Discount rate adjustment of provisions and financing liabilities	27	**94**	–	**85**	–
Unwinding of the discounting effect on provisions and financial liabilities		**407**	592	**398**	587
– Provisions	27	**294**	219	**285**	212
– Other financial liabilities		**78**	57	**78**	59
– Borrowings - loans from holding company		**35**	316	**35**	316
		(823)	(327)	**(785)**	(306)
30.3 Income tax refunded/(paid)					
Normal taxation payable at the beginning of the year		**(112)**	(106)	**–**	–
Amounts charged to the statement of comprehensive income		**–**	–	**–**	–
Interest charge on tax outstanding		**–**	(6)	**–**	–
Less: Normal taxation payable at the end of the year		**112**	112	**–**	–
		–	–	**–**	–
30.4 Investment to maintain operations					
Replacement of property, plant and equipment		**(1 440)**	(711)	**(1 279)**	(702)
Intangible assets		**(15)**	(6)	**(15)**	(6)
Environmental		**(301)**	(57)	**(301)**	(57)
Reconditionable spares		**(53)**	(46)	**(53)**	(46)
		(1 809)	(820)	**(1 648)**	(811)
30.5 Investment to expand operations					
Property, plant and equipment for expansion		**(103)**	(40)	**(80)**	(36)
Total capital expenditure		**(1 912)**	(860)	**(1 728)**	(847)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

30. Notes to the statement of cash flows continued

30.6 Reconciliation of additions of property, plant and equipment and intangible assets to cash flows of capital expenditure

	Notes	Group 2022 Rm	Group 2021 Rm	Company 2022 Rm	Company 2021 Rm
Total additions		**2 310**	1 011	**2 024**	998
Additions to property, plant and equipment	12	**2 295**	1 004	**2 009**	991
Additions to intangible assets	14	**15**	7	**15**	7
Less: movement in capital creditors		**(233)**	(105)	**(233)**	(105)
Less: non-cash lease additions	26	**(165)**	(46)	**(165)**	(46)
Less: lease moved to sub-lease	19	**–**	–	**102**	–
Cash flows of capital expenditure	30.5	**1 912**	860	**1 728**	847

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

	2022 Borrowings Rm	2022 Lease liabilities Rm	2021 Borrowings Rm	2021 Lease liabilities Rm
Group				
At the beginning of the year	**5 910**	**89**	6 964	73
Proceeds from borrowings: Borrowing-based facility	**1 800**	**–**	1 725	–
Repayment of borrowings: Borrowing-based facility	**(1 100)**	**–**	(2 375)	–
Repayment of borrowings: Loan from holding company	**(410)**	**–**	–	–
Restructuring accrued interest and payables to group	**–**	**–**	(618)	–
Measurement of borrowings at amortised cost	**–**	**–**	214	–
Increase in lease liability	**–**	**165**	–	46
Payment of lease liability	**–**	**(33)**	–	(30)
Derecognition	**–**	**(19)**	–	–
Interest expense	**–**	**10**	–	7
Interest paid	**–**	**(10)**	–	(7)
At the end of the year	**6 200**	**202**	5 910	89
Company				
At the beginning of the year	**5 910**	**76**	6 964	42
Proceeds from borrowings: Borrowing-based facility	**1 800**	**–**	1 725	–
Repayment of borrowings: Borrowing-based facility	**(1 100)**	**–**	(2 375)	–
Repayment of borrowings: Loan from holding company	**(410)**	**–**	–	–
Restructuring of accrued interest and payables to group	**–**	**–**	(618)	–
Measurement of borrowings at amortised cost	**–**	**–**	214	–
Increase in lease liability	**–**	**165**	–	46
Payment of lease liability	**–**	**(19)**	–	(12)
Derecognition	**–**	**(20)**	–	–
Interest expense	**–**	**9**	–	3
Interest paid	**–**	**(9)**	–	(3)
At the end of the year	**6 200**	**202**	5 910	76

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management

31.1 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.

