ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial
statements for the six months ended 30 June 2023
and proposed modification of 2016 Existing B-BBEE Transaction

Salient features

- Weaker trading environment with substantially lower international market prices and stagnant economic growth
- Sales volumes up 3% to 1,2 million (crude steel production up 29% to 1,4 million)
- Realised rand steel prices down 8% (down 22% in dollar terms)
- Raw material basket (RMB) up 2% (rand terms) (international RMB down 13% in rand terms)
- Value Plan added R1 007 million (2022 H1: R577 million)
- Fixed costs up 3% to R3 549 million (2022 H1: R3 448 million)
- EBITDA down 86% at R499 million (2022 H1: R3 591 million)
- Headline loss of R448 million (2022 H1: R3 025 million profit)
- Net borrowings of R2 990 million (2022 H2: R2 808 million)
- Renewables and regional infrastructure projects expected to support steel demand
- Medium- and longer-term investment case remains intact
- Modified 2016 B-BBEE Transaction to improve the prospect of meaningful future value creation

The analysis below relates to the six months ended 30 June 2023 (current period) compared to the six-months ended 30 June 2022 (prior or comparable period), except where otherwise indicated. The immediately preceding six months refers to the last six months of 2022.

Overview and sustainability

In February 2023, at the announcement of the Company's 2022 financial results, it was indicated that, barring the impacts of loadshedding and rail service unreliability, the six-month outlook for the trading environment appeared to be improving compared to the difficult close to 2022. Unsustainable price-cost pressures and positive movements in early 2023's international steel prices, offered reasons for some optimism.

Despite the buoyance of 2021 and the first half of 2022 having past (remembering that the latter is the comparable period for this interim 2023 report), the international trading environment in the first half of 2023 benefited from the end to de-stocking and less painful energy prices. However, locally, the trading environment caught no such tail-winds, as the burden of electricity loadshedding, high inflation, high interest rates, and mixed growth (only automotive reflected noteworthy growth of 8,3%) in key steel consuming sectors, such as manufacturing (+1.0%), machinery and equipment (+1.0%), mining (-1.1%), and construction (0%), pummelled already fragile consumer confidence.

Falling international commodity demand affected most sectors. Understandably, steel demand remained muted, which put significant pressure on local prices.

The Company committed to adopt a flexible approach to operating plants in reaction to the available order book, adjusting fixed cost levels accordingly, and following an assertive cash management process.

By and large these actions were implemented; mostly by design, but in some instances due to unplanned internal and external interruptions.

However, the softness of the market amidst the unprecedented severity of the electricity loadshedding in the last six months, was very much underestimated, which in turn affected the response time with which production could be adjusted in a responsible and well-considered manner. Building and maintaining any semblance of operating rhythm, which is an absolute necessity in running a continuous, integrated steel making process in a cost-aware manner, proved especially problematic.

Given these pressures, the Company posted a headline loss of R448 million against earnings of R3 025 million in H1 2022. EBITDA of R499 million fell by 86% (H1 2022: R3 591 million), with the depreciation and amortisation expense increasing by 14% to R405 million (2021: R356 million) and net finance charges having increased substantially by 114% to R536 million (H1 2022: R250 million) mainly due to the higher net interest charge on bank overdrafts and loans of R163 million and a lower net foreign exchange gain of R113 million.

Overview and sustainability continues

The challenging trading environment not only made the anticipated unwind of the higher net working capital position which had built-up in last quarter of 2022 very difficult, it resulted in additional cash being utilised in operations for the period under review.

Consequently, the net borrowings position of R2 990 million was R1 903 million and R182 million higher compared to June 2022 and December 2022 respectively. Actions are underway to improve the Company's net borrowing position in the wake of the weaker-for-longer steel trading environment in the region.

Sales volumes were 3% up, with crude steel production 29% higher against the comparable period. Against the immediately preceding six months, sales volumes improved by 19%, while crude steel production was on par.

ArcelorMittal South Africa's realised average steel prices decreased by 8% in rand terms. Its raw material basket increased by 2% with, in absolute terms, imported coking coal having increased by 1%, while iron ore increased by 4% and scrap decreased by 5%. After accounting for conversion cost, the variable cash cost of steel decreased by 5% (based on crude steel production).

Fixed costs increased by R101 million (3%) to R3 549 million. The outcome of the 2023 wage negotiations, which yielded a three-year agreement, was beneficial for both the Company and its employees. The agreement provides the certainty and stability required to allow for a focus on performance, productivity and value-add. Importantly, however, although it was agreed to exclude some matters from the agreement, these will be pursued through the internal corporate labour forum. At the heart of the issues to be discussed, is that ArcelorMittal South Africa pays well above the industry norm, yet its productivity levels do not justify this. Also, of relevance to fixed costs, is the the troubling trend which has seen a significant increase in security cost necessary to safeguard the Company's facilities and logistics routes.

The Value Plan realised improvements of R1 007 million (H1 2022: R577 million) consisting of commercial-related initiatives of R378 million (H1 2022: R343 million) and cost-based initiatives of R629 million (H1 2022: R234 million). In order to preserve these hard-won gains, extra attention is being given to the dilutive impact which operational inefficiencies have on Value Plan, as described in the *Operations* section below.

Free cash outflow of R204 million (H1 2022: R177 million cash inflow) was after capital expenditure cash outflow of R818 million (H1 2022: R693 million).

The capital expenditure of R582 million (H1 2022: R855 million) consisted of R308 million (H1 2022: R332 million) sustaining (including safety and structures), R171 million environmental (H1 2022: R179 million) and R103 million (H1 2022: R344 million) of strategic investments. The potential annual incremental EBITDA impacts of the strategic investment is estimated at R233 million (H1 2022: R270 million).

Sustainability

Despite a difficult set of financial results, the business is responding effectively to the challenging market conditions while remaining focused on its medium- to longer-term objectives.

A strong balance sheet is needed for strategic continuity. As noted earlier, reducing the net borrowings position to a more comfortable level is a key focus area. Equally important, is securing a suitable funding structure to target growth opportunities and improve the quality of earnings. Discussions with interested parties on these matters are continuing.

Good progress continues to be made regarding the finalisation of the funding for the 200MW Solar Energy Plant at Vanderbijlpark.

The definitive feasibility study for the construction of a 1,7 million tonne electric arc furnace at Vanderbijlpark successfully progressed through some key milestones. Amongst other things, it is an important component of ArcelorMittal South Africa's Decarbonisation Roadmap published in January 2023.

Sustainability continues

In further support of the Steel Masterplan's steel import replacement and localisation initiatives, is the fast-tracking of investment in steels suitable for renewable energy projects and extended automotive applications. Downstream integration to enable the fabrication of such steel into end-products is being investigated with various parties.

