ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the year ended 31 December 2023

Salient features

- Deferral of wind down of Longs steel product operations (Longs Business) enabling it to continue to operate for up to six months, to allow time to (i) progress, conclude and secure benefits arising from identified short-term interventions, while (ii) progressing the development of additional medium- and longer-term interventions focused on business sustainability
- Sales volumes up 12% to 2,4 million tonnes (crude steel production up 15% to 2,8 million tonnes)
- Realised Rand steel prices down 9% (down 20% in dollar terms)
- Raw material basket (RMB) remained flat (Rand terms) (international RMB increased 2% in Rand terms)
- Value Plan increased from 2022 (R1 561 million) to R2 093 million in 2023
- Fixed costs of R6 619 million remained flat despite inflationary pressures (2022: R6 644 million) and decreased by R481 million (14%) against H1 2023 (H1 2023: R3 550 million; H2 2023: R3 069 million)
- EBITDA profit before impairment of R56 million (2022: R4 270 million)
- Loss per share of 352 cents after impairment charges of R2 115 million (2022: earnings of 236 cents per share)
- Headline loss of R1 890 million (2022: R2 607 million profit)
- Net borrowings of R3 215 million (2022: R2 808 million)
- Continuing to grow the business as the champion of innovative, export driven, steel-based industrialisation through continued growth and competitiveness of core downstream industries such as automotive, renewable energy, mining, and key construction and infrastructure projects

The analysis below relates to the year ended 31 December 2023 (current period) compared to the year ended 31 December 2022 (prior or comparable period), except where otherwise indicated. The immediately preceding six months refers to the first six months of 2023.

Overview

The international steel environment in 2023 was characterised by low demand in almost all markets and prices were under pressure, especially in the second half. Slow growth in China resulted in a substantial increase in Chinese steel exports.

Locally, steel demand remained relatively flat at historically low levels, and prices followed international downward trends. All these factors resulted in an extremely difficult trading environment.

Longs Business Wind Down

The second half of the financial year was dominated by the announcement of the contemplation of the wind down of the broader Longs Business. Despite best efforts, the initiatives implemented prior to the announcement had not been able to counter the combined effect of:

- Low market demand in key steel consuming sectors, limited infrastructure spend and project delays, resulting in overcapacity in the market and overall weaker business confidence.
- High logistics, energy and security costs, exacerbated by the well-publicised logistics failures and their resultant cost impact, and the prevailing electricity challenges which the country faces.
- Introduction of a preferential pricing system (PPS) for steel scrap, a 20% export duty, and more recently, a ban on scrap exports allowed steel production through the electric arc furnaces which use scrap as input, an ‘artificial’ competitive advantage when compared with steel manufacturers beneficiating iron ore to produce steel.

On 28 November 2023, it was indicated that the Longs Business wind down would be subject to a due diligence and a consultative, and iterative process involving key customers, suppliers, organised labour, and other stakeholders.

Since making the announcement, ArcelorMittal South Africa has engaged with various stakeholders, including Government, represented especially by the Minister of Trade, Industry and Competition, Transnet, numerous industry associations, organised labour, affected suppliers, and community forums, and most importantly customers.

These stakeholders have expressed widespread concern regarding the negative, and in many cases, detrimental impact of the closure. The Company, along with interested stakeholders, embarked on an intensive process to explore options to reverse the decision regarding the Longs Business. ArcelorMittal South Africa explained that it did not need any preferential treatment or subsidies, rather it required Government to ensure that a level playing field exists for South Africa’s primary steel producers, by addressing the structural constraints affecting the steel industry.

As a result of the various engagements, specific short-, medium- and longer-term interventions were identified, some of which are set out in the Steel Masterplan, to address the above constraints.

Overview continue

Longs Business Wind Down continue

Deferring the wind down decision holds substantial risks and requires the commitment of, at a minimum, the Company, its customers and suppliers, the Government, state-owned enterprises, and our employees. In particular, the short-term initiatives under discussion are required to provide time to progress the medium- and longer-term interventions which are focused on achieving business sustainability.

Though not without risk, given the constructive progress with various stakeholders on advancing the short-term initiatives, and their commitment to developing and implementing the medium- and longer-term interventions, along with the early-realisation of certain of the benefits afforded by these short-term initiatives, ArcelorMittal South Africa is able to announce the deferral of the wind down of the Longs Business to allow for its continued operation for up to six months. During this time, the objective is to further progress and conclude the short-term initiatives, followed by their implementation to secure the targeted benefits.

The short-term initiatives that are being progressed include:

- Port and rail service efficiency improvements with a Transnet leadership who have demonstrated firm intent to cooperate with the Company to narrow the current cost gap, with an undertaking to work together towards addressing further cost optimisation opportunities;
- The export ban on steel scrap was not extended in December 2023 as a first step in addressing those policy measures which gave an artificial cost advantage to lower quality scrap-based steel makers, to the disadvantage of integrated steel making facilities that beneficiate mined raw materials (specifically iron ore). The Company will continue to engage with Government on continuing concerns regarding steel scrap metal, which amongst other matters, threaten the existence of small- and medium-sized scrap entrepreneurs and traders, many of whom are members of the Metal Recyclers Association (MRA);
- Expediting demand-side opportunities to improve capacity utilisation in the absence of economic growth, and as envisaged in the Steel Masterplan, to replace imports and facilitate exports. This includes anticipated projects which require investment to increase the local application of high-quality steel profiles;
- Agreement with key customers to a longer-term volume commitment and localisation efforts to create sustainable local supply and enlarge the downstream manufacturing capability to the benefit of both local manufacturers and the Longs Business; and
- Working with key suppliers, service providers and organised labour to reduce the cost structure of the Longs Business.

The timing of the deferral is subject to these in principle agreements being commercially and contractually concluded.

ArcelorMittal South Africa will continue to monitor its working capital requirements over the deferral period which will extend for a period of up to six months, to ensure that there is sufficient access to liquidity. In this regard, in the interest of prudent liquidity management, the Company is in the process of applying for an additional working capital facility up to R1 billion which may be called upon to support continued operations.

Although the short-term initiatives do not fully address the structural shortcomings highlighted before, ArcelorMittal South Africa has confidence that the deferral of the wind down decision enabling the Longs Business to continue to operate for a period of up to six months, combined with the commitment from many of the Company's affected partners, will provide enough time to cement and implement the agreed medium- and longer-term interventions. These interventions focus on longer term iron ore pricing, value chain efficiencies to improve customer service and value offerings, targeted investments to improve cost competitiveness, enable value added exports and aid the transition to greener steel, amongst others.

ArcelorMittal South Africa has indicated that if the Longs Business, in its previous model prior to the announcement of possible closure, were to be wound down, that the Company would be on a more sustainable financial footing. However, should the anticipated benefits from the short-term interventions noted above be realised, the entire Company, including the Longs Business, will be more sustainable. This will also prevent job losses and the occurrence of a significant negative impact on the entire steel value chain and the South African economy.

