THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The 'Definitions and Interpretations' section commencing on page 4 of this Circular applies, *mutatis mutandis,* throughout this Circular including to this cover page.

If you are in any doubt as to what action you should take arising from this Circular, please consult your CSDP, Broker, banker, attorney, accountant or any other professional adviser immediately.

Action required

- If you have disposed of all of your ArcelorMittal Shares, please forward this Circular to the purchaser of such ArcelorMittal Shares or to the Broker, CSDP, banker, attorney, or other agent through whom the disposal was effected.
- ArcelorMittal Shareholders are referred to the 'Action Required by Shareholders' section of the Circular commencing on page 2, which sets out the actions required of them in respect of the matters which are the subject of the Circular.

ArcelorMittal does not accept any responsibility, and will not be held liable for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of ArcelorMittal Shares to notify such beneficial owner of the subject matter and required actions set out in this Circular

ArcelorMittal

ARCELORMITTAL SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1989/002164/06)
Share code: ACL ISIN: ZAE000134961
("ArcelorMittal" or "the Company")

CIRCULAR TO ARCELORMITTAL SHAREHOLDERS

regarding:

- **the sale by the Company of an indirect 50% interest in Macsteel International Holdings BV to a subsidiary company of MacSteel Holdings Luxembourg SARL, for cash of US$220 million;**

and incorporating:

- **a Notice of General Meeting of ArcelorMittal Shareholders; and**
- **a Form of Proxy *(blue)* in respect of the general meeting of ArcelorMittal Shareholders for use only by Certificated Shareholders and Own-Name Registered Dematerialised Shareholders as regards the General Meeting.**

Transaction Sponsor	Legal Adviser	Continuing Sponsor
pwc	Baker McKenzie.	absa **Absa Bank Limited** (acting through its Corporate and Investment and Banking division)

Date of issue: 28 August 2018

This Circular is only available in English. Copies of this Circular in its printed form may be obtained on business days between 09:00 and 16:00 from the date of issue until and including the date of the General Meeting, namely Thursday, 27 September 2018, from the Company's Registered Offices and from the offices of the Continuing Sponsor, at the respective addresses set out in the "Corporate Information and Advisers" section of this Circular.

Copies of the Circular may also be downloaded from the Company's website, namely, ***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx***

CORPORATE INFORMATION AND ADVISERS

Directors of ArcelorMittal
Executive
H J Verster *(Chief Executive Officer)*

Non-executive
P M Makwana* *(Chairperson)*
B E Aranha
L C Cele*
N P Gosa
G S Gouws
R K Kothari
N P Mnxasana*
J R D Modise*
K M Musonda*
N F Nicolau*
**Independent*

G van Zyl (Interim Chief Financial Officer with effect from 1 August 2018 – not a director of the Board)

Company Secretary (Interim) to ArcelorMittal
Premcorp Consulting Services Proprietary Limited
33 Kingfisher Drive, Fourways 2191, South Africa
(PO Box 2424, Fourways 2055, South Africa)

Auditors and reporting accountants as regards the Sale
PricewaterhouseCoopers Inc.
4 Lisbon Lane, Waterfall City
Jukskei View, 2090, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)

Continuing Sponsor
Absa Bank Limited (acting through its Corporate and Investment Banking Division)
Alice Lane North
15 Alice Lane, Sandton, 2196, South Africa
(Private Bag X10056, Sandton, 2146, South Africa)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

Registered Office of ArcelorMittal
Vanderbijlpark Works
Room N3-5, Main Building
Delfos Boulevard
Vanderbijlpark, 1911, South Africa
(PO Box 2, Vanderbijlpark, 1900, South Africa)

ArcelorMittal place and date of Incorporation
South Africa on 9 June 1989

Auditors and reporting accountants to ArcelorMittal
Deloitte & Touche
Deloitte Place Building 1
The Woodlands
20 Woodlands Drive
Woodmead 2191, South Africa
Private Bag X6, Gallo Manor, Johannesburg, 2052
South Africa)

Legal adviser to ArcelorMittal
Baker McKenzie
Block 1, Commerce Square
39 Rivonia Road
Chislehurston, Sandton 2196, South Africa
(PO Box 781033, Sandton 2146, South Africa)

Transaction Sponsor to ArcelorMittal
PricewaterhouseCoopers Corporate Finance (Pty) Ltd
4 Lisbon Lane, Waterfall City
Jukskei View, 2090, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)

TABLE OF CONTENTS

The 'Definitions and Interpretations' section commencing on page 4 of this Circular applies, *mutatis mutandis,* to this Table of Contents.

ACTION REQUIRED BY SHAREHOLDERS

The 'Definitions and Interpretations' section commencing on page 4 of this Circular applies, *mutatis mutandis,* to this section on 'Action Required by Shareholders'.

IMPORTANT

Shareholders should please take careful note of the following provisions regarding the actions to be taken by them:

- If you are in any doubt as to what action you should take arising from this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional adviser immediately.
- If you have disposed of all of your ArcelorMittal Shares, please forward this Circular to the purchaser of such ArcelorMittal Shares or to the Broker, CSDP, banker, attorney, or other agent through whom the disposal was effected.

CIRCULAR AND GENERAL MEETING

This Circular contains information regarding the proposed sale by the Company of an indirect 50% interest in Macsteel International Holdings BV to a subsidiary company of MacSteel Holdings Luxembourg SARL, for a cash consideration of US$220 million as well as additional matters related thereto. You should carefully read through this Circular and decide on how you wish to vote on the resolutions at the General Meeting.

The General Meeting, convened in terms of the Notice of General Meeting attached to and forming a part of this Circular, will be held at the Company's Registered Offices, Vanderbijlpark Works, Room N3 – 5, Main Building, Delfos Boulevard, Vanderbijlpark 1911, South Africa on Thursday, 27 September 2018 at 09:30 at which the requisite resolutions to approve the Sale and related matters will be considered and, if deemed fit, approved with or without modification.

ATTENDING AND VOTING AT THE GENERAL MEETING

As regards holders of Dematerialised Shares:

If you have Dematerialised your Shares in the Company and have elected:

- **Own-Name Registration,** you are entitled to attend in person, or be represented by proxy, at the General Meeting.
  If you are unable to attend the General Meeting but wish to be represented thereat, you must complete and return the attached Form of Proxy *(blue)*. For effective administration, it is requested that the Form of Proxy should be completed and returned to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa (PO Box 61051, Marshalltown, 2107, South Africa) so as to reach them by not later than 09:30 on Tuesday, 25 September 2018 failing which, it may be handed to the Chairperson of the General Meeting at any time prior to the commencement of the General Meeting;
- **registration other than Own-Name Registration,** and if you wish to attend or to be represented at the General Meeting, you must advise your CSDP or Broker timeously that you wish to attend or to be represented at the General Meeting. Your CSDP or Broker will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting. If you do not wish to attend or be represented at the General Meeting but nevertheless wish to vote, and your CSDP or Broker has not contacted you, you are advised to initiate contact with your CSDP or Broker in order to provide them timeously with your voting instructions. If your CSDP or Broker does not obtain instructions from you, they will be obliged to act in terms of your standing mandate furnished to them.

You must not complete the attached Form of Proxy.

As regards holders of Certificated Shares:

If you presently hold your Shares in Certificated form:

- you are entitled to attend in person, or to be represented by proxy, at the General Meeting. If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached Form of Proxy *(blue)*. For effective administration, it is requested that the Form of Proxy should be completed and returned to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa (PO Box 61051, Marshalltown, 2107, South Africa) so as to reach them by not later than 09:30 on Tuesday, 25 September 2018 failing which, it may be handed to the Chairperson of the General Meeting at any time prior to the commencement of the General Meeting;
- and wish to Dematerialise your Shares prior to the General Meeting, please contact your Broker as soon as possible.

ELECTRONIC PARTICIPATION AT THE GENERAL MEETING

Shareholders are advised that pursuant to sections 63(2) and (3) of the Companies Act, the Company intends providing Shareholders and appointed proxies, entitled to attend the General Meeting, with the ability to participate in the General Meeting by way of teleconferencing.

In order to avail of the electronic teleconference call facility, Shareholders, or their proxies must make contact with ArcelorMittal's Company Secretary by email at the address: sw@premcorp.co.za by not later than Tuesday, 25 September 2018 at 09:30 in order to obtain a PIN and dial-in details for the teleconference call. It will be incumbent upon the Shareholder, or a proxy of a Shareholder, to provide reasonably satisfactory identification to the Company Secretary. It should be noted that all costs of the teleconference call by a Shareholder, or the proxy of a Shareholder, will be for such person's account.

IMPORTANT DATES AND TIMES

The 'Definitions and Interpretations' section commencing on page 4 of this Circular applies, *mutatis mutandis,* to this section on 'Important Dates and Times'.

	2018
Initial announcement regarding the proposed Sale and related matters published through SENS and press on	Monday, 28 May
Interim results of the Company for the six months ended 30 June 2018 published	Wednesday,1 August
Record date to determine ArcelorMittal Shareholders eligible to receive the Circular and Notice of General Meeting[b]	Friday, 17 August
Circular, inclusive of Notice of General Meeting, posted to entitled[b] Shareholders on	Tuesday, 28 August
Announcement regarding convening of General Meeting and posting of Circular published through SENS on	Tuesday, 28 August
Announcement regarding convening of General Meeting and posting of Circular published in the press on	Wednesday, 29 August
Last day to trade on the JSE in ArcelorMittal Shares in order to be recorded in ArcelorMittal's share register and thereby to be entitled to attend, participate in and vote at the General Meeting[b]	Tuesday, 18 September
Record date to be entitled to attend, participate in and vote at the General Meeting, by close of trading on the JSE on[b]	Friday, 21 September
South African public holiday	Monday, 24 September
For effective administration, completed Forms of Proxy for General Meeting to be received by Transfer Secretaries[c] by not later than 09:30 on	Tuesday, 25 September
General Meeting held at 09:30 on	Thursday, 27 September
Results of General Meeting published through SENS on	Friday, 28 September
Results of General Meeting published in press on	Friday, 28 September

Notes:

(a) All of the above dates and times, which are local South Africa dates and times, are subject to change. Any changes will be published through SENS and, as appropriate, in the press.

(b) Pursuant to section 62(3)(a) as read with section 59(1) of the Companies Act, the date determined by the Board to be the record date for purposes of determining Shareholders entitled to receive the Circular and Notice of General Meeting is Friday, 17 August 2018. Furthermore, only Shareholders who are registered in the securities register of the Company on Friday, 21 September 2018, will be entitled to participate in and vote at the General Meeting.

Shareholders should note that pursuant to the T+3 Strate settlement protocol, the last day to trade in and to acquire Shares of the Company in order to be capable of being registered as a Shareholder by the above indicated record date, is Tuesday, 18 September 2018.

(c) Should Forms of Proxy not be returned to the Transfer Secretaries by 09:30 on Tuesday, 25 September 2018 they may nevertheless be handed to the Chairperson of the General Meeting at any time before the commencement of the General Meeting.

(d) Should the General Meeting be adjourned or postponed, Forms of Proxy submitted for the General Meeting will remain valid in respect of any such adjournment or postponement.

DEFINITIONS AND INTERPRETATIONS

Throughout this Circular, unless otherwise stated or the context so requires:

- the words and expressions in the first column following below have the respective meanings stated opposite them in the second column, and words and expressions in the singular include the plural and vice versa, words importing natural persons include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender includes the other gender; and
- stipulated dates and times throughout refer to local South Africa dates and times:

"A1 Shares"	the 243 240 276 "A1" issued Ordinary Shares of no par value in the Company having the rights, terms and limitations set out in Part 1 of Schedule A to the MOI;
"A2 Shares"	the 72 972 083 "A2" issued Ordinary Shares of no par value in the Company having the rights, terms and limitations set out in Part 2 of Schedule A to the MOI;
"ArcelorMittal" or "the Company"	ArcelorMittal South Africa Limited (Registration number 1989/002164/06), a public company duly registered and incorporated in accordance with the laws of South Africa, the Shares of which are listed on the JSE;
"ArcelorMittal AG"	ArcelorMittal Holdings AG, the Company's majority shareholder which as at the Last Practicable Date holds 53% of the Company's issued Shares;
"BEE"	Broad-Based Black Economic Empowerment, as defined in the Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003 of South Africa), as amended from time to time;
"BEE Shareholders"	the BEE shareholders in the Company listed in paragraph 8.2 of this Circular;
"Broker"	any person or entity registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Market Act;
"business day"	means any day in South Africa other than a Saturday, Sunday or official gazetted public holiday;
"Certificated Shareholders"	Shareholders holding Certificated Shares;
"Certificated Shares"	Shares which have not yet been Dematerialised and title to which is evidenced by a share certificate or other document of title;
"Circular"	this bound document dated Tuesday, 28 August 2018 including the Notice of General Meeting and Form of Proxy;
"Companies Act"	the South African Companies Act (Act No. 71 of 2008), as amended, together with the South African Companies Regulations, 2011 issued in accordance with section 223 of the Companies Act;
"Company Secretary"	PremCorp Consulting Services Proprietary Limited (Registration Number 2003/009512/07), a private company duly registered and incorporated in accordance with the laws of South Africa, being ArcelorMittal's interim company secretary duly represented by Solete de Sousa Wilke;
"Competition Authorities"	any relevant authority responsible for the enforcement and administration of competition laws in one or more of the jurisdictions relevant to the Transaction;
"Conditions Precedent"	the conditions precedent to which the Transaction is subject, detailed in paragraph 4 of this Circular;
"CSDP"	a Central Securities Depository Participant appointed by a Shareholder for the purpose of and in regard to Dematerialisation in terms of section 1 of the Financial Markets Act, and which operates the custody and settlement procedure for the JSE;
"Dematerialisation" or "Dematerialise"	the process by which Certificated Shares held by Shareholders are converted into electronic form and held as uncertificated shares recorded as such in the sub-registers of the Company as administered and maintained by the CSDPs;

"Dematerialised Shareholders"	Shareholders holding Dematerialised Shares;
"Dematerialised Shares"	Shares which have been Dematerialised in terms of the Companies Act, the Financial Markets Act and Strate, ownership of which is recorded by means of electronic record in a sub-register of Shareholders administered by a CSDP, such sub-register forming a constituent part of the Company's main register of Shareholders;
"Directors" or "Board" or "Board of Directors"	the Board of Directors of ArcelorMittal as at the Last Practicable Date, listed on page 7 of this Circular;
"Effective Date"	fifteen days after the Conditions Precedent to the Transaction having been fulfilled or, as appropriate, waived (to the extent permissible);
"Financial Markets Act"	The South African Financial Markets Act (Act No. 19 of 2012), as amended from time to time;
"Form of Proxy"	for purposes of the General Meeting the form of proxy *(blue)* for use only by Certificated Shareholders and Own-Name Registered Dematerialised Shareholders;
"General Meeting"	in accordance with the Notice of General Meeting, the general meeting of Shareholders to be held at the Company's Registered Offices, Vanderbijlpark Works, Room N3 – 5, Main Building, Delfos Boulevard, Vanderbijlpark 1911, South Africa on Thursday, 27 September 2018 at 09:30 to consider and, if deemed fit, to approve with or without modification, the resolutions to be considered thereat;
"Group"	ArcelorMittal and its subsidiary companies from time to time;
"IFRS"	International Financial Reporting Standards:
"JSE"	JSE Limited (Registration Number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
"Last Practicable Date"	16 August 2018, being the last practicable date on which information was capable of being included in this Circular prior to its finalisation;
"Listings Requirements"	the Listings Requirements of the JSE in force as at the Last Practicable Date;
"MacGlobal"	MacSteel Global Sarl BV, a private company with limited liability duly incorporated in the Netherlands with registration in Luxembourg and of 25 avenue de la Liberte, Luxembourg, being a subsidiary company of MacHold;
"MacHold"	Macsteel Holdings Luxembourg SARL, a private company with limited liability duly incorporated in the Netherlands with registration in Luxembourg and of 25 avenue de la Liberte, Luxembourg;
"Marketing Agreement"	the agreement signed on 5 July 2018 between the Company and MITHBV regarding, *inter alia,* the exclusive supply of steel products to international markets through the marketing of MITHBV for a period of four years commencing from the Effective Date;
"MIHBV" or "MIHBV Joint Venture"	Macsteel International Holdings BV, a private company duly incorporated in the Netherlands and of World Trade Centre, Strawinskylaan 333/ Tower B, 3rd Floor, 1077XV, Amsterdam, the Netherlands, a joint venture which as at the Last Practicable Date is owned as to: • 50% by MSSA (a 100% owned subsidiary of ArcelorMittal); and • 50% by MacGlobal, pursuant to the MIHBV Joint Venture Agreement;
"MIHBV Joint Venture Agreement"	the founding agreement between the Parties governing the MIHBV Joint Venture inclusive of all its subsequent addenda and/or aide de memoir thereto;
"MITHBV"	Macsteel International Trading Holdings BV, a private company duly incorporated in the Netherlands and of World Trade Centre, Strawinskylaan 333/ Tower B, 3rd Floor, 1077XV, Amsterdam, a wholly owned subsidiary of MIHBV;
"MOI"	the constitution of the Company embodied in its duly registered memorandum of incorporation;

"MSSA"	MSSA Investments BV, a company duly incorporated in the Netherlands and of World Trade Centre, Strawinskylaan 333/ Tower B, 3rd Floor, 1077XV, Amsterdam, the Netherlands, and being a 100% owned subsidiary of ArcelorMittal;
"MUR Group"	MUR Shipping Holding BV, a company duly incorporated in the Netherlands;
"Notice of General Meeting"	the notice of General Meeting to Shareholders attached to and forming a part of this Circular;
"Own-Name Registration" or "Own-Name"	Dematerialised Shareholders who have instructed their CSDP to register and to record their Shares in their own name on the sub-registers of the Company;
"Parties"	as the context so requires, jointly or individually, ArcelorMittal, MacGlobal, MacHold, MSSA, and MIHBV;
"Reference Table" or "Reference" or "Referencing"	per section 11.61 of the Listings Requirements, the reference table contained in paragraph 18 of the Circular referencing specific Listings Requirements' required disclosure information *ipso facto* included in this Circular by reference to the Company's website;
"Sale"	the sale by MSSA of the Sale Shares to MacGlobal for cash of US$220 million, on the terms and conditions contained in the Sale and Purchase of shares Agreement;
"Sale and Purchase of shares Agreement"	the agreement entered into between the Parties on 5 July 2018 regarding the sale by the Company to MacGlobal of the Sale Shares;
"Sale Shares"	35 002 B shares in MIHBV constituting 50% of the issued shares of MIHBV, owned by MSSA, a wholly owned subsidiary of the Company;
"SARB"	the South African Reserve Bank including the Financial Surveillance department of the South African Reserve Bank;
"SENS"	the Stock Exchange News Service of the JSE;
"Shares"	the 1 454 272 184 shares of no par value in issue in the Company as at the Last Practicable Date, comprising: • 1 138 059 825 Ordinary Shares; • 243 240 276 A1 Shares; and • 72 972 083 A2 Shares;
"Shareholders"	registered holders of Shares, from time to time;
"South Africa"	the Republic of South Africa;
"Strate"	Strate Proprietary Limited (Registration Number: 1998/022242/07), a private company registered in accordance with the laws of South Africa, being a licensed central securities depository in terms of Section 1 of the Financial Markets Act and the entity that manages the electronic custody, clearing and settlement environment for all share transactions concluded on the JSE and off-market, and in terms of which transactions in securities are settled and transfers of ownership in securities are recorded electronically;
"Transaction"	for ease of reference purposes only, the descriptive term used in this Circular covering the Sale, Sale and Purchase of shares Agreement, Marketing Agreement and any and all ancillary administrative aspects thereof;
"Transaction Agreements"	for ease of reference purposes only, the descriptive term used in this Circular covering the Sale and Purchase of shares Agreement and the Marketing Agreement;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (Registration Number: 2004/003647/07), a private company duly registered and incorporated in accordance with the laws of South Africa, transfer secretaries to the Company;
"US$"	the official currency of the United States of America, the United States Dollar; and
"ZAR" or "Rand"	the official currency of South Africa, the Rand.

ARCELORMITTAL SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1989/002164/06)
Share code: ACL ISIN: ZAE000134961
("ArcelorMittal" or "the Company")

Directors

Executive

H J Verster *(Chief Executive Officer)*

Non-executive

P M Makwana* *(Chairperson)*
B E Aranha
L C Cele*
N P Gosa
G S Gouws
R K Kothari
N P Mnxasana*
J R D Modise*
K M Musonda*
N F Nicolau*

* *Independent*

G van Zyl (Interim Chief Financial Officer with effect from 1 August 2018 – not a director of the Board)

CIRCULAR TO ARCELORMITTAL SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF CIRCULAR

On Monday, 28 May 2018, the Company announced its intention to effect the Sale, being the sale of its indirect 50% interest in MIHBV to a subsidiary of MacHold. In addition, the Marketing Agreement to be entered into between the Company and MITHBV, will see the Company exclusively supplying steel products to the international market through MITHBV for a period of four years.

