ArcelorMittal

Financial Report 2012

Safe Sustainable Steel

Vision

We take pride in our market leadership position in South Africa and aim to extend our role to serve the broader sub-Saharan African continent. We value our customers and aspire to be regarded by them as their supplier of choice. We intend to accomplish this by producing quality steel products through the expertise of the best people in the industry. We will continuously strive to be among the lowest-cost steel producers in the world.

Mission

We aim to achieve our vision by:

- Producing safe, sustainable steel.
- Pursuing operational excellence in all business processes.
- Producing innovative steel solutions for our customers.
- Caring for our environment and the communities in which we operate.
- Striving to become an employer of choice.
- Living the brand values of Sustainability, Quality and Leadership.

The 2012 Integrated Annual Report, which contains detail on ArcelorMittal South Africa's operations and sustainability performance, can be found online at:
www.arcelormittalsa.com/investorrelations/annualreports.aspx

Contents

The JSE Limited (JSE) has granted ArcelorMittal South Africa Limited a listing in respect of 445 752 132 shares (the listing), Share Code: ACL and ISIN: ZAE000134961

Financial year-end: 31 December of each year

Notice of annual general meeting on page 102.

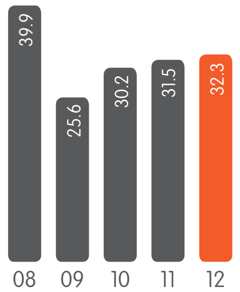
www.arcelormittalsa.com

Group financial summary

	2012	2011
Physical ('000 tonnes)		
Liquid steel production	**5 090**	5 453
Domestic sales	**3 336**	3 507
Export sales	**1 286**	1 201
Financials (Rm)		
Revenue	**32 291**	31 453
EBITDA	**1 121**	1 720
(Loss)/profit from operations	**(477)**	297
– Flat Carbon Steel Products	**(1 560)**	(536)
– Long Carbon Steel Products	**471**	231
– Coke and Chemicals	**471**	818
– Corporate and other	**141**	(216)
Headline (loss)/earnings	**(518)**	(52)
Net cash flow before financing activities	**651**	(2 624)
Total assets	**30 898**	32 422
Share information (cents)		
Headline (loss)/earnings per share	**(129)**	(13)
Dividend per share		55
Financial ratios (%)		
Return on shareholders' equity (headline)	**(2.3)**	(0.2)
Net cash to equity	**2.1**	0.4

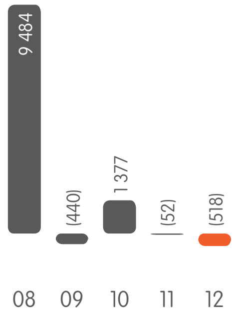
Revenue

R32 291 million



Headline (loss) earnings

(R518) million

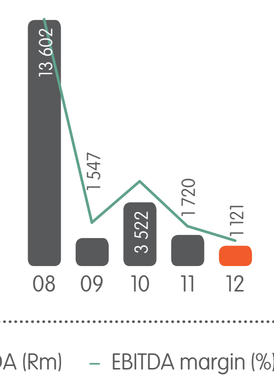


Group review at a glance

	Year ended 31 December					
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Group income statements						
Revenue	**32 291**	31 453	30 224	25 598	39 914	29 301
Profit/(loss) from operations						
Flat Carbon Steel Products	**(1 560)**	(536)	347	(614)	7 007	4 827
Long Carbon Steel Products	**471**	231	826	315	3 672	2 652
Coke and Chemicals	**471**	818	985	449	1 743	727
Corporate, other and eliminations	**141**	(216)	(7)	79	(263)	(503)
Total	**(477)**	297	2 151	229	12 159	7 703
(Losses)/gains on changes in foreign exchange rates and financial instruments	**(9)**	124	(150)	(813)	637	(131)
Net financing (cost)/income	**(268)**	(263)	(288)	(77)	80	325
Income from investments	**3**	2	2	3	3	4
Income from equity-accounted investments (net of tax)	**59**	(34)	122	206	331	270
Income tax credit/(expense)	**184**	(118)	(492)	(35)	(3 865)	(2 455)
Impairment reversal				9	36	
Adjustments to attributable income for headline earnings (net of tax)	**(10)**	(60)	32	38	103	25
Headline (loss)/earnings	**(518)**	(52)	1 377	(440)	9 484	5 741
Headline (loss)/earnings per share (cents)	**(129)**	(13)	343	(104)	2 128	1 288
Dividends per share (cents)	**0**	55	150		707	429
Cash flow statements						
Cash flows from operations	**1 776**	(1 412)	1 337	1 693	5 578	4 623
Capital expenditure	**(875)**	(1 190)	(1 714)	(914)	(1 832)	(1 852)
Investments	**(369)**	(180)	(120)	(524)		(16)
Other	**119**	158	128	91	19	116
Net cash flow before financing activities	**651**	(2 624)	(369)	346	3 765	2 871

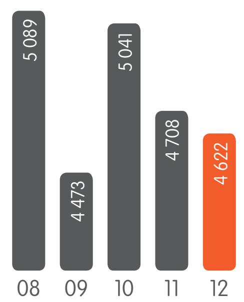
EBITDA

R1 121 million



Steel sales

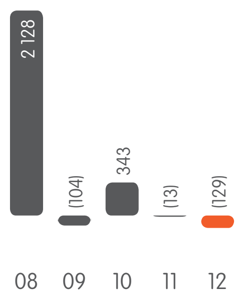
4 622 ('000 tonnes)



	Year ended 31 December					
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Group statement of financial position						
Assets						
Non-current assets						
Property, plant and equipment	**16 068**	16 618	16 432	15 862	15 917	15 525
Intangible assets	**121**	126	84	72	71	58
Equity-accounted investments	**3 204**	2 772	2 386	2 369	1 968	1 109
Other financial assets	**26**	57	208	187	203	195
Current assets						
Cash and cash equivalents	**884**	439	3 506	4 348	8 429	4 034
Other	**10 595**	12 410	9 102	7 946	10 847	7 284
Total assets	**30 898**	32 422	31 718	30 784	37 435	28 205
Equity and liabilities						
Capital and reserves						
Total shareholders' equity	**22 242**	22 669	22 556	21 925	27 995	20 583
Non-current liabilities						
Borrowings and other payables	**270**	241	224	220	273	52
Non-current provisions	**1 364**	1 472	1 499	1 420	1 661	1 290
Finance lease obligations	**426**	451	515	557	314	328
Deferred income tax liability	**2 031**	2 310	2 354	2 435	2 526	2 603
Current liabilities						
Borrowings and other payables	**157**	107	88	153	100	10
Finance lease obligations	**77**	57	59	57	40	88
Other	**4 331**	5 115	4 423	4 017	4 526	3 251
Total equity and liabilities	**30 898**	32 422	31 718	30 784	37 435	28 205

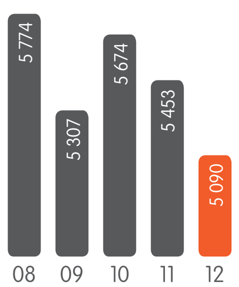
Headline (loss) earnings per share

(129) cents



Liquid steel production

5 090 ('000 tonnes)



Group review at a glance *continued*

	Year ended 31 December					
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Ratios						
Profitability and asset management						
Return on net assets (%) – annualised	**(1.6)**	1.0	8.4	1.5	43.2	30.3
Return on ordinary shareholders' equity (%)						
– Attributable earnings (%)	**(2.3)**	0.0	6.0	(1.9)	38.6	26.1
– Headline earnings (%)	**(2.3)**	(0.2)	6.2	(1.8)	39.0	26.2
Return on invested capital (%)	**(1.6)**	1.1	10.1	1.9	56.0	40.0
Operating margin (%)	**(1.5)**	0.9	7.1	0.9	30.5	26.3
Net asset turn (times)	**1.2**	1.2	1.1	1.0	1.2	1.2
Solvency and liquidity						
Current ratio (times)	**2.5**	2.4	2.8	2.9	4.1	3.4
Net debt to equity ratio (%)	**2.1**	0.4	14.2	18.1	28.8	19.3
Productivity						
Average number of employees ('000)	**9.6**	9.6	9.1	9.2	9.5	9.1
– Steel	**7.9**	8.1	7.8	8.0	8.6	8.2
– Corporate and other	**1.7**	1.5	1.3	1.2	0.9	0.9
Revenue per average employee (R'000)	**3 352**	3 285	3 305	2 767	4 293	3 217
Prices (actual invoiced) US$/t C&F						
Hot-rolled coil export price	**679**	804	703	508	966	659
Low carbon wire rod export price	**727**	760	698	510	909	592

	Five-year annual compound growth rate %	Year ended 31 December					
		2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Share performance							
Number of shares in issue (million)		**401**	401	401	401	446	446
Weighted average in issue (million)		**401**	401	401	423	446	446
Earnings per ordinary share							
– Basic earnings basis (cents)		**(127)**	2.0	335.2	(113.0)	2 104.5	1 282.3
– Headline earnings basis (cents)		**(129)**	(13.0)	343.2	(104.0)	2 127.6	1 287.9
Dividend per ordinary share (cents)		**0.0**	55.0	150.0	0.0	707.0	429.0
Dividend cover (times)		**0.0**	(0.2)	2.3	0.0	3.0	3.0
Net equity per ordinary share (cents)	3.7	**5 544**	5 650	5 622	5 465	6 280	4 618

	Five-year annual compound growth rate %	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
			Year ended 31 December				
Steel							
Liquid steel production ('000 tonnes)							
Flat Carbon Steel Products	(3.4)	**3 554**	4 060	3 814	3 428	4 084	4 231
Long Carbon Steel Products	(6.5)	**1 536**	1 393	1 860	1 879	1 690	2 144
Total	(4.4)	**5 090**	5 453	5 674	5 307	5 774	6 375
Sales							
Local ('000 tonnes)							
Flat Carbon Steel Products	(5.1)	**2 223**	2 468	2 336	2 079	2 835	2 886
Long Carbon Steel Products	(6.2)	**1 113**	1 039	1 078	993	1 540	1 535
Total	(5.5)	**3 336**	3 507	3 414	3 072	4 375	4 421
SA customers (%)	Ave 89.0	**72**	74	68	69	86	76
Export ('000 tonnes)							
Flat Carbon Steel Products	(2.6)	**915**	956	1 012	779	577	1 042
Long Carbon Steel Products	0.3	**371**	245	615	622	137	366
Total	(1.8)	**1 286**	1 201	1 627	1 401	714	1 408
Export (%)	Ave 36.8	**28**	26	32	31	14	24

	Five-year annual compound growth rate %	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
			Year ended 31 December				
International crude steel production (million tonnes)							
Worldwide	2.8	**1 550**	1 490	1 417	1 232	1 329	1 347
Asia	6.0	**1 012**	954	903	807	771	757
European Union	(4.3)	**169**	177	173	139	198	210
Northern America	(1.7)	**122**	119	111	83	124	133
CIS	(2.2)	**111**	112	108	98	114	124
Other	2.0	**136**	128	122	105	122	123

Supplementary information at a glance

	Year ended 31 December					
	2012	2011	2010	2009	2008	2007
JSE Securities Exchange statistics						
Number of ordinary shares traded (million)	**125**	173	217	291	348	251
Number of transactions ('000)	**111**	107	283	321	308	136
Value of ordinary shares traded (Rm)	**6 187**	12 642	19 384	27 740	54 435	31 887
% of issued shares traded (Rm)	**27**	43	54	73	78	56
Year-end market price/headline earnings ratio (times) – annualised	**(27.9)**	(527.5)	23.1	(99.0)	4.2	10.6
Headline earnings yield at year-end (%) – annualised	**(3.6)**	(0.2)	4.3	(1.0)	24.1	9.4
Dividend yield at year-end (%) – annualised	**0.0**	0.8	1.9	0.0	8.0	3.1
Market price per ordinary share (cents)						
– year-end	**3 600**	6 858	7 922	10 300	8 845	13 650
– highest	**7 065**	9 360	11 745	12 796	26 500	15 300
– lowest	**2 517**	5 500	7 115	6 120	5 865	9 153
– weighted average price per share trade	**4 950**	7 308	8 933	9 533	15 642	12 704
Year-end market price/net equity per ordinary share (times)	**0.65**	1.21	1.41	1.88	1.41	2.96
Market capitalisation at year-end (Rm)	**14 443**	27 514	31 783	41 324	39 427	60 845
Iscor share price index (base:2007=0)	**26**	70	129	157	307	474
JSE Actuaries index – Industrial (base 2007=0)	**183**	161	207	221	246	299

Definitions

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Current ratio
Current assets divided by current liabilities. Current liabilities include short-term borrowings and interest-free liabilities other than deferred taxation.

Dividend cover
Headline earnings per ordinary share divided by dividends per ordinary share.

Dividend yield
Dividends per ordinary share divided by the year-end share price at the JSE Limited.

Earnings per ordinary share

- Attributable earnings basis
  Basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

- Headline earnings basis
  Earnings attributable to ordinary shareholders adjusted for profits or losses on items of a capital nature recognising the taxation and minority impacts on these adjustments divided by the weighted average number of ordinary shares in issue during the year.

- Diluted earnings basis
  Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

EBITDA margin
Earnings before interest, taxation, depreciation and amortisation as a percentage of revenue.

Financial gearing (debt-equity ratio)
Interest-bearing debt less cash and cash equivalents as a percentage of total shareholders' equity.

Headline earnings yield
Headline earnings per ordinary share divided by the year-end share price at the JSE Limited.

Invested capital
Net equity, borrowings and other payables, finance lease obligations, non-current provisions and deferred taxation less cash and cash equivalents.

Net assets
Sum of non-current assets and current assets less all current interest-free liabilities.

Net asset turn
Revenue divided by closing net assets.

Net equity per ordinary share
Ordinary shareholders' equity divided by the number of ordinary shares in issue at the year end.

Number of years to repay interest-bearing debt
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

Operating margin
Net operating profit as a percentage of revenue.

Price-earnings ratio
The closing share price on the JSE Limited divided by earnings per ordinary share.

Return on ordinary shareholders' equity

- Attributable earnings
  Basic attributable earnings to ordinary shareholders as a percentage of average ordinary shareholders' equity.

- Headline earnings
  Headline earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

Return on invested capital
Net operating profit plus income from non-equity-accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average invested capital.

Return on net assets
Net operating profit plus income from non-equity-accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average net assets.

Revenue per employee
Revenue divided by the average number of employees during the year.

Stock rotation days
Inventories at year-end multiple with 365 days divided by cost of goods sold for the year.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period which they have participated in the income of the group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

Weighted average price paid per share traded
The total value of shares traded each year divided by the total volume of shares traded for the year on the JSE Limited.

Board of directors

PM Makwana *(Mpho) (42)*
Independent non-executive chairman
BAdmin (Hons)
Appointed as independent board chairman on 5 February 2013. Chairman of the nominations committee. Mr Makwana is a management strategist with 20 years' executive experience in both the private and public sectors. Director of companies including Adcock Ingram Holdings Limited, Nedbank Group Limited and Nedbank Limited.

N Nyembezi-Heita *(Nonkululeko) (53)*
Chief Executive Officer
BSc (Hons) (Elec Eng), MSc (Elec Eng), MBA
Appointed as CEO and a member of the board on 1 March 2008. She was previously chief officer, mergers & acquisitions, at the Vodacom group and prior to joining Vodacom, she had served as CEO of Alliance Capital Management and chairman of Alliance Capital Namibia. Director of companies, including Macsteel International Holdings BV, the JSE Limited and Old Mutual plc. She is currently the chairperson of SAISI.

MJ Wellhausen *(Matthias) (56)*
Chief Financial Officer
Master's Degree in Economics (University of Hamburg)
Appointed as CFO on 2 January 2013. He was previously the vice president of finance and controlling and chief financial officer of ArcelorMittal group for ACIS segment. He started his career at IBM Corporation where he moved through various financial management positions to director of treasury operations Northern Europe. In 1996 he joined the steel industry and held the CFO position at EKO Stahl GmbH for seven years. After the creation of Arcelor, he led the integration office until 2006.

DCG Murray *(Chris) (68)*
Independent non-executive director
BCom, CA, MBL
Appointed independent non-executive director on 11 May 2007. Chairs the safety, health and environment committee and is a member of the social, ethics and remuneration committee, the audit and risk committee and the nominations committee. Previously chief executive of Haggie Group until 2004. Active for the Steel and Engineering Industries Federation of South Africa (SEIFSA).

ND Orleyn *(Thandi) (56)*
Independent non-executive director
BJuris, BProc LLB, PhD Hons
Appointed independent non-executive director on 1 February 2007. Chairs the social, ethics and remuneration committee and is a member of the nominations committee. Director of companies, including South African Reserve Bank, Impala Platinum Holding Limited, Western Areas Limited, Toyota SA Limited and Reunert Limited.

M Macdonald *(Malcolm) (70)*
Independent non-executive director
BCom, CA(SA)
Appointed independent non-executive director on 4 February 2010. Chairman of the audit and risk committee and member of the safety, health and environment committee. Between 1997 and 2004 Macdonald was the Financial Director of Iscor Limited, ArcelorMittal South Africa's predecessor, and currently serves as a non-executive director and chairman of audit committees on the boards of Astral Foods Limited and Gijima Group Limited.