Taken together, these interventions allow for the time and opportunity to defer the wind down decision without prejudicing the sustainability of the Company. It allows for the operation of the Longs Business for up to six months, while work with Government, customers, suppliers, organised labour and other stakeholders continues to consider and implement the medium- and longer-term structural changes necessary to ensure a level playing field and the sustainability of the steel industry.

Overview continue

Longs Business Wind Down continue

The trajectory of the Longs Business after the expiry of extended operations period (for up to six months) may result in either its continued operation; the introduction of a partner/partners to pursue joint venture opportunities or the resumption of an orderly and commercial wind down.

2023 Results

The Company's business going forward is addressed under the Sustainability section below.

Given these pressures, the Company posted a headline loss of R1 890 million against earnings of R2 607 million in 2022. EBITDA before impairment of R56 million fell substantially (2022: R4 270 million). Depreciation and amortisation expense increased by 14% to R878 million (2022: R771 million) and net finance charges increased by 11% to R1 057 million (2022: R952 million).

Excluded from the headline loss, are impairment charges for the year that amounted to R2 115 million. This included R2 096 million for the impairment of the property plant and equipment and other intangible assets relating to the Longs Business. Despite these major earnings challenges, the intense focus on cash management yielded notable benefits, enabling the Company to maintain net borrowing levels within tolerable levels. Consequently, the net borrowings position of R3 215 million compared to R2 990 million and R2 808 million at June 2023 and December 2022 respectively.

The Company's average capacity utilisation increased from 47% for 2022 to 54% in 2023.

Sales volumes rose 12%, with crude steel production 15% higher against the comparable period. Compared to the immediately preceding six months, sales volumes improved by 2% to 1,2 million tonnes, while crude steel production was 4% higher at 1,4 million tonnes.

ArcelorMittal South Africa's realised average steel prices decreased by 9% in Rand terms. Its raw material basket was flat (being in absolute terms and on a delivered basis). The components in the basket moved as follows: imported coking coal decreased by 2%, scrap decreased by 21%, while iron ore increased by 28%. After accounting for conversion cost, the variable cash cost of steel increased by 10%[1].

Fixed costs marginally decreased by R25 million to R6 619 million despite inflationary pressures. Pleasingly, these costs decreased by R481 million (14%) compared to the immediately preceding six months.

The Value Plan realised improvements of R2 093 million (2022: R1 561 million) consisting of commercial-related initiatives of R909 million (2022: R839 million) and cost-based initiatives of R1 184 million (2022: R722 million).

Free cash outflow of R431 million (2022: R1 600 million cash outflow) was after capital expenditure cash outflow of R1 489 million (2022: R1 912 million), which consisted of R865 million (2022: R989 million) sustaining (including safety and structures), R300 million environmental (2022: R259 million) and R324 million (2022: R664 million) of strategic investments.

Sustainability

ArcelorMittal South Africa is a member of the worlds' leading steel company, ArcelorMittal Holdings AG. South Africa, with its abundant resources, is also amongst the best places in the world for the production and utilisation of green energy, which is vital for the future of steel production, and the acceptability of the products into which it finds its final application. This bodes well for growth, assuming that there is the will by the Government to enable the necessary investment in infrastructure which will allow the country to take advantage of its competitive position.

The Company's business going forward will be focused on re-establishing ArcelorMittal South Africa as the champion of innovative, export driven, steel-based industrialisation in South Africa and for Sub Saharan Africa and other key geographies, by building on the existing competitive supply chain and ensuring the continued growth and competitiveness of core downstream industries such as automotive, renewable energy, mining, and key construction and infrastructure projects.

A strong balance sheet is needed for strategic continuity. In the longer-term, the reducing of the net borrowings position to a more comfortable level remains a key focus area.

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

[1] Based on crude steel production

Sustainability continue

The definitive feasibility study for the construction of a 1,7 million tonne electric arc furnace at Vanderbijlpark continued to progress, along with commercial studies into the construction of new flat rolling plants that would enable the next generation of coated products. Discussions are continuing with interested parties to securing a suitable funding structure to target growth opportunities and improve the quality of earnings.

Safety, Environmental, Social and Governance (ESG)

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

The Company's lost-time injury frequency rate (LTIFR) decreased from 0.87 to 0.77 and the total injury frequency rate (TIFR) increased from 5.69 to 7.69. Total number of injuries increased from 171 to 199.

In 2024, the Company will be participating in an ArcelorMittal group-wide comprehensive audit of all safety-related topics. This will be undertaken by an external independent consultancy. In addition to assessing the suitability and implementation level of standards and policies, risk management and governance procedures, it will also highlight the level of shop-floor implementation and improvements required. This audit will support ArcelorMittal South Africa in becoming the better, safer company it aspires to be. While awaiting the results of the audit, the Company will redouble efforts already underway to improve safety.

Given the focus on the Longs Business, the process to modify the 2016 B-BBEE Transaction as announced in July 2023, has been delayed. Further announcements will be made in due course.

Markets

Global crude steel production[2] remained flat for 2023, at 1 888 million tonnes. Global crude steel production decreased by 6% in H2 2023, compared to the preceding six months.

China's crude steel production remained flat at 1 020 million tonnes, retaining its market share at 54% (2022: 54%). Europe's crude steel output decreased by 7% to 168 million tonnes. North America decreased by 2% to 110 million tonnes, and Turkey decreased by 3%. Russia increased its output by 6%, and India increased by 12% to 140 million tonnes.

Africa's output increased by 5% to 22 million tonnes mainly due to increased production in South Africa, Libya and Egypt. South Africa's crude steel production increased by 11% to 4,9 million tonnes.

The South African steel market is experiencing real demand weakness with low to negative growth in construction (+1,6%), manufacturing (+0,8%), machinery and equipment (+2,9%), mining (+0,2%), agriculture (-3%) and electricity, gas & water (-4.6%).

Both international hot rolled coil (HRC) and rebar prices decreased by 15% in dollar terms year-on-year. These HRC prices decreased by 13% compared to the last preceding six months, with rebar prices decreasing by 12% for the same period. The international raw material basket (iron ore, coking coal, and scrap) was 10% down in dollar terms. In absolute terms, coking coal decreased by 19%, while scrap and iron ore decreased by 12% and 2% respectively.

Turning to South Africa and the regional economy, the GDP growth rate forecast[3] for South Africa is 0,5% for 2023, with those for near and Sub-Saharan African markets forecasted to be more than 3%.

In South Africa, apparent steel consumption (ASC) for 2023 increased marginally to 4,1 million tonnes, while ASC in the second half decreased by 6% compared to 2,1 million in the preceding six months.

Steel imports of primarily HRC, galvanised sheet and plates increased to 1,2 million tonnes in 2023[4]. This volume constituted some 30% of South Africa's ASC (2022: 30%). Imports decreased to 608 000 tonnes in the second six months of the year against 632 000 tonnes in the preceding six months. This extremely high level of imports, often of steel grades capable of being made in South Africa, is indicative of the urgent need to tighten and improve the implementation of existing import measures, especially given that export volumes from China rose by 35%, nearing peak levels last seen during the problematic 2014-2016 period.