The Company intends to proceed with the Transaction as set out above which, in the opinion of the Board, will be most beneficial to the Company, the Group and all stakeholders.

The Sale constitutes a Category 1 transaction which, in terms of the Listings Requirements, is subject to Shareholders' approval by way of ordinary resolution.

The purpose of this Circular is to provide Shareholders with all relevant information regarding the Transaction and to convene the necessary General Meeting at which Shareholders will be required to consider and vote on the necessary resolutions. In this regard, the Notice of General Meeting is included as a part of the Circular.

2. TRANSACTION AND RATIONALE

MIHBV was established as a joint venture between MacHold and ArcelorMittal.

MIHBV's issued share capital is presently held as follows:

- 50% by MSSA, a wholly owned subsidiary of the Company; and
- 50% by MacGlobal, a wholly owned subsidiary of MacHold.

MIHBV is a company headquartered in Amsterdam, the Netherlands, and is the holding company of two operating subsidiary companies, namely, MITHBV and the MUR Group of companies. Such entities operate as a group in global steel trading and shipping.

Today, whilst the Company still remains an important source of steel products to the MIHBV Joint Venture, the Company now supplies less than 20% of the total steel tonnages traded by the MIHBV Joint Venture, and less than 2% of the volumes shipped. Consequently, the indirect investment by the Company in the MIHBV Joint Venture through MSSA is no longer considered to be a core asset of the Company and hence the decision has been taken by the Board to proceed with the Sale.

The Sale will generate US$220 million in freely available cash, which will be used by the Group primarily to strengthen the Company's balance sheet and to fund its working capital requirements.

As a condition precedent to the Sale, the Marketing Agreement has been concluded between the Company and MITHBV which, together with the Sale, will be of force and effect from the Effective Date. Further details of the Sale and Purchase of shares Agreement and the Marketing Agreement, are provided in paragraph 3.

3. TRANSACTION AGREEMENTS

3.1 Sale and Purchase of shares Agreement

The salient terms of the Sale and Purchase of shares Agreement include the following:

3.1.1 the Sale Shares will be sold by MSSA to MacGlobal on and with effect from the Effective Date, from which date all ownership of, risk in and benefits attaching to the Sale Shares will be deemed to have passed to MacGlobal;

3.1.2 the purchase price payable by MacGlobal to MSSA for the Sale Shares will be an amount of US$220 million which purchase price will be paid by MacGlobal on the Effective Date, against the delivery of the Sale Shares. The purchase price will be paid into escrow prior to the Effective Date, on 1 September 2018 and will be released to the party who becomes entitled thereto on the Effective Date, depending on whether the Conditions Precedent are fulfilled or not in accordance with the provisions of the Sale and Purchase of shares Agreement;

3.1.3 Following fulfilment of the Conditions Precedent, the purchase price will be released from escrow into the bank account as to be nominated by MSSA in writing;

3.1.4 with effect from the Effective Date, the MIHBV Joint Venture Agreement will be cancelled and the Parties agree to waive any and all claims they may have against each other (if any) as a result of or arising from the MIHBV Joint Venture Agreement and/or the cancellation thereof; and

3.1.5 MSSA and the Company shall jointly and severally provide standard warranties in relation to, inter alia, ownership and title of the Sale Shares as well as an indemnity in relation to a breach of any such warranties;

3.1.6 the Sale and Purchase of shares Agreement is governed by the law of England and Wales;

3.1.7 the Parties have agreed that unless the Sale and Purchase of shares Agreement fails to become unconditional by 31 December 2018 in that all of the Conditions Precedent are neither fulfilled or waived, MIHBV shall not declare or pay any dividend.

3.2 Marketing Agreement

The salient terms of the Marketing Agreement include the following:

3.2.1 the Company will appoint MITHBV to exclusively market and sell export products internationally, with the exclusion of certain African jurisdictions;

3.2.2 the Marketing Agreement will commence on the Effective Date of the Sale and Purchase of shares Agreement and, unless terminated or cancelled earlier in accordance with its provisions, will endure for four years from the Effective Date; and

3.2.3 the Marketing Agreement is subject to fulfilment of the condition precedent that the Sale and Purchase of shares Agreement is entered into and has become unconditional in accordance with its terms.

3.3 Transaction Agreements available for inspection

As regards paragraphs 3.1 and 3.2 above, the Sale and Purchase of shares Agreement and the Marketing Agreement are available for inspection in the manner indicated in paragraph 17 below.

4. CONDITIONS PRECEDENT TO THE TRANSACTION

As at the Last Practicable Date, implementation of the Transaction remains subject to the fulfilment or waiver (to the extent possible) of the following Conditions Precedent, namely:

4.1 that the Shareholders will have passed the ordinary resolution necessary to approve the Sale at the General Meeting;

4.2 that pursuant to the Sale, a dividend resolution for the declaration of a dividend declared by MIHBV at its directors' board meeting of 28 March 2018 will have been cancelled;

4.3 that unconditional approvals from Competition Authorities as regards the Sale, as may be so required, are received; and

4.4 that the Marketing Agreement will have become unconditional in accordance with the condition provided for in paragraph 3.2.3 above.

As regards 4.1 above, the Company has obtained a written irrevocable letter of undertaking from ArcelorMittal AG to the effect that it will vote its 771 489 400 Shares (53.05% of the issued Shares) in the share capital of the Company in favour of the required resolutions at the General Meeting. The irrevocable letter of undertaking referred to above is available for inspection in the manner indicated in paragraph 17 below.

As regards 4.1 through 4.4 above, the Parties will each use their reasonable commercial endeavours to secure the fulfilment thereof.

5. OVERVIEW OF BUSINESS OF THE COMPANY AND GROUP AND PROSPECTS

5.1 Overview of business

ArcelorMittal is headquartered in Vanderbijlpark, Gauteng, South Africa. It is Africa's largest steel producer with an annual production capacity of 6.1 million tonnes of liquid steel and approximately 5.2 million tonnes of saleable steel products. In 2017 the Group produced 4.9 million tonnes of saleable steel, an increase of 139 000 tonnes over 2016. A proudly South African company, ArcelorMittal forms part of the world's leading steel producer ArcelorMittal S.A. (headquartered in Luxembourg), with industrial sites in over 18 countries and a presence in more than 60 others.

As Africa's largest primary steel producer, ArcelorMittal is uniquely positioned to create great social and human capital. The Group's products beneficiate South African raw materials worth billions of Rand while underpinning the manufacturing, construction, mining and energy sectors. The Group invests in thousands of employees, contractors and suppliers and is increasingly working with communities, government and other businesses to transform and grow the South African economy.

The Group's steel is produced in flat and long steel products that are further processed by downstream manufacturers. The Coke and Chemicals operation produces commercial grade coke for use by the ferro-alloy industry, and processes steelmaking by-products. The Group supplies approximately 69% of the steel used in South Africa while exporting the balance to sub-Saharan Africa and elsewhere. In 2017 the Group employed 8 913 (2016: 9 056) people with an estimated economy-wide employment-creating impact of over 100 000 jobs.

Flat steel products

At its Vanderbijlpark and Saldanha Works, the Group produces slabs and heavy plates as well as hot rolled coil, cold rolled and coated products. Major consumers are the construction, piping, packaging and automotive industries.

Long steel products

Produced at its Newcastle and Vereeniging Works, the Group's products include bars, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, light, medium and heavy sections, rod and forged products. Long steel products are used primarily in the construction industry.

Coke and chemicals

From batteries in Vanderbijlpark, Newcastle and Pretoria, the Coke and Chemicals Works produces metallurgical coke for the Group's furnaces in Vanderbijlpark and Newcastle, and commercial coke for sale to, especially, the ferro-alloy industry. The business also processes and beneficiates metallurgical and steel by-products, including coal tar. These are sold as raw materials for a wide variety of uses.

5.2 Business prospects

The prospects for the Company and Group are dependent on a number of external factors, including the strength of the South African economy as well as macro global factors. Some of the factors that have influenced the overall performance of the Group include, *inter alia,* world demand for steel and allied products, imports of steel into South Africa and a lack of significant investment in infrastructure development in the country, both of which are negatively impacting local demand, ever-increasing input costs and the Rand/US$ exchange rate and others.

In response to these challenges, ArcelorMittal has implemented a number of initiatives to increase efficiency and productivity, and more effectively manage costs. The business has also recently restructured to more closely align to the new business realities within which it is operating. Importantly, the management team has recently launched a three-phase Business Transformation strategy that will energetically seek to return the business to profitability in the near to medium term.

As discussed in paragraph 2 above, the Sale will generate some US$220 million in cash for the Group, which will be used primarily to strengthen the Company's balance sheet and to fund its working capital requirements.

5.3 **Access to information on the Company**

The Company's website provides comprehensive access to both historical and current financial information as well as other business records and information on the Company and on the Group. Such information can be readily accessed through the Company's website ***https://arcelormittalsa.com/InvestorRelations/AnnualFinancialStatements.aspx.*** In addition, the interim results of the Company for the six months ended 30 June 2018 and the published audited annual financial statements of the Company for the three years ended 31 December 2017, 31 December 2016 and 31 December 2015 are available for inspection in the manner indicated in paragraph 17 below.

6. FINANCIAL INFORMATION PERTINENT TO THE TRANSACTION

6.1 **Financial implications and *pro forma* financial effects of the Transaction**

The table below sets out the *pro forma* financial effects of the Sale on, *inter alia*, the Company's net asset value per Share ("NAVPS"), net tangible asset value per Share ("NTAVPS"), basic earnings per Share ("EPS"), and headline earnings per Share ("HEPS"), all based on the most recently published reviewed condensed consolidated financial statements for the six months ended 30 June 2018.

The *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the published summarised consolidated interim results for the six months ended 30 June 2018. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the revised SAICA Guide on *pro forma* Financial Information.

The *pro forma* financial information is the responsibility of the Board and was prepared for illustrative purposes only and may not, because of its nature, fairly present the Company's financial position, changes in equity and results of its operations or cash flows for the period then ended. It does not purport to be indicative of what the financial results would have been, had the Sale been implemented on a different date.

	Before[1]	***Pro forma*** **after the Sale**	% Change
EPS (cents per share)[2]	(147)	35	123.9
HEPS (cents per share)[2]	5	14	189.6
NAVPS (cents per share)[3]	614	616	0.3
NTAVPS (cents per share)[3]	607	609	0.3
Weighted average shares in issue (millions)	1 094	1 094	
Shares in issue at year end (millions)	1 094	1 094	

Notes:

1. The "Before" column is based on the reviewed condensed consolidated financial statements for the six month period ended 30 June 2018.
2. *Pro forma* earnings and headline earnings per Share effects are based on the following principle assumptions:
   - The Sale was effective 1 January 2018.
   - The Sale consideration of US$220 million is converted to ZAR at a rate of R13.81, being the weighted average forward exchange contract rate for the proceeds.
   - Proceeds from the Sale will be used to primarily strengthen the Company's statement of financial position and to fund its working capital requirements. Until such opportunities are identified, the proceeds, net of Transaction costs, are assumed to be utilised to reduce current borrowings, which incurred interest at an average rate of 10.5% per annum and is of a continuous nature.
   - The terms of the Marketing Agreement with MIHBV, being a Condition Precedent to the Sale and Purchase of shares Agreement and which of itself is subject to various conditions, have been amended with effect 1 January 2018. This adjustment is of a continuous nature for the period of the Marketing Agreement.
   - Once off transaction costs of R3 million.
3. *Pro forma* net asset and net tangible asset value per Share effects are based on the following principle assumptions:
   - The Sale was effective 30 June 2018.
   - The Sale consideration of US$220 million is converted to ZAR at a rate of R13.81, being the weighted average forward exchange contract rate for the proceeds.
   - Transaction costs of R3 million.
4. There are no other post balance sheet events which need adjustment to the *pro forma* financial effects.
5. Details of the adjustments underlying the *pro forma* financial effects are presented in Annexure 1 of this Circular.

The Company's auditors and reporting accountants, Deloitte & Touche's independent reporting accountant's assurance report on the *pro forma* consolidated statement of comprehensive income and statement of financial position underlying the above presented *pro forma* financial effects as provided in Annexure 1 of this Circular, is set out in Annexure 2 of this Circular. The signed report of Deloitte & Touche is also available for inspection in the manner set out in paragraph 17 below.

6.2 **The Sale and reporting accountants report on the Sale**

In order to present a picture of the MIHBV Joint Venture, Annexure 3 contains the historical financial information of MIHBV for the three financial years ended 31 December 2017.

PricewaterhouseCoopers Inc's independent audit and review reports on the consolidated historical financial information of MIHBV, as presented in Annexure 3 of this Circular, are contained in Annexure 4 of this Circular. The signed reports are also available for inspection in the manner set out in paragraph 17 below.

7. WORKING CAPITAL STATEMENT

Post the Sale which will generate US$220 million in freely available cash, which will be used by the Group primarily to strengthen the Company's balance sheet and to fund its working capital requirements, the Directors are of the opinion that the working capital available to the Company and the Group will be sufficient for the Group's present requirements, that is, for at least the next 12 months reckoned from the issue date of this Circular.

8. DIRECTORATE AND INTERESTS

The Company's Directors as of the Last Practicable Date are as listed on page 7 of the Circular.

8.1 **Director Shareholdings**

The Directors' beneficial direct and indirect interests in the Company's Shares as at the Last Practicable Date are as follows:

Director	Direct beneficial shares	Indirect beneficial shares	Total shares	Percentage of issued shares
J R D Modise	85 025	–	85 025	0.0003
N P Gosa	–	97 296 110	97 296 110	6.6904
G S Gouws	–	292	292	0.0000
N F Nicolau	100 180	–	100 180	–
Total	**185 205**	**97 296 402**	**97 481 607**	**6.6907**

The following persons have either resigned or retired as directors of the Company over the past 18 months, namely: L P Mondi (retired 24 May 2017); W A de Klerk (retired 31 January 2018); D G Clarke (resigned 1 November 2017); H M A Blaffart (retired 31 March 2018); and Dean Subramanian (resigned 31 July 2018). To the best knowledge of the Board, as of the Last Practicable Date, none of such persons hold Shares of the Company.

Save for:

- N F Nicolau who purchased 8 313 Shares and 91 867 Shares on 1 February 2018 and 2 February 2018 respectively; and
- J R D Modise who purchased 60 000 Shares and 20 000 Shares on 5 February 2018 and 6 February 2018 respectively, there have been no other changes in Directors' shareholdings between the end of the Company's most recent financial year, that is the financial year ended 31 December 2017, and the Last Practicable Date.

8.2 **Directors interests in transactions and BEE Shareholders**

Except as Shareholders to the extent of their respective shareholdings disclosed in paragraph 8.1 above, none of the Company's Directors, nor any former directors who have resigned or retired during the past 18 months, have any economic interest in the Transaction as contemplated in this Circular.

Furthermore, no directors, nor any former directors who have resigned during the past 18 months, have any interest in any other transactions by the Company that were effected during the current or immediately preceding financial year, which remains in any material respect outstanding or unperformed.

BEE Shareholders

As at the Last Practicable Date, of the Shares in issue in the Company, the BEE Shareholders own Shares as follows:

- The Ikageng Broad-Based Employee Share Trust holds 21 103 219 Ordinary Shares (1.45% of issued Shares). Ikageng holds the Shares for the benefit of employees of the Group pending their vesting in accordance with the objective of the trust;
- Vicva Investments and Trading Nine (Pty) Ltd ("Vicva") owns 23 447 036 Ordinary Shares (1.61% of issued Shares);
- Amandla we Nsimbi (Pty) Ltd holds 243 240 276 A1 Shares (16.73 % of issued Shares); and
- the Isabelo Employee Share Trust holds 72 972 083 A2 Shares (5.02% of issued Shares).

Shares held by Vicva are accounted for on a treasury shares basis.

Other than Ms N Gosa, the Directors of the Company are not investors in any of the BEE Shareholders.

8.3 **Directors remuneration and benefits and other technical and service fees**

None of the remuneration, fees earned, or any other benefits receivable by:

- Directors, whether as executives or non-executives;
- management or any other agencies or entities which provide secretarial and/or other technical services to the company or Group, will arise as a direct consequence of the Transaction.

9. SHARE CAPITAL, LISTING AND MAJOR SHAREHOLDERS

9.1 **Share capital**

The Transaction will not have any effect on the authorised or issued share capital of the Company.

As at the Last Practicable Date, the Company's authorised and issued share capital is as follows:

Authorised share capital	**R**
1 200 000 000 Ordinary Shares of no par value	4 783 610 700
"A" ordinary shares:	
• 243 240 276 A1 Ordinary Shares at no par value	243
• 72 972 083 A2 Ordinary Shares at no par value	73
2 357 584 "C" redeemable preference shares	–
Issued share capital	**R**
1 138 059 825 Ordinary Shares of no par value	4 536 695 963
"A" Ordinary Shares:	
• 243 240 276 A1 Ordinary Shares at no par value	243
• 72 972 083 A2 Ordinary Shares at no par value	73
Total stated capital	**4 536 696 279**

The authorised unissued shares in the share capital of the Company are not under the control of the Directors.

The A1 Shares and A2 Shares

During 2016, in terms of a circular to shareholders of the Company dated 17 October 2016, the Company successfully completed a BEE transaction which resulted in the issue of the newly created A1 Shares and A2 Shares. In this regard, Amandla we Nsimbi (Pty) Ltd, whose shares are owned by broad-based black consortium, Likamva Resources, subscribed for 243 240 276 A1 Shares, then representing 16.73% of the voting rights in the Company. The A1 Shares were issued at a nominal value through a notional loan structure. At the same time, The Isabelo Empowerment Share Trust subscribed for 72 972 083 A2 Shares then representing 5.02% of the voting rights in the Company.

The aforementioned circular can be readily accessed through the Company's website ***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx.***

Treasury share equity reserve

During 2009, the Company implemented a share buy-back arrangement and acquired 9.995% of each Shareholder's holding of Shares. In the prior year, the Ikageng Broad-Based Employee Share Trust was created to hold in trust, the shares for the Employee Share Ownership Plan, and purchased 4.7% of the shareholding through a contribution from the Company. The trust is controlled by the Company and is accordingly consolidated in accordance with IFRS 10 Consolidated Financial Statements. The shares will continue to remain in issue as treasury shares.

9.2 **Alterations of share capital**

Save for:

- the R4 500 million rights offer concluded and implemented by the Company on 18 January 2016 in terms of which the Company issued 692 307 693 new Ordinary Shares at a price of R6.50 per Share; and
- the increase in the authorised share capital of the Company through the creation of the new A1 Shares and A2 Shares, for the BEE transaction referred to in paragraph 9.1 above;

there have been no share repurchases, consolidations, or subdivisions of share capital by the Company and/or its subsidiaries during the three years prior to the Last Practicable Date.

9.3 **Listings of the Company's Shares**

The Company does not have any securities listed on any stock exchanges other than the JSE.

9.4 **Controlling Shareholder and trading objectives**

The Company's controlling shareholder is ArcelorMittal Holdings AG which holds 53.05% of the Company's issued Shares. In the past five years, there has been no change either in the controlling shareholder or in the trading objectives of the Company and of the Group.

9.5 **Rights of Shares**

The issued Shares in the Company comprise Ordinary Shares and A1 Ordinary Shares and A2 Ordinary Shares. The reason for and purpose of the A1 and A2 Shares is provided in paragraph 9.1 above. For all intents and purposes, the issued Shares rank *pari passu* in all respects with each other, as do all entitlement and voting rights.

The MOI requires Shareholders pass a special resolution in order to vary any of the rights attaching to the Shares.

9.6 **Major Shareholders**

As at the Last Practicable Date and based on the most recent month end information available to the Directors, the following Shareholders held, whether directly or indirectly, beneficial interests in 5% or more of the issued Ordinary Shares.

Name of Shareholder	Holding of shares	% of issued shares
ArcelorMittal Holdings AG	771 489 400	53.05
Amandla we Nsimbi (Pty) Ltd	243 240 276	16.73
Industrial Development Corporation (IDC)	93 044 068	6.4
Isabelo Employee Share Trust	72 972 083	5.02
Investec Asset Management	73 427 084	5.05

As regards the table:

- Amandla we Nsimbi (Pty) Ltd holds 243 240 276 A1 Shares (16.73 % of issued Shares); and
- the Isabelo Employee Share Trust holds 72 972 083 A2 Shares (5.02% of issued Shares).