LP Mondi *(Lumkile) (50)*

Non-executive director

MA Economics (Eastern Illinois University), BCom Hons Economics (Wits University)

Appointed non-executive director on 11 May 2007. Member of the social, ethics and remuneration committee. Chief Economist of the Industrial Development Corporation. Director of companies, including Yard Capital (Pty) Ltd, Incwala Resources (Pty) Ltd, KWV Holdings Limited, Ucingo, Giri Investment, G10 and Antares.

DK Chugh *(Davinder) (56)*

Non-executive director

BA LLB, BSc Hons, MBA (India)

Joined ArcelorMittal South Africa in May 2002 as executive director, commercial. Appointed chief executive officer in September 2004. Appointed non-executive director in September 2006 member of the social, ethics and remuneration committee.

S Maheshwari *(Sudhir) (49)*

Non-executive director

BCom (Hon), CA CS

Executive vice president, finance & corporate treasurer for Mittal Steel Company N.V. Appointed non-executive director on 25 November 2005.

FA du Plessis *(Fran) (58)*

Independent non-executive director

BComm (Law), LLB (Stellenbosch University), CA

Appointed independent non-executive director on 4 May 2011. Member of the audit and risk committee. Previously served on the IDC and SAA boards. She also serves on the boards of Naspers Limited, Sanlam Limited, Palaborwa Mining Company Limited and Life Healthcare Group Holdings Limited.

GP Urquijo *(Gonzalo) (51)*

Non-executive director

Economics and Political Science (Yale), MBA (Instituto de Empresa, Madrid)

Appointed as a non-executive director on 27 May 2011. He has held several other positions within the ArcelorMittal group, including deputy senior executive vice president and head of the functional directorates of distribution.

Corporate governance report

Introduction

ArcelorMittal South Africa is a public company listed under the Industrial – Steel and Other Metals sector of the JSE Limited (JSE). The company is subject to the JSE Listings Requirements, the Companies Act 2008 (Act No 71 of 2008) as amended (Companies Act) as well as other legislation applicable to companies in South Africa.

In addition, the company supports the principles set out in the King Code and Report on Governance for South Africa (King III). A report setting out how the company has applied the 75 principles of the King Code during the period under review and, highlighting any exceptions, is set out on page 113.

The board of directors confirms its commitment to the highest standards of corporate governance and recognises that practices and procedures can always be improved. Hence, the board will continuously review the company's own standards against those in a variety of jurisdictions.

Key changes for the year under review

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, the King Code and current legislation. The board approved revised board and committee terms and references. During the period under review, the following changes were made:

- Social and ethics committee, which was constituted in 2011 as a statutory committee insofar as its obligations are set by the Companies Act, was combined with the remuneration committee to form the social, ethics and remuneration committee
- The terms of references for all the board committees were amended
- Work plans for the board and board committees for 2013 were approved.

Shareholders are advised to read the full corporate governance report in the annual financial statements report.

The board of directors

Roles and responsibilities

The board is governed by a formal board Charter setting out composition, processes and responsibilities. The primary responsibilities of the board include to:

- retain full and effective control of the company;
- give strategic direction to the company;
- monitor management in implementing plans and strategies, as approved by the board;
- appoint the CEO and executive directors;
- ensure that succession is planned;
- identify and regularly monitor key risk areas and key performance indicators of the business;
- ensure that the company complies with relevant laws, regulations and codes of business practice;
- ensure that the company communicates with shareowners and relevant stakeholders openly and promptly;
- identify and monitor relevant non-financial matters;
- establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management; and
- assess the performance of the board, its committees and its individual members on a regular basis.

Membership

For the year under review, the board consisted of 11 members: five independent non-executive directors (Messrs MJN Njeke, DCG Murray, M Macdonald, Ms ND Orleyn and Ms FA du Plessis, four non-executive directors (Messrs DK Chugh, S Maheshwari, GP Urquijo and LP Mondi) and two executive directors (Ms N Nyembezi-Heita, the chief executive officer, and Mr R Torlage, the chief financial officer).

Changes to directorate

Changes to the directorate are as follows:

- Resignation of Mr CDP Cornier as non-executive director on Tuesday, 24 January 2012;
- With effect from 2 January 2013 the board appointed Mr MJ Wellhausen as chief financial officer, allowing Mr RH Torlage to focus on projects of a strategic nature;
- Retirement of Mr MJN Njeke as independent non-executive director and chairman of the board with effect from 4 February 2013; and
- Appointment of Mr PM Makwana as independent non-executive director and chairman of the board with effect from 5 February 2013.

The independent non-executive directors are considered by the board to be independent in mind, character and judgement.

Chairman

The chairman is independent and free of any conflicts of interest. The chairman's role and functions are formalised and include to:

- set the ethical tone for the board and the company;
- provide overall leadership to the board;
- as chairman of the nomination committee, identify and participate in selecting board members and oversee a formal succession plan for the board, the CEO, the CFO and certain key management appointments;
- together with the company secretary, formulate a yearly board work plan;
- ensure that the directors are aware of their fiduciary duties as directors of the board;
- ensure that complete, timely, relevant, accurate and accessible information is placed before the board to enable it to reach an informed decision;
- ensure that decisions by the board are executed; and
- ensure that good relations are maintained with the company's major shareholders and stakeholders.

Chief executive officer

Ms N Nyembezi-Heita was appointed as the CEO on 1 March 2008. The CEO sets the tone in providing ethical leadership and creating an ethical environment. The CEO plays a critical role in the operations and success of the day-to-day business of the group. Board authority conferred on management is delegated through the CEO, in accordance with approved authority levels. The CEO's role and functions are formalised, and include:

- appointing the executive team and ensuring proper succession planning and performance appraisals;
- developing the company strategy for consideration and approval by the board;
- developing, recommending and implementing the annual business plans and the budgets that support the company's short- and long-term strategies; and
- establishing an organisational structure for the company to enable execution of its strategic planning.

Directors

The board, through the nominations committee, has considered that the executive and non-executive directors together have the range of skills, knowledge and experience necessary to enable them to govern the business effectively. Directors exercise objective judgement on the affairs of the company independently from management, but with sufficient management information to enable proper and objective assessments to be made.

The nominations committee assists the board in ensuring that the board is comprised of individuals whose background, skills, experience and characteristics will assist the board in meeting the future needs of the company.

The directors understand their fiduciary duty to act in good faith and in a manner that the director reasonably believes to be in the best interests of the company. Each decision made is based on all the relevant facts provided to the board at the time.

Retirement and re-election of directors

In terms of the approved board charter, the retirement age for an executive director is 63 and for a non-executive director, 70. As Mr M Macdonald turns 71 in April 2013 he will be retiring as independent non-executive director and chairman of the audit and risk committee at the forthcoming annual general meeting. He will be succeeded by Mr DCG Murray.

One third of the directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's Articles of Association. Messrs M Maheshwari, DCG Murray and L Mondi retire and, being eligible, have offered themselves for re-election.

In accordance with the company's articles, the appointment of Messrs MJ Wellhausen and PM Makwana as directors of the board will be confirmed by shareholders at the forthcoming annual general meeting.

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, the King Code and current legislation. The board approved revised board and committee terms and references.

Corporate governance report *continued*

Their biographical details are provided on page 8 of this report to enable shareholders to make an informed decision in respect of their possible election.

Board and committee evaluations

The board evaluated the performance of the chairman, the board and its committees through a self-evaluation process against their respective mandates, in terms of the board charter and the terms of reference of the board committees. A consolidated summary of the evaluation was reported to and discussed by the board, including any actions and suggestions for improvements.

The nominations committee and the board have agreed that an evaluation process will be followed every two years.

Board appointments and induction

The board has adopted a policy on the procedures for the appointment of directors to ensure that the appointments are formal, transparent and a matter for the board as a whole. The nominations committee periodically assesses the skills represented on the board by the non-executive directors, and determines whether those skills meet the company's needs. Directors are invited to assist with the identification and nomination of potential candidates.

The nominations committee proposes suitable candidates for consideration by the board. The board ascertains whether potential candidates are competent to be appointed as directors and are able to contribute to business judgements made by the board. The board particularly considers the knowledge and experience required to fill the gaps in the board, the integrity of the individual and the skills and capacity of the individual to discharge his/her duties to the board.

Meetings are scheduled for new directors to meet key management and visit all the operational sites of the company.

Board committees

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board committees certain functions to assist it to discharge its duties properly. Each committee acts within approved written terms of reference, under which authority is delegated by the board. The chairman of each committee reports at each scheduled meeting of the board, and minutes of committee meetings are provided to the board.

Audit and risk committee

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, 2008 (Act No 71 of 2008), is set out on page 27 of this report.

Safety, health and environment committee (SHE)

The SHE committee has been mandated to assist the board in ensuring sound management of safety, health and environmental matters.

The committee comprised Mr DCG Murray (chairman), Mr M Macdonald and the CEO. On Mr M Macdonald's retirement at the annual general meeting, Mr DCG Murray will step down as chairman to chair the audit and risk committee, but will remain a member. Ms FA du Plessis will chair the SHE committee and will step down from the social and ethics committee. The SHE committee appointed representatives of both NUMSA and Solidarity as permanent invitees. The general managers of all business units, the chief operating officer (COO); the group manager: health, safety and wellness as well as the group manager: environment are permanent invitees of the SHE committee.

The SHE committee met three times during the year under review and rotated its visits between all plant sites. The main duties of the committee are to:

- ensure that the management of safety, health and the environment in the company is aligned with the overall business strategy of the company;
- consider and approve corporate safety, health and environmental strategies and policies;
- ensure that its members are informed about all significant impacts on the company in the safety, health and environmental field and how these are managed (process and activities);
- monitor the company's safety, health and environmental performance; progress and continual improvement; and deal with any other matters formally delegated by the board to the committee from time to time; and

- ensure adequate resource provision to comply with SHE policies, standards and regulatory requirements.

Remuneration committee

The remuneration committee comprised Ms ND Orleyn (Chairman), and Messrs DCG Murray, DK Chugh and LP Mondi. The CEO, Mr G Urquijo, the general manager: human resources and the vice president: human resources for the global ArcelorMittal group attend the meetings by invitation. This committee met four times during the period under review.

The functions of the remuneration committee are to:

- determine and agree with the board the framework or broad policy for the remuneration of the company's executive and senior management;
- determine the targets and rules for any performance-related pay schemes operated by the company;
- determine the rules for any share incentive scheme;
- approve general salary increases and mandates for negotiations with trade unions, and review and assess any ad hoc remuneration matters;
- oversee any major changes in employee benefit structures throughout the company;
- be involved in and ensure a proper system of succession planning for top management, and monitor succession planning in the rest of the organisation.
- confirm appointment to senior management positions;
- approve employment equity plans for implementation; and
- deal with any other human resources matters formally delegated by the board to the committee from time to time.

This committee will be combined with the social and ethics committee to form the social, ethics and remuneration committee and chaired by Ms ND Orleyn.

Nominations committee

During the year under review, the nominations committee was chaired by the chairman of the board and consisted only of independent directors, namely Mr MJN Njeke (chairman), Ms ND Orleyn and Mr DCG Murray. The CEO, Messrs DK Chugh and GP Urquijo, the general manager: human resources and the vice president: human resources of the global ArcelorMittal group attend the meetings by invitation. Mr MJN Njeke is succeeded by Mr PM Makwana as chairman of the board, who will also chair the nominations committee. In addition to a conference call, the committee met three times during the year under review.

The functions of the nominations committee are to:

- regularly review the board structure, size and composition and make recommendations to the board on the composition of the board in general, and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors.
- be responsible for identifying and nominating candidates for the approval of the board to fill board vacancies (executive and non-executive directors) as and when they arise;
- be responsible for succession planning, in particular for the chairman and executive directors;
- agree, and put in place, a performance contract with the CEO;
- formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members;
- in the exercise of its duties, have due regard for the principles of governance and code of best practice; and
- deal with any other nominations matters formally delegated by the board to the committee from time to time.

Social and ethics committee

The social and ethics committee was appointed by the board as a statutory committee on 26 October 2011. The members are independent directors Ms FA du Plessis (chairman), Mr M Macdonald and Ms ND Orleyn. The CEO and Mr GP Urquijo attended the meetings by invitation. The committee met once during the year where all members were present. This committee will be combined with the remuneration committee to form the social, ethics and remuneration committee and chaired by Ms ND Orleyn.

Corporate governance report *continued*

The functions and responsibilities of the social and ethics committee are as follows:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - the 10 principles set out in the United Nations Global Compact principles;
  - the OECD recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the company's
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving;
- The environment, health and public safety, including the impact of the company's activities and of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and the company's employment relationships, and its contribution toward the educational development of its employees.
- To draw matters within its mandate to the attention of the board as occasion requires.
- To report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.
- To review areas of compliance such as conflicts of interest (to be considered annually by the board) and insider trading concerns.
- To receive and consider, on an annual basis, the report of the combined assurance process.
- To annually review the Code and note training done by management on the Code.

Board meetings and attendance

The board meets regularly, at least once a quarter, and whenever necessary to fulfil its role. The board held six meetings during the past financial year which included a board strategy session in October 2012. Attendance by directors at board meetings is set out in the table below.

Attendance

Director	Category	Board	Audit and risk	SHE	Remuneration	Nominations
Mr MJN Njeke[1]	Independent	5/6[1]	N/A	N/A	N/A	4/4[1]
Ms NMC Nyembezi-Heita	Executive	6/6	6/6[2]	3/3[2]	4/4[2]	4/4[2]
Mr RH Torlage	Executive	6/6	6/6[2]	N/A	N/A	N/A
Mr DK Chugh	Non-executive	5/6	N/A	N/A	4/4	4/4[2]
Mr M Macdonald	Independent	6/6	6/6[1]	3/3	N/A	N/A
Mr S Maheshwari	Non-executive	3/6	N/A	N/A	N/A	N/A
Mr LP Mondi	Non-executive	6/6	N/A	N/A	3/4	N/A
Mr DCG Murray	Independent	5/6	5/6	3/3[1]	4/4	4/4
Ms ND Orleyn	Independent	6/6	N/A	N/A	4/4[1]	4/4
Ms FA du Plessis	Independent	6/6	6/6	N/A	N/A	N/A
Mr GP Urquijo	Non-executive	6/6	N/A	N/A	4/4[2]	N/A

[1] *Chairman*
[2] *Attended by invitation*

Company secretary

The company secretary is Premium Corporate Consulting Services (Proprietary) Limited (PremCorp), which advises the board on the appropriate procedures for the management of meetings and the implementation of governance procedures. The company secretary provides the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements applicable to South Africa. On a quarterly basis, the board is informed of changes to legislation, regulation and best practice.

As PremCorp remains independent from the board, the company has ensured that there is an arm's-length relationship between the company secretary and the board of directors. The board will evaluate the performance and competence of the company secretary together with the evaluation of the chairman, the board and its committees in 2013.

The company secretary and chairman of the board ensure that the affairs of the board are managed effectively. Appointment and removal of the company secretary is dealt with by the board.

The company secretary monitors directors' dealings in shares, and ensures adherence to closed periods for share trading.

Ethics

Fair and ethical business practices are at the heart of our values. These principles are entrenched in our Code of Business Conduct and reinforced by specific policies and training programmes on issues such as anti-trust and anti-corruption behaviour.

The anti-corruption policy establishes procedures for handling concerns about possible corrupt practices, and provides guidelines on how to fight and prevent corruption. All senior executives, as well as staff in relevant sections of the business, are required to be trained in the application of these guidelines.

The anti-corruption policy also provides guidelines regarding payment to political parties or government officials. Political contributions may be made only in accordance with applicable laws and are subject to prior written approval of the legal and compliance department and the global ArcelorMittal group's regional general counsel. No gifts and gratuities may be offered to government officials except for promotional items of little value, and provided they are not offered with a corrupt intent.

Anti-competitive behaviour is monitored according to the anti-trust guidelines, which we have an obligation to observe. The anti-trust guidelines explain the basic principles of anti-trust and competition law, and require absolute avoidance of any conduct that violates the underlying principles of competition laws. All senior executives, and staff in relevant sections of the business, are trained in the application of these guidelines.

Over the past year, 50 ethics-related incidents were reported. About 70% of substantiated cases involved dishonesty, while the remainder were allegations that included kickbacks and contractual breaches.

A formal process is in place to track and report incidents, while also ensuring that recommendations are fully implemented by management. We have zero tolerance for performing or concealing fraudulent and/or illegal acts, as defined in the company's anti-fraud policy. Actions taken as a consequence of investigations include disciplinary hearings, termination of employment of employees, criminal and/or civil action and – in the case of suppliers and contractors – the cancellation of contracts and blacklisting of suppliers and/or ArcelorMittal South Africa employees.

Remuneration report

Context

With the steel industry continuing to suffer the negative effects of the global economic downturn, we are aware of the importance of measuring remuneration against the creation of sustainable value, and rewarding executives and staff for delivery on strategic business objectives. At the same time, while our business emerges from another year of poor financial performance and extreme capital constraints, we recognise that its long-term sustainability will be affected by its ability to attract and retain critical skills in a highly competitive skills market.

Our remuneration philosophy is underpinned by the need to balance these opposing forces and to reward performance appropriately, fairly and competitively while remaining mindful of our accountability to deliver value to shareholders. How we remunerate is further informed by the global scrutiny that has been placed on executive pay following the collapse of financial markets, and the call for more stringent governance and transparency regarding the rewards given to company leaders.

