ArcelorMittal South Africa Limited
Preliminary reviewed condensed consolidated financial statements for the year ended 31 December 2020

Salient features

- Successful implementation of a rapid response plan against the pandemic to protect our people, our assets and our financial lifelines
- Transformation and strategic initiatives yield substantial benefits
- R1 022 million profit in H2 2020, resulting in a full year EBITDA profit of R37 million (2019: R632 million loss)
- R1 467 million improvement in free cash flow to an inflow of R117 million (2019: R1 350 million outflow)
- R2 531 million (33%) reduction in total fixed costs to R5 066 million (2019: R7 597 million)
- 10% reduction in rand terms in the raw material basket
- 4% reduction in average international dollar steel prices, with a 6% increase in realised rand prices
- 48% lower liquid steel production of 2,3 million tonnes and 47% lower sales volumes of 2,2 million tonnes
- R1 222 million reduction in the headline loss to R2 043 million (2019: R3 265 million loss)

The analysis below relates to the 12 months ended 31 December 2020 (current period) compared to the 12 months ended 31 December 2019 (prior or comparable period) except where otherwise indicated.

Overview and sustainability

2020 proved to be an exceptionally difficult year with unprecedented challenges. Despite this, the year also proved to be highly transformative with constructive learnings. 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.

ArcelorMittal South Africa was able to craft a rapid response plan to protect its people, assets and financial lifelines during the initial hard lockdown and subsequent restart of operations by implementing guidelines issued by the World Health Organisation and the South African Government. The Company gratefully acknowledges the support of its employees during this period.

Emerging from a first half broadly characterised by lockdowns, internationally the second half of 2020 saw an unexpected bounce in near-term steel demand. Virtually without exception, major steel making economies around the globe struggled to respond to meet this demand in a timely manner. Those regions with integrated primary steelmaking operations were especially affected as the complex supply chain components took time to be restored. Internationally, this restoration effort remains a work-in-progress.

Turning to South Africa and the regional economy, results from multiple customer surveys, starting late in the first half of the year and stretching through the second half, reflected significant changes in steel demand estimates as time progressed. In many instances, there were notably mixed views as to the sustainability of this demand, especially as the second wave of Covid-19 began to take hold in the country.

Against the backdrop of an arduous 2019 which led to downstream steel market inventories being at diminished levels:

- the second blast furnace at Vanderbijlpark Works was restarted in December 2020, followed by the third basic oxygen furnace and the direct reduced iron plant to support flat steel supply,
- while the electric arc furnace at Vereeniging, which was scheduled to be placed under care and maintenance in the third quarter of 2020, will continue to operate for the foreseeable future in support of long steel supply.

Rising international steel prices, particularly in the fourth quarter of 2020, were the consequence of global steel supply shortages due to a sharper than expected recovery in virtually all international markets, nine-year-high iron ore prices, and increasing scrap and other raw material prices. By late December 2020 and into early January 2021, international steel prices rose to levels last seen in 2008.

The Company continued to implement its strategic initiatives in 2020 to achieve long-term sustainability. A key element was the finalisation of the asset footprint review. The orderly and commercial wind-down of Saldanha Works was completed to ensure that significant historical losses did not reoccur in 2020, nor in the future. 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. For example, the establishment of a back-of-port logistics hub using the ancillary land and equipment at Saldanha Works is being considered.

Overview and sustainability continue

Also, an agreement has been signed with an aspirant South African independent power producer to use suitably permitted land at Saldanha Works, should the party be successful in the current emergency power-bidding process.

The Company's significant fixed cost reduction programme continues to yield substantial results, with a R2.5 billion reduction in fixed costs in 2020 including the impact of the closure of Saldanha Works of R951 million. All fixed cost elements were targeted to rescale the cost structure of the business to the anticipated lower normalised volume. The variabilisation of fixed costs will continue to be a key focus area going forward.

The pandemic necessitated the accelerated implementation of the Company's new *OneOrganisation* operating model and a large-scale labour reorganisation (announced on 18 June 2020 in terms of Section 189(3) of the Labour Relations Act 66 of 1995). Both initiatives were completed within December 2020 and January 2021 and a reorganisation charge of R134 million was recognised for severance packages.

Key elements of the extraordinary cash management and cost control measures, implemented to ensure liquidity during the months of hard lockdown, continued into the remainder of the year.

The Business Transformation Programme (BTP) contributed a further R1,5 billion (2019: R1,5 billion) in improvements, adding to the R2,1 billion of improvements achieved since the programme started in the second half of 2018. For 2021, this programme will specifically address customer centricity, maintenance and reliability, and the energy and logistics transformation programmes. Information technology will build on the progress made in 2020 to improve agile decision-making and integrate artificial intelligence into end-to-end sales and the operational planning process in support of a better customer experience.

The business advanced opportunities to improve the cost structure of key raw materials by broadening the potential supply base. In addition to the 17 August 2020 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, significant progress was made to further diversify sources of supply. This process will continue as the second phase of beneficiation of discard material is planned at Thabazimbi mine in 2021, while efforts to secure alternative longer-term sources of other raw materials are expanded.

The invaluable lessons learnt during this period are being incorporated into the customer centricity, and sales and operational planning elements of the *OneOrganisation* operating model. More than ever, it is clear from numerous approaches, that customers are eager for further and closer collaboration to integrate value chains and pursue value-adding product development.