10. LEGAL MATTERS

The Directors are not aware of any information on any legal or arbitration proceedings arising from the subject matter of the Sale or in respect of MSSA or MITHBV, including any proceedings that are pending or threatened, of which the Company is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

11. OPINION AND RECOMMENDATION

Today, whilst the Company still remains an important source of steel products to the MIHBV Joint Venture, the Company now supplies less than 20% of the total steel tonnages traded by the MIHBV Joint Venture, and less than 2% of the volumes shipped. Consequently, the indirect investment by the Company in the MIHBV Joint Venture through MSSA is no longer considered to be a core asset of the Company and hence the decision has been taken by the Board to proceed with the Sale.

The Sale will generate US$220 million in freely available cash, which will be used by the Group primarily to strengthen the Company's balance sheet and to fund its working capital requirements. As such, the Directors believe that the Transaction will be beneficial to all stakeholders of the Company and of the Group. Accordingly, those Directors who own Shares intend to vote such in favour of the required resolutions to be considered at the General Meeting and recommend that all other Shareholders do likewise.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, as listed on page 7 of this Circular:

- have considered all statements of fact and opinion contained in this Circular;
- collectively and individually, accept full responsibility for the accuracy of all information included in this Circular for the purposes of providing appropriate information as regards the proposed Transaction;
- certify that, to the best of their knowledge and belief, there are no facts, the omission of which would make any statement as contained in this Circular false or misleading;
- have made all reasonable enquiries in this regard; and
- certify to the best of their knowledge and belief, that the Circular contains all information required by law and the Listings Requirements.

It should be noted that Messrs R K Kothari and H J Verster are directors of the Company as well as the Company's appointed representatives to the board of MIHBV. As such, notwithstanding that such persons are signatories to this Circular as is required by the Listings Requirements, they have, for all intents and purposes, recused themselves from the decision at Board level to approve the Transaction. As such, their respective signatures to this Circular are solely for purposes of compliance with the Listings Requirements, having been specifically authorised by the Board to do so.

13. OTHER GENERAL INFORMATION

13.1 Material changes

There has been no material change in the financial or trading position of the Company and the Group that has occurred since the publication of the Company's interim results for the six months ended 30 June 2018.

13.2 Material loans and borrowings pertinent to the Sale

The Sale, being the sale by the Company of its indirect investment in the MIHBV Joint Venture, does not give rise to any material loans and/or borrowings.

13.3 Material acquisition and disposals

Save for the proposed Sale in terms of the Transaction Agreements covered in this Circular, there have been no material acquisitions or disposals by the Company or Group during the three years preceding the Last Practicable Date.

13.4 Material contracts and royalties

The following are the only material contracts and agreements that the Group has entered into within the three years preceding the Last Practicable Date that were otherwise than in the ordinary course of business.

13.4.1 Agreements regarding acquisition and/disposals

The Sale and Purchase of shares Agreement;

13.4.2 Underwriting agreement

During January 2016, the Company undertook a rights offer to raise R4 500 million in terms of which it issued 692 307 693 new Ordinary Shares at a price of R6.50 per Share. The rights offer was underwritten by the Company's parent holding company, ArcelorMittal Holdings AG.

13.4.3 Agreements and transaction regarding the establishment by the Company of a BEE trust and provision of financial assistance

During July 2015, the Company announced that it was to implement the Ikageng Broad-Based Employee Share Scheme, to be operated through The Ikageng Broad-Based Employee Share Trust, as constituted and regulated in terms of the trust. Further information in this regard to the BEE initiatives is contained in paragraph 9.1 above.

Neither the Company nor the Group has paid any royalties of whatever nature within the three years preceding the issue of this Circular.

All of the agreements/documents referred to in paragraphs 13.4.1 through 13.4.3 above are available for inspection in the manner indicated in paragraph 17 below.

13.5 Promoters

There have been no payments made to promoters within the past three years prior to the issue of this Circular and there are no promoters' interests in Shares.

14. CONSENTS AND REPORTS

14.1 General consents

Each of:

- PricewaterhouseCoopers Corporate Finance (Pty) Ltd, as Transaction JSE sponsor;
- Baker McKenzie, as legal adviser to the Company;
- Absa Bank Limited (acting through its Corporate and Investment Banking Division), as ongoing JSE sponsor to the Company;
- Deloitte & Touche, as the Company's auditors and reporting accountants;
- PricewaterhouseCoopers Inc., as independent reporting accountants to the Company as regards reporting on the historical financial information MIHBV, the subject of the Sale;
- Premcorp Consulting Services Proprietary Limited, as the Company's Company Secretary; and
- Computershare Investor Services Proprietary Limited, as the Company's Transfer Secretaries,

have consented in writing to act in their respective capacities stated and to their names being included in the Circular and have not withdrawn such consent prior to the issue of the Circular.

14.2 Report consents

In addition to the paragraph 14.1 general consents, the following specific report consents have been received, none of which has been withdrawn prior to the issue of this Circular, namely:

- from Deloitte & Touche, the Company's auditors and reporting accountants, their consent, as included in their limited assurance report on the *pro forma* financial effects of the Sale, contained in Annexure 2 of this Circular; and
- from PricewaterhouseCoopers Inc., the independent reporting accountants to the Company as regards reporting on the historical financial information MIHBV, the subject of the Sale, their consent as included within their report contained in Annexure 4 of this Circular.

All of the above consents are available for inspection in the manner set out in paragraph 17 below.

15. ISSUE EXPENSES

The estimated costs of concluding and implementing the Transaction payable by the Company are approximately R3.0 million (excluding VAT) and include the following:

Nature of fee and payable to	Amount R
Baker McKenzie, as legal adviser to the Company:	1 500 000
PricewaterhouseCoopers Corporate Finance (Proprietary) Limited, as Transaction JSE sponsor:	860 000
Deloitte & Touche, as auditors and reporting accountants to the Company and on the reporting on the *pro forma* financial effects of Sale:	300 000
PricewaterhouseCoopers Inc., as independent reporting accountants to the Company as regards reporting on the historical financial information MIHBV, the subject of the Sale:	225 000
Bastion Graphics, as regards the estimated printing and publishing costs:	100 000
JSE, as regards the payment of requisite JSE documentation inspection fee:	47 087
Total	**3 032 087**

Save as above, there have not been any preliminary expenses incurred by the Company in the three years immediately preceding the Last Practicable Date.

16. GENERAL MEETING AND REQUIRED ACTION

The General Meeting of Shareholders of the Company will be held at the Company's Registered Offices, Vanderbijlpark Works, Room N3 – 5, Main Building, Delfos Boulevard, Vanderbijlpark 1911, South Africa on Thursday, 27 September 2018 at 09:30 at which the requisite resolutions to approve the Transaction and related matters will be considered and, if deemed fit, approved with or without modification.

The Notice of General Meeting is attached to and forms an integral part of this Circular. A Form of Proxy is also included with this Circular for the use of those Certificated Shareholders and Own-Name Dematerialised Shareholders who while being unable to attend the General Meeting may nevertheless wish to be represented thereat. Such persons are requested to complete and to return the aforesaid Form of Proxy in accordance with its instructions.

As regards the General Meeting and all matters associated therewith, for the avoidance of doubt, Shareholders are advised to carefully read both the "Action Required by Shareholders" section commencing on page 2 of this Circular as well as the Notice of General Meeting.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below, or copies thereof, will be available for inspection during normal business hours on business days from Tuesday, 28 August 2018, being the issue date of this Circular, up to and including Thursday, 27 September 2018, at the Company's registered office and at the offices of Absa Bank Limited (acting through its Corporate and Investment Banking Division), the Company's Continuing Sponsor, at the respective addresses indicated in the "Corporate Information and Advisers" section of this Circular:

- the MOI and the memoranda of incorporation of major Group subsidiary companies;
- the Sale and Purchase of shares Agreement;
- the Marketing Agreement in redacted form;
- the ArcelorMittal AG irrevocable letter of undertaking referred to in paragraph 4 above;
- the general consent letters of parties referred to in paragraph 14.1 above;
- the report consents referred to in paragraph 14.2 above as embodied in the Deloitte & Touche independent reporting accountant's assurance report on the *pro forma* financial effects of the Transaction referred to in paragraph 6.1 above and contained in Annexure 2;
- the signed audit and review report of PricewaterhouseCoopers Inc. on the consolidated historical financial information of MIHBV, the subject of the Sale, referred to in paragraph 6.2 above and contained in Annexure 4;
- all of the documents referred to in paragraph 13.4 above;
- the published interim results for the six months ended 30 June 2018 and the published audited annual financial statements of the Company for the three financial years ended 31 December 2017, 31 December 2016 and 31 December 2015; and
- a signed copy of this Circular.

18. INCORPORATION OF LISTINGS REQUIREMENTS INFORMATION BY REFERENCE

Section 11.61 of the Listings Requirements allows for certain required JSE Listings Requirements information, ordinarily prescribed for inclusion into a circular to shareholders, to rather be incorporated by way of website referencing.

In this regard, the Company's website has been set up to allow for Shareholders, should they so wish, to look up and read/download, *inter alia,* any of the referenced information following in the table below. In accessing and utilising the Company's website, it is important to note that the Company makes available such information purely for the use by and convenience of its Shareholders and for no other purposes and, accordingly, accepts no responsibility for the use of any such information by any other party save for the purposes as hereinto explained.

Subject matter	Circular paragraph number:	Company website reference thread
(The 'Definitions and Interpretations' section of this Circular is not applicable to this column)		
Rights offer circular dated 21 December 2015 and underwriting agreement information	Paragraphs 9.2 and 13.4.2	***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx***
BEE transaction circular dated 19 August 2015	Paragraphs 8.2 and 9.1	***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx***
Creation of A1 and A2 Ordinary Shares for purposes of BEE transactions with BEE Shareholders circular dated 17 October 2016	Paragraphs 9.1 and 9.2	***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx***
Interim results for the six months ended 30 June 2018 and annual financial statement of Company for the three financial years ended 31 December 2017	Throughout Circular	***https://arcelormittalsa.com/InvestorRelations/Shareholders.aspx***

By order of the Board

....
Mpho Makwana
Chairman of the Board

(Being duly authorised hereto to sign this Circular for and on behalf of each and every director of the Company in accordance with a round robin resolution of the Board of the Company signed by each and every Director)

28 August 2018

ARCELORMITTAL SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1989/002164/06)
Share code: ACL ISIN: ZAE000134961
("ArcelorMittal" or "the Company")

NOTICE OF GENERAL MEETING

Important

The 'Definitions and Interpretations' commencing on page 4 of the Circular to which Circular this Notice of General Meeting is attached and forms part applies, *mutatis mutandis,* to this Notice of General Meeting.

Notice of General Meeting

Notice is hereby given that a general meeting of ArcelorMittal Shareholders will be held at the Company's Registered Offices, Vanderbijlpark Works, Room N3 – 5, Main Building, Delfos Boulevard, Vanderbijlpark 1911, South Africa on Thursday, 27 September 2018 at 09:30 to consider and, if deemed fit, to approve with or without modification, the resolutions as set out in this Notice of General Meeting.

Voting rights

The Company's issued share base comprises three differing classes of issued Ordinary Shares of no par value. As at the Last Practicable Date, these are the 1 138 059 825 issued Ordinary Shares; the 243 240 276 issued "A1" Ordinary Shares; and the 72 972 083 issued "A2" Ordinary Shares. Notwithstanding the different classes, in terms of the Company's MOI, *inter alia*, on a poll, each Share of whichever class, entitles the holder thereof to the exercise of one vote in respect of each Share held. Due to the importance of this General Meeting, voting on all resolutions will be carried out by way of a poll.

Electronic participation

Shareholders are advised that pursuant to sections 63(2) and (3) of the Companies Act, the Company intends providing Shareholders and appointed proxies, entitled to attend the General Meeting, with the ability to participate in the General Meeting by way of teleconferencing.

In order to avail of the electronic teleconference call facility being provided, Shareholders, or their proxies must make contact with ArcelorMittal's Company Secretary by email at the address: sw@premcorp.co.za by not later than Tuesday, 25 September 2018 at 09:30 in order to obtain a PIN and dial-in details for the teleconference call. It will be incumbent upon the Shareholder, or a proxy of a Shareholder, to provide reasonably satisfactory identification to the Company Secretary. It should be noted that all costs of the teleconference call by a Shareholder, or the proxy of a Shareholder, will be for such person's account.

Record date of General Meeting, attendance and voting

In accordance with section 59(1) of the Companies Act, the Directors have resolved that the date on which a Shareholder must be registered as such in the Company's share register for purposes of being entitled to attend, participate in and to vote at this General Meeting is Friday, 21 September 2018 ("record date"). Accordingly, pursuant to the T+3 Strate settlement protocol, the last day to trade in and to acquire Shares of the Company in order to be capable of being registered as a Shareholder by the record date is Tuesday, 18 September 2018.

Subject to being a Shareholder as of the record date, you may attend the General Meeting in person. Alternatively, you may appoint a proxy (who need not be a Shareholder of the Company) to represent you at the General Meeting. Any appointment of a proxy may be carried out by giving effect to the Form of Proxy accompanying and forming a part of the Notice of General Meeting.

In order for the Form of Proxy to be effective and valid, it must be completed and delivered in accordance with its instructions. If you are not an Own-Name Registered beneficial Shareholder as of the record date and wish to attend the General Meeting, you must obtain the necessary letter of authority from your CSDP or Broker in order to enable you to represent your holding of registered Shares.

If you are not an Own-Name Registered beneficial Shareholder as of the record date and do not wish to attend the General Meeting but would nevertheless like your vote to be recorded at the General Meeting, you should make timeous contact with your CSDP or Broker in accordance with the custody agreement governing your relationship in order to furnish them with your voting instructions and you must not complete the attached Form of Proxy.

Identification

Shareholders should note that in terms of section 63(1) of the Companies Act, all participants at the General Meeting will be required to provide identification reasonably satisfactory to the Chairperson of the General Meeting before any person may attend or participate in the General Meeting. Forms of identification include the presentation of a valid identity document, driver's licence or passport.

Completed Forms of Proxy
For effective administration it is requested that completed Forms of Proxy should be forwarded to reach the Transfer Secretaries at the address given below by not later than 09:30 on Tuesday, 25 September 2018. In the event of Forms of Proxy not being returned to the Transfer Secretaries by the aforesaid date and time, they may nevertheless be handed to the Chairperson of the General Meeting at any time prior to the commencement of the General Meeting.

ORDINARY RESOLUTION NUMBER 1 (Approval of Sale and Purchase of shares Agreement as a Category 1 transaction in terms of the JSE Listings Requirements)
"RESOLVED that subject to and conditional upon the fulfilment or waiver (to the extent permissible) of the Conditions Precedent contained in paragraph 4 of the Circular (which Circular also contains this Notice of General Meeting), and in accordance with section 9.20 of the Listings Requirements, the Sale, which in effect constitutes an indirect disposal by the Company of its indirect shareholding in MIHBV, be and is hereby approved."

Full details of the Sale are contained in the Sale and Purchase of shares Agreement, which agreement initialled by the Chairperson of this General Meeting for purposes of identification, has been tabled hereat.

In terms of section 64(1) of the Companies Act, the quorum requirement for Ordinary Resolution Number 1 to be validly considered is at least three Shareholders as are present at the General Meeting and able to exercise, in aggregate, at least 25% of all of the votes as are entitled to be exercised in respect of Ordinary Resolution Number 1.

In order for Ordinary Resolution Number 1 to be validly passed in terms of section 65(7) of the Companies Act, a total of more than 50% of the total votes cast must be voted in favour of Ordinary Resolution Number 1.

ORDINARY RESOLUTION NUMBER 2 (Authority for Directors and Company Secretary to act)
"RESOLVED that subject to the approval of Ordinary Resolution Number 1 as is contained in the same Notice of General Meeting as that which contains notice of this Ordinary Resolution Number 2, any Director or Directors for the time being of the Board and, as required, the Company Secretary, as shall be so directed by the Board, are hereby authorised to carry out all such matters, do all such things, and settle and sign all such documents and applications (including Company forms) as are required and necessary to give effect to the aforesaid Ordinary Resolution Number 1 and matters related thereto."

In terms of section 64(1) of the Companies Act, the quorum requirement for Ordinary Resolution Number 2 to be validly considered is at least three Shareholders as are present at the General Meeting and able to exercise, in aggregate, at least 25% of all of the votes as are entitled to be exercised in respect of Ordinary Resolution Number 2.

In order for Ordinary Resolution Number 2 to be validly passed in terms of section 65(7) of the Companies Act, a total of more than 50% of the total votes cast must be voted in favour of Ordinary Resolution Number 2.

For and on behalf of the Board of

ArcelorMittal South Africa Limited

…………………………………….

Solete de Sousa Wilke on behalf of:
Premcorp Consulting Services Proprietary Limited
Company secretary (Interim)
33 Kingfisher Drive
Fourways, 2191, South Africa
(PO Box 2424, Fourways, 2055, South Africa)

28 August 2018

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

The Definitions and Interpretations commencing on page 4 of this Circular have, unless the context otherwise requires, been used throughout this Annexure 1. The contents of this Annexure 1 are provided in support of the "Financial implications and *pro forma* financial effects of the Transaction" contained in paragraph 6.1 of the Circular.

The *pro forma* financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied by the Company for the reviewed condensed consolidated financial statements for the six months ended 30 June 2018. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the revised SAICA Guide on *pro forma* Financial Information.

The *pro forma* financial information is the responsibility of the Board and was prepared for illustrative purposes only and may not, because of its nature, fairly present the Company's financial position, changes in equity and results of its operations or cash flows for the period then ended. It does not purport to be indicative of what the financial results would have been, had the Sale been implemented on a different date.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS TO 30 JUNE 2018

The *pro forma* group statement of comprehensive income has been prepared on the assumption that the Sale was effective 1 January 2018 and as set out in the notes below.

R in millions	**Before[1]**	**MSSA and related consolidation entries[2]**	**Proceeds from Sale[3]**	**Renegotiated Supply Agreement[4]**	**Transaction costs[5]**	***Pro forma* after the transaction**
Revenue	22 868			79		22 947
Raw materials and consumables used	(12 617)					(12 617)
Employee costs	(2 275)					(2 275)
Energy	(2 037)					(2 037)
Movement in inventories of finished goods and work-in-progress	(613)					(613)
Depreciation	(355)					(355)
Amortisation of intangible assets	(8)					(8)
Other operating expenses	(3 739)				(3)	(3 742)
Profit from operations	1 224	–	–	79	(3)	1 300
Finance and investment income	47					47
Finance costs	(1 353)		149			(1 204)
Impairment of other assets	(5)					(5)
Fair value adjustment on asset held for sale	(1 652)	1 652				–
Impairment of property, plant, equipment and intangible assets	–					–
Profit/Loss on disposal of equity accounted investments	–		230			230
Income after tax from equity-accounted investments	137	(123)				14
Profit/(Loss) before taxation	(1 602)	1 529	379	79	(3)	382
Income taxation expense	–					–
Profit/(Loss) for the year	(1 602)	1 529	379	79	(3)	382
Other comprehensive (loss)/income	289	–	(1 862)	–	–	(1 573)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations	286		(1 862)			(1 576)
Cash flow hedges – effective portion of changes in fair value	(28)					(28)
Income on available-for-sale investment taken to equity	(16)					(16)
Share of other comprehensive income of equity-accounted investments	47					47
Total comprehensive profit/(loss) for the year	(1 313)	1 529	(1 483)	79	(3)	(1 191)

R in millions	Before[1]	MSSA and related consolidation entries[2]	Proceeds from Sale[3]	Renegotiated Supply Agreement[4]	Transaction costs[5]	*Pro forma* after the transaction
Profit/(Loss) attributable to:						
Owners of the company	(1 602)	1 529	379	79	(3)	382
Add: Impairment charges of property, plant and equipment	5					5
Add: Impairment of investments in joint ventures and associates	1 652	(1 652)				–
Less: Profit on disposal or scrapping of property, plant and equipment net of tax	(1)					(1)
Less: Profit on disposal of joint venture	–	–	(230)			(230)
Headline earnings/(loss) net of tax	54	(123)	149	79	(3)	156
Weighted average number of Shares in issue (million)	1 094					1 094
Basic earnings per Share (cents)	(147)					35
Basic and diluted headline earnings per Share (cents)	5					14

Notes:

1. The "Before" column is extracted from reviewed condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 and the notes thereto.
2. The "MSSA and related consolidation entries" column represents the reversal of the fair value adjustment on asset held for sale of R1.652 billion, the reversal of the equity accounted gain of MSSA of R123 million included in the reviewed condensed consolidated statement of comprehensive income for the six months ended 30 June 2018. The gain on exchange differences on translation of foreign operations of R266 million charged to OCI is also reversed.
3. The "Proceeds from Sale" column represents:
   a. the reduction in finance costs assuming the proceeds of the Sale were utilised to reduce current borrowings at an average interest rate of 10.5% pa amounting to R149 million; and
   b. Once off profit on Sale of equity accounted investments after reversing the fair value adjustment and reclassifying the FCTR reserve to profit and loss is shown in the table below:

	R'million	
Proceeds on Sale	3 038	Refer note 3 to the *pro forma* statement of financial position
Carrying value of assets held for sale	(3 018)	Refer note 2 to the *pro forma* statement of financial position
Profit on Sale before FCTR	20	
Release of FCTR reserve through profit and loss	1 862	Extracted from reviewed condensed consolidated financial statements for the six months ended 30 June 2018.
Profit on disposal including release of FCTR	1 882	
Fair value adjustment on asset held for sale	(1 652)	
Profit on disposal	230	

4. Represents the net impact of the Supply Agreement, being a condition precedent to the Sale, based on the marketing fee incurred by ArcelorMittal for the 6 months ended 30 June 2018, which adjustment is of a continuous nature for the period of the Supply Agreement.
5. Once off transaction costs, estimated at R3 million, are charged to operating expenditure as incurred.