Significant effort has been invested in challenging the soundness of the long-term viability of Newcastle Works. The conclusion reached was that it does have a business case, and indeed an investment case. Investment, however, will follow once certain aspects within the business that are performing sub-optimally, are addressed. At the beginning of 2023, an optimisation programme commenced, which is specifically focused on asset footprint optimisation, mill capacity utilisation and efficiencies, logistics and energy. This extends beyond Newcastle, and includes operations in Vereeniging, Pretoria and Emalahleni. Having invested just less than R500 million in the interim campaign refurbishment of the Newcastle blast furnace in 2022, attention has now turned to the progressive refurbishment of its coke making capabilities, which were more badly affected than initially thought because of the enforced turn-down actions due to the Covid lockdowns. Future investments contemplated in Newcastle and Vereeniging focus on cost, volume and sales mix improvements. The production of the Pretoria small section mill was transferred to Newcastle during reporting period.

Safety, Environmental, Social and Governance (ESG)

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

It is with deep regret that ArcelorMittal South Africa had one fatality involving the employee of a contractor which occurred in the first half of 2023. The board and management express heartfelt condolences to the families, friends, and colleagues of Mr Vincent Nkosi. Behavioural change which personalises and entrenches both self and procedural discipline, is key to stamping out fatalities and serious injury.

Along with the entire ArcelorMittal Group, the Company participated in a Group-wide safety culture survey. On average the cultural maturity of the Company, according to the Bradley Curve, is assessed as 'independent' – meaning people take responsibility and believe they can make a difference through their actions. However, several plants are classified as being in the 'reactive' (people don't take responsibility and believe accidents will happen) or 'dependent' (people view safety as following rules) stages, and these need to progress quickly.

The Company's lost-time injury frequency rate (LTIFR) increased from 0.71 to 0.72 and the total injury frequency rate (TIFR) from 5.78 to 7.58. Total number of injuries increased from 82 to 116.

In line with the commitment to promote transformation and economic empowerment, ArcelorMittal South Africa is embarking on a process to modify the 2016 B-BBEE Transaction as described more fully in the *Legal and Regulatory Matters* section below.

Markets

Global crude steel production (Source: World Steel Association) decreased by 1% or 11 million tonnes in the first half of 2023 to 946 million tonnes. This reflected disappointing demand with insufficient end-user consumption levels, thin margins and low profitability levels, along with notable pressure to reduce costs, as upstream steel making raw material prices remained at relatively elevated levels. Global crude steel production increased by 8% in H1 2023, compared to the immediately preceding six months.

China's crude steel production increased by 1% to 538 million tonnes, with its market share at 57% (H1 2022: 55%). Europe's (Europe including Turkey) crude steel output decreased by 11% to 88 million tonnes. North America was down by 4% to 55 million tonnes. Although Russia increased its output by 1%, Turkey declined as production fell by 16%. India succeeded in increasing production by 7% to 68 million tonnes.

Africa's output increased by 4% to 8 million tonnes due to higher production in South Africa, Tunisia and Libya. South Africa's crude steel production increased by 14% to 2,4 million tonnes.

International Hot Rolled Coil (HRC) prices decreased by 22% in dollar terms year-on-year, while rebar prices decreased by 19%. These HRC prices increased by 14% compared to the immediately preceding six months, with rebar prices increasing by 1% for the same period. The international raw material basket (iron ore, coking coal, and scrap) was 26% lower in dollar terms. In absolute terms, coking coal decreased by 37%, scrap by 22% and iron ore by 15%.

Turning to South Africa and the regional economy, the GDP growth rate forecast for South Africa is 0.4% for 2023, with those for near and Sub-Saharan African markets forecasted to be between 3.4% and 3.6%.

In South Africa, apparent steel consumption (ASC) for the first half of 2023 increased by 2% to 2.1 million tonnes, while ASC increased by 4% compared to 2.0 million in the immediately preceding six months.

Steel imports of primarily HRC, galvanised sheet and plates decreased to 596 000 tonnes (June: ArcelorMittal South Africa estimate) after a surge in the immediately preceding six months of 720 000 tonnes. This volume constituted some 29% of South Africa's ASC (H2 2022: 36%).

In the context of Africa, South Africa is not alone in applying customs duties. Most steel-producing countries have taken significant steps to protect their steel sectors against imports, consistent with internationally agreed World Trade Organisation rules. Normal customs duties on steel imports are seen in more than 40 out of 54 African countries. The applied duties range from 5% to as high as 35%. About 37 African countries have an average of 10% duty on South African exports to them.

The Company's total sales volumes increased by 3%, or 34 000 tonnes, to 1,2 million tonnes compared to the comparable volumes in 2022. This was composed of a 6% fall in domestic sales to 1,0 million tonnes while exports increased by 68% to 230 000 tonnes. Africa overland sales rose by 47% to 119 000 tonnes. Total sales volumes increased by 19% compared to the immediately preceding six months, with domestic sales increasing by 13%, and Africa overland sales increasing by 133%. Africa overland sales as percentage of total exports, improved to 52% (H2 2022: 34%).

The Company's overall realised steel price in dollar terms decreased by 22%. In rand terms, this represented an 8% decrease as the average dollar/rand exchange rate weakened by 18%. Realised dollar steel prices decreased by 8% compared to the immediately preceding six months, with rand prices down by 4% for the same period. This trend reflects the lag-effect of steel price movements which characterise the Company's order intake.

The Company is the only primary producer in South Africa which supports the downstream industry through a formal export support programme. This industry support totalled R91 million (H1 2022: R126 million) in value-added export and strategic rebate assistance during the first half of 2023.

Operations

The Company's average capacity utilisation increased from 42% in H1 2022 to 53% in 2023.

Crude steel production increased by 29%, or 305 000 tonnes, from 1,05 million to 1,36 million tonnes for the first six months of 2023. Crude steel production was unchanged against the immediately preceding six months.

As previously reported, the fourth quarter of 2022 saw the start-up of one of the blast furnaces at Vanderbijlpark being delayed due to weak domestic demand. The hot blast stove restoration programme is currently underway on the second blast furnace. The blast furnace in Newcastle is performing well, however, extreme rain conditions (resulting in flooding) disrupted production on several occasions.

Unplanned outages at the steel plants in Vanderbijlpark and Newcastle, along with below-target production performances at the billet and plate mills, have resulted in these plants being placed into "high care" in order to assertively address nagging reliability issues.

Electricity load curtailment necessitated the need to follow a highly disruptive stop-start operating practice. Positively, the planned iron ore rail line maintenance in the Northern Cape was well managed in collaboration with Transnet Freight Rail.

For H1 2023, commercial coke production was 85% lower at 9 000 tonnes, with sales volumes down by 83% at 20 000 tonnes due to the previously communicated continuing restoration of the coke batteries. A meaningful recovery expected from 2025 onwards.

Financial results

ArcelorMittal South Africa reported EBITDA of R499 million against R3 591 million in H1 2022, while its operating profit decreased from R3 235 million to R94 million. The headline loss of R448 million (H1 2022: R3 025 million profit), amounted to a 40 cents per share loss (H1 2022: 271 cents profit). EBITDA decreased by 27% compared to R683 million in the immediately preceding six months.