More work remains to be done to unify the steel industry in support of the Government's economic reconstruction and recovery plan and the Steel Industry Masterplan being finalised by the Department of Trade, Industry and Competition (DTIC).

Monetisation of blast furnace slag is rapidly advancing. 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. The search for a co-investor for the commercial market coke business has been postponed due to funding challenges.

Safety

Safety remains the Company's number one priority, as reemphasised by ArcelorMittal South Africa's proactive response to the Covid-19 pandemic. Notwithstanding the intention to achieve zero fatalities and injuries, the Company regrettably experienced one fatal incident at its Newcastle Works on 13 November 2020. The board and management extend their deepest condolences to the family and colleagues of the deceased.

Impacted by the lower number of work hours, the lost-time injury frequency rate (LTIFR) increased from 0.44 to 0.58 and the total injury frequency rate (TIFR) increased from 6.57 to 7.21.

Markets

Global crude steel production[1] remained flat at 1.8 billion tonnes in 2020 due to the impact of the worldwide pandemic. This is 16 million tonnes or 0.9% lower than 2019 levels.

China's crude steel production increased to 1,1 billion tonnes, representing an increase in market share from 54% in 2019 to 58% in 2020.

China has been exceeding its 2019 monthly crude steel output levels since Q2 2020, due to an infrastructure-focussed stimulus package. Other large steel producing countries, however, have shown a more gradual recovery depending on the steel friendliness of their stimulation packages.

Europe's crude steel output declined by 9% to 172 million tonnes while North America fell by 16% year-on-year to 101 million tonnes. Turkey and Russia managed to increase their production by about 6% and 2% respectively while India fell by 11% to 100 million tonnes.

Africa's output decreased by 10% to 13 million tonnes due to lower production in South Africa and Egypt.

Regarding fair trade practices, large steel producing countries continued to impose market protection measures to prevent excessive imports, specifically from Asia. This was deemed necessary in light of the economic contraction and the vulnerability of their recovering production capacity. Most expert opinions suggest that the negative impact of the pandemic led to increased levels of protectionism of domestic markets.

Turning to South Africa, the country's 2020 real GDP is anticipated to reduce by 8%. Positive business sentiment is growing, signalling improvements in manufacturing activity and the anticipated positive demand spin-offs from the Government's reconstruction and recovery plan.

Mirroring the international experience, the South African steel industry was not immune to the adverse impact of the lengthy lockdown and production stoppage. As a result, the overall market experienced sharp increase in supply lead times, both on domestic and import based sourcing.

Apparent steel consumption for 2020 decreased by 20% to 3,7 million tonnes. The bounce in near-term demand in the second half of the year reflected the increasing steel requirements from the construction sector, both to complete in-progress projects and from new informal activity, recovery in the automotive trade, growth in mining production (notably in PGMs, iron ore and gold), and restocking by merchants who actively ran-down their inventories.

Total steel imports of mainly hot rolled, galvanised sheet and tinplate, increased by 4% to 937 000 tonnes[2] in response to the supply chain shortages in the local market. This constituted some 26% of South Africa's apparent steel consumption (2019: 20%), which is likely to reduce in the coming year as the supply chain normalises.

The Company's total sales volumes fell by 47% or 1,9 million tonnes to 2,2 million tonnes compared to 2019, mainly due to a 37% or 1,1 million tonnes reduction in domestic sales and a 72% or 827 000 tonne reduction in seaborne export sales. Flat steel products decreased by 46% or 1,2 million tonnes (excluding Saldanha 27%), while long steel products decreased by 47% or 690 000 tonnes.

Average 2020 annual benchmark China export hot rolled coil (HRC) price remained flat year-on-year. At the same time, benchmark China export rebar steel prices decreased by 3% compared to 2019. The Company's overall realised steel price in dollars fell by 5% while in rand terms, realised steel prices increased by 6% as the average dollar/rand exchange rate weakened by 14%.

Despite the extremely difficult operating conditions with considerably lower volumes, the Company provided R130 million in value-added export assistance to the downstream industry, compared to R233 million in 2019.

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[1] Source: WorldSteel statistics, with December 2020 projected based on July2020 - November 2020 data

[2] Source: December 2020: ArcelorMittal South Africa projection based on import statistics from Customs

Operational

Excluding Saldanha Works, which was placed under care and maintenance early in the second quarter, the Company's capacity utilisation reduced from 67% in 2019 to 42% recovering to 71% at the start of 2021.

Liquid steel production (including that from Saldanha Works) fell by 48% or 2.1 million tonnes, from 4,4 million tonnes to 2,3 million tonnes during 2020 and by 37% or 1,3 million tonnes excluding Saldanha Works.

Flat steel products' liquid steel production decreased by 47% or 1,4 million tonnes to 1,5 million tonnes while long steel products' liquid steel production fell by 49% or 745 000 tonnes to 769 000 tonnes.

Operationally, the business remains firmly focused on further cost improvements and greater operational reliability in support of its customer base. Improving the delivered cost of raw materials, optimising inventory levels and addressing uncompetitive rail tariffs will receive further attention.

The nationwide lockdown reduced the demand for metallurgical coke, enabling an increase in commercial market coke production. Commercial market coke production was 48% higher at 282 000 tonnes, though sales volumes were 101% higher at 305 000 tonnes as lower internal metallurgic coke demand could be routed as commercial market coke to ferro-chrome producers.

