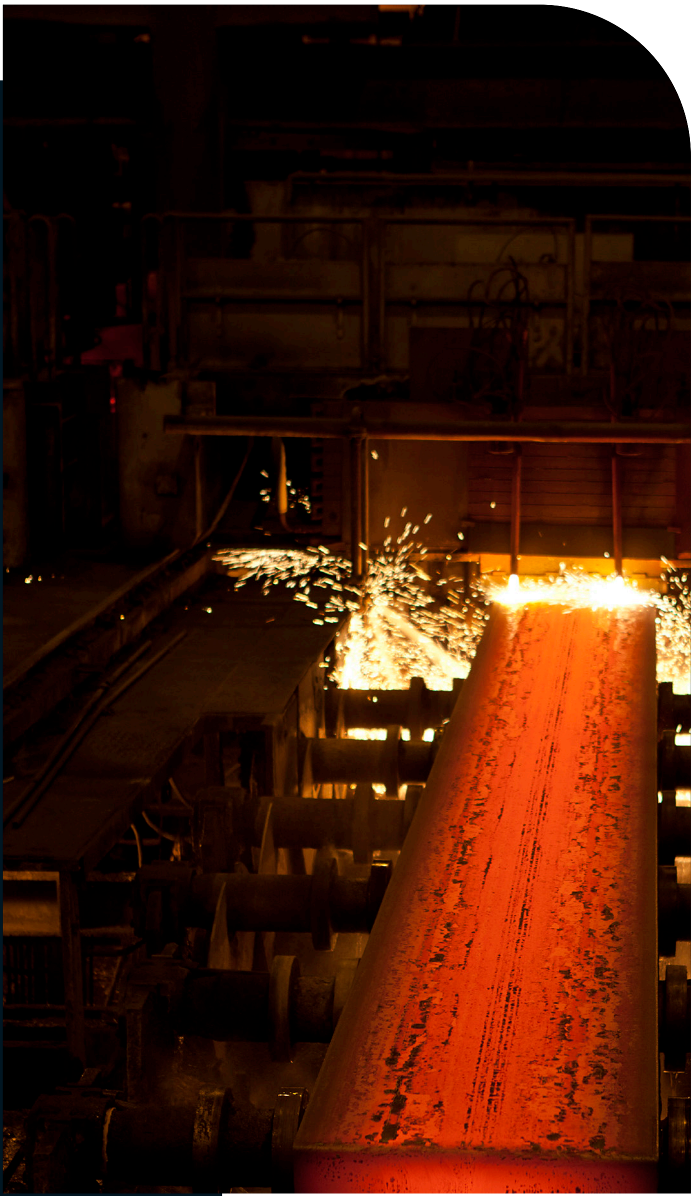

ArcelorMittal

Audited annual financial statements 2020

Contents to financial report

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 2020, 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, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, audited in accordance with International Standards on Auditing, the requirements of the Companies Act No 71 of 2008, as amended (Companies Act) and JSE Listings Requirements. The annual financial statements have been prepared by the finance staff of ArcelorMittal South Africa Ltd headed and supervised by AD Maharaj CA(SA), the group's 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 2021. 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 39 and the directors' report for further details.

The annual financial statements for the year ended 31 December 2020 have been audited by Deloitte & Touche, the company's independent external auditors, whose report can be found on pages 12 to 17.

The directors of the company accept responsibility for the annual financial statements which were approved by the board of directors on 9 April 2021 and are signed on its behalf by:

HJ Verster
Chief executive officer

AD Maharaj
Chief financial officer

Statement by the chief executive officer (CEO) and chief financial officer (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 18 to 104 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS

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

(c) Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to 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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action

HJ Verster
Chief executive officer

9 April 2021

AD Maharaj
Chief financial officer

9 April 2021

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
9 April 2021

Directors' report

for the year ended 31 December 2020

The directors submit their report for the year ended 31 December 2020.

Nature of business

ArcelorMittal South Africa Ltd (ArcelorMittal South Africa or 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 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 2020.

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 2020 the group had a net asset value per share of 210 cents (2019: 409 cents restated). The net asset value per share was calculated using a net asset value of R2 344 million (2019: R4 477 million restated), and total number of shares outstanding of 1 114 612 789 (2019: 1 093 509 570).

Refer to note 11 of the annual financial statements for information on loss and headline loss per share.

Dividends

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

Property, plant and equipment

Details of capital expenditure are provided in note 30.

Compliance with Competition Commission (commission) settlement agreement

ArcelorMittal South Africa has been engaging the commission regarding the payment of the part of the administrative penalty that was due in November 2019 and November 2020.

Insofar as capital expenditure is concerned, in line with the agreement and as contemplated therein, ArcelorMittal South Africa has had no option but to revise the capex plan commitment due to it no longer being affordable and feasible in the light of the current financial circumstances (resulting from economic and market conditions as referred to in the agreement). The CEO hereby confirms, in respect of 2020, that 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.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, holds 53.1% (2019: 53.1%) of the ordinary shares in issue and an effective shareholding of 69.2% (2019: 69.2%). Details of beneficial shareholders equal to or exceeding 5% as at 31 December 2020 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 35 of these annual financial statements.

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

	2020			2019		
Non-executive director	Direct	Indirect	Total	Direct	Indirect	Total
JRD Modise	85 025	–	85 025	85 025	–	85 025
NF Nicolau	100 000	–	100 000	100 000	–	100 000
NP Gosa	–	68 566 674	68 566 674	–	68 566 674	68 566 674
GS Gouws	–	292	292	–	292	292
AD Maharaj	450	–	450	450	–	450
PM Makwana	50	–	50	50	–	50
Total	185 525	68 566 966	68 752 491	185 525	68 566 966	68 752 491

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

There have been no changes to the directors' interests since the financial year ended 31 December 2020 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 16 and 17 of the annual financial statements.

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

Mr JRD Modise resigned as an independent non-executive director with effect from 26 January 2021, resulting in a vacancy on the audit and risk committee as he was the chairman of the audit and risk committee.

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

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

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.

Retirement by rotation

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

Directors' report continued

for the year ended 31 December 2020

Company secretary

Ms NB Bam resigned as company secretary with effect from 10 January 2020.

FluidRock Co Sec (Pty) Ltd has been appointed as the company secretary of the company as from 1 March 2020.

The board considers that FluidRock Co Sec (Pty) Ltd has the requisite knowledge and experience for the position and looks forward to its contribution.

Going concern

2020 proved to be an exceptionally difficult year with unprecedented challenges. The work done to minimise the impact of COVID-19 on the business was invaluable in at least two respects: firstly, adapting operations to keep our employees and service providers safe; and secondly, fundamentally resizing the cost structure of the company in response to lower production and sales volumes.

For the year ended 31 December 2020, the net loss after tax of R1 973 million is R2 631 million lower than the loss of R4 604 million reported in 2019. The loss of R1 973 million is mainly attributable to:

- 48% lower liquid steel production of 2.3 million tonnes and 47% lower sales volumes of 2.2 million tonnes
- 40% reduction in revenue to R24 643 million
- 10% reduction in the raw material basket
- Business transformation programme (BTP) that delivered R1 544 million of EBITDA improvements
- R2 531 million (33%) reduction in total fixed costs

At 31 December 2020, the group was in compliance with all covenants as it pertains to the borrowing base finance facility (BBF). The balance of the BBF was R2 450 million (31 December 2019: R1 150 million). The group continues to work closely with all lenders to ensure the required facilities remain in place.

ArcelorMittal Holding AG continues to demonstrate its support through its subordinated group loan.

In July 2020, ArcelorMittal South Africa announced together with the interim results announcement for the six months ended 30 June 2020, the following strategic focus areas:

- Progress on the strategic asset footprint with Saldanha Works having been successfully placed in care and maintenance
- The accelerated implementation of its OneOrganisation single operating model initiative in response to the pandemic. OneOrganisation aims to:
  - Simplify and de-clutter management mechanisms
  - Adopt a common information technology (IT) infrastructure for planning, scheduling and production
  - Improve the customer-service experience through a more flexible sales and marketing organisation
- Progress to establish a logistics hub using the available land and infrastructure of the Saldanha Works. This is consistent with previously announced strategic intent to both develop its core properties and dispose of its non-core assets
- Although taking longer than intended due to complexities relating to the pandemic, the project to seek a co-investor for the commercial market coke business continues
- The business is making progress in identifying opportunities to improve the cost structure of certain strategic raw materials, while monetising its by-products streams through joint venture arrangements

The Saldanha plant will remain under care and maintenance until a sustainable input cost solution can be developed; however, alternative value-adding and job creation options are being pursued. The establishment of a back-of-port logistics hub using the ancillary land and equipment at Saldanha Works is being considered.

The OneOrganisation operating model and the large-scale labour reorganisation initiatives were completed between December 2020 and January 2021.

The significant fixed-cost reduction programme continues to yield substantial results, with a R2 500 million reduction in fixed costs in 2020. All fixed-cost elements were targeted to rescale the cost structure of the business to the anticipated lower normalised volume.

The search for a co-investor for the commercial market coke business has been postponed due to funding challenges.

On 17 August 2020 an announcement of the disposal of the company's 25% interest in Coza Mining (Pty) Ltd and the conclusion of an iron ore supply agreement with Afrimat Demaneng (Pty) Ltd was made, demonstrating the strategic intent to improve the cost structure of certain raw material.

For the 2021 year and to ensure future sustainability of the company, the following planned strategic initiatives will continue to be addressed:

- The BTP, which added R3 600 million of improvements since the programme started in the second half of 2018, will continue and the specific focus for 2021 will be to address customer-centricity, maintenance and reliability, and the energy and logistics transformation programmes
- The variabilisation of fixed cost will continue to be a key focus area going forward
- Monetisation of by-products is advancing with the aim to add value to the company's blast furnace slag. Similar partnering opportunities are being investigated for steel slag
- Although taking longer than intended due to the pandemic, the disposal of key non-core properties is expected to gain traction in the first half of 2021.
- Efforts to secure alternative longer-term sources of other raw materials are expanded. The second phase of beneficiation of discarded material is planned at Thabazimbi iron ore mine in 2021

As at 31 December 2020 current liabilities exceed current assets by R316 million (2019: current liabilities exceed current assets by R1 369 million). Working capital and especially inventory levels were at the lowest level ever, impacting the solvency ratio negatively. Over the year, the company has released R1 902 million cash from working capital.

The directors have prepared cash flow forecasts for a period of 12 months after year-end based on the most recent forecast. The forecast takes into account the continued BTP, which has proved to realise cost savings over the past two years of R3 600 million. Further business transformation focus areas have been identified for 2021 to reduce controllable costs even further. The rising international steel prices, together with an increase in global and local demand have been modelled together with an increase in the crude steel availability with the restart of the second blast furnace at Vanderbijlpark and the electric arc furnace at Vereeniging, that will continue to operate for the foreseeable future in support of long steel supply. Sensitivities have been applied to the cash flow forecasts taking into account the impact of a change in volumes produced and sold, steel prices and the volatility in the rand/US dollar exchange rate.

Assumptions and events, specifically COVID-19 and exchange rate volatility, described above inherently represent a material uncertainty on the timing and impact on the cash flows and a significant variation may cast doubt on the ability of the group and company to continue as a going concern.

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

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

Independent auditor

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

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

The board has endorsed the recommendation of the audit and risk committee (committee) to shareholders that Deloitte 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 20 May 2021.

The committee has confirmed that Deloitte 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 24 February 2021, the Minister of Finance announced a change in corporate income tax rates from 28% to 27%, applicable to companies. This change is effective for companies with years of assessment commencing on or after 1 April 2022. Deferred tax balances are reflected at 28% as the rate which was substantively enacted at 31 December 2020. The estimated impact of the rate change is R760 million decrease in deferred tax asset for group and R622 million decrease for company.

The directors are not aware of any matter or circumstances arising since 31 December 2020 to the date of this report that would significantly affect the operations, the results or financial position of the group and company.

Audit and risk committee report

The audit and risk committee (the committee) has pleasure in submitting its report for the year ended 31 December 2020 to the shareholders as required by section 94(7)(f) of the Companies Act 71 of 2008, as amended (Companies Act). The committee confirms that it has executed the responsibilities set out in section 3.84(g) of the JSE Listings Requirements.

Membership of the committee and attendance at meetings

In compliance with the Companies Act, the following committee members were elected by shareholders at the AGM of the company held in 2020 to serve until the next AGM on Thursday, 20 May 2021:

- JRD Modise (independent chairman)
- LC Cele (independent non-executive director)
- NP Mnxasana (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 14 and 15 respectively of the integrated report.

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

Mr JRD Modise resigned as an independent non-executive director with effect from 26 January 2021, resulting in a vacancy on the audit and risk committee as he was the chairman of the committee.

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

Functions of the committee

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

- Review and approve, for recommendation to and approval by the board, the interim reports, the integrated report, the annual financial statements, preliminary reports, accounting policies for the company and all subsidiaries, and other announcements regarding the company's results or other financial information that was made public
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the company and considered how they are promoted and enforced
- Significant cases of unethical activity by employees or by the company itself
- Reports on the risk management process in the company and assessed the company's exposure to the following risks:
  (i) Top strategic risks (including credit and liquidity risks and market risks, human resources risks and compliance risks)
  (ii) Operational risks
  (iii) IT risks

Independence and effectiveness of the external auditor

Deloitte was reappointed as auditor of the company until the next AGM. During the year, the committee reviewed a presentation by Deloitte and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte as external auditors. The committee is satisfied that the auditor has at all times acted with unimpaired independence. Deloitte has been the auditor since 2004. A letter in terms of the JSE Listings Requirements, paragraph 22.15(H) has been submitted by Deloitte. The committee is satisfied that Deloitte is compliant with the relevant external audit partner's JSE qualification and the rotation rules, whereby the lead engagement partner is required to rotate every five years. The current lead partner has been the auditor since 2018.

The committee further approved the fees paid to Deloitte and its terms of engagement. The details of the fees paid to Deloitte are disclosed in note 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 Ltd and the group for the year ended 31 December 2020 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 International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

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, except for the coke battery as part of the Coke and Chemicals CGU as per note 13.
- Environmental remediation provision and asset retirement obligation
  The committee reviewed the key assumptions and the discount rate used together with the movement in the provisions. The committee is satisfied that these provisions were externally reviewed during 2019 and the methods applied since 2019 are consistent.

During the year the committee approved the classification of properties historically classified as 'property, plant and equipment' as being investment properties. The change in the classification emanated from the extensive review of the property portfolio of the group and company and from determining the actual use of the property. The change in the measurement of the investment property from the cost model to the fair value model was also approved.

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.

The committee interrogated the impact, management's assessment and an independent report issued by an external service provider following the apparent ransomware attack that occurred in the second half of the year. The committee understands and supports that there is no reason to conclude that the financial data and thus the integrity of the financial results have been impacted.

Internal financial controls

The committee has oversight of the group's financial statements and reporting process, including the system of internal financial controls. 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.

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

Audit and risk committee report continued

The committee and the CEO and CFO rely on the assurance provided by the internal audit function of the group on the system of internal financial controls. During the current financial year management identified certain significant deficiencies in internal control over financial reporting. Management provides quarterly feedback on the status of the effectiveness of internal controls together with remediation action plans. Most of the significant deficiencies have been remediated at year-end. A significant deficiency that was not fully remediated at year-end is the review and approval of manual journal entries. The significant deficiency was caused by an imperfect assessment of information used in the control with compensating controls mitigating the severity of the reported deficiency. Remediation plans have been documented and are planned to be completed by the interim reporting date for all deficiencies identified, including significant deficiencies. The committee has discussed the impact of the internal control deficiencies together with compensating controls, including financial statement review controls with internal and external auditors as well as management.

Combined assurance

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

Expertise and experience of the CFO and the finance function

The committee has satisfied itself that the CFO, AD Maharaj, has the appropriate expertise and experience to carry out his duties.

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

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

Expertise and experience of the company secretary

NB Bam resigned as company secretary on 10 January 2020.

Fluidrock Co Sec (Pty) Ltd (FCS) was appointed as company secretary effective 1 March 2020. The committee has satisfied itself that FCS has the appropriate competence and experience, to serve as company secretary of the company.

Discharge of responsibilities

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

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

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

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

NP Mnxasana
Chairperson
9 April 2021

Shareholders' analysis

ArcelorMittal SA Ltd

Analysis of ordinary shareholders as at 31 December 2020.