Revenue decreased by 5% to R21 045 million (H1 2022: R22 176 million) due to an 8% fall in net realised steel sales prices, despite a 3% increase in total steel sales volumes. Revenue increased by 13% (H2 2022: R18 596 million) compared to the immediately preceding six months.

The Company's raw material basket (iron ore, coking coal, and scrap), representing 48% (H1 2022: 43%) of cash cost per tonne, was 2% up in rand terms, compared to a 13% decrease in the international basket. The local basket was flat in rand terms compared to the immediately preceding six months.

Consumables and auxiliaries represent 31% of cash cost per tonne (based on crude steel production) (H1 2022: 31%). Electricity tariffs increased by 14%, while dollar-denominated commodity-indexed consumables decreased by 12%.

Fixed costs increased from R3 448 million in H1 2022 to R3 549 million for the period under review, an increase of 3%. Fixed costs increased by 11% (H2 2022: R3 196 million) in the immediately preceding six months.

Net financing charges were higher at R536 million (H1 2022: R250 million) mainly due to higher net interest charges on bank overdrafts and loans of R163 million and lower net foreign exchange gains of R113 million.

Cash flow and borrowing position

Cash generated from operations of R891 million was R211 million lower against the comparable period (H1 2022: R1 102 million cash generated) mainly due to lower profit from operations after adjusting for non-cash flow items, of R2 855 million, and lower operating working capital requirements of R2 644 million.

Financial results continues

Net finance charge outflows of R234 million (H1 2022: R232 million) was in line with comparative period.

The net capital expenditure cash outflow was R818 million against R693 million in H2 2022, an increase of R125 million.

The net borrowing position of R2 990 million at 30 June 2023 increased by R182 million from R2 808 million at 31 December 2022 mainly due to cash generated from operations of R891 million, offset by capital expenditure of R818 million, net finance charges paid of R234 million and tax paid of R43 million. At 30 June 2022, the net borrowings position was R1 087 million.

Legal and regulatory matters

Proposed modification of 2016 Existing B-BBEE Transaction

In 2016 ArcelorMittal South Africa implemented a Broad-Based Black Economic Empowerment ("B-BBEE") ownership transaction ("Existing B-BBEE Transaction") introducing black ownership through:

- a commercial strategic component, by issuing a new class of notionally funded shares ("A1 Ordinary Shares") to Amandla We Nsimbi (RF) Proprietary Limited ("Amandla"), a special purpose vehicle, the ordinary shares of which are held by Likamva Resources Proprietary Limited ("Likamva");
- a community component (the "Existing Communities Trust") which acquired the A1 Ordinary Shares in Amandla; and
- an employee component through the issue of a new class of notionally funded shares ("A2 Ordinary Shares") to the Isabelo Employee Share Trust (the "Existing Employee Trust") for the benefit of employees,

which constitutes approximately 21.75% of the total issued share capital held by and for the benefit of Black People.

The Existing B-BBEE Transaction has not yielded the envisaged value for empowerment partners, employees and the Company. This is largely as a result of a lack in adequate growth in the share price in relation to the funding terms of the Existing B-BBEE Transaction.

Current projections reflect that the materialisation of any meaningful future value based on the current terms and structure of the 2016 B-BBEE Transaction is unlikely.

Accordingly, the Company is embarking on a process to modify the Existing B-BBEE Transaction in order to improve the prospects of sustainable value creation and realisation, and B-BBEE ownership for the strategic empowerment partners, employees and communities ("Modified B-BBEE Transaction"), in line with its commitment to promote transformation and economic empowerment.

Salient Terms of the Modified B-BBEE Transaction

The participants of the Existing B-BBEE Transaction will continue to participate in the Modified B-BBEE Transaction, subject to certain modifications, save that Existing Employee Trust will be replaced with a new employee trust ("Modified Employee Trust") which is intended to operate in a similar manner to that of the Existing Employee Trust.

In order to realise the Modified B-BBEE Transaction, the following is proposed:

- The specific repurchase of shares of the Existing B-BBEE Transaction:
  - 174 254 188 A1 Ordinary Shares from Amandla for cash; and
  - 72 972 083 A2 Ordinary Shares from the Existing Employee Trust for cash.
- The amendment and modification of the preferences, rights, limitations of the A2 Ordinary Shares ("Amended A2 Shares").

Legal and regulatory matters continues

- The Increase of ArcelorMittal South Africa's authorised shares by the creation of:
  - additional 28 826 970 Amended A2 Shares;
  - 72 713 609 A1-li Ordinary Shares; and
  - 72 713 609 A1-ct Ordinary Shares.
- The specific issue of:
  - 72 713 609 authorised but unissued A1-li Ordinary Shares; and
  - 72 713 609 authorised but unissued A1-ct Ordinary Shares,

  for cash to Amandla.
- The specific issue of 101 799 053 authorised but unissued Amended A2 Shares for cash to the Modified Employee Trust.
- The replacement of the current notional debt with notional funding on more favourable terms.
- The specific issues of shares will be issued at a 10% discount to the Company's then 30-day VWAP of its ordinary shares.
- The provision of financial assistance by the Company to Amandla and the Modified Employee Trust for the purposes of, or in connection with, the Modified B-BBEE Transaction.

If approved, after implementation of the Modified B-BBEE Transaction, the final B-BBEE shareholding in the Company will be as follows:

- Amandla - 10% (comprising 5% A1-li Ordinary Shares (Likamva) and 5% A1-ct Ordinary Shares (Modified Community Trust)) (Existing B-BBEE Transaction 16.73%)
- Likamva - 4.74% direct (Existing B-BBEE Transaction zero%) giving a total direct and indirect shareholding for Likamva of 9,74% (Existing B-BBEE Transaction 11.99%); and
- Isabelo 2 Share Trust - 7% (Existing B-BBEE Transaction 5%).

The Company is in the process of engaging with the necessary stakeholders on the detailed terms and conditions of the Modified B-BBEE Transaction and hope to conclude such engagements and modifications to the 2016 B-BBEE Transaction documents in due course.

The Modified B-BBEE Transaction is subject to shareholder approval and a meeting of shareholders will be convened to obtain the requisite approvals. A circular setting out the full terms and conditions of the Modified B-BBEE Transaction, including the pro forma financial effects, will be released later, together with a notice convening a general meeting of shareholders will be posted to shareholders in due course.

Competition Commission inquiry into the steel market

On 7 April 2023, the Department of Trade, Industry and Competition (DTIC) published a Notice stating that the Competition Commission (Commission) will conduct an inquiry into the steel market in terms of section 43B of the Competition Act, 89 of 1998 (the Act). The DTIC further published the draft Terms of Reference (ToR) for the inquiry for public comments. In terms thereof, the Inquiry will be looking at two levels of the steel value chain: (1) the raw materials and inputs level (iron ore and coking coal), and (2) the upstream primary steel production level. The Company has submitted its comments and final Terms of Reference are awaited. The Company's principal submission related to the identified scope of the inquiry, and specifically that the scope of the inquiry was inappropriately narrow. This is a topic of considerable importance and if the scope of the inquiry should be appropriate to ensure an effective, objective, and complete inquiry.