	2022				
	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	–	–	–	–	–
Equity securities	–	408	23	–	431
	–	408	23	–	431
Financial assets not measured at fair value					
Trade and other receivables*	–	–	–	3 425	3 425
Cash, cash equivalents and restricted cash	–	–	–	3 392	3 392
	–	–	–	6 817	6 817
Financial liabilities not measured at fair value					
Borrowings	–	–	–	6 200	6 200
Competition Commission penalty	–	–	–	720	720
Lease obligations	–	–	–	202	202
Trade payables	–	–	–	7 457	7 457
Other payables*	–	–	–	559	559
	–	–	–	15 138	15 138

** Other payables that are not financial liabilities and other receivables that are not financial assets, are not included.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

2021					
FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm	Fair value hierarchy
–	–	–	–	–	Level 2
–	2	–	–	2	Level 2
–	412	6	–	418	Level 1
–	414	6	–	420	
–	–	–	2 669	2 669	
–	–	–	4 652	4 652	
–	–	–	7 321	7 321	
–	–	–	5 910	5 910	
–	–	–	1 055	1 055	
–	–	–	89	89	
–	–	–	8 557	8 557	
–	–	–	1 223	1 223	
–	–	–	16 834	16 834	

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.1 Accounting classifications continued

	2022				
	FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm
Company					
Financial assets measured at fair value					
Other forward exchange contracts	–	–	–	–	–
Equity securities	–	–	23	–	23
	–	–	23	–	23
Financial assets not measured at fair value					
Trade and other receivables*	–	–	–	3 283	3 283
Cash, cash equivalents and restricted cash	–	–	–	3 389	3 389
	–	–	–	6 672	6 672
Financial liabilities not measured at fair value					
Borrowings	–	–	–	6 200	6 200
Competition Commission penalty	–	–	–	720	720
Lease obligations	–	–	–	202	202
Trade payables	–	–	–	7 288	7 288
Other payables*	–	–	–	549	549
	–	–	–	14 959	14 959

** Other payables that are not financial liabilities and other receivables that are not financial assets, 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 2022

2021					
FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Total Rm	Fair value hierarchy
–	2	–	–	2	Level 2
–	–	6	–	6	Level 1
–	2	6	–	8	
–	–	–	2 654	2 654	
–	–	–	4 648	4 648	
–	–	–	7 302	7 302	
–	–	–	5 910	5 910	
–	–	–	1 055	1 055	
–	–	–	76	76	
–	–	–	8 467	8 467	
–	–	–	1 214	1 214	
–	–	–	16 722	16 722	

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.2 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.
Investments in environmental trust	The fair value is derived from the underlying listed share prices.

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).

31.3 Financial risk management overview and objectives

The group and company's board of directors has 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, aims 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 2022

31. Financial instruments – fair value and risk management continued

31.3 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.

31.3.1 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.2 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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Monetary assets				
US dollar (USD)				
Cash and cash equivalents	**203**	392	**203**	392
Trade and other receivables (unrelated parties)	**792**	199	**771**	199
Other forward exchange contracts	**–**	2	**–**	2
EURO (EUR)				
Trade and other receivables (unrelated parties)	**12**	57	**12**	57
Metical (MZN)				
Cash and cash equivalents	**–**	2	**–**	–
Total foreign-denominated monetary assets	**1 007**	652	**986**	650
Monetary liabilities				
USD				
Trade and other payables (related parties)	**(178)**	(856)	**(178)**	(856)
Trade and other payables (unrelated parties)	**(693)**	(832)	**(693)**	(832)
EUR				
Trade and other payables (related parties)	**(59)**	(55)	**(59)**	(55)
GBP				
Trade and other payables (unrelated parties)	**(16)**	(7)	**(16)**	(7)
Total foreign-denominated monetary liabilities	**(946)**	(1 750)	**(946)**	(1 750)
Total net foreign-denominated monetary liabilities	**61**	(1 098)	**40**	(1 100)

Only notable currency holdings are disclosed.