Financial results

ArcelorMittal South Africa reported an EBITDA profit (before exceptional items) of R37 million against a loss of R632 million (before exceptional items), while its operating loss decreased from R2 359 million to R924 million. The headline loss decreased from R3 265 million to R2 043 million, amounting to a 186 cents per share loss against 299 cents loss for 2019.

Revenue decreased by 40% to R24 643 million due to a 47% reduction in total sales volumes. This was partly mitigated by a 6% improvement in net realised steel prices in rand terms against the comparative period. Commercial market coke sales volumes increased by 101% while sales prices decreased by 1% in rand terms.

The Company's raw material basket (iron ore, coking coal, and scrap), representing 41% (2019: 51%) of cash cost per tonne, was 10% lower in rand terms, which is exceptional given the 11% increase in the international raw material basket reflecting the work done in diversifying the sources of raw material. Consumables and auxiliaries, which represented approximately 31% of cash cost per tonne (2019: 29%), increased by 24%. Electricity increased by 10%.

Needing to act with decisiveness and agility in response to the fall in production and sales volumes, fixed cash costs were reduced by 33% or R2,5 billion. The reduction includes R1 billion of BTP-related fixed cost improvements, with just less than R600 million in new actions to variabilise these costs and the remainder being the fixed cost of Saldanha Works being placed under care and maintenance.

Despite significant cost savings from the BTP initiatives, the Company's cash cost per tonne of steel sold increased by 8%, largely driven by lower volumes.

An impairment of R125 million was recognised following the decision to cold idle the coke battery at Pretoria.

The impairment reversal of R57 million mainly relates to the reversal of the impairment against the carrying amount of the equity-accounted investment for Coza Mining (Pty) Ltd (Coza). The disposal of the 25% interest in Coza was announced on 17 August 2020. This investment is recognised as an asset held for sale at year-end.

The debit fair value adjustment on investment properties of R118 million is based on the latest fair value of these properties obtained from independent valuators.

Financial results continue

Cash flow and borrowing position

Cash generated from operations of R867 million improved by R624 million against 2019.

Net finance costs increased by 10% or R25 million to R269 million. Net foreign exchange losses amounted to R415 million, of which R126 million is unrealised.

The net capital expenditure cash outflow was R509 million against R1 491 million in 2019, reflecting the interruption in projects due to the impact of the lockdown.

The net borrowing position of R3 370 million in 2019 increased to R3 838 million at 31 December 2020, including R520 million relating to the capitalisation of interest and group payables to the loan from ArcelorMittal Holding AG. The position is R136 million higher compared to 30 June 2020.

Legal and regulatory matters

- Covid-19: The Company had to manage the effects of the pandemic in compliance with the regulations pursuant to the Disaster Management Act 2002 during Levels 4 and 5, and more recently through Level 3, which has allowed the progressive reopening of the economy. This included the development, implementation and ongoing monitoring of safety and health management protocols to maintain a safe working environment for all employees and contractors who were required to return to work on site, while remote working was encouraged where possible.
- Environmental Criminal Matter: The matter was finalised on 10 June 2020 and the outcome was communicated to shareholders (SENS) during the reporting period.
- Competition Commission: The Company continues to engage with the Competition Commission regarding the payment of the administrative fine.

Changes to the board of directors

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.

Dividends

No dividends were declared for the year ended 31 December 2020.

Outlook for the first half of 2021

Covid-19 infection rates remain a risk, and therefore the health and wellbeing of our employees will continue to receive significant attention.

Barring a return to more restrictive lockdown regulations, it is anticipated that both sales volumes and prices should improve. Strong international steel prices are expected to remain in the near-term.

The improved price and volume environment combined with the sustained fixed cost and footprint benefits should see the improved performance of H2 2020 continue in the first half of 2021.

On behalf of the board of directors

HJ Verster	**AD Maharaj**
Chief Executive Officer	Chief Financial Officer
11 February 2021	

ArcelorMittal South Africa Limited

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KEY STATISTICS

In millions of Rands	Year ended 31 December 2020	31 December 2019 Restated
Unreviewed/unaudited information		
Operational		
Liquid steel production	**2 307**	4 411
Total steel sales (Thousand tonnes)	**2 189**	4 112
Local steel sales (Thousand tonnes)	**1 871**	2 967
Export steel sales (Thousand tonnes)	**318**	1 145
Capacity utilisation (%)	**36**	68
Commercial coke sales (Thousand tonnes)	**305**	152
Average net realised price (R/t)	**9 875**	9 259
Safety		
Lost time injury frequency rate	**0.58**	0.44
Reviewed/audited information		
Financial		
Revenue (R million)	**24 643**	41 353
Loss from operations (R million)	**(924)**	(2 359)
Net loss (R million)	**(1 926)**	(4 604)
Loss per share (cents)	**(175)**	(419)
Headline loss (R million)	**(2 043)**	(3 265)
Headline loss per share (cents)	**(186)**	(297)
Net borrowings (R million)	**(3 838)**	(3 370)
Ratios		
Return on ordinary shareholders' equity per annum:		
- Attributable earnings (%)	**(58.3)**	(68.5)
- Headline earnings (%)	**(61.8)**	(48.6)
Net borrowings to equity (%)	**(180.2)**	(75.3)
Ebitda margin	**0.2**	(1.5)
Share statistics		
Ordinary shares (thousands):		
- in issue	**1 138 060**	1 138 060
- outstanding	**1 114 612**	1 093 510
- weighted average number of shares	**1 098 828**	**1 098 828**
- diluted weighted average number of shares	**1 098 828**	**1 098 828**
Share price (closing) (Rand)	**1.00**	1.19
Market capitalisation (R million)	**1 138**	1 354
Net asset value per share (Rand)	**1.91**	4.09