[2] Source: World Steel Association
[3] Source: Econometrix macro forecast Q1 2024
[4] Source: South African Revenue Service

Markets continue

The Company's total sales volumes increased by 12%, or 252 000 tonnes, to 2,4 million tonnes compared to the comparable volumes in 2022. This was composed of a 1,4% rise in domestic sales to 1,9 million tonnes while exports increased by 78% to 514 000 tonnes. Africa overland sales rose by 84% to 242 000 tonnes. Africa overland sales as a

percentage of total exports was 47% (2022: 46%). Total sales volumes increased by 2% compared to the preceding six months, with domestic sales increasing by 3%, and export sales increasing by 23%.

The Company's overall realised steel price in dollar terms decreased by 20%. In Rand terms, this represented a 9% decrease as the average dollar/rand exchange rate weakened by 13%. Realised dollar steel prices decreased by 8% compared to the immediately preceding six months, with Rand prices down by 6% for the same period.

ArcelorMittal Southa Africa is the only primary producer of steel in South Africa which supports the downstream industry through a formal export support programme. This industry support totalled R144 million (2022: R149 million) in value-added export and strategic rebate assistance during 2023.

Sales volumes of commercial market coke were down by 81% at 33 000 tonnes due to the previously communicated continuing restoration of the coke batteries. A meaningful recovery is expected from 2025 onwards.

Operations

The Company's average capacity utilisation increased from 47% in 2022 to 54% in 2023.

All blast furnaces operated between late-November 2023 and mid-January 2024, unlike the comparative period in 2022 leading into 2023.

Crude steel production increased by 15%, or 359 000 tonnes, from 2,4 million to 2,8 million tonnes for 2023. Crude steel production increased by 4% to 1,4 million against the preceding six months.

Incidents of electricity load curtailment increased from 8 in 2022 to 51 in 2023.

The lack of rail service in the third quarter, resulted in the Newcastle blast furnace being shut down for five weeks from end-September, with a direct cost of R133 million, highlighting the essential nature of the immediate and longer-term interventions under discussion with Transnet Freight Rail.

There were improved reliability and production levels at Vanderbijlpark's plate mill and sinter plant. The Newcastle billet mill restoration progressed well. Coke making production increased at both Vanderbijlpark and Newcastle.

Financial results

ArcelorMittal South Africa reported EBITDA profit before impairment charges of R56 million against R4 270 million in 2022, while its operating profit decreased from a R3 499 million profit to R2 937 million loss. EBITDA decreased to a loss of R443 million compared to a R499 million profit in the immediately preceding six months.

Impairment charges for the year amounted to R2 115 million. The amount consisted of R2 096 million for the impairment of the property, plant and equipment and other intangible assets relating to the Longs Business.

The loss for the year of R3 920 million, amounted to 352 cents per share loss after impairment charges of R2 115 million compared to a R2 634 million profit in 2022 (236 cents profit).

The headline loss of R1 890 million (2022: R2 607 million profit), amounted to a 170 cents per share loss (2022: 234 cents profit).

Revenue increased by 2% to R41 637 million (2022: 40 771 million), due to a 12% increase in total steel sales volumes, despite a 9% fall in net realised steel sales prices. Revenue of R20 592 million decreased by 2% (H1 2023: R21 045 million) compared to the preceding six months.

The Company's raw material basket (iron ore, coking coal and scrap), representing 49% (2022: 44%) of cash cost per tonne, was flat in rand terms, compared to a 2% increase in the international basket. The local basket was 6% down in rand terms compared to the preceding six months.

Financial results continue

Consumables and auxiliaries represent 30% of cash cost per tonne[5] (2022: 31%). Electricity tariffs increased by 17%, while dollar-denominated commodity-indexed consumables decreased by 14%.

Fixed costs decreased from R6 644 million in 2022 to R6 619 million for the period under review. Fixed costs decreased by 14% (H1 2023: R3 550 million) compared to the preceding six months.

Net financing charges were higher at R1 057 million (2022: R952 million) mainly due to higher net interest charges on bank overdrafts and loans of R323 million, partly offset by a lower discount rate adjustment and unwinding of discount effect on provisions, borrowings and financial liabilities, of R243 million.

Cash flow and borrowing position

Cash generated from operations of R1 681 million represented a R507 million increased against the comparable period (2022: R1 174 million cash generated), mainly due to lower profit from operations of R4 014 million countered by lower operating working capital requirements of R4 521 million.

Net finance charge outflows of R658 million (2022: R758 million), were R100 million lower mainly due to a decrease in Group interest of R246 million and an increase in interest received of R28 million, partly offset by an increase in third party interest paid of R200 million.

The net capital expenditure cash outflow was R1 489 million against R1 912 million in 2022, a decrease of R423 million.

The net borrowing position of R3 215 million at 31 December 2023 increased by R407 million from R2 808 million at 31 December 2022 mainly due to cash generated from operations of R1 681 million, offset by capital expenditure of R1 489 million, proceeds from disposal of assets held for sale of R99 million, net finance charges of R658 million and tax paid of R45 million. At 30 June 2023, the net borrowings position was R2 990 million.

Legal and regulatory matters

Competition Commission inquiry into the steel market

As previously reported in July 2023, 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 for the inquiry for public comments. The Company has submitted its comments and the final Terms of Reference have not yet been issued.

Proposed modification of 2016 Existing B-BBEE Transaction

It was reported in July 2023 that the Modified B-BBEE Transaction is subject to shareholder approval and a meeting of shareholders would be convened to obtain the requisite approvals. The shareholder meeting was not convened, and the transaction was therefore not concluded in 2023. The transaction has been delayed given the corporate activity around the Longs Business. Further announcements will be made in due course.

Changes to the board of directors

Mr SK Mthethwa was appointed as an executive director with effect from 1 June 2023 and resigned on 17 July 2023.

Ms M Musonda retired by rotation at the AGM on 25 May 2023.

Dividends

No dividends were declared for the year ended 31 December 2023.

[5] Based on crude steel production

Outlook for the first half of 2024

Safety remains ArcelorMittal South Africa's highest priority. In addition to various safety initiatives implemented over the past few years, ArcelorMittal South Africa will actively participate in additional Group safety initiatives, which include independent external audits of safety standards with an increased focus on process safety.

Internationally, the World Steel Association expects a 1,9% increase in steel demand, with China continuing to play a directional role in international steel demand and pricing trends.

Prices are unlikely to remain at current low levels based on international spreads being under extreme pressure.

For the Longs Business, the key focus for the first half of 2024 will be to progress and conclude the short-term initiatives, while work with Government, customers, suppliers, labour and other stakeholders continues to consider and implement the medium- and longer-term structural changes necessary to ensure a level playing field and the sustainability of the South African steel industry.

Within the Flats Business, the focus will be to increase volumes and optimise operational efficiency, while further improving reliability and quality for the benefit of our customers.