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	22 268	86.32	3 173 811	0.28
1 001 – 10 000	2 131	8.26	8 046 067	0.71
10 001 – 100 000	1 080	4.19	36 724 991	3.23
100 001 – 1 000 000	283	1.10	81 938 595	7.20
Over 1 000 000	36	0.14	1 008 176 361	88.59
Total	**25 798**	**100.00**	**1 138 059 825**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Corporate holdings	3	0.01	771 535 624	67.79
Retirement benefit funds	14	0.05	39 014 201	3.43
Collective investment schemes and hedge funds	4	0.02	7 562 859	0.66
Retail shareholders, trusts and private companies	1 484	5.75	186 783 997	16.41
Other managed funds	17	0.07	94 649 793	8.32
Custodians, brokers and nominees	29	0.11	28 447 193	2.50
Unclassified holders (less than 10 000 shares)	24 247	93.99	10 066 158	0.88
Total	**25 798**	**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	9	0.04	771 721 765	67.81
Directors and associates	5	0.02	185 817	0.02
GS Gouws	1	–	292	–
JRD Modise	1	–	85 025	0.01
AD Maharaj	1	–	450	–
PM Makwana	1	–	50	–
NF Nicolau	1	–	100 000	0.01
ArcelorMittal South Africa	2	0.01	46 548	–
ArcelorMittal Holdings AG	2	0.01	771 489 400	67.79
Public shareholders	25 789	99.96	366 338 060	32.19
Total	**25 798**	**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
Investec Asset Management	70 306 132	6.18
Total	**70 306 132**	**6.18**

Shareholders' analysis continued

Beneficial shareholders with a holding in 5% or more of the issued shares	Number of shares	% of issued capital
ArcelorMittal Holdings AG	771 489 400	67.79
Industrial Development Corporation	93 044 068	8.18
Amandla We Nsimbi (Pty) Ltd – A1 shares	243 240 276	–
The Isabelo Employee Share Trust – A2 shares	72 972 083	–
Total	**1 180 745 827**	**75.97**

Beneficial shareholders in the A1 and A2 register	A1 shares	A2 shares
Amandla we Nsimbi (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	6	0.02	773 136 810	67.94
South Africa	25 649	99.43	346 798 749	30.47
United States	19	0.07	9 260 697	0.81
United Kingdom	25	1.10	4 550 752	0.40
Luxembourg	1	–	2 271 428	0.20
Germany	3	0.01	687 736	0.06
Angola	1	–	452 830	0.04
Balance	94	0.37	900 823	0.08
Total	**25 798**	**100.00**	**1 138 059 825**	**100.00**

Share price performance	
Opening price 2 January 2020	R1.35
Closing price 31 December 2020	R1.00
Closing high for period	R1.75
Closing low for period	R0.25
Number of shares in issue	1 138 059 825
Volume traded during period	330 729 660
Ratio of volume traded to shares issued (%)	29.06%
Rand value traded during the period	131 332 995
Price/earnings ratio as at 31 December 2020	(0.56)
Earnings yield as at 31 December 2020 (%)	(1.80)
Dividend yield as at 31 December 2020 (%)	–
Market capitalisation at 31 December 2020	R1 138 059 825

Report of the independent auditor

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 (the Group) set out on pages 18 to 104, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the cash flows for the year then ended, and notes to the 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 as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 39 in the consolidated and separate financial statements which indicates that the group incurred a net loss after tax of R1 973 million (2019: loss of R4 604 million), and the company incurred a net loss after tax of R1 995 million (2019: loss of R3 677 million) for the year ended 31 December 2020. As stated in Note 39, these events or conditions, along with other matters as set forth in Note 39, indicate that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Report of the independent auditor continued

Impairment of property, plant and equipment	
Key audit matter	**How the matter was addressed in the audit**
As disclosed in Note 13 of the consolidated and separate financial statements, an impairment assessment was performed on property, plant and equipment based on the assumptions disclosed in the Note. Judgement is required by the directors in assessing the impairment of the group of assets or the cash generating units ("CGU"), which is determined with reference to fair value less cost to sell or the value in use, based on the cash flow forecast for each CGU. The discounted cash flow model used to determine the recoverable amount of the CGU is detailed and complex. Certain key inputs specifically: • Revenue growth (including market share and forecasted sales volumes) • The discount rate, which is based on the weighted average cost of capital. The determination of the weighted average cost of capital is highly complex • The company specific risk premium applied to the discount rate to address the forecasting risk identified in the CGUs • Exchange rate forecasts • Projected sales and input cost prices, as both are linked to volatile commodity prices are subject to volatility and require significant estimation and judgement The complexity of the above results in complex accounting considerations and this was determined as a key audit matter.	In evaluating the impairment of property, plant and equipment within the applicable CGUs, we reviewed the value in use calculations prepared by the directors, with a particular focus on the assumptions with the most significant impact. We performed various procedures, including the following: • Testing of the key entity's controls relating to the preparation and management review of the cash flow forecasts • Testing of inputs into the cash flow forecast, including the assumptions relating to revenue growth, in particular the forecasted sales volumes and input prices, against historical performance and in comparison to the directors' strategic plans in respect of the applicable CGU's • Consideration of the directors' ability to accurately forecast, based on a comparison of historical actual performance against previous forecasts • We engaged our internal valuation experts to perform the following: – Critically evaluate whether the value in use calculation used by the directors to calculate the value in use of the individual cash-generating units complies with the requirements of IAS 36 Impairment of assets ("IAS 36") – Compare the growth rates used to historical data regarding economic growth rates for the regions included in the CGUs – Assess the weighted average cost of capital including the company specific risk premium (discount rate) and the determination of this rate – Assess the exchange rates used in the model to ensure that they comply with the requirements of IAS 36 in relation to the valuation method used. – Analyse the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the applicable CGU's, against external market data, historical performance and forecasts • Compared the forecast commodity prices (iron ore and coking coal) used in determining the sales prices and input costs against independent third-party sources • Subjecting the key assumptions to sensitivity analysis • Recalculated the value in use of all CGU's We assessed the management review control as effective. We assessed most of the assumptions to be balanced with certain forecast to be mildly optimistic. We assessed the discount rate to be within an independently determined acceptable range. We considered the related disclosures to be appropriate.

Environmental remediation obligation	
Key audit matter	**How the matter was addressed in the audit**
As disclosed in note 26, the group's and company's environmental compliance has been under scrutiny. Furthermore, the determination of environmental remediation obligations are subject to significant estimates and judgement. Due to the magnitude of the environmental remediation obligations, the environmental footprint of the group and the impact that environmental non-compliance could have on the group, this is considered a matter of key importance. The key assumptions that affect the measurement of the related provisions include: • The completeness of cash flows for all projects and related costs to be incurred cognisant of environmental legislation and the conditions of the sites • The discount rates applied to the forecast cash flows relating to environmental remediation • The escalation rates applied in determining the forecast cash flows The most significant estimates and areas of judgement have been disclosed by the directors in Note 26 of the consolidated and separate financial statements. Due to the nature of the provision and the significance of the judgement, the balance is a key audit matter.	• We tested the entity's key controls relating to the preparation and review of the cash flow forecasts. A control deficiency was identified and we enhanced our substantive procedures accordingly • We obtained the group's environmental models which are used to determine the value of the environmental remediation obligations. Through a consultative and corroborative process, including the review of minutes of meetings of the directors, the Audit and Risk Committee, and Safety, Health and Environment Committee together with discussions held with the directors' environmental specialists and environmental legal counsel, we gained sufficient evidence that all required exposures have been provided for • Our assessment included inspection and analysis of existing rehabilitation plans as well as communication between the group and environmental regulators and local authorities • We made use of our valuation experts to assess the environmental cash flow forecasts as well as for the assessment of the applied discount rates by comparing the discount rate used to an independently determined rate based on external market data • Our environmental experts further assessed the completeness of the provisions by assessing the current provisions against latest legislation to ensure all areas of exposure have been considered and recorded appropriately. They also assessed the nature of the costs included within the cash flow forecasts • We furthermore assessed the key assumptions and inputs in the models, which included: – Comparing estimated cash flows of significant projects against related project plans and anticipated costs – An assessment of the escalation rates applied in the forecast cash flows to ensure these are in line with market forecasts – Assessing the impact of changes in the applied discount rate as well as scope changes • We assessed the adequacy of the disclosures in relation to the judgement and estimation applied to these balances Our substantive testing did not reveal any material misstatements and overall management have adequately factored in risks and the impact of macroeconomic factors into the forecasted costs. We considered the related disclosures to be appropriate.

Report of the independent auditor continued

Current and deferred tax	
Key audit matter	**How the matter was addressed in the audit**
There are various complexities relating to the treatment and recognition of current and deferred taxation arising from significant or unusual transactions that may be ambiguous and thereby require legal opinion. In addition, the determination of whether to recognise deferred taxation assets is dependent on directors' assessment of the utilisation of the historical taxation losses and the timing of realising temporary differences, which requires significant judgement. With respect to uncertain taxation positions, the directors make provision for taxation based on the most probable outcome. As a result, taxation is considered a key audit matter due to the above noted complexities and judgement arising from the considerations relating to the calculation, recognition, and classification of current and deferred taxation balances. The disclosures relating to taxation and deferred taxation are contained in Note 10 of the consolidated and separate financial statements.	We involved our taxation specialists to evaluate the taxation provisions and potential exposures. This included the following: • Analysed the taxation consequences arising on significant or unusual transactions to determine if the treatment adopted is appropriate under the circumstances, and/or based on appropriate legal counsel opinion obtained by the directors • Analysed the current and deferred taxation calculations for compliance with relevant taxation legislation • Evaluated the directors' assessment of the estimated manner in which the timing differences, including the recoverability of the deferred taxation assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, minutes of directors' meetings and evidence obtained in other areas during the performance of our audit procedures • Critically evaluated the assumptions made by the directors for uncertain current and deferred taxation positions to assess whether appropriate current and deferred taxation provisions have been recognised and are based on the most probable outcome • Assessed the presentation and disclosure in respect of taxation related balances to ensure that this was accurately and appropriately recognised The treatment of the current and deferred tax balances and the disclosures appear appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "ArcelorMittal South Africa Ltd Integrated Report 2020" and in the document titled "ArcelorMittal South Africa Ltd Annual Financial Statements for the year ended 31 December 2020", and comprises the Directors' Report, the Audit and risk committee report and the Certificate by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report of the independent auditor continued

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's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

Report of the independent auditor continued

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of ArcelorMittal South Africa Ltd for 15 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: SI Rajcoomar
Partner

9 April 2021
Deloitte & Touche
5 Magwa Crescent
Waterfall City

Group and company statements of comprehensive income

for the year ended 31 December 2020

	Notes	Group 2020 Rm	Group Restated 2019 Rm	Company 2020 Rm	Company Restated 2019 Rm
Revenue	4	**24 643**	41 353	**24 085**	36 026
Raw materials and consumables used		**(12 840)**	(24 475)	**(13 214)**	(21 705)
Employee costs		**(3 457)**	(4 773)	**(3 447)**	(4 596)
Energy		**(3 598)**	(4 699)	**(3 215)**	(3 322)
Movement in inventories of finished goods and work-in-progress		**(1 203)**	(2 242)	**(542)**	(1 681)
Depreciation		**(546)**	(819)	**(546)**	(785)
Amortisation of intangible assets		**(10)**	(11)	**(10)**	(11)
Impairment of trade receivables		**(4)**	(15)	**(4)**	(12)
Other operating expenses		**(3 909)**	(6 678)	**(3 764)**	(5 034)
Loss from operations	6	**(924)**	(2 359)	**(657)**	(1 120)
Finance and investment income	7	**112**	101	**125**	133
Finance costs	8	**(1 235)**	(1 070)	**(1 211)**	(1 026)
Impairment reversal/(impairment) of other assets	9	**57**	79	**52**	(603)
Impairment reversal of property, plant and equipment		**29**	–	**–**	–
Impairment of property, plant and equipment and intangible assets		**(125)**	(1 480)	**(125)**	(1 187)
Income/(loss) after tax from equity-accounted investments		**13**	(17)	**–**	–
Fair value adjustment on investment properties		**(118)**	72	**(131)**	73
Reclassification of foreign currency differences on liquidation of foreign investment	17	**280**	–	**–**	–
Loss before taxation		**(1 911)**	(4 674)	**(1 947)**	(3 730)
Income taxation (expense)/credit	10	**(62)**	70	**(48)**	53
Loss for the year		**(1 973)**	(4 604)	**(1 995)**	(3 677)
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss:					
Equity investments at FVTOCI – net change in fair value (net of tax)		**(29)**	(26)	**(29)**	(26)
Revaluation of property, plant and equipment		**30**	–	**1**	–
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations (net of tax)		**(36)**	–	**–**	–
Reclassification of foreign currency differences on liquidation of foreign investment (net of tax)	17	**(280)**	–	**–**	–
Cash flow hedges – effective portion of changes in fair value (net of tax)		**(202)**	120	**(202)**	120
Cash flow hedges – reclassified to profit or loss (net of tax)		**66**	(27)	**66**	(27)
Share of other comprehensive income of equity-accounted investments (net of tax)		**3**	–	**–**	–
Total comprehensive loss for the year		**(2 421)**	(4 537)	**(2 159)**	(3 610)
Loss attributable to:					
Owners of the company		**(1 973)**	(4 604)	**(1 995)**	(3 677)
Total comprehensive loss attributable to:					
Owners of the company		**(2 421)**	(4 537)	**(2 159)**	(3 610)
Loss per share (cents)					
– Basic	11	**(180)**	(419)	**–**	–
– Diluted	11	**(180)**	(419)	**–**	–

Group and company statements of financial position

as at 31 December 2020

		Group			Company		
	Notes	2020 Rm	Restated 2019 Rm	Restated 2018 Rm	2020 Rm	Restated 2019 Rm	Restated 2018 Rm
ASSETS							
Non-current assets							
Property, plant and equipment	13	**7 675**	7 966	8 987	**7 675**	7 966	8 846
Investment properties	14	**983**	1 080	1 008	**731**	860	787
Intangible assets	15	**72**	70	73	**72**	70	73
Equity-accounted investments	16	**205**	268	220	**172**	170	172
Investments in subsidiaries	17	**–**	–	–	**797**	229	240
Investments held by environmental trust	18	**378**	348	332	**–**	–	–
Non-current receivables	21	**9**	22	10	**9**	22	10
Other financial assets	19	**11**	40	66	**11**	40	66
Total non-current assets		**9 333**	9 794	10 696	**9 467**	9 357	10 194
Current assets							
Inventories	20	**7 348**	8 700	12 179	**7 251**	7 997	10 929
Trade and other receivables	21	**1 623**	2 837	3 972	**1 602**	2 746	3 376
Taxation		**–**	21	132	**–**	21	132
Asset held-for-sale	22	**135**	–	–	**–**	–	–
Other financial assets	19	**30**	193	56	**30**	193	56
Cash, bank balances and restricted cash	23	**3 340**	1 988	2 525	**3 337**	1 972	2 506
Total current assets		**12 476**	13 739	18 864	**12 220**	12 929	16 999
Total assets		**21 809**	23 533	29 560	**21 687**	22 286	27 193
EQUITY AND LIABILITIES							
Equity							
Stated capital	24	**4 537**	4 537	4 537	**4 537**	4 537	4 537
Reserves		**(3 715)**	(3 568)	(3 659)	**1 229**	1 105	985
Retained income/(accumulated loss)		**1 522**	3 508	8 083	**(2 620)**	(625)	3 052
Total equity		**2 344**	4 477	8 961	**3 146**	5 017	8 574
Non-current liabilities							
Lease obligations	25	**44**	74	46	**30**	43	–
Provisions	26	**1 832**	1 761	1 774	**1 557**	1 498	1 410
Borrowings	28	**4 514**	4 208	2 700	**4 514**	4 208	2 700
Other financial liabilities	29	**–**	300	544	**–**	300	544
Trade and other payables	27	**283**	373	572	**282**	372	572
Total non-current liabilities		**6 673**	6 716	5 636	**6 383**	6 421	5 226
Current liabilities							
Trade and other payables	27	**8 420**	9 391	13 779	**7 984**	8 449	12 321
Taxation		**106**	93	91	**–**	–	–
Other financial liabilities	29	**1 017**	600	372	**1 017**	600	372
Borrowings	28	**2 450**	1 150	300	**2 450**	1 150	300
Lease obligations	25	**29**	26	15	**12**	11	2
Provisions	26	**770**	1 080	406	**695**	638	398
Total current liabilities		**12 792**	12 340	14 963	**12 158**	10 848	13 393
Total equity and liabilities		**21 809**	23 533	29 560	**21 687**	22 286	27 193

Group and company statements of cash flows

for the year ended 31 December 2020

	Notes	Group 2020 Rm	Group Restated* 2019 Rm	Company 2020 Rm	Company Restated* 2019 Rm
Cash flows from operating activities					
Cash generated from operations	30.1	**867**	243	**1 368**	594
Interest income		**111**	101	**111**	99
Finance cost		**(380)**	(345)	**(355)**	(331)
Income tax refunded	30.2	**24**	130	**25**	111
Net cash generated by operating activities		**622**	129	**1 149**	473
Cash flows from investing activities					
Investment to maintain operations	30.3	**(469)**	(1 347)	**(450)**	(1 197)
Investment to expand operations	30.4	**(40)**	(144)	**(39)**	(106)
Proceeds on disposal or scrapping of assets		**4**	–	**–**	–
Dividend from equity-accounted investments/subsidiaries		**–**	12	**15**	33
Net cash utilised by investing activities		**(505)**	(1 479)	**(474)**	(1 270)
Cash flows from financing activities					
Net borrowings raised	30.5	**1 300**	850	**1 300**	850
Lease obligation repaid		**(35)**	(37)	**(14)**	(16)
Settlement on long-term incentive plans		**(8)**	(3)	**(7)**	(3)
Increase in loans to subsidiaries		**–**	–	**(563)**	(571)
Net cash generated by financing activities		**1 257**	810	**716**	260
Net increase/(decrease) in cash, cash equivalents and restricted cash		**1 374**	(540)	**1 391**	(537)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**(22)**	3	**(26)**	3
Cash, cash equivalents and restricted cash at the beginning of the year		**1 988**	2 525	**1 972**	2 506
Cash, cash equivalents and restricted cash at the end of the year		**3 340**	1 988	**3 337**	1 972

** Amounts previously classified as realised foreign exchange movements were reclassified to cash from operations, refer to note 30.*

Group and company statements of changes in equity

for the year ended 31 December 2020

	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 2018								
Balance as at 1 January 2018 – restated	4 537	4 134	(3 918)	(318)	1 246	1 747	1 606	9 034
As previously reported	4 537	3 158	(3 918)	(318)	1 246	1 747	1 606	8 058
Change in accounting policy – Fair value adjustment of investment properties	–	976	–	–	–	–	–	976
Total comprehensive income/(loss) for the year – restated	–	1 394	–	–	–	25	(1 500)	(81)
Income as previously reported	–	1 370	–	–	–	–	–	1 370
Change in accounting policy – Fair value adjustment of investment properties	–	24	–	–	–	–	–	24
Other comprehensive income/(loss)	–	–	–	–	–	25	(1 500)	(1 475)
Share-based payment expense	–	–	–	–	10	–	–	10
Settlement on long-term incentive plan	–	–	–	–	(2)	–	–	(2)
Transfer between reserves	–	2 555	(1)	16	(25)	(2 573)	28	–
Balance at 31 December 2018 – restated	4 537	8 083	(3 919)	(302)	1 229	(801)	134	8 961
Year ended 31 December 2019								
Balance as at 1 January 2019 – restated	4 537	8 083	(3 919)	(302)	1 229	(801)	134	8 961
As previously reported	4 537	7 083	(3 919)	(302)	1 229	(801)	134	7 961
Change in accounting policy – Fair value adjustment of investment properties	–	1 000	–	–	–	–	–	1 000
Total comprehensive (loss)/income for the year – restated	–	(4 604)	–	–	–	–	67	(4 537)
Loss as previously reported	–	(4 676)	–	–	–	–	–	(4 676)
Change in accounting policy – Fair value adjustment of investment properties	–	72	–	–	–	–	–	72
Other comprehensive income	–	–	–	–	–	–	67	67
Share-based payment expense	–	–	–	–	56	–	–	56
Settlement on long-term incentive plan	–	–	–	–	(3)	–	–	(3)
Transfer of equity-accounted earnings	–	29	–	–	–	(29)	–	–
Balance at 31 December 2019 – restated	4 537	3 508	(3 919)	(302)	1 282	(830)	201	4 477
Year ended 31 December 2020								
Balance as at 1 January 2020 – restated	**4 537**	**3 508**	**(3 919)**	**(302)**	**1 282**	**(830)**	**201**	**4 477**
As previously reported	**4 537**	**2 436**	**(3 919)**	**(302)**	**1 282**	**(830)**	**201**	**3 405**
Change in accounting policy – Fair value adjustment of investment properties	**–**	**1 072**	**–**	**–**	**–**	**–**	**–**	**1 072**
Total comprehensive (loss)/income for the year	**–**	**(1 973)**	**–**	**–**	**–**	**3**	**(451)**	**(2 421)**
Loss	**–**	**(1 973)**	**–**	**–**	**–**	**–**	**–**	**(1 973)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**3**	**(451)**	**(448)**
Share-based payment expense	**–**	**–**	**–**	**–**	**35**	**–**	**–**	**35**
Settlement on long-term incentive plan	**–**	**–**	**–**	**–**	**(8)**	**–**	**–**	**(8)**
Measurement of borrowings at amortised cost	**–**	**–**	**–**	**–**	**–**	**–**	**261**	**261**
Transfer between reserves	**–**	**(13)**	**1 854**	**–**	**–**	**13**	**(1 854)**	**–**
Balance at 31 December 2020	**4 537**	**1 522**	**(2 065)**	**(302)**	**1 309**	**(814)**	**(1 843)**	**2 344**