Restated due to employee share scheme vested 30 September 2020

Reconciliation of earnings before interest, taxation, depreciation, amortisation and exceptional items

In millions of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Loss from operations	**(924)**	(2 359)
Adjusted for:		
- Depreciation	**546**	819
- Amortisation of intangible assets	**10**	11
- Saldanha Works wind-down cost	**-**	396
- Restructuring cost	**134**	234
- Inventory adjusted to net realisable value	**271**	267
Earnings before interest, taxation, depreciation, amortisation and exceptional items	**37**	(632)

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated financial statements of ArcelorMittal South Africa Limited, contained in the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at 31 December 2020 and the condensed consolidated statements of comprehensive income and other comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a preliminary report to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical 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 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 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 those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa.

Material Uncertainty related to Going Concern

We draw attention to note 24 in the condensed consolidated financial statements which indicates that the group incurred a net loss after tax of R1 926 million (2019: R4 604 million) for the year ended 31 December 2020. As stated in note 24, these events or conditions, along with other matters as set forth in note 24, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte + Touche

Deloitte & Touche
Registered Auditor

Per: S.I. Rajcoomar
Partner
11 February 2021

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ArcelorMittal

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

In millions of Rands	Note	Year ended 31 December 2020 Reviewed	Year ended 31 December 2019 Restated
Revenue		**24 643**	41 353
Raw materials and consumables used		**(12 840)**	(24 475)
Employee costs		**(3 457)**	(4 773)
Energy		**(3 598)**	(4 699)
Movement in inventories of finished goods and work in progress		**(1 203)**	(2 242)
Depreciation		**(546)**	(819)
Amortisation of intangible assets		**(10)**	(11)
Impairment of trade and other receivables		**(4)**	(15)
Other operating expenses		**(3 909)**	(6 678)
Loss from operations		**(924)**	(2 359)
Impairment reversal of other assets	6	**57**	79
Impairment of property, plant and equipment and intangible assets	7	**(125)**	(1 480)
Impairment reversal of property, plant and equipment	8	**29**	-
Finance and investment income	9	**112**	101
Finance costs	10	**(1 188)**	(1 070)
Fair value adjustments on investment property		**(118)**	72
Reclassification of foreign currency differences on liquidation of foreign investment	11	**280**	-
Income/(loss) from equity accounted investments (net of tax)		**13**	(17)
Loss before tax		**(1 864)**	(4 674)
Income tax (expense)/credit	12	**(62)**	70
Loss for the year		**(1 926)**	(4 604)
Other comprehensive (loss)/profit			
Items that will not be reclassified to profit or loss:			
Fair value adjustment on equity instruments (net of tax)		**(29)**	(26)
Revaluation of property, plant and equipment	13	**30**	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(36)**	-
Cash flow hedge – effective portion of changes in fair value net of tax		**(202)**	120
Reclassification of cash flow hedges to profit or loss (net of tax)		**66**	(27)
Reclassification of foreign currency differences on liquidation of foreign investment	11	**(280)**	-
Share of other comprehensive income of equity-accounted investments		**3**	-
Other comprehensive (loss)/income for the year		**(448)**	67
Total comprehensive loss for the year		**(2 374)**	(4 537)
Loss attributable to:			
Owners of the company		**(1 926)**	(4 604)
Total comprehensive loss attributable to:			
Owners of the company		**(2 374)**	(4 537)
Loss per share (cents) attributable to owners of the company			
- basic		**(175)**	(419)
- diluted		**(175)**	(419)

ArcelorMittal South Africa Limited

Preliminary reviewed condensed consolidated financial statements for the year ended 31 December 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at		
In millions of Rands	Note	**31 December 2020 Reviewed**	31 December 2019 Restated	31 December 2018 Restated
Assets				
Non-current assets		**9 333**	9 794	10 696
Property, plant and equipment		**7 675**	7 966	8987
Investment properties	15	**983**	1 080	1 008
Intangible assets		**72**	70	73
Equity accounted investments		**205**	268	220
Investment held by environmental trust		**378**	348	332
Non-current receivable		**8**	22	10
Other financial assets		**12**	40	66
Current assets		**12 476**	13 739	18 864
Inventories		**7 348**	8 700	12 179
Trade and other receivables		**1 623**	2 837	3 972
Taxation		**-**	21	132
Asset held for sale	16	**135**	-	-
Other financial assets		**30**	193	56
Cash, bank balances and restricted cash	17	**3 340**	1 988	2 525
Total assets		**21 809**	23 533	29 560
Equity and Liabilities				
Shareholders' equity		**2 130**	4 477	8 961
Stated capital		**4 537**	4 537	4 537
Non-distributable reserves		**(3 976)**	(3 568)	(3 659)
Retained income		**1 569**	3 508	8 083
Non-current liabilities		**6 887**	6 716	5 636
Borrowings	18	**4 728**	4 208	2 700
Trade and other payables		**283**	373	572
Finance lease obligations		**44**	74	46
Provisions		**1 832**	1 761	1 774
Other financial liabilities		**-**	300	544
Current liabilities		**12 792**	12 340	14 963
Trade and other payables		**8 420**	9 391	13 779
Borrowings		**2 450**	1 150	300
Finance lease obligations		**29**	26	15
Current provisions		**770**	1 080	406
Taxation payable		**106**	93	91
Other financial liabilities		**1 017**	600	372
Total equity and liabilities		**21 809**	23 533	29 560