This remuneration report outlines our remuneration policy and its underlying principles, and provides detail on executive remuneration as well as guaranteed and variable remuneration of salaried and bargaining unit employees. It reflects our focus on further refining our reporting practices to ensure they are aligned with King III corporate governance best practices and meet shareholder reporting expectations.

Remuneration committee

This remuneration report has been prepared by the remuneration committee (Remco), a committee of the board that meets four times a year. The board has delegated the development and approval of the remuneration policy to Remco. The membership and meeting attendance of Remco, as well as its terms of reference, can be found on page 14.

The following summarises the key decisions taken by Remco during the year:

- Approved the annual remuneration adjustment for staff implemented in April 2012.
- Implemented a conditional share scheme for senior management in the form of a Long Term Incentive Plan (LTIP). Replacing the Share Option Scheme, this new scheme will reward management for creating value and is therefore better aligned with shareholder interests.
- Approved the revised weighting of performance measures for the 2012 Bonus Rules for Management, in alignment with ArcelorMittal group policy guidelines.
- Approved the implementation of a retention bonus plan for critical specialist skills below the management level, to curb attrition of such skills.
- Undertook a market review of non-executive directors' fees to understand prevailing fee trends and inform fee policy design.
- Reviewed management and staff pay mix strategies to ensure ongoing market competitiveness.

Remuneration philosophy

Our remuneration philosophy is based on a total reward concept which encompasses fixed pay, short-term and long-term incentives. Its primary objective is to attract and retain high-performing employees, while taking into account shareholder interests, best market practice, business strategy and ArcelorMittal group policies. While our remuneration philosophy remains unchanged, it is periodically reviewed to ensure ongoing alignment with evolving business strategy, the changing market and the corporate governance requirements of King III.

The following core principles underpin our remuneration philosophy:

- We consider external equity and internal parity to ensure the fair formulation and execution of the remuneration policy.
- Appropriate benchmarking against internal and external comparatives ensures that total reward structures are externally competitive and support our retention efforts.
- Rewards are market-competitive when compared to a selection of peer companies of a similar size and scope, and are benchmarked at the market median of this peer group.
- Cost impact and budget constraints drive internal equity.
- Pay-for-performance structures serve to motivate employees, teams and functional areas.
- We balance the need for individual reward design flexibility with regulatory constraints in the execution and deployment of all reward programmes.

How we remunerate is informed by the global scrutiny that has been placed on executive pay following the collapse of financial markets, and the call for more stringent governance and transparency regarding the rewards given to company leaders.

- We communicate our remuneration philosophy, policies, practices and general principles to all employees, clearly and transparently.

Pay design structure

Executives and employees are rewarded for their contribution through:

- the payment of industry competitive annual packages (fixed salary and company benefits);
- a variable annual performance reward programme; and
- company ownership in the form of equity schemes for senior management.

In designing pay structures, we aim to align the value, significance and contribution of the job to the pay mix. We use a credible job evaluation system to assess the job's relative worth to the organisation, and then align this with the pay structure.

As such, the proportion of fixed pay to variable pay differs between lower level and higher level job categories. Employees in lower level categories receive higher fixed pay and lower variable pay, while top level jobs place more emphasis on variable remuneration. This shifts a greater proportion of risk to top level employees while incentivising and rewarding high performance.

Employees are offered a degree of flexibility within the available remuneration structuring options, particularly with regards to benefits.

The remuneration mix

Guaranteed pay

The remuneration of 'package' category employees is based on a total cost-to-company basis and includes basic salary, travel and other allowances, and contributions to retirement savings, death and disability risk insurance and medical aid cover. These annual packages are determined with effect from 1 April each year, and are informed by parameters approved by the board, differentiating pay levels and factors such as inflation, changes in market pay and individual performance. While remuneration is benchmarked against peer competitors, the results of individual annual performance reviews may allow employees to earn a salary above the market median for their position.

The remuneration of bargaining unit employees is negotiated with the National Union of Metalworkers of South Africa (NUMSA) and Solidarity. The two-year wage agreement negotiated in 2010 came to an end in 2012, and is currently being renegotiated with these unions.

Variable pay

High-performing employees can benefit from a number of variable pay structures which seek to incentivise, recognise and reward top performers at all levels throughout the company. These include the performance bonus plan, the productivity bonus scheme, the medium-term incentive scheme and the long-term incentive scheme.

The performance bonus plan – package employees

The performance bonus plan is a short-term incentive scheme for all package category employees and takes the form of an annual performance bonus which is based on individual performance reviews. Each employee's performance is measured against a performance scorecard which assesses financial and non-financial performance, weighted respectively on a 70/30 basis. Bonuses are determined according to the achievement of a percentage of business plan objectives. The threshold participation level is 80% achievement against business plan, the target is 100%, and the 'stretch' is 120% achievement of business plan. These limits are based on an assessed probability of achievement.

Performance measures are aligned with the company's key strategic drivers and as such may change slightly in weighting from one year to the next. During 2012, the ArcelorMittal group Management board identified the key priorities for the organisation as improving overall competitiveness through top-line growth, management gains, cost optimisation, working capital efficiency, prudent allocation of capex and a strong commitment to health and safety. These are not materially different to the performance measures of the previous year.

The bonus participation for senior executives ranges from 15% to 60% of total cost-to-company (CTC). We do not envisage any changes to the performance bonus plan during the 2013 financial year.

The productivity bonus scheme – bargaining unit employees

The productivity bonus scheme for bargaining unit employees was introduced during 2012. This replaces the Improvement Factor scheme in which 70% of the bonus was paid out monthly based on the previous quarter's results and 30% of the bonus was deferred to the end of the year.

The new productivity bonus scheme is negotiated with trade unions as part of wage agreement negotiations and may be revised as per the negotiated outcome of these discussions.

It rewards the bargaining unit employees on a monthly basis for achieving key performance indicator (KPI) targets. These targets are set to drive productivity in each

Remuneration report *continued*

area and may include measures such as safety, throughput and quality, depending on the participant's ability to influence productivity in their area. The achievement of a predetermined financial measure is the gatekeeper for any bonus payment.

The bonus payment is determined as a percentage of the monthly base salary and a maximum payment percentage is applied. Bonuses are paid mid-monthly to shorten line of sight between target achievement period and reward date.

The Medium-Term Incentive Scheme

During the year we introduced a medium-term incentive scheme aimed at retaining critical scarce skills in key business areas, and ensuring robust succession planning. The medium-term incentive scheme applies to employees in lower management and to specialist levels who, amongst other criteria, have unique or critical skills. Participants need to be in employment for a three-year period from the date of the first payment and where necessary are required to participate in a formal mentorship and coaching programme to develop successors.

The Long-Term Incentive Scheme

Our revised long-term incentive plan (LTIP) was approved by the board and shareholders for adoption in 2012. This conditional share scheme rewards participating employees by allowing them to acquire shares in ArcelorMittal South Africa, thereby supporting the closer alignment of management and shareholder interests.

The scheme's participants can be divided into two groups:

- Designated members of the executive committee who receive LTIP shares based on performance conditions, being return on capital employed (ROCE) and total cost of employment per tonne (TCOE/t), which are equally weighted.
- Senior management who receive LTIP shares based on service conditions, which include ongoing employment and individual performance.

All LTIP shares vest after a period of three years, provided the individual employee has continued to be employed in the company during this time and/or achieved the required performance conditions. There is provision for proportionate awards where there is a change in the effective control of the company, or where an employee is retrenched, retires or dies whilst in service.

During 2012, the company implemented the first phase of the LTIP share scheme to senior management. Such LTIP shares will vest in three years' time on condition that the participant is still in our employment.

The second phase involves allocation of LTIP shares with performance conditions to designated members of the executive committee. This phase has been deferred to the 2013 financial year to allow for the conclusion of appropriate performance targets in line with ArcelorMittal group processes.

The current LTIP plan will remain in place and no changes are proposed for the duration of 2013.

Remuneration of directors, prescribed officers and highest paid senior employees

This is a summary of directors' remuneration, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Limited.

	Notes	Guaranteed pay[1] R	Short-term incentives[2] R	Equity incentives[3] R	Directors' fees R	Committee fees R	Other[4] R	Total remuneration emoluments 2012	Total remuneration emoluments 2011
For the year ended 31 December 2012									
Executive directors									
N Nyembezi-Heita		4 441 177	325 000	1 895 481			6 300	6 667 958	8 033 190
RH Torlage	5	2 160 975	65 397	1 007 171			92 302	3 325 845	3 338 127
Sub-total		**6 602 152**	**390 397**	**2 902 652**			**98 602**	**9 993 803**	**11 371 317**
Prescribed officers and highest paid employees									
H Kriel	6	594 654					2 440 006	3 034 660	3 549 742
WA Nel		2 162 540	130 054	678 237			19 556	2 990 387	3 464 165
TG Nkosi		2 143 921	128 816	319 512			149 900	2 742 149	2 978 818
KS Kumar		1 970 304	130 158	340 844			39 782	2 481 088	3 444 107
H-L Rosenstock	7	1 410 774	32 300	389 327			625 462	2 457 863	
JJ Aernout	8	1 429 593	116 176				341 795	1 887 564	2 446 846
JM Lotter	9	1 518 096	74 086				124 363	1 716 545	
JJ Fourie	10								7 593 869
Sub-total		**11 229 882**	**611 590**	**1 727 920**			**3 740 864**	**17 310 256**	**23 477 547**
Non-executive directors									
DCG Murray					145 200	289 300	3 474	437 974	494 363
FA du Plessis					145 200	169 400	39 284	353 884	206 987
LP Mondi					145 200	121 000	37 268	303 468	266 076
MJN Njeke	11				880 000		1 013	881 013	872 245
M Macdonald					145 200	290 400	7 776	443 376	424 564
ND Orleyn					145 200	217 800		363 000	393 600
Sub-total					**1 606 000**	**1 087 900**	**88 815**	**2 782 715**	**2 657 835**
Total		**17 832 034**	**1 001 987**	**4 630 572**	**1 606 000**	**1 087 900**	**3 928 281**	**30 086 774**	**37 506 699**

Directors' remuneration is not paid to the non-executive directors in the employment of the ArcelorMittal group and have therefore not been disclosed in this note.

Notes

1 *Guaranteed pay includes travel allowances, retirement and healthcare funding.*
2 *The short-term incentives relate to benefits for the December 2011 financial year, paid in March 2012. The 2011 figure was adjusted to reflect actual payments made for the 2010 year of assessment.*
3 *The equity incentives have been computed using the binomial matrix formula. Detailed calculations can be found under directors' unexercised share options in the table that follows.*
4 *Other includes separation payments, leave encashments, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance.*
5 *Mr RH Torlage resigned as an executive director effective 2 January 2013. The board appointed Matthias Wellhausen as chief financial officer and as executive director effective 2 January 2013.*
6 *Resigned on 31 March 2012.*
7 *Appointed as chief operations officer on 9 January 2012.*
8 *Resigned on 30 September 2012.*
9 *Appointed as general manager, human resources on 1 August 2012.*
10 *Resigned on 31 December 2011.*
11 *Mr MJN Njeke retired as non-executive director and chairman of the board on 4 February 2013. Mr PM Makwana joined the board as independent non-executive director and chairman with effect from 5 February 2013.*

Remuneration report *continued*

Remuneration of directors, prescribed officers and highest paid senior employees: Share options

ArcelorMittal South Africa equity-settled share option plan

Options issued to directors, prescribed officers and the highest paid senior employees (who are not directors), which form part of the 40.2 million (2011: 39.5 million) shares allocated to the Management Share Trust, totalled 575 602 as at 31 December 2012 (2011: 642 422) as follows:

The following table reflects the status of unexercised options held by executive directors, prescribed officers and the highest paid senior employees, the gains made by them as a result of past awards during the year ended 31 December 2012:

Names of executives	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations exercised and paid during the year	Number of allocations that lapsed during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price R	Exercise price R	Exercise date	Present value of unvested share options at the end of the year
N Nyembezi-Heita (CEO)	2008/03/25	31 660				31 660	31 660	186.50			
	2008/11/10	66 520				66 520	66 520	73.75			
	2009/11/02	66 520				66 520	66 520	106.50			
	2011/09/29	110 620				110 620	36 836	59.00			1 077 723
	2011/11/07	66 520				66 520	22 151	67.00			739 230
		341 840				**341 840**	**223 687**				**1 816 953**
RH Torlage (CFO)	2006/11/08	29 563				29 563	29 563	83.88			
	2006/12/12	2 946				2 946	2 946	82.02			
	2007/11/20	16 770				16 770	16 770	133.50			
	2008/11/10	16 770				16 770	16 770	73.75			
	2009/11/02	15 250				15 250	15 250	106.50			
	2011/09/29	53 500				53 500	17 815	59.00			521 233
	2011/11/07	35 153				35 153	11 705	67.00			390 672
		169 952				**169 952**	**110 819**				**911 905**
Sub-total		**511 792**				**511 792**	**334 506**				**2 728 858**
WA Nel	2011/02/10	14 010				14 010	4 665	87.20			202 909
	2011/11/07	17 310				17 310	5 764	67.00			192 369
		31 320				**31 320**	**10 429**				**395 278**
N Nkosi	2011/02/10	18 650				18 650	6 210	87.20			270 111
	2011/11/07	13 840				13 840	4 608	67.00			153 819
		32 490				**32 490**	**10 818**				**423 930**
Sub-total		**63 810**				**63 810**	**21 247**				**819 208**
Total		**575 602**				**575 602**	**355 753**				**3 548 066**

Notes

Share options vests within three years and exercisable within 10 years from the date of issue.

Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed above.

Contractual arrangements

We do not have any fixed-term contracts with executive directors or senior executives, nor is there restraint or special severance compensation payable to such employees. A period of restraint with standard non-compete and non-solicitation conditions is included as a generic clause in the employment contract.

The chief executive officer's period of notice for termination of employment is two months on either side. While executive directors and senior executives are required to give one month's notice on either side, in line with the standard terms and conditions of employment, unless otherwise specified.

Non-executive directors

Non-executive directors do not receive short-term or long-term incentives. They are appointed based on proposals submitted by the nominations committee to the board for approval, and their term of office is three years. One-third of all directors retires at the annual general meeting held annually, but are eligible for re-election.
We announce the retirement of Johnson Njeke as non-executive director and chairman of the board with effect from 4 February 2013. Mpho Makwana replaces him and joins the board as independent non-executive director and board chairman with effect from 5 February 2013.

The remuneration committee is responsible for setting the fees and determining the terms of service for the chairman and non-executive directors. The fees for non-executive directors are reviewed annually and informed by market best-practice and the time commitment and responsibilities associated with each role. Non-executive directors receive an annual fee and a fee for attending board meetings, while the chairman receives an annual fee that includes remuneration for attendance at all board and board committee meetings. Non-executive directors do not participate in any type of incentive scheme nor do they receive any medical and pension related benefits.

In 2011, a special resolution in terms of section 60 of the Companies Act, was proposed to retain the 2011 non-executive directors' fees during 2012. This resolution was approved by shareholders on Thursday, 6 September 2012. The remuneration committee has reviewed the current non-executive directors fees and propose a fee increase of 6% for the non-executive directors and an increase from R880 000 to R1 800 000 for the board chairman for 2013.

The tariff of fees applicable for 2012 was as follows:

Chairman's fee:	R880 000
Fee of ordinary member of board:	R145 200
Additional fees for attendance of subcommittee meetings (per meeting):	
Audit and risk committee	
Chairman	R26 400
Member	R13 200
Remuneration committee	
Chairman	R24 200
Member	R12 100
Nominations committee	
Chairman	R24 200
Member	R12 100
Safety, health and environment committee	
Chairman	R24 200
Member	R12 100
Share trust committee	
Chairman	R24 200
Member	R12 100
Social and ethics committee	
Chairman	R24 200
Member	R12 100

Audited annual financial statements

Annual financial statements 24 – 100

Directors' responsibility and approval of the group and company annual financial statements

To the shareholders of ArcelorMittal South Africa Limited

The board of directors (directors) are required to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements, comprising the statements of financial position at 31 December 2012, and the statements of comprehensive income, cash flows, changes in equity for year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the requirements of the Companies Act 71 of 2008 (Companies Act), the Listings Requirements of the JSE Limited and applicable legislation. In addition, the directors are responsible for preparing the directors' report. The financial statements and directors' report have been prepared by the finance staff of ArcelorMittal South Africa headed and supervised by Mr MJ Wellhausen, the group's chief financial officer.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The directors, primarily through the audit and risk committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit and risk committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the period under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The directors have reviewed the group and company's financial budgets for the year to 31 December 2013. In light of review of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements continue to be prepared on the going-concern basis.

The annual financial statements for the year ended 31 December 2012 have been audited by Deloitte & Touche, the company's independent external auditors, whose report can be found on page 29.

The directors of the company accept responsibility for the annual financial statements which were approved by the board of directors on 13 March 2013 and are signed on its behalf by:

N Nyembezi-Heita
Chief Executive Officer

MJ Wellhausen
Chief Financial Officer

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with the Companies Intellectual Property Commission all returns and notices required of a public company and that all such returns are true, correct and up to date.