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

On behalf of the board of directors

HJ Verster
Chief Executive Officer
8 February 2024

GA Griffiths
Interim Chief Financial Officer

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the year ended 31 December 2023

KEY STATISTICS

	Year ended	
	31 December 2023	31 December 2022
Unreviewed/unaudited information		
Operational		
Crude steel production	**2 767**	2 408
Total steel sales (Thousand tonnes)	**2 412**	2 160
Local steel sales (Thousand tonnes)	**1 898**	1 872
Export steel sales (Thousand tonnes)	**514**	288
Capacity utilisation (%)	**54**	47
Average steel net realised price (R/t)	**15 455**	16 919
Commercial coke sales (Thousand tonnes)	**33**	176
Safety		
Lost time injury frequency rate	**0.77**	0.87
Reviewed information		
Financial		
Revenue (R million)	**41 637**	40 771
(Loss)/profit from operations (R million)	**(2 937)**	3 499
(Loss)/profit for the year (R million)	**(3 920)**	2 634
(Loss)/earnings per share (cents)	**(352)**	236
Headline (loss)/earnings (R million)	**(1 890)**	2 607
Headline(loss)/earnings per share (cents)	**(170)**	234
Return on ordinary shareholders' equity per annum:		
- Attributable earnings (%)	**(40.3)**	25.4
- Headline earnings (%)	**(19.4)**	25.2
EBITDA margin	**0.1**	10.5
Net borrowings (R million)	**3 215**	2 808
Net borrowings to equity (%)	**41.2**	24.1
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)	**1.64**	4.74
Market capitalisation (R million)	**1 866**	5 394
Net asset value per share (Rand)	**7.00**	10.47

Reconciliation of earnings before interest, taxation, depreciation, amortisation, and impairment of property, plant and equipment and intangible assets, and impairment of equity-accounted investment

	Year ended	
In millions of Rands	**31 December 2023 Reviewed**	31 December 2022 Audited
(Loss)/profit from operations	**(2 937)**	3 499
Adjusted for:		
- Depreciation	**861**	760
- Amortisation of intangible assets	**17**	11
- Impairment of property, plant and equipment and intangible assets	**2 096**	-
- Impairment of equity-accounted investments	**19**	-
Earnings before interest, taxation, depreciation, amortisation, and impairment of property, plant and equipment and intangible assets, and impairment of equity accounted investment (EBITDA)	**56**	4 270

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of Rands	Note	Year ended 31 December 2023 Reviewed	Year ended 31 December 2022 Audited
Revenue		**41 637**	40 771
Raw materials and consumables used		**(26 651)**	(22 054)
Employee costs		**(3 920)**	(3 828)
Energy		**(5 343)**	(4 536)
Movement in inventories of finished goods and work in progress		**1 006**	(260)
Depreciation		**(861)**	(760)
Amortisation of intangible assets		**(17)**	(11)
Impairment (loss)/reversal of trade and other receivables		**(2)**	6
Impairment of equity-accounted investments	6	**(19)**	-
Impairment of property, plant and equipment and intangible assets	7	**(2 096)**	-
Other operating expenses		**(6 671)**	(5 829)
(Loss)/profit from operations		**(2 937)**	3 499
Finance income	8	**285**	283
Finance costs	9	**(1 342)**	(1 235)
Fair value adjustment of investment properties	12	**93**	57
Gain on remeasurement of asset held-for-sale	14	**9**	-
Income after tax from equity-accounted investments		**17**	30
(Loss)/profit before tax		**(3 875)**	2 634
Income taxation expense	10	**(45)**	-
(Loss)/profit for the year		**(3 920)**	2 634
Other comprehensive income/(loss)			
Items that will not be reclassified to income or loss (net of tax):			
Fair value adjustment on equity instruments		**(12)**	17
Revaluation of property, plant and equipment		**6**	-
Items that may be reclassified subsequently to income or loss (net of tax):			
Exchange differences on translation of foreign operations		**9**	6
Share of other comprehensive income/(loss) of equity-accounted investments		**2**	(2)
Other comprehensive income for the year		**5**	21
Total comprehensive (loss)/income for the year		**(3 915)**	2 655
(Loss)/profit attributable to:			
Owners of the Company		**(3 920)**	2 634
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(3 915)**	2 655
(Loss)/earnings per share (cents) attributable to owners of the Company			
- basic		**(352)**	236
- diluted		**(352)**	236

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of Rands	Note	As at 31 December 2023 Reviewed	As at 31 December 2022 Audited
Assets			
Non-current assets		**9 459**	11 070
Property, plant and equipment		**7 974**	9 570
Investment properties	12	**702**	737
Intangible assets		**62**	71
Equity-accounted investments		**245**	251
Investments held by environmental trust		**438**	408
Other receivables		**27**	10
Other financial assets		**11**	23
Current assets		**19 517**	18 851
Inventories		**12 441**	11 973
Trade and other receivables		**3 552**	3 486
Other financial assets		**39**	-
Cash, bank balances and restricted cash	13	**3 485**	3 392
Asset held-for-sale	14	**134**	80
Total assets		**29 110**	30 001
Equity and Liabilities			
Shareholders' equity		**7 799**	11 675
Share capital		**4 537**	4 537
Reserves		**(3 515)**	(3 576)
Retained earnings		**6 777**	10 714
Non-current liabilities		**5 061**	5 547
Borrowings	15	**2 700**	2 700
Lease liabilities		**156**	176
Provisions	16	**1 474**	1 784
Trade and other payables		**210**	262
Other financial liabilities	17	**521**	625
Current liabilities		**16 250**	12 779
Borrowings	15	**4 000**	3 500
Lease liabilities		**32**	26
Provisions	16	**924**	862
Trade and other payables		**11 020**	8 184
Other financial liabilities	17	**162**	95
Taxation		**112**	112
Total equity and liabilities		**29 110**	30 001

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Rands	Note	Year ended 31 December 2023 Reviewed	31 December 2022 Audited
Cash flows from operating activities		**978**	416
Cash generated from operations	18	**1 681**	1 174
Finance income		**93**	65
Finance costs	19	**(751)**	(823)
Income taxation paid		**(45)**	-
Cash flows from investing activities		**(1 389)**	(1 909)
Investment to maintain and expand operations		**(1 489)**	(1 912)
Proceeds from disposal of property, plant and equipment		**-**	1
Proceeds from disposal of asset held-for-sale	14	**99**	-
Loan repaid by equity-accounted investment		**1**	2
Cash flows from financing activities		**480**	183
Borrowings: Borrowing-base facility raised	15	**3 350**	1 800
Borrowings: Borrowing-base facility repaid	15	**(2 850)**	(1 100)
Borrowings: Loan from holding company repaid	15	**-**	(410)
Repayment of principal lease liabilities		**(20)**	(33)
Settlement of long-term incentive plan		**-**	(74)
Increase/(decrease) in cash, cash equivalents and restricted cash		**69**	(1 310)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		**24**	50
Cash, cash equivalents and restricted cash at the beginning of the year		**3 392**	4 652
Cash, cash equivalents and restricted cash at the end of the year	13	**3 485**	3 392