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Note	Year ended 31 December 2020 Reviewed	Year ended 31 December 2019 Restated*
Cash flows from operating activities		**622**	129
Cash generated from operations	19	**867**	243
Interest income		**111**	101
Finance cost		**(380)**	(345)
Income tax received		**24**	130
Cash flows from investing activities		**(505)**	(1 479)
Investment to maintain and expand operations		**(509)**	(1 491)
Proceeds on disposal or scrapping of assets		**4**	-
Dividend income from investment		**-**	12
Cash flows from financing activities		**1 257**	810
Borrowings raised - net		**1 300**	850
Finance lease obligation repaid		**(35)**	(37)
Cash settlement on Management share Trust/long term incentive plan		**(8)**	(3)
Increase/decrease in cash, cash equivalents and restricted cash		**1 374**	(540)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**(22)**	3
Cash, cash equivalents and restricted cash at beginning of the year		**1 988**	2 525
Cash, cash equivalents and restricted cash at end of the year		**3 340**	1 988

***** *Amounts previously classified as realised foreign exchange movements were reclassified to cash from operations, refer to note 15.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Rands	Stated Capital	Treasury share equity reserve	Other Reserves	Retained earnings	Total
Year ended 31 December 2018 (Restated)					
Balance as at 1 January 2018 – restated	4 537	(3 918)	4 281	4 134	9 034
As previously reported	4 537	(3 918)	4 281	3 158	8 058
Change in accounting policy - Fair value adjustment of Investment properties	-	-	-	976	976
Total comprehensive loss – restated	-	-	(1 475)	1 394	(81)
As previously reported	-	-	(1 475)	1 370	(105)
Change in accounting policy - Fair value adjustment of Investment properties	-	-	-	24	24
Share-based payment reserve	-	-	10	-	10
Settlement of long-term incentive plan	-	-	(2)	-	(2)
Transfer between reserves	-	(1)	(2 554)	2 555	-
Balance as at 31 December 2018 (Restated)	4 537	(3 919)	260	8 083	8 961
Year ended 31 December 2019 (Reviewed)					
Balance as at 1 January 2019 – restated	4 537	(3 919)	260	8 083	8 961
As previously reported	4 537	(3 919)	260	7 083	7 961
Change in accounting policy - Fair value adjustment of Investment properties	-	-	-	1 000	1 000
Total comprehensive loss – restated	-	-	67	(4 604)	(4 537)
As previously reported	-	-	67	(4 676)	(4 609)
Change in accounting policy - Fair value adjustment of Investment properties	-	-	-	72	72
Share-based payment reserve	-	-	56	-	56
Settlement of long-term incentive plan	-	-	(3)	-	(3)
Transfer between reserves	-	-	(29)	29	-
Balance as at 31 December 2019 (Restated)	4 537	(3 919)	351	3 508	4 477
Year ended 31 December 2020 (Reviewed)					
Balance as at 1 January 2020 – restated	**4 537**	**(3 919)**	**351**	**3 508**	**4 477**
As previously reported	**4 537**	**(3 919)**	**351**	**2 436**	**3 405**
Change in accounting policy - Fair value adjustment of Investment properties	**-**	**-**	**-**	**1 072**	**1 072**
Total comprehensive loss	**-**	**-**	**(448)**	**(1 926)**	**(2 374)**
Share-based payment reserve	**-**	**-**	**35**	**-**	**35**
Settlement of long-term incentive plan	**-**	**-**	**(8)**	**-**	**(8)**
Transfer between reserves	**-**	**1 854**	**(1 841)**	**(13)**	**-**
Balance as at 31 December 2020 (Reviewed)	**4 537**	**(2 065)**	**(1 911)**	**1 569**	**2 130**

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information

ArcelorMittal South Africa Limited is a public company incorporated and domiciled in the Republic of South Africa and listed on the JSE Limited. These condensed consolidated financial statements for the year ended 31 December 2020 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 financial statements were prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports as well as the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. It also contains, at a minimum, the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were prepared under the supervision of Mr. AD Maharaj CA (SA), the chief financial officer.

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, 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 financial statements that are free from material misstatement, whether due to fraud or error.

The auditor’s conclusion, which contains a paragraph on material uncertainty relating to going concern, does not necessarily report on all of 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, except for the change in accounting policy relating to Investment properties.

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.

3.1 Prior period error

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 year ended 31 December 2019 and 31 December 2018.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

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 Statement of financial position is shown in the table below:

In millions of Rands	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).