All effects are recurring unless where otherwise stated.

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

The *pro forma* consolidated statement of financial position has been prepared on the assumption that the Sale was effective 30 June 2018 and as set out in the notes below.

R in millions	Before[1]	MSSA and related consolidation entries[2]	Proceeds on Sale[3]	Transaction costs[4]	*Pro forma* after the transaction
Assets					
Non-current assets					
Property, plant and equipment	8 480				8 480
Intangible assets	75				75
Equity-accounted investments	227				227
Non-current receivables	19				19
Other financial assets	39				39
	8 840	–	–	–	8 840
Current assets					
Inventories	10 449				10 449
Trade and other receivables	4 522				4 522
Assets held for sale	3 018	(3 018)			–
Taxation	58				58
Other financial assets	198				198
Cash and bank balances	3 662		3	(3)	3 662
	21 907	(3 018)	3	(3)	18 889
Total assets	30 747	(3 018)	3	(3)	27 729
Equity and liabilities					
Equity					
Stated capital	4 537				4 537
Reserves	751	(1 862)			(1 111)
Retained income/(accumulated loss)	1 429	(1 156)	3 038	(3)	3 308
	6 717	(3 018)	3 038	(3)	6 734
Non-current liabilities					
Finance lease obligations	35				35
Provisions	1 959				1 959
Borrowings	2 700				2 700
Other financial liabilities	857				857
Other payables	387				387
	5 938	–	–	–	5 938
Current liabilities					
Trade payables	12 599		(200)		12 399
Taxation	81				81
Other financial liabilities	653				653
Borrowings	2 850		(2 835)		15
Finance lease obligations	53				53
Provisions	260				260
Other payables	1 596				1 596
	18 092	–	(3 035)	–	15 057
Total equity and liabilities	30 747	(3 018)	3	(3)	27 729
Number of Shares in issue (million)	1 094				1 094
Net asset value per Share (cents)	614				616
Tangible net asset value per Share (cents)	607				609

Notes:

1. The "Before" column is extracted from the reviewed condensed consolidated statement of financial position as at 30 June 2018.
2. The "MSSA and related consolidation entries" column represents the reversal of the Assets held for sale (representing MSSA) of R3.018 billion included in the reviewed condensed consolidated statement of financial position of ArcelorMittal as at 30 June 2018. The R1.156 billion adjustment to retained income line is the net adjustment of the R3.018 billion to the carrying value of the Assets held for sale line and the reversal of the FCTR of R1.862 billion in the reserves line.
3. The "Proceeds on Sale" column represents the cash received by ArcelorMittal of US$220 million translated into ZAR at a rate of R13.81 (R3.038 billion), being the rate in terms of an FEC which are assumed to be utilised to reduce a portion of current borrowings, a portion of trade payable and once off transaction costs of R3 million.
4. Once off transaction costs, estimated at R3 million, are charged to operating expenditure as incurred.
5. The once off profit on the Sale of R20 million is reflected in the retained earnings line through the increase from the Proceeds on Sale column of R3.038 billion and the decrease in the MSSA and related consolidation entries column of R3.018 billion. The once off transaction costs of R3 million are shown separately in the Transaction costs column.
6. The net movement in equity on the statement of financial position and profit on disposal in the income statement vary due to the FCTR recognised through Other comprehensive income for the purpose of the balance sheet and through Profit and loss for the statement of comprehensive income.

The Company's auditors and reporting accountants, Deloitte & Touche's independent reporting accountant's assurance report on the *pro forma* consolidated statement of comprehensive income and statement of financial position underlying the above presented *pro forma* financial effects is set out in Annexure 2 of this Circular. The signed report of Deloitte & Touche is also available for inspection in the manner set out in paragraph 17 of the Circular.

DELOITTE & TOUCHE'S INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

The Directors
ArcelorMittal South Africa Limited
Delfos Boulevard
Vanderbijlpark
1900

Dear Sirs

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of ArcelorMittal South Africa Limited by the directors. The *pro forma* financial information, as set out in paragraph 6 and Annexure 1 of the circular ("the circular"), to be dated on or about 28 August 2018, consists of the *pro forma* consolidated statement of financial position, the *pro forma* consolidated statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in Paragraph 2 of the circular, on the group's financial position as at 30 June 2018, and the group's financial performance for the period then ended, as if the corporate action or event had taken place on 1 January 2018, being the commencement date of the financial period for the purposes of the consolidated statement of comprehensive income and at 30 June 2018, being the last day of the financial period for the purposes of the statement of financial position. As part of this process, information about the group's financial position and financial performance has been extracted by the directors from the group financial statements for the six months period ended 30 June 2018, on which an auditor's review report containing an Emphasis of Matter pertaining to going concern was issued on 27 July 2018.

Directors' Responsibility for the *Pro Forma* Financial Information
The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Paragraph 6 and Annexure 1.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility
Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the group, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Paragraph 6 and Annexure 1.

Deloitte & Touche
Registered Auditor

Per: Sudheer Rajcoomar
Partner

16 August 2018

Deloitte & Touche
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton
2196

HISTORICAL FINANCIAL INFORMATION OF THE MIHBV JOINT VENTURE ON A CONSOLIDATED BASIS FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017

The Directors are responsible for the compilation of and content of this Annexure 3 which provides the historical financial information of MIHBV, on a consolidated basis, for the three financial years ended 31 December 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Note	2017 US$'000	2016 US$'000	2015 US$'000
ASSETS				
Non-current assets				
Property, vessels and equipment	4	181 634	175 246	185 046
Intangible assets	5	201	219	147
Joint ventures and associates	6	143 199	137 172	121 564
Other investments	7	46 122	45 654	45 760
Deferred tax asset	8	1 897	1 585	1 617
Prepayments and other receivables	12	15 475	14 741	15 142
Derivative assets	9	682	450	–
Total non-current assets		**389 210**	**375 067**	**369 276**
Current assets				
Inventory	10	68 075	67 259	63 104
Trade receivables	11	540 300	437 410	473 261
Prepayments and other receivables	12	42 095	45 915	48 066
Derivative assets	9	5 952	6 760	1 439
Cash and cash equivalents	13	94 534	101 388	132 378
Total current assets		**750 956**	**658 732**	**718 248**
Total assets		**1 140 166**	**1 033 799**	**1 087 524**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital & share premium	14	28 400	28 400	28 400
Non-distributable reserves		28 875	26 418	16 432
Retained earnings		623 436	601 795	588 480
Total ordinary shareholders' interest		**680 711**	**656 613**	**633 312**
Non-controlling interest		(57)	(13)	(390)
Total equity		**680 654**	**656 600**	**632 922**
Non-current liabilities				
Deferred tax liability	8	314	81	245
Long term derivative liability	9	–	97	4 231
Long term borrowings	15	39 255	37 615	42 457
Trade and other payables	17	824	765	753
Provisions	18	2 885	2 934	2 429
Total non-current liabilities		**43 278**	**41 492**	**50 115**
Current liabilities				
Trade and other payables	17	226 211	147 653	161 503
Post-employment benefits	16	346	330	588
Taxation	13.3	116	261	2 707
Provisions	18	20 519	20 803	19 662
Derivative liabilities and hedge item	9	2 081	592	9 415
Short term borrowings	15	166 961	166 068	210 612
Total current liabilities		**416 234**	**335 707**	**404 487**
Total liabilities		**459 512**	**377 199**	**454 602**
Total equity and liabilities		**1 140 166**	**1 033 799**	**1 087 524**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Note	2017 US$'000	2016 US$'000	2015 US$'000
Revenue	19	2 776 284	2 352 303	2 646 190
Cost of sales	19	(2 694 480)	(2 278 067)	(2 553 832)
Gross profit		**81 804**	**74 236**	**92 358**
Selling and administration expenses	20	(77 608)	(63 947)	(60 604)
Share of after tax profit of equity accounted investments	6	(516)	(4 261)	(1 252)
Other income	21	11 056	63 376	15 055
Other losses – net	22	16 736	(54 867)	(9 442)
Operating profit		**31 472**	**14 537**	**36 115**
Finance income	23	11 536	9 140	11 945
Finance expense	23	(7 718)	(6 153)	(8 471)
Profit before taxation		**35 290**	**17 524**	**39 589**
Taxation	24	(4 609)	(3 834)	(5 043)
Profit for the year		**30 681**	**13 690**	**34 546**
Attributable to:				
Owners of the company		30 725	13 313	34 939
Non-controlling interest		(44)	377	(393)
Other comprehensive income:				
– Items that will not be reclassified subsequently to profit or loss:				
Gains/(losses) on revaluation of land and buildings	4	43	(137)	(207)
Gains/(losses) on defined benefit plan	16	–	–	400
– Items that may be reclassified subsequently to profit or loss:				
(Losses)/gains on translation of foreign operations		1 338	367	(2 455)
Revaluation of available-for-sale investments	7	440	(162)	226
Gains/(losses) on cash flow hedges	9	636	9 918	10 900
– Other comprehensive gain/loss		5 230	7 808	(10 666)
– Hedging reserve realised		(4 594)	2 110	21 566
Movement in other reserves		(84)	3	318
Other comprehensive income for the year, net of tax		**2 373**	**9 989**	**9 182**
Total comprehensive income for the year		**33 054**	**23 679**	**43 728**
Attributable to:				
Owners of the company		33 098	23 302	44 121
Non-controlling interest		(44)	377	(393)

The gains and losses on cash flow hedges have been split between gross values on initial recognition of the gains/losses in OCI and the recycling of the aforementioned gains and losses to the income statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

		Non-distributable reserves						
US$'000	**Share capital and share premium**	**AFS investments**	**Land and buildings**	**Hedge reserve**	**Foreign currency translation**	**Retained earnings**	**Non-controlling interest**	**Total**
31 December 2014	**28 400**	**31 564**	**848**	**(16 119)**	**(8 325)**	**572 823**	**–**	**609 191**
Capital contribution	–	–	–	–	–	–	3	3
Net profit for the year	–	–	–	–	–	34 939	(393)	34 546
Other comprehensive loss	–	226	(207)	10 900	(2 455)	718	–	9 182
Distributions to owners – dividends	–	–	–	–	–	(20 000)	–	(20 000)
31 December 2015	**28 400**	**31 790**	**641**	**(5 219)**	**(10 780)**	**588 480**	**(390)**	**588 090**
Net profit for the year	–	–	–	–	–	13 312	377	13 689
Other comprehensive income	–	(162)	(137)	9 918	367	3	–	9 989
31 December 2016	**28 400**	**31 628**	**504**	**4 699**	**(10 413)**	**601 795**	**(13)**	**656 600**
Net profit for the year	–	–	–	–	–	30 725	(44)	30 681
Other comprehensive income	–	440	43	636	1 338	(84)	–	2 373
Distributions to owners – dividends	–	–	–	–	–	(9 000)	–	(9 000)
31 December 2017	**28 400**	**32 068**	**547**	**5 335**	**(9 075)**	**623 436**	**(57)**	**680 654**

Available-for-sale (AFS) investments are carried at fair value as described in note 7 and changes in fair value are credited directly to this reserve.

Land and buildings are carried at fair value as described in note 4 and changes in fair value are credited directly to this reserve.

The foreign currency translation reserve arises on the translation of subsidiaries where the functional currency is not US$.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

	Note	2017 US$'000	2016 US$'000	2015 US$'000
Cash flows from operating activities				
Profit before taxation		35 290	17 524	39 589
Adjustments for non-cash and other items	13.1	(1 576)	4 656	5 593
Cash generated from operations before changes in working capital		33 714	22 180	45 182
Decrease/(increase) in working capital requirements	13.2	(22 880)	19 708	68 606
Finance income		11 536	9 140	11 945
Finance expense		(7 718)	(6 153)	(8 471)
Taxation paid	13.3	(4 832)	(6 632)	(4 861)
Net cash generated/(utilised) by operating activities		**9 820**	**38 243**	**112 401**
Cash flows from investing activities				
Acquisition of property, vessels, equipment and intangibles		(1 575)	(782)	(3 989)
Proceeds from sale of property, vessels, equipment and investments		31	22	27
Capital contributions to joint ventures		(7 172)	(24 304)	(26 718)
Settlements from joint ventures		–	4 387	–
Increase in loans to related parties		(822)	125	(607)
Increase in AFS investments		(13)	(52)	(87)
Dividends received		659	9	1 935
Net cash utilised by investing activities		**(8 892)**	**(20 595)**	**(29 439)**
Cash flows from financing activities				
Repayment of non-current borrowings	13.4	(1 343)	(4 842)	(4 859)
Proceeds from non-current borrowings			218	678
Repayment of short term borrowings	13.4	(1 569 261)	(1 608 585)	(1 435 724)
Proceeds from short term borrowings		1 571 559	1 564 537	1 373 375
Capital contribution by non-controlling interest		–	–	3
Dividends paid		(9 000)	–	(20 000)
Net cash (utilised)/generated by financing activities		**(8 045)**	**(48 672)**	**(86 527)**
Net (decrease)/increase in cash and cash equivalents		**(7 117)**	**(31 024)**	**(3 565)**
Cash and cash equivalents at beginning of the year		**101 380**	**132 368**	**136 477**
Effect of exchange rate on cash and cash equivalents		**271**	**36**	**(544)**
Cash and cash equivalents at end of the year	**13.5**	**94 534**	**101 380**	**132 368**

The cash flow was restated to separately disclose the gross inflows and gross outflows to the "Cash flows from financing activities".

1. GENERAL INFORMATION

Macsteel International Holdings B.V. and subsidiaries (together "the Group") comprises steel trading and shipping divisions. The steel trading division trades steel and similar commodities through three main offices situated in Dubai, Hong Kong and New York. The shipping division operates a substantial fleet of dry bulk carriers, predominantly in the Handysize to Supramax sector, which carry dry bulk and break bulk cargoes around the globe through offices situated in Australia, Chile, Denmark, United Arab Emirates, Hong Kong, United States of America, Romania and South Africa. The division owns a number of vessels both directly and through Joint Ventures, however the majority of vessels are chartered in under long term, short to medium term and spot charters.

Key factors affecting results

Steel prices and Freight rates

The operating results are directly influenced by steel prices, as well as freight rates, which can fluctuate widely and is affected by numerous factors beyond its control.

Average freight rates (Baltic Supramax Index "BSI"):
2015 – $6,966 per day
2016 – $6,236 per day
2017 – $9,186 per day

Average steel prices (Hot Rolled Coil "HRC"):
2015 – $460 per tonne
2016 – $493 per tonne
2017 – $618 per tonne

Tonnages

In addition to steel prices and freight rates, revenue for the year is also influenced by steel tonnages sold and tonnages shipped. Tonnages for Macsteel International Holdings BV ("MIHBV") were as follows:

2015 – 44 089MT
2016 – 48 185MT
2017 – 50 139MT

Comparison of financial performance in between 2017 and 2016

Revenue

Revenue increased to $2,8 billion in 2017 from $2,4 billion in 2016. The increase was as a result of an increase in volumes, as well as higher freight rates and steel prices increases.

Net Profit

Net profit increased to $30,7 million in 2017 from $13,7 million in 2016. BSI rates improved from $6,236 per day to $9,186 per day and average HRC prices improved from $493 per tonne to $618 per tonne combined with higher volumes.

Net Asset Value

The net asset value increased from $656,6 million in 2016 to $680,7 million in 2017. The increase was mainly due to an increase in current assets which can be attributed to the increase in volumes, as well as the increase in steel selling prices and freight rates. This is also reflected in the increase in current liabilities in the statement of financial position, as well as the increase in working capital requirements of $22,8 million per the statement of cash flows.

Comparison of financial performance in between 2016 and 2015

Revenue

Revenue decreased to $2,4 billion in 2016 from $2,7 billion in 2015. Despite the increase in volumes; steel prices and freight rates were under pressure. The severe price volatility and increase counterparty risk caused some renegotiations or cancellation from suppliers. Furthermore, freight rates saw a steep decline and hit monthly and quarterly lows. The market started recovering towards the end of 2016.

Net Profit

Net profit decreased to $13,7 million in 2017 from $34,5 million in 2015. BSI rates decreased from $6,966 per day to $6,236 per day and average HRC prices increased marginally from $460 per tonne to $493 per tonne. Whilst volumes increased, the decrease in freight rates and low steel prices negatively impacted the overall performance.

Net Asset Value

The net asset value increased from $632,9 million in 2015 to $656,6 million in 2016. The reduction in current assets is as a result of the lower steel prices and freight rates. This also applied to current liabilities, which is further evident in the decrease in working capital requirements of $19,7 million in the statement of cash flows. Furthermore $24,3 million was contributed to the MIHBV's Joint Ventures for acquisition of vessels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and certain financial assets and liabilities, including derivative instruments, which are stated at fair value. The consolidated financial statements have been prepared on a going concern basis.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas that involve a high degree of judgement or complexity and which could potentially have a significant impact on the consolidated financial statements are discussed in note 2.24.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The impact of potential voting rights that are currently exercisable is taken into account when assessing whether or not an entity is controlled.

The acquisition method of accounting is used to account for business combinations involving third parties. The cost of an acquisition is the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs do not form part of the consideration and are expensed as incurred. Costs related to the issuance of financial instruments are generally capitalised and amortised in terms of IAS 32 and 39. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests in acquirees are recognised at either fair value or their proportionate share of the acquiree's net assets, on an acquisition-by-acquisition basis.

If the consideration transferred, together with any non-controlling interests and previous equity interests in the acquiree, exceeds the fair value of the Group's share of identifiable net assets acquired, this excess is recorded as goodwill. If there is a shortfall rather than an excess, the shortfall is recognised as a bargain purchase directly in the statement of comprehensive income.

Where applicable within the Group predecessor accounting is applied to business combinations that are considered to take place under common control and all assets and liabilities transferred continue to be carried at the value at which they were carried prior to the business combination. No goodwill is recognised on common control transactions and any excess or shortfall between the consideration given and the assets and liabilities recorded is recognised directly in equity.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses, whilst eliminated, are also considered an impairment indicator of the asset transferred.

Transactions with non-controlling interests are treated as transactions with equity owners of the group. Any differences between the share of the carrying value of net assets acquired from a non-controlling interest and the consideration given is recorded in equity. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

If materially different, accounting policies of subsidiaries acquired are brought into line with those adopted by the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases, as appropriate. Should the Group cease to have control of a subsidiary any retained interest is remeasured to its fair value at that time and the resulting difference is recognised in profit and loss. The initial carrying amount of the retained interest, be it an equity-accounted investee or available for sale financial investment, is at fair value.

2.2.1 Investments in associates

An associate is an entity in which the Group has a long term interest and over which it is able to exercise significant influence but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A shareholding between 20% and 50% creates a presumption of significant influence.

Investments in associates are accounted for using the equity method and are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the statement of comprehensive income, from the date that significant influence commences until the date that significant influence ceases. Should the Group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If accounting policies of associates are materially different to those of the Group, adjustments are made to bring results into line.

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

2.2.2 Interests in joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method and joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses.

(a) **Joint ventures**

Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the relevant joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group is a joint operator and recognises in relation to its interest in a joint operation, its share of the joint operation's assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant venture.

2.3 **Foreign currencies**

(a) **Functional and presentation currency**

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates which is defined as its functional currency. The consolidated financial statements are presented in United States Dollars ("US$"), which is the functional and presentation currency of the holding company and most of its subsidiaries.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency of the entity concerned using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income unless the gains or losses arise from qualifying cash flow or net investment hedges, in which case they are deferred in equity.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined, and the translation differences are recognised in profit or loss as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the rate ruling at the date of acquisition. Translation differences on non-monetary financial assets and liabilities such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) **Group companies**

The results and financial position of all group entities whose functional currency is not US$ are translated as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the year end closing rate;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates provided this average is a reasonable approximation of the actual rates prevailing on the transaction dates; and
(iii) all resulting exchange differences are recognised as a separate component of equity, called a foreign currency translation reserve, in the statement of other comprehensive income.