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 2022 (Audited)					
Balance as at 31 December 2021	4 537	(2 065)	(1 529)	8 110	9 053
Total comprehensive income for the year	-	-	21	2 634	2 655
Profit for the year	-	-	-	2 634	2 634
Other comprehensive income for the year	-	-	21	-	21
Share-based payment movement	-	-	41	-	41
Settlement of long-term incentive plan	-	-	(74)	-	(74)
Transfer between reserves	-	-	30	(30)	-
Balance as at 31 December 2022 (Audited)	4 537	(2 065)	(1 511)	10 714	11 675
Total comprehensive loss for the year	**-**	**-**	**5**	**(3 920)**	**(3 915)**
Loss for the year	-	-	-	(3 920)	(3 920)
Other comprehensive income for the year	-	-	5	-	5
Share-based payment movement	**-**	**-**	**39**	**-**	**39**
Transfer between reserves	**-**	**-**	**17**	**(17)**	-
Balance as at 31 December 2023 (Reviewed)	**4 537**	**(2 065)**	**(1 450)**	**6 777**	**7 799**

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. Corporate information

ArcelorMittal South Africa Limited is a public company incorporated and domiciled in South Africa and listed on the JSE Limited. These reviewed condensed consolidated financial statements for the year ended 31 December 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.

The reviewed condensed consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 6 February 2024.

2. Basis of preparation

2.1 Statement of compliance

The reviewed condensed consolidated financial statements were prepared under the supervision of GA Griffiths CA(SA) Interim Chief Financial Officer, in accordance with the requirements of IAS 34 *Interim Financial* Reporting, the South African Companies Act No 71 of 2008 (as amended), the Financial Pronouncements as issued by Financial Reporting Standards Council and in compliance with the Listings Requirements of the JSE.

The reviewed condensed consolidated financial statements have been prepared in accordance with historical cost convention except for certain financial instruments which are stated at fair value and are presented in Rand, which is the functional and presentation currency of the company. All financial information presented in Rand has been rounded off to the nearest million.

2.2 Going concern

The 2023 financial year represented a challenging year and the anticipated improvement in steel demand did not materialise. Internationally, global steel production was stagnant. Steel spreads remained unsustainably low resulting in severe profit margin squeeze. The South Africa steel market experienced real demand weakness. Business confidence also deteriorated as the year progressed. Key steel consuming sectors remained weak, with low to no growth. As a result of the very challenging trading environment the Group recognised a net loss after taxation of R3 920 million for the 2023 financial year. The R3 920 million net loss is after impairment of property, plant and equipment of R2 096 million relating to the Long Steel Products (LSP) cash-generating unit (CGU) which had no cash flow impact, as disclosed in note 4 and 7.

The Group’s current assets exceed current liabilities by R3 267 million as at 31 December 2023 (2022: current assets exceed current liabilities by R6 072 million). The cash preservation initiatives and the cost reduction projects resulted in the Group generating R69 million positive cash flow with cash, bank balances and restricted cash at year-end being R3 485million (2022: R3 392 million) in comparison to the cash utilisation of R1 310 million for the 2022 financial year. Net debt increased to R3 215 million at year-end 2023 (2022: R2 808 million).

The borrowing-based facility was successfully renewed during the year and as at 31 December 2023, the Group was in compliance with all covenants as it pertains to the borrowing-based facility. The balance of the borrowing-based facility was R3 000 million (31 December 2022: R2 500 million). The Group continues to work closely with all lenders to ensure the required facilities remains in place.

ArcelorMittal Holdings AG continues to demonstrate their support through its subordinated Group loan of R2 700 million as at 31 December 2023 (2022: R2 700 million) in favour of the lenders of the borrowing base facility (BBF).

As required, the directors have prepared cash flow forecasts for a period of 12 months from the end of the reporting period, based on the most recent forecast and all available information. The forecast takes into account the company’s value plan initiatives, which realised improvements of R2 093 million (2022: R1 561 million).

2.2 Going concern (continued)

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

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

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

3. Accounting policies

The accounting policies and methods of computation applied in the preparation of the reviewed condensed consolidated financial statements of the Group are consistent with those applied for the year ended 31 December 2022.

3.1 New standards effective for annual periods beginning on or after 1 January 2023

No new amendments to standards and interpretations which became effective for the year commencing on 1 January 2023 had a material impact on the reviewed condensed consolidated financial statements as at 31 December 2023.

3.2 New standards, amendments to existing standards and interpretations not yet effective

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 are set out below:

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Supplier finance arrangements* (Amendments to IAS 7 and IFRS 7)
- *Lack of Exchangeability* (Amendments to IAS 21)

These amendments have been early adopted by the Group in the 2023 financial year and have no significant impact on the Group's financial statements.

4. Significant estimates and assumptions

The preparation of the financial statements in compliance with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. 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 future periods affected.

Key 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 20, the fair value measurement 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 2023 and the impairment loss provision on trade and other receivables increased by R2 million (2022: R6 million decrease) compared to December 2022.
- Going concern basis – refer to note 2.2.
- 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 9.90% (2022: 9.77%) and for asset retirement obligation is 9.43% (2022: 9.19%). The average escalation rate applied to the current cash flow estimates is 5.57% (2022: 5.49%) – refer to note 16.
- Impairment assessment of property, plant and equipment
  An impairment assessment was completed for the 31 December 2023 year end, using a discounted cash flow model 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 free cash flow is taken in perpetuity. The value in use for the Vanderbijlpark and Coke and Chemicals CGU's exceeded their carrying amounts. Management has considered the sensitivity of the impairment calculations to various key inputs and assumptions and concluded that reasonable adjustments to these key inputs and assumptions applied would not result in any additional impairment loss.
  The carrying amount of the LSP CGU was higher than the value in use and thus impaired – refer to note 7.

The following major assumptions were used:

	Vanderbijlpark		Long Steel Products (LSP)		Coke and Chemicals	
	2023	2022	2023	2022	2023	2022
Major assumptions						
Total Pre-tax WACC/discount rate (%USD-based)*	19.91	21.13	21.08	20.88	16.79	17.66
Company specific premium (%USD-based)*	1.95	3.05	3.45	3.45	0.75	0.85
Growth rate (%USD-based)	2.00	2.00	2.00	2.00	2.00	2.00
Exchange rate range (R/USD)**	18.50 – 21.80	17.00 – 20.18	18.50 – 21.80	17.00 – 20.18	18.50 – 21.80	17.00 – 20.18
Steel sales price range (average USD/t)**	716 – 850	714 – 853	691 – 748	612 – 717	22 -45***	31 – 40***
Sales volume range (kt)**	1 889 – 2 279	1 884 – 2 521	1 191 – 1 273	1 304 – 1 377	1 000 – 1 235	1 127 – 1 471

** Decarbonisation risk is incorporated in company-specific premium.*
*** Lowest to highest range over period of 2024 to 2028 (2022: 2023 to 2027).*
**** Commercial coke sales price range (average USD/t).*

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;
- 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; and
- Corporate and other, consisting of commercial functions, procurement and logistics activities, shared services, investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities

Earnings before interest, tax, depreciation and amortisation represents the earnings by each segment without the allocation of depreciation, amortisation and impairments (EBITDA).