Premium Corporate Consulting Services Proprietary Limited
Company Secretary
13 March 2013

Directors' report

The directors have pleasure in submitting their report together with ArcelorMittal South Africa Limited's and the group's annual financial statements for the year ended 31 December 2012.

Nature of business

ArcelorMittal South Africa Limited and its subsidiaries (together "the group") manufacture and sell long and flat steel products and beneficiated by-products. The group's operations are primarily concentrated in South Africa with a sales focus domestically and internationally, with specific emphasis on sub-Saharan Africa.

The company is a public company incorporated and domiciled in South Africa. The address of the registered office is detailed on the back cover of this report.

The company's functional and reporting currency is the South African rand (ZAR).

The company is listed on the Main board of the JSE Limited in Johannesburg, South Africa, and is a subsidiary of ArcelorMittal Holdings AG, which is part of the ArcelorMittal group.

Financial results and activities

The contents of the annual financial statements adequately address the financial performance of the group for the financial year ended 31 December 2012.

Further detailed reports on the activities and performance of the group and the various segments of the group are contained in the Integrated and Sustainability report.

At 31 December 2012 the group had a net asset value per share of 5 544 cents (2011: 5 650 cents). The net asset value per share was calculated using a net asset value of R22 242 million (2011: R22 669 million). Refer to note 11 of the annual financial statements for information on earnings and headline earnings per share.

Dividends

Details of dividends are set out in note 12 of the annual financial statements.

Property, plant and equipment

Details of capital expenditure are provided in note 13 and the statements of cash flows.

Shareholders' resolutions

On 6 September 2012 shareholders approved, via special resolution, the remuneration payable to the non-executive directors of the company. No other special resolutions were passed by the company or its subsidiaries.

The shareholders will be requested to abrogate the Memorandum of Incorporation and Articles of Association in its entirety and replace with a new Memorandum of Incorporation. The Memorandum of Incorporation will be available for inspection at the company's registered office from the date of this report until the date of the annual general meeting.

Authorised and issued share capital

Details of the authorised and issued share capital are set out in note 19 of the annual financial statements.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, has an effective shareholding of 52.02%. Details of the registered and beneficial shareholders of the company are set out on page 101.

Directors' interests

The details of the beneficial direct interests of directors in the shares of the company are set out in note 30 of these annual financial statements.

Details of the direct and indirect interest of directors in the shares of the company are set out below:

	2012			2011		
Director	Direct	Indirect	Total	Direct	Indirect	Total
DCG Murray		**1 557**	**1 557**		1 557	1 557
M Macdonald		**5 400**	**5 400**		5400	5 400
Total		**6 957**	**6 957**		6 957	6 957

No other director holds any direct or indirect beneficial interest in the share capital of the company. No change to the above interests occurred between the end of the financial year ended 31 December 2012 and the date of this report.

Investments in joint ventures, associates and subsidiaries

The financial information in respect of interests in jointly controlled entities, associates and subsidiaries of the company is disclosed in note 15 and Annexures 1 and 2 of the financial statements.

Directors' report *continued*

Borrowing powers
In terms of articles 14.1 and 14.2 of the Articles of Association, the borrowing powers of the company and its subsidiaries are subject to any limitations imposed by the directors on the borrowing powers of the company. The borrowing powers of the company are limited to total equity.

Directorate
The names of the directors who presently hold office and served on the various committees of the board are set out on page 14 of this report.

The following changes in directorate have taken place:
- Mr CPD Cornier resigned as non-executive director with effect from 24 January 2012.
- As announced on 20 November 2012, the board appointed Mr MJ Wellhausen as chief financial officer and as executive director on 2 January 2013, freeing Mr RH Torlage to focus on projects of a strategic nature.
- Mr RH Torlage resigned as an executive director effective 2 January 2013.
- Mr MJN Njeke retired as independent non-executive director and chairman of the board on 4 February 2013.
- Mr PM Makwana was appointed as independent non-executive director and chairman of the board with effect from 5 February 2013 and succeeds Mr MJN Njeke.

Retirement by rotation
In terms of the Articles of Association, the following directors are required to retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting:
- Mr DCG Murray
- Mr S Maheshwari
- Mr LP Mondi

Shareholders will be requested to confirm Messrs MJ Wellhausen and PM Makwana's appointments as directors at the forthcoming annual general meeting.

Going concern
The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have a reasonable expectation that the group has adequate resources to continue as a going concern in the foreseeable future.

Independent auditors
Deloitte & Touche continued in office as auditors of the group. At the forthcoming annual general meeting, shareholders will be requested to re-appoint Deloitte & Touche as the independent auditors of the group and the appointment of Dr DA Steyn as individual designated auditor who will undertake the audit of the company for the ensuing year, terminating at the conclusion of the next annual general meeting of the company.

Litigation
Details on litigation and claims are set out in note 31 of the annual financial statements.

Company Secretary
Premium Corporate Consulting Services Proprietary Limited was appointed as company secretary with effect from 1 May 2009.

The registered business and postal addresses appear on the inside back cover of this report.

Subsequent events
On 9 February 2013 the company experienced a fire at the steel shop at the Vanderbijlpark Works, which caused extensive damage to the electrical installations of the Basic Oxygen Furnaces, resulting in the shutdown of these facilities. The group had no option but to declare a *force majeure* (a contractual provision removing liability for unavoidable catastrophes) with regards to sales orders and supply commitments.

An insurance policy is in place against property damage, business interruption and subsequent losses of market share.

In order to mitigate the negative impact of the *force majeure*, certain actions were taken:
- Stock holdings of finished products and rollable semi products were made available to a maximum level;
- 52 000 tonnes of semi-finished products from plants within the ArcelorMittal group have been confirmed and will arrive at the Vanderbijlpark Works in the first half of April 2013;
- Additional product from the Saldanha Works is being diverted to the domestic customers (approximately 40 000 tonnes per month);
- With the assistance of ArcelorMittal group experts and suppliers, the repair activities are being accelerated. It is expected that the steel production will resume during March 2013, with the plant back in full production by end of April 2013; and
- ArcelorMittal South Africa has applied for permission to restart the electrical arc furnaces after the Gauteng Department of Agriculture and Rural Development (GDARD) withdrew the compliance notice that was originally issued on 22 October 2012. The company has now furnished satisfactory evidence of its compliance with the conditions stipulated therein and continues to apply for approval to restart the electrical arc furnaces temporarily.

ArcelorMittal South Africa regrets the unfavourable impact that this incident has had on customers, and in future the company will further intensify efforts in terms of risk management. The resilience of the supply chain will also be strengthened in cooperation with the ArcelorMittal group and other stakeholders. The continued focus on reliability and asset protection, contingency stockholding and supplies from strategic equipment suppliers is forming an important part of this initiative.

Audit and risk committee report

The audit and risk committee (the committee) have pleasure in submitting their report to the shareholders as required in terms of section 94(7) of the Companies Act, 2008 (Act No 71 of 2008).

Membership of the committee

The committee comprises the following members at the date of this report:
Mr M Macdonald;
Mr DCG Murray;
Ms FA Du Plessis.

Each member is an independent director and has adequate relevant knowledge and experience to equip the committee to perform its functions.

Functions of the committee

During the year under review, five meetings were held. Details of the attendance are set out in the Corporate Governance section of this report.

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

- the quarterly and half-yearly financial reports, the annual financial statements and accounting policies for the company and all subsidiaries;
- the effectiveness of the combined assurance mode;
- the reports of the internal audit function on the state of internal control;
- the effectiveness of the internal audit function;
- the auditor's findings and recommendations;
- statements on ethical standards for the company and how they are promoted and enforced;
- significant cases of unethical activity by employees or by the company itself;
- reports on the risk management process in the company and the company's exposure to the following risks:
  - top strategic risks (including credit and market risks, human resources risks and compliance risks);
  - operational risks; and
  - information technology risk.

Independence of auditor

The committee reviewed a presentation by the external auditor and after conducting its own review, is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and Dr DA Steyn, as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approved proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Limited and the group for the year ended 31 December 2012 and based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Listings Requirements of the JSE Limited and applicable legislation.

Audit and risk committee report *continued*

Internal financial controls

The committee agendas provide for confidential meetings between committee members and both the external and internal auditors.

The committee has oversight of the group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees co-operation between internal and external auditors, and serves as a link between the board of directors and these functions. The head of internal audit reports functionally to the chairman of the committee and administratively to the chief financial officer.

The committee is of the opinion, after having considered the assurance provided by the internal audit function, that the group's system of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. This is based on the information and explanations given by management and the group internal audit function. The group's internal function is more fully detailed in the Corporate Governance section of this report.

Expertise and experience of the chief financial officer and the finance function

The committee has satisfied itself that the chief financial officer has the appropriate expertise and experience.

The committee having conducted a review of the appropriateness, skills and resourcing of the group's finance function, has satisfied itself on the overall adequacy and appropriateness of the finance function.

Expertise and experience of the company secretary

The committee has satisfied itself that the company secretary has the appropriate competence and experience and has maintained an arm's-length relationship with the directors.

Recommendation of the integrated annual report

The committee having fulfilled the oversight role regarding the reporting process and the integrated annual report and having regard to material factors that may impact on the integrity of the integrated annual report, recommended the integrated annual report and the consolidated annual financial statements for approval by the board of directors.

M Macdonald
Chairman
13 March 2013

Independent auditors' report

To the shareholders of ArcelorMittal South Africa Limited

We have audited the consolidated and separate annual financial statements of ArcelorMittal South Africa Limited set out on pages 30 to 100, which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of ArcelorMittal South Africa Limited as at 31 December 2012 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Emphasis of matter – significant uncertainty

Without qualifying our opinion we draw attention to the dispute with Sishen Iron Ore Company (Pty) Ltd (SIOC) over the supply of iron ore on a cost plus 3% basis. Both parties have commenced arbitration proceedings to resolve this dispute. The ultimate outcome of the arbitration cannot presently be determined.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: DA Steyn
Partner
13 March 2013

National Executive: LL Bam (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Risk Advisory), NB Kader (Tax), TP Pillay (Consulting), K Black (Clients & Industries), JK Mazzoco (Talent and Transformation), CR Beukman (Finance), M Jordan (Strategy), S Gwala (Special Projects), TJ Brown (Chairman of the board), MJ Comber (Deputy chairman of the board).

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu Limited

Group and company statements of comprehensive income

for the year ended 31 December 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Revenue		**32 291**	31 453	**27 604**	27 558
Raw materials and consumables used		**(18 760)**	(19 886)	**(17 118)**	(18 489)
Employee costs		**(3 356)**	(3 164)	**(3 356)**	(3 164)
Energy		**(3 156)**	(3 177)	**(2 318)**	(2 478)
Movement in inventories of finished goods and work-in-progress		**(467)**	1 733	**120**	2 040
Depreciation		**(1 582)**	(1 409)	**(1 178)**	(993)
Amortisation of intangible assets		**(16)**	(14)	**(13)**	(10)
Other operating expenses		**(5 431)**	(5 239)	**(4 457)**	(4 101)
(Loss)/profit from operations	6	**(477)**	297	**(716)**	363
Finance and investment income	7	**60**	31	**59**	294
Finance costs	8	**(334)**	(168)	**(330)**	(156)
Impairment charge	9			**(406)**	
Income/(loss) after tax from equity-accounted investments		**59**	(34)		
(Loss)/profit before taxation		**(692)**	126	**(1 393)**	501
Income tax credit/(expense)	10	**184**	(118)	**242**	(112)
(Loss)/profit for the year		**(508)**	8	**(1 151)**	389
Other comprehensive income					
Exchange differences on translation of foreign operations		**62**	315		
Losses on available-for-sale investment taken to equity		**(32)**	(12)		
Share of other comprehensive income of equity-accounted investments		**34**	7		
Total comprehensive (loss)/income for the year		**(444)**	318	**(1 151)**	389
(Loss)/profit attributable to:					
Owners of the company		**(508)**	8		
Total comprehensive (loss)/income attributable to:					
Owners of the company		**(444)**	318		
Attributable (loss)/earnings per share (cents)					
– Basic	11	**(127)**	2		
– Diluted	11	**(127)**	2		

Group and company statements of financial position

as at 31 December 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Assets					
Non-current assets					
Property, plant and equipment	13	**16 068**	16 618	**11 107**	11 343
Intangible assets	14	**121**	126	**98**	99
Equity-accounted investments		**3 204**	2 772	**564**	917
Investments in subsidiaries	15			**8 284**	9 005
Other financial assets	16	**26**	57	**1**	
Total non-current assets		**19 419**	19 573	**20 054**	21 364
Current assets					
Inventories	17	**8 761**	9 935	**8 057**	9 097
Trade and other receivables	18	**1 669**	2 374	**1 466**	1 849
Taxation		**154**	100	**151**	101
Other financial assets	16	**11**	1	**6**	1
Cash and cash equivalents		**884**	439	**685**	195
Total current assets		**11 479**	12 849	**10 365**	11 243
Total assets		**30 898**	32 422	**30 419**	32 607
Equity and liabilities					
Capital and reserves					
Stated capital	19	**37**	37	**37**	37
Reserves		**(2 178)**	(2 231)	**(35)**	(52)
Retained income		**24 383**	24 863	**23 861**	25 012
Total shareholders' equity		**22 242**	22 669	**23 863**	24 997
Non-current liabilities					
Borrowings and other payables	20	**270**	241	**270**	231
Finance lease obligations	21	**426**	451	**301**	326
Non-current provisions	22	**1 364**	1 472	**1 331**	1 463
Deferred income tax liability	23	**2 031**	2 310	**797**	1 039
Total non-current liabilities		**4 091**	4 474	**2 699**	3 059
Current liabilities					
Trade and other payables	24	**3 922**	4 644	**3 338**	3 942
Borrowings and other payables	20	**157**	107	**147**	97
Finance lease obligations	21	**77**	57	**67**	50
Taxation		**97**			
Current provisions	22	**312**	471	**305**	462
Total current liabilities		**4 565**	5 279	**3 857**	4 551
Total equity and liabilities		**30 898**	32 422	**30 419**	32 607

Group and company statements of cash flows

for the year ended 31 December 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Cash generated from/(utilised in) operations	25.1	**2 022**	(879)	**1 003**	(1 164)
Interest income		**10**	29	**10**	28
Finance cost		**(170)**	(103)	**(146)**	(76)
Dividends paid	25.2		(221)		(245)
Income tax paid	25.3	**(52)**	(243)	**(50)**	(243)
Realised foreign exchange movements		**(34)**	5	**(55)**	(6)
Cash flows from operating activities		**1 776**	(1 412)	**762**	(1 706)
Investment to maintain operations	25.4	**(809)**	(924)	**(718)**	(777)
Investment to expand operations	25.5	**(66)**	(266)	**(64)**	(258)
Investment in associates		**(369)**	(180)	**(109)**	(180)
Proceeds on scrapping of asset		**29**	106	**29**	106
Dividend from equity-accounted investments		**87**	50		
Income from investments – dividends					264
Income from investments – interest		**3**	2	**2**	2
Cash flows from investing activities		**(1 125)**	(1 212)	**(860)**	(843)
Borrowings and other payables repaid		**(10)**	(45)	**774**	(34)
Finance lease obligation repaid		**(227)**	(561)	**(219)**	(551)
Increase in loans to subsidiaries					36
Increase in contributions to the Management Share Trust and other		**6**	(10)	**6**	(10)
Cash flows from financing activities		**(231)**	(616)	**561**	(559)
Increase/(decrease) in cash and cash equivalents		**420**	(3 240)	**463**	(3 108)
Effect of foreign exchange rate changes on cash and cash equivalents		**25**	173	**27**	148
Cash and cash equivalents at beginning of year		**439**	3 506	**195**	3 155
Cash and cash equivalents at end of year		**884**	439	**685**	195

Group and company statements of changes in equity

for the year ended 31 December 2012

	Reserves							
	Stated capital Rm	Treasury share equity reserve[1] Rm	Management Share Trust reserve[2] Rm	Share-based payment reserve[3] Rm	Attributable reserves of equity-accounted investments Rm	Other reserve[4] Rm	Retained income Rm	Total equity Rm
Group								
Balance at 1 January 2011	37	(3 918)	(273)	182	1 236	298	24 994	22 556
Total comprehensive income for the year						310**	8	318
Management Share Trust: net treasury share purchases (net of income tax)			(12)					(12)
Share-based payment expense				28				28
Dividend							(221)	(221)
Transfer of equity-accounted earnings					(82)		82	
Balance at 31 December 2011	**37**	**(3 918)**	**(285)**	**210**	**1 154**	**608**	**24 863**	**22 669**
Total comprehensive loss for year						**64***	**(508)**	**(444)**
Share-based payment expense				**17**				**17**
Transfer of equity-accounted earnings					**(28)**		**28**	
Balance at 31 December 2012	**37**	**(3 918)**	**(285)**	**227**	**1 126**	**672**	**24 383**	**22 242**

	2012	2011
Dividends per share (cents)		
– Interim		55
– Final (declared after statement of financial position date)		
Total		55

* *R88 million credit relates to equity-accounted investments.*
** *R7 million relates to equity-accounted investments.*

Group and company statements of changes in equity *continued*

for the year ended 31 December 2012

	Stated capital Rm	Reserves: Management Share Trust reserve[2] Rm	Share-based payment reserve[3] Rm	Other reserve[4] Rm	Retained income Rm	Total equity Rm
Company						
Balance at 1 January 2011	37	(273)	182	23	24 868	24 837
Total comprehensive income for the year					389	389
Management Share Trust: net treasury share purchases (net of income tax)		(12)				(12)
Share-based payment expense			28			28
Dividend					(245)	(245)
Balance at 31 December 2011	**37**	**(285)**	**210**	**23**	**25 012**	**24 997**
Total comprehensive loss for the year					**(1 151)**	**(1 151)**
Share-based payment expense			**17**			**17**
Balance at 31 December 2012	**37**	**(285)**	**227**	**23**	**23 861**	**23 863**

In the context of the statement of changes in equity, the following equity reserves are of relevance:

1. Treasury share equity reserve

The company implemented a share buy-back arrangement and acquired 9.995% of the shareholding of each shareholder in 2009. The shares acquired remain in issue as treasury shares of the group.