Changes to the board of directors

Mr Siphamandla Mthethwa, Chief Financial Officer (CFO) was appointed on 1 June 2023 and resigned 17 July 2023.

Dividends

No dividends were declared for the six months ended 30 June 2023.

Outlook for the second half of 2023

Safety remains ArcelorMittal South Africa's highest priority.

Internationally, the World Steel Association expects a 2,2% increase in steel demand.

Chinese GDP growth will continue to play a role in international steel demand and pricing trends.

According to the South African Reserve Bank, 2023 GDP is expected at 0,4%.

Steel demand is expected to improve as economic indicators strengthen. Inflation is moving back towards the target range of between 3-6% which should lessen the pressure on interest rates and assist with lifting consumer confidence.

Renewables and regional infrastructure projects are expected to support steel demand.

Exchange rates will continue to have an impact as will rail service and electricity reliability.

ArcelorMittal South Africa is positioned to navigate the immediate and near-term challenging market conditions while remaining focused on its medium- to longer term objectives.

On behalf of the board of directors

HJ Verster
Chief Executive Officer

GA Griffiths
Interim Chief Financial Officer

27 July 2023

KEY STATISTICS

	Six months ended	
	30 June 2023	30 June 2022
Unreviewed/unaudited information		
Operational		
Crude steel production	**1 356**	1 051
Total steel sales (Thousand tonnes)	**1 193**	1 159
Local steel sales (Thousand tonnes)	**963**	1 022
Export steel sales (Thousand tonnes)	**230**	137
Capacity utilisation (%)	**53**	42
Average steel net realised price (R/tonne)	**15 929**	17 243
Commercial coke sales (Thousand tonnes)	**20**	120
Safety		
Lost time injury frequency rate	**0.72**	0.71
Reviewed information		
Financial		
Revenue (R million)	**21 045**	22 176
Profit from operations (R million)	**94**	3 235
Net (loss)/profit (R million)	**(359)**	3 072
(Loss)/earnings per share (cents)	**(32)**	276
Headline (loss)/earnings (R million)	**(448)**	3 025
Headline (loss)/earnings per share (cents)	**(40)**	271
Return on ordinary shareholders' equity per annum:		
- Attributable earnings (%)	**(6.2)**	58.0
- Headline earnings (%)	**(7.8)**	57.1
EBITDA margin (%)	**2.4**	16.2
Net borrowings (R million)	**(2 990)**	(1 087)
Net borrowings to equity (%)	**26.4**	9.0
Share statistics		
Ordinary shares (thousands):		
- in issue	**1 138 060**	1 138 060
- outstanding	**1 114 612**	1 114 612
- weighted average number of shares	**1 114 612**	1 114 612
- diluted weighted average number of shares	**1 114 612**	1 114 612
Share price (closing) (Rand)	**3.57**	5.90
Market capitalisation (R million)	**4 063**	6 715
Net asset value per share (Rand)	**10.16**	10.89

Reconciliation of earnings before interest, taxation, depreciation and amortisation

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
Profit from operations	**94**	3 235
Adjusted for:		
- Depreciation	**397**	351
- Amortisation of intangible assets	**8**	5
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**499**	3 591

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INDEPENDENTAUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated interim financial statements of ArcelorMittal South Africa Limited in the accompanying interim report on pages 11 to 28, which comprise the condensed consolidated statement of financial position as at 30 June 2023, the condensed consolidated statement of comprehensive income and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Interim Financial Statements

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

Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of condensed consolidated interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of ArcelorMittal South Africa Limited for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

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

27 July 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of Rands	Note	Six months ended 30 June 2023 Reviewed	30 June 2022 Reviewed
Revenue		**21 045**	22 176
Raw materials and consumables used		**(13 025)**	(10 142)
Employee costs		**(2 041)**	(1 845)
Energy		**(2 484)**	(2 022)
Movement in inventories of finished goods and work-in-progress		**328**	(1 566)
Depreciation		**(397)**	(351)
Amortisation of intangible assets		**(8)**	(5)
Impairment reversal of trade and other receivables		**4**	8
Other operating expenses		**(3 328)**	(3 018)
Profit from operations		**94**	3 235
Finance income	6	**102**	267
Finance costs	7	**(638)**	(517)
Income after tax from equity-accounted investments		**28**	36
Fair value adjustment on investment properties	10,12	**95**	51
(Loss)/profit before taxation		**(319)**	3 072
Income taxation expense	8	**(40)**	-
(Loss)/profit for the period		**(359)**	3 072
Other comprehensive income			
Items that will not be reclassified to income or loss (net of tax):			
Fair value adjustment on equity instruments		**(9)**	2
Revaluation of property, plant and equipment	10	**6**	-
Items that may be reclassified subsequently to income or loss (net of tax):			
Exchange differences on translation of foreign operations	10,12	**10**	2
Other comprehensive income for the period		**7**	4
Total comprehensive (loss)/income for the period		**(352)**	3 076
(Loss)/profit for the period attributable to:			
Owners of the company		**(359)**	3 072
Total comprehensive (loss)/income for the period attributable to:			
Owners of the company		**(352)**	3 076
(Loss)/earnings per share (cents) for profit attributable to owners of the company:			
- basic		**(32)**	276
- diluted		**(32)**	276

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of Rands	Note	As at	
		30 June 2023 Reviewed	31 December 2022 Audited
Assets			
Non-current assets		**11 318**	11 070
Property, plant and equipment		**9 839**	9 570
Investment properties	10	**697**	737
Intangible assets		**64**	71
Equity-accounted investments		**275**	251
Investment held by environmental trust		**421**	408
Deferred tax		**3**	-
Other receivables		**4**	10
Other financial assets		**15**	23
Current assets		**21 377**	18 851
Inventories		**13 094**	11 973
Trade and other receivables		**4 734**	3 486
Other financial assets		**39**	-
Cash, bank balances and restricted cash	11	**3 510**	3 392
Asset held-for-sale	12	**231**	80
Total assets		**32 926**	30 001
Equity and Liabilities			
Total equity		**11 341**	11 675
Stated capital		**4 537**	4 537
Reserves		**(3 523)**	(3 576)
Retained income		**10 327**	10 714
Non-current liabilities		**5 561**	5 547
Borrowings	13	**2 700**	2 700
Provisions		**1 775**	1 784
Trade and other payables		**273**	262
Lease obligations		**160**	176
Other financial liabilities	14	**653**	625
Current liabilities		**16 024**	12 779
Borrowings	13	**3 800**	3 500
Provisions		**945**	862
Trade and other payables		**11 039**	8 184
Taxation		**112**	112
Other financial liabilities	14	**99**	95
Lease obligations		**29**	26
Total equity and liabilities		**32 926**	30 001

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial
statements for the six months ended 30 June 2023
and proposed modification of 2016 Existing B-BBEE Transaction