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 and value added tax related assets, as applicable.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

5. Segment report (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 year ended 31 December 2023					
Revenue					
- External customers	40 885	752	-	-	41 637
- Internal customers	-	155	-	(155)	-
Total revenue	40 885	907	-	(155)	41 637
Revenue to external customers distributed as:					
Local	31 580	907	-	(155)	32 332
Export					
Africa	5 648	-	-	-	5 648
Asia	757	-	-	-	757
Europe	1 876	-	-	-	1 876
Other	1 024	-	-	-	1 024
Total	40 885	907	-	(155)	41 637
Expenses					
Raw materials and consumables used	(26 553)	(198)	(12)	112	(26 651)
Employee cost	(3 264)	(76)	(580)	-	(3 920)
Energy	(5 215)	(128)	-	-	(5 343)
Movement in inventories of finished goods and work-in-progress	1 247	(241)	-	-	1 006
Impairment reversal/(loss) of trade and other receivables	(1)	2	(3)	-	(2)
Other operating expenses	(7 472)	268	533	-	(6 671)
EBITDA	(373)	534	(62)	(43)	56
Impairment of equity-accounted investments	-	-	(19)	-	(19)
Impairment of property, plant and equipment and intangible assets	(2 096)	-	-	-	(2 096)
Depreciation and amortisation	(782)	(74)	(22)	-	(878)
(Loss)/profit from operations	(3 251)	460	(103)	(43)	(2 937)
Finance income	48	15	239	(17)	285
Finance costs	(526)	(166)	(667)	17	(1 342)
Fair value adjustment of investment properties	-	93	-	-	93
Gain on remeasurement of asset held-for-sale	-	9	-	-	9
Income after tax from equity-accounted investments	-	-	17	-	17
(Loss)/profit before taxation	(3 729)	411	(514)	(43)	(3 875)
Income taxation expense	(45)	-	-	-	(45)
(Loss)/profit for the year	(3 774)	411	(514)	(43)	(3 920)
Additions to non-current assets	(1 273)	(9)	(17)	-	(1 299)
Segment assets (excluding investments in equity-accounted entities)	21 845	2 393	4 913	(286)	28 865
Investments in equity-accounted entities	-	-	245	-	245
Segment liabilities	9 100	1 781	10 689	(259)	21 311
Cash generated from/(utilised in) operations	913	(144)	924	(12)	1 681
Capital expenditure	1 422	36	31	-	1 489
Number of employees at the end of the year (owned)	5 458	154	710	-	6 322

5. Segment report (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)	2 767	-	-	-	2 767
Steel sales ('000 tonnes)					
- Local	1 898	-	-	-	1 898
- Export	514	-	-	-	514
Capacity utilisation (%)	54	-	-	-	54
Average net realised price (R/t)	15 455	-	-	-	15 455
EBITDA margin (%)	(0.9)	-	-	-	0.1

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

5. Segment report (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 year ended 31 December 2022					
Revenue					
- External customers	38 765	2 006	-	-	40 771
- Internal customers	-	43	-	(43)	-
.Total revenue	38 765	2 049	-	(43)	40 771
Revenue to external customers distributed as:					
Local	33 051	2 049	-	(43)	35 057
Export					
Africa	3 429	-	-	-	3 429
Asia	471	-	-	-	471
Europe	1 043	-	-	-	1 043
America	761	-	-	-	761
Other	10	-	-	-	10
Total	38 765	2 049	-	(43)	40 771
Expenses					
Raw materials and consumables used	(21 750)	(281)	(24)	1	(22 054)
Employee cost	(3 073)	(73)	(682)	-	(3 828)
Energy	(4 371)	(164)	(1)	-	(4 536)
Movement in inventories of finished goods and work-in-progress	515	(815)	-	40	(260)
Impairment reversal/(loss) of trade and other receivables	9	(7)	4	-	6
Other operating expenses	(6 350)	(95)	616	-	(5 829)
EBITDA	3 745	614	(87)	(2)	4 270
Depreciation and amortisation	(686)	(60)	(25)	-	(771)
Profit/(loss) from operations	3 059	554	(112)	(2)	3 499
Finance income	28	9	248	(2)	283
Finance costs	(462)	(163)	(612)	2	(1 235)
Fair value adjustment on investment properties	2	52	3	-	57
Income after tax from equity-accounted investments	-	-	30	-	30
Profit/(loss) before taxation	2 627	452	(443)	(2)	2 634
Income taxation expense	-	-	-	-	-
Profit/(loss) for the year	2 627	452	(443)	(2)	2 634
Additions to non-current assets	(2 086)	(34)	(26)	-	(2 146)
Segment assets (excluding investments in equity-accounted entities)	23 018	2 982	4 446	(696)	29 750
Investments in equity-accounted entities	-	-	251	-	251
Segment liabilities	8 413	2 067	8 508	(662)	18 326
Cash generated from/(utilised in) operations	2 707	660	(2 289)	96	1 174
Capital expenditure	1 889	9	14	-	1 912
Number of employees at the end of the year (owned)	5 634	174	746	-	6 554

ArcelorMittal

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

5. Segment report (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)	2 408	-	-	-	2 408
Steel sales ('000 tonnes)					
- Local	1 872	-	-	-	1 872
- Export	288	-	-	-	288
Capacity utilisation (%)	47	-	-	-	47
Average net realised price (R/t)	16 919	-	-	-	16 919
EBITDA margin (%)	9.7	-	-	-	10.5

	Group	
	2023	2022
Revenue from major products		
Steel operations		
Hot rolled	**12 320**	11 735
Uncoated	**6 424**	6 558
Coated	**7 529**	7 564
Merchant bars	**9 252**	7 508
Wire rod	**4 010**	3 587
Seamless	**1 350**	1 814
	40 885	38 766
Non-steel operations		
Coke and tar	**513**	1 750
Other	**239**	255
	752	2 005
Total	**41 637**	40 771

Information about major customers

	Steel Operations R'm	% of Group revenue
2023		
Revenue of major customers		
Customer 1	**4 747**	**11.40**
Total	**4 747**	**11.40**
2022		
Revenue of major customers		
Customer 1	5 192	12.73
Total	5 192	12.73

6. Impairment of equity-accounted investment

In millions of Rands	Year ended 31 December 2023 Reviewed	 31 December 2022 Audited
Impairment of equity-accounted investment	**19**	-

The impairment of the equity accounted investment of R19 million relates to the impairment of our investment in the joint venture Polokwane Iron Ore Company Pty (Ltd).