Exchange differences arising on monetary items that form part of the Group's net investment in a foreign operation are initially recognised in the statement of comprehensive income of that foreign operation but are then transferred to shareholders equity on consolidation. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 **Property, vessels and equipment**

Land and buildings comprise offices and are stated at fair value. Fair value is determined by management based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are charged to profit and loss.

All other property, vessels and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and may include finance costs capitalised in accordance with IAS 23 as described in note 2.16. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, vessels and equipment.

Subsequent costs, including dry docking costs, in the case of vessels, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Should any part of an asset be replaced, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Vessels 25 years
- Buildings 20 years
- Furniture, fittings and equipment 3-5 years
- Vehicles 3-5 years
- Computer software 3-5 years
- Information technology equipment 3 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If an asset's carrying amount is greater than its estimated recoverable amount it is immediately written down to its recoverable amount and the loss recognised in the statement of comprehensive income. If the residual value is greater than the carrying amount, the carrying amount is not adjusted but no further depreciation is provided until such time as the two values approximate each other.

Assets held under finance leases are depreciated on the same basis as owned assets over their expected useful lives or, where shorter, the term of the relevant lease.

Depreciation relating to vessels is included in cost of sales whilst that for all other asset classes is included in administration and operating expenses.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income, in the statement of comprehensive income. Should any revalued assets be sold, the amount included in other reserves is transferred to retained income.

2.5 **Intangible assets**

(a) **Goodwill**

Goodwill, which represents the excess cost of an acquisition over the fair value of the acquired net identifiable assets at date of acquisition, is capitalised and reviewed for impairment annually. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint ventures is included in the carrying amount of the investment. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) **Computer software**

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

The costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include costs of the external software development team.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

2.6 **Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 **Leased assets**

(a) **The Group as lessee**

Finance leases

Leases of assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the commencement of the lease, at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding lease obligations, net of finance charges, are included in other non-current liabilities on the face of the statement of financial position. The interest element of the finance charge is charged against income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation is calculated using the straight-line method to write off the depreciable value of assets to their residual values over the shorter of the estimated useful lives or the lease term.

Operating leases

Leases of assets to the Group, under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against the statement of comprehensive income on a straight-line basis over the period of the lease.

(b) **The Group as lessor**

Operating leases

Payments received under operating leases are credited in the statement of comprehensive income on a straight-line basis over the period of the lease.

2.8 **Financial assets and liabilities**

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets comprise cash, contractual rights to receive cash or another financial asset, contractual rights to exchange financial instruments on potentially favourable terms and equity instruments of other entities. Financial assets are derecognised when the right to receive cash flows has expired or been transferred and substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are recognised when the Group has a contractual obligation to deliver cash, another financial asset or to exchange financial instruments on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Financial assets and liabilities are not offset unless a legal right of set off exists and there is an intention to settle net. Interest costs are charged against income as incurred. Premiums and discounts, being the difference between initial proceeds and settlement values, are included in effective interest calculations and charged to finance costs over the life of the instrument.

All financial assets and liabilities are initially recorded at fair value but subsequently re-measured either at fair value or amortised cost. Instruments that are likely to be resold/traded including derivatives and minority equity investments are carried at fair value. Instruments expected to be utilised in the normal course of operations such as receivables and payables are carried at amortised cost. In order to determine which basis is applicable, all financial assets and liabilities are categorised on initial recognition into one of the four categories described below. Transaction costs arising from instruments carried at fair value through profit and loss are expensed when incurred.

(a) **Financial assets and liabilities at fair value through profit or loss (FVTPL)**

Instruments fall into this category if they are held for trading i.e. held principally for the purpose of selling in the short term. Derivative instruments are included in this category and are covered in detail in note 2.9. Although usually classified as current, derivative instruments may have maturities of more than 12 months.

Gains or losses arising from changes in the fair value of these assets or liabilities are presented in the statement of comprehensive income either within other gains/losses or, upon realisation where they arise from derivatives used as hedges, they are included in the same line of the statement of comprehensive income as the hedged transaction. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(b) **Available-for-sale financial assets (AFS)**

Available-for-sale financial assets are non-derivative investments that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. This category includes investments in equity securities but does not include investments in subsidiaries, joint ventures or associates.

The fair values of investments are based on current bid prices where available. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair values by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Where it is not possible to reliably determine the fair value of an investment it is measured at cost.

Changes in the fair value of assets classified as available for sale are recognised in other comprehensive income (OCI) and included in equity as a reserve. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments carried within equity are included in the statement of comprehensive income as gains and losses on disposal of investments with a reclassification entry in OCI. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed through the statement of comprehensive income. Details of the Group's investments are provided in note 7, other investments and in the consolidated statement of changes in equity.

(d) **Loans and receivables and other financial liabilities**

These are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They are treated as current, except where maturities are greater than 12 months from the reporting date in which case they are classified as non-current. They are measured at amortised cost, using the effective interest method and the effective interest arising is charged or credited to finance income/expenses in the statement of comprehensive income.

Included in this category are trade receivables (note 11), other receivables (note 12), borrowings (note 15), trade and other payables (note 17), and inter-group/related party receivables and payables (note 27).

2.9 **Derivative financial instruments and hedging activities**

The Group utilises a number of derivative instruments to mitigate trading risks that arise from having sales contracts designated in a different currency to the related purchase contract or from having fixed revenue with variable costs or vice versa. The Group does not take speculative positions with derivatives. The Group applies hedge accounting to a number of shipping and freight transactions.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to determine their fair value as at each accounting date. Derivative instruments are classified as current or non-current assets or liabilities dependent on their expected maturity profiles. Fair value gains and losses are recognised in the statement of comprehensive income except those arising in cash flow hedges which are taken to equity via the statement of other comprehensive income.

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) **Cash flow hedge**

Where a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods in which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(b) **Derivatives at fair value through profit or loss**

Where derivative instruments do not qualify for hedge accounting, or are not designated as such, but have been entered into in order to mitigate a defined risk, all fair value gains or losses are recognised immediately in the statement of comprehensive income. Initially they are included within other gains/losses but on realisation at maturity they are recycled to the same line of the statement of comprehensive income as is impacted by the mitigated risk. Refer notes 19 and 22.

Full details of all derivative instruments are disclosed in note 9.

2.10 **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The creation of, and subsequent increases and decreases in, the provision are recognised in the statement of comprehensive income.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

When sales are made on extended payment terms the interest implicit in the selling price is eliminated from sales and reflected in interest income using the effective interest method.

2.11 **Voyages in progress**

Amounts received for voyage charters and time charter re-lets, relating to future periods, are disclosed under trade and other payables, while costs incurred relating to the remaining days (future periods) of the voyage, are disclosed as voyages in progress under other receivables.

2.12 **Other short term assets**

Other short term assets consist mainly of prepayments, deposits and value added tax (VAT). Prepayments are charged to the statement of comprehensive income over the period to which these payments relate.

2.13 **Inventory**

Inventory, representing mainly steel, is stated at the lower of cost and net realisable value. Cost is determined by specific identification and includes all expenditure including material cost, shipping and other costs in bringing the inventory to its present location and condition. Net realisable value is based on estimated selling price in the ordinary course of business, less selling costs.

2.14 **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. For cash flow purposes cash equivalents include bank overdrafts which are reflected as short-term borrowings in the statement of financial position.

2.15 **Share capital**

Ordinary Shares and non-redeemable preferred shares with discretionary dividends are classified as equity. Other shares including mandatory redeemable preferred shares are classified as liabilities.

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

2.16 **Borrowings**

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Differences between proceeds (net of transaction costs) and the redemption value are recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the asset and are capitalised. Refer note 2.4. All other borrowing costs are recognised as an expense in the period incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Short term loans are classified as borrowings.

2.17 **Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance expense.

2.19 **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management regularly evaluates positions taken with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for any deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

2.20 **Employee benefits**

(a) **Short term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) **Pension obligation**

The Group no longer has a defined benefit plan, only defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's defined benefit scheme is a final salary scheme and pension benefits are linked to the member's final pensionable salary and years of service at retirement (or date of leaving if earlier). The defined benefit scheme is closed to new members.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the statement of comprehensive income in the period in which they arise.

The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate and are included in staff costs.

(c) **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(d) **Bonus plans**

The Group recognises a liability and an expense for bonuses based on the Group's net profit before tax, after certain adjustments, and where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) **Equity-related compensation benefits**

In terms of an executive share plan relating certain executives have the right, through special classes of shares, to participate in the increase in net asset value of certain Group companies from a determined date. This plan is accounted for as an other long-term employee benefit in terms of IAS 19 employee benefits. It is measured in terms of its change in net asset value as it is repayable on demand.

These executives have the obligation to sell their shares back to the Group upon termination of their employment.

(f) **End of service benefits**

The liability recognised in the statement of financial position in respect of the end of service benefits is the present value of the obligation at the reporting date. The end of service benefit obligation is assessed annually by management, using the projected unit credit method. Under this method, an assessment has been made of an employee's expected service life with the company and the expected basic salary at the date of leaving the service. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates based on the current market rate applicable for US treasury bonds.

The monthly contributions to the contributory pension fund are charged to the statement of comprehensive income in the year to which they relate and are included in staff costs.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of business and excludes inter-group sales. Revenue is reduced for value added tax, estimated customer returns, rebates and other similar allowances.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) **Voyage charters**

When the outcome of a vessel in progress can be estimated reliably, income and costs are recognised by using the stage of completion method. The stage of completion is measured with reference to the completed voyage days as a proportion of estimated total voyage days of the vessel.

(c) **Time charter re-lets**

Time charter re-lets are classified as lease income. Lease income from an operating lease is recognised on a straight-line basis over the lease term (number of voyage days of the vessel). The related costs are recognised on a straight-line basis over the lease term of the time charter re-let.

(d) **Investment income**
Finance income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

(e) **Dividend income**
Dividends are recognised when the right to receive payment is established.

(f) **Forward freight agreements (FFAs)**
Revenue comprises settlements made against FFAs used to hedge freight income.

2.22 **Dividend distribution**
Dividends are recognised as a liability in the Group's financial statements in the period in which they are approved by the Group's shareholders.

2.23 **Significant judgements and estimates**
The determination of the carrying amounts of certain assets and liabilities requires judgements, estimates and assumptions about future events. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Some of the Group's assets are measured at fair value where such value can be reliably determined. In estimating the fair value the Group uses market-observable data to the extent that it is available (refer note 7).

(b) The fair value of derivative instruments, including forward freight agreements, bunker swap agreements and forward foreign exchange contracts, are determined using generally accepted industry valuation models, which are based on the daily recorded market prices. Non-current assets and liabilities are based on a discounted value of future cash flows. The risk free rate is used as a discount factor. The carrying amounts of derivative financial instruments are based on their fair value at the end of the reporting period. The values fluctuate on a daily basis and the actual settlement on maturity may differ from the value at which they are reflected at the end of the reporting period (refer note 9).

(c) The Group exercises judgement in determining the percentage of completion of voyages. The stage of completion of a voyage is determined by calculating the total number of actual days from the loading of the cargo at the commencement of a voyage to the period end, divided by the total estimated number of days from loading to discharging the cargo. The actual duration of a voyage, revenue and costs may differ from estimates at the end of the reporting period (refer note 19).

(d) Significant accounting estimates relating to vessels and other fixed assets include, among other things, estimates of useful lives, scrap or residual values and impairment on these assets. In relation to impairment, which is considered when there are indicators of impairment, the estimates include future freight rate levels over the useful lives of the assets and the discount rate applied (refer note 4).

(e) A provision for onerous contracts is recognised where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under them.

In the course of its usual business the Group commits to substantial purchases from steel mills which it in turn contracts to sell to customers. Experience has shown that when the global steel price declines suddenly a number of these customers may renege on their obligations. In such cases the Group has always honoured its obligations and this potentially creates onerous contracts.

In addition, management estimates the onerous contract provisions for shipping activities based on expected vessel running costs, fuel costs and freight rates for the remaining period of the charter contracts and contracts of affreightment. The estimates have been made with reference to the current expenditure and current freight rates and market projections (refer note 18).

(f) The determination of the balance relating to the equity-related compensation plan liability is heavily dependent on key assumptions regarding future service by participants and the future fair value of various assets that impact the calculation (refer note 18).

(g) Management's judgement is required when recognising and measuring the charterers' liability provision. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. The Group is required to recognise provisions for claims arising from litigation when the occurrence of the claim is probable and the amount of the loss can be reasonably estimated. Litigation is however unpredictable and actual costs incurred could differ materially from those estimated at reporting date.

(h) The international nature of the Group's activities, increases the complexity of tax computations and management has to make certain assumptions in order to carry out these computations. Whilst great care and prudence are exercised it is always possible that an error or dispute could arise in one of these jurisdictions. There are transactions entered into where the ultimate tax determination and tax classification may be uncertain. Significant judgement is required in determining the provision for income taxes. The liability for income tax of US$0.1 million (2016: US$0.3 million/2015: US$2.7 million) and net deferred tax asset of US$1.6 million (2016: US$1.5 million/2015: US$1.4 million) represents management's best estimates of the most likely amount of tax expected to be paid to the taxation authorities. Whilst great care and prudence are exercised it is always possible that a dispute could arise in one of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the provision for income tax in the period in which such determination is made (refer note 24).

(i) Assessing the ultimate profitability of long positions contracts entered into. Expected profitability of long position contracts are determined with reference to current market prices for the same material, taking into account any upward or downward trend in market prices. Should this assessment suggest negative returns, provisions for these losses are raised.

3. FINANCIAL RISK MANAGEMENT

The significance of financial instruments to the Group is illustrated in the table below. The notes to the financial statements, and in particular, note 2 – Accounting Policies, provide additional information that is essential to fully evaluate the nature and extent of the risks arising.

The Group's financial instruments are highlighted below:	**Note**	**31 December 2017 US$'000**	**31 December 2016 US$'000**	**31 December 2015 US$'000**
Financial assets:				
Investments	7	45 788	45 341	45 467
Derivative assets – long and short term	9	6 634	7 210	1 439
Trade receivables	11	540 300	437 410	473 261
Other receivables	12	31 712	37 478	38 387
Cash and cash equivalents	13	94 534	101 388	132 378
		718 968	**628 827**	**690 932**
Financial liabilities:				
Bank overdrafts	13	–	9	9
Borrowings – long and short term	15	206 216	203 683	253 069
Derivative liabilities – long and short term	9	2 081	689	13 646
Trade and other payables	17	205 200	132 377	140 598
		413 497	**336 758**	**407 322**

Financial instruments create exposures to potential financial losses through three principal categories of risk:
Credit risk – the risk of a customer or counterparty not meeting their contractual obligations
Market risk – the risk of significant changes in market factors including prices, exchange rates and interest rates
Liquidity risk – the risk of being unable to fund obligations as they fall due

The nature of a particular instrument determines its exposure to the various categories of risk. Credit risk only applies to financial assets and liquidity risk only to financial liabilities whilst market risk can apply to either. However, the risks create dependencies and a high degree of credit risk enhances the exposure to liquidity risk by bringing greater uncertainty to cash flows. Similarly, the amount of free float in the Group's net cash flows is a function of its capital structure that impacts directly on the potential consequences of exposure to financial risks.

Financial risks also need to be put into organisational context and that is illustrated in the table above. The fact that the Group has a relatively small proportion of its total capital invested in long term fixed assets whilst most borrowings are short term trade finance gives it a high degree of flexibility and a natural hedge since, should trading conditions deteriorate significantly, trade receivables and borrowings would both decline.

The Group Audit and Risk Committee meets formally at least twice a year and is responsible for monitoring the risks in the Group. The Audit and Risk Committee has representatives from both shareholders and meetings are attended by the external and internal auditors. It has a policy and oversight role and closely monitors credit risk and market risk and ensures that adequate committed facilities are available to address liquidity requirements. Sensitivity to market movements is monitored and simple scenarios are presented in the relevant notes to these accounts.

The fair value of the Group's investment in Swissmarine is based on estimated cash flows discounted at the weighted average cost of capital of the company of 11.73% (2016: 14.06%/2015: 12.14%). The fair value is categorised level 3 of the fair value hierarchy.

Trade receivables are generated mainly by steel trading operations and comprise 75% (2016: 70%/2015: 69%) of financial assets by value. They have a substantial exposure to credit risk. However, as set out in note 11, this is an area of constant management focus and comprehensive formal policies regarding country and counter party limits are strictly enforced to avoid concentration of risk.

Whilst the primary currency of the Group is US Dollars, commodity sales contracts are often entered into in other territory's currencies and in particular in Euros. The Group has a simple and clear policy of hedging (usually through forward foreign currency contracts) all currency risks arising from commodity contracts. Overheads in local currencies are normally not hedged. The Group does not speculate in foreign currencies.

Management assesses and monitors the financial standing of those banks utilised by the Group and determines limits both for depositing funds and accepting confirmations on documentary letters of credit. Only banks with a short term rating of "Prime" according to the credit rating agency Moody's, have been used for depositing significant amounts of funds. This rating indicates credit risk ranging from very low to moderate. Cash balances are not held in currencies other than US Dollars except where they are required as an economic hedge.

The Group's borrowings are mainly short term and raised to mainly finance trading activities. Even though trade finance is usually managed at a subsidiary level all borrowings are monitored and optimised centrally. By its very nature trade finance links specific borrowings to receivables and this mitigates liquidity risk since a fall in trading activity would be accompanied by a fall in receivables resulting in lower borrowings. As stated in note 11 the Group held documentary letters of credit of US$107.4 million (2016: US$108.1 million/2015: US$57.6 million) in support of its receivables at year end and many of these could be discounted should it be effective to do so.

The Group manages its cash requirements on an ongoing basis. A liquidity profile is presented in note 28. The Group also monitors its facility utilisation constantly and details are provided in note 15.

Ultimately, all financial risks are heavily influenced by the standards of internal control and corporate governance that are maintained. The directors believe that governance standards have been maintained at high levels throughout the year.

Summary of assets and liabilities measured at fair value at December 2017:	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:			
Available for sale investments	2 062	43 647	45 709
Derivatives held for trading – risk mitigation	6 634	–	6 634
	8 696	**43 647**	**52 343**
Financial liabilities:			
Derivatives held for trading – risk mitigation	2 081	–	2 081
	2 081	**–**	**2 081**

Summary of assets and liabilities measured at fair value at December 2016:	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:			
Available for sale investments	1 696	43 647	45 343
Derivatives held for trading – risk mitigation	7 210	–	7 210
	8 906	**43 647**	**52 553**
Financial liabilities:			
Derivatives held for trading – risk mitigation	689	–	689
	689	**–**	**689**

Summary of assets and liabilities measured at fair value at December 2015:	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets:			
Available for sale investments	1 820	43 647	45 467
Derivatives held for trading – risk mitigation	1 439	–	1 439
	3 259	**43 647**	**46 906**
Financial liabilities:			
Derivatives held for trading – risk mitigation	13 646	–	13 646
	13 646	**–**	**13 646**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Observable or derived prices – primarily FFAs and bunker swaps.

Level 3: Unobservable inputs and valuation techniques – primarily SwissMarine Corporation Ltd and SwissMarine Services SA refer note 7.

The level of permanent capital or equity required by the Group is inversely proportional to the level of credit, market and liquidity risk perceived by management. At a Group level capital comprises share capital, reserves and long term debt. Long term debt has, and continues to be linked directly to asset purchases and in particular the purchase of vessels. Finance required for commodity trading is of a short term nature, not exceeding 180 days, and is linked to specific transactions whilst the role of equity is to underpin these facilities and bridge financing gaps. Extensive use is made of trade finance facilities including borrowing against trade receivables and this is carried out at an individual trading entity level. These entities are required to meet specific borrowing covenants with their financiers and generally most include a requirement that borrowing facilities utilised may not exceed an amount equal to eight times the equity of the entity.