Group and company statements of changes in equity continued

for the year ended 31 December 2020

	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 2018							
Balance as at 1 January 2018 – restated	4 537	(471)	–	(318)	1 246	(4)	4 990
As previously reported	4 537	(1 265)	–	(318)	1 246	(4)	4 196
Change in accounting policy – Fair value adjustment of investment properties	–	794	–	–	–	–	794
Total comprehensive income/(loss) for the year	–	3 512	–	–	–	64	3 576
Income as previously reported	–	3 520	–	–	–	–	3 520
Change in accounting policy – Fair value adjustment of investment properties	–	(8)	–	–	–	–	(8)
Other comprehensive income	–	–	–	–	–	64	64
Transfer between reserves	–	11	–	16	(25)	(2)	–
Share-based payment expense	–	–	–	–	10	–	10
Settlement on long-term incentive plan	–	–	–	–	(2)	–	(2)
Balance at 31 December 2018 – restated	4 537	3 052	–	(302)	1 229	58	8 574
Year ended 31 December 2019							
Balance as at 1 January 2019 – restated	4 537	3 052	–	(302)	1 229	58	8 574
As previously reported	4 537	2 266	–	(302)	1 229	58	7 788
Change in accounting policy – Fair value adjustment of investment properties	–	786	–	–	–	–	786
Total comprehensive (loss)/income for the year	–	(3 677)	–	–	–	67	(3 610)
Loss as previously reported	–	(3 750)	–	–	–	–	(3 750)
Change in accounting policy – Fair value adjustment of investment properties	–	73	–	–	–	–	73
Other comprehensive income	–	–	–	–	–	67	67
Share-based payment expense	–	–	–	–	56	–	56
Settlement on long-term incentive plan	–	–	–	–	(3)	–	(3)
Balance at 31 December 2019 (restated)	4 537	(625)	–	(302)	1 282	125	5 017
Year ended 31 December 2020							
Balance as at 1 January 2020 – restated	**4 537**	**(625)**	**–**	**(302)**	**1 282**	**125**	**5 017**
As previously reported	**4 537**	**(1 484)**	**–**	**(302)**	**1 282**	**125**	**4 158**
Change in accounting policy – Fair value adjustment of investment properties	**–**	**859**	**–**	**–**	**–**	**–**	**858**
Total comprehensive (loss)/income for the year	**–**	**(1 995)**	**–**	**–**	**–**	**(164)**	**(2 159)**
Loss	**–**	**(1 995)**	**–**	**–**	**–**	**–**	**(1 995)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(164)**	**(164)**
Share-based payment expense	**–**	**–**	**–**	**–**	**35**	**–**	**35**
Settlement on long-term incentive plan	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Measurement of borrowings at amortised cost	**–**	**–**	**–**	**–**	**–**	**261**	**261**
Balance at 31 December 2020	**4 537**	**(2 620)**	**–**	**(302)**	**1 309**	**222**	**3 146**

Group and company statements of changes in equity continued

for the year ended 31 December 2020

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 buy-back arrangement and acquired 9.995% of the shareholding of each shareholder. In 2015 the Ikageng Broad-Based Employee Share Trust was created to hold in trust the shares for the employee share ownership plan, and purchased 4.7% of the shareholding through a contribution from ArcelorMittal South Africa. The trust is consolidated in accordance with IFRS 10 *Consolidated Financial Statements*. The shares that were held in trust for the employee share ownership plan vested on 30 September 2020. The treasury shares were issued to the employees. The treasury shares utilised as part of the employee share ownership plan amounts to R1 854 million (2019: Rnil) and was transferred to other reserves.

2. Management share trust reserve

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

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

3. Share-based payment reserve

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

4. Other reserves

Other reserves consist of the following:
Capital redemption reserve of R24 million (2019: R24 million) for the group and company. The capital redemption reserve was created in terms of the South African Companies Act No 61 of 1973, following the redemption of shares during the year ended 30 June 2000, out of profits that would otherwise be available for distribution to ordinary shareholders.

Equity instruments carried at FVTOCI reserve of -R67 million (2019: -R38 million) for the group. 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 were transferred from treasury share equity reserve.

Discount of borrowings reserve of R261 million (2019: Rnil) for the group and company. The reserve relates to the measurement of borrowings at amortised cost on the borrowings of group which is interest-free.

Translation of the foreign operation reserve of -R237 million (2019: R79 million) for the group. The remaining other reserves relate to a hedging reserve of Rnil (2019: R136 million) and revaluation of property, plant and equipment of R30 million (2019: Rnil) 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 2020

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 International Financial Reporting Standards (IFRS)

2.1 Changes in significant accounting policies due to new IFRS standards

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

Amendments to references to the Conceptual Framework in IFRS standards

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Definition of a business (Amendments to IFRS 3)

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Definition of material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to align the definition of material across the standards and to clarify certain aspects of the definition. The new definition states: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements, make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (Phase one)

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

2. Application of new and revised International Financial Reporting Standards (IFRS) continued

2.1 Changes in significant accounting policies due to new IFRS standards continued

COVID-19-related rent concessions (Amendment to IFRS 16)

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021)
- There is no substantive change to other terms and conditions of the lease

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

2.2 Standards and interpretations not yet effective for December 2020

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

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

1. Amendments to IAS 39, IFRS 7 and IFRS 9 – *Interest rate benchmark reform (Phase two)*
2. Onerous contracts – Cost of fulfilling a contract *(Amendments to IAS 37)*
3. Annual Improvements to IFRS standards 2018–2020
4. Property, plant and equipment – Proceeds before intended use *(Amendments to IAS 16)*
5. Reference to the Conceptual Framework *(Amendments to IFRS 3)*
6. Classification of liabilities as current or non-current *(Amendments to IAS 1)*
7. Sale or contribution of assets between an investor and its associate or joint venture *(Amendments to IFRS 10 and IAS 28)*
8. IFRS 17 *Insurance contracts* and amendments to IFRS 17 *Insurance contracts*
9. Amendments to IAS 1 and IAS 8 – Definition of material

2. Application of new and revised International Financial Reporting Standards (IFRS) continued

2.3 Prior period error

As part of the review of the group's property portfolio in light of its revised strategic focus, certain properties were identified which had historically been classified as investment property, measured using the cost model, but were incorrectly included in the property, plant and equipment line item in the statement of financial position. Further, previous financial statements lacked disclosures required by IAS 40 for these properties measured under the cost model.

In assessing the level of significance of the prior period error for the purposes of the related financial statement presentation, management considered guidance in IAS 8. This analysis indicated that, given that the cost model was applied under both IAS 16 and IAS 40, this incorrect classification had no impact on the consolidated results of operations or on basic or diluted earnings per share for the years ended 31 December 2018 and 31 December 2019.

In light of the above, the group has corrected the classification of these properties in the statement of financial position. The impact of the restatement on the consolidated statement of financial position for the **group** is shown in the table below:

Rm	Previously reported 31 December 2018	Impact	Restated amount 31 December 2018	Previously reported 31 December 2019	Impact	Restated amount 31 December 2019
ASSETS						
Non-current assets						
Property, plant and equipment	8 995	(8)	8 987	7 974	(8)	7 966
Investment property	–	8	8	–	8	8
Total	8 995	–	8 995	7 974	–	7 974

The fair value of these investment properties at 31 December 2019 totalled R1 080 million (31 December 2018: R1 008 million).

The impact of the restatement on the statement of financial position for the **company** is shown in the table below:

Rm	Previously reported 31 December 2018	Impact	Restated amount 31 December 2018	Previously reported 31 December 2019	Impact	Restated amount 31 December 2019
ASSETS						
Non-current assets						
Property, plant and equipment	8 847	(1)	8 846	7 967	(1)	7 966
Investment property	–	1	1	–	1	1
Total	8 847	–	8 847	7 967	–	7 967

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

2. Application of new and revised International Financial Reporting Standards (IFRS) continued

2.4 Change in accounting policy

During the current year, ArcelorMittal South Africa voluntarily changed its accounting policy related to the measurement of investment property. The group now applies the fair value model, under which investment property is subsequently measured at its fair value. Prior to this change in policy, the group applied the cost model to measure investment property.

After the decision in 2019 to cease production at the Saldanha Works, ArcelorMittal South Africa undertook a phased strategic asset footprint review to evaluate various potential uses of its property portfolio, the results of which suggested that a greater focus should be placed on the active management of properties to derive value either through rental or development for future sale. The strategic rationale supporting the intensified focus on the property portfolio corresponds with the significant increase in the portion of the group's portfolio that has been decommissioned and is no longer employed for production purposes. Given the results of this review, management has concluded that the fair value model for investment property is a more appropriate measurement basis than the previously applied cost model, providing reliable and more relevant information to users of the financial statements, aligned to both the current market value and use of its investment property portfolio.

The impact on each line item of the consolidated financial statements for the **group** is shown in the table below:

	As previously reported		Adjustment		Restated	
Rm	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018
Statement of comprehensive income						
Fair value adjustment on investment properties	–	–	–	24	–	24
Income tax*	–	–	–	–	–	–
Net (loss)/profit	(5 128)	1 370	–	24	(5 128)	1 394
Statement of financial position						
Investment properties	–	–	984	1 008	984	1 008
Total assets	31 196	28 560	976	1 000	32 172	29 560
Deferred tax*	–	–	–	–	–	–
Retained earnings	3 158	7 083	976	1 000	4 134	8 083

	As previously reported		Adjustment		Restated	As at
Rm	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**
Statement of comprehensive income						
Fair value adjustment on investment properties	–	**–**	72	**(117)**	72	**(117)**
Income tax*	–	**–**	–	**–**	–	**–**
Net loss	(4 676)	**(1 856)**	72	**(117)**	(4 604)	**(1 973)**
Statement of financial position						
Investment properties	–	**–**	1 080	**963**	1 080	**963**
Total assets	22 461	**854**	1 072	**955**	23 533	**21 809**
Deferred tax*	–	**–**	–	**–**	–	**–**
Retained earnings	2 436	**567**	1 072	**955**	3 508	**1 522**

* *Income tax and deferred tax, the group has an unrecognised deferred tax asset, refer to note 10.*

The impact on earnings per share and diluted earnings per share for the year ended 31 December 2020 is negative 10.7 cents (31 December 2019: 6.6 cents and 31 December 2018: 2.2 cents). The impact on headline earnings per share for the period ended 31 December 2020 is 0.0 cents (31 December 2019 and 31 December 2018: 0.0 cents).

2. Application of new and revised International Financial Reporting Standards (IFRS) continued

2.4 Change in accounting policy continued

The impact on each line item of the financial statements for the **company** is shown in the table below:

Rm	As previously reported 31 December 2017	As previously reported 31 December 2018	Adjustment 31 December 2017	Adjustment 31 December 2018	Restated 31 December 2017	Restated 31 December 2018
Statement of comprehensive income						
Fair value adjustment on investment properties	–	–	794	(8)	794	(8)
Income tax*	–	–	–	–	–	–
Net (loss)/profit	(5 591)	3 520	794	(8)	(4 797)	3 512
Statement of financial position						
Investment properties	–	–	795	787	795	787
Total assets	25 854	26 407	794	786	26 647	27 193
Deferred tax*	–	–	–	–	–	–
Retained earnings	(1 265)	2 266	794	786	(471)	3 052

Rm	As previously reported 31 December 2019	**31 December 2020**	Adjustment 31 December 2019	**31 December 2020**	Restated 31 December 2019	As at **31 December 2020**
Statement of comprehensive income						
Fair value adjustment on investment properties	–	**–**	73	**(131)**	73	**(131)**
Income tax*	–	**–**	–	**–**	–	**–**
Net loss	(3 750)	**(1 864)**	73	**(131)**	(3 677)	**(1 995)**
Statement of financial position						
Investment properties	–	**–**	860	**729**	860	**729**
Total assets	21 427	**20 953**	859	**728**	22 286	**21 687**
Deferred tax*	–	**–**	–	**–**	–	**–**
Retained earnings/(accumulated loss)	(1 484)	**(3 348)**	859	**728**	(625)	**(2 620)**

* *Income tax and deferred tax, the group has an unrecognised deferred tax asset, refer to note 10.*

The impact on earnings per share and diluted earnings per share for the year ended 31 December 2020 is negative 11.9 cents (31 December 2019: 6.6 cents and 31 December 2018: negative 0.7 cents). The impact on headline earnings per share for the period ended 31 December 2020 is 0.0 cents (31 December 2019 and 31 December 2018: 0.0 cents).

3. Significant accounting policies

The principal accounting policies applied in the preparation of the group and company 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 International Financial Reporting Standards (IFRS), the Companies Act No 71 of 2008, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2020.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.2 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, except for as modified by the revaluation of investments in equity instruments classified as fair value through other comprehensive income and fair value adjustments of investment properties.

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

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

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.

3.4 Basis of consolidation

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

Subsidiaries are all investees (including structured entities) 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.

3.5 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 which exists only when the decision about the relevant activities requires the unanimous consent of the parties sharing control.

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

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

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

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

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

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

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

3. Significant accounting policies continued

3.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM) and the group accounting policy. 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.

3.7 Foreign currency translation

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

Transactions and balances

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

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

Group companies

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

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

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

3.8 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.9 Investment property

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 or fair value less cost to sell, based on market evidence. The valuations are done on an open-market basis and valuers use the discounted cash flow method and depreciated replacement cost method. Gains or losses arising from changes in fair value, after deducting the straight-line rental income accrual, are included in profit or loss for the period in which they arise.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the property. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognised. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

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

3.10 Accounting for leases as lessee

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

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

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

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 or there is a significant event of change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- 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

3. Significant accounting policies continued

3.10 Discounting for leases as lessee continued

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 asset is presented as part of 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 Intangible assets

3.11.1 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.

3.11.2 Purchased intangible assets other than goodwill

Patents

The cost of acquisition of patents is capitalised at their historical cost as intangible assets and amortised over the right-of-use period. This period is reviewed at least annually. Amortisation, gains and losses on disposal and impairment losses are reflected in the statement of comprehensive income.

Non-integrated computer software

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, typically not exceeding seven years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.12 Impairment of tangible and intangible assets

At each statement of financial position date, the group and company review the carrying amounts of tangible and intangible 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 CGUs.

In assessing value-in-use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects the weighted average cost of capital of the company.

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.

3.13 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 fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories:

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

3.13.1 Measured at amortised cost

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

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

3.13.2 FVTOCI financial assets

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.

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 OCI and are never reclassified to profit or loss.

3.13.3 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. Significant accounting policies continued

3.13 Financial assets continued

3.13.4 Impairment of financial assets

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

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

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

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

Loss allowances for trade receivables, loans and other receivables are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

An impairment loss related to financial assets is reversed if and to the extent that there has been a change in the expected used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Reversals of impairment are recognised in the statement of comprehensive income except for reversals of impairment of FVTOCI equity securities, which are recognised in equity.

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

3.14.1 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.

3.14.2 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.

3.14.3 Financial liabilities

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

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.

3.14.4 Other financial liabilities

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.15 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 statement of financial position 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: Recognition and Measurement*.

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

3.15.1 Cash flow hedges

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

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

3.16 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 partially capitalised as inventories and partially recorded as a component of cost of sales in the statement of comprehensive income.

3.17 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.

3. Significant accounting policies continued

3.18 Stated capital

Equity instruments issued by the company and group 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 company and group after deducting all liabilities.

Ordinary shares are classified as equity.

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

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

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

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

3.19 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.

3.20 Deferred income tax

Deferred income tax is provided in full, using the liability 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 therefore recognised to the extent that taxable temporary differences exist or it is probable that taxable economic benefits will flow to the entity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 services that increase their entitlement to future compensated absences; and

(ii) in the case of non-accumulating compensated absences, when the absences occur. The leave pay benefits of the group and company are accumulative in nature.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.21 Employee benefits continued

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

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, except for asset retirement obligations which are capitalised to property, plant and equipment.

3.22.2 Contingent liabilities

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

A present obligation, classified as a provision, is recognised as probable and is measured at the estimated loss of the outcome if it is more than 50% likely to occur.

For claims that are reasonably possible, being between 20% and 50% likely, the facts and circumstances of the possible loss and an estimate of the amount, if determinable, are disclosed.

Remote claims, being less than 20% likely, are not disclosed or provided for; however, voluntary disclosure may be made if the matter is significant.

3. Significant accounting policies continued

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 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 their 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.

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 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 equity-settled employee benefits 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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

3. Significant accounting policies continued

3.26 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax (refer to note 10).

3.26.1 Normal 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 (deferred tax). 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 Withholding tax on dividends

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset.

4. Revenue

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.

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Revenue from major products				
Flat steel products				
Hot rolled	8 901	17 209	8 343	11 882
Uncoated	2 609	3 990	2 609	3 990
Coated	3 931	5 728	3 931	5 728
	15 441	26 927	14 883	21 600
Long steel products				
Merchant bars	4 855	6 739	4 855	6 739
Wire rod	2 030	4 240	2 030	4 240
Seamless	435	2 200	435	2 200
	7 320	13 179	7 320	13 179
Coke and chemicals				
Coke and tar	1 716	1 154	1 716	1 154
Other	166	93	166	93
	1 882	1 247	1 882	1 247
Total	24 643	41 353	24 085	36 026
Revenue to external customers				
Local	21 667	31 886	21 323	29 633
Export	2 976	9 467	2 762	6 393
Africa	2 660	8 381	2 446	5 450
Asia	166	795	166	652
Other	150	291	150	291
Total	24 643	41 353	24 085	36 026

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. Segments are identified based on major product categories. These segments offer different products and are managed separately because they require different investment and marketing strategies.