2. Management Share Trust reserve

The Management Share Trust reserve represents the net outflow from the purchase of treasury shares in order to meet obligations in terms of the ArcelorMittal South Africa Equity-settled Share Option Plan housed in the Management Share Trust. The trust is consolidated as a controlled special purpose entity in terms of SIC-12, Consolidation - Special Purpose Entities.

3. Share-based payment reserve

The share-based payment reserve represents the accumulated charge for share options in terms of IFRS 2, Share-based Payment. The share option plan is equity-settled.

4. Other reserves

Other reserves consist of the following:

- Capital redemption reserve of R23 million (2011: R23 million) for the group and company.
  The capital redemption reserve was created in terms of section 8(1) of the South African Companies Act 61 of 1973, following the redemption of shares during the year ended 30 June 2000, out of profits that would otherwise be available for distribution to ordinary shareholders.
- Available-for-sale investment reserve of R270 million (2011: R268 million) for the group.
  The available-for-sale investment reserve consists of:
  – reserves relating to equity-accounted investments of R252 million (2011: R218 million); and
  – unrealised fair value gains above cost relating to the group's investment in Hwange Colliery Company Limited of R18 million (2011: R50 million).
- Translation of foreign operation reserve of R379 million (2011: R317 million) for the group.
  The translation of foreign operation reserve consists of:
  – reserves relating to equity-accounted investments of R279 million (2011: R226 million); and
  – other group-related translation reserves of R100 million (2011: R91 million).

Notes to the group and company annual financial statements

for the year ended 31 December 2012

1. Adoption of new and revised standards and interpretations

1.1 Standards, interpretations and amendments effective in 2012

The following new or revised standards, amendments thereto and interpretations as issued by the International Accounting Standards Board (IASB), which are effective for the current reporting period, were early adopted in the previous reporting period:

- IFRS 7 (Amendment), *Financial Instruments: Disclosures* – increased disclosure requirements for transactions involving the transfer of financial assets;
- IAS 12 (Amendment), *Deferred Tax* – recovery of underlying assets;
- IFRS 1 (Amendment): *First Time Adoption of IFRS* – severe hyperinflation and removal of fixed dates for first-time adopters;
- IFRS 1 (Amendment): *First Time Adoption of IFRS* – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs';
- IFRS 7 (Amendment): *Financial Instruments: Disclosure* – offsetting financial assets and financial liabilities; and
- IAS 32 (Amendment), *Financial Instruments: Presentation* – offsetting financial assets and financial liabilities.

1.2 Early adoption of amendments and interpretations with no impact on the group and company accounting policies, financial results or disclosures

The group and company have elected not to adopt any amendments and interpretations in advance of their effective dates in the current period.

1.3 Standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the group and company are set out below. The group and company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated and are not expected to have a material impact on the financial performance, position (or changes therein) and disclosures of the financial statements of the group and company.

Effective for the financial year commencing 1 January 2013

- IAS 1 amendment *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*
- IFRS 7 amendment *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 10, IFRS 11 and IFRS 12 amendment *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
- IFRS 13 *Fair Value Measurement*
- IAS 16 *Property, Plant and Equipment*
- IAS 19 (amendments) *Employee Benefits: Defined Benefit Plans*
- IAS 27 *Separate Financial Statements* (2011)
- IAS 28 *Investments in Associates and Joint Ventures* (2011)
- IAS 34 *Interim Financial Reporting*

Effective for the financial year commencing 1 January 2014

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- IFRS 10, IFRS 12 and IAS 27 amendment *Investment entities*

Effective for the financial year commencing 1 January 2015

- IFRS 9 *Financial Instruments*

2. Restatements and reclassifications

The group and company have made no restatements or reclassifications for the reporting period.

3. Significant accounting policies

The principal accounting policies applied in the preparation of the group and company financial statements are set out below. These policies have been consistently applied from the comparative year presented.

3.1 Statement of compliance

The group and company financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2012, and those amendments and interpretations early adopted.

3.2 Basis of preparation

The group and company financial statements have been prepared under the historical cost convention, as modified by the revaluation of:

- embedded derivative financial instruments bifurcated from their host contracts; and
- investments in equity instruments classified as available-for-sale.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective notes to the annual financial statements.

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

The company accounts for all investments in subsidiaries, jointly controlled entities and associates at cost and not at fair value.

Dividends received from subsidiaries, jointly controlled entities and associates are recognised in profit or loss when the company has the right to receive the dividend.

3.4 Basis of consolidation – subsidiaries

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

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from the entities' activities. Generally, control is accompanied with a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.5 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control. This is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

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

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

3. Significant accounting policies *continued*

3.5 Interests in joint ventures *continued*

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

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

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

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

3.6 Investments in associates

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

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

Under the equity method, investments in associates 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 share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised as reserves of the group. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

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.

3.7 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee of the group.

3.8 Foreign currency translation

Functional and presentation currency

Items included in 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 (its functional currency). The group's financial statements are presented in South African rand, which is the company's functional and presentation currency.

3. Significant accounting policies *continued*

3.8 Foreign currency translation *continued*

Transactions and balances

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

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

Group companies

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

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

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

3.9 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment, except land, are depreciated using the straight-line method over the useful lives of the related assets.

Major improvements, which are expected to generate future economic benefits over more than one reporting period, are capitalised, while repairs and maintenance are charged as an expense when incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as extensions under construction until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Qualifying borrowing costs incurred during construction are capitalised. Gains and losses on retirement or disposal of assets are reflected in the statement of comprehensive income.

3.10 Accounting for finance leases as lessee

Finance lease arrangements consist of those transactions that are:

- leases in both economic substance and legal form; and
- those that arise out of commercial arrangements that in economic substance represent leases, though not in legal form.

The group and company lease certain property, plant and equipment. Leases of property, plant and equipment where the group and company have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments of the lease.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

3. Significant accounting policies *continued*

3.10 Accounting for finance leases as lessee *continued*

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the capital balance outstanding, using the effective interest rate method. The corresponding rental obligations, net of finance charges, are shown as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Finance lease obligations with settlement tenures greater than 12 months after the statement of financial position date, are classified as non-current finance lease obligations, while those to be settled within 12 months of the statement of financial position date are classified as current finance lease obligations.

3.11 Intangible assets

Internally generated intangible assets – research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the criteria of IAS 38, *Intangible Assets* are met.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred.

Development assets are tested for impairment annually, in accordance with IAS 36, *Impairment of Assets.*

Purchased intangible assets other than goodwill

(i) "Right-of-use" operating licences

The cost of acquisition of operating licences, other than those obtained from the government authorities, are capitalised at their historical cost as intangible assets, and amortised over the right-of-use period. This period is reviewed at least annually.

(ii) Non-integrated computer software

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

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

3.12 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the group and company review the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In order to ensure completeness of the impairment assessment of individual assets, all tangible assets and intangible assets are allocated to the cash-generating unit to which they belong. An impairment assessment is then undertaken on the individual cash-generating units.

"Recoverable amount" is defined as the higher of fair value less costs-to-sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects the weighted average cost of capital of the company.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

3. Significant accounting policies *continued*

3.13 Financial assets

Financial assets are recognised and derecognised on the trade date where the purchase or sale of the asset is under a contract whose terms require delivery within the timeframe established by the market concerned. These assets are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets at fair value through profit or loss (FVTPL);
- available-for-sale (AFS) financial assets; and
- loans and receivables.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income.

AFS financial assets

Listed shares and similar securities held by the group and company that are traded in an active market are classified as being AFS and are stated at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Estimated future cash flows are determined using various assumptions and techniques, including comparisons with published prices in an active market, comparative price-earnings multiples and discounted cash flow projections using projected growth rates, weighted average cost of capital and inflation rates.

In the case of available-for-sale listed equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for these 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 the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value-in-use. Any impairment loss is charged to the statement of comprehensive income.

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

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

3. Significant accounting policies *continued*

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings and finance lease obligations are initially measured at fair value, net of transaction costs. Subsequently these are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.15 Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group and company designate certain derivatives as either hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). Hedges are accounted for as prescribed in IAS 39, *Financial Instruments: Recognition and Measurement.*

3.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method or weighted average cost method. Work-in-process and finished goods include the purchase costs of raw materials and conversion costs such as direct labour and an allocation of fixed and variable production overheads. Raw materials, qualifying spare parts and consumables are valued at cost inclusive of freight, shipping and handling costs.

Net realisable value represents the estimated selling price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling and distribution.

Costs incurred when production levels are abnormally low are partially capitalised as inventories and partially recorded as a component of cost of sales in the statement of comprehensive income.

3.17 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

3. Significant accounting policies *continued*

3.18 Stated capital

Equity instruments issued by the company and group are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company and group after deducting all liabilities.

Ordinary shares are classified as equity.

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

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

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

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

3.19 Borrowings

Borrowings are recognised initially at cost, which typically reflects the fair value of the funding transaction. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the group and company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

3.20 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements.

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

3.21 Employee benefits

Short-term employee benefits

Services rendered by employees during a reporting period, are recognised as the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability, after deducting any amount already paid; and as an expense, unless included in the cost of inventory or property, plant and equipment. The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised during the period in which the employee renders the related service.

Short-term compensated absences (leave pay benefits)

The expected cost of short-term employee benefits in the form of compensated absences are recognised (i) in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and (ii) in the case of non-accumulating compensated absences, when the absences occur. The leave pay benefits of the group and company are accumulative in nature and entail automatic encashment of the benefits once the entitlements reach an accumulation limit.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

3. Significant accounting policies *continued*

3.21 Employee benefits *continued*

Retirement benefits

Defined contribution plans are plans where fixed contributions to pension fund for certain categories of employees are paid. Contributions are paid in return for services rendered by the employees during the period. Such payments are expensed as they are incurred in line with the treatment of short-term employee benefits. No provisions are established in respect of defined contribution plans, as they do not generate future commitments.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, by way of contractual obligations. For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the group's and company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past-service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Medical benefits

No contributions are made to the medical aid of retired employees, except for a closed group of early retirees in respect of whom contributions are made. The present value of the post-retirement medical aid obligation for such early retirements is actuarially determined annually on the projected unit credit method and any deficit or surplus is immediately recognised in profit or loss.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group and company recognise termination benefits when demonstrably committed to either:

- terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- provide termination benefits as a result of an accepted offer made to encourage voluntary redundancy in exchange for these benefits.

3.22 Provisions and contingent liabilities

Provisions

Provisions for asset retirement obligations, environmental remediation obligations, onerous contracts, restructuring costs, legal claims and similar obligations are recognised when:

- a present legal or constructive obligation exists as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as accretion expenses within finance charges. Changes in the discount rate are recognised as finance charges, except for asset retirement obligations which are capitalised to property, plant and equipment.

Contingent liabilities

Legal claims are assessed using an accumulative probability method to determine whether a present obligation exists and whether the obligations are measurable.

3. Significant accounting policies *continued*

3.22 Provisions and contingent liabilities *continued*

Contingent liabilities *continued*

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

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

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

3.23 Revenue recognition

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's and company's activities. Revenue is shown net of value-added tax, returns, rebates, discounts and in the case of the group accounts, after eliminating sales within the group.

All amounts invoiced to a customer in a sale transaction related to distribution and handling costs are classified as revenue, with the costs related thereto shown as distribution and handling costs within other operating expenses.

The group and company recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's and company'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 and company base such estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods are recognised based on the relevant delivery terms at which point the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract or the group and company have objective evidence that all criteria for acceptance have been satisfied.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group and company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument where material and continue unwinding the discount as interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.24 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred and are not straight-lined.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

3. Significant accounting policies *continued*

3.25 Borrowing costs

Qualifying borrowing costs calculated in accordance with the effective interest rate method and directly attributable to the acquisition, construction or production of qualifying assets, for those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period incurred.

3.26 Share-based payments

Equity-settled share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Fair value determination of equity-settled share-based transactions is measured using the Binomial Matrix pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's and company's estimate of the number of equity instruments that will eventually vest. At each statement of financial position date, the group and company revise their estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of goods or services received is recognised as the current fair value at each statement of financial position date.

Vesting conditions

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Features of a share-based payment that are not vesting conditions are included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

3.27 Taxation

Income tax expense represents the sum of the tax currently payable (being South African normal tax), deferred tax, and secondary tax on companies (being a South African tax on dividends declared).

Normal tax

The tax currently payable is based on taxable income or loss for the year. Taxable income or loss differs from income or loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Secondary tax on companies (STC) – South Africa

STC is treated as part of the income tax expense in the statement of comprehensive income for the period. It is recognised as an expense in the same period as the related dividend is declared. As the level of dividends may vary between reporting periods, the resulting tax charge in the statement of comprehensive income may be disproportionate to pre-tax earnings.

Withholding tax on dividends

Dividends received subject to withholding tax are shown inclusive of any withholding tax, as to show only the net amount of the income received, which is subject to withholding tax, fails to reflect the full amount taxable in the hands of the receiving entity. The withholding tax amount is included in the tax change for the reporting period.

3. Significant accounting policies *continued*

3.28 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's board of directors.

3.29 Offset

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously or to settle on a net basis, all related financial effects are offset. If they qualify for derecognition per IAS 39 *Financial Instruments Recognition and Measurement.*

3.30 Comparative figures

When necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

4. Critical judgements and key estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

5. Segmental report

Segment information is presented only at group level, where it is most meaningful. Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker (the executive committee) in order to allocate resources to the segment and to assess its performance.

The group's reportable segments are as follows:

- Flat Steel Products consisting of the Vanderbijlpark Works, Saldanha Works and ArcelorMittal South Africa Distribution.
- Long Steel Products consisting of the Newcastle Works, Vereeniging Works and the decommissioned Maputo Works.
- Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial-grade coking coal.
- Corporate and other, housing sales and marketing functions, procurement and logistics activities, shared services, centres of excellence, the decommissioned Pretoria Works site, available-for-sale investments and the results of the non-trading consolidated subsidiaries and special purpose entities.

Segment profit from operations represents the profit earned by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

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

- Assets not allocated to operating segments:
  - results of consolidated subsidiaries and special purpose entities, other than for Saldanha Works which is a subsidiary housed within the Flat Steel Products segment;
  - investments in equity-accounted entities;
  - available-for-sale investments;
  - cash and cash equivalents; and
  - income tax, capital gains tax and value-added-tax-related assets, as applicable.
- Liabilities not allocated to operating segments are income tax, capital gains tax and value-added-tax-related liabilities, as applicable.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	Flat Steel Products		Long Steel Products	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
5. Segmental report *continued*				
Revenue				
– External customers	**20 192**	21 092	**10 289**	8 044
– Intersegment customers	**799**	701	**1 185**	1 470
Total revenue	**20 991**	21 793	**11 474**	9 514
Distributed as:				
– Local	**15 349**	16 370	**7 849**	6 601
– Export				
Africa	**3 225**	3 499	**1 599**	732
Europe	**3**	4	**124**	88
Asia	**1 522**	1 219	**449**	309
Other	**93**		**268**	314
Results				
Earnings before interest, tax, depreciation and amortisation	**(266)**	597	**770**	500
Depreciation and amortisation	**(1 294)**	(1 133)	**(299)**	(269)
(Loss)/profit from operations	**(1 560)**	(536)	**471**	231
Finance and investment income	**10**		**22**	
Finance (costs)/income	**(38)**	14	**(64)**	7
Income/(loss) after tax from equity-accounted investments				
(Loss)/profit before tax	**(1 588)**	(522)	**429**	238
Income tax credit/(expense)				
(Loss)/profit after tax				
Segment assets	**19 713**	21 322	**6 142**	6 965
Investments in equity-accounted entities				
Segment liabilities	**7 662**	8 693	**4 390**	4 412
Cash generated from/(utilised in) operations	**201**	(1 655)	**1 560**	(1 054)
Capital expenditure	**594**	717	**275**	392
Number of employees at year-end	**5 281**	5 544	**2 375**	2 501

Coke and Chemicals		Corporate and Other		Adjustments and eliminations		Total reconciling to the consolidated amounts	
2012 Rm	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
1 810	2 317					**32 291**	31 453
46	61			**(2 030)**	(2 232)		
1 856	2 378			**(2 030)**	(2 232)	**32 291**	31 453
1 805	2 314					**25 003**	25 285
1	3					**4 825**	4 234
4						**131**	92
						1 971	1 528
						361	314
503	870	**109**	(203)	**5**	(44)	**1 121**	1 720
(32)	(52)	**(20)**	(15)	**47**	46	**(1 598)**	(1 423)
471	818	**89**	(218)	**52**	2	**(477)**	297
		28	31			**60**	31
		(232)	(189)			**(334)**	(168)
		59	(34)			**59**	(34)
471	818	**(56)**	(410)	**52**	2	**(692)**	126
						184	(118)
						(508)	8
1 003	1 082	**2 531**	3 891	**(1 695)**	(3 610)	**27 694**	29 650
		3 204	2 772			**3 204**	2 772
1 580	1 404	**(4 750)**	(4 539)	**(226)**	(217)	**8 656**	9 753
584	830	**(323)**	1 000			**2 022**	(879)
5	18	**12**	63	**(11)**		**875**	1 190
236	251	**1 487**	1 590			**9 379**	9 886