7. Impairment of property, plant and equipment and intangible assets

In millions of Rands	Year ended 31 December 2023 Reviewed	 31 December 2022 Audited
Impairment of property, plant and equipment and intangible assets – LSP CGU	**2 096**	-

LSP CGU consist of the Newcastle plant, Vereeniging plant and ArcelorMittal Rail and Structures, and forms part of the steel operations segment. It was concluded that the LSP CGU's carrying amount exceeded the recoverable amount and the CGU was impaired by the amount exceeding the recoverable amount. The impairment loss recognised was largely due to the decrease in projected shipment volumes as a result of lower market demand and overcapacity in the long steel market. Other key inputs such as imported raw material prices and higher logistics costs had a negative impact on the forecasted margins. The recoverable amount of the CGU, representing its value in use, is R4.9 billion based on the assumptions used as noted in note 4.

The main classes of assets affected by the impairment loss are as follows:	**In millions of Rands**
Property, plant and equipment:	
- Buildings and infrastructure	133
- Machinery, plant and equipment	1 962
Intangible assets:	
- Non-integrated software	1
Total	**2 096**

8. Finance income

In millions of Rands	Year ended 31 December 2023 Reviewed	 31 December 2022 Audited
Bank deposits and other interest income	**93**	65
Net foreign exchange profit and net gains from foreign exchange contracts	**175**	218
Discount rate adjustment of provisions and financial liabilities	**17**	-
Total	**285**	283

9. Finance costs

In millions of Rands	Year ended 31 December 2023 Reviewed	 31 December 2022 Audited
Interest expense on loans and payables	**1 047**	724
Interest expense on lease liabilities	**20**	10
Discount rate adjustment of provisions and financial liabilities	**-**	94
Unwinding of discounting effect on borrowings, provisions and financial liabilities	**275**	407
Total	**1 342**	1 235

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

10. 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 that the turnaround initiatives may result in the Group returning to profitability but also considers the timing and uncertainty of these initiatives. With the difficulty of accurately measuring the possible future effects, management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be utilised. Therefore, no deferred tax asset has been recognised.

In millions of Rands	Year ended **31 December 2023 Reviewed**	 31 December 2022 Audited
Current taxation		
South African current taxation		
Adjustment for current tax of prior periods	**45**	-
Total income taxation expense	**45**	-

The prior year adjustment for current taxation relates to the taxable income made by a wholly owned subsidiary for the 2022 financial year.

11. Headline earnings

In millions of Rands	Year ended **31 December 2023 Reviewed**	 31 December 2022 Audited
(Loss)/profit for the year	**(3 920)**	2 634
Adjusted for:		
- Fair value adjustment of investment property	**(93)**	(57)
- Gain on remeasurement of asset held-for-sale	**(9)**	-
- Impairment of property, plant and equipment and intangible assets	**2 096**	-
- Impairment of equity-accounted investment	**19**	-
- Loss on disposal or scrapping of property, plant and equipment*	**17**	30
- Total tax effect of adjustment	**-**	-
Headline (loss)/earnings for the year	**(1 890)**	2 607
Headline (loss)/earnings per share (cents)		
- basic	**(170)**	234
- diluted	**(170)**	234
Weighted average number of shares (thousand)	**1 114 612**	1 114 612

* Adjustment for headline earnings is shown pre-tax and the tax effect of adjustment separately.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

12. Investment properties

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
Carrying amount at beginning of the year	**737**	754
Transfer to asset held-for-sale	**(134)**	(76)
Investment property transferred from property, plant and equipment	**6**	-
Change in fair value	**93**	57
Exchange rate movement	**-**	2
Carrying amount at end of the year	**702**	737

13. Cash, bank balances and restricted cash

Restricted cash

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
True sales of receivables (TSR) facility	**692**	433
Environmental rehabilitation obligation	**302**	302
Litigation	**2**	2
Total	**996**	737

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the draw down. At 31 December 2023 the balance of the borrowing base facility was R3 000 million (2022: R2 500 million) with R1 500 million (2022: R1 000 million) still available.

Bank accounts of R828 million (2022: R1 091 million) were ceded in favour of the borrowing base facility.

14. Asset held-for-sale

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
Balance at beginning of the year	**80**	**-**
Investment property – non-core office property – Maputo	**-**	**76**
Investment property – non-core warehouse – Saldanha	**134**	**-**
Gain on remeasurement	**9**	**-**
Exchange rate movement	**10**	**4**
Proceeds received	**(99)**	**-**
Balance at end of the year	**134**	**80**

During the 2022 financial year, 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 USD5.2 million was signed. The final sale price for the property was USD5.2 million. The sale of the property was concluded in October 2023. The investment property was part of the non-steel operations segment.

During the current financial year, a decision was taken to sell the warehouse property at Saldanha (Level 3 in the fair value hierarchy) after receiving a non-binding offer of R134 million. This warehouse property forms part of the Groups' non-core property disposal strategy. The sale of this property is in process.

Refer to note 20 for details on the measurement, valuation techniques and inputs used for this investment property.

NOTES TO THE PRELIMINARY REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

15. Borrowings

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
Banks - Borrowing based facility:		
Balance at beginning of the year	**2 500**	1 800
Proceeds from borrowings	**3 350**	1 800
Repayment of borrowings	**(2 850)**	(1 100)
Balance at end of the year	**3 000**	2 500
Loan from holding company:		
Balance at beginning of the year	**3 700**	4 110
Repayment of borrowings	**-**	(410)
Balance at end of the year	**3 700**	3 700
Total borrowings	**6 700**	6 200
Non-current	**2 700**	2 700
Current	**4 000**	3 500

The bank loan relates to the BBF with various financial institutions. R2 700 million of the loan from the holding company is sub-ordinated (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).

As at 31 December 2023, the consolidated tangible net worth of the Group is R10 437 million (2022: R14 304 million) which is determined as the sum of equity of the Group, the subordinated loan from the holding company of R2 700 million (2022: R2 700 million), excluding intangible assets, in accordance with the BBF agreement.