3.2 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 have concluded that the fair value model for investment property is a more appropriate measurement basis than the previously applied cost model, providing relevant and more reliable 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 financial statements is shown in the table below:

	As previously reported		Adjustment		Restated	
In millions of Rands	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

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

	As previously reported	Adjustment	Restated
In millions of Rands	**31 December 2019**	**31 December 2019**	**31 December 2019**
Statement of comprehensive income			
Fair value adjustment on investment properties	-	72	72
Income tax*	-	-	-
Net loss	(4 676)	72	(4 604)
Statement of Financial Position			
Investment properties	-	1 080	1 080
Total assets	22 461	1 072	23 533
Deferred tax*	-	-	-
Retained earnings	2 436	1 072	3 508

** Income tax and deferred tax, the group has an unrecognised deferred tax asset, refer to note 12.*

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

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 - refer to note 20, the fair value measurement note
- Impairment assessment of property, plant and equipment – refer to note 7, the impairment of property, plant and equipment note
- 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 31 December 2020 and the impairment loss on trade and other receivables increased with R4 million compared to December 2019.
- Going concern basis – refer to note 24, the going concern note.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

5. Segment report

Flat Steel Products

	Year ended	
	31 December 2020 Reviewed	31 December 2019 Audited
Revenue (R million)	16 130	27 709
- External	15 441	26 927
- Internal	689	782
Revenue external (R million)	15 441	26 927
- Local	14 207	21 783
- Export	1 234	5 144
EBITDA (R million) (unreviewed/unaudited)	414	(574)
EBITDA margin (%) (unreviewed/unaudited)	2.6	(2.1)
Average net realised price (R/t) (unreviewed/unaudited)	10 275	9 620
Exceptional items (unreviewed/unaudited)	(127)	(665)
Depreciation and amortisation (R million)	(272)	(435)
Profit/(loss) from operations (R million)	15	(1 674)
Unreviewed/unaudited information		
Liquid steel production (Thousand tonnes)	1 538	2 897
Steel sales (Thousand tonnes)	1 426	2 659
- Local	1 309	2 065
- Export	117	594
Capacity utilisation (%)	37	69

Long Steel Products

	Year ended	
	31 December 2020 Reviewed	31 December 2019 Audited
Revenue (R million)	**8 797**	14 599
- External	**7 320**	13 179
- Internal	**1 477**	1 420
Revenue external (R million)	**7 320**	13 179
- Local	**5 578**	8 856
- Export	**1 742**	4 323
EBITDA (R million) (unreviewed/unaudited)	**(683)**	(369)
EBITDA margin (%) (unreviewed/unaudited)	**(7.8)**	(2.5)
Average net realised price (R/t) (unreviewed/unaudited)	**9 162**	8 598
Exceptional items (unreviewed/unaudited)	**(189)**	(169)
Depreciation and amortisation (R million)	**(190)**	(297)
(Loss) from operations (R million)	**(1 062)**	(835)
Unreviewed/unaudited information		
Liquid steel production (Thousand tonnes)	**769**	1 514
Steel sales (Thousand tonnes)	**763**	1 453
- Local	**562**	902
- Export	**201**	551
Capacity utilisation (%)	**33**	66

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

Coke and Chemicals

	Year ended	
	31 December 2020 Reviewed	31 December 2019 Audited
Revenue (R million)	**1 917**	1 310
- External	**1 882**	1 247
- Internal	**35**	63
Revenue external (R million)	**1 882**	1 247
- Local	**1 882**	1 247
- Export	**-**	-
EBITDA (R million) (unreviewed/unaudited)	**295**	250
EBITDA margin (%) (unreviewed/unaudited)	**15.4**	19.1
Exceptional items (unreviewed/unaudited)	**(25)**	(1)
Depreciation and amortisation (R million)	**(69)**	(70)
Profit from operations (R million)	**201**	179
Unreviewed/unaudited information		
Commercial coke produced (Thousand tonnes)	**282**	191
Commercial coke sales (Thousand tonnes)	**305**	152
Tar sales (Thousand tonnes)	**50**	77

Corporate and other

	Year ended	
	31 December 2020 Reviewed	31 December 2019 Audited
EBITDA (R million) (unreviewed/unaudited)	**11**	61
Exceptional items (unreviewed/unaudited)	**(64)**	(62)
Depreciation and amortisation credit (R million)	**(25)**	(28)
Loss from operations (R million)	**(78)**	(29)

6. Impairment reversal of other assets

	Year ended	
In million of Rands	**31 December 2020 Reviewed**	31 December 2019 Audited
Impairment reversal of investment	**57**	79

The impairment reversal of R57 million for 2020 relates to a 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 recognised in 2019 relates to loans advanced to Coza Mining (Pty) Ltd that was previously impaired.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

7. Impairment of property, plant and equipment

In million of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Impairment of property, plant and equipment	**125**	1 480

The coke battery at Pretoria Works that was part of the Coke and Chemical business, was impaired by R125 million following the decision to cold idle the coke battery.

The 2019 impairment amount of R1 480 million comprise of the impairment of the property, plant and equipment at the Newcastle Works to the value of R1 087 million, the tin plant at Vanderbijlpark Works to the value of R99 million and an amount of R294 million was recognised in respect of Saldanha Works following the decision to wind-down steel operations and placing the operation on care and maintenance.

Basis of *the impairment model*
A discounted cash flow model is used with an explicit forecast period for five years. These cash flows are USD based. To determine the terminal value, the Gordon growth model is used and year five is taken in perpetuity.

The value in use for all the cash-generating units was higher than the carrying amounts.