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	2012 Rm	2011 Rm
5. Segmental report *continued*		
5.1 Revenue from major products and services		
The group's revenue from its major products sold to external customers was as follows:		
Flat Steel Products	**20 192**	21 092
– Plate	**859**	1 015
– Hot-rolled coil	**11 871**	11 775
– Cold-rolled coil	**1 792**	2 039
– Galvanised sheet	**2 987**	3 330
– Coated sheet	**726**	741
– Tin plate	**1 661**	1 863
– Other	**296**	329
Long Steel Products	**10 289**	8 044
– Billets and blooms	**272**	161
– Bars and rebars	**2 503**	1 833
– Wire rod	**2 498**	1 928
– Sections	**3 019**	2 357
– Rails	**65**	49
– Seamless tubular products	**887**	813
– Forged	**1 015**	886
– Other	**30**	17
Coke and Chemicals	**1 810**	2 317
– Coke	**1 315**	1 852
– Tar	**342**	345
– Other	**153**	120
Total consolidated revenue	**32 291**	31 453
5.2 Geographical information		
The group operates principally in South Africa. Export sales are primarily sold into sub-Saharan Africa and Asia.		
5.3 Information about major customers		
Segmentation of the group's top-three customers, as measured on total revenue, is as follows:		
Flat Steel Products	**7 968**	7 969
Long Steel Products	**3 289**	2 262
Total revenue attributable to top three customers	**11 257**	10 231
Expressed as a % of total consolidated revenue (%)	**35**	33
Of these top three customers, one customer contributes more than 10% to total revenue	**5 583**	5 521
Expressed as a % of total consolidated revenue (%)	**17**	18

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
6. (Loss)/profit from operations				
Profit from operations has been arrived at after charging:				
Amortisation of intangible assets	**16**	14	**13**	10
Depreciation	**1 582**	1 409	**1 178**	993
Employee costs	**3 356**	3 164	**3 356**	3 164
– Salaries and wages	**2 985**	2 832	**2 985**	2 832
– Termination benefits	**4**	2	**4**	2
– Pension and medical costs	**350**	302	**350**	302
– Share-based payment expense	**17**	28	**17**	28
Profit on disposal or scrapping of property, plant and equipment	**(4)**	(82)	**(11)**	(88)
Operating lease rentals	**141**	131	**140**	131
Railage and transport	**925**	1 209	**853**	1 160
Repairs and maintenance	**2 387**	2 190	**1 895**	1 715
Research and development costs	**37**	81	**37**	81
Write-down of inventory to net realisable value	**65**	155	**51**	143
Auditors' remuneration	**14**	13	**12**	11
– Audit fees	**12**	11	**10**	9
– Other services and expenses	**2**	2	**2**	2
Allowance for doubtful debts recognised on trade receivables	**3**	2	**3**	2
Other allowances on trade receivables	**(15)**	11	**(15)**	11
Losses on derecognition of embedded derivative instruments		251		251
7. Finance and investment income				
Finance income				
Bank deposit and other interest income excluding interest income from subsidiaries and equity-accounted investments	**10**	29	**10**	28
Investment income				
Dividends received				264
Interest received from jointly controlled entities	**3**	2	**2**	2
Discount rate adjustment of the non-current provisions	**47**		**47**	
Total	**60**	31	**59**	294
8. Finance costs				
Interest expense on bank overdrafts and loans	**(103)**	(32)	**(101)**	(28)
Interest expense on finance lease obligations	**(67)**	(71)	**(45)**	(48)
Discounting rate adjustment of the non-current provisions		(22)		(23)
Net foreign exchange (losses)/gains on financing activities	**(9)**	124	**(32)**	108
Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	**(155)**	(167)	**(152)**	(165)
Total	**(334)**	(168)	**(330)**	(156)

No borrowing costs qualified for capitalisation during the current or comparative year.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

		Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
9.	**Impairment charge**				
	Impairment charged against the equity-accounted investments			**(456)**	
	Reversal of impairment charged against the investment in subsidiaries			**50**	
	Total			**(406)**	
	The impairment charge, recognised in profit of loss, relates to the company's investment in Coal of Africa Limited. The market value of Coal of Africa Limited decreased in 2012 and as a result the carrying value of the investment was more than the recoverable amount at 31 December 2012. At a group level, the recoverable amount remained in excess of the carrying value.				
10.	**Income tax credit/(expense)**				
	Income tax recognised in profit or loss				
	Tax expense comprises:				
	Current tax expense	**(95)**	(127)		(127)
	Adjustments recognised in the current year in relation to the current tax of prior years		5		5
		(95)	(122)		(122)
	Deferred tax income relating to the origination and reversal of temporary differences	**279**	39	**242**	45
	Withholding tax on foreign dividend		(13)		(13)
	Secondary tax on companies		(22)		(22)
	Total	**184**	(118)	**242**	(112)
	The total charge for the year can be reconciled to the accounting profit as follows:				
	(Loss)/profit before taxation	**(692)**	126	**(1 393)**	501
	Income tax credit/(expense) calculated at 28%	**194**	(35)	**390**	(140)
	Effect of income that is non-taxable/exempt	**8**	(1)	**1**	72
	Effect of expenses that are not deductible	**(46)**	(18)	**(149)**	(6)
	Effect of assessed loss not recognised		(2)		
	Effect of (i) equity-accounted investments disclosed net of tax on the face of the statement of comprehensive income and (ii) the effect of different tax rates of subsidiaries operating in other jurisdictions	**28**	(24)		
	Effect of taxable income imputed from controlled foreign companies		(8)		(8)
	Adjustments recognised in the current year in relation to the current tax and deferred tax of prior years.		5		5
	Withholding tax on foreign dividend		(13)		(13)
	Secondary tax on companies		(22)		(22)
	Total income tax credit/(expense)	**184**	(118)	**242**	(112)
	Taxation as a percentage of (loss)/profit before taxation (%)	**26.6**	93.7	**17.4**	22.3
	Income tax recognised in equity and other comprehensive income				
	Current and deferred tax credit				
	– Contributions to Management Share Trust and non-exercised options at year-end		1		5
	Total current and deferred tax recognised in equity		1		5

	Group 2012	Group 2011
11. (Loss)/earnings per share		
Basic earnings per share is calculated by dividing profit attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties.		
(Loss)/profit attributable to owners of the company (Rm)	**(508)**	8
Weighted average number of ordinary shares in issue (thousands)	**401 202**	401 202
Basic (loss)/earnings per share (cents)	**(127)**	2
Diluted earnings per share is calculated by dividing the profit/loss attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options representing dilutive potential ordinary shares.		
(Loss)/profit attributable to owners of the company (Rm)	**(508)**	8
Weighted average number of diluted shares (thousands)	**401 202**	401 444
Diluted (loss)/earnings per share (cents)	**(127)**	2

The calculation for headline (loss)/earnings per share is based on the basic earnings per share calculation, reconciled as follows:

	2012 gross Rm	2012 net of tax Rm	2011 gross Rm	2011 net of tax Rm
(Loss)/profit attributable to owners of the company		**(508)**		8
IAS 16 profit on disposal or scrapping of property, plant and equipment	**(4)**	**(10)**	(82)	(60)
Headline loss		**(518)**		(52)

	Group 2012	Group 2011
Headline loss per share (cents)		
– Basic	**(129)**	(13)
– Diluted	**(129)**	(13)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows (thousands):		
– Shares in issue held by third parties	**401 202**	401 202
– Weighted average number of shares	**401 202**	401 202
Adjustments for dilutive impact of the Management Share Trust (thousands):		
– Shares under option		242
Weighted average number of diluted shares (thousands)	**401 202**	401 444

12. Dividend per share

The dividend distribution for 2012 consists of the following:

- Consistent with the group's dividend policy, no final dividend was declared for 2011 and no interim or final dividend for 2012 was declared.

The dividend distribution for 2011 consists of the following:

- Consistent with the group's dividend policy, no final dividend was declared for the 2010 financial year.
- On 19 July 2011, an interim dividend of 55 cents per share (R221 million) for the 2011 financial year was paid to shareholders on 5 September 2011.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

13. Property, plant and equipment

	Land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm
Group			
For the year ended 31 December 2012			
Net carrying amount			
Carrying amount at beginning of year	**66**	**953**	**12 280**
Additions		**20**	**446**
Disposals		**(1)**	**(40)**
Depreciation charges		**(78)**	**(1 366)**
Other movements	**1**	**79**	**975**
Carrying amount at end of year	**67**	**973**	**12 295**
At 31 December 2012			
Cost	**69**	**2 304**	**27 221**
Accumulated depreciation	**(2)**	**(1 331)**	**(14 926)**
Net carrying amount	**67**	**973**	**12 295**
Group			
For the year ended 31 December 2011			
Net carrying amount			
Carrying amount at beginning of year	66	878	12 410
Additions		13	629
Disposals			(40)
Depreciation charges		(58)	(1 174)
Other movements		120	455
Carrying amount at end of year	66	953	12 280
At 31 December 2011			
Cost	68	2 217	26 140
Accumulated depreciation	(2)	(1 264)	(13 860)
Net carrying amount	66	953	12 280

Site preparation Rm	Asset retirement obligation component asset at present value Rm	Leased assets Rm	Extensions under construction Rm	Total Rm
31	**11**	**1 714**	**1 563**	**16 618**
			397	**863**
				(41)
(3)	**6**	**(141)**		**(1 582)**
	(13)	**222**	**(1 054)**	**210**
28	**4**	**1 795**	**906**	**16 068**
103	**200**	**4 087**	**906**	**34 890**
(75)	**(196)**	**(2 292)**		**(18 822)**
28	**4**	**1 795**	**906**	**16 068**
34	46	1 354	1 644	16 432
			492	1 134
				(40)
(3)	(39)	(135)		(1 409)
	4	495	(573)	501
31	11	1 714	1 563	16 618
103	213	3 718	1 563	34 022
(72)	(202)	(2 004)		(17 404)
31	11	1 714	1 563	16 618

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

13. Property, plant and equipment *continued*

	Land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm
Company			
For the year ended 31 December 2012			
Net carrying amount			
Carrying amount at beginning of year	**53**	**713**	**7 468**
Additions		**20**	**384**
Disposals		**(1)**	**(27)**
Depreciation charges		**(70)**	**(981)**
Other movements		**74**	**843**
Carrying amount at end of year	**53**	**736**	**7 687**
At 31 December 2012			
Cost	**53**	**1 892**	**17 231**
Accumulated depreciation		**(1 156)**	**(9 544)**
Net carrying amount	**53**	**736**	**7 687**
Company			
For the year ended 31 December 2011			
Net carrying amount			
Carrying amount at beginning of year	53	631	7 294
Additions		13	591
Disposals			(27)
Depreciation charges		(50)	(787)
Other movements		119	397
Carrying amount at end of year	53	713	7 468
At 31 December 2011			
Cost	53	1 812	16 297
Accumulated depreciation		(1 099)	(8 829)
Net carrying amount	53	713	7 468

Site preparation Rm	Asset retirement obligation component asset at present value Rm	Leased assets Rm	Extensions under construction Rm	Total Rm
32	**4**	**1 649**	**1 424**	**11 343**
			366	**770**
				(28)
(3)	**8**	**(132)**		**(1 178)**
	(12)	**211**	**(916)**	**200**
29		**1 728**	**874**	**11 107**
103	**194**	**3 878**	**874**	**24 225**
(74)	**(194)**	**(2 150)**		**(13 118)**
29		**1 728**	**874**	**11 107**
35	37	1 271	1 563	10 884
			377	981
				(27)
(3)	(36)	(117)		(993)
	3	495	(516)	498
32	4	1 649	1 424	11 343
103	206	3 520	1 424	23 415
(71)	(202)	(1 871)		(12 072)
32	4	1 649	1 424	11 343

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

13. Property, plant and equipment *continued*

Land register and asset pledges

A register of land is available for inspection at the registered office of the company.

The group and company have not pledged property, plant and equipment to secure banking facilities granted.

Critical judgements and estimates

Useful lives and residual values of property, plant and equipment and intangible assets

The estimates of depreciation and amortisation rates and the residual lives of the assets are reviewed annually taking cognisance of:

- forecasted commercial and economic realities;
- benchmarking within the greater ArcelorMittal group; and
- International Financial Reporting Standards (IAS 16, *Property, plant and equipment*).

Useful life range

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

These useful lives represent management's current best estimates.

Impairment indicator assessment for the carrying amount of the cash-generating units

An impairment indicator review was performed on all operating cash-generating units of the group including subsidiaries. However, it was necessary to perform an impairment assessment on the export focused Saldanha Works as well as Vanderbijlpark Works.

Basis of the impairment model

- An explicit forecast over a five-year period
- Terminal value is based on the Gordon Growth model with a terminal growth rate of 2%
- Terminal value is based on a normalised steel cycle of five years.

The following principle assumptions were applied:

- Discount rate: average of 10% (2011: average of 12.08%)
- Growth rate in determining terminal value is 2% (2011: 5%)
- ZAR/US$ average rate of exchange for 2013 the first year of the valuation: R8.7 (2011: R7.80)
- Average annual risk-free interest rate differential between SA and the USA: 4.8% (2011: 2.78%)
- Average annual sales volumes: 1.1 million tonnes (2011: 1.2 million tonnes) and 2.3 million tonnes for Vanderbijlpark
- Cost of production is per the budget for 2013 and thereafter consensus views of analysts and economists as well as management's assessment and expertise
- The rand will devalue against the US dollar with the inflation differential between the two currencies
- Electricity tariff increase of CPI +3% for 2014 to 2017 and then CPI onwards
- The carrying amount of the property, plant and equipment of the Saldanha cash-generating unit amounted to R5 241 million at 31 December 2012 (31 December 2011: R6 026 million) and Vanderbijlpark was determined as R2 278 million.

14. Intangible assets

	Patents and trademarks Rm	Non-integrated software Rm	Total Rm
Group			
For the year ended 31 December 2012			
Net carrying amount			
Carrying amount at beginning of year	**15**	**111**	**126**
Additions		**12**	**12**
Other movements		**(1)**	**(1)**
Amortisation charge	**(2)**	**(14)**	**(16)**
Carrying amount at end of year	**13**	**108**	**121**
At 31 December 2012			
Cost	**40**	**337**	**377**
Accumulated amortisation and impairment	**(27)**	**(229)**	**(256)**
Net carrying amount	**13**	**108**	**121**
Group			
For the year ended 31 December 2011			
Net carrying amount			
Carrying amount at beginning of year	17	67	84
Additions		56	56
Amortisation charge	(2)	(12)	(14)
Carrying amount at end of year	15	111	126
At 31 December 2011			
Cost	40	326	366
Accumulated amortisation and impairment	(25)	(215)	(240)
Net carrying amount	15	111	126
Company			
For the year ended 31 December 2012			
Net carrying amount			
Carrying amount at beginning of year		**99**	**99**
Additions		**12**	**12**
Amortisation charge		**(13)**	**(13)**
Carrying amount at end of year		**98**	**98**
At 31 December 2012			
Cost		**323**	**323**
Accumulated amortisation and impairment		**(225)**	**(225)**
Net carrying amount		**98**	**98**
Company			
For the year ended 31 December 2011			
Net carrying amount			
Carrying amount at beginning of year		55	55
Additions		54	54
Amortisation charge		(10)	(10)
Carrying amount at end of year		99	99
At 31 December 2011			
Cost		311	311
Accumulated amortisation and impairment		(212)	(212)
Net carrying amount		99	99

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	Company	
	2012 Rm	2011 Rm
15. Investments in subsidiaries		
Indebtedness		
– by subsidiaries	**8 125**	8 899
– to subsidiaries	**(94)**	(94)
Total indebtedness	**8 031**	8 805
Less: Provision for attributable losses		(53)
Net indebtedness after provision	**8 031**	8 752
Shares at cost (Annexure 2)	**253**	253
Total	**8 284**	9 005
Aggregate attributable after tax (losses)/profit	**(237)**	25

The majority of the carrying value of the company's investment in subsidiaries consists of its investment in Saldanha Steel Proprietary Limited being the cost of shares and indebtedness, at the initial and subsequent acquisition dates.

Critical judgements and estimates

Consolidation of special purpose entities

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

For reasons comparable to those described above, the results of the ArcelorMittal Foundation, a public benefit organisation, are not included in the consolidated results of the group.

Iscor Management Share Trust is a special purpose entity that is consolidated into the group results, with the cost of open market share purchases being included as a debit to the group's equity.