The group's reportable segments are:

- Flat steel products consisting of Vanderbijlpark Works and Saldanha Works
- Long steel products consisting of Newcastle Works, Vereeniging Works and the decommissioned Maputo Works
- Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial grade coking coal
- Corporate and other, consisting of sales and marketing functions, procurement and logistics activities, shared services, centres of excellence, the decommissioned Pretoria Works site, available-for-sale investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities. Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

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

Assets not allocated to operating segments:

- Results of consolidated subsidiaries and consolidated structured entities, other than for Saldanha Works which is a subsidiary allocated to the flat steel products segment
- Investments in equity-accounted entities
- Available-for-sale investments
- Cash and cash equivalents
- Income tax, capital gains tax and value added tax-related assets, as applicable

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

5. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations Rm	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2020						
Revenue						
External customers	15 441	7 320	1 882	–	–	24 643
Intersegment customers	689	1 477	35	–	(2 201)	–
Total revenue	16 130	8 797	1 917	–	(2 201)	24 643
Revenue to external customers distributed as:						
Local	14 207	5 578	1 882	–	–	21 667
Export	1 234	1 742	–	–	–	2 976
Africa	1 176	1 484	–	–	–	2 660
Asia	58	108	–	–	–	166
Other	–	150	–	–	–	150
Total	15 441	7 320	1 882	–	–	24 643
Results						
Earnings before interest, tax, depreciation and amortisation and exceptional items	414	(683)	295	12	(1)	37
Depreciation and amortisation	(272)	(190)	(69)	(25)	–	(556)
Retrenchment packages	(25)	(20)	(25)	(64)	–	(134)
Inventory adjustment to net realisable value	(102)	(169)	–	–	–	(271)
Profit/(loss) from operations	15	(1 062)	201	(77)	(1)	(924)
Net impairments	29	–	(125)	626	(569)	(39)
Finance and investment income	14	5	1	92	–	112
Finance costs	(66)	(21)	(2)	(1 146)	–	(1 235)
Reclassification of foreign currency differences on liquidation of foreign investment	–	–	–	280	–	280
Fair value adjustment on investment properties	(3)	14	–	(129)	–	(118)
Profit after tax from equity-accounted investments	–	–	–	13	–	13
(Loss)/profit before taxation	(11)	(1 064)	75	(341)	(570)	(1 911)
Income taxation expense	(12)	–	–	(50)	–	(62)
(Loss)/profit for the year	(23)	(1 064)	75	(391)	(570)	(1 973)
Additions to non-current assets	317	75	8	6	–	406
Segment assets (excluding investments in equity-accounted entities)	10 033	5 506	1 130	5 305	(370)	21 604
Investments in equity-accounted entities	–	–	–	205	–	205
Segment liabilities	4 425	2 363	180	12 854	(357)	19 465
Cash generated from/(utilised in) operations	1 460	(242)	391	(742)	–	867
Capital expenditure	403	86	13	7	–	509
Number of employees at the end of the year	3 878	2 193	218	846	–	7 135

5. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations Rm	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2019 – restated						
Revenue						
External customers	26 927	13 179	1 247	–	–	41 353
Intersegment customers	782	1 420	63	–	(2 265)	–
Total revenue	27 709	14 599	1 310	–	(2 265)	41 353
Revenue to external customers distributed as:						
Local	21 783	8 856	1 247	–	–	31 886
Export	5 144	4 323	–	–	–	9 467
Africa	4 590	3 791	–	–	–	8 381
Asia	554	241	–	–	–	795
Other	–	291	–	–	–	291
Total	26 927	13 179	1 247	–	–	41 353
Results						
Earnings before interest, tax, depreciation and amortisation and exceptional items	(574)	(369)	250	62	(1)	(632)
Depreciation and amortisation	(435)	(297)	(70)	(28)	–	(830)
Saldanha wind-down cost	(396)	–	–	–	–	(396)
Retrenchment packages	(138)	(33)	(1)	(62)	–	(234)
Inventory adjustment to net realisable value	(131)	(136)	–	–	–	(267)
(Loss)/profit from operations	(1 674)	(835)	179	(28)	(1)	(2 359)
Net impairments	(476)	(1 087)	–	(524)	686	(1 401)
Finance and investment income	34	6	–	61	–	101
Finance costs	(315)	(245)	(13)	(497)	–	(1 070)
Fair value adjustment on investment properties	–	(4)	–	76	–	72
Loss after tax from equity-accounted investments	–	–	–	(17)	–	(17)
(Loss)/profit before taxation	(2 431)	(2 165)	166	(929)	685	(4 674)
Income taxation credit	–	–	–	70	–	70
(Loss)/profit for the year	(2 431)	(2 165)	166	(859)	685	(4 604)
Additions to non-current assets	1 012	169	14	9	–	1 204
Segment assets (excluding investments in equity-accounted entities)	11 865	6 113	1 431	3 055	(271)	22 193
Investments in equity-accounted entities	–	–	–	268	–	268
Segment liabilities	5 188	2 141	172	11 823	(268)	19 056
Cash generated from/(utilised in) operations	1 204	321	38	(1 320)	–	243
Capital expenditure	1 223	217	18	33	–	1 491
Number of employees at the end of the year	4 644	2 377	240	1 118	–	8 379

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

5. Segment report continued

	2020 Rm	2019 Rm
5.1 Revenue from major products		
The group's revenue from its major products sold to external customers was:		
Flat steel products	**15 441**	26 927
Hot rolled	**8 901**	17 209
Uncoated	**2 609**	3 990
Coated	**3 931**	5 728
Long steel products	**7 320**	13 179
Merchant bars	**4 855**	8 184
Wire rod	**2 030**	4 240
Seamless tubular products	**435**	755
Coke and Chemicals	**1 882**	1 247
Coke and tar	**1 716**	1 154
Other	**166**	93
Total consolidated revenue	**24 643**	41 353

5.2 Geographical information

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

5.3 Information about major customers

	Flat steel products Rm	Long steel products Rm	Total revenue Rm	% of group revenue
2020				
Revenue of major customers				
Macsteel Services Centres SA (Pty) Ltd	**2 465**	**1 369**	**3 834**	**15.56**
Allied Steelrode (Pty) Ltd	**1 933**	**129**	**2 062**	**8.37**
Macsteel International Trading BV	**292**	**1 037**	**1 329**	**5.39**
Total	**4 690**	**2 535**	**7 225**	**29.32**
2019				
Revenue of major customers				
Macsteel International Trading BV	4 204	3 323	7 527	18.20
Macsteel Services Centres SA (Pty) Ltd	4 068	1 608	5 676	13.73
Total	8 272	4 931	13 203	31.93

6. Loss from operations

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Loss from operations has been arrived at after charging:				
Amortisation	**(10)**	(11)	**(10)**	(11)
Depreciation	**(546)**	(819)	**(546)**	(785)
Employee costs				
Salaries and wages	**(2 997)**	(3 823)	**(2 978)**	(3 791)
Termination benefits	**(134)**	(376)	**(153)**	(234)
Pension and medical costs	**(292)**	(518)	**(282)**	(515)
Share-based payment expense	**(35)**	(56)	**(35)**	(56)
Loss on disposal or scrapping of property, plant and equipment	**(8)**	(14)	**(9)**	(14)
Railage and transport	**(688)**	(1 304)	**(678)**	(1 167)
Repairs and maintenance	**(1 547)**	(2 750)	**(1 464)**	(2 099)
Research and development	**(53)**	(173)	**(53)**	(173)
Reversal/(write down) of inventory to net realisable value	**215**	(94)	**70**	54
Auditors remuneration				
Audit fees	**(9)**	(14)	**(8)**	(13)
Other services and expenses	**(2)**	(2)	**(2)**	(2)
Allowance for impairment recognised on trade receivables	**(4)**	(15)	**(4)**	(12)
Other allowances on trade receivables	**(54)**	4	**(62)**	5
Allowance for impairment on other receivables	**(24)**	(24)	**(22)**	(24)

7. Finance and investment income

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Finance income				
Bank deposits and other interest income	**112**	101	**111**	100
Investment income				
Dividends	**–**	–	**14**	33
Total	**112**	101	**125**	133

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

8. Finance costs

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Interest expense on loans	**(300)**	(863)	**(308)**	(823)
Interest expense on lease obligations	**(10)**	(13)	**(4)**	(6)
Net foreign exchange (losses)/gains on financing activities	**(415)**	128	**(400)**	120
Discount rate adjustment of provisions and financial liabilities	**(147)**	(1)	**(142)**	(1)
Unwinding of discounting effect on borrowings, provisions and financial liabilities	**(363)**	(321)	**(357)**	(316)
Total	**(1 235)**	(1 070)	**(1 211)**	(1 026)

9. Impairment reversal/(impairment) of other assets

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Impairment reversal of equity-accounted investments	**57**	79	**4**	–
Impairment reversal/(impairment) of investment in subsidiaries	**–**	–	**48**	(603)
Total	**57**	79	**52**	(603)

Impairment reversal of equity-accounted investments

An impairment reversal of R53 million of a previously accounted impairment of the equity-accounted investment Coza Mining (Pty) Ltd following the announcement of the sale of the investment to Afrimat on 17 August 2020. R4 million relates to loans advanced to Microsteel Ltd that is considered recoverable following the liquidation process of the company. The R79 million in 2019 relates to loans advanced to Coza Mining (Pty) Ltd that was previously impaired.

Impairment of investment in subsidiaries

An impairment of R5 million (2019: R51 million impairment) relates to the investment in Vicva Investments and Trading Nine (Pty) Ltd that was measured at fair value. Fair value is based on the share price of ArcelorMittal South Africa Ltd. Vicva Investments and Trading Nine (Pty) Ltd is a beneficial shareholder of ArcelorMittal South Africa Ltd and holds 1.6% (2019: 1.6%) of the issued shares.

An impairment reversal of R53 million (2019: R79 million impairment) relates to the subsidiary Oakwood Trading (Pty) Ltd. The loan provided to the subsidiary in the previous years that was impaired, is considered to be recoverable following the sale of its investment in Coza Mining (Pty) Ltd. Refer to note 22 asset held-for-sale.

An impairment of the investment in Saldanha Steel (Pty) Ltd of Rnil was made in 2020 (2019: R631 million impairment).

10. Income taxation (expense)/credit

	Group		Company	
	2020 Rm	2019 restated Rm	2020 Rm	2019 restated Rm
10.1 Income tax recognised in profit or loss				
Current income tax charge	(9)	(3)	5	–
Current deferred tax charge	(53)	53	(53)	53
Adjustments for current tax of prior periods	–	20	–	–
Total	(62)	70	(48)	53
The total charge for the year can be reconciled to the accounting profit as follows:				
Loss before tax	(1 911)	(4 674)	(1 947)	(3 730)
Income tax credit calculated at 28%	(535)	(1 309)	(545)	(1 044)
Effect of income that is non-taxable/exempt – dividend received	7	–	3	(9)
Effect of deductible allowances – learnerships	(17)	(15)	(17)	(15)
Effect of expenses that are non-deductible	31	1	28	(2)
Impairment of investments in subsidiaries	(16)	(22)	(14)	169
Revaluation of investment properties	12	9	12	15
Other non-deductible expenses	14	37	13	37
Effect of timing differences not recognised in the current year in relation to unrecognised deferred tax asset	583	1 295	519	845
Effect of (i) equity-accounted investments disclosed net of tax on the statement of comprehensive income and (ii) the effect of different tax rates of subsidiaries operating in other jurisdictions	(79)	–	–	–
Adjustment recognised in the current year in relation to dividend tax of prior years	–	(21)	–	–
Deferred tax income relating to the origination and reversal of temporary differences	53	(53)	53	(53)
Adjustments recognised in the current year in relation to the current tax and deferred tax of prior years	13	4	–	–
SARS interest and penalties	–	4	–	4
SARS interest income	(4)	–	(4)	–
Total income tax expense/(credit)	62	(70)	48	(53)

Although the corporate tax rate is 28%, the actual average tax rate for the group and company was negative 1% (2019: negative 5%) and negative 1% (2019: negative 2%) respectively. The negative tax rate was a result of utilising previously accumulated assessed losses.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

10. Income taxation (expense)/credit continued

10.2 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									
2020									
Temporary differences									
At the beginning of the year	**1 007**	**220**	**(238)**	**(532)**	**(85)**	**(28)**	**(446)**	**102**	**–**
Charged to income	**106**	**(45)**	**54**	**(12)**	**(24)**	**7**	**69**	**(155)**	**–**
At the end of the year	**1 113**	**175**	**(184)**	**(544)**	**(109)**	**(21)**	**(377)**	**(53)**	**–**
2019									
Temporary differences									
At the beginning of the year	1 219	214	(151)	(570)	(22)	(17)	(525)	(148)	–
Charged to income	(212)	6	(87)	38	(63)	(11)	79	250	–
At the end of the year	1 007	220	(238)	(532)	(85)	(28)	(446)	102	–
COMPANY									
2020									
Temporary differences									
At the beginning of the year	**1 195**	**160**	**(200)**	**(531)**	**(29)**	**(15)**	**(409)**	**(171)**	**–**
Charged to income	**107**	**(25)**	**14**	**(106)**	**(6)**	**3**	**27**	**(14)**	**–**
At the end of the year	**1 302**	**135**	**(186)**	**(637)**	**(35)**	**(12)**	**(382)**	**(185)**	**–**
2019									
Temporary differences									
At the beginning of the year	1 401	154	(150)	(559)	(22)	(1)	(461)	(362)	–
Charged to income	(206)	6	(50)	28	(7)	(14)	52	191	–
At the end of the year	1 195	160	(200)	(531)	(29)	(15)	409	(171)	–

10. Income taxation (expense)/credit continued

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

	Group 2020 Rm	Group 2019 Rm	Company 2020 Rm	Company 2019 Rm
Unrecognised deferred tax losses	21 293	19 755	17 422	15 996
Total	**21 293**	19 755	**17 422**	15 996

Management believes that the turnaround initiatives will result in the company and group 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.

11. Loss per share

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

	Group 2020	Group Restated 2019
Weighted average number of shares	1 098 828 738	1 098 828 738
Weighted average number of diluted shares	1 098 828 738	1 098 828 738
Weighted average number of diluted shares are 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 broad-based black economic empowerment (B-BBEE) transaction does not have a dilutive impact on the shareholding. No other outstanding shares had a dilutive impact.		
Loss attributable to the owners of the company per share		
Basic		
Loss attributable to owners of the company (Rm)	(1 973)	(4 604)
Weighted average number of shares	1 098 828 738	1 098 828 738
Basic loss per share (cents)	(180)	(419)
Diluted		
Loss attributable to owners of the company (Rm)	(1 973)	(4 604)
Weighted average number of diluted shares	1 098 828 738	1 098 828 738
Diluted loss per share (cents)	(180)	(419)
Headline loss per share		
The calculation for headline loss per share is based on the basic loss per share calculation, reconciled as follows:		
Gross		
Loss before tax (Rm)	(1 911)	(4 674)
Add: Impairment charges of property, plant and equipment (Rm)	125	1 480
Less: Impairment reversal of investments in joint ventures and associates (Rm)	(4)	(79)
Less: Impairment reversal of property, plant and equipment (Rm)	(29)	–
Add: Loss on disposal or scrapping of plant, property and equipment (Rm)	8	14
Add/(less): Fair value adjustment on investment properties (Rm)	118	(72)
Less: Reclassification of foreign currency differences on liquidation of foreign investment (Rm)	(280)	–
Headline loss before tax (Rm)	(1 973)	(3 331)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

11. Loss per share continued

	Group	
	2020	2019
Net of tax		
Loss attributable to owners of the company (Rm)	**(1 973)**	(4 604)
Add: Impairment charges of property, plant and equipment (Rm)	**125**	1 480
Less: Impairment reversal of investments in joint ventures and associates (Rm)	**(4)**	(79)
Less: Impairment reversal of property, plant and equipment (Rm)	**(29)**	–
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	**6**	10
Add/(less): Fair value adjustment on investment properties (Rm)	**118**	(72)
Less: Reclassification of foreign currency differences on liquidation of foreign investment (Rm)	**(280)**	–
Headline loss net of tax (Rm)	**(2 037)**	(3 265)
Basic		
Headline loss (Rm)	**(2 037)**	(3 265)
Weighted average number of shares	**1 098 828 738**	1 098 828 738
Basic headline loss per share (cents)	**(185)**	(297)
Diluted		
Headline loss (Rm)	**(2 037)**	(3 265)
Weighted average number of diluted shares	**1 098 828 738**	1 098 828 738
Diluted headline loss per share (cents)	**(185)**	(297)

12. 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 2020 and 2019 financial years.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

13. Property, plant and equipment

	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration Rm	Asset retirement obligation Rm	Right-of-use assets – machinery, plant and equipment Rm	Con-struction in progress Rm	Total Rm
GROUP								
For the year ended 31 December 2020								
Carrying amount at the beginning of the year – restated	27	216	7 041	14	–	62	606	7 966
Additions	–	–	188	–	–	–	205	393
Disposals	–	–	(13)	–	–	–	–	(13)
Depreciation	–	(34)	(497)	(1)	–	(14)	–	(546)
Impairment	–	(5)	(113)	–	–	–	(7)	(125)
Impairment reversal	8	21	–	–	–	–	–	29
Other movements	–	–	200	–	–	–	(200)	–
Revaluation through other comprehensive income	(3)	33	–	–	–	–	–	30
Transfer to investment properties	(5)	(54)	–	–	–	–	–	(59)
Carrying amount at the end of the year	27	177	6 806	13	–	48	604	7 675
At 31 December 2020								
Cost	59	2 350	36 197	93	233	1 746	671	41 349
Accumulated depreciation and impairment	(32)	(2 173)	(29 391)	(80)	(233)	(1 698)	(67)	(33 674)
Net carrying value	27	177	6 806	13	–	48	604	7 675
For the year ended 31 December 2019								
Carrying amount at the beginning of the year	37	317	7 988	15	–	41	597	8 995
Restatement	(1)	(7)	–	–	–	–	–	(8)
Additions	–	4	894	–	–	–	298	1 196
Disposals	–	–	(14)	–	–	–	–	(14)
Depreciation	–	(38)	(757)	(1)	–	(23)	–	(819)
Impairment	(9)	(61)	(1 304)	–	(33)	(18)	(55)	(1 480)
Other movements	–	1	234	–	33	62	(234)	96
Carrying amount at the end of the year – restated	27	217	7 041	14	–	62	606	7 966
At 31 December 2019								
Cost	67	2 377	35 919	93	233	1 746	666	41 101
Accumulated depreciation and impairment	(40)	(2 161)	(28 878)	(79)	(233)	(1 684)	(60)	(33 135)
Net carrying value – restated	27	216	7 041	14	–	62	606	7 966

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

13. Property, plant and equipment continued

	Land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site pre-paration Rm	Asset retirement obligation Rm	Right-of-use assets – machinery, plant and equipment Rm	Con-struction in progress Rm	Total Rm
COMPANY								
For the year ended 31 December 2020								
Carrying amount at the beginning of the year – restated	27	216	7 041	14	–	62	606	7 966
Additions	–	–	182	–	–	–	208	390
Disposals	–	–	(9)	–	–	–	–	(9)
Depreciation	–	(34)	(497)	(1)	–	(14)	–	(546)
Impairment	–	(5)	(113)	–	–	–	(7)	(125)
Other movements	–	–	200	–	–	–	(200)	–
Revaluation through other comprehensive income	1	–	–	–	–	–	–	1
Transfer to investment properties	(2)	–	–	–	–	–	–	(2)
Carrying amount at the end of the year	26	177	6 804	13	–	48	607	7 675
At 31 December 2020								
Cost	49	1 983	25 239	93	198	1 530	619	29 711
Accumulated depreciation and impairment	(23)	(1 806)	(18 435)	(80)	(198)	(1 482)	(12)	(22 036)
Net carrying value	26	177	6 804	13	–	48	607	7 675
For the year ended 31 December 2019								
Carrying amount at the beginning of the year	28	284	7 980	15	–	17	523	8 847
Restatement	(1)	–	–	–	–	–	–	(1)
Additions	–	4	774	–	–	–	264	1 042
Disposals	–	–	(13)	–	–	–	–	(13)
Depreciation	–	(38)	(729)	(1)	–	(17)	–	(785)
Impairment	–	(35)	(1 152)	–	–	–	–	(1 187)
Other movements	–	1	181	–	–	62	(181)	63
Carrying amount at the end of the year – restated	27	216	7 041	14	–	62	606	7 966
At 31 December 2019								
Cost	50	1 983	24 963	93	198	1 530	611	29 428
Accumulated depreciation and impairment	(23)	(1 767)	(17 922)	(79)	(198)	(1 468)	(5)	(21 462)
Net carrying value – restated	27	216	7 041	14	–	62	606	7 966

13. Property, plant and equipment continued

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

Land	Not depreciated
Buildings and infrastructure	10 to 50 years
Steel plant equipment	15 to 30 years
General equipment	10 to 20 years
Other facilities	15 to 30 years
Vehicles	5 to 10 years

These useful lives represent management's current best estimates.