4. PROPERTY, VESSELS AND EQUIPMENT

US$'000 unless stated otherwise

	31 December 2017			
	Cost or valuation	Accumulated depreciation and impairments	Carrying amount	31 December 2016 Carrying amount
Land and buildings	7 295	483	6 812	6 660
Computer hardware	2 582	2 199	383	399
Vehicles	305	229	76	63
Vessels	242 158	69 061	173 097	166 565
Furniture, fittings and equipment	2 921	2 268	653	743
Other assets	2 463	1 850	613	816
	257 724	**76 090**	**181 634**	**175 246**

	31 December 2016			
	Cost or valuation	Accumulated depreciation and impairments	Carrying amount	31 December 2015 Carrying amount
Land and buildings	7 206	546	6 660	6 838
Computer hardware	2 395	1 996	399	468
Vehicles	303	240	63	54
Vessels	241 075	74 510	166 565	175 946
Furniture, fittings and equipment	2 762	2 019	743	955
Other assets	2 417	1 601	816	785
	256 158	**80 912**	**175 246**	**185 046**

	31 December 2015			
	Cost or valuation	Accumulated depreciation and impairments	Carrying amount	31 December 2014 Carrying amount
Land and buildings	7 405	567	6 838	7 132
Computer hardware	2 460	1 992	468	364
Vehicles	322	268	54	103
Vessels	241 073	65 127	175 946	197 434
Furniture, fittings and equipment	2 893	1 938	955	783
Other assets	2 074	1 289	785	359
	256 227	**71 181**	**185 046**	**206 175**

Movement summary

	31 December 2017					31 December 2016
	Additions and revaluations	Depreciation and impairments	Disposals	Exchange differences	Carrying amount	Carrying amount
Land and buildings	43	96	–	205	6 812	6 660
Computer hardware	255	263	11	3	383	399
Vehicles	49	23	14	1	76	63
Vessels	1 083	(5 449)	–	–	173 097	166 565
Furniture, fittings and equipment	150	238	9	7	653	743
Other assets	30	243	–	10	613	816
	1 610	**(4 586)**	**34**	**226**	**181 634**	**175 246**

	31 December 2016					31 December 2015
	Additions and revaluations	Depreciation and impairments	Disposals	Exchange differences	Carrying amount	Carrying amount
Land and buildings	(136)	(10)	–	(52)	6 660	6 838
Computer hardware	206	282	–	7	399	468
Vehicles	37	25	9	6	63	54
Vessels	2	9 383	–	–	166 565	175 946
Furniture, fittings and equipment	80	267	35	10	743	955
Other assets	322	308	–	17	816	785
	511	**10 255**	**44**	**(11)**	**175 246**	**185 046**

	31 December 2015					31 December 2014
	Additions and revaluations	Depreciation and impairments	Disposals	Exchange differences	Carrying amount	Carrying amount
Land and buildings	(137)	(23)	–	(181)	6 838	7 132
Computer hardware	339	224	4	(7)	468	364
Vehicles	–	44	3	(2)	54	103
Vessels	2 437	23 925	–	–	175 946	197 434
Furniture, fittings and equipment	519	301	16	(30)	955	783
Other assets	638	181	–	(31)	785	359
	3 796	**24 652**	**23**	**(251)**	**185 046**	**206 175**

4.1 **Vessels:**

As at 31 December 2017 vessels were independently valued which indicated that their market values remained below their carrying amount. As a result, the Group performed an impairment test on each of its vessels by comparing the recoverable amount obtained from the continued operation of the vessels (value in use) to the carrying amount. The positive development in freight rates in 2017 and future freight rates outlook resulted in an increase in value in use compared to previous years. As a result, impairment losses totalling US$14.1 million (2016: US$0 million) were reversed (2015: impairment loss of US$13.2 million recognised). The impairment loss was included in profit or loss under 'Other losses – net'.

Vessels with a carrying value of US$90.8 million (2016: US$88.1 million/2015: US$92.5 million) have been pledged as security for bank loans under mortgage (refer note 15).

Key assumptions

The value in use calculation uses current market freight rates as the starting point and assumes that the rates trend towards a long-term equilibrium due to the cyclical nature of the dry bulk shipping market. The long-term equilibrium rate is based on the last 16-year average rates. It is assumed that this equilibrium rate is achieved seven years into the future. The projected rates are adjusted for any firm contracts for a vessel within the period of the estimated cash flows. No inflation is taken into account in both the freight rates and vessel operating costs.

The real discount rate of 5.7% (2016: 4.88%/2015: 4.91%) is applied to the estimated cash flows. This is based on an inflation adjusted weighted average cost of capital.

Sensitivity

With all other variables held constant, increasing the discount rate by 1% would have no impact on profit (2016: no impact on profit/2015: decrease in profit of US$13.4 million). Decreasing the discount rate by 1% would have no impact on profit (2016: no impact on profit/2015: increase in profit of US$8.4 million).

Likewise, increasing/decreasing freight rates for all periods by US$1,000 per day would have no impact on profit (2016: no impact on profit/2015: US$16.6 million/US$40 million).

4.2 Land and buildings

The most significant land and buildings relate to one floor of an office building in Dubai, an administrative building in Copenhagen, Denmark and an office building in India. These properties are stated at their revalued amounts, the fair value determined based on the market comparable approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year. All properties are categorised into Level 2 of the fair value hierarchy.

The property in Dubai comprises one floor of an office building situated in the AG (Silver) Tower in Jumeirah Lake Towers, Dubai. The office floor was acquired in September 2009 at a cost of US$3.1 million and was valued as at 31 December 2017 by Cavendish Maxwell (2016 and 2015: Cavendish Maxwell), an independent valuer. It was valued based on current market prices at US$3.35 million (2016: US$3.47 million/2015: US$3.61 million), and therefore is a Level 2 on the fair value hierarchy. The decrease in fair value has been transferred to other reserves through other comprehensive income.

The administrative building in Denmark was acquired at 31 December 2008 at a cost of US$1.1 million. The latest valuation for the building as stated by the external valuators, Nybolig, is at 31 December 2015 and amounts to US$1.2 million. Management has determined that the fair value has not changed significantly.

The office building in India was acquired at 1 January 2011 at a cost of US$2.6 million. The 2017 valuation for the building as stated by the external valuators, Messrs Colliers International, amounted to US$2.2 million (2016: US$2.1 million/2015: US$2.0 million). Management has determined that the fair value has not changed significantly.

5. INTANGIBLE ASSETS

US$'000 unless stated otherwise	Cost	Amortised to date	Carrying amount
2017			
Computer software	4 163	3 962	201
2016			
Computer software	3 846	3 627	219
2015			
Computer software	3 338	3 191	147

Movement summary

	Opening amount	Additions	Amortisation and impairment	Disposals	Exchange differences	Carrying amount
2017						
Computer software	219	15	39	–	6	201
2016						
Computer software	147	135	30	–	(33)	219
2015						
Computer software	166	107	141	–	15	147

Computer software comprises a comprehensive SAP ERP system and the Prophix planning system. The assets are denominated in South African Rand. All major upgrades and enhancements to the system are capitalised and amortised over five years. The amortisation expense is included in selling and administrative expenses, refer note 20.

6. JOINT VENTURES AND ASSOCIATES

US$'000 unless stated otherwise

The following information relates to the Group's significant interests in joint ventures and associates:

Name	Percentage holding 31 December 2017	31 December 2016	31 December 2015	Group carrying amount 31 December 2017	31 December 2016	31 December 2015
International Strategic Shipping Investments B.V. (ISSI)	50	50	50	127 378	121 257	104 876
Other joint ventures	*	*	*	15 677	15 729	16 573
Other associates	*	*	*	144	186	115
				143 199	**137 172**	**121 564**

* The Group was a partner in 46 active (2016: 42/2015: 42) joint venture partnerships during the year including the one significant joint venture partnership listed above, the majority of which operate as shipping companies. The Group's interests in these partnerships was 50% (2016: 50%/2015: 50%). The Group held one associate (2016: 1/2015: one) with an interest of 30% (2016: 30%/2015: 30%) during the year, which operated as a shipping company.

Reconciliation of carrying amount of investments in joint ventures and associates

	ISSI	Aggregate of non-material JVs	Aggregate of non-material associates	Total
Carrying amount – 31 December 2014	**77 517**	**18 729**	**(29)**	**96 217**
Contributions	55 598	(2 162)	–	53 436
(Loss)/profit for the period	(881)	(2 355)	677	(2 559)
Profit distributions	–	(120)	(590)	(710)
Exchange differences	–	–	393	393
Total movement for the period	54 717	(4 637)	480	50 560
Share of movement	27 359	(2 156)	144	25 347
Carrying amount – 31 December 2015	**104 876**	**16 573**	**115**	**121 564**
Contributions	46 605	2 000	–	48 605
Settlements paid	–	(8 774)	–	(8 774)
(Loss)/profit for the period	(13 843)	5 086	387	(8 370)
Profit distributions	–	–	(493)	(493)
Exchange differences	–	–	343	343
Total movement for the period	32 762	(1 688)	237	31 311
Share of movement	16 381	(844)	71	15 608
Carrying amount – 31 December 2016	**121 257**	**15 729**	**186**	**137 172**
Contributions	14,344	–	–	14 344
(Loss)/profit for the period	(2 103)	896	290	(917)
Profit distributions	–	(1 000)	(523)	(1 523)
Exchange differences	–	–	93	93
Total movement for the period	12 241	(104)	(140)	11 997
Share of movement	6 121	(52)	(42)	6 027
Carrying amount – 31 December 2017	**127 378**	**15 677**	**144**	**143 199**

6.1 Joint ventures

Summarised financial information in respect of the Group's material joint venture, ISSI, is set out below. The summarised information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

The Group owns 50% (2016: 50% / 2015: 50%) equity shares of ISSI and exercises joint control over the company. The Group accounts for ISSI on the equity accounting basis. The place of incorporation of ISSI is the Netherlands and its place of operation is the United Arab Emirates. The principal activities of ISSI is vessel owning.

	31 December 2017	31 December 2016	31 December 2015
Summarised balance sheet of ISSI			
Current assets	10 594	8 268	10 060
Current liabilities	(26 632)	(24 366)	(18 320)
Non-current assets	504 265	496 216	389 833
Non-current liabilities	(233 472)	(237 604)	(171 821)
Net assets	**254 755**	**242 514**	**209 752**
Summarised statement of comprehensive income of ISSI			
Revenue	67 416	45 800	36 265
Cost of revenue	(59 475)	(50 036)	(30 242)
Overhead expenses	(383)	(485)	(583)
Other net income /(expenses)	985	(193)	(910)
Interest expense	(10 646)	(8 929)	(5 411)
Total comprehensive income	**(2 103)**	**(13 843)**	**(881)**
The Group's share of total comprehensive income for the year	**(1 052)**	**(6 922)**	**(441)**
Carrying amount of the Group's interest in ISSI	**127 378**	**121 257**	**104 876**
Aggregate financial information of joint ventures that are not individually material			
The Group's share of net assets	15 677	15 729	16 573
The Group's share of profit for the year	448	2 543	(1 014)
The Group's share of total comprehensive income for the year	448	2 543	(1 014)
The Group's share of dividends received	(500)	–	60
Carrying amount of the Group's interest in non-material joint ventures	**15 677**	**15 729**	**16 573**

6.2 Associates

Summarised financial information in respect of the Group's associate is set out below. The summarised information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes).

The Group owns 30% equity shares of Wilhelmsen Ships Services SA (Pty) Ltd ('WSS'). The Group accounts for WSS on the equity accounting basis. The place of incorporation and operation of WSS is South Africa. The principal activities of WSS include shipping services, clearing, forwarding and freight forwarding services

Summarised financial information for the associate			
The Group's share of net assets	144	186	195
The Group's share of total comprehensive income for the year	87	118	203
The Group's share of dividends received	157	148	177
Carrying amount of the Group's interest in the associate	144	186	115

7. OTHER INVESTMENTS

US$'000 unless stated otherwise

	Percentage holding			Group carrying amount		
	31 December 2017	31 December 2016	31 December 2015	31 December 2017	31 December 2016	31 December 2015
Swissmarine Corporation Ltd	16	16	16	42 956	42 956	42 956
Swissmarine Services SA	22	22	22	671	671	671
Club Debentures	–	–	–	2 062	1 624	1 758
Other	–	–	–	433	403	375
Total				**46 122**	**45 654**	**45 760**
Movements						
At beginning of year				45 654	45 760	45 554
Additions				22	50	82
Revaluations of debentures and other investments				446	(156)	124
At end of year				**46 122**	**45 654**	**45 760**

Swissmarine Corporation Ltd is valued at Fair Value through other comprehensive income and are initially measured at fair value, net of transaction costs. Thereafter they are measured at fair value at the end of each reporting period. Changes in the carrying amount of the investment are recognised in other comprehensive income and accumulated under 'Reserves' in the balance sheet.

The fair value of the Group's investment in Swissmarine is based on estimated cash flows discounted at the weighted average cost of capital of the company of 11.73% (2016: 14.06%/2015: 12.14%). The fair value is within Level 3 of the fair value hierarchy.

The Group holds 16% of the ordinary share capital of Swissmarine Corporation Ltd and 22% of the ordinary share capital of Swissmarine Services SA. The directors do not consider that the Group is able to exercise significant influence over these companies.

The Club debentures and other investments have been classified as available for sale in terms of IAS 39 and are carried at fair value where such value can be reliably determined.

The Club Debentures are carried at fair value, which is based on observable prices. In the current year the fair value was increased by US$0.4 million (2016: Decreased US$0.2 million/2015: increased by US$0.1 million). This movement in fair value is recognised in other comprehensive income and included in equity as a reserve. The original cost was US$0.9 million.

8. DEFERRED INCOME TAX

US$'000 unless stated otherwise

The movement on the deferred taxation account is as follows:

	31 December 2017	31 December 2016	31 December 2015
At beginning of year	1 504	1 372	1 303
Current year movement			
• Charged to profit and loss (refer note 24)	79	(132)	189
• Foreign exchange difference	–	264	(120)
At end of year	**1 583**	**1 504**	**1 372**
Comprising:			
Deferred taxation assets:			
• Accounts receivable	177	127	123
• Property, vessels and equipment	24	99	31
• Inventories	33	5	9
• Foreign exchange translations	30	59	62
• Provisions and accruals	622	261	349
• Taxation losses	995	1 008	1 008
• Deferred rent	16	26	35
	1 897	**1 585**	**1 617**
Deferred taxation liabilities:			
• Property, vessels and equipment	–	–	205
• Prepaid expenses	6	14	40
• Provisions and accruals	–	44	–
• Other	308	23	–
	314	**81**	**245**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

A deferred taxation asset has not been recognised on the carry forward of unused tax losses amounting to US$25.1 million (2016: US$21.8 million/2015: US$21.9 million) as it is not probable that future taxable profit will be available against which these losses could be utilised.

9. DERIVATIVES AND HEDGE ITEM

US$'000 unless stated otherwise

The Group utilises forward freight agreements (FFAs), bunker swap agreements and forward foreign exchange contracts (FECs) to hedge its exposure to price risk arising from operational activities. Where the hedge relationship qualifies in terms of IAS 39, and management believes it appropriate, hedge accounting is applied to derivative instruments, otherwise they are treated as trading instruments.

	31 December 2017		31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives that do not qualify for hedge accounting						
Forward freight agreements – held for trading	447	9	689	8	672	46
Bunker swap agreements – held for trading	23	–	67	–	–	8 173
Forward foreign exchange contracts – held for trading	24	2 072	2 472	–	767	208
	494	**2 081**	**3 228**	**8**	**1 439**	**8 427**
Derivatives that qualify for hedge accounting						
Bunker swap agreements – held for trading	6 140	–	3 982	681	–	5 219
	6 140	–	3 982	681	–	5 219
Non-current	682	–	450	97	–	4 231
Current	5 952	2 081	6 760	592	1 439	9 415
Total derivatives	**6 634**	**2 081**	**7 210**	**689**	**1 439**	**13 646**

Forward freight agreements

Realised fair value adjustments from "sell" contracts are classified to revenue and "buy" contracts are classified to vessel operating costs (refer note 19).

At 31 December 2017, the Group had 645 'Buy' days (2016: 645 days / 2015: 30 days) of the Baltic Supramax open at an average price of USD 8 982 per day (2016: USD 6 086 per day / 2015: USD 6 750 per day) for the period January 2018 to March 2018.

At 31 December 2017 the Group had NIL 'Buy' days (2016: 360 days / 2015: nil days) of the Baltic Handysize open at an average price of USD NIL per day (2016: USD 5 600 per day / 2015: nil per day).

At 31 December 2017, the Group had NIL 'Buy' days (2016: 15 days / 2015: nil days) of the Baltic Panamax open at an average price of USD NIL per day (2016: USD 6 600 per day / 2015 USD nil per day), and NIL 'Sell' days (2016: 15 days / 2015: nil days) open at an average price of USD NIL per day (2016: USD 6 250 per day / 2015: nil per day).

Realised fair value adjustments from "sell" contracts are classified to revenue and "buy" contracts are classified to vessel operating costs (refer to note 19).

Bunker swap agreements

At 31 December 2017, the Group had outstanding bunker swap contracts to buy approximately 129 962 (2016: 157 346 / 2015: 88 053) metric tonnes of bunkers, which expire through December 2019 (2016: July 2019 / 2015: December 2018). The commitments were entered into to hedge the fluctuations in bunker prices in connection with the Group's contract of affreightment commitments. The Group applies hedge accounting to certain of these contracts and during the year unrealised fair value gains of US$2.2 million (2016: gains of US$3.4 million/2015: US$4.2 million), after taking into account settlement gains of US$5.2 million (2016: losses of US$3.2 million/2015: US$30.7 million), were charged to the statement of profit or loss and other comprehensive income, included under other gains/(losses). Realised fair value adjustments are reclassified to vessel operating costs (refer note 19).

Forward foreign exchange contracts

FECs are used to hedge the exposure that arises from commodity sales and purchase contracts that are denominated in currencies other than US Dollars, mainly Euro and Pounds Sterling. The fair value of the forward exchange contracts is determined by marking to market the contract value.

Hedging instruments

Bunker swap contracts	Nominal amount of hedging instrument MT'000	Carrying value of hedging instruments	Line item in Balance Sheet	Changes in fair value – Hedge non-designated/ ineffective-ness
2017	129 962	6 163	Derivative financial instruments	2 159
2016	151 506	3 368		3 449
2015	88 053	(13 392)		4 183

Designated hedged items

Bunker fuel	Separate line item recognised in balance sheet for hedged item	Fair value of hedged item	Line item in balance sheet	Hedge ineffective-ness	Cash flow hedge reserve
2017	–	(5 385)	n/a	50	(5 335)
2016	–	(4 728)	n/a	29	(4 699)
2015	–	5 230	n/a	(11)	5 219

Effect of hedging activities on the income statement and other comprehensive income

Bunker swap contracts	Change in value of hedging instruments	Hedge non-designated/ ineffective-ness	Line item in profit or loss
2017	2 800	2 159	Other losses – net
2016	16 760	3 449	
2015	15 083	4 183	

10. INVENTORY
US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Finished goods	67 077	66 401	63 624
Raw materials	1 123	1 097	1 359
Inventory provisions	(125)	(239)	(1 879)
Net realisable value	**68 075**	**67 259**	**63 104**

Inventory with a carrying value of US$48.3 million (2016: US$53.6 million/2015: US$54.6 million) has been pledged as security for lines of credit advanced by banks to certain subsidiaries within the Group.

Provisions for write-downs of inventories to net realisable value are recognised as an expense and included in cost of sales in the statement of profit or loss and other comprehensive income.

In the current year, inventory with a value of US$0.1 million was written off (2016: US$0.1 million/2015: US$0.1 million).

11. TRADE RECEIVABLES

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Trade receivables	547 353	446 905	481 642
Unearned interest income	(2 177)	(1 441)	(1 406)
Provisions for impairment	(4 876)	(8 054)	(6 975)
Trade receivables at amortised cost	**540 300**	**437 410**	**473 261**
Movements on the provision for impairment:			
As at 1 January	8 054	6 975	8 718
Additional provision	(810)	1 495	504
Bad debts recovered	(430)	(9)	–
Receivables written off against provision	(1 938)	(407)	(2 247)
As at 31 December	**4 876**	**8 054**	**6 975**

The movement in the impairment provision is included in the statement of profit or loss.

Trade receivables with a book value of US$67.8 million (2016: US$65.8 million/2015: US$43.9 million) have been pledged as security for lines of credit advanced by banks to certain subsidiaries within the Group.

Trade receivables have been classified as loans and receivables in terms of IAS 39 and their carrying amount approximates fair value. Where extended terms are provided, interest is imputed in the selling price and income of US$10.2 million (2016: US$8.1 million/2015: US$9.5 million) was recognised in finance income (refer note 23). There is no prepayment risk associated with these receivables.

The two principal activities in which the Group engages, steel trading and shipping, give rise to trade receivables that have very different characteristics. Typically, steel trading transactions would take from three to nine months from the time an order is placed until the funds are banked and the Group has a strict credit policy in terms of which both country and counterparty risk is predetermined and monitored. Shipping activities have a much shorter cycle and in many cases customers may pay before a vessel sails. The difference is well illustrated by comparing the number of days sales represented by trade receivables at steel trading of 89 days (2016: 82 days/2015: 83 days) compared to 17 days (2016: 21 days/2015: 17 days) at shipping as at the year end.

Steel trade receivables

An analysis of steel trading receivables is presented below showing that, at the reporting date, 21% (2016: 27%/2015: 13%) by value of these receivables were supported by documentary letters of credit (LCs). The Group maintains a register of premium banks from whom LCs are acceptable. Should an LC be issued by any other bank, in terms of Group policy, it must be confirmed by one of the approved premium banks. Except for sales to certain preapproved customers, sales not supported by an LC must be covered by credit insurance. This insurance covers 90% of the sales value and the analysis below shows that approximately 77% (2016: 71%/2015: 86%) of steel trade receivables were insured. The balance of 2% (2016: 2%/2015: 1%) represents other forms of security and the uninsured portion of receivables and sales to approved customers on open account. A second table shows an age analysis with 94% (2016: 86%/2015: 89%) current and 3% (2016: 4%/2015: 5%) between 1 and 30 days past due leaving 3% (2016: 10%/2015: 6%) of commodity receivables more than 30 days past due.