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Note	Six months ended 30 June 2023 Reviewed	Six months ended 30 June 2022 Reviewed
Cash flows from operating activities		**614**	870
Cash generated from operations	15	**891**	1 102
Interest income		**43**	30
Finance cost	16	**(277)**	(262)
Income tax paid		**(43)**	-
Cash flows from investing activities		**(818)**	(693)
Investment to maintain and expand operations		**(818)**	(693)
Cash flows from financing activities		**288**	(716)
Borrowings: Borrowing-base facility repaid	**13**	**(700)**	(1 300)
Borrowings: Borrowing-base facility raised	**13**	**1 000**	700
Borrowings: Loan from holding company repaid	**13**	**-**	(100)
Loan repaid by equity-accounted investment		**1**	1
Lease obligation repaid		**(13)**	(17)
Net increase/(decrease) in cash, cash equivalents and restricted cash		**84**	(539)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**34**	10
Cash, cash equivalents and restricted cash at the beginning of the period		**3 392**	4 652
Cash, cash equivalents and restricted cash at the end of the period		**3 510**	4 123

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Rands	Stated Capital	Treasury share equity reserve	Other Reserves	Retained earnings	Total
Six months ended 30 June 2022 (Reviewed)					
Balance as at 31 December 2021	4 537	(2 065)	(1 529)	8 110	9 053
Profit for the period	-	-	-	3 072	3 072
Other comprehensive income for the period	-	-	4	-	4
Share-based payment expense	-	-	14	-	14
Transfer between reserves	-	-	36	(36)	-
Balance as at 30 June 2022 (Reviewed)	4 537	(2 065)	(1 475)	11 146	12 143
Six months ended 30 June 2022					
Balance as at 31 December 2022	**4 537**	**(2 065)**	**(1 511)**	**10 714**	**11 675**
Loss for the period	**-**	**-**	**-**	**(359)**	**(359)**
Other comprehensive income for the period	**-**	**-**	**7**	**-**	**7**
Share-based payment expense	**-**	**-**	**18**	**-**	**18**
Transfer between reserves	**-**	**-**	**28**	**(28)**	**-**
Balance as at 30 June 2023 (Reviewed)	**4 537**	**(2 065)**	**(1 458)**	**10 327**	**11 341**

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2023

1. Corporate information

ArcelorMittal South Africa Limited is a public limited company incorporated, domiciled in South Africa and listed on the JSE Limited (JSE). These condensed consolidated financial statements for the six months ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the Group). The Group is one of the largest steel producers on the African continent.

2. Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) IAS 34, Interim Financial Reporting, Financial Pronouncements as issued by the Financial Reporting Standards Council, and in accordance with the requirements of the JSE Limited Listings Requirements for interim reports as well as the requirements of the Companies Act of South Africa.

The condensed consolidated financial statements were prepared under the supervision of GA Griffiths, CA (SA), the Group's acting chief financial officer (CFO).

The auditor's conclusion does not necessarily report on all the information contained in this announcement. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should read the auditor's conclusion together with the accompanying financial information contained in this announcement.

3. Accounting policies

The accounting policies and methods of computation applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The following new amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023. These have been adopted by the Group and have had no material impact on the condensed consolidated financial statements as at 30 June 2023:

Standard	Details of amendment
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates by replacing the definition of a change in accounting estimates with a new definition of accounting estimates.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendment clarifies whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognized simultaneously (e.g. a lease in the scope of IFRS 16).

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2023

3. Accounting policies (continued)

Standard	Details of amendment
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The exception has been applied and the Group is in the process of assessing the impact related to Pillar Two income taxes on its current tax expense/(income).

The following new amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2024, and earlier application is permitted. Those which may be relevant to the Group and company are set out below. These amendments have been early adopted by the Group in the 2023 financial year and are not expected to have a significant impact on the Group and company's financial statements:

Standard	Details of amendment
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	The amendments clarify how an entity classifies liabilities as current or non-current. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.
Non-current Liabilities with Covenants (Amendments to IAS 1)	The amendments in Non-current Liabilities with Covenants (Amendments to IAS 1) modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
Supplier finance arrangements (amendments to IAS 7 and IFRS 7)	The International Accounting Standards Board (IASB) has published 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

4. Significant judgement, estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. Judgements, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they were revised and in any further periods affected.

Key judgements, estimates and assumptions which have the most significant effect on the financial statements include:

- Valuation of investment properties - a level 3 fair value utilising significant unobservable inputs, specifically the capitalisation rate, vacancy provision and expense ratio – refer to note 17, Fair value measurements.
- Expected credit loss assessment - The exposure to credit risk is insured and mainly underwritten by the Credit Guarantee Insurance Corporation of South Africa. The insurance excess ranges from 0% to 10%. The credit limits of customers were monitored and adjusted where applicable throughout the period. Goods were dispatched to customers in line with the approved credit limits. The assessment of expected credit losses was reperformed as at 30 June 2023 and the impairment loss on trade and other receivables and impairment reversal of R4 million has been recognised (2022: R8 million reversal) compared to June 2022.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2023

4. Significant judgement, estimates and assumptions (continued)

- Environmental remediation obligation and asset retirement obligation - specifically the expectation of future cost, discount rate and expected inflation rates. The average discount rate use for environmental remediation obligation is 10.37% (December 2022: 9.77%) and for asset retirement obligation is 9.79% (December 2022: 9.19%). The average escalation rate applied to the current cash flow estimates is 5.71% (December 2022: 5.49%).
- Impairment assessment of property, plant and equipment - At 31 December 2022 the recoverable amounts of the cash generating units (CGU) were significantly greater than it's carrying amounts. For reporting purposes an impairment indicator assessment was performed and none of the indicators were triggered that could cause the recoverable amounts of the CGU to be lower than the carrying amounts as at 30 June 2023. Management does not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

5. Segment report

Operating segments are identified based on internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker, in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are:

- Steel Operations consisting of Vanderbijlpark plant, Newcastle plant, Vereeniging plant and ArcelorMittal Rail and Structures (AMRAS)
- Non-Steel Operations consisting of Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial grade coal, decommissioned Saldanha plant, decommissioned Maputo plant, Pretoria Works and Thabazimbi Iron Ore Mine
- Corporate and other, consisting of commercial functions, procurement and logistics activities, shared services, investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities

Earnings before interest, tax, depreciation and amortisation represents the earnings by each segment without the allocation of depreciation, amortization and net impairments.

Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments.