Impairment of assets

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

The recoverable amount of the unit was determined using a discounted cash flow model and an explicit forecast period for five years. These cash flows are USD-based. To determine the terminal value, the Gordon growth model was used, and year five was taken into perpetuity.

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

The impairment on Saldanha property assets that were transferred to investment properties during 2020, to the value of R29 million, was reversed.

Critical key judgements and estimates

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

	Vanderbijlpark		Newcastle		LSP Gauteng operations		Coke and Chemicals	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Major assumptions								
Post-tax WACC/discount rate (% USD-based)*	**10.79**	9.69	**10.60**	9.50	**11.17**	9.97	**10.79**	9.69
Company-specific premium (% USD based)	**2.25**	2.25	**2.75**	2.75	**1.25**	1.50	**2.25**	2.25
Total post-tax WACC/discount rate (% USD-based)*	**13.04**	11.94	**13.35**	12.25	**12.42**	11.47	**13.04**	11.94
Growth rate (% USD-based)	**2**	2	**2**	2	**2**	2	**2**	2
Exchange rate range (R/USD)**	**15.50 – 16.94**	14.65 – 16.32	**15.50 – 16.94**	14.65 – 16.32	**15.50 – 16.94**	14.65 – 16.32	**15.50 – 16.94**	14.65 – 16.32
Steel sales price range (average USD/t)**	**628 – 685**	620 – 637	**563 – 581**	535 – 573	**796 – 821**	789 – 818	**23 – 28**	236 – 270
Sales volume range (kt)**	**1 959 – 2 469**	2 346 – 2 497	**927 – 1 067**	1 016 – 1 469	**135 – 197**	193 – 198	**1 615 – 1 670**	290 – 469

Coke and Chemicals: price and volumes quoted relate to market coke and tar for 2019 and to tar for 2020.

* *While a pre-tax weighted average cost of capital, or (WACC)/discount rate is required per IAS 36* Impairment of Assets, *the standard also accepts that discounting post-tax cash flows at a post-tax discount rate and discounting pre-tax cash flows at a pre-tax discount rate should give the same result, as long as the pre-tax discount rate is the post-tax discount rate adjusted to reflect the specific amount and timing of the future tax cash flows. Such consideration has been applied in determining the discounted post-tax cash flows.*

** *Lowest to highest range over the period 2021 to 2025 (2019: 2020 to 2024).*

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

13. Property, plant and equipment continued

Sensitivities relating to the Vanderbijlpark, Newcastle and Long Steel Products (LSP) Gauteng operations CGU

	Newcastle impact on coverage Rm	LSP Gauteng operations impact on coverage Rm	Vanderbijlpark impact on coverage Rm
Impact on enterprise value			
5% movement in the exchange rate per annum from 2021	855	361	3 082
5% movement in the pricing per annum from 2021	2 421	688	6 463

14. Investment properties

	2020 Rm	Restated 2019 Rm
GROUP		
Carrying amount at the beginning of the year	1 080	1 008
Transfer from property, plant and equipment	59	–
Change in fair value	(118)	72
Exchange rate movement	(38)	–
Carrying amount at the end of the year	983	1 080
COMPANY		
Carrying amount at the beginning of the year	860	787
Transfer from property, plant and equipment	2	–
Change in fair value	(131)	73
Carrying amount at the end of the year	731	860
Amounts recognised in profit or loss for investment properties		
GROUP		
Rental income	67	73
Direct operating expenses from rental property	(32)	(18)
Impairment reversal	29	–
Fair value (loss)/gain	(118)	72
Revaluation recognised in equity	30	–
COMPANY		
Rental income	63	72
Direct operating expenses from rental property	(30)	(16)
Fair value (loss)/gain recognised in other income	(131)	73
Revaluation recognised in equity	1	–

14. Investment properties continued

Fair value measurement of the investment property

The fair value of the group's and company's investment property at 31 December 2020 has been arrived at on the basis of a valuation carried out at that date by Broll Valuation and Advisory Services and Colliers International, independent valuators not connected with the group or company. 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 and residential vacant land sector.

The fair value of the property in the industrial sector was determined by adopting the income capitalisation method or the depreciable replacement cost 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 17.2% – 36.4%
- Vacancy provision 5% – 7.5%
- Capitalisation rate 12.5% – 15%

A 2.5% increase or decrease in the vacancy provision will impact the fair value by R1.8 million. A 1% increase or decrease in the capitalisation rate will impact the fair value by R33.9 million.

The depreciable replacement cost approach is based on the economic theory of substitution and it involves comparing the asset being valued with another.

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 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.

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.

	2020 Rm	2019 Rm
Leasing arrangements		
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Year 1	45	38
Year 2	37	45
Year 3	38	37
Year 4	38	38
Year 5	39	38
Longer than 5 years	158	197
	355	393

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

15. Intangible assets

	Patents Rm	Non-integrated software Rm	Total Rm
GROUP			
For the year ended 31 December 2020			
Carrying amount at the beginning of the year	–	70	70
Additions	–	12	12
Amortisation	–	(10)	(10)
Carrying amount at the end of the year	–	72	72
At 31 December 2020			
Cost	38	424	462
Accumulated amortisation and impairment	(38)	(352)	(390)
Net carrying value	–	72	72
For the year ended 31 December 2019			
Carrying amount at the beginning of the year	–	73	73
Additions	–	8	8
Other movements	–	1	1
Amortisation	–	(11)	(11)
Impairments	–	(1)	(1)
Carrying amount at the end of the year	–	70	70
At 31 December 2019			
Cost	38	412	450
Accumulated amortisation and impairment	(38)	(342)	(380)
Net carrying value	–	70	70

15. Intangible assets continued

	Patents Rm	Non-integrated software Rm	Total Rm
COMPANY			
For the year ended 31 December 2020			
Carrying amount at the beginning of the year	–	70	70
Additions	–	12	12
Amortisation	–	(10)	(10)
Carrying amount at the end of the year	–	72	72
At 31 December 2020			
Cost	–	412	412
Accumulated amortisation and impairment	–	(340)	(340)
Net carrying value	–	72	72
For the year ended 31 December 2019			
Carrying amount at the beginning of the year	–	73	73
Additions	–	8	8
Amortisation	–	(11)	(11)
Carrying amount at the end of the year	–	70	70
At 31 December 2019			
Cost	–	400	400
Accumulated amortisation and impairment	–	(330)	(330)
Net carrying value	–	70	70

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

Critical judgements and estimates

Useful lives and residual values of intangible assets

The estimates of amortisation rates and the residual lives of the assets are reviewed annually taking cognisance of:
- Forecast commercial and economic realities
- Benchmarking within the greater ArcelorMittal group

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

Useful life range

Non-integrated software	5 to 20 years
Patents	20 years

These useful lives represent management's current best estimates.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

16. Equity-accounted investments

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

Summarised financial information

		2020 Rm	2019 Rm
16.1	**Associates**		
	Aggregate information of associates not individually material		
	Profit after tax	1	6
	Share of other comprehensive income	2	–
	Share of total comprehensive income	3	6
	Aggregate carrying amount of the group's interest in these associates		
	Group	32	110
	Company	16	16
16.2	**Joint venture**		
	Aggregate information of joint ventures not individually material		
	Profit/(loss)	11	(23)
	Share of other comprehensive income	2	–
	Share of total comprehensive income/(loss)	13	(23)
	Aggregate carrying amount		
	Group	173	158
	Company	156	154
16.3	**Total carrying amount of equity-accounted joint ventures and associates**		
	Group	205	268
	Company	172	170

The group's interest in Coza Mining (Pty) Ltd has been reclassified to asset held-for-sale. Refer to note 22 for information on this reclassification.

17. Investments in subsidiaries

	Company	
	2020 Rm	2019 Rm
Shares at cost	–	–
Indebtedness – by subsidiaries	797	229
Total	**797**	229
Aggregate attributable after tax losses	(182)	(1 623)

The carrying value of the company's investment in subsidiaries consists largely of its investment in Saldanha Steel (Pty) Ltd, being the cost of shares and indebtedness, at the initial and subsequent acquisition dates. Refer to note 9 regarding the impairment of the subsidiaries.

Consolidation of structured entities

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

Likewise, the results of the ArcelorMittal Foundation Trust, a public benefit organisation, are not included in the consolidated results of the group.

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

Ikageng Broad-Based Employee Share Trust

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

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

During 2016 the Isabelo Empowerment Share Trust and Amandla we Nsimbi (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 (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.*

Deregistration of ArcelorMittal Investment BV

ArcelorMittal Investment BV, a 100% owned subsidiary, registered in the Netherlands with a functional currency of US dollars, was deregistered during the period. In 2018 it was impaired following the sale of Macsteel. Due to the deregistration, the balance in the foreign currency translation reserve of R280 million had to be reclassified through profit or loss.

Notes to the group and company annual financial statements continued

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17. Investments in subsidiaries continued

Name of subsidiary	Country of incorporation	Reporting currency	Number of ordinary shares issued	Shares at cost 2020 R	Shares at cost 2019 R	Indebtedness 2020 Rm	Indebtedness 2019 Rm
Manufacturing							
Iscor Building Systems (Pty) Ltd	RSA	ZAR	100	100	100	–	–
Saldanha Steel (Pty) Ltd[1]	RSA	ZAR	2 000	1 009	1 009	450	15
ArcelorMittal Rail and Structures (Pty) Ltd	RSA	ZAR	100	100	100	–	–
Mining							
Oakwood Trading 21 (Pty) Ltd	RSA	ZAR	100	100	100	134	81
Thabazimbi Iron Ore Mine (Pty) Ltd	RSA	ZAR	1	1	1	191	105
Services							
Pybus Fifty-Seven (Pty) Ltd	RSA	ZAR	1	1 000	1 000	–	–
Vicva Investments and Trading Nine (Pty) Ltd	RSA	ZAR	1	1 000	1 000	22	28
Dombotema Mining Investments (Pty) Ltd	RSA	ZAR	100	100	100	–	–
ArcelorMittal African Investments	Mauritius	USD	100	716	716	–	–
				4 126	4 126	797	229

[1] *The indebtedness amount includes the shareholders' loan of R2 567 million (2019: R2 567 million) and intercompany balances in favour of Saldanha Steel (Pty) Ltd of R2 117 million (2019: R2 552 million).*

18. Investments held by environmental trust

	Group 2020 Rm	Group 2019 Rm
Balance at the beginning of the year	348	332
Fair value adjustment	30	16
Balance at the end of the year	378	348

The group holds an environmental trust which holds equity investments. This investment is measured at fair value. Fair value adjustments are recognised through profit or loss.

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 (predominantly South African listed companies).

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations relating to Thabazimbi's mining operations. The investment returns are re-invested by the trust. Refer to note 26 for the environmental rehabilitation provisions. The trust is consolidated in terms of IFRS 10 *Consolidated Financial Statements*.

19. Other financial assets

	Group 2020 Rm	Group 2019 Rm	Company 2020 Rm	Company 2019 Rm
Non-current				
Equity instruments – FVTOCI	11	40	11	40
Total	11	40	11	40
Current				
Financial assets carried at FVTPL				
Other forward exchange contracts	–	4	–	4
Financial assets carried at FVTOCI				
Forward exchange contracts and options used for hedging	30	189	30	189
Total	30	193	30	193

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 (2019: Rnil).

MC Mining Ltd

The company holds 6 306 672 (4%) shares in MC Mining Ltd. MC Mining Ltd is listed on the Australian Stock Exchange, JSE and London Stock Exchange. The shares are valued at a fair value of R1.80 per share and therefore are valued at the market value of R11 million (2019: R40 million).

Financial assets carried at FVTPL

Foreign exchange contracts

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

Financial assets carried at FVTOCI

Forward exchange contracts and options used for hedging

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

20. Inventories

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Finished products	1 156	2 107	1 156	1 929
Work-in-progress	2 968	3 319	2 965	3 220
Raw materials	2 275	2 284	2 269	1 957
Plant, spares and consumables	933	976	845	877
Right to recover returned goods	16	14	16	14
Total	7 348	8 700	7 251	7 997

Inventories and receivables are provided as security to the lenders of the BBF to the extent of the drawn amount of R2 450 million (2019: R1 150 million). Refer note 28 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
Included in the above are finished products of R373 million (2019: R762 million), work-in-progress of R331 million (2019: R382 million) and raw materials of R1 497 million (2019: R1 723 million) carried at net realisable value.

During the year a reversal of a previous adjustment of inventory to net realisable value of R215 million (2019: R94 million write-down) was recognised in profit or loss. Net realised prices increased significantly subsequent to the 2019 year-end.

21. Trade and other receivables

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Trade receivables				
Local	1 466	2 411	1 458	2 350
Exports	207	450	207	450
Total gross trade receivables	1 673	2 861	1 665	2 800
Allowance for impairment				
Local	(45)	(26)	(42)	(23)
Exports	(2)	(17)	(2)	(17)
Total allowances for impairment	(47)	(43)	(44)	(40)
Other allowances				
Local	(300)	(235)	(300)	(235)
Exports	(25)	(36)	(25)	(28)
Total other allowances	(325)	(271)	(325)	(263)
Net trade receivables				
Local	1 121	2 150	1 116	2 092
Exports	180	397	180	405
Total net trade receivables	1 301	2 547	1 296	2 497
Other receivables				
Other receivables	443	377	429	364
Allowance for impairment on other receivables	(124)	(101)	(122)	(100)
Net value added tax receivable	11	36	7	8
Total other receivables	330	312	314	272
Total	1 631	2 859	1 610	2 768
Non-current other receivables	9	22	9	22
Current trade and other receivables	1 623	2 837	1 602	2 746
Total	1 632	2 859	1 611	2 768

Included in other receivables is capitalised transaction cost relating to the BBF amounting to R21 million (2019: R42 million) of which R9 million (2019: R22 million) is non-current.

Inventories and receivables are provided as security for the BBF to the extent of the drawdown of R2 450 million (2019: R1 150 million). Refer to note 28 for detail on borrowings.

21. Trade and other receivables continued

Transfer of trade receivables

The group and company sold, with no recourse, trade receivables with a carrying amount of R965 million (2019: R1 165 million) to the bank for cash proceeds. This amount represents the outstanding receivables that were sold at 31 December 2020. This is referred to as the TSR programme. These trade receivables have been derecognised from the statement of financial position at the date of sale to the bank because the group and company have not retained substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as cash.

Expenses incurred under the TSR programmes (reflecting the discount granted to the acquirers of the accounts receivable) recognised in the statement of comprehensive income for the year ended 31 December 2020 are R34 million (2019: R76 million).

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 the 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	
	2020	2019	**2020**	2019
Outstanding balance of the top three customers by sales for the year (Rm)				
Group – Grading B	**1 924**	2 091	**459**	697
Company – Grading B	**1 924**	2 091	**459**	697
Percentage of net trade receivables (%)				
Group			**35**	24
Company			**35**	25

The most significant export customer is Macsteel International Trading BV (Grading A). Macsteel International Trading BV does not have a credit limit and is not insured due to the short-term nature of this receivable. The group and company have an agreement with this company for all export sales. The outstanding customer balance as at 31 December 2020 was R142 million (2019: R305 million).

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

21. Trade and other receivables continued

	Group		Company	
	2020 %	2019 %	**2020 %**	2019 %
Credit risk exposure by class for the group and company is:				
Local	**95**	95	**95**	94
Exports	**5**	5	**5**	6
Total	**100**	100	**100**	100

	Group		Company	
	2020 Days	2019 Days	**2020 Days**	2019 Days
Average credit period for trade receivables				
Local	**36**	40	**35**	40
Exports	**21**	21	**21**	21

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at prime +3% per annum on the outstanding balance. For late payment on deliveries from July 2020 onwards, interest is charged at 2% per month.

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	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Balance at the beginning of the year	**(43)**	(28)	**(40)**	(28)
Amounts written off	**17**	33	**17**	33
Remeasurement of loss allowance	**(21)**	(48)	**(21)**	(45)
Balance at the end of the year	**(47)**	(43)	**(44)**	(40)

21. 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	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Balance at the beginning of the year	**(271)**	(275)	**(263)**	(268)
Allowances raised	**(1 103)**	(1 671)	**(1 085)**	(1 571)
Allowances utilised	**1 049**	1 675	**1 023**	1 576
Balance at the end of the year	**(325)**	(271)	**(325)**	(263)

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

	Group		Company	
Movement in allowances for impairment on other receivables	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Balance at the beginning of the year	**(101)**	(77)	**(100)**	(76)
Impairment losses recognised	**(70)**	(43)	**(67)**	(43)
Amounts recovered during the year	**46**	19	**45**	19
Balance at the end of the year	**(124)**	(101)	**(122)**	(100)

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 following table provides information about the exposure to credit risk for trade receivables as at 31 December 2020:

		Group		Company	
Grading	**Risk**	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
A – grading	Low risk	**171**	292	**171**	286
B – grading	Medium risk	**1 456**	2 071	**1 448**	2 026
C – grading	High risk	**46**	498	**46**	488
Total		**1 673**	2 861	**1 665**	2 800

Notes to the group and company annual financial statements continued

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21. 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: • Cession of debtors • Company guarantee (by a company with adequate liquidation value and with a low/medium company risk profile) • 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
	B3	Strategic decision	4. Consistent profit	
	B4	Full credit insurance	5. Excellent payment history	
	B5	Facility fully covered by a guarantee from a financial institution	6. Full insurance cover 7. Sufficient securities	
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

21. 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 and company				
	Default rate %	Ageing of overdue trade receivables Rm	Lifetime expected credit loss impairment Rm*	Specifically impaired trade receivables Rm	Total impairment for trade receivables Rm
30 – 60 days	0.4	51	–	(3)	(3)
60 – 90 days	1	8	–	–	–
90 – 120 days	1.4	10	–	(1)	(1)
120 – 180 days	2.5	24	–	(2)	(2)
>180 days	1.13	91	–	(41)	(41)
Total		184	–	(47)	(47)

** Less than R1 million.*

22. Asset held-for-sale

	Group	
	2020 Rm	2019 Rm
Carrying amount at the beginning of the year	–	–
Net investment in Coza Mining (Pty) Ltd reclassified from equity-accounted investments	135	–
Carrying amount at the end of the year	135	–

Notes to the group and company annual financial statements continued

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22. Asset held-for-sale continued

Since 2018, ArcelorMittal South Africa has embarked on a turnaround strategy to diversify the supply and cost structure of its raw material supply. As part of the execution of this strategy, ArcelorMittal South Africa announced the disposal of its entire 25% interest in Coza Mining (Pty) Ltd (Coza), through its wholly owned subsidiary, Oakwood Trading 21 (Pty) Ltd (Oakwood) to Afrimat Ltd (Afrimat) on 17 August 2020.