	31 December 2017	31 December 2016	31 December 2015
Credit support:			
Documentary letters of credit	107 365	108 692	57 611
Credit insurance	388 488	284 579	374 460
Other security	3 541	4 342	3 422
Unsecured	5 186	4 945	2 069
	504 580	**402 558**	**437 562**
Age analysis:			
Not yet past due	472 282	346 731	390 941
1 – 30 days past due	14 088	16 920	19 672
31 – 90 days past due	2 390	8 547	9 205
90+ days past due	15 820	30 360	17 744
	504 580	**402 558**	**437 562**

An impairment provision of US$1.4 million (2016: US$3.7 million/2015: US$2.4 million) has been raised against specific past due trade receivables of US$7.3 million (2016: US$6.1 million/2015: US$24 million).

Shipping trade receivables	31 December 2017	31 December 2016	31 December 2015
Age analysis:			
Not yet past due	24 961	23 614	20 192
1 – 30 days past due	3 027	549	2 756
31 – 90 days past due	2 622	1 079	1 596
90+ days past due	5 110	9 610	11 155
Shipping trade receivables	35 720	34 852	35 699

As at 31 December 2017, trade receivables of US$7.6 million (2016: US$9.2 million/2015: US$8.3 million) were past due and not impaired. Other than one trade receivable with a value of US$2.6 million in 2016 and 2015 (2017: settled), these relate to a number of independent customers for whom there is no history of default.

12. PREPAYMENTS AND OTHER RECEIVABLES
US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Sundry receivables	1 560	2 353	2 222
Prepaid expenses	25 593	23 093	24 655
Amounts owing by related parties – note 27	21 425	23 726	24 800
Voyages in progress	7 483	9 470	8 978
Deposits	1 244	1 929	2 387
Indirect taxes	266	85	166
	57 570	**60 656**	**63 208**
Less: non-current portion of amounts owing by related parties	(15 475)	(14 741)	(15 142)
Current portion	**42 095**	**45 915**	**48 066**

As at 31 December 2016, an impairment provision of 2016: US$8,872k has been raised against sundry receivables, relating to amounts due from contractual claim income which the directors have assessed as being irrecoverable as at the reporting date. The impairment loss was included in profit or loss under 'Other losses – net'. No such provision was raised for 2017 and 2015.

13. NOTES TO THE STATEMENT OF CASH FLOWS
US$'000 unless stated otherwise

		31 December 2017	31 December 2016	31 December 2015
13.1	**Adjustments for non-cash and other items:**			
	• Depreciation	9 474	10 379	11 588
	• Amortisation	34	6	100
	• (Profit)/loss on disposal of property, vessels and equipment	4	(16)	(16)
	• Impairment/revaluation of non-current assets	(14 055)	(100)	13 310
	• Impairment of loan to joint venture	31	45	278
	• Change in fair value of derivatives	2 604	(8 812)	(4)
	• Change in fair value of other investments	(6)	(6)	(4)
	• (Decrease)/increase in provisions	4 940	(1 287)	(9 338)
	• Change in pension fund obligation due to curtailment	–	–	502
	• Net financing income	(3 818)	(2 987)	(3 474)
	• Dividend received	(2)	(9)	(1 935)
	• Post employment benefits	16	2 044	(1 769)
	• Foreign currency translations	(1 315)	992	(5 132)
	• Equity accounted earnings:			
	Share of after tax profits	517	4 259	1 251
	Profit distributions	–	148	237
		(1 576)	**4 656**	**5 593**
13.2	**Working capital requirements**			
	• Decrease/(increase) in trade accounts receivable and other short term assets	(95 801)	37 962	141 894
	• Decrease/(increase) in inventory	(816)	(4 255)	44 173
	• Decrease/(increase) in trade accounts payable	73 737	(13 999)	(117 462)
		(22 880)	**19 708**	**68 606**
13.3	**Taxation paid**			
	• Amounts outstanding at beginning of year	(261)	(2 707)	(2 539)
	• Current normal taxation charged	(4 687)	(4 186)	(5 029)
	• Amounts outstanding at the end of year	116	261	2 707
		(4 832)	**(6 632)**	**(4 861)**
13.4	**Liabilities from financing activities**			
	• Amounts outstanding at the beginning of the period	203 683		
	• Repayment of non-current borrowings	(1 343)		
	– Repayment of short term borrowings	(1 569 261)		
	– Repayment from short term borrowings	1 571 559		
	• Foreign exchange movements	1 579		
		206 217		
13.5	**Cash and cash equivalents**			
	• Bank balance	94 325	101 233	121 651
	• Short term bank deposits	209	155	10 727
	Gross – as per statement of financial position	**94 534**	**101 388**	**132 378**
	• Bank overdrafts	–	(9)	(9)
	Net – as per statement of cash flows	**94 534**	**101 379**	**132 369**

Interest rates on cash and cash equivalents are LIBOR related. Details of overdrafts are disclosed in note 15.

Cash and cash equivalents have been classified as loans and receivables in terms of IAS 39.

The carrying values of the cash and cash equivalents approximate their fair values as they are short term in nature.

14. SHARE CAPITAL & SHARE PREMIUM

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Authorised			
87 500 "A" Shares of 0.45 Euro each	50	50	50
87 500 "B" Shares of 0.45 Euro each	50	50	50
	100	**100**	**100**
Issued			
35 002 "A" Shares of 0.45 Euro each	20	20	20
35 002 "B" Shares of 0.45 Euro each	20	20	20
	40	**40**	**40**
Additional paid in capital			
"A" Shares	14 180	14 180	14 180
"B" Shares	14 180	14 180	14 180
	28 360	**28 360**	**28 360**
Total issued and paid in capital	**28 400**	**28 400**	**28 400**

The "A" and "B" classes of shares have equal voting rights.

The Group continuously monitors the adequacy of its capital both for long term funding purposes and distributions to shareholders.

15. BORROWINGS

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Non-current: Secured			
Long term loans from financial institutions	41 995	42 498	47 340
	41 995	**42 498**	**47 340**
Less: Current portion	(2 740)	(4 883)	(4 883)
Total long term borrowings	**39 255**	**37 615**	**42 457**
Repayable as follows:			
Within one year	2 740	4 883	4 883
One to two years	2 740	4 883	4 883
Two to five years	8 220	14 649	14 649
More than five years	28 295	18 083	22 925
	41 995	**42 498**	**47 340**
Current: Secured			
Long term loans from financial institutions – current portion	2 740	4 883	4 883
Short term loans from financial institutions	164 221	161 176	205 720
	166 961	**166 059**	**210 603**
Bank overdrafts	–	9	9
Total short term borrowings	**166 961**	**166 068**	**210 612**

The long term loans from financial institutions are secured by mortgages over vessels having a carrying value of US$90.8 million (2016: US$88.1 million/2015: US$92.5 million), refer to note 4. These loans bear interest at rates plus 3% above LIBOR, is repayable in quarterly instalments and will be fully settled by 2023.

The short term loans and overdrafts are secured against inventory and trade receivables as disclosed in notes 10 and 11. These loans and overdrafts bear interest at various rates designated by the applicable financial institution as its cost-of-funds plus an agreed margin of between 0.95% and 2.25% per annum.

Borrowings have been classified as other liabilities in terms of IAS 39 and their carrying amount approximates fair value.

Undrawn facilities

At the statement of financial position date the Group had total financing facilities of US$1 026 million (2016: US$971 million/2015: US$977 million) of which US$623 million (2016: US$639 million/2015: US$338 million) was unutilised. All facilities are priced on a floating rate basis and expire within 12 months.

16. POST-EMPLOYMENT BENEFITS

US$'000 unless stated otherwise

The Group operates defined contribution plans in the US, South Africa, Hong Kong and the UAE, as well as employees' end of service benefits in the UAE.

(a) **Defined benefit pension obligation**

The defined benefit scheme's liabilities have all been transferred to insurance companies by means of buy-out policies, at a fee of US$2.9 million, and as a result there is no debt on the Group at 31 December 2016. Therefore there is no requirement to prepare a formal actuarial valuation. The Trustees had purchased annuities for all scheme members, which, as part of the buy-out, were reassigned from being in the Trustee's name to the individual members' names. The scheme holds no other assets.

Statement of profit or loss and other comprehensive income

There was no gain/loss relating to the defined benefit scheme included in other comprehensive income in the statement of profit or loss and other comprehensive income for the company in the current period (2015 gain: US$0.4 million).

	31 December 2017	31 December 2016	31 December 2015
The amounts recognised in the statement of profit or loss are as follows:			
Administrative cost	–	–	248
Interest cost	–	–	18
Expected return on assets			
Net charge to statement of comprehensive income	**–**	**–**	**266**

(b) **Employees' end of service benefits**

In terms of UAE Labour Law, end of service benefits, in lieu of a pension, are payable when an employee leaves the employment of a company. Provision is made for this terminal gratuity, based on the maximum entitlement. For some employees, monthly contributions are made by the company to a recognised contributory pension fund, in lieu of and at least equal to the end of service benefits payable under the UAE Labour Law. The end of service benefits are calculated based on the employee's years of service with the company.

	31 December 2017	31 December 2016	31 December 2015
At 1 January	330	321	292
Charge for the year	69	74	64
Payments during the year	(53)	(65)	(35)
At 31 December	**346**	**330**	**321**

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligation at 31 December 2017, 2016 and 2015, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of each employee's expected service life with the company and the expected basic salary at the date of leaving the service. Management has assumed an average increment/promotion cost of 4.5% (2016: 3.5%/2015: 3.5%). The expected liability at the date of leaving the service has been discounted to its net present value using the discounted rate of 4.5% (2016: 4.5%/2015: 4.5%).

(c) **Defined contribution plans**

The Group's contributions to the defined contribution pension plans are charged to the statement of profit or loss and other comprehensive income in the year to which they relate and are included in employee benefits. Refer to note 20, selling and administration expenses.

17. TRADE AND OTHER PAYABLES

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Trade payables	158 508	91 388	88 197
Amounts due to related parties – note 27	38 329	20 715	23 981
Accruals	(394)	2 436	2 435
Employee benefits liabilities	7 241	6 471	10 694
Income received in advance	13 030	8 174	9 707
Voyages in progress	1 958	12 008	24 532
Other payables	8 363	7 226	2 710
	227 035	**148 418**	**162 256**
Less: non-current portion of amounts owing to related parties	(824)	(765)	(753)
Current portion	**226 211**	**147 653**	**161 503**

Trade payables have been classified as other payables in terms of IAS 39. Their carrying value approximates fair value due to the short term nature of these items.

18. PROVISIONS

US$'000 unless stated otherwise

	Equity-related compensation benefits	Charterers' liability	Onerous contracts	Total provisions
31 December 2017				
At beginning of the year	13 446	4 191	6 100	23 737
Provisions raised during the year	5 836	5 538	–	11 374
Provisions released during the year	–	(2 813)	(6 100)	(8 913)
Provisions utilised during the year	–	(2 794)	–	(2 794)
At end of the year	19 282	4 122	–	23 404
Current	19 282	1 237	–	20 519
Non-current	–	2 885	–	2 885
	19 282	4 122	–	23 404
31 December 2016				
At beginning of the year	15 501	3 470	3 120	22 091
Provisions raised during the year	–	5 592	6 100	11 692
Provisions released during the year	(2 055)	(2 500)	(3 120)	(7 675)
Provisions utilised during the year	–	(2 371)	–	(2 371)
At end of the year	13 446	4 191	6 100	23 737
Current	13 446	1 257	6 100	20 803
Non-current	–	2 934	–	2 934
	13 446	4 191	6 100	23 737
31 December 2015				
At beginning of the year	22 687	5 719	4 200	32 606
Provisions raised during the year	–	5 268	3 120	8 388
Provisions released during the year	(7 186)	(5 500)	(4 200)	(16 886)
Provisions utilised during the year	–	(2 017)	–	(2 017)
At end of the year	15 501	3 470	3 120	22 091
Current	15 501	1 041	3 120	19 662
Non-current	–	2 429	–	2 429
	15 501	**3 470**	**3 120**	**22 091**

Certain executive directors participate in a deferred benefit scheme in terms of which they receive a cash sum on ceasing employment, subject to various conditions being met, based on a calculated increase in entity value. The amount reflected is the estimated liability that would arise were the affected employees to cease employment at 31 December 2017. The increase/(decrease) in the provision was recognised in the statement of comprehensive income with the other employee benefits.

An inherent part of the shipping business is the incurral and issuance of claims in respect of charterer's liability on vessels. The Group ensures that it is adequately covered against such risks by taking out charterer's liability insurance. Based on historical experience the claims have been adequately provided for. Estimates are reviewed annually and adjusted as appropriate for new circumstances.

19. GROSS PROFIT

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Analysis of revenue:			
Steel trading	2 058 605	1 783 233	1 923 772
Freight and charter hire	717 679	569 070	722 418
	2 776 284	**2 352 303**	**2 646 190**
Analysis of cost of sales:			
Material cost	(1 899 225)	(1 646 533)	(1 754 791)
Freight costs	(44 147)	(31 065)	(36 741)
Charter hire and vessel operating costs	(428 140)	(302 327)	(356 453)
Port expenses	(124 314)	(109 942)	(133 862)
Bunker costs	(160 449)	(123 999)	(157 220)
Depreciation	(8 606)	(9 383)	(10 705)
Forward freight agreement settlements	4 146	3 115	(2 413)
Bunker swap settlements	5 214	(3 216)	(30 744)
Other	(38 959)	(54 717)	(70 903)
	(2 694 480)	**(2 278 067)**	**(2 553 832)**

20. SELLING AND ADMINISTRATION EXPENSES

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Employee benefits	(58 204)	(46 558)	(42 098)
Travel and entertainment	(3 219)	(2 873)	(3 341)
Information technology and communications	(4 149)	(3 717)	(3 921)
Office rental and related costs	(4 014)	(3 629)	(4 008)
Professional and legal fees	(3 989)	(3 925)	(3 800)
Depreciation and amortisation	(883)	(1 005)	(982)
Other administration costs	(3 150)	(2 240)	(2 454)
	(77 608)	**(63 947)**	**(60 604)**
Employee benefits include pension costs of	(2 244)	(2 516)	(2 083)
Number of full time employees	398	422	402
Professional and legal fees include audit fees of	(1 214)	(1 184)	(1 022)

21. OTHER INCOME

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Dividends received	2	9	1 935
Commission and fees received	5 865	6 733	5 602
Compensation on dispute settlement	–	1 856	134
Insurance claim income	3 003	43 955	5 784
Contractual claim income	–	8,872	–
Other	2 186	1 951	1 600
	11 056	**63 376**	**15 055**

22. OTHER LOSSES – NET

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Net foreign exchange gains/(losses)	3 864	(1 425)	4 031
Fair value (loss)/gains on foreign exchange forward contracts – note 9	(4 520)	1 913	(4 659)
Fair value gain on other investments	6	6	4
Impairment of non-current assets	14 055	–	(12 745)
Impairment of loans to joint ventures	(31)	(45)	(278)
Impairment of other receivables	–	(8 872)	–
Bad debt write-off/provision	1 810	(49 039)	–
Fair value gain/(loss) on forward freight agreements – note 9	(243)	56	480
Realised and unrealised fair value loss on forward freight agreements	3 903	3 171	(1 933)
Less realised gain recycled to gross profit – note 19	(4 146)	(3 115)	2 413
Fair value gain/(loss) on bunker swaps - note 9	2 159	3 449	4 183
Realised and unrealised fair value loss on bunker swaps	8 009	10 151	(15 661)
Cash flow hedges	(636)	(9 918)	(10 900)
Less realised loss recycled to gross profit – note 19	(5 214)	3 216	30 744
Profit on sale of non-current assets	13	25	21
Other	(377)	(935)	(479)
	16 736	**(54 867)**	**(9 442)**

The severe price volatility and increased counterparty risks caused some renegotiations or cancellations from Chinese suppliers resulting in losses that were later recovered in part when market prices reversed. Counterparty risk remained a focus area, and as a result of the volatile market conditions the possibility of renegotiations with customers in a falling market was challenging. To address this, we limited our price exposure with careful management of trading positions. The difficult economic conditions also affected our customers' ability to pay under certain conditions which resulted in losses arising from bad debts. The receivables were credit insured, but the Group absorbed the insurance deductibles.

23. NET FINANCE INCOME

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
• Finance income received and receivable on term sales	10 273	8 149	9 512
• Finance income received and receivable on deposits	1 263	991	2 433
Finance income	**11 536**	**9 140**	**11 945**
• Finance expense paid and payable on short term borrowings	(5 960)	(4 593)	(6 902)
• Finance expense paid and payable on long term borrowings	(1 758)	(1 560)	(1 569)
Finance expense	**(7 718)**	**(6 153)**	**(8 471)**
Net finance income	**3 818**	**2 987**	**3 474**

All short term borrowings have been raised to finance working capital. The total finance expense paid and payable arising from the short term borrowings is US$6.9 million (2016: US$4.5 million/2015: US$6.9 million) which is significantly less than the interest income earned from term sales of US$ 10 million (2016: US$7.7 million/2015: US$9.5 million). The interest rate used for intercompany loans and deposits reflects the actual weighted average cost of funding paid on bank loans by the Group and the actual weighted average deposit rate earned on cash deposits.

All borrowing costs and finance income are variable, based on cost-of-funds or LIBOR linked. Given that in aggregate finance income exceeds borrowing costs, a 0.5% increase in LIBOR, based on a year end rate of 1.56425% (2016: 0.77167%/2015: 0.4295%) should increase net finance income by approximately US$2.4 million (2016: US$1.9 million/2015: US$2.0 million) before tax.

24. TAXATION

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Taxation			
Current year	(4 725)	(4 191)	(5 005)
Prior year (under)/over provision	38	302	(224)
Withholding tax			
Current year	–	(58)	(3)
Deferred taxation			
Current year	78	113	189
	(4 609)	**(3 834)**	**(5 043)**
Reconciliation of the rate of taxation:			
Netherlands standard rate of taxation	25.0%	25.0%	25.0%
Reduced by the effect of:			
Income from joint ventures and associates shown net of tax	0.4%	5.4%	0.8%
Withholding tax	0.0%	1.2%	0.0%
Dividend income not subject to taxation	0.0%	0.0%	1.3%
Effect of tax exemptions in relevant jurisdictions	(12.3)%	(12.0)%	(13.7)%
Effective rate of taxation	**13.1%**	**19.6%**	**13.4%**

25. COMMITMENTS

US$'000 unless stated otherwise

Net rental commitments under operating leases for property, vessels and equipment as of 31 December 2017 are as follows:

	31 December 2017	31 December 2016	31 December 2015
Operating lease commitments: Leases as lessee			
Within one year	124 059	181 610	91 499
Later than one year and no later than five years	320 922	298 740	256 174
After five years	173 764	136 530	206 159
	618 745	**616 880**	**553 832**

These commitments arise mainly from the renting of vessels under time charter agreements and rental of office space which are non-cancellable operating leases. The leases have varying terms, escalation clauses, renewal rights and in certain cases, purchase options. US$428 million (2016: US$279 million/2015: US$337 million) was recognised as voyage operating costs in the statement of profit or loss and other comprehensive income in respect of vessel operating leases.

Operating lease commitments: Leases as lessor

The Group has re-let some of its vessels. The future minimum lease payments receivable under non-cancellable leases are as follows:

	31 December 2017	31 December 2016	31 December 2015
Within one year	12 511	4 838	3 489
	12 511	**4 838**	**3 489**
Capital commitments			
Capital expenditure authorised and incurred	48 542	60 362	77 138
Capital expenditure authorised and contracted for vessels	31 637	28 193	88 552
	80 179	**88 555**	**165 690**
Other commitments			
Outgoing letters of credit	265 996	203 884	209 488
	265 996	**203 884**	**209 488**

All the above capital commitments relate to the purchase of newbuilding vessels in joint ventures and are the Group's share of these joint venture commitments.

The capital commitments will be funded from bank borrowings and cash resources.

Other commitments are as a result of letters of credit opened for the purchase of material.

26. CONTINGENCIES AND GUARANTEES

The Group has contingent liabilities in respect of legal claims that arise in the normal course of business. However, no material liabilities are expected to arise from these contingencies. In addition no contingent liabilities are anticipated in the Group's associate, joint arrangement or partnership businesses.