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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
USD	**(14)**	110	**(12)**	110
EUR	**5**	–	**5**	–
GBP	**2**	1	**2**	1
Total	**(7)**	111	**(5)**	111

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.3 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.

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				
2022				
Other forward contracts				
Buy USD	**16.39**	**–**	**–**	**–**
2021				
Other forward contracts				
Buy USD	15.68	5	2	2
Company				
2022				
Other forward contracts				
Buy USD	**16.39**	**–**	**–**	**–**
2021				
Other forward contracts				
Buy USD	15.68	5	2	2

31.3.4 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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Estimated impact on profit or loss based on a 100-basis point change in interest rate:				
100-basis point increase	**(28.08)**	(12.58)	**(28.11)**	(12.63)
100-basis point decrease	**28.8**	12.58	**28.11**	12.63

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.5 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	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Facilities at the end of the reporting period	**1 000**	1 700	**1 000**	1 700

The BBF loan increased from R1 800 million at 31 December 2021 to R2 500 million at the end of December 2022.

The BBF available to the group is subject to financial covenants, as at 31 December 2022, the group is in compliance with all covenants. Refer to note 25 for details relating to covenants.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.5 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 2022						
Trade payables	**7 457**	**–**	**–**	**–**	**7 457**	**7 457**
Other payables	**559**	**–**	**–**	**–**	**559**	**559**
Other financial liabilities*	**100**	**171**	**171**	**513**	**955**	**720**
Lease obligations	**45**	**48**	**71**	**112**	**276**	**202**
Borrowings	**3 621**	**2 801**	**–**	**–**	**6 422**	**6 200**
Total	**11 782**	**3 020**	**242**	**625**	**15 669**	**15 138**
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

** Other financial liabilities consist of Competition Commission administration penalty, refer to note 29.*

The group and company have access to financing facilities as noted earlier of which R1 000 million (2021: R1 700 million) was undrawn at the end of the reporting date. The group and company expect to meet most of its 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 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.5 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 2022						
Trade payables	7 288	–	–	–	7 288	7 288
Other payables	549	–	–	–	549	549
Other financial liabilities*	100	171	171	513	955	720
Lease obligations	45	48	71	112	276	202
Borrowings	3 621	2 801	–	–	6 422	6 200
Total	11 603	3 020	242	625	15 490	14 959
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

* *Other financial liabilities consist of Competition Commission administration penalty, refer to note 29.*

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 2022					
Trade and other receivables	3 410	6	10	3 426	3 425
Cash, cash equivalents and restricted cash	3 392	–	–	3 392	3 392
Total	6 802	6	10	6 818	6 817
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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.3 Financial risk management overview and objectives continued

31.3.5 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 2022					
Trade receivables	3 268	6	10	3 284	3 283
Cash, cash equivalents and restricted cash	3 389	–	–	3 389	3 389
Total	6 657	6	10	6 673	6 672
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

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 2022					
Net cash-settled foreign currency derivatives	–	–	–	–	–
Total	–	–	–	–	–
For the year ended 31 December 2021					
Net cash-settled foreign currency derivatives	2	–	–	2	2
Total	2	–	–	2	2

31.3.6 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

31. Financial instruments – fair value and risk management continued

31.4 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 2022.

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.

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Cash, cash equivalents and restricted cash	**3 392**	4 652	**3 389**	4 648
Interest-bearing borrowings	**(6 200)**	(5 910)	**(6 200)**	(5 910)
Non-interest-bearing borrowings	**–**	–	**–**	–
Net debt	**(2 808)**	(1 258)	**(2 811)**	(1 262)
Total shareholders' equity	**(11 675)**	(9 053)	**(12 972)**	10 353
Gearing ratio (%)	**24.05**	13.9	**21.67**	12.2
Estimated impact on profit or loss based on a 100-basis point change in interest rate:				
100-basis points increase	**(28.08)**	(12.58)	**(28.11)**	(12.63)
100-basis point decrease	**28.08**	12.58	**28.11**	12.63

31.5 Customer credit risk

The total exposure to credit risk is as follows:

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Trade and other receivables				
– Gross carrying value	**4 258**	3 074	**4 043**	3 063
– Impairment allowances	**202**	(205)	**201**	(204)
Bank balances				
– Gross carrying value	**3 392**	4 652	**3 389**	4 648
– 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 18.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

32. 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 R950 million (2021: R3 385 million) from and sold goods to the value of R17 million (2021: R55 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, R27 million (2021: R29 million)
- Included in trade and other payables, R228 million (2021: R911 million)

Included in borrowings (refer to note 25) is a loan of R3 700 million (2021: R4 110 million) with the holding company.

Jointly controlled entities

The group purchased goods and services to the value of Rnil million (2021: R10 million) from and sold goods to the value of R1 013 million (2021: R532 million) to its equity-accounted entities.

The outstanding balances at year-end are:
- Included in trade receivables, R30 million (2021: R71 million)
- Included in trade payables, Rnil (2021: 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 R128 million (2021: R130 million).

Associates

The group purchased goods and services to the value of Rnil (2021: Rnil) from and sold goods and services to the value of R489 million (2021: R209 million) to its associates.

The outstanding balances at year-end are:
- Included in trade receivables, R25 million (2021: R25 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 16.

ArcelorMittal South Africa Ltd received a management fee of R11 million (2021: R10 million) from Saldanha Steel (Pty) Ltd for ArcelorMittal South Africa employees employed at Saldanha Works.

Directors

Details relating to directors' remuneration and shareholdings (including LTIP units) in the company are disclosed in note 35.

Senior employees and prescribed officers

Details relating to option and share transactions are disclosed in note 34.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

33. Post-employment benefits

33.1 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.

33.2 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	
	2022	2021	**2022 Rm**	2021 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	**4 236**	4 091	**158**	141
Iscor Employees' Umbrella Provident Fund	**1 842**	1 948	**55**	54
Total	**6 078**	6 039	**213**	195

33.3 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 2022, there were 14 qualifying retirees (2021: 14). At year-end the liability was R4 million (2021: R5 million).

34. Share-based payments

34.1 Equity-settled share plan – local employees

Long-term incentive plan

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 and the human resource 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 2022

34. Share-based payments continued

34.1 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.

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		LTIP		AMSA share options	
	2022	2021	**2022**	2021	**2022**	2021
Weighted average fair value on grant date (R)*	**3.30**	3.30	**–**	–	**–**	–
Expected attrition rate over the life of the scheme (%)	**21.14**	28.98	**7.41**	14.43	**–**	14.43
Charge to statement of comprehensive income (Rm)	**20**	(4)	**22**	53	**–**	–

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

34. Share-based payments continued

34.1 Equity-settled share plan – local employees continued

Key assumptions continued

	Group and company	
	2022 million	2021 million
Shares available for distribution		
Opening balance	19.6	0.1
Utilisation	(9.0)	(11.4)
Releases, forfeitures, resignations	26.4	30.9
Closing balance	37.0	19.6

Reconciliation of outstanding LTIP units/share options/shares

	Isabelo		LTIP		AMSA share options	
	2022	2021	2022	2021	2022	2021
Outstanding at the beginning of the year (million)	50.5	64.3	37.3	47.4	–	1.1
Granted (million)	–	–	9.0	11.4	–	–
Expired	–	–	–	–	–	(1.1)
Exercised	–	–	(26.4)	(21.5)	–	–
Cancelled	–	(13.8)	–	–	–	–
Outstanding at the end of the year (million)	50.5	50.5	19.9	37.3	–	–
Exercisable options/units						
Weighted average remaining contractual life in days at year-end						
Average days until fully vested/until expiry (days)	1 430	1 795	707	446	–	–
Weighted average prices applicable per transaction type						
Granted (R/unit)	3.30	3.30	6.02	4.99	–	–
Exercised share price (R/unit)	N/A	N/A	5.99	5.32	–	–
Lapsed/cancelled (R/unit)	3.30	3.30	2.28	3.32	–	52.60
Outstanding (R/unit)	3.30	3.30	5.45	3.18	–	–