	Group				Company			
	Non-current		Current		Non-current		Current	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm	2012 Rm	2011 Rm
16. Other financial assets								
Financial assets carried at fair value through profit or loss (FVTPL)								
Held for trading	**1**		**11**	1	**1**		**6**	1
Available-for-sale (AFS) investments carried at fair value								
Equity instruments	**25**	57						
Total	**26**	57	**11**	1	**1**		**6**	1
Included in the financial statements as:								
Other financial assets	**26**	57	**11**	1	**1**		**6**	1

Critical judgements and estimates

AFS investments

The group holds 10% of the ordinary share capital of Hwange Colliery Company Limited, a coal, coke and by-products producer in Zimbabwe.

The share is traded on the dollarised Zimbabwe Stock Exchange. The carrying amount of the investment represents its market value at the reporting date, namely R25 million (2011: R57 million), against a cost of R9 million.

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
17. Inventories				
Finished products	**1 861**	1 823	**1 604**	1 537
Work-in-progress	**3 362**	3 923	**3 324**	3 855
Raw materials	**2 838**	3 518	**2 571**	3 155
Plant spares and consumable stores	**700**	671	**558**	550
Total	**8 761**	9 935	**8 057**	9 097

Included in the above are finished products of R539 million (2011: R354 million), work-in-progress of R344 million (2011: R290 million) and raw materials of R1 518 million (2011: R1 588 million) carried at net realisable value.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

		Group		Company	
		2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
18.	**Trade and other receivables**				
	Trade receivables				
	– Local	**1 321**	1 904	**1 293**	1 757
	– Exports	**190**	197	**122**	94
	Total gross trade receivables	**1 511**	2 101	**1 415**	1 851
	Less allowances				
	Allowance for doubtful debts				
	– Local	**(10)**	(1)	**(10)**	(1)
	– Exports		(6)		(6)
	Total allowances for doubtful debts	**(10)**	(7)	**(10)**	(7)
	Other allowances				
	– Local	**(173)**	(189)	**(173)**	(189)
	– Exports	**(2)**	(1)	**(2)**	(1)
	Total other allowances	**(175)**	(190)	**(175)**	(190)
	Net trade receivables				
	– Local	**1 138**	1 714	**1 110**	1 567
	– Exports	**188**	190	**120**	87
	Total net trade receivables	**1 326**	1 904	**1 230**	1 654
	Other receivables	**245**	280	**192**	210
	Less: allowance for doubtful debts	**(22)**	(15)	**(22)**	(15)
		223	265	**170**	195
	Net value-added tax receivable	**120**	205	**66**	
	Total net other receivables	**343**	470	**236**	195
	Total	**1 669**	2 374	**1 466**	1 849
	Average credit period for trade receivables				
	The sectoral split of the average credit period (in days) on sale of goods is as follows:				
	– Local	**32**	35	**32**	35
	– Exports	**19**	9	**19**	9

18. Trade and other receivables *continued*

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at our prime + 3% per annum on the outstanding balance.

Other receivables relate primarily to by-product sales, site rental due, prepayments and staff education and bursary loans. In determining the recoverability of trade and other receivables, the group and company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The following allowances exist:
Allowance for doubtful debts, which is based on the ageing and recoverability of receivables. Customers handed over for collection are fully provided for unless insured in which case the participation percentage of the insurer is deducted. Customers without cover and older than 180 days are fully provided for. The movement in allowance for doubtful debts is not deemed material.

Other allowances, which relate to settlement discounts, price, quality, dispatch and related claims, are based on the exact amounts as withheld from payment by customers, for which credit notes still have to be issued. The movement in other allowances is not deemed material.

The group and company did not transfer any receivables to related or unrelated entities during the current or comparative years. No factoring or securitisation arrangements were transacted.

The credit risk management policy sets out the framework within which the customer credit risk is managed.

The objectives of the credit risk management policy are to:

- increase sales through investing in the customer base;
- avoid extensions that could lead to financial distress and default by customers;
- maintain productive customer relationships within the framework of prudent risk management;
- optimising cash collection periods; and
- diversifying credit exposure over a broad client base.

The credit policy risk management is enacted by the credit management department. Credit management ensures that credit extension and management is conducted within the approved frameworks, and adequately assesses and reports all credit exposures, which includes the maintenance of appropriate collateral, financial guarantees and credit insurance.

Customer credit risk is assessed on a group-wide basis and refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group and company.

Each customer's credit risk profile is determined taking into account information provided by the independent credit bureau, Experian South Africa Proprietary Limited, Coface SA Service Proprietary Limited as well the customer's financial position, payment performance and other relevant information. Credit limits are regularly monitored.

Credit insurance is placed with the Coface South Africa Insurance Company and Credit Guarantee Insurance Corporation of Africa with a maximum liability of R1 800 million with a 10% excess.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

18. Trade and other receivables *continued*

The group and company are exposed to three main customers, which account for approximately a third of its trade and other receivables balance. These top three customers operate in the domestic market. The table below details the cumulative credit limit and balances (both inclusive of value-added tax) of the top three customers at the statement of financial position date for the group and company:

Customer	Rating	Credit limit 2012 Rm	Balance 2012 Rm	Credit limit 2011 Rm	Balance 2011 Rm
Top three customers by outstanding balance	**B**	**2 200**	**270**	2 150	665
% of net trade receivables					
– group (%)			**20**		35
– company (%)			**22**		40

Credit risk exposure by class for the group and company is as follows:

	Group 2012 %	Company 2012 %
Local	**86**	**90**
Exports	**14**	**10**
	100	**100**

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
19. Stated capital				
Authorised				
1 200 000 000 ordinary shares at no par value (2011: 1 200 000 000 ordinary shares at no par value)				
2 357 584 "C" redeemable preference shares at R10 each (2011: 2 357 584)				
Issued				
445 752 132 ordinary shares at no par value (2011: 445 752 132 ordinary shares at no par value)	**37**	37	**37**	37
Total	**37**	37	**37**	37

The unissued ordinary shares are not under the control of the directors. As disclosed in the group Statement of Changes in Equity, 9.995% of the issued shares are owned by Vicva Investments and Trading Nine Proprietary Limited, a subsidiary of ArcelorMittal South Africa Limited and is treated as treasury shares.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
20. Borrowings and other payables				
Borrowings				
Unsecured – at amortised cost				
Loan from Pretoria Portland Cement	**10**	20		
Other payables				
Leave pay benefits accrual	**356**	328	**356**	328
Other	**61**		**61**	
Total	**427**	348	**417**	328
Included in the financial statements as:				
Non-current borrowings and other payables	**270**	241	**270**	231
Current borrowings and other payables	**157**	107	**147**	97
Total	**427**	348	**417**	328

Loan from Pretoria Portland Cement

The ZAR-denominated loan is unsecured and bears interest at a fixed rate of 16.00%, and is repayable annually with the final payment due in 2013.

There were no loan breaches or defaults during the current or comparative period.

Leave pay benefits accrual

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

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
21. Finance lease obligations				
Secured – at amortised cost	**503**	508	**368**	376
Included in the financial statements as:				
Non-current finance lease obligations	**426**	451	**301**	326
Current finance lease obligations	**77**	57	**67**	50
Total	**503**	508	**368**	376

The finance leases are embedded within supply arrangements with suppliers and have been assessed in terms of IFRIC 4, *Determining whether an arrangement contains a lease.*

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Maturity profile				
At 31 December				
Minimum lease payments				
Not later than one year	**138**	122	**108**	94
Later than one year and not later than five years	**449**	435	**328**	325
Later than five years	**157**	247	**64**	126
Total	**744**	804	**500**	545
Less: future finance charges	**(241)**	(296)	**(132)**	(169)
Present value of minimum lease payments	**503**	508	**368**	376

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

21. Finance lease obligations *continued*

The lease liabilities are effectively secured, as the rights to the leased assets as embedded in the supply agreements, would generally revert to the lessor or supplier in the event of defaults.

There were no loan breaches or defaults during the current or comparative period.

Functional category	Term expiry date	Fixed effective interest rate
Raw materials	2014 – 2016	0%
Gasses	2016 – 2019	10.41% – 20.11%
Electricity and transport utilities	2018 – 2022	15.80% – 18.25%
Steel processing and foundry services	2015 – 2018	6% – 9.29%

22. Provisions

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Post-retirement medical aid benefits Rm	Other Rm	Total Rm
Group						
For the year ended 31 December 2012						
At beginning of year	202	1 251	278	8	204	1 943
Transfer to:					(203)	(203)
Borrowings and other payables					(44)	(44)
Trade and other payables					(159)	(159)
Charge to the statement of comprehensive income	34	96	35	2		167
Additions	16	25	16	2		59
Discount rate change	(4)	(38)	(5)			(47)
Unwinding of the discount effect	22	109	24			155
Utilised during the year	(24)	(124)	(81)	(1)		(230)
(Asset retirement obligation scope changes)/cash received in advance	(13)				12	(1)
At end of year	199	1 223	232	9	13	1 676
Included in the financial statements as:						
Non-current provisions	162	1 001	193	8		1 364
Current provision	37	222	39	1	13	312
Total	199	1 223	232	9	13	1 676

During 2012 R159 million was transferred from Provisions to Trade and other payables as there is more certainty on the timing and the amount due. On the same basis, R44 million was transferred from Provisions to Borrowings and other payables.

22. Provisions *continued*

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Post-retirement medical aid benefits Rm	Other Rm	Total Rm
Company						
For the year ended 31 December 2012						
At beginning of year	196	1 251	266	8	204	1 925
Transfer to:					(203)	(203)
Borrowings and other payables					(44)	(44)
Trade and other payables					(159)	(159)
Charge to the statement of comprehensive income	20	96	5	2		123
Additions/(releases)	3	25	(12)	2		18
Discount rate change	(4)	(38)	(5)			(47)
Unwinding of the discount effect	21	109	22			152
Utilised during year	(12)	(124)	(72)	(1)		(209)
(Asset retirement obligation scope changes)/cash received in advance	(12)				12	
At end of year	192	1 223	199	9	13	1 636
Included in the financial statements as:						
Non-current provisions	155	1 001	167	8		1 331
Current provisions	37	222	32	1	13	305
Total	192	1 223	199	9	13	1 636

During 2012 R159 million was transferred from Provisions to Trade and other payables as there is more certainty on the timing and the amount due. On the same basis, R44 million was transferred from Provisions to Borrowings and other payables.

Maturity profile

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

	Total Rm	Less than one year Rm	More than one year less than five years Rm	Five years + Rm
Group				
At 31 December 2012				
Asset retirement obligation	199	37	112	50
Environmental remediation	1 223	222	679	322
Onerous contracts	232	39	143	50
Post-retirement medical aid benefits	9	1	5	3
Other	13	13		
Total	1 676	312	939	425
Company				
At 31 December 2012				
Asset retirement obligation	192	37	111	44
Environmental remediation	1 223	222	679	322
Onerous contracts	199	32	117	50
Post-retirement medical aid benefits	9	1	5	3
Other	13	13		
Total	1 636	305	912	419

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

22. Provisions *continued*

Asset retirement obligation and environmental remediation obligation provisions

Environmental obligations consist of asset retirement obligations and environmental remediation obligations.

Environmental remediation obligations represent the present value of the cost of remedial action to clean-up and secure a site. These actions are primarily attributable to historical, that is, legacy waste disposal activities. Legal obligations exist to remediate these facilities.

Estimating the future cash flows associated with these obligations and the related asset components is complex. In particular, judgement is required in distinguishing between asset retirement obligations and environmental remediation obligations.

Existing laws and guidelines are not always clear as to the required end-state situation. The provisions are also affected by changing technologies, environmental, safety, business and legal considerations.

Management assess long-term operational plans, technological and legislative developments, guidelines issued by the authorities, advice from external environmental experts, and computations provided by quantity surveyors in order to derive an estimated future cash flow profile to serve as basis for the computation of the obligations and related assets.

The asset retirement obligations represent management's best estimate of the present value of costs that will be required to retire plant and equipment. The majority of the obligation relates to ancillary plant and equipment that will be retired as part of the clean-up and closure of those facilities to be remediated via the environmental remediation obligation. The net carrying amount of the asset retirement obligation asset component, included in note 13, amounts to R4 million (2011: R11 million) for the group and Rnil million (2011: R4 million) for the company.

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

Average discount rates	2012 %	2011 %
Asset retirement obligation	**9.2**	8.9
Environmental remediation obligation	**10.0**	9.5
Onerous contracts	**8.7**	8.6

The average escalation factor applied to the current cash flow estimates is 7.52% (2011: 5.8%).

22. Provisions *continued*

Onerous contract provision

Included in the provision is an onerous operating lease contract embedded in a long-term, take-or-pay gas supply contract with Afrox. The unavoidability of the cost arose upon the 1997 decommissioning of steel-making facilities at Pretoria Works. Net cash outflow for the year amounted to R72 million (2011: R63 million). The unexpired term of the contract is seven years.

Also included is a long-term contract containing a take-or-pay clause for burnt dolomite and coal fines sourced from PPC Limited. The take-or-pay obligation arose historically due to lower off-take on account of efficiency improvements and method changes. The carrying amount at 31 December 2012 equalled R32 million (2011: R12 million). Net cash outflow for the year amounted to R9 million (2011: R12 million).

Post-retirement medical aid benefits

The group and company recognise a liability relating to future medical aid for certain early retirees. The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the statement of comprehensive income.

The sensitivity of the carrying amount of the obligations at 31 December 2012 in response to changes in key inputs is as follows:

	Asset retirement obligations Rm	Environmental remediation obligations Rm	Onerous contracts Rm
Carrying amount at 31 December 2012			
% change in all cash flows			
+10%; -10%	+20; -20	+122; -122	+23; -23
% change in cash flows in first five years			
+10%; -10%	+15; -15	+90; -90	+18; -18
Basis point change in discount rate			
+100 bps; -100 bps	-8; +8	-50; +50	-8; +8
Basis point change in discount rate in first five years			
+100 bps; -100 bps	-4; +4	-25; +25	-5; +5

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	Property, plant, equipment and intangible assets Rm	Employee cost Rm
23. Deferred taxation		
Deferred tax liabilities/(assets) arise from the following:		
Group		
For the year ended 31 December 2012		
Temporary differences		
At beginning of year	**3 149**	**(111)**
Charged to income	**(80)**	
Charged to equity		
At end of year	**3 069**	**(111)**
Group		
For the year ended 31 December 2011		
Temporary differences		
At beginning of year	3 209	(87)
Charged to income	(60)	(20)
Charged to equity		(4)
At end of year	3 149	(111)
Company		
For the year ended 31 December 2012		
Temporary differences		
At beginning of year	**1 780**	**(111)**
Charged to income	**(8)**	
Charged to equity		
At end of year	**1 772**	**(111)**
Company		
For the year ended 31 December 2011		
Temporary differences		
At beginning of year	1 764	(87)
Charged to income	16	(20)
Charged to equity		(4)
At end of year	1 780	(111)

Temporary differences				Unused tax losses and credits	
Provisions Rm	Doubtful debts Rm	Finance lease obligations Rm	Other Rm	Tax losses Rm	Total Rm
(523)	**(6)**	**(140)**	**(12)**	**(47)**	**2 310**
(6)	**2**	**(1)**	**(3)**	**(191)**	**(279)**
(529)	**(4)**	**(141)**	**(15)**	**(238)**	**2 031**
(476)	(6)	(161)	5	(130)	2 354
(47)		21	(16)	83	(39)
			(1)		(5)
(523)	(6)	(140)	(12)	(47)	2 310
(518)	**(5)**	**(101)**	**(6)**		**1 039**
	1	**(2)**	**(2)**	**(231)**	**(242)**
(518)	**(4)**	**(103)**	**(8)**	**(231)**	**797**
(469)	(5)	(120)	4		1 087
(49)		19	(11)		(45)
			1		(3)
(518)	(5)	(101)	(6)		1 039

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
24. Trade and other payables				
Trade payables	**3 420**	4 232	**2 907**	3 644
Other payables	**502**	412	**431**	298
– Sundry	**33**	100	**25**	37
– Accruals	**469**	312	**406**	261
Total	**3 922**	4 644	**3 338**	3 942
25. Notes to the statement of cash flows				
25.1 Cash generated from operations				
(Loss)/profit from operations	**(477)**	297	**(716)**	363
Adjusted for non-cash movements				
– Depreciation and amortisation	**1 598**	1 423	**1 191**	1 003
– Unrealised profit on sales to joint ventures	**(1)**	5		
– Unrealised fair value movements in embedded derivatives		250		250
– Share option and participation costs	**17**	28	**17**	28
– Movement in provisions, borrowings and other payables	**75**	59	**34**	46
– Net movement in leave pay accrual	**28**	99	**28**	99
– Net gains arising on financial assets held-for-trading	**(11)**	(1)	**(6)**	(1)
– Allowance for net realisable value	**65**	(155)	**51**	(143)
– Asset retirement obligation scope changes	**13**	(4)	**12**	(3)
– Movements in allowance for doubtful debt	**(10)**		**(10)**	
– Reconditionable spares usage	**16**	15	**11**	8
– Profit on disposal or scrapping of property, plant and equipment	**(4)**	(82)	**(12)**	(88)
Working capital movements				
– Decrease/(increase) in inventories	**1 110**	(2 624)	**989**	(2 670)
– Decrease/(increase) in trade and other receivables	**714**	(557)	**390**	(266)
– (Decrease)/increase in trade and other payables	**(881)**	656	**(767)**	486
– Utilisation of provisions	**(230)**	(288)	**(209)**	(276)
	2 022	(879)	**1 003**	(1 164)
25.2 Dividends paid				
Charged to equity		(221)		(245)
		(221)		(245)

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
25. Notes to the statement of cash flows *continued*				
25.3 Normal taxation				
Normal taxation recoverable at beginning of year	**100**	18	**101**	23
Amounts charged to the statement of comprehensive income	**(95)**	(158)		(157)
Amounts recognised in equity		9		(1)
Amounts in equity (reversed from)/taken into account in deferred tax		(8)		(4)
Other movements		(4)		(3)
Normal taxation recoverable at end of year	**(57)**	(100)	**(151)**	(101)
	(52)	(243)	**(50)**	(243)
25.4 Investment to maintain operations				
Replacement of property, plant and equipment	**(598)**	(708)	**(539)**	(595)
Intangible assets	**(12)**	(56)	**(12)**	(54)
Environmental	**(128)**	(89)	**(121)**	(88)
Reconditionable spares	**(71)**	(71)	**(46)**	(40)
	(809)	(924)	**(718)**	(777)
25.5 Investment to expand operations				
Property, plant and equipment for expansion and new technology	**(66)**	(266)	**(64)**	(258)
	(66)	(266)	**(64)**	(258)
Total capital expenditure	**(875)**	(1 190)	**(782)**	(1 035)
26. Financial instruments and financial risk management				
26.1 Categories of financial instruments				
Financial assets				
Fair value through profit or loss (FVTPL)				
• Held-for-trading	**12**	1	**7**	1
Loans and receivables carried at amortised cost				
• Cash and cash equivalents	**884**	439	**685**	195
• Trade and other receivables	**1 549**	2 169	**1 400**	1 849
Available-for-sale financial assets carried at fair value	**25**	57		
Total financial assets	**2 470**	2 666	**2 092**	2 045
Financial liabilities				
Derivative instruments in designated hedge accounting relationships				
Loans carried at amortised cost				
• Borrowings	**10**	20		
• Finance lease obligations	**503**	508	**368**	376
• Trade and other payables	**3 922**	4 644	**3 338**	3 896
Total financial liabilities	**4 435**	5 172	**3 706**	4 272
Net financial liabilities	**(1 965)**	(2 506)	**(1 614)**	(2 227)

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

26. Financial instruments and financial risk management *continued*

26.2 Financial instruments carried at fair value

For financial instruments that are measured at fair value in the statement of financial position, the table below provides an analysis of their grouping based on the degree to which fair value is objectively observable.