At 31 December 2017 the MUR shipping group had internally given financial guarantees for certain ship owning joint ventures relating to agreements for the future delivery of newbuildings (refer note 25), as well as bank loans secured against these newbuildings. The MUR shipping group has counter guarantees from certain joint venture partners for their pro-rata share in the joint ventures. Furthermore the MUR shipping group had given performance guarantees for certain operating leases including newbuilding vessels (included in operating leases in note 25)

27. RELATED PARTY TRANSACTIONS

US$'000 unless stated otherwise

	31 December 2017	31 December 2016	31 December 2015
Parent and ultimate controlling party			
This company is a holding company that is jointly owned by Macsteel Holdings Luxembourg Sàrl and ArcelorMittal South Africa Ltd.			
Transactions with key management			
There were no transactions with key management except as described below.			
Short term employee benefits	8 156	6 578	9 767
Equity-related compensation benefits provision movement	5 836	(2 055)	(7 186)
	13 992	**4 523**	**2 581**
Transactions with parent companies and fellow subsidiaries			
Purchase of goods and services			
Entity that has joint control – purchase of steel	392 074	236 569	374 552
Subsidiary of ultimate parent company – purchase of steel	212 189	178 161	207 417
Subsidiary of ultimate parent company – administration fees	884	271	346
Other related party – commission paid	–	1 545	1 853
	605 147	**416 546**	**584 168**
Sale of goods and services			
Entity that has joint control – sale of steel	13 152	–	13 940
Subsidiary of ultimate parent company – sale of steel	7 770	4 612	2 949
Other related party – administration fees	21	100	967
	20 943	**4 712**	**17 856**
Related party receivables			
Subsidiary of ultimate parent company	147	34	52
Joint ventures/operations	17 174	17 579	18 488
Other related party	4 104	6 113	5 987
	21 425	**23 726**	**24 527**
Related party payables			
Entity that has joint control	35 135	2 036	12 101
Subsidiary of ultimate parent company	198	15 229	10 533
Other related party	766	765	753
Joint ventures/operations	2 230	2 529	499
	38 329	**20 559**	**23 886**

These transactions occurred under terms that are no less favourable than those arranged with third parties.

28. LIQUIDITY PROFILE

US$'000 unless stated otherwise.

The maturity profiles of the Group's financial instruments as at 31 December 2017 are summarised as follows:

	0-12 months	1-2 years	2+ years	Total
31 December 2017				
Financial assets				
Cash and cash equivalents	94 534	–	–	94 534
Derivative assets	5 952	682	–	6 634
Investments	–	–	45 788	45 788
Other receivables	16 237	11 371	4 104	31 712
Trade receivables	540 300	–	–	540 300
	657 023	**12 053**	**49 892**	**718 968**
Financial liabilities				
Derivative liabilities	2 081	–	–	2 081
Interest bearing borrowings	166 961	2 740	36 515	206 216
Trade and other payables	204 376	824	–	205 200
Financial guarantees	48 542	–	–	48 542
	421 960	**3 564**	**36 515**	**461 949**

The maturity profiles of the Group's financial instruments as at 31 December 2016 are summarised as follows:

	0-12 months	1-2 years	2+ years	Total
31 December 2016				
Financial assets				
Cash and cash equivalents	101 388	–	–	101 388
Derivative assets	6 760	450	–	7 210
Investments	–	–	45 341	45 341
Other receivables	22 737	14 741	–	37 478
Trade receivables	437 410	–	–	437 410
	568 295	**15 191**	**45 341**	**628 827**
Financial liabilities				
Bank overdrafts	9	–	–	9
Derivative liabilities	592	97	–	689
Interest bearing borrowings	166 059	4 883	32 732	203 674
Trade and other payables	132 377	–	–	132 377
Financial guarantees	60 362	–	–	60 362
	359 399	**4 980**	**32 732**	**397 111**

The maturity profiles of the Group's financial instruments as at 31 December 2015 are summarised as follows:

	0-12 months	1-2 years	2+ years	Total
31 December 2015				
Financial assets				
Cash and cash equivalents	132 378	–	–	132 378
Derivative assets	1 439	–	–	1 439
Investments	–	–	45 467	45 467
Other receivables	23 245	15 142	–	38 387
Trade receivables	473 261	–	–	473 261
	630 323	**15 142**	**45 467**	**690 932**
Financial liabilities				
Bank overdrafts	9	–	–	9
Derivative liabilities	9 415	4 231	–	13 646
Interest bearing borrowings	210 603	4 883	37 574	253 060
Trade and other payables	140 598	–	–	140 598
Financial guarantees	77 138	–	–	77 138
	437 763	**9 114**	**37 574**	**484 451**

29. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

Name – all unlisted	Domicile	Percentage ownership 31 December 2017	Percentage ownership 31 December 2016	Percentage ownership 31 December 2015
African Baza Shipping Co Ltd	Bahamas	50	50	50
African Blue Crane Shipping Co Ltd	Bahamas	50	50	50
African Dove Shipping Co Ltd	Bahamas	50	50	50
African Eagle Shipping Co Ltd	Bahamas	100	100	100
African Egret Shipping Co Ltd	Bahamas	50	50	50
African Falcon Shipping Co Ltd	Bahamas	100	100	100
African Gannet Shipping Co Ltd	Bahamas	50	50	50
African Goshwak Shipping Co Ltd	Bahamas	50	50	50
African Griffon Shipping Co Ltd	Bahamas	50	50	50
African Grouse Shipping Co Ltd	Bahamas	50	50	50
African Halcyon Shipping Co Ltd	Bahamas	100	100	100
African Harrier Shipping Co Ltd	Bahamas	50	50	50
African Hawk Shipping Co Ltd	Bahamas	100	100	100
African Heron Shipping Co Ltd	Bahamas	50	50	50
African Hornbill Shipping Co Ltd	Bahamas	100	100	100
African Ibis Shipping Co Ltd	Bahamas	100	100	100
African Jay Shipping Co Ltd	Bahamas	50	50	50
African Kestrel Shipping Co Ltd	Bahamas	50	50	50
African Kite Shipping Co Ltd	Bahamas	50	50	50
African Lark Shipping Co Ltd	Bahamas	50	50	50
African Macaw Shipping Co Ltd	Bahamas	50	50	50
African Merlin Shipping Co Ltd	Bahamas	50	50	50
African Osprey Shipping Co Ltd	Bahamas	100	100	100
African Owl Shipping Co Ltd	Bahamas	50	50	50
African Pelican Shipping Co Ltd	Bahamas	50	50	50
African Piper Shipping Co Ltd	Bahamas	50	50	50
African Quail Shipping Co Ltd	Bahamas	–	100	100
African Raptor Shipping Co Ltd	Bahamas	50	50	50
African Raven Shipping Co Ltd	Bahamas	50	50	50
African Robin Shipping Co Ltd	Bahamas	100	100	100
African Rook Shipping Co Ltd	Bahamas	50	50	50
African Sanderling Shipping Co Ltd	Bahamas	100	100	100
African Starling Shipping Co Ltd	Bahamas	100	100	100
African Swan Shipping Co Ltd	Bahamas	100	100	100
African Tern Shipping Co Ltd	Bahamas	50	50	50
African Toucan Shipping Co Ltd	Bahamas	50	50	50
African Wagtail Shipping Co Ltd	Bahamas	50	50	50
African Weaver Shipping Co Ltd	Bahamas	50	50	50

Name – all unlisted	Domicile	Percentage ownership 31 December 2017	Percentage ownership 31 December 2016	Percentage ownership 31 December 2015
Argonautica Joint Ventures B.V.	Netherlands	100	100	100
Argonautica Shipping Investments B.V.	Netherlands	100	100	100
Dockendale Ship Management DMC CO	Dubai	100	100	100
Dockendale Ship Management PVT Ltd	India	100	100	100
East Indies Shipping B.V.	Netherlands	75	75	75
International Bulk Investments Shipping B.V.	Netherlands	100	100	100
International Strategic Shipping Investments B.V.	Netherlands	50	50	50
Jebmur Shipping B.V.	Netherlands	50	50	50
Macsteel International Australia (Pty) Ltd	Australia	100	100	100
Macsteel International Business Support Services (Pty) Ltd	South Africa	100	100	100
Macsteel International DMCC	Dubai	100	100	100
Macsteel International Far East Ltd	Hong Kong	100	100	100
Macsteel International Trading B.V.	Netherlands	100	100	100
Macsteel International Trading Holdings B.V.	Netherlands	100	100	100
Macsteel International USA Corp	North America	100	100	100
MUR Group BV	Netherlands	92	–	–
MUR Hubs BV	Netherlands	100	–	–
MUR Investments B.V.	Netherlands	100	100	100
MUR Joint Ventures B.V.	Netherlands	100	100	100
MUR Shipping Australia (Pty) Ltd	Australia	100	100	100
MUR Shipping B.V.	Netherlands	100	100	100
MUR Shipping Denmark A.S.	Denmark	100	100	100
MUR Shipping DMC CO	Dubai	100	100	100
MUR Shipping Holdings B.V.	Netherlands	100	92	92
MUR Shipping Romania S.R.L.	Romania	100	100	100
MUR Shipping RSA (Pty) Ltd	South Africa	100	100	100
Soluciones Mimex SR de CV	Mexico	99	99	99
Tamet SA	Spain	100	100	100

30. SUBSEQUENT EVENTS

Macsteel International Trading Holdings BV entered into an agreement to acquire certain assets and employ a number of employees from Commercial Metals Company, Australia, effective 2 March 2018.

As part of the acquisition, 36 employees and the leases for an office in Melbourne and a warehouse in Newcastle will be taken over. Existing inventory and the forward book will also be taken over. The purchase consideration amounted to AUD58 million and was primarily for the value of the inventory and forward book.

This acquisition gives the Group a presence in a region where we expect sustained future growth.

PRICEWATERHOUSECOOPERS INC'S INDEPENDENT AUDIT AND REVIEW REPORTS ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF MIHBV

INDEPENDENT REPORTING ACCOUNTANT'S AUDIT REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF MIHBV:

To the directors of ArcelorMittal South Africa Limited

Our opinion

ArcelorMittal South Africa Limited ("AMSA") is issuing a circular to its shareholders (the "Circular") regarding the proposed sale by AMSA of the indirect 50% interest in Macsteel International Holdings BV ("MIHBV") to a subsidiary of Macsteel Holdings Luxembourg.

In our opinion, the consolidated historical financial information of MIHBV as set out in Annexure 3 of the circular (the "consolidated historical financial information') present fairly, in all material respects the consolidated financial position of Macsteel International Holdings BV (the Company) and its subsidiaries (the Group) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the JSE Limited Listing requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about Tuesday, 28 August 2018, we have audited MIH BV's consolidated historical financial information which comprises:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and.
- the notes to the consolidated historical financial information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Reporting accountant's responsibilities for the audit of the consolidated historical financial information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors* (*IRBA Code*) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Other Matter – Prior period financial statements reviewed but not audited

The consolidated historical financial information of MIHBV as at 31 December 2016 and 31 December 2015 and for the years then ended was not audited by us but was subject to review. A review engagement is substantially less in scope than an audit. Our review report dated 16 August 2018 contained unqualified conclusions on the consolidated historical financial information.

Purpose of this report

This report has been prepared for the purpose of the Circular to be issued by AMSA and for no other purpose.

Responsibilities of the directors for the consolidated historical financial information

The directors of AMSA are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that AMSA complies with the JSE Limited Listings Requirements.

The directors of MIHBV are responsible for the preparation and fair presentation of the consolidated historical financial information in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements and for such internal control as the directors determine is necessary to enable the preparation of consolidated historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated historical financial information, the directors of MIHBV are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the consolidated historical financial information

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

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

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

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

PricewaterhouseCoopers Inc.
Director: Berno Niebuhr
Registered Auditor
Johannesburg

16 August 2018

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF MIHBV:

To the directors of ArcelorMittal South Africa Limited

Introduction

ArcelorMittal South Africa Limited ("AMSA") is issuing a circular to its shareholders (the "Circular") regarding the proposed sale by AMSA of the indirect 50% interest in Macsteel International Holdings BV ("MIHBV") to a subsidiary of Macsteel Holdings Luxembourg (the "Proposed Sale").

At your request and for the purpose of the Circular to be dated on or about Tuesday, 28 August 2018, we have reviewed the consolidated historical financial information of Macsteel International Holdings BV (the Company) and its subsidiaries (the Group) as set out in Annexure 3 to the Circular, which comprises the consolidated statements of financial position of the Group as at 31 December 2016 and 31 December 2015 and the related consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated historical financial information, which include a summary of significant accounting policies (the 'consolidated historical financial information'), in compliance with the JSE Limited ("JSE") Listings Requirements.

Directors' responsibility

The directors of AMSA are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that AMSA complies with the JSE Limited Listings Requirements. The directors of MIHBV are responsible for the preparation and fair presentation of the consolidated historical financial information in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated historical financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the consolidated historical financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 which applies to a review of historical 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 consolidated historical financial information is 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 the consolidated historical financial information 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 the consolidated historical financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated historical financial information of MIHBV as set out in Annexure 3 to the Circular, do not present fairly, in all material respects, the financial position of Macsteel International Holdings BV as at 31 December 2016 and 31 December 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements.

Intended users

The consolidated historical financial information is prepared for the board of directors of AMSA to assist them in presenting the financial position and results of MIH BV in the Circular, in connection with the Proposed Sale. As a result, the consolidated historical financial information may not be suitable for another purpose.

PricewaterhouseCoopers Inc.
Director: Berno Niebuhr
Registered Auditor
Johannesburg

16 August 2018

ArcelorMittal

ARCELORMITTAL SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1989/002164/06)
Share code: ACL ISIN: ZAE000134961
("ArcelorMittal" or "the Company")

FORM OF PROXY

Unless the context may so otherwise require, the 'Definitions and Interpretations' commencing on page 4 of the Circular to which Circular this Form of Proxy is attached and forms part, applies, *mutatis mutandis,* to this Form of Proxy.

SHAREHOLDERS ARE REFERRED TO THE INSTRUCTIONS AND NOTES REGARDING THIS FORM OF PROXY PROVIDED OVERLEAF.

FORM OF PROXY FOR USE ONLY BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN-NAME REGISTRATION AT THE GENERAL MEETING OF THE COMPANY TO BE HELD AT THE COMPANY'S REGISTERED OFFICES, VANDERBIJLPARK WORKS, ROOM N3 – 5, MAIN BUILDING, DELFOS BOULEVARD, VANDERBIJLPARK 1911, SOUTH AFRICA ON THURSDAY, 27 SEPTEMBER 2018 AT 09:30.

Holders of Dematerialised Shares, other than with Own-Name Registration, must inform their CSDP or Broker timeously of their intention to attend the General Meeting and request their CSDP to issue them with the necessary letter of representation to attend the General Meeting in person or provide their CSDP or Broker with their voting instructions should they not wish to attend the General Meeting in person but nevertheless wish to be represented thereat. This must be done in terms of the agreement entered into between the Shareholder and the CSDP or Broker concerned.

I/We

(full names in BLOCK LETTERS)

of address:

Telephone number:

Cellphone number:

Email:

being the holders of ArcelorMittal Shares, do hereby appoint (see note 1):

1. or failing him/her

2. or failing him/her,

3. the Chairperson of the General Meeting,

as my/our proxy to act for me/us at the General Meeting of the Company to be held at the Company's Registered Offices, Vanderbijlpark Works, Room N3 – 5, Main Building, Delfos Boulevard, Vanderbijlpark 1911, South Africa on Thursday, 27 September 2018 at 09:30 and at any adjournment thereof for the purpose of considering and, if deemed fit, approving with or without modification, the ordinary resolutions to be proposed thereat and to vote for and/or against such resolutions in respect of the ArcelorMittal Shares registered in my/our name/s in accordance with the following instructions;

	Number of Shares		
	For	**Against**	**Abstain**
ORDINARY RESOLUTION NUMBER 1: (Approval of Sale and Purchase of shares Agreement as a Category 1 transaction in terms of the JSE Listings Requirements)			
ORDINARY RESOLUTION NUMBER 2: (Authority for Directors and Company Secretary to act)			

Please indicate with an 'X' in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Signed at this day of 2018

Signed

Assisted by (if applicable)

NOTES TO FORM OF PROXY

INSTRUCTIONS AND NOTES REGARDING THIS FORM OF PROXY, WHICH INCORPORATES THE RIGHTS ESTABLISHED UNDER SECTION 58 OF THE COMPANIES ACT:

1. For effective administration, this Form of Proxy should be received at the Company's Transfer Secretaries, namely, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa by no later than 09:30 on Tuesday, 25 September 2018. If a Shareholder does not wish to deliver this Form of Proxy following its completion to that address, it may also be posted, at the risk of the Shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107, South Africa or it may be handed to the Chairperson of the General Meeting at any time prior to the commencement of the General Meeting.
2. This Form of Proxy is for use only by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration who may wish to appoint another person as a proxy to represent them at the General Meeting. If duly authorised, companies and other corporate bodies who are registered Shareholders may appoint a proxy using this Form of Proxy, or may appoint a representative in accordance with point 12 below. All Dematerialised Shareholders with Own-Name Registration through a CSDP or Broker must provide the CSDP or Broker with their voting instruction. Alternatively, if they wish to attend the General Meeting in person, they should request the CSDP or Broker to provide them with a letter of representation in terms of the custody agreement entered into between the Shareholder and the CSDP or Broker.
3. This Proxy Form shall apply to all of the ArcelorMittal Shares registered in the name of the Shareholder who signs this Form of Proxy as of the voting record date, unless a lesser number of Shares is inserted into the requisite blocks overleaf.
4. A Shareholder may appoint one person of his own choice as his proxy, or an alternative proxy, by inserting the name of such proxy in the space provided overleaf. Any such proxy need not be a Shareholder of the Company. If the name of the proxy, or his/her alternative is not inserted, the Chairperson of the General Meeting will be appointed as the proxy. If more than one name is inserted, then the person whose name appears first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in terms of this Form of Proxy may delegate the authority given to him in this Form of Proxy by delivering to the Company, in the manner required by these instructions, a further Form of Proxy which has been completed in a manner consistent with the authority given to the proxy in this Form of Proxy.
5. Unless revoked, the appointment of a proxy in terms of this Form of Proxy shall remain valid until the conclusion of the General Meeting, even if the General Meeting or part thereof is postponed or adjourned.
6. If:
    - 6.1 a Shareholder does not indicate on this Form of Proxy that the proxy is to vote in favour of, or, against, or to abstain from voting on any of the resolutions that are being considered; or
    - 6.2 the Shareholder gives contradictory instructions in relation to any matter; or
    - 6.3 any additional resolution/s which are properly put before the meeting; or
    - 6.4 any resolution as is listed on this Form of Proxy is modified or amended, then the proxy shall be entitled to vote or abstain from voting, as such proxy thinks fit, in relation to that resolution or matter. If, however, the Shareholder has provided further written instructions which accompany this Form of Proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 through 6.4, then the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the Shareholder, whether in terms of a power of attorney or otherwise, then this Form of Proxy will not be effective, unless:
    - 7.1 it is accompanied by a certified copy of the authority given by the Shareholder to the signatory; or
    - 7.2 the Company has already received a certified copy of that authority.
8. The Chairperson of the General Meeting may, in his discretion, accept or reject any Form of Proxy or other written appointment of a proxy which is received by the Chairperson prior to the time when the General Meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the Chairperson of the General Meeting shall not accept any such appointment of a proxy unless the Chairperson of the General Meeting is satisfied that it reflects the intention of the Shareholder appointing the proxy.
9. Any alterations made in this Form of Proxy must be initialled by the authorised signatory/ies.
10. This Form of Proxy is revoked if the Shareholder who granted the proxy:
    - 10.1 for effective administration, gives written notice of such revocation to the Company, so that it is received by the Company by not later than 09:30 on Tuesday, 25 September 2018 or handed to the Chairperson of the General Meeting at any time prior to the commencement of the General Meeting;
    - 10.2 subsequently appoints another proxy for the General Meeting; or
    - 10.3 attends the General Meeting in person.
11. All notices which a Shareholder is entitled to receive in relation to the Company shall continue to be sent to that Shareholder and shall not be sent to the proxy.
12. If duly authorised, companies and other corporate bodies who are Shareholders of the Company having Shares registered with Own-Name Registration may, instead of completing this Form of Proxy, appoint a representative to represent them and exercise all of their rights at the General Meeting by giving written notice of the appointment of that representative. For effective administration, such notice will not be effective at the General Meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's Transfer Secretaries' office, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa by not later than 09:30 on Tuesday, 25 September 2018 or handed to the Chairperson of the General Meeting prior to commencement of the General Meeting. If a Shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the Shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107, South Africa. Certificated Shareholders and/or Own Name Dematerialised Shareholders may also use the email address: proxy@computershare.co.za.
13. The completion and lodging of this Form of Proxy does not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person to the exclusion of any proxy appointed by the Shareholder.
14. The Chairperson of the General Meeting may accept or reject any Form of Proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a Shareholder wishes to vote.

Transfer Secretaries Office

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)

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