Prior to the transaction date, the net investment in Coza comprised the investment for the shares in Coza as well as the Oakwood loan. The investment in shares was equity-accounted in accordance with IAS 28, while the loan was accounted for in accordance with IFRS 9. Equity-accounted losses from Coza have not been recognised since 2015 as a result of the net investment being impaired to Rnil.

In 2019, the net investment in Coza amounted to R79 million, comprising only the loans previously advanced to Coza which were considered to be recoverable. Although the loans form part of the net investment in the associate, they are accounted for in accordance with IFRS 9. The cumulative equity-accounted losses of Coza not recognised in previous years and in the current year were set off against the total net investment in Coza, including the Oakwood loan. Immediately prior to classification as held-for-sale, the net investment in Coza (including the Oakwood loan) was measured at its recoverable amount in accordance with IAS 36 (which recoverable amount includes the value of the Oakwood loan measured in accordance with IFRS 9 – ie net of expected credit loss allowances). Impairment reversals required to measure the net investment in Coza to its recoverable amount immediately prior to classification as held-for sale in accordance with IFRS 5 were recognised in profit or loss.

Upon classification as held-for-sale on 17 August 2020, the net investment in Coza was classified as held-for-sale and measured at the lower of its carrying amount and fair value less costs to sell. The unit of account for this measurement of the fair value is Oakwood's 25% interest in the entire Coza business.

	Group	
	2020 Rm	2019 Rm
Carrying amount at the beginning of the year	79	–
Increase in loan advanced	3	–
Impairment reversal recognised in profit or loss	53	79
Reclassified to asset held-for-sale	(135)	–
Carrying amount at the end of the year	**–**	79

23. Cash, bank balances and restricted cash

The group and company held cash and cash equivalents of R3 340 million and R3 337 million respectively as at 31 December 2020 (2019: R1 988 million and R1 972 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, net of outstanding bank overdrafts. Cash, cash equivalents and restricted cash at the end of the reporting period as shown in the group and company statements of cash flows can be reconciled to the related items in the group and company statements of financial position as follows:

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Bank balances	**3 340**	1 988	**3 337**	1 972

Included in cash and bank is restricted cash of R816 million (2019: R1 134 million) relating to the TSR facility of R501 million (2019: R823 million), the environmental rehabilitation obligations of R302 million (2019: R311 million) as contained in note 26 and Coza guarantee of R13 million (2019: zero) in respect of Coza Mining (Pty) Ltd.

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

Bank accounts of R695 million (2019: R600 million) were ceded in favour of the lenders of the BBF and TSR facility.

24. Stated capital

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Ordinary shares	**4 537**	4 537	**4 537**	4 537
A1 ordinary shares at no par value*	**–**	–	**–**	–
A2 ordinary shares at no par value*	**–**	–	**–**	–
Total	**4 537**	4 537	**4 537**	4 537

** Value less than R1 million.*

Notes to the group and company annual financial statements continued

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24. Stated capital continued

	Group 2020 Number of shares	Group 2019 Number of shares	Company 2020 Number of shares	Company 2019 Number of shares
Reconciliation of authorised shares				
Ordinary shares at no par value	**1 200 000 000**	1 200 000 000	**1 200 000 000**	1 200 000 000
A1 ordinary shares at no par value	**243 240 276**	243 240 276	**243 240 276**	243 240 276
A2 ordinary shares at no par value	**72 972 083**	72 972 083	**72 972 083**	72 972 083
	1 516 212 359	1 516 212 359	**1 516 212 359**	1 516 212 359
Issued shares				
Ordinary shares of no par value	**1 138 059 825**	1 138 059 825	**1 138 059 825**	1 138 059 825
A1 ordinary shares of no par value	**243 240 276**	243 240 276	**243 240 276**	243 240 276
A2 ordinary shares of no par value	**72 972 083**	72 972 083	**72 972 083**	72 972 083
Total shares in issue	**1 454 272 184**	1 454 272 184	**1 454 272 184**	1 454 272 184
Reconciliation of shares issued to shares outstanding				
Total shares issued	**1 454 272 184**	1 454 272 184	**1 454 272 184**	1 454 272 184
Amandla we Nsimbi (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)
Ikageng Broad-Based Employee Share Trust	**–**	(21 103 219)	**–**	(21 103 219)
Total shares outstanding	**1 114 612 789**	1 093 509 570	**1 114 612 789**	1 093 509 570

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

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 5.0% 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 7.75 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 trusts hold 29.53% of the shares in Amandla we Nsimbi (RF) (Pty) Ltd, reducing Likamva Resources' shareholding to 70.47%. Therefore, an indirect effective shareholding of 5.0% 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 (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 (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 (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 2020:

	2020		2019	
	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	1 454 272 184	100

Of the issued shares, Ikageng Broad-Based Employee Share Trust holds 0% (2019: 1.5%) and Vicva Investments and Trading Nine (Pty) Ltd owns 1.6% (2019: 1.6%).

Ikageng Broad-Based Employee Share Trust held the shares in the company for the benefit of the employees until it vested on 30 September 2020. Amandla we Nsimbi (Pty) Ltd and the Isabelo Employee Share Trust hold 100% of the A1 ordinary and A2 ordinary shares representing 17.0% and 5.0% shareholding respectively. 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. Ikageng Broad-Based Employee Share Trust was treated as such until 30 September 2020.

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25. Lease obligations

	Group 2020 Rm	Group 2019 Rm	Company 2020 Rm	Company 2019 Rm
SECURED – AT AMORTISED COST				
Non-current	44	74	30	43
Current	29	26	12	11
Total	73	100	42	54
MATURITY PROFILE				
Minimum lease payments				
Due in 2020	–	36	–	15
Due in 2021	36	36	15	16
Due in 2022	31	31	16	16
Due in 2023	17	17	17	17
Total	84	120	48	64
Future finance charges	(11)	(20)	(6)	(10)
Present value of minimum lease payments	73	100	42	54

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.

26. 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 2020						
At the beginning of the year	252	1 791	167	366	265	2 841
Charge to the statement of comprehensive income	35	166	(69)	(13)	122	241
Additions and scope changes	(9)	(151)	(69)	(13)	122	(120)
Discount rate change	17	130	–	–	–	147
Unwinding of the discount effect	27	187	–	–	–	214
Utilised during the year	(2)	(62)	(88)	(238)	(90)	(480)
At the end of the year	285	1 895	10	115	297	2 602
Non-current	222	1 607	–	–	3	1 832
Current	63	288	10	115	294	770
Total	285	1 895	10	115	297	2 602

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

26. Provisions continued

	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 2019						
At the beginning of the year	204	1 954	–	–	22	2 180
Charge to the statement of comprehensive income	51	(28)	167	366	243	799
Additions and scope changes	18	(238)	167	366	243	556
Discount rate change	10	(7)	–	–	–	3
Unwinding of the discount effect	23	217	–	–	–	240
Utilised during the year	(3)	(135)	–	–	–	(138)
At the end of the year	252	1 791	167	366	265	2 841
Non-current	218	1 540	–	–	3	1 761
Current	34	251	167	366	262	1 080
Total	252	1 791	167	366	265	2 841

	Asset retirement obligation Rm	**Environ-mental remediation Rm**	**Restruc-turing cost Rm**	**Other Rm**	**Total Rm**
COMPANY					
For the year ended 31 December 2020					
At the beginning of the year	**205**	**1 523**	**223**	**185**	**2 136**
Charge to the statement of comprehensive income	**36**	**161**	**28**	**110**	**335**
Additions and scope changes	**–**	**(151)**	**28**	**110**	**(13)**
Discount rate change	**14**	**128**	**–**	**–**	**142**
Unwinding of the discount effect	**22**	**184**	**–**	**–**	**206**
Utilised during the year	**–**	**(12)**	**(138)**	**(69)**	**(219)**
At the end of the year	**241**	**1 672**	**113**	**226**	**2 252**
Non-current	**209**	**1 346**	**–**	**2**	**1 557**
Current	**32**	**326**	**113**	**224**	**695**
Total	**241**	**1 672**	**113**	**226**	**2 252**

	Asset retirement obligation Rm	Environ-mental remediation Rm	Restruc-turing cost Rm	Other Rm	Total Rm
COMPANY					
For the year ended 31 December 2019					
At the beginning of the year	192	1 596	–	20	1 808
Charge to the statement of comprehensive income	16	57	223	165	461
Additions and scope changes	(13)	(81)	223	165	294
Discount rate change	8	4	–	–	12
Unwinding of the discount effect	21	134	–	–	155
Utilised during the year	(3)	(130)	–	–	(133)
At the end of the year	205	1 523	223	185	2 136
Non-current	173	1 322	–	3	1 498
Current	32	201	223	182	638
Total	205	1 523	223	185	2 136

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

26. 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	Restruc-turing costs Rm	Other Rm	Total Rm
GROUP						
For the year ended 31 December 2020						
Less than one year	67	309	10	123	316	825
More than one year, less than five years	263	1 753	–	–	3	2 019
Greater than five years	48	678	–	–	1	727
Total	378	2 740	10	123	320	3 571
COMPANY						
For the year ended 31 December 2020						
Less than one year	34	350	–	121	240	745
More than one year, less than five years	260	1 487	–	–	3	1 750
Greater than five years	19	518	–	–	–	537
Total	313	2 355	–	121	243	3 032

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

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Restruc-turing costs Rm	Other Rm	Total Rm
GROUP						
For the year ended 31 December 2020						
Less than one year	63	288	10	115	294	770
More than one year less than five years	201	1 358	–	–	1	1 560
Greater than five years	21	249	–	–	2	272
Total	285	1 895	10	115	297	2 602
COMPANY						
For the year ended 31 December 2020						
Less than one year	32	326	–	113	224	695
More than one year less than five years	199	1 157	–	–	2	1 358
Greater than five years	10	189	–	–	–	199
Total	241	1 672	–	113	226	2 252

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 secure 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.

26. 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 13 amounts to Rnil (2019: R33 million) for the group and Rnil (2019: Rnil) for the company.

The term of the obligation assessment varies according to the site. The maximum term is 16 years.

	2020 %	2019 %
Average discount rates		
Asset retirement obligation	9.83	12.06
Environmental remediation obligation	11.25	13.03

The average escalation factor applied to the current cash flow estimates is 3.56% (2019: 5.17%).

Onerous contract

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

Restructuring cost

The restructuring cost relates to the section 189 retrenchments, announced in June 2020 and finalised during December 2020 and January 2021.

The sensitivity of the carrying amount of the obligations at 31 December 2020 in response to changes in key inputs is:

Carrying amount at 31 December 2020	Asset retirement obligation increase/ (decrease) Rm	Environmental remediation obligation increase/ (decrease) Rm
Percentage change in all cash flows		
+10%	(29)	(190)
-10%	29	190
Percentage change in cash flows in first five years		
+10%	(26)	(165)
-10%	26	165
Basis point change in discount rate		
+100 bps	(4)	(30)
-100 bps	4	30
Basis point change in discount rate in first five years		
+100 bps	(4)	(25)
-100 bps	4	25

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

27. Trade and other payables

	Group 2020 Rm	Group 2019 Rm	Company 2020 Rm	Company 2019 Rm
Trade payables				
Trade payables	7 411	8 112	6 984	7 184
TSR programme	501	823	501	823
Total	7 912	8 935	7 485	8 007
Other payables				
Leave pay	474	409	473	408
Refund liability	7	6	7	6
Sundry	310	414	301	400
Total	791	829	781	814
Non-current trade and other payables	283	373	282	372
Current trade and other payables	8 420	9 391	7 984	8 449
Total	8 703	9 764	8 266	8 821

TSR programme

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

Leave pay benefits accrual

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

Refund liability

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

Sundry

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

28. Borrowings

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Secured – at amortised cost				
Bank	**2 450**	1 150	**2 450**	1 150
Loans from holding company	**4 514**	4 208	**4 514**	4 208
Total loans	**6 964**	5 358	**6 964**	5 358
Non-current	**4 514**	4 208	**4 514**	4 208
Current	**2 450**	1 150	**2 450**	1 150
Total	**6 964**	5 358	**6 964**	5 358

During 2019, the group renewed the BBF with various financial institutions for a three-year tenure. At 31 December 2020, R2 450 million (2019: R1 150 million) was drawdown on the facility and R2 050 million (2019: R3 350 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 has increased by R306 million as a result of the capitalisation of the accrued interest of R342 million, capitalising intercompany payables of R178 million and decreased by R214 million as a result of the measurement of the loan at amortised cost.

The weighted average interest rate payable on borrowings is 8.19% (2019: 10.18%).

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

29. Other financial liabilities

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Non-current				
Financial liabilities carried at amortised cost				
Competition Commission administrative penalty	**–**	300	**–**	300
Total	**–**	300	**–**	300
Current				
Financial liabilities carried at FVTPL				
Other forward exchange contracts	**19**	–	**19**	–
Financial liabilities carried at amortised cost				
Competition Commission administrative penalty	**998**	600	**998**	600
Total	**1 017**	600	**1 017**	600

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

29. Other financial liabilities continued

Financial liabilities carried at amortised cost

Competition Commission administrative penalty

In 2016 the Competition Tribunal approved a settlement agreement reached with the Competition Commission and which provided for an administrative penalty of R1 500 million to be paid over a five-year period. The balance represents the present value of the repayment of the administrative penalty over the remaining period at the prevailing interest rate on debt owing to the state prescribed by the Minister of Finance in terms of section 80(1)(b) of the Public Finance Management Act 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 was due in November 2019 and November 2020.

In addition, ArcelorMittal South Africa is subject to an earnings before interest and tax cap on flat products produced at Vanderbijlpark and sold into the local market as well as spending R4 600 million on capital expenditure projects subject to it being affordable and feasible (refer to note 37). Both commitments will apply for five years, subject to revision as explained in note 37.

Financial liabilities: carried at FVTPL

Forward exchange contracts

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

30. Notes to the statement of cash flows

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
30.1 Cash generated from operations				
Loss from operations	**(924)**	(2 359)	**(657)**	(1 120)
Adjusted for:				
Depreciation and amortisation	**556**	830	**556**	796
Unrealised profit on sales to joint ventures	**1**	1	**–**	–
Share option and participation costs	**34**	56	**34**	56
Non-cash movement in provisions and financial liabilities	**(126)**	184	**(9)**	106
(Reversal of write-down)/write-down of inventory to net realisable value	**(212)**	94	**(67)**	(54)
Movements in trade and other receivable allowances	**27**	36	**27**	36
Reconditionable spares usage	**1**	–	**1**	–
Loss on disposal or scrapping of property, plant and equipment	**8**	14	**8**	14
Fair value adjustment on environmental trust	**(30)**	(16)	**–**	–
Realised foreign exchange movements	**(289)**	(180)	**(284)**	(179)
Changes in:				
Decrease in inventories	**1 555**	3 415	**806**	3 015
Decrease in trade and other receivables	**1 196**	1 208	**1 110**	549
Decrease in trade and other payables	**(614)**	(2 876)	**(100)**	(2 465)
Utilisation of provisions	**(241)**	(138)	**(81)**	(133)
Changes in financial liabilities or assets	**(35)**	(84)	**(35)**	(84)
Other payables raised, released and utilised relating to employee benefit	**(40)**	58	**59**	57
	867	243	**1 368**	594

30. Notes to the statement of cash flows continued

		Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
30.2	**Income tax refunded/(paid)**				
	Normal taxation recoverable/(payable) at the beginning of the year	(72)	41	21	132
	Amounts charged to the statement of comprehensive income	(10)	17	4	–
	Normal taxation payable/(recoverable) at the end of the year	106	72	–	(21)
		24	130	25	111
30.3	**Investment to maintain operations**				
	Replacement of property, plant and equipment	(372)	(1 045)	(355)	(914)
	Intangible assets	(16)	(10)	(15)	(10)
	Environmental	(55)	(187)	(54)	(188)
	Reconditionable spares	(26)	(105)	(26)	(85)
		(469)	(1 347)	(450)	(1 197)
30.4	**Investment to expand operations**				
	Property, plant and equipment for expansion	(40)	(144)	(39)	(106)
	Total capital expenditure	(509)	(1 491)	(489)	(1 303)

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

30. Notes to the statement of cash flows continued

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

	2020		2019	
	Borrowings Rm	Lease liabilities Rm	Borrowings Rm	Lease liabilities Rm
GROUP				
At the beginning of the year	5 358	100	3 000	61
Repayment of borrowings	(2 300)	–	(9 700)	–
Proceeds from borrowings	3 600	–	10 550	–
Capitalised accrued interest and payables to group	520	–	1 508	–
Measurement of borrowings at amortised cost	(214)	–	–	–
Increase in lease liability	–	–	–	63
Payment of lease liability	–	(25)	–	(24)
Interest expense	–	10	–	13
Interest paid	–	(10)	–	(13)
At the end of the year	6 964	73	5 358	100
COMPANY				
At the beginning of the year	5 358	54	3 000	2
Repayment of borrowings	(2 300)	–	(9 700)	–
Proceeds from borrowings	3 600	–	10 550	–
Capitalised accrued interest and payables to group	520	–	1 508	–
Measurement of borrowings at amortised cost	(214)	–	–	–
Increase in lease liability	–	–	–	63
Payment of lease liability	–	(10)	–	(11)
Interest expense	–	4	–	5
Interest paid	–	(4)	–	(5)
At the end of the year	6 964	42	5 358	54

31. Financial instruments – fair values 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.

	2020					
	FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Non-financial assets/ liabilities Rm	Total Rm
GROUP						
Options and financial assets measured at fair value						
Forward exchange contracts used for hedging	–	30	–	–	–	30
Other forward exchange contracts	–	–	–	–	–	–
Equity securities	–	378	11	–	–	389
	–	408	11	–	–	419
Financial assets not measured at fair value						
Trade and other receivables	–	–	–	1 623	–	1 623
Cash, cash equivalents and restricted cash	–	–	–	3 340	–	3 340
	–	–	–	4 963	–	4 963
Financial liabilities measured at fair value						
Forward exchange contracts used for hedging	–	–	–	–	–	–
Other forward exchange contracts	–	19	–	–	–	19
	–	19	–	–	–	19
Financial liabilities not measured at fair value						
Borrowings	–	–	–	–	6 964	6 964
Competition Commission penalty	–	–	–	–	998	998
Lease obligations	–	–	–	–	73	73
Trade payables	–	–	–	–	7 912	7 912
Other payables*	–	–	–	–	305	305
	–	–	–	–	16 252	16 252