The following major assumptions were used:

In millions of Rands	Vanderbijlpark 2020	Newcastle 2020	Gauteng operations 2020	Coke and Chemicals 2020
Major assumptions				
Total Post-tax WACC/discount rate (%USD-based)**	13.04	13.35	12.42	13.04
Growth rate (%USD-based)	2	2	2	2
Exchange rate range (R/USD)*	15.50 – 16.94	15.50 – 16.94	15.50 – 16.94	15.50 – 16.94
Steel sales price range (average USD/t)*	628 – 685	563 – 581	796 - 821	23 – 28
Sales volume range (kt)*	1 959 – 2 469	927 – 1 067	135 – 197	1 615 – 1 670

** Lowest to highest range over period of 2021 to 2025 (2019: 2020 to 2024).*
*** While a pre-tax 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.*

8. Impairment reversal of property, plant and equipment

In millions of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Impairment reversal of property, plant and equipment	**29**	-

The reversal is the result of the transfer of the property at Saldanha Works from property, plant and equipment to investment property. In previous years the property, plant and equipment of Saldanha Works was impaired.

9. Finance and investment income

In million of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Finance income		
Bank deposits and other interest income	**112**	101

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

10. Finance cost

In million of Rands	Year ended 31 December 2020 Reviewed	 31 December 2019 Audited
Interest expense on bank overdrafts and loans	**300**	863
Interest expense on finance lease obligations	**10**	13
Net foreign exchange losses/(gains) on financing activities	**415**	(128)
Discount rate adjustment of the non-current provisions	**147**	1
Unwinding of discounting effect on non-current provisions	**316**	321
Total	**1 188**	1 070

11. Reclassification of foreign currency translation differences

In millions of Rands	31 December 2020 Reviewed	31 December 2019 Audited
Reclassification of foreign currency translation differences	**280**	-

ArcelorMittal Investment BV, a 100%-owned subsidiary, registered in the Netherlands with a functional currency of US dollars, was deregistered during the year. Due to the deregistration, the balance in the foreign currency translation reserve had to be reclassified through profit and loss.

12. Taxation

Although the corporate tax rate is 28 percent, the actual average tax rate for the group was 3.6%.

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.

13. Revaluation of property, plant and equipment

The property of Saldanha Works and more specifically the Distribution Centre and Conference Centre were transferred from property, plant and equipment to investment property following the wind down of Saldanha. These properties are held for long term capital appreciation and to earn rental income.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

14. Headline loss

In millions of Rands	Year ended 31 December 2020 Reviewed	 31 December 2019 Restated
Loss for the year	**(1 926)**	(4 604)
Adjusted for:		
- Impairment reversal of other assets	**(57)**	(79)
- Impairment charge	**125**	1 480
- Impairment reversal of property, plant and equipment	**(29)**	-
- Reclassification of foreign currencies differences on liquidation of foreign investment	**(280)**	-
- Fair value adjustments on investment properties	**118**	(72)
- Loss on disposal or scrapping of assets	**8**	14
- Tax effect	**(2)**	(4)
Headline loss for the year	**(2 043)**	(3 265)
Headline loss per share (cents)		
- basic	**(186)**	(297)
- diluted	**(186)**	(297)

15. Investment properties

In millions of Rands	31 December 2020 Reviewed	31 December 2019 Restated
Balance at beginning of the year	**1 080**	1 008
Fair value adjustment	**(118)**	72
Transfer from property, plant and equipment	**59**	-
Exchange rate movement	**(38)**	-
Balance at end of the year	**983**	1 080

The valuation policy adopted by management is to revalue investment property externally at financial year-end and internally for interim reporting purposes as detailed in the change in accounting policy note, note 3.2. Refer to note 20 for detail on the fair value measurements.

16. Asset held for sale

In millions of Rands	Year ended 31 December 2020 Reviewed	 31 December 2019 Audited
Investment in Coza Mining (Pty) Ltd	**135**	-

The disposal of the 25% interest in Coza Mining (Pty) Ltd through its wholly-owned subsidiary, Oakwood Trading (Pty) Ltd to Afrimat Limited was announced on 17 August 2020.

The investment is recognised as an asset held for sale as at 31 December 2020 due to certain transaction conditions that were outstanding at year-end. Payment of the purchase consideration will fall due when all the mining rights for all the property have been obtained together with approval of the sale transaction in terms of section 11 of the Mineral and Petroleum Resources and Development Act by the Minister of the Department of Mineral Resources and Energy.

17. Cash, bank balances and restricted cash

At 31 December 2020, the group had restricted cash of R816 million (2019: R1 134 million). This consists of R501 million (2019: R823 million) regarding the True Sales Receivables (TSR) facility, R302 million (2019: R311 million) for the environmental rehabilitation obligations and a guarantee of R13 million in respect of Coza Mining (Pty) Ltd.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *continued*

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the draw down. At 31 December 2020 the balance of the borrowing base facility was R2 450 million (2019: R1 150 million) with R2 050 million (2019: R3 350 million) still available.

Bank accounts of R695 million (2019: R600 million) were ceded in favour of the borrowing base facility.