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

Assets not allocated to operating segments:

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

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
For the six months ended 30 June 2023					
Revenue					
- External customers	20 619	426	-	-	21 045
- Internal customers	-	34	-	(34)	-
Total revenue	20 619	460	-	(34)	21 045
Revenue to external customers distributed as:					
- Local*	16 130	460	-	(34)	16 556
- Export*					
- Africa*	3 059	-	-	-	3 059
- Asia*	72	-	-	-	72
- Europe*	702	-	-	-	702
- Other*	656	-	-	-	656
Total	20 619	460	-	(34)	21 045
Expenses					
Raw materials and consumables used*	(12 929)	(92)	(4)	-	(13 025)
Employee cost*	(1 703)	(40)	(298)	-	(2 041)
Energy*	(2 423)	(61)	-	-	(2 484)
Movement in inventories of finished goods and work-in-progress*	471	(164)	-	21	328
Impairment reversal/(loss) of trade and other receivables*	3	-	(3)	-	-
Other operating expenses*	(3 578)	(28)	283	(1)	(3 324)
Earnings before interest, tax, depreciation and amortisation	460	75	(22)	(14)	499
Depreciation and amortisation	(358)	(37)	(10)	-	(405)
Profit/(loss) from operations	102	38	(32)	(14)	94
Finance income	37	23	46	(4)	102
Finance cost	(269)	(55)	(318)	4	(638)
Fair value adjustment on investment properties	-	95	-	-	95
Income after tax from equity-accounted investments	-	-	28	-	28
(Loss)/profit before taxation	(130)	101	(276)	(14)	(319)
Income taxation expense	(40)	-	-	-	(40)
(Loss)/profit for the period	(170)	101	(277)	(14)	(359)
Additions to non-current assets	(577)	(30)	(3)	-	(610)
Segment assets (excluding investments in equity-accounted entities)	25 142	3 125	5 054	(670)	32 651
Investments in equity-accounted entities	-	-	275	-	275
Segment liabilities	10 210	2 072	9 930	(627)	21 585
Cash generated from/(utilised in) operations	632	(15)	283	(9)	891
Capital expenditure	(767)	(30)	(21)	-	(818)
Number of employees at the end of the year(owned)	5 318	400	752	-	6 470

ArcelorMittal

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
Unreviewed information					
Crude steel production ('000 tonnes)	**1 356**	**-**	**-**	**-**	**1 356**
Steel sales ('000 tonnes)	**1 193**	**-**	**-**	**-**	**1 193**
- Local	**963**	**-**	**-**	**-**	**963**
- Export	**230**	**-**	**-**	**-**	**230**
Capacity utilisation (%)	**53**	**-**	**-**	**-**	**53**
Average net realised price (R/t)	**15 929**	**-**	**-**	**-**	**15 929**
EBITDA margin (%)	**2.2**	**-**	**-**	**-**	**2.4**

* Revenue per geographical location and material expenses items have been provided per segment in order to provide more useful information

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
For the six months ended 30 June 2022					
Revenue					
- External customers	20 864	1 312	-	-	22 176
- Internal customers	-	12	-	(12)	-
Total revenue	20 864	1 324	-	(12)	22 176
Revenue to external customers distributed as:					
- Local*	18 288	1 324	-	(12)	19 600
- Export*					
- Africa*	1 774	-	-	-	1 774
- Asia*	330	-	-	-	330
- Europe*	365	-	-	-	365
- Other*	107	-	-	-	107
Total	20 864	1 324	-	(12)	22 176
Expenses					
Raw materials and consumables used*	(10 012)	(142)	12	-	(10 142)
Employee costs*	(1 504)	(36)	(305)	-	(1 845)
Energy*	(1 944)	(78)	-	-	(2 022)
Movement in inventories of finished goods and work-in-progress*	(915)	(565)	-	(86)	(1 566)
Impairment reversal/(loss) of trade and other receivables*	11	(3)	-	-	8
Other operating expenses*	(3 040)	(57)	79	-	(3 018)
Earnings before interest, tax, depreciation and amortisation	3 460	443	(214)	(98)	3 591
Depreciation and amortisation	(313)	(29)	(14)	-	356
Profit/(loss) from operations	3 147	414	(228)	(98)	3 235
Finance income	92	46	129	-	267
Finance cost	(165)	(58)	(294)	-	(517)
Fair value adjustment on investment properties	-	51	-	-	51
Income after tax from equity-accounted investments	-	-	36	-	36
Profit/(loss) before taxation	3 074	453	(357)	(98)	3 072
Income taxation expense	-	-	-	-	-
Profit/(loss) for the period	3 074	453	(357)	(98)	3 072
Additions to non-current assets	(810)	(25)	(20)	-	(855)
Segment assets (excluding investments in equity-accounted entities)	22 582	2 968	5 506	(580)	30 476
Investments in equity-accounted entities	-	-	259	-	259
Segment liabilities	7 414	1 826	9 744	(392)	18 592
Cash generated from/(utilised in) operations	1 257	396	(549)	(2)	1 102
Capital expenditure	(647)	(19)	(27)	-	(693)
Number of employees at the end of the year	5 442	174	768	-	6 384

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

	Steel Operations R'm	Non-Steel Operations R'm	Corporate and other R'm	Adjustments and eliminations R'm	Total reconciling to the consolidated amounts R'm
Unreviewed information					
Crude steel production ('000 tonnes)	1 051	-	-	-	1 051
Steel sales ('000 tonnes)	1 159	-	-	-	1 159
- Local	1 022	-	-	-	1 022
- Export	137	-	-	-	137
Capacity utilisation (%)	42	-	-	-	42
Average net realised price (R/t)	17 243	-	-	-	17 243
EBITDA margin (%)	16.6	-	-	-	16.2

***** Revenue per geographical location and material expenses items have been provided per segment in order to provide more useful information

	Group 30 June 2023 R'm	Group 30 June 2022 R'm
Revenue from major products		
Steel operations		
Hot rolled	**5 875**	6 447
Uncoated	**3 281**	3 682
Coated	**3 716**	4 183
Merchant bars	**4 945**	4 075
Wire rod	**1 852**	1 912
Seamless	**950**	565
	20 619	20 864
Non-steel operations		
Coke and tar	**293**	1 178
Other	**133**	134
	426	1 312
Total	**21 045**	22 176

Information about major customers

	Steel Operations 2023 R'm	% of Group revenue	Steel Operations 2022 R'm	% of Group revenue
2023				
Revenue of major customers				
Customer 1	**2 532**	**12**	**2 803**	**12.6**
Total	**2 532**	**12**	**2 803**	**12.6**

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

6. Finance income

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
Bank deposits and other interest income	**43**	30
Net foreign exchange profit and net gains from foreign exchange contracts	**13**	126
Discount rate adjustment of provisions and financial liabilities	**46**	111
Total	**102**	267

7. Finance costs

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
Interest expense on loans and payables	**492**	329
Interest expense on lease obligations	**10**	3
Interest expense on other financial liabilities	**32**	40
Unwinding of discounting effect on borrowings and provisions	**104**	145
Total	**638**	517

8. Taxation

The Group only recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences. However, based on the considerations presented, management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be utilised. Therefore, deferred tax assets have been recognised to the extent of taxable temporary differences.