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

34. Share-based payments continued

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

	Isabelo		LTIP		AMSA share options	
	2022	2021	**2022**	2021	**2022**	2021
Latest expiry date	**N/A**	N/A	**–**	–	**–**	–
Exercise price range (R/unit)	**N/A**	N/A	**–**	–	**–**	–
Number of outstanding units/options	**50 527 045**	50 527 045	**19 928 736**	37 262 527	**–**	–
Total proceeds to employees if exercised immediately* (Rm)	**–**	–**	**94**	331	**–**	–
Total intrinsic value of out-of-the-money options (Rm)	**N/A**	N/A	**–**	–	**–**	–
ArcelorMittal South Africa closing price at 31 December (R)	**4.74**	8.88	**4.74**	8.88	**–**	–

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

** *Comparative number has been updated to include the impact of the notional debt outweighing the equity value related to this share scheme. This update had no impact on any reported totals, headline earnings per share, or any amounts presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

34. Share-based payments continued

The following table reflects the status of 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	20-08-2019	3 578 943	–	–	(1 994 545)	(1 584 398)	–	–
	27-05-2021	1 635 269	–	(130 822)	–	–	1 504 447	7 131 081
	02-08-2022	–	1 059 816	–	–	–	1 059 816	5 023 528
		5 214 212	1 059 816	(130 822)	(1 994 545)	(1 584 398)	2 564 263	12 154 609
Prescribed officers and highest paid employees								
S Achmat	20-08-2019	1 582 356	–	–	(881 847)	(700 509)	–	–
	27-05-2021	368 736	–	(29 499)	–	–	339 237	1 607 983
	02-08-2022	–	258 042	–	–	–	258 042	1 223 119
		1 951 092	258 042	(29 499)	(881 847)	(700 509)	597 279	2 831 102
M Adam	20-06-2019	589 891	–	–	(328 746)	(261 145)	–	–
	27-05-2021	539 058	–	(43 125)	–	–	495 933	2 350 724
	02-08-2022	–	354 238	–	–	–	354 238	1 679 088
		1 128 949	354 238	(43 125)	(328 746)	(261 145)	850 171	4 029 812
TS Didiza	27-05-2021	115 431	–	(7 695)	–	–	107 736	510 667
	02-08-2022	–	83 088	–	–	–	83 088	393 837
		115 431	83 088	(7 695)	–	–	190 824	904 504
GA Griffiths	19-08-2019	548 247	–	–	(426 893)	(121 354)	–	–
	27-05-2021	180 361	–	(12 024)	–	–	168 337	797 917
	02-08-2022	–	182 926	–	–	–	182 926	867 069
		728 608	182 926	(12 024)	(426 893)	(121 354)	351 263	1 664 986
J Kotze	19-08-2019	276 316	–	–	(215 153)	(61 163)	–	–
	27-05-2021	384 258	–	(30 741)	–	–	353 517	1 675 672
	02-08-2022	–	270 915	–	–	–	270 915	1 284 137
		660 574	270 915	(30 741)	(215 153)	(61 163)	624 432	2 959 809
G Nagpal	02-08-2021	581 819	–	(46 546)	–	–	535 273	2 537 196
	02-08-2022	–	489 262	–	–	–	489 262	2 319 102
		581 819	489 262	(46 546)	–	–	1 024 535	4 856 298

LTIP shares vest within three years.