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

2019 FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Non-financial assets/ liabilities Rm	Total Rm	Fair value hierarchy
189	–	–	–	–	189	Level 2
–	4	–	–	–	4	Level 2
–	348	40	–	–	388	Level 1
189	352	40	–	–	581	
–	–	–	2 837	–	2 837	Level 3
–	–	–	1 988	–	1 988	
–	–	–	4 825		4 825	
–	–	–	–	–	–	Level 2
–	–	–	–	–	–	Level 2
–	–	–	–	–	–	
–	–	–	–	5 358	5 358	Level 2
–	–	–	–	900	900	Level 2
–	–	–	–	100	100	Level 2
–	–	–	–	8 935	8 935	
–	–	–	–	323	323	
–	–	–	–	15 616	15 616	

31. Financial instruments – fair values and risk management continued

31.1 Accounting classifications and fair values continued

	2020					
	FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Non-financial assets/ liabilities Rm	Total Rm
COMPANY						
Financial assets measured at fair value						
Options and forward exchange contracts used for hedging	–	30	–	–	–	30
Other forward exchange contracts	–	–	–	–	–	–
Equity securities	–	–	11	–	–	11
	–	30	11	–	–	41
Financial assets not measured at fair value						
Trade and other receivables	–	–	–	1 602	–	1 602
Cash, cash equivalents and restricted cash	–	–	–	3 337	–	3 337
	–	–	–	4 939	–	4 939
Financial liabilities measured at fair value						
Forward exchange contracts used for hedging	–	–	–	–	–	–
Other forward exchange contracts	–	19	–	–	–	19
	–	19	–	–	–	19
Financial liabilities not measured at fair value						
Borrowings	–	–	–	–	6 964	6 964
Competition Commission penalty	–	–	–	–	998	998
Lease obligations	–	–	–	–	42	42
Trade payables	–	–	–	–	7 485	7 485
Other payables*	–	–	–	–	297	297
	–	–	–	–	15 786	15 786

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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

2019						
FVTOCI hedging instrument Rm	FVTPL Rm	FVTOCI Rm	Assets/ liabilities amortised cost Rm	Non-financial assets/ liabilities Rm	Total Rm	Fair value hierarchy
189	–	–	–	–	189	Level 2
–	4	–	–	–	4	Level 2
–	–	40	–	–	40	Level 1
189	4	40	–	–	233	
–	–	–	2 746	–	2 746	Level 3
–	–	–	1 972	–	1 972	
–	–	–	4 718	–	4 718	
–	–	–	–	–	–	Level 2
–	–	–	–	–	–	Level 2
–	–	–	–	–	–	
–	–	–	–	5 358	5 358	Level 2
–	–	–	–	900	900	Level 2
–	–	–	–	53	53	Level 2
–	–	–	–	8 007	8 007	
–	–	–	–	311	311	
–	–	–	–	14 629	14 629	

31. Financial instruments – fair values and risk management continued

31.1 Accounting classifications and fair values continued

Measurement of fair values – valuation techniques

The following tables show the valuation techniques used in measuring level 2 and level 3 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.
Other financial liabilities*	Discounted cash flows: the valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.
Trade and other receivables	Included in trade and other receivables are trade receivables subject to the TSR programme. The fair value measurement of these receivables were determined based on the invoice amount net of TSR expense payable, a level 3 unobservable input. The TSR expense is insignificant due to the rate applicable and the short timeframe between the time of the sale and the carrying amount.

* *Other financial liabilities include Competition Commission penalty and lease liability.*

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).

31.2 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 their training and management standards and procedures, aim to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group and company's audit and risk committee oversees 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 2020

31. Financial instruments – fair values and risk management continued

31.2 Financial risk management overview and objectives continued

Financial risks to which the group and company are exposed consist of:

- **Financial market risk, consisting of:**
  1. Foreign currency risk
  2. Commodity price risks
  3. Interest rate risk
  4. Liquidity risk, being:
     - Cash flow volatility
     - Fair value and cash flow interest rate risk
- **Capital management and gearing risk**
- **Customer credit risk as detailed in note 21**

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.

The treasury policy addresses market, liquidity, capital management, gearing risk and customer credit risk through the direction of the following activities:

- **Financing facilities**
- **Financial guarantees and letters of credit**
- **Market risk management through:**
  1. Foreign currency risk management
  2. Commodity risk management
  3. Interest rate management
- **Cash management through liquidity management**

  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 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, trade imports and exports exposures. During 2019 some of the derivatives were designated within hedge accounting relationships.

31. Financial instruments – fair values and risk management continued

31.4 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	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Monetary assets				
United States dollar (USD)				
Cash and cash equivalents	**84**	23	**81**	23
Trade and other receivables (unrelated parties)	**225**	563	**225**	520
Options and forward exchange contracts used for hedging	**30**	189	**30**	189
Other forward exchange contracts	**–**	4	**–**	4
Euro (EUR)				
Cash and cash equivalents	**3**	–	**3**	–
Pound sterling (GBP)				
Trade and other receivables (unrelated parties)	**3**	–	**3**	–
Metical (MZN)				
Cash and cash equivalents	**3**	8	**–**	–
Total foreign denominated monetary assets	**348**	787	**342**	736
Monetary liabilities				
USD				
Trade and other payables (related parties)	**(3 397)**	(3 876)	**(3 051)**	(3 542)
Trade and other payables (unrelated parties)	**–**	(10)	**–**	(10)
Other forward exchange contracts	**(19)**	–	**(19)**	–
EUR				
Trade and other payables (related parties)	**(49)**	(106)	**(49)**	(106)
Trade and other payables (unrelated parties)	**(72)**	(36)	**(72)**	(29)
Total foreign denominated monetary liabilities	**(3 537)**	(4 028)	**(3 191)**	(3 687)
Total net foreign denominated monetary liabilities	**(3 189)**	(3 241)	**(2 849)**	(2 951)

Only notable currency holdings are disclosed.

31.4.1 Foreign currency sensitivity

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	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
USD				
Profit or loss	**307**	330	**273**	301
EUR				
Profit or loss	**12**	14	**12**	14
Total	**319**	344	**285**	315

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

31. Financial instruments – fair values and risk management continued

31.4 Foreign currency risk management continued

31.4.2 Currency risk

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

The group and company's risk management policy is to hedge highly probable forecast USD sales with reference to the deemed USD-exposed EBITDA. The group and company use forward exchange contracts and options to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.

The group and company designate the spot and forward elements of forward FECs to hedge their currency risk and apply a hedge ratio of 1:1. The group and company's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The group and company determine the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The group and company assess whether the derivative designated in each hedging relationship is expected to be and has been effective in assessing the economic relationship. In case critical terms do not match or fair value changes in the hedging instrument cannot be expected to perfectly offset changes in the fair value of the hedged item, further qualitative analysis may be performed. Such analysis serves to establish whether the economic relationship is sufficiently strong to comply with the group and company's risk management policies.

In these hedge relationships, the main sources of ineffectiveness are:

- changes in the timing of the hedged transactions
- reduction in the amount of the hedged sales due to:
  (a) sale quantities below forecast quantities
  (b) price at delivery lower than estimated
- the effect of the counterparties' and the group and company's own credit risk on the fair value of the forward FECs, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates.

Cash flow hedges

At 31 December 2020, the group and company held the following instruments to hedge exposures to changes in foreign currency.

Foreign currency risk	1 – 6 months
Options	
Call options exposure (USDM)	25
Average ZAR:USD exercise price on call options	16.89
Put options exposure (USDM)	25
Average ZAR:USD exercise price on put options	15.64

31. Financial instruments – fair values and risk management continued

31.4 Foreign currency risk management continued

31.4.2 Currency risk continued

The following table provides a reconciliation of equity and analysis of OCI items for group and company, resulting from cash flow hedge accounting:

Cash flow hedges	Hedging reserve Rm	Line item in profit or loss affected by the reclassification
Balance at 1 January 2020	136	
Changes in fair value:		
Foreign currency risk – revenue		
Forward exchange contracts	(180)	
Options	(75)	
Amount reclassified to profit or loss		
Forward exchange contracts	66	Revenue
Options	–	
Corporate income tax hedging	53	
Balance at 31 December 2020	–	

31.4.3 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

FC: foreign currency	Average price FC/R	Contract value FCm	Fair value favourable/ (unfavourable) Rm	Profit or (loss) Rm
GROUP				
2020				
Other forward contracts				
Buy USD	15.41	28	(19)	(19)
2019				
Other forward contracts				
Buy EUR	14.32	25	4	1
COMPANY				
2020				
Other forward contracts				
Buy USD	15.41	28	(19)	(19)
2019				
Other forward contracts				
Buy EUR	14.32	25	4	1

31.5 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

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

31. Financial instruments – fair values and risk management continued

31.5 Interest rate risk management continued

31.5.1 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:

- Maintain adequate reserves, banking facilities and reserve borrowing facilities by monitoring 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	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Facilities at the end of the reporting period	2 050	3 350	2 050	3 350

The BBF loan increased from R1 150 million at 31 December 2019 to R3 100 million at end of June 2020 during the hard lockdown and since decreased to R2 450 million as the economy start to recover from the lockdown.

The BBF available to the group is subject to financial covenants. As at 31 December 2020, the group is in compliance with all covenants.

31.5.2 Liquidity and interest risk tables

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.

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
GROUP					
For the year ended 31 December 2020					
Trade payables	7 912	–	–	7 912	7 912
Other payables	305	–	–	305	305
Other financial liabilities	–	998	–	998	998
Lease obligations	18	18	48	84	73
Borrowings	2 450	–	4 728	7 178	6 964
Total	**10 685**	**1 016**	**4 776**	**16 477**	**16 252**
For the year ended 31 December 2019					
Trade payables	8 935	–	–	8 935	8 935
Other payables	323	–	–	323	323
Other financial liabilities	–	600	300	900	900
Lease obligations	17	18	84	119	100
Borrowings	1 210	–	4 208	5 418	5 358
Total	10 485	618	4 592	15 695	15 616

The group and company have access to financing facilities as noted earlier of which R2 050 million (2019: R3 350 million) was undrawn at the end of the reporting date. The group and company expect to meet most of their other obligations from operating cash flows and proceeds from maturing financial assets.

31. Financial instruments – fair values and risk management continued

31.5 Liquidity risk management continued

31.5.2 Liquidity and interest risk tables 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 2020					
Trade payables	7 485	–	–	7 485	7 485
Other payables	297	–	–	–	297
Other financial liabilities	–	998	-	998	998
Lease obligations	7	8	33	48	42
Borrowings	2 450	–	4 728	7 178	6 964
Total	10 239	1 006	4 761	16 006	15 786
For the year ended 31 December 2019					
Trade payables	8 007	–	–	8 007	8 007
Other payables	311	–	–	311	311
Other financial liabilities	–	600	300	900	900
Lease obligations	7	7	48	62	53
Borrowings	1 210	–	4 208	5 418	5 358
Total	9 535	607	4 556	14 698	14 629

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 2020					
Trade and other receivables	1 623	–	–	1 623	1 623
Cash, cash equivalents and restricted cash	3 340	–	–	3 340	3 340
Total	4 963	–	–	4 963	4 963
For the year ended 31 December 2019					
Trade and other receivables	2 837	–	–	2 837	2 837
Cash, cash equivalents and restricted cash	1 988	–	–	1 988	1 988
Total	4 825	–	–	4 825	4 825

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

31. Financial instruments – fair values and risk management continued

31.5 Liquidity risk management continued

31.5.2 Liquidity and interest risk tables 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 2020					
Trade receivables	1 602	–	–	1 602	1 602
Cash, cash equivalents and restricted cash	3 337	–	–	3 337	3 337
Total	4 939	–	–	4 939	4 939
For the year ended 31 December 2019					
Trade receivables	2 746	–	–	2 746	2 746
Cash, cash equivalents and restricted cash	1 972	–	–	1 972	1 972
Total	4 718	–	–	4 718	4 718

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 2020					
Net cash-settled foreign currency derivatives	30	–	–	30	30
Total	30	–	–	30	30
For the year ended 31 December 2019					
Net cash-settled foreign currency derivatives	193	–	–	193	193
Total	193	–	–	193	193
COMPANY					
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	30	–	–	30	30
Total	30	–	–	30	30
For the year ended 31 December 2019					
Net cash-settled foreign currency derivatives	193	–	–	193	193
Total	193	–	–	193	193

31. Financial instruments – fair values and risk management continued

31.5 Liquidity risk management continued

31.5.2 Liquidity and interest risk tables continued

	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	Total Rm	Carrying amount Rm
Financial liabilities					
GROUP					
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	14	5	–	19	19
Total	14	5	–	19	19
For the year ended 31 December 2019					
Net cash-settled foreign currency derivatives	–	–	–	–	–
Total	–	–	–	–	–
COMPANY					
For the year ended 31 December 2020					
Net cash-settled foreign currency derivatives	14	5	–	19	16
Total	14	5	–	19	16
For the year ended 31 December 2019					
Net cash-settled foreign currency derivatives	–	–	–	–	–
Total	–	–	–	–	–

31.6 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 2020.

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

31. Financial instruments – fair values and risk management continued

31.6 Capital risk management continued

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Cash, cash equivalents and restricted cash	**3 340**	1 988	**3 337**	1 972
Interest-bearing borrowings	**(5 922)**	(4 328)	**(5 922)**	(4 328)
Non-interest-bearing borrowings	**(1 042)**	(1 030)	**(1 042)**	(1 030)
Net debt	**(3 624)**	(3 370)	**(3 627)**	(3 386)
Total shareholders' equity	**2 344**	3 405	**3 066**	4 158
Gearing ratio (%)	**154.6**	98.97	**118.3**	81.43
Estimated impact on profit or loss based on a 100 basis point change in interest rate:				
100 basis point increase	**(25.82)**	(23.40)	**(25.85)**	(23.56)
100 basis point decrease	**25.82**	23.40	**25.85**	23.56

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 R3 481 million (2019: R7 209 million) from and sold goods to the value of R36 million (2019: R19 million) to other companies in the ArcelorMittal group.

The outstanding balances at year-end are:
- Included in trade receivables, R26 million (2019: R28 million)
- Included in trade payables, R3 069 million (2019: R3 953 million)

Included in payables is the corporate service fee of R15 million (2019: R18 million) payable to ArcelorMittal group for corporate services rendered and a fee for research and development of Rnil (2019: R85 million).

Included in borrowings (refer to note 28) is a loan of R4 514 million (2019: R4 208 million) with the holding company. An amount of R263 million (2019: R287 million) was incurred for interest.

Jointly controlled entities and associates

The group purchased goods and services to the value of R23 million (2019: Rnil) from, and sold goods to the value of R574 million (2019: R782 million) to its equity-accounted entities.

The outstanding balances at year-end are:
- Included in trade receivables, R61 million (2019: R63 million)
- Included in trade payables, Rnil (2019: Rnil)

Included in the carrying value of jointly controlled entities are non-current loans of R125 million (2019: R131 million).

Subsidiaries

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

ArcelorMittal South Africa Ltd received a management fee of R71 million (2019: R270 million) from Saldanha Steel (Pty) Ltd for ArcelorMittal South Africa employees employed at Saldanha Works.

32. Related-party disclosures continued

Directors

Details relating to directors' remuneration and shareholdings (including long-term incentive plan (LTIP) units) in the company are disclosed in note 35. In 2019, Noma Namuhla Trading and Projects (Pty) Ltd, a company owned by Nomavuso Mnxasana, made sales to ArcelorMittal South Africa totalling Rnil (2019: R69 000). In 2016, a loan of R350 000 was given to Noma Namuhla Trading and Projects (Pty) Ltd. This loan is still outstanding and has no fixed repayment terms.

Senior employees and prescribed officers

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

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.

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	
	2020	2019	**2020 Rm**	2019 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	**4 324**	5 041	**43**[1]	174
Iscor Employees' Umbrella Provident Fund	**2 182**	2 685	**30**[1]	68
Total	**6 506**	7 726	**73**	242

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

33.2 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 2020 there were 14 qualifying retirees (2019: 17).

34. Share-based payments

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, remuneration, social and ethics 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 and individual performance. New grants to senior management from 2015 also vest depending on 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.

Notes to the group and company annual financial statements continued

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34. Share-based payments continued

Equity-settled share plan – local employees continued

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.

ArcelorMittal South Africa share option plan

The group and company operate 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 2014. 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 is calculated in accordance with employees' role grading within the company and group as approved by the remuneration committee of ArcelorMittal South Africa and as incorporated within the trust deed of the management share trust. Upon resignation, the share options lapse immediately. Upon death, the options lapse within six months.

Employee share ownership plan (ESOP)

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

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

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

Isabelo Employee Share Trust (B-BBEE)

During 2016 the Isabelo Employee Share Trust and Amandla we Nsimbi (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 (Pty) Ltd and the Isabelo Employee Share Trust, representing 17% and 5.0%, respectively, of the voting rights in ArcelorMittal South Africa through a notional loan.

Key assumptions

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

	Isabelo		ESOP		LTIP		Share options	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Weighted average fair value on grant date (R)*	**3.30**	3.30	**9.13**	9.13	**–**	3.30	**–**	–
Expected attrition rate over the life of the scheme (%)	**31.64**	35.41	**10.16**	10.16	**9.03**	9.03	**9.03**	9.03
Charge to statement of comprehensive income (Rm)	**17**	12	**18**	27	**(9)**	17	**–**	–

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

34. Share-based payments continued

Key assumptions continued

	Group and Company	
	2020 million	2019 million
Shares available for distribution		
Opening balance	**0.1**	19.4
Utilisation	**–**	(27.4)
Releases, forfeitures, resignations	**–**	8.1
Closing balance	**0.1**	0.1

Reconciliation of outstanding LTIP units/share options/shares

	Isabelo		ESOP		LTIP		Share options	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Outstanding at the beginning of the year (million)	**64**	65	**17.3**	17.9	**55.5**	34.2	**(1.3)**	2.7
Granted/reinstated (million)	**–**	–	**3.8**	–	**–**	27.4	**–**	–
Expired/cancelled/forfeited/exercised (million)	**–**	(1)	**(21.1)**	(0.6)	**(8.1)**	(6.1)	**(0.2)**	(1.4)
Outstanding at the end of the year (million)	**64**	64	**–**	17.3	**47.4**	55.5	**(1.1)**	1.3
Exercisable options/units								
Weighted average remaining contractual life in days at year-end								
Average days until fully vested/until expiry (days)	**2 160**	2 525	**–**	274	**352**	717	**311**	676
Weighted average prices applicable per transaction type								
Granted (R/unit)	**3.30**	3.30	**9.13**	9.13	**–**	2.28	**–**	–
Exercised share price (R/unit)	**N/A**	N/A	**N/A**	N/A	**1.14**	1.84	**–**	–
Lapsed/cancelled (R/unit)	**N/A**	N/A	**N/A**	N/A	**762**	9.75	**45.04**	52.50
Outstanding (R/unit)	**3.30**	3.30	**–**	9.13	**2.75**	3.32	**52.60**	54.88

Notes to the group and company annual financial statements continued

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34. Share-based payments continued

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

	Isabelo		ESOP		LTIP		Share options	
	2020	2019	2020	2019	2020	2019	2020	2019
Latest expiry date	N/A	N/A	N/A	N/A	N/A	N/A	2021	2021
Exercise price range (R/unit)	N/A	N/A	N/A	N/A	N/A	N/A	6.50 – 87.20	6.50 – 87.50
Number of outstanding units/options	64 303 844	64 218 088	–	17 284 664	39 496 158	55 523 933	1 138 735	1 333 977
Total proceeds to employees if exercised immediately* (Rm)	62	76	–	21	38	65	–	–
Total intrinsic value of out-of-the-money options (Rm)	N/A	N/A	N/A	N/A	N/A	N/A	(59)	(115)
ArcelorMittal South Africa closing price at 31 December (R)	1.00	1.19	1.00	1.19	1.00	1.19	1.00	1.19

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

Terms of the options outstanding at the reporting date are:

	Options			
	Exercise price range 2020 R/units	Outstanding numbers 2020 units	Exercise price range 2019 R/units	Outstanding numbers 2019 units
For the year ended 31 December				
Expiry date details				
2020	–	–	6.50 – 87.20	112 205
2021	6.50 – 87.20	1 138 735	6.50 – 87.20	1 221 772
Total		1 138 735		1 333 977

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.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

34. Share-based payments continued

	Group and Company	
	16 December 2020	Restated* 20 December 2019
GROUP		
Number of units outstanding	**40 395**	41 518
Units fully vested	**13 220**	7 910
Weighted average fair value at grant date (USD/unit)	**19.99**	19.35
Average days until fully vested	**718**	731
Reconciliation of outstanding restricted stock units		
Outstanding at the beginning of the year	**41 518**	92 290
Granted	**7 287**	6 900
Transfers	**(500)**	(27 210)
Exercised/expired	**(7 910)**	(30 462)
Outstanding at the end of the year	**40 395**	41 518

* *Restated with new information from ArcelorMittal Group*

35. Remuneration of directors and prescribed officers

The table below refers to directors' remuneration and prescribed officers for services rendered to ArcelorMittal South Africa Ltd.