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
Current taxation		
South African current taxation		
Current tax on profit for the period	**8**	-
Prior year adjustment	**35**	-
Total current taxation	**43**	-
Deferred taxation		
Temporary differences	**(3)**	-
Total income taxation expense	**40**	-

The prior year adjustment for current taxation relates to the taxable income made by a wholly owned subsidiary (ArcelorMittal Rail and Structures (Pty) Ltd) for the 2022 financial year. As at the date of approval of the consolidated annual financial statements of ArcelorMittal South Africa Limited for the 2022 financial year, the subsidiary's final taxable income was not finalised. As a result, as at 31 December 2022 for the Group no current income taxation nor deferred taxation was disclosed.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

9. Headline earnings

In millions of Rands	Six months ended 30 June 2023 Reviewed	Six months ended 30 June 2022 Reviewed
(Loss)/profit for the year	**(359)**	3 072
Adjusted for:		
- Fair value adjustment on investment properties	**(86)**	(51)
- Fair value adjustment on assets held-for-sale	**(9)**	-
- Loss on disposal or scrapping of property, plant and equipment*	**8**	6
- Total tax effect of adjustments	**(2)**	(2)
Headline (loss)/earnings for the period	**(448)**	3 025
Headline (loss)/earnings per share (cents)		
- basic	**(40)**	271
- diluted	**(40)**	271
Weighted average number of shares (thousand)	**1 114 612**	1 114 612

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

10. Investment properties

In millions of Rands	30 June 2023 Reviewed	31 December 2022 Audited
Carrying amount at the beginning of the year	**737**	754
Transfer to assets held-for-sale	**(134)**	(76)
Investment property transferred form property, plant and equipment	**6**	-
Change in fair value	**86**	57
Exchange rate movement	**2**	2
Carrying amount at the end of the period	**697**	737

11. Cash, bank balances and restricted cash

Restricted cash

In millions of Rands	30 June 2023 Reviewed	31 December 2022 Audited
True sales of receivables (TSR) facility	**678**	433
Environmental rehabilitation obligation	**302**	302
Litigation	**2**	2
Total	**982**	737

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the draw down. At 30 June 2023 the balance of the borrowing base facility was R2 800 million (December 2022: R2 500 million) with R700 million (December 2022: R1 000 million) still available.

Bank accounts of R822 million (December 2022: R1 091 million) were ceded in favour of the borrowing base facility.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

12. Assets held-for-sale

In millions of Rands	30 June 2023 Reviewed	31 December 2022 Audited
Balance at beginning of period	**80**	-
Investment property – none-core office property - Maputo	**-**	76
Investment property – none-core warehouse property - Saldanha	**134**	-
Change in fair value	**9**	-
Exchange rate movement	**8**	4
Carrying amount at the end of the period	**231**	80

During the six months ended 30 June 2022, the decision was taken to sell one of the investment properties in Maputo (Level 3 in the fair value hierarchy), as this property forms part of the Groups' non-core property disposal strategy. A promissory sale and purchase agreement to the value of USD5 200 000 was signed. The price was subject to conditions, with a possible reduction of USD500 000. The final sale price for the property was USD5 200 000. The sale of the property was concluded in July 2023. The investment property was part of the non-steel operations segment.

During the six months ended 30 June 2023, a decision was taken to sell the warehouse property at Saldanha after receiving a non-binding offer. This warehouse property forms part of the Groups' non-core property disposal strategy. The sale is expected to be concluded later in 2023.

Refer to note 17 for details on the measurement, valuation techniques and inputs used for this investment property.

13. Borrowings

In millions of Rands	30 June 2023 Reviewed	31 December 2022 Audited
Banks - Borrowing based facility:		
Balance at beginning of period	**2 500**	1 800
Proceeds from borrowings	**1 000**	1 800
Repayment of borrowings	**(700)**	(1 100)
Balance at end of period	**2 800**	2 500
Loan from holding company:		
Balance at beginning of period	**3 700**	4 110
Repayment of borrowings	**-**	(410)
Balance at end of period	**3 700**	3 700
Total borrowings	**6 500**	6 200
Non-current	**2 700**	2 700
Current	**3 800**	3 500

The bank loan relates to the borrowing base facility (BBF) with various financial institutions. R2 700 million of the Group loan is sub-ordinated (December 2022: R2 700 million). The carrying amounts are a reasonable approximation of fair value of these borrowings.

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

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

13. Borrowings *(continued)*

As at 30 June 2023, the consolidated tangible net worth of the Group is R13 977 million (2022: R14 304 million) which is determined as the sum of equity of the Group, the subordinated loan from holding company of R2 700 million (2022: R2 700 million) and excluding intangible assets, in accordance with the BBF agreement.

As at 30 June 2023, the borrowings of the Group are R1 189 million (2022: R1 202 million), determined as the unsubordinated portion of the loan from holding company and the Group's finance lease obligations. Therefore, the Group is in compliance with all covenants as at 30 June 2023 and have complied at the end of each relevant period.

The Group is in the process of renewing the borrowing-based facility for a new 3-year period and continues to work closely with all lenders to ensure the required facility remains in place. The current facility matures on 23 August 2024. The run-off period starts in September 2023 at which point the committed amount will be reduced by $1/12^{th}$ each month over the next 12-month period.

14. Other financial liabilities

In millions of Rands	30 June 2023 Reviewed	31 December 2022 Audited
Competition Commission administrative penalty		
Balance at beginning of period	**720**	1 055
Unwinding of the discounting effect	**32**	78
Re-assessment of liability on settlement agreement	**-**	(313)
Repayments	**-**	(100)
Total other liabilities*	**752**	720
Non-current	**653**	625
Current	**99**	95

*The carrying amount is a reasonable approximation of fair value.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

15. Cash generated from operations

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
(Loss)/profit before tax	**(319)**	3 072
Adjusted for:		
- Finance income	**(102)**	(267)
- Finance cost	**638**	517
- Fair value adjustment on investment properties	**(95)**	(51)
- Income after tax from equity-accounted investments	**(28)**	(36)
- Depreciation and amortisation	**405**	356
- Unrealised profit on sales to joint ventures	**3**	2
- Share-based payment expenses	**18**	14
- Non-cash movement in provisions and financial liabilities	**72**	44
- Write-down of inventory to net realisable value*	**187**	1
- Movement in trade and other receivable allowances	**(5)**	(8)
- Loss on disposal of property, plant and equipment	**8**	6
- Fair value adjustment on environmental trust	**(13)**	5
- Realised foreign exchange movements	**(14)**	(9)
- Other payables raised, released and utilised relating to employee benefits	**71**	35
- Operating working capital movements:	**65**	(2 579)
- Increase in inventories	**(1 377)**	(87)
- Increase in trade and other receivables	**(1 221)**	(1 462)
- Increase/(decrease) in trade and other payables	**2 745**	(934)
- Utilisation of provisions	**(82)**	(96)
Cash generated from operations	**891**	1 102

*Write-down of inventory as at 30 June 2022 was low due to a higher net realised price in the first half of 2022. Prices have decreased since with the average net realised price per tonne as at 30 June 2023 being 8% lower than the average net realised price as at 30 June 2022.