18. Borrowings

In millions of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Banks	**2 450**	1 150
Loan from Holding Company	**4 728**	4 208
Total	**7 178**	5 358
Non-current	**4 728**	4 208
Current	**2 450**	1 150
Total	**7 178**	5 358

The bank loan relates to the Borrowing Base facility with various financial institutions. The loan from the Holding Company increased by R520 million as a result of capitalised accrued interest of R342 million and the capitalisation of intercompany payables of R178 million. The loan from the Holding Company is subordinated to the Borrowing Base facility. Interest is payable on the initial loan of R2 700 million and interest of R479 million capitalised during 2019 at a market-related rate. The remaining amount of R1 549 million is interest free.

19. Cash generated from operations

In millions of Rands	Year ended 31 December 2020 Reviewed	31 December 2019 Audited
Loss from operations	**(924)**	(2 359)
Adjusted for:		
- Depreciation and amortisation of intangible assets	**556**	830
- Unrealised profit on sales to joint ventures	**1**	1
- Share option and participation costs	**34**	56
- Non-cash movement in provisions and financial liabilities	**(126)**	184
- (Reversal of write-down)/write-down of inventory to net realisable value	**(212)**	94
- Movement in trade and other receivable allowances	**27**	36
- Reconditionable spares usage	**1**	-
- Loss on disposal or scrapping of property	**8**	14
- Fair value adjustment on environmental trust	**(30)**	(16)
- Realised foreign exchange movements	**(289)**	(180)
- Other cash movements:		
- Decrease in inventories	**1 555**	3 415
- Decrease in trade and other receivables	**1 196**	1 208
- Decrease in trade and other payables	**(614)**	(2 876)
- Utilisation of provisions	**(241)**	(138)
- Changes in financial liabilities or assets	**(35)**	(84)
- Other payables raised, released and utilised relating to employees	**(40)**	58
Cash generated from operations	**867**	243

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

20. Fair value measurements

In millions of Rands	**31 December 2020 Reviewed**	Restated 31 December 2019	Fair Value hierarchy	Classification
Assets				
Investment properties	**983**	1 080	Level 3	FVTPL
Hedging instruments designated for hedge accounting	**-**	189	Level 2	FVTOCI
Other forward exchange contracts	**30**	4	Level 2	FVTPL
Equity securities	**12**	40	Level 1	FVTOCI
Equity securities	**378**	348	Level 1	FVTPL
Liabilities				
Other forward exchange contracts	**20**	-	Level 2	FVTPL

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

Valuation techniques

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.		Observable market data
Level 2: Fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).		Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.
Level 3: Inputs for the assets or liability are not based on observable market data (unobservable inputs)		The valuation policy adopted by management is to revalue investment property externally at financial year-end and internally for interim reporting purposes. 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 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 35% Vacancy provision 5% - 7,5% Vacancy period 6 months Exit capitalisation rate 13%-15% A 2,5% increase or decrease in the vacancy provision will impact the fair value by R16 million. A 1% increase or decrease in the exit capitalisation rate will impact the fair value by R39,4 million.

		The depreciable replacement cost approach is based on the economic theory of substitution and it involves comparing the asset being valued with another. 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, the sales comparison approach was followed, whereby comparable sales were researched together with asking current prices in the surrounding areas. The market value for the improvements on the farm was determined by using the depreciated replacement cost method of valuation.

21. Commitments

In millions of Rands	Year ended 31 December 2020 Reviewed	 31 December 2019 Audited
Capital expenditure commitments on property, plant and equipment		
Capital expenditure authorised and contracted for	**1 063**	1 099
Capital expenditure authorised but not contracted for	**994**	2 727

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

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

22. Related party transactions

The group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2019: 69%) of the group's shares. At 31 December 2020, the outstanding ArcelorMittal Holdings AG loan amounted to R4 728 million (2019: R4 208 million). The loan increased by R520 million as a result of the capitalisation of accrued interest of R342 million and the capitalisation of intercompany payables of R178 million. The interest expense for the year was R263 million (2019: R287 million).

The company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business. These transactions were concluded at arm's length.

23. Subsequent events

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

24. 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.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

For the year ended 31 December 2020, the net loss after tax of R1 926 million is R2 678 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
- 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, and
- 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-based facility. The balance of the borrowing-based facility was R2 450 million (31 December 2019: R1 150 million). The group continues to work closely with all lenders to ensure the required facilities remains in place.

ArcelorMittal Holding AG continues to demonstrate their support though its sub-ordinated group loan.

In July 2020, AMSA 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 accelerate 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 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. Further announcements regarding progress on these initiatives will be made in due course; and
- 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 (announced on 18 June 2020 in terms of Section 189(3) of the Labour Relations Act 66 of 1995) initiatives were completed between December 2020 and January 2021.

The significant fixed cost reduction programme continues to yield substantial results, with a R2.5 billion 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.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

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

- The Business Transformation Programme (BTP) that added R3,6 billion 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. An agreement has been signed with an aspirant South African independent power producer to use suitably permitted land at Saldanha Works, should the party be successful in the current emergency power-bidding process.
- Efforts to secure alternative longer-term sources of other raw materials are expanded. The second phase of beneficiation of discard material is planned at Thabazimbi 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 in account the continued business transformation programme 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 represents 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.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 continued

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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PM Makwana* (Chairman)
BE Aranha#
LC Cele*
GS Gouws
NP Gosa
R Karol+
NP Mnxasana*
KMM Musonda*^
NF Nicolau*

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

Company secretary
FluidRock Co Sec (Pty) Ltd
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Private Bag x10056, Sandton, 2146

Auditor
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Waterfall City, 2090

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

Release date: 11 February 2021

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