[1] *Based on the closing price as at 31 December 2022 of R4.74.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

34. 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								
JPS Olivier	20-08-2019	1 473 684	–	–	(821 284)	(652 400)	**–**	**–**
	27-05-2021	577 154	–	(46 172)	–	–	**530 982**	**2 516 853**
	02-08-2022	–	373 898	–	–	–	**373 898**	**1 772 277**
		2 050 838	373 898	(46 172)	(821 284)	(652 400)	**904 880**	**4 289 130**
JF Swart	19-08-2019	250 001	–	–	(194 663)	(55 338)	**–**	**–**
	27-05-2021	423 617	–	(33 889)	–	–	**389 728**	**1 847 309**
	02-08-2022	–	307 778	–	–	–	**307 778**	**1 458 868**
		673 618	307 778	(33 889)	(194 663)	(55 338)	**697 506**	**3 306 177**
SM van Wyk	27-05-2021	92 586	–	(6 172)	–	–	**86 414**	**409 600**
	02-08-2022	–	86 365	–	–	–	**86 365**	**409 370**
		92 586	86 365	(6 172)	-	–	**172 779**	**818 970**
W Venter	20-09-2019	810 947	–	–	(451 941)	(359 006)	**–**	**–**
	27-05-2021	370 533	–	(29 643)	–	–	**340 890**	**1 615 820**
	02-08-2022	–	297 597	–	–	–	**297 597**	**1 410 610**
		1 181 480	297 597	(29 643)	(451 941)	(359 006)	**638 487**	**3 026 430**

LTIP shares vest within three years.

[1] *Based on the closing price as at 31 December 2022 of R4.74.*

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

	2022 R	2021 R
Executive directors		
HJ Verster	**11 329 016**	9 321 431
Sub-total	**11 329 016**	9 321 431
Prescribed officers and highest paid employees		
S Achmat	**5 008 891**	614 008
M Adam	**1 867 277**	1 434 186
GA Griffiths	**2 424 752**	–
J Kotze	**1 222 069**	–
JPS Olivier	**4 664 893**	–
JF Swart	**1 105 686**	609 000
W Venter	**2 567 025**	2 134 194
Sub-total	**18 860 593**	4 791 388
Total	**30 189 609**	14 112 819

Value based on vested date price

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

34. Share-based payments continued

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.

	Group and Company	
	16 December 2022	20 December 2021
Number of units outstanding	10 100	10 400
Units fully vested	1 400	675
Weighted average fair value at grant date (USD/unit)	25.29	24.06
Average days until fully vested	587	556
Reconciliation of outstanding restricted stock units		
Outstanding at the beginning of the year	10 400	40 395
Granted	1 800	3 300
Transfers	–	(13 563)
Exercised/expired	(2 100)	(19 732)
Outstanding at the end of the year	10 100	10 400

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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

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

Fixed remuneration

	Cash salary[1] 2022 R	Retirement funding 2022 R	Other[2] 2022 R	Total 2022 R	Total[3] 2021 R
Executive directors					
HJ Verster	8 875 766	546 730	58 972	9 481 468	9 252 123
AD Maharaj[3]	–	–	–	–	2 967 583
Sub-total	8 875 766	546 730	58 972	9 481 468	12 219 706
Prescribed officers and highest paid employees					
S Achmat[4]	1 141 736	94 765	25 827	1 262 328	2 356 187
M Adam	3 291 681	273 213	53 372	3 618 266	3 552 809
TS Didiza	1 859 278	154 322	127 977	2 141 577	1 976 120
GA Griffiths	2 603 017	220 409	104 844	2 928 270	2 634 868
C Hautz[5]	–	–	–	–	2 271 161
J Kotze[6]	2 371 148	202 249	267 637	2 841 034	2 144 890
JM Lotter[7]	1 080 000	–	5 348	1 085 348	–
G Nagpal[8]	3 772 481	313 120	77 688	4 163 289	3 152 384
JPS Olivier[9]	2 601 105	215 895	174 338	2 991 338	3 691 887
JF Swart	2 834 589	230 025	74 367	3 138 981	2 397 502
SM van Wyk[10]	1 582 087	131 315	667 721	2 381 123	387 492
W Venter[11]	2 700 163	224 117	353 080	3 277 360	2 444 391
Sub-total	25 837 285	2 059 430	1 932 199	29 828 914	27 009 691
Total	34 713 051	2 606 160	1 991 171	39 310 382	39 229 397