As at 31 December 2023, the borrowings of the Group are R1 188 million (2022: R1 202 million), determined as the unsubordinated portion of the loan from the holding company and the Group’s finance lease liabilities. Therefore, the Group is in compliance with all covenants as at 31 December 2023 and have complied at the end of each relevant period.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

16. Provisions

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
Asset retirement obligation and Environmental remediation:		
Balance at beginning of the year	**2 305**	2 205
Scope changes	**(318)**	(49)
Discount rate change	**(17)**	94
Unwinding of the discount effect	**212**	294
Utilised during the year	**(171)**	(239)
Balance at end of the year	**2 011**	2 305
Other:		
Balance at beginning of the year	**341**	331
Increase during the year	**149**	115
Utilised during the year	**(103)**	(105)
Balance at end of the year	**387**	341
Total provisions	**2 398**	2 646
Non-current	**1 474**	1 784
Current	**924**	862

17. Other financial liabilities

In millions of Rands	31 December 2023 Reviewed	31 December 2022 Audited
Competition Commission administrative penalty		
Balance at beginning of the year	**720**	1 055
Unwinding of the discounting effect	**63**	78
Re-assessment of liability on settlement agreement	**-**	(313)
Repayments	**(100)**	(100)
Total other financial liabilities	**683**	720
Non-current	**521**	625
Current	**162**	95

Other financial liabilities carrying amount is a reasonable approximation of fair value.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

18. Cash generated from operations

	Year ended	
In millions of Rands	**31 December 2023 Reviewed**	31 December 2022 Audited
(Loss)/profit before tax	**(3 875)**	2 634
Adjusted for:		
- Finance income	**(285)**	(283)
- Finance costs	**1 342**	1 235
- Fair value adjustment of investment properties	**(93)**	(57)
- Gain on remeasurement of asset held-for-sale	**(9)**	-
- Income after tax from equity-accounted investments	**(17)**	(30)
- Depreciation	**861**	760
- Amortisation of intangible assets	**17**	11
- Impairment of property, plant and equipment and intangible assets	**2 096**	-
- Impairment of equity-accounted investment	**19**	-
- Unrealised profit on sales to joint ventures	**6**	2
- Share-based payment expense	**39**	41
- Write-down of inventory to net realisable value	**301**	139
- Loss on disposal or scrapping of property, plant and equipment	**17**	30
- Realised foreign exchange movements	**130**	44
- Fair value adjustment on investment held by environmental trust	**(30)**	4
- Non-cash movement in provisions and financial liabilities	**(181)**	118
- Movement in trade and other receivable allowances	**-**	(2)
- Other payables raised, released and utilised relating to employees	**8**	28
- Changes in financial assets and liabilities	**(100)**	(414)
- Operating working capital movements:	**1 435**	(3 086)
- (Increase)/decrease in inventories	**(852)**	61
- Increase in trade and other receivables	**(98)**	(870)
- Increase/(decrease) in trade and other payables	**2 659**	(1 933)
- Utilisation of provisions	**(274)**	(344)
Cash generated from operations	**1 681**	1 174

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

19. Reconciliation of finance costs paid

In millions of Rands	**31 December 2023 Reviewed**	31 December 2022 Audited
Finance costs per statement of comprehensive income	**(1 342)**	(1 235)
Adjusted for:		
Non-cash movement on interest expense borrowings and payables:		
– Loan from holding company	**288**	(133)
– Other third-party payables	**28**	44
Discount rate adjustment of provisions and financing liabilities	**-**	94
Unwinding of the discounting effect on provisions and financial liabilities	**275**	407
– Provisions	**212**	294
– Other financial liabilities	**63**	78
– Borrowings - loan from holding company	**-**	35
Finance costs per statement of cash flow	**(751)**	(823)

20. Fair value measurements

In millions of Rands	Level 1	Level 2	Level 3	Classification
As at 31 December 2023				
Assets				
Investment properties	**-**	**-**	**702**	
Asset held-for-sale	**-**	**-**	**134**	
Equity securities	**11**	**-**	**-**	FVTOCI
Investments held by environmental trust	**-**	**438**	**-**	FVTPL
Other financial assets	**-**	**39**	**-**	FVTPL
	11	**477**	**836**	
As at 31 December 2022				
Investment properties	-	-	737	
Asset held-for-sale	-	-	80	
Equity securities	23	-	-	FVTOCI
Investments held by environmental trust	-	408	-	FVTPL
	23	408	817	

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

20. Fair value measurements (continued)

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 – Equity securities - valued at closing share price of R1.80 (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).	Other financial assets - 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 R683 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 21.9% (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 expense ratio will impact the fair value by R3 million (December 2022: R3 million). 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 exit capitalisation rate will impact the fair value by R36 million (December 2022: R39 million).

20. 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 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 2024 and the value of R134 million was used as fair value for this property as at 31 December 2023.

21. Commitments

In millions of Rands	Year ended **31 December 2023 Reviewed**	 31 December 2022 Audited
Capital commitments on property, plant and equipment		
Capital commitments authorised and contracted for	**729**	1 101
Capital commitments authorised but not contracted for	**785**	801

Included in the capital commitments above is an amount of R581 million (2022: R826 million) to address emissions at Vanderbijlpark Works over the next year.

22. Related party transactions

The Group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2022: 69%) of the Group's shares. At 31 December 2023, the outstanding ArcelorMittal Holdings AG loan amounted to R3 700 million (2022: R3 700 million). The interest expense for the year was R438 million (2022: R353 million).

The Group purchased products and services to the value of R1 687 million (2022: R950 million) from and sold goods to the value of R193 million (2022: R17 million) to other companies in the greater ArcelorMittal Group.

The Company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *continued*

23. Subsequent events

Post year end, the settlement date of the unsubordinated portion of the loan from the holding company, amounting to R1 000 million, was extended from 1 April 2024 to 7 September 2026. This portion of the loan was classified as a current borrowing as at 31 December 2023.

The directors are not aware of any other material matters or circumstances arising since 31 December 2023 to the date of this report that would significantly affect the operations, the results or financial position of the Group.

24. Independent auditor's review report

The auditor, Ernst and Young Inc, has issued their unmodified review report on the reviewed condensed consolidation financial statements for the year ended 31 December 2023. The review was conducted in accordance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Equity.*

The auditor's report on the reviewed condensed consolidated financial statements is included on page 30, and a copy of the auditor's report on the reviewed condensed consolidated financial statements is available for inspection at the Company's registered office. The reviewed condensed consolidated financial statements for the year ended 31 December 2023 are available on the Company's website: http://www.arcelormittal.com/southafrica/.

The auditor's report does not necessarily report on all the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the review engagement, they should read the auditor's report, together with the accompanying financial information as included in this report.

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2023

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated financial statements of ArcelorMittal South Africa Limited in the accompanying report on pages 9 to 29, which comprise the condensed consolidated statement of financial position as at 31 December 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 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 International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, 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 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 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 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 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 financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

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

8th February 2024

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the year ended 31 December 2023

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

Registered Office
ArcelorMittal South Africa Limited
Room N3-5, Main Building
Delfos Boulevard, Vanderbijlpark, 1911

Non-executive directors
B Mohale (Chairman)
LC Cele*
B Davey º
D Earp*
GS Gouws
NP Gosa
R Karol+
KMM Musonda*^ (retired 25 May 2023)
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
Registered address: Monument Office Park, Suite 5-201, 79 Steenbok Avenue, Monument Park, 0181

Sponsor
Absa Bank Limited (acting through its Corporate and Investment Banking division)
15 Alice Lane, Sandton, 2196
Private Bag x10056, Sandton, 2146

Auditor
Ernst and Young Inc
102 Rivonia Road
Sandton

Executive directors
HJ Verster (chief executive officer)
SK Mthethwa (chief financial officer) (appointed 1 June 2023 and resigned 17 July 2023)
GA Griffiths (interim chief financial officer) (appointed 17 July 2023)

Release date: 8 February 2024

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