	Cash salary[1] 2020 R	Retirement funding 2020 R	Short-term incentives[2] 2020 R	Equity incentives[3] 2020 R	Retention/ sign-on bonus/ ex gratia/ UIF TERS/ VSP 2020 R	Other[4] 2020 R	Total remune-ration 2020 R	Total remune-ration 2019 R
Executive directors								
HJ Verster	6 940 555	131 183	–	–	1 637 175	54 576	8 763 489	10 643 744
AD Maharaj	2 688 297	67 955	–	–	620 509	51 567	3 428 328	4 726 960
Sub-total	9 628 852	199 138	–	–	2 257 684	106 143	12 191 817	15 370 704
Prescribed officers and highest-paid employees								
GA Griffiths	1 874 922	48 795	–	–	37 175	93 035	2 053 927	2 556 712
W Venter	1 774 892	45 178	–	–	37 175	49 050	1 906 295	2 423 220
CTW Whitcher[5]	651 438	41 613	–	–	6 638	142 607	842 297	2 392 010
S Achmat	1 731 703	79 549	–	–	37 175	57 132	1 905 559	2 380 274
M Adam	2 480 483	65 318	–	–	37 175	47 992	2 630 968	2 232 651
TS Didiza	1 474 317	37 683	–	–	37 175	54 725	1 603 900	919 567
JF Swart	1 601 290	40 517	–	–	37 175	60 719	1 739 701	2 275 573
NB Bam[6]	39 844	3 307	–	–	–	59 878	103 028	1 622 904
J Kotze	1 462 267	37 913	–	–	520 175	113 303	2 133 958	2 180 440
C Hautz	2 284 423	–	–	–	37 175	1 796 823	4 118 421	6 072 218
VDJM de Sousa[7]	883 908	10 092	–	–	37 175	42 383	973 558	–
JPS Olivier	2 765 129	69 871	–	–	1 237 175	82 377	4 154 552	4 301 795
AC Louis[8]	443 112	796	–	–	37 175	39 616	520 699	–
PC Snyders[9]	164 503	99	–	–	–	10 004	174 606	–
RI Holcroft[10]	–	–	–	–	–	–	–	895 921
AM Ngapo[11]	–	–	–	–	–	–	–	4 156 305
JP Jimenez Navarro[12]	–	–	–	–	–	–	–	3 012 757
WA Nel[13]	–	–	–	–	–	–	–	1 071 847
HPR Orsoni[14]	–	–	–	–	–	–	–	2 872 784
HG Kamat[15]	–	–	–	–	–	–	–	2 753 251
Sub-total	19 632 231	480 731	–	–	2 098 564	2 649 644	24 861 170	44 120 729
Total	29 261 083	679 869	–	–	4 356 248	2 755 787	37 052 987	59 490 933

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

35. Remuneration of directors and prescribed officers continued

	Directors' fees 2020 R	Committee fees 2020 R	Other 2020 R	Total remuneration 2020 R	Total remuneration 2019 R
Non-executive directors[16]					
PM Makwana	1 345 680	–	–	1 345 680	1 501 648
LC Cele	173 178	374 388	–	547 566	450 035
KM Musonda	173 178	197 025	–	370 203	340 788
G Gouws	173 178	318 161	1 274	492 613	487 964
JRD Modise	173 178	583 955	881	758 014	644 664
NP Mnxasana	173 178	629 372	1 544	804 095	687 960
NF Nicolau	173 178	464 064	1 353	638 596	574 960
NP Gosa	173 178	258 010	1 337	432 525	361 196
Total	2 557 926	2 824 975	6 389	5 389 291	5 049 215

1 *Cash salary includes basic salary (cash component).*
2 *The short-term incentive relates to bonus earned for 2019.*
3 *Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.*
4 *Other includes UIF, Compensation for Occupational Injuries and Diseases (COID), monthly leave structuring, leave encashment, travel claims, telephone costs, ad hoc payments, death benefit, employer contribution to medical aid and travel allowance. Other also includes mobility benefits paid to expatriates.*
5 *CTW Whitcher resigned as executive manager: technology effective 1 June 2020.*
6 *NB Bam resigned as company secretary effective 11 January 2020.*
7 *VDJM de Sousa was promoted to chief information officer effective 1 March 2020.*
8 *AC Louis appointed as senior manager for Saldanha Works effective 1 May 2020.*
9 *PC Snyders promoted to senior manager: Coke Making effective 1 December 2020.*
10 *RI Holcroft resigned as general manager: Saldanha Works effective 1 March 2019.*
11 *AM Ngapo resigned as general manager: Sales and Marketing, Africa Overland effective 1 July 2019.*
12 *JP Jimenez Navaro appointed as general manager: Saldanha Works effective 1 March 2019, and resigned effective from 31 December 2019.*
13 *WA Nel resigned as general manager: Procurement and Logistics effective 1 May 2019.*
14 *HPR Orsoni resigned as chief technology officer effective 1 April 2019.*
15 *HG Kamat resigned as group manager: Procurement and Logistics effective 1 April 2019.*
16 *NED fees based on invoice totals due to accounting (rounding) differences.*

35. Remuneration of directors and prescribed officers continued

35.1 ArcelorMittal South Africa long-term incentive plans and equity-settled share options

Names of executives	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
HJ Verster	20-06-2018	2 845 185	–	1 494 291	–	–	1 350 894	1 350 894
	20-06-2019	3 578 943	–	2 385 962	–	–	1 192 981	1 192 981
		6 424 128	–	3 880 253	–	–	2 543 875	2 543 875
AD Maharaj	20-08-2019	1 944 447	–	1 296 298	–	–	648 149	648 149
		1 944 447	–	1 296 298	–	–	648 149	648 149
M Adam	10-10-2016	195 204	–	195 204	–	–	–	–
	08-05-2017	333 203	–	–	201 868	131 335	–	–
	20-06-2018	1 061 776	–	557 645	–	–	504 131	504 131
	20-06-2019	589 891	–	393 261	–	–	196 630	196 630
		2 180 074	–	1 146 110	201 868	131 335	700 761	700 761
AM Ngapo	08-05-2017	553 624	–	–	352 548	201 076	–	–
	20-06-2018	540 050	–	283 634	–	–	256 416	256 416
		1 093 674	–	283 634	352 548	201 076	256 416	256 416
W Venter	10-10-2016	98 769	–	98 769	–	–	–	–
	08-05-2017	202 313	–	–	122 569	79 744	–	–
	20-06-2018	644 686	–	338 589	–	–	306 097	306 097
	20-09-2019	810 947	–	540 631	–	–	270 316	270 316
		1 756 715	–	977 989	122 569	79 744	576 413	576 413
CTW Whitcher	10-10-2016	40 515	–	–	–	40 515	–	–
	08-05-2017	217 980	–	–	–	217 980	–	–
	20-06-2018	536 636	–	–	–	536 636	–	–
	20-09-2019	728 472	–	–	–	728 472	–	–
		1 523 603	–	–	–	1 523 603	–	–
GA Griffiths	19-08-2019	548 247	–	182 749	–	–	365 498	365 498
		548 247	–	182 749	–	–	365 498	365 498
S Achmat	10-10-2016	25 423	–	12 712	–	–	12 712	12 712
	08-05-2017	26 288	–	–	21 107	5 181	–	–
	20-06-2018	100 522	–	26 397	–	–	74 125	74 125
	20-08-2019	1 582 356	–	1 054 904	–	–	527 452	527 452
		1 734 589	–	1 094 013	21 107	5 181	614 289	614 289

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

35. Remuneration of directors and prescribed officers continued

35.1 ArcelorMittal South Africa long-term incentive plans and equity-settled share options continued

Names of executives	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
JF Swart	10-10-2016	46 882	–	23 441	–	–	23 441	23 441
	08-06-2017	68 699	–	–	55 160	13 539	–	–
	20-06-2018	218 916	–	57 487	–	–	161 429	161 429
	19-08-2019	250 001	–	83 334	–	–	166 667	166 667
		584 498	–	164 262	55 160	13 539	351 537	351 537
J Kotze	19-08-2019	276 316	–	92 105	–	–	184 211	184 211
		276 316	–	92 105	–	–	184 211	184 211
JPS Olivier	20-08-2019	1 473 684	–	982 456	–	–	491 228	491 228
		1 473 684	–	982 456	–	–	491 228	491 228
VDJM de Sousa	10-10-2016	22 254	–	11 127	–	–	11 127	11 127
	08-05-2017	27 133	–	–	21 786	5 347	–	–
	20-06-2018	86 460	–	22 704	–	–	63 756	63 756
	20-08-2019	115 283	–	38 428	–	–	76 855	76 855
		251 130	–	72 259	21 786	5 347	151 738	151 738
AC Louis	20-06-2018	71 277	–	18 717	–	–	52 560	52 560
	20-08-2019	79 199	–	26 373	–	–	52 746	52 746
		150 476	–	45 090	–	–	105 386	105 386
PC Snyders	20-08-2019	182 456	–	60 819	–	–	121 637	121 337
		182 456	–	60 819	–	–	121 637	121 637

[1] *Based on the closing price as at 31 December 2020.*

LTIP shares vest within three to five years.

35.2 Restricted stock unit (RSU)/performance stock unit (PSU) plans

The following table reflects the number of restricted and performance stock units allocated to executive directors, prescribed officers and the highest-paid senior employees who belong to the ArcelorMittal group share-based payment scheme:

Names of executives	Award type	Award date	Number of allocations outstanding at the start of the year	Number of allocations made during the year	Number of allocations vested at the end of the year	Number of allocations at the end of the year	Issue price	Present value of unvested share units at the end of the year
							USD	USD
C Hautz	PSU	30-06-2016	8 580	–	–	8 580	13.17	112 999
	PSU	20-12-2017	4 097	–	–	4 097	18.42	75 467
	PSU	20-12-2018	5 050	–	–	5 050	21.31	107 616
	PSU	16-11-2019	4 100	–	–	4 100	18.57	76 137
	RSU	14-12-2020	–	1 700	–	1 700	21.15	35 955
	RSU	14-12-2020	–	1 012	–	1 012	21.15	21 404
	PSU	14-12-2020	–	1 700	–	1 700	19.74	33 558
			21 827	4 412	–	26 239		463 136

36. Contingent liabilities

36.1 Other guarantees

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
The value of guarantee contracts issued in the normal course of business from which it is anticipated that no material liabilities will arise are:	**171**	169	**147**	145
Total	**171**	169	**147**	145

The company has issued guarantees to the value of R438 million (2019: R438 million) for which all liabilities have been raised on the statement of financial position.

37. Commitments

	Group		Company	
	2020 Rm	2019 Rm	**2020 Rm**	2019 Rm
Capital expenditure commitments on property, plant and equipment				
Capital expenditure authorised and contracted for	**1 063**	1 099	**1 063**	1 078
Capital expenditure authorised but not contracted for	**994**	2 727	**994**	2 621
Total	**2 057**	3 826	**2 057**	3 699
Lease commitments				
Plant, equipment, vehicles and buildings				
The future minimum payments under non-cancellable standalone and embedded leases are:				
– Due in 2020	**–**	71	**–**	71
– Due in 2021	**85**	–	**85**	–
Total	**85**	71	**85**	71

Capital commitments

In accordance with the Competition Commission settlement agreement concluded in 2016, ArcelorMittal South Africa was committed to spend capital expenditure on qualifying projects of R4 600 million over five years subject to its affordability and feasibility (resulting from economic market conditions is referred to in the agreement). In total, R2 798 million (2019: R2 716 million) has been invested in various projects to date.

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

Included in the capital expenditure above is an amount of R991 million (2019: R977 million) to address emissions at Vanderbijlpark Works over the next two years.

38. Subsequent events

On 24 February 2021, the Minister of Finance announced a change in corporate income tax rates from 28% to 27%, applicable to companies. This change is effective for companies with years of assessment commencing on or after 1 April 2022. Deferred tax balances are reflected at 28% as the rate which was substantively enacted at 31 December 2020. The estimated impact of the rate change is R760 million decrease in deferred tax asset for group and R622 million decrease for company.

The directors are not aware of any further matters or circumstances arising since 31 December 2020 to the date of this report that would significantly affect the operations, the results or financial position of the group.

Notes to the group and company annual financial statements continued

for the year ended 31 December 2020

39. Going concern

2020 proved to be an exceptionally difficult year with unprecedented challenges. The work done to minimise the impact of COVID-19 on the business was invaluable in at least two respects: firstly, adapting operations to keep our employees and service providers safe; and secondly, fundamentally resizing the cost structure of the company in response to lower production and sales volumes.

For the year ended 31 December 2020, the net loss after tax of R1 973 million is R2 631 million lower than the loss of R4 604 million reported in 2019. The loss of R1 926 million is mainly attributable to:

- 48% lower liquid steel production of 2.3 million tonnes and 47% lower sales volumes of 2.2 million tonnes
- 40% reduction in revenue to R24 643 million
- 10% reduction in the raw material basket
- Business transformation programme that delivered R1 544 million of EBITDA improvements
- R2 531 million (33%) reduction in total fixed costs

At 31 December 2020, the group and company were in compliance with all covenants as it pertains to the BBF. The balance of the BBF was R2 450 million (31 December 2019: R1 150 million). The group continues to work closely with all lenders to ensure the required facilities remain in place.

ArcelorMittal Holdings AG continues to demonstrate its support though its subordinated group loan.

In July 2020, ArcelorMittal South Africa announced together with the interim results announcement for the six months ended 30 June 2020, the following strategic focus areas:

- Progress on the strategic asset footprint with Saldanha Works having been successfully placed in care and maintenance
- The accelerated implementation of its OneOrganisation single operating model initiative in response to the pandemic. OneOrganisation aims to:
  - simplify and declutter management mechanisms;
  - adopt a common information technology infrastructure for planning, scheduling and production; and
  - improve the customer service experience through a more flexible sales and marketing organisation.
- Progress to establish a logistics hub using the available land and infrastructure of the Saldanha Works. This is consistent with previously announced strategic intent to both develop its core properties and dispose of its non-core assets
- Although taking longer than intended due to complexities relating to the pandemic, the project to seek a co-investor for the commercial market coke business continues
- The business is making progress in identifying opportunities to improve the cost structure of certain strategic raw materials, while monetising its by-products streams through joint venture arrangements

The Saldanha plant will remain under care and maintenance until a sustainable input cost solution can be developed; however, alternative value-adding and job creation alternatives are being pursued. The establishment of a back-of-port logistics hub using the ancillary land and equipment at Saldanha Works is being considered.

The OneOrganisation operating model and the large-scale labour reorganisation initiatives were completed between December 2020 and January 2021.

The significant fixed cost reduction programme continues to yield substantial results, with a R2 500 million reduction in fixed costs in 2020. All fixed cost elements were targeted to rescale the cost structure of the business to the anticipated lower normalised volume.

The search for a co-investor for the commercial market coke business has been postponed due to funding challenges.

On 17 August 2020 an announcement of the disposal of the company's 25% interest in Coza Mining (Pty) Ltd and the conclusion of an iron ore supply agreement with Afrimat Demaneng (Pty) Ltd was made, demonstrating the strategic intent to improve the cost structure of certain raw material.

39. Going concern continued

For the 2021 year and to ensure future sustainability of the company, the following planned strategic initiatives will continue to be addressed:

- The BTP, which added R3 600 million of improvements since the programme started in the second half of 2018, will continue and the specific focus for 2021, will be to address customer-centricity, maintenance and reliability, and the energy and logistics transformation programmes
- The variabilisation of fixed cost will continue to be a key focus area going forward
- Monetisation of by-products is advancing with the aim to add value to the company's blast furnace slag. Similar partnering opportunities are being investigated for steel slag
- Although taking longer than intended due to the pandemic, the disposal of key non-core properties is expected to gain traction in the first half of 2021
- Efforts to secure alternative longer-term sources of other raw materials are expanded. The second phase of beneficiation of discarded materials is planned at Thabazimbi iron ore mine in 2021

As at 31 December 2020 current liabilities exceed current assets by R316 million (2019: R1 369 million). Working capital and especially inventory levels were at the lowest level ever, impacting the solvency ratio negatively. Over the year, the company has released R1 902 million cash from working capital.

The directors have prepared cash flow forecasts for a period of 12 months after year-end based on the most recent forecast. The forecast takes in account the continued BTP that has proved to realise cost savings over the past two years of R3 600 million. Further business transformation focus areas have been identified for 2021 to reduce controllable costs even further. The rising international steel prices, together with an increase in global and local demand have been modelled together with an increase in the crude steel availability with the restart of the second blast furnace at Vanderbijlpark and the electric arc furnace at Vereeniging, that will continue to operate for the foreseeable future in support of long steel supply. Sensitivities have been applied to the cash flow forecasts taking in account the impact of a change in volumes produced and sold, steel prices and the volatility in the rand/US dollar exchange rate.

Assumptions and events, specifically COVID-19 and exchange rate volatility, described above inherently represent a material uncertainty on the timing and impact on the cash flows and a significant variation may cast doubt on the ability of the group and company to continue as a going concern.

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

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

Corporate information

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ArcelorMittal South Africa Ltd
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