16. Reconciliation of Finance costs paid

	Six months ended	
In millions of Rands	**30 June 2023 Reviewed**	30 June 2022 Reviewed
Finance costs per statement of comprehensive income	**(638)**	(517)
Adjusted for:		
Non-cash movement on interest expense borrowings and payables:		
– Loan from holding company	**209**	56
– Other third-party payables	**16**	11
Interest expense on lease obligations	**-**	3
Unwinding of the discounting effect on provisions and financial liabilities	**136**	185
– Provisions	**104**	122
– Other financial liabilities	**32**	40
– Borrowings - loans from holding company	**-**	23
Finance costs per statement of cash flow	**(277)**	(262)

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

17. Fair value measurements

In millions of Rands	**30 June 2023 Reviewed**	31 December 2022 Audited	Fair Value hierarchy	Classification
Assets				
Investment properties	**696**	737	Level 3	FVTPL
Investment property held for sale	**231**	80	Level 3	FVTPL
Investments in environmental trust	**421**	408	Level 2	FVTPL
Equity securities	**15**	23	Level 1	FVTOCI

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

Fair value hierarchy	**Valuation technique**
Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.	Other financial assets valued at closing share price of R2.35 (December 2022: R3.75), for investment in MC Mining Ltd.
Level 2: Fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies. Investment in environmental trust: The fair value is derived from the underlying listed share prices.
Level 3: Inputs for the assets or liability that are unobservable.	The valuation policy adopted by management is to revalue investment property externally by an independent registered valuer at financial year-end and for interim reporting purposes. The investment properties can be divided between industrial sector valued at R676 million (December 2022: R724 million), residential vacant land sector valued at R2 million (December 2022: R2 million) and farm land valued at R17 million (December 2022: R11 million). The fair value of the property in the industrial sector was determined by adopting the income capitalisation method or the depreciable replacement cost approach or the market approach. The income capitalisation method requires a market-derived projection of economic net annual income for the property, which is then capitalised into perpetuity using a market-related capitalisation rate to determine the market value estimate. Gross market rentals have been applied to the accommodation elements and then normal landlord outgoings were deducted and a management fee to arrive at a net annual income figure. The following key assumptions were applied: Expense ratio 17.7% (December 2022: 17.4% - 19.9%) Vacancy provision 7.5% (December 2022: 7.5%) Exit capitalisation rate13.5% (December 2022: 12.8% - 13.5%) A 2.5% increase or decrease in the vacancy provision will impact the fair value by R2 million (December 2022: R2 million). A 1% increase or decrease in the capitalisation rate will impact the fair value by R35 million (December 2022: R39 million). A 2.5% increase or decrease in the expense ratio will impact the fair value by R3 million (December 2022: R3 million).

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

17. Fair value measurements (continued)

Fair value hierarchy	Valuation technique
Level 3: Inputs for the assets or liability that are unobservable (continued)	The depreciable replacement cost approach is based on the economic theory of substitution and it involves comparing the asset being valued with another. This approach was applied to the conference facilities on the farm land. The fair value of properties in the residential vacant land sector has been determined by applying the market approach, which is based on comparing the subject assets with identical or similar assets for which price information is available, such as a comparison with market sales transactions in the same, or closely similar, type of asset within an appropriate time horizon. In assessing the value of the farm land, the sales comparison approach was followed, whereby comparable sales were researched together with current asking prices in the surrounding areas. The market value for the improvements on the land was determined by using the depreciated replacement cost method of valuation. Included in the Maputo properties is a property for which a promissory sale and purchase agreement to the value of $5 200 000 was signed. The price was subject to conditions, with a possible reduction of $500 000. The final selling price of the property was $5 200 000. The sale was concluded in July 2023 and the value of $5 200 000 was used as fair value for this property as at 30 June 2023. Included in the Saldanha properties, is a property for which a non-binding offer to purchase the property for R134 million was received. The sale is expected to be concluded later in 2023 and the value of R134 million was used as fair value for this property as at 30 June 2023.

18. Commitments

In millions of Rands	**30 June 2023 Reviewed**	31 December 2022 Audited
Capital commitments on property, plant and equipment		
Capital commitments authorised and contracted for	**980**	1 092
Capital commitments authorised but not contracted for	**704**	798

Included in the capital commitments above is an amount of R570 million (December 2022: R826 million) to address emissions at Vanderbijlpark Works over the next year.

19. Related party transactions

The Group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (June 2022: 69%) of the Group's shares. At 30 June 2023, the outstanding ArcelorMittal Holdings AG loan amounted to R3 700 million (December 2022: R3 700 million). The interest expense for the period was R209 million (period ended June 2022: R165 million).

The Group purchased products and services to the value of R569 million (June 2022: R530 million) from and sold goods to the value of R145 million (June 2022: R9 million) to other companies in the ArcelorMittal Group.

The Company and its subsidiaries entered into sale transactions with joint ventures to the value of R203 million (June 2022: R392 million) and with associates to the value of R199 million (June 2022: R215 million) in the ordinary course of business. These transactions were concluded at arm's length.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023 *continued*

20. Subsequent events

The sale of the investment property in Maputo classified as held-for-sale as at 30 June 2023 was concluded in July 2023 at a final sale price of USD5 200 000. The property is carried at fair value of R97 million at 30 June 2023. The property was derecognised in July 2023 when all requirements for derecognition were met.

On 17 July 2023 the, SK Mthethwa, resigned as CFO and executive director of the Group with immediate effect, and the board has approved that GA Griffiths be appointed to act as CFO until a new CFO is appointed and takes office. This has had no impact on the operations, results or financial position of the Group.

The directors are not aware of any other matters or circumstances arising since 30 June 2023 to the date of this report that would significantly affect the operations, the results or financial position of the Group.

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial
statements for the six months ended 30 June 2023
and proposed modification of 2016 Existing B-BBEE Transaction

ArcelorMittal

FORWARD-LOOKING STATEMENTS

Statements in this announcement that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to risks and uncertainties which could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

CORPORATE INFORMATION

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Non-executive directors
Prof B Mohale (Chairman)*
LC Cele*
B Davey º
D Earp*
GS Gouws
NP Gosa
R Karol+
KMM Musonda*^
NF Nicolau*
A Thebyane*
º Citizen of Canada
+ Citizen of India
^ -Citizen of Zambia
* Independent non-executive

Company secretary
FluidRock Co Sec (Pty) Ltd
Registration number: 2016/093836/07
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Centurion, 0169

Sponsor
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Alice Lane North
15 Alice Lane, Sandton, 2196
Private Bag x10056, Sandton, 2146

Auditors
Ernst and Young Inc.
102 Rivonia Road
Dennehof, Sandton, 2146

Executive directors
HJ Verster (chief executive officer)
SK Mthethwa (chief financial officer) appointed 1 June 2023, resigned 17 July 2023.

Chief financial officer (CFO)
Interim CFO SM van Wyk for the period 1 October 2021 to 31 May 2023.
Acting CFO GA Griffiths appointed 17 July 2023.

Release date: 27 July 2023

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