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, acting allowance, employer contribution to medical aid and travel allowance. Other also includes mobility benefits paid to expatriates.*
3 *AD Maharaj resigned as CFO, effective 30 September 2021.*
4 *S Achmat was transferred to another position, effective 30 June 2022.*
5 *C Hautz group mobility contract ended as chief marketing officer at end April 2021.*
6 *J Kotze appointed as interim chief operating officer, effective 1 October 2022.*
7 *JM Lotter appointed as interim chief HR officer, effective 1 July 2022.*
8 *G Nagpal appointed as chief marketing officer, effective 1 April 2021.*
9 *JPS Olivier resigned as chief operating officer, effective 30 September 2022.*
10 *SM van Wyk appointed as interim chief financial officer, effective 1 October 2021.*
11 *W Venter appointed as chief technology officer, effective 1 January 2022.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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

The following table reflects the non-executive directors' remuneration:

	Directors' fees 2022 R	Committee fees 2022 R	Total remune-ration 2022 R	Total remune-ration 2021 R
Non-executive directors[1]				
LC Cele	214 049	315 299	529 348	528 841
D Earp[2]	214 049	392 855	606 904	231 122
NP Gosa	214 049	234 421	448 470	501 143
GS Gouws	214 049	336 317	550 366	540 028
PM Makwana[3]	672 840	–	672 840	1 582 776
NP Mnxasana[4]	87 589	327 105	414 694	1 057 594
MF Mohale[5]	1 124 989	–	1 124 989	–
KM Musonda	214 049	153 396	367 445	420 436
NF Nicolau	214 049	559 431	773 480	900 179
AM Thebyane[6]	139 777	158 953	298 730	–
Total	3 309 489	2 477 777	5 787 266	5 762 119

[1] *NED fees based on invoices received.*
[2] *D Earp was appointed 1 July 2021.*
[3] *PM Makwana resigned as chairman of the board, effective 19 May 2022.*
[4] *NP Mnxasana resigned as non-executive director of the board, effective 19 May 2022.*
[5] *MF Mohale was appointed as chairman of the board, effective 19 May 2022.*
[6] *AM Thebyane was appointed as non-executive director of the board, effective 19 May 2022.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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

Variable remuneration

The following table reflects the short-term incentive payment for executive directors, prescribed officers and highest paid employees:

	Total 2022 R	Total 2021 R
Executive directors		
HJ Verster	**6 563 000**	4 036 500
AD Maharaj[1]	**–**	918 500
Sub-total	**6 563 000**	4 955 000
Prescribed officers and highest paid employees		
S Achmat[2]	**1 231 367**	566 000
M Adam	**2 080 200**	827 300
TS Didiza	**434 000**	319 000
GA Griffiths	**1 264 268**	498 500
C Hautz[3]	**–**	693 100
J Kotze[4]	**1 189 450**	481 500
G Nagpal[5]	**2 694 600**	452 500
JPS Olivier[6]	**2 227 200**	885 600
JF Swart	**1 499 034**	514 500
SM van Wyk[7]	**835 400**	–
W Venter[8]	**1 573 000**	568 700
Sub-total	**15 028 519**	5 806 700
Total	**21 591 519**	10 761 700

1 *AD Maharaj resigned as CFO, effective 30 September 2021.*
2 *S Achmat was transferred to another position, effective 30 June 2022.*
3 *C Hautz group mobility contract ended as chief marketing officer at end April 2021.*
4 *J Kotze appointed as interim chief operating officer, effective 1 October 2022.*
5 *G Nagpal appointed as chief marketing officer, effective 1 April 2021.*
6 *JPS Olivier resigned as chief operating officer, effective 30 September 2022.*
7 *SM van Wyk appointed as interim chief financial officer, effective 1 October 2021.*
8 *W Venter appointed as chief technology officer, effective 1 January 2022.*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

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

Employee retention scheme

The following table reflects the employee retention for executive directors, prescribed officers and highest paid employees:

	Total 2022 R	Total 2021 R
Executive directors		
HJ Verster	**1 600 000**	1 600 000
AD Maharaj[1]	**–**	583 334
Sub-total	**1 600 000**	2 183 334
Prescribed officers and highest paid employees		
J Kotze[2]	**–**	483 000
G Nagpal[3]	**1 393 600**	1 266 667
JPS Olivier[4]	**–**	1 200 000
SM van Wyk[5]	**442 800**	–
Sub-total	**1 836 400**	2 949 667
Total	**3 436 400**	5 133 001

[1] *AD Maharaj resigned as chief financial officer, effective 30 September 2021.*
[2] *J Kotze appointed as interim chief operating officer, effective 1 October 2022.*
[3] *G Nagpal appointed as chief marketing officer, effective 1 April 2021.*
[4] *JPS Olivier resigned as chief operating officer, effective 30 September 2022.*
[5] *SM van Wyk appointed as interim chief financial officer, effective 1 October 2021.*

36. Commitments

	Group		Company	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm
Capital expenditure commitments on property, plant and equipment				
Capital expenditure authorised and contracted for	**1 092**	1 483	**1 090**	1 460
Capital expenditure authorised but not contracted for	**798**	1 166	**787**	1 164
Total	**1 890**	2 649	**1 877**	2 624
Capital expenditure commitments on intangible assets				
Capital expenditure authorised and contracted for	**9**	2	**9**	2
Capital expenditure authorised but not contracted for	**3**	5	**3**	5
Total	**12**	7	**12**	7

Included in the capital commitments above is an amount of R826 million (2021: R969 million) to address emissions at Vanderbijlpark Works over the next year.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2022

37. Subsequent events

On 31 January 2023, the settlement date of the unsubordinated portion of the loan from the holding company, amounting to R1 000 million, was extended from 31 January 2023 to 1 April 2024. This portion of the loan was classified as a current borrowing as at 31 December 2022.

The directors are not aware of any material matters or circumstances arising since 31 December 2022 to the date of this report that would significantly affect the operations, the results or financial position of the group.

38. Going concern

A strong start was enjoyed by ArcelorMittal South Africa in the first half of 2022, however, the impact of the conflict between Russia and Ukraine, coupled with economic slowdown in China and other global economic factors, had a significant impact from the second half of the year with demand and sales prices declining and the cost of material increasing, resulting in the group recognising a net profit after tax of R2 634 million for the 2022 financial year. This is R3 991 million lower than the profit after tax of R6 625 million reported in 2021.

The group's solvency and liquidity saw an improvement, as at 31 December 2022 current assets exceed current liabilities by R6 072 million (2021: current assets exceed current liabilities by R5 256 million). The group generated negative cash flow of R1 310 million with cash, bank balances and restricted cash at year-end being R3 392 million (2021: R4 652 million), and net debt increased to R2 808 million at year-end 2022 (2021: R1 258 million).

The group was in compliance with all covenants as it pertains to the BBF, and continues to work closely with all lenders to ensure the required facility remains in place. The balance of the BBF was R2 500 million as at 31 December 2022 (2021: R1 800 million).

ArcelorMittal Holdings AG continues to demonstrate their support through its subordinated group loan of R2 700 million as at 31 December 2022 (2021: R2 700 million) in favour of the lenders of the BBF.

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 company's value plan, which realised improvements of R1 561 million (2021: R2 085 million) composed of commercial-related initiatives of R839 million and cost-based initiatives of R722 million.

Shareholders are advised that the group's and company's financial performance is dependent upon the wider economic environment in which the group and company operate. Factors beyond the control of management, such as volatility of the rand/US dollar exchange rate, steel demand, and commodity and steel prices, can all have an impact on the business. The directors and management continue to evaluate, develop and improve business plans and liquidity models in order to effectively deal with the effects of these factors.

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's 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.

Corporate information

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

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Transfer secretaries
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United States ADR depositary
(This programme was terminated effectively 15 March 2023)
The Bank of New York Mellon
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Website: www.bnymellon.com

A printed copy of the ArcelorMittal South Africa integrated report can be requested by sending an email to:
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