- Level 1: fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

	Level 1	Total
Group		
For the year ended 31 December 2012		
Financial assets measured at fair value		
Financial assets at FVTPL		
• Held-for-trading	12	12
Available-for-sale financial assets	25	25
Net financial assets measured at fair value	**37**	**37**
Group		
For the year ended 31 December 2011		
Financial assets measured at fair value		
Financial assets at FVTPL		
• Held-for-trading	1	1
Available-for-sale financial assets	57	57
Net financial assets measured at fair value	58	58
Company		
For the year ended 31 December 2012		
Financial assets measured at fair value		
Financial assets at FVTPL		
• Held-for-trading	7	7
Net financial assets measured at fair value	**7**	**7**
Company		
For the year ended 31 December 2011		
Financial assets measured at fair value		
Financial assets at FVTPL		
• Held-for-trading	1	1
Net financial assets measured at fair value	1	1

26. Financial instruments and financial risk management *continued*

26.2 Financial instruments carried at fair value *continued*

Except as detailed in the table below, the carrying amounts of those financial assets and financial liabilities recorded at amortised cost in the statement of financial position approximate their fair values.

	Carrying amount 2012 Rm	Fair value 2012 Rm	Carrying amount 2011 Rm	Fair value 2011 Rm
Group				
Non-current liabilities				
Non-current borrowings[1]			10	10
Non-current finance lease obligations	**426**	**422**	451	460
Current liabilities				
Current borrowings[2]	**10**	**10**	10	12
Current finance lease obligations	**77**	**129**	57	114
Total liabilities				
Total borrowings	**10**	**10**	20	22
Total finance lease obligations	**503**	**551**	508	574
Company				
Non-current liabilities				
Non-current finance lease obligations	**301**	**289**	326	320
Current liabilities				
Current finance lease obligations	**67**	**101**	50	88
Total liabilities				
Total finance lease obligations	**368**	**390**	376	408

The directors consider that the carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables recognised at amortised cost in the financial statements approximate their fair values.

[1] *As included in the line item non-current borrowings and other payables.*
[2] *As included in the line item current borrowings and other payables.*

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

26. Financial instruments and financial risk management *continued*

26.3 Financial risk management overview and objectives

The group's and company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

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

- Financial market risk, consisting of:
  - foreign currency risk;
  - commodity price risks;
  - interest rate risk; and
  - liquidity risk, being
  - cash flow volatility, and
  - fair value and cash flow interest rate risk.
- Capital management and gearing risk.
- Customer credit risk as detailed in note 18.

The treasury and financial risk management policy (treasury policy) details the framework within which financial risk (other than customer credit risk) of the group and company are managed. The policy is approved by the board of directors and is reviewed annually.

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

- Financing facilities.
- Financial guarantees and letters of credit.
- Market risk management through:
  - foreign currency risk management;
  - commodity risk management; and
  - interest rate management.
- Cash management through liquidity management.

The treasury policy is enacted by the treasury department. Treasury identifies, evaluates and mitigates financial risks in close co-operation with the group's and company's operating units. Board-approved written policies cover the specific activities noted above and address risk limits, the use of derivative and non-derivative financial instruments to hedge certain exposures, and the approval framework governing transaction levels.

26.4 Financial market risk

The group's and company's activities expose the reporting entities primarily to the financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and potential liquidity constraints.

Since 2011, the group and company embarked upon a limited and very selective programme of economic hedging of foreign exchange rates primarily relating to capital procurement, trade imports and exports exposures. Due to the limited scope of the programme, the forward contract derivatives were not designated within hedge accounting relationships.

Regarding other exposures, markets continue to be monitored in order to determine the most opportune time to commence hedging.

26. Financial instruments and financial risk management *continued*

26.5 Foreign currency risk management

The carrying amount in ZAR, as translated at the closing exchange rate, of the foreign currency denominated monetary assets and monetary liabilities at the reporting date is:

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
Monetary assets				
(i) USD				
Loans and receivables				
• Cash and cash equivalents	**297**	183	**110**	32
• Trade and other receivables				
– Related parties	**140**	290	**47**	60
Financial assets at FVTPL				
• Held-for-trading	**3**			
(ii) GBP				
Fair value through profit and loss (FVTPL)				
• Held-for-trading		1		1
(iii) EUR				
Fair value through profit and loss (FVTPL)				
• Held-for-trading	**8**		**7**	
Total foreign denominated monetary assets	**448**	474	**164**	93
Monetary liabilities				
(i) USD				
Carried at amortised cost				
• Trade and other payables				
– Related parties	**(457)**	(949)	**(388)**	(780)
– Unrelated parties	**(30)**	(47)	**(28)**	(35)
(ii) EUR				
Carried at amortised cost				
• Trade and other payables				
– Related parties	**(248)**	(183)	**(248)**	(183)
– Unrelated parties	**(13)**	(14)	**(9)**	(11)
Total foreign denominated monetary liabilities	**(748)**	(1 193)	**(673)**	(1 009)
Total net foreign denominated monetary (liabilities)/assets	**(300)**	(719)	**(509)**	(916)

Only notable currency holdings are disclosed.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

26. Financial instruments and financial risk management *continued*

26.5 Foreign currency risk management *continued*

Foreign currency sensitivity

The following table details the group's and company's sensitivity to a 10% strengthening in the ZAR against the respective foreign currencies. As the risks are symmetrical in nature, weakening of the ZAR would result in an equal but opposite amount to that detailed in the sensitivity below.

A positive number indicates an increase in profit where the ZAR strengthens against the relevant currency.

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
USD				
Profit or loss	**5**	52	**26**	72
EUR				
Profit or loss	**26**	20	**25**	19
Total				
Profit or loss	**31**	72	**51**	91

Economic hedging using derivative contracts

The selective foreign exchange hedging programme using derivative contracts described in note 26.4 as outstanding at the end of the reporting period is as follows:

Unmatured instruments

FC : foreign currency	Average price 2012 FC/R	Contract value 2012 FC m	Fair value Favourable 2012 Rm	Profit or loss 2012 Rm
Group				
Forward contracts held-for-trading at FVTPL				
• Buy EUR	**10.94**	**27**	**8**	**8**
• Sell USD	**9.09**	**5**	**3**	**3**
Company				
Forward contracts held-for-trading at FVTPL				
• Buy EUR	**10.92**	**24**	**7**	**7**

FC : foreign currency	Average price 2011 FC/R	Contract value 2011 FC m	Fair value Favourable 2011 Rm	Profit or loss 2011 Rm
Company and group				
Forward contracts held-for-trading at FVTPL				
• Buy GBP	11.81	1	1	1

26. Financial instruments and financial risk management *continued*

26.6 Interest rate risk management

Sources of interest rate risk are:

- interest expenses, on drawn financing facilities, and arrangements to fund the construction of assets either in the form of bona fide borrowing arrangements or through supply arrangements containing financial lease structures at fixed interest rates; and
- interest income, due to the group's and company's net cash position and the investment thereof at variable interest rates.

The group's and company's sensitivity to interest rates has increased due to a deterioration of the cash holdings and the increased need to draw against financial facilities when compared with the comparative reporting period.

26.7 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's and company's short-, medium- and long-term funding and liquidity management requirements.

The objectives of the liquidity management policy are as follows:

- maintenance of adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities;
- optimise the account and domestic cash pool structures;
- minimise bank charges;
- optimise the availability and use of short-term liquidity positions across the group without compromising the day-to-day cash needs;
- optimise the net interest result; and
- minimise the number of bank accounts.

Details of additional undrawn financing facilities that the group and company has at their disposal to reduce liquidity risk are as follows:

	2012 Rm	2011 Rm
Group and company		
Short-term facilities at the end of the reporting period		
• amount undrawn	**2 835**	2 840

During the reporting period, the maximum drawn amount at any given point equalled R2 736 million (2011: R2 230 million). No financing agreements were breached during the current or comparative reporting period.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

26. Financial instruments and financial risk management *continued*

26.7 Liquidity risk management *continued*

Liquidity and interest risk tables

(i) Contractual maturity for its non-derivative financial liabilities

The following table details the group's and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows.

	Annual effective interest rate[1]	0- 6 months Rm	7-12 months Rm	2- 5 years Rm	>5 years Rm	Discount Rm	Carrying Amount Rm
Group							
For the year ended 31 December 2012							
Non-interest bearing							
• Trade and other payables	**0.0%**	**3 922**					**3 922**
Finance lease obligations	**12.2%**	**69**	**69**	**449**	**157**	**(241)**	**503**
Borrowings and other payables		**10**					**10**
Total		**4 001**	**69**	**449**	**157**	**(241)**	**4 435**
Group							
For the year ended 31 December 2011							
Non-interest bearing							
• Trade and other payables	0.0%	4 644					4 644
Finance lease obligations	12.5%	61	61	435	247	(296)	508
Borrowings and other payables	10.3%	13		10		(3)	20
Total		4 718	61	445	247	(299)	5 172

[1] Calculated over the remaining tenure of the non-derivative financial liability.

The group and company have access to financing facilities as noted earlier of which R2 835 million (2011: R2 840 million) were undrawn at the end of the reporting date. The group and company expect to meet most of its other obligations from operating cash flows and proceeds from maturing financial assets.

	Annual effective interest rate[1]	0 – 6 months Rm	7 – 12 months Rm	2 – 5 years Rm	>5 years Rm	Discount Rm	Carrying Amount Rm
Company							
For the year ended 31 December 2012							
Non-interest bearing							
• Trade and other payables	**0.0%**	**3 338**					**3 338**
Finance lease obligations	**10.9%**	**54**	**54**	**328**	**64**	**(132)**	**368**
Total		**3 392**	**54**	**328**	**64**	**(132)**	**3 706**
Company							
For the year ended 31 December 2011							
Non-interest bearing							
• Trade and other payables	0.0%	3 896					3 896
Finance lease obligations	11.2%	47	46	325	127	(169)	376
Total		3 943	46	325	127	(169)	4 272

[1] Calculated over the remaining tenure of the non-derivative financial liability.

26. Financial instruments and financial risk management *continued*

26.7 Liquidity risk management *continued*

(ii) Expected maturity for its non-derivative financial assets

The following table details the group's and company's expected maturity for non-derivative financial assets.

The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Annual effective interest rate[1]	0 – 6 months Rm	7 – 12 months Rm	2 – 5 years Rm	>5 years Rm	Discount Rm	Carrying Amount Rm
Group							
For the year ended 31 December 2012							
Fixed interest rate receivables							
• Trade and other receivables[2]	**0.4%**	**1 555**				**(6)**	**1 549**
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	**0.0%**	**884**					**884**
Total		**2 439**				**(6)**	**2 433**
Group							
For the year ended 31 December 2011							
Fixed interest rate receivables							
• Trade and other receivables[2]	0.2%	2 173				(4)	2 169
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	1.1%	441	3			(5)	439
Total		2 614	3			(9)	2 608
Company							
For the year ended 31 December 2012							
Fixed interest rate receivables							
• Trade and other receivables[2]	**0.4%**	**1 406**				**(6)**	**1 400**
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	**0.0%**	**685**					**685**
Total		**2 091**				**(6)**	**2 085**
Company							
For the year ended 31 December 2011							
Fixed interest rate receivables							
• Trade and other receivables[2]	0.2%	1 853				(4)	1 849
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	2.6%	197	3			(5)	195
Total		2 050	3			(9)	2 044

[1] *Calculated over the remaining tenure of the non-derivative financial asset.*
[2] *Fixed-rate interest applicable on overdue accounts.*
[3] *Fixed and variable rates applicable to call and short-term deposit holdings. Maturity profile reflects the synthesised availability of the cash and cash equivalents on hand at the end of the reporting period, and the expected annual interest income to be earned thereon.*

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

26. Financial instruments and financial risk management *continued*

26.7 Liquidity risk management *continued*

(iii) *Derivative financial instruments*

The following table details the liquidity analysis for derivative financial instruments.

The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net cash-settled basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rate and foreign currency forward curves existing at the reporting date.

Financial assets	0 - 6 months Rm	7 - 12 months Rm	2 - 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
Group						
For the year ended 31 December 2012						
Net cash-settled foreign currency derivatives	**7**	**3**	**1**			**11**
Total	**7**	**3**	**1**			**11**
Company						
For the year ended 31 December 2012						
Net cash-settled foreign currency derivatives	**3**	**3**	**1**			**7**
Total	**3**	**3**	**1**			**7**
Group and company						
For the year ended 31 December 2011						
Net cash-settled foreign currency derivatives	1					1
Total	1					1

26.8 Capital risk management

The group and company objectives when managing capital are:

- to safeguard the ability to continue as a going concern, so as to be able to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The amount of capital is set in proportion to risk. The capital structure is managed and adjusted in light of changes in economic conditions within the domestic and global steel industry and the risk characteristics of the underlying assets.

The group and company overall strategy remained unchanged for 2012.

Consistent with others in the industry, the group and company monitor capital on a debt-to-total shareholders' equity basis.

Net debt is total interest-bearing borrowings including finance lease obligations less cash and cash equivalents. Total shareholders' equity is as per the statement of financial position.

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
Cash and cash equivalents	**884**	439	**685**	195
Less: total interest-bearing borrowings and finance lease obligations	**(513)**	(528)	**(368)**	(376)
Net cash and cash equivalents/(borrowings)	**371**	(89)	**317**	(181)
Total shareholders' equity	**22 242**	22 669	**23 863**	24 997
Gearing ratio (%)	**1.7**	0.4	**1.3**	0.7

27. Related party transactions

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sales and purchase transactions with its jointly controlled entities, its associates and other entities within the greater ArcelorMittal group. These transactions occurred under terms that are no less favourable to the company than those arranged with third parties.

Companies within the greater ArcelorMittal group

The company purchased products and services to the value of R4 668 million (2011: R5 691 million) from, and sold goods to the value of R29 million (2011: R28 million) to other companies in the ArcelorMittal group.

The outstanding balances at year-end are as follows:
- Included in trade and other receivables, R28 million (2011: R28 million).
- Included in trade and other payables, R706 million (2011: R973 million).

Included in Trade and other payables is the corporate service fee of R120 million (2011: R61 million) payable to ArcelorMittal group for corporate services rendered and the fee for research and development of R91 million to ArcelorMittal Investigation (2011: R98 million).

Jointly controlled entities and associates

Interest income from jointly controlled entities of R3 million (2011: R2 million) is included in note 8.

The group purchased goods and services to the value of R50 million (2011: R65 million) from, and sold goods to the value of R6 806 million (2011: R6 319 million) to its equity-accounted entities.

The outstanding balances at year-end are as follows:
- Included in trade and other receivables, R116 million (2011: R180 million).
- Included in trade and other payables, R3 million (2011: R5 million).

Included in the carrying value of jointly controlled entities are long-term loans of R181 million (2011: R104 million).

Subsidiaries

Details of income from investments and indebtedness in subsidiaries are disclosed in notes 8 and 15 respectively, and in Annexure 2.

ArcelorMittal South Africa received a management fee of R208 million (2011: R181 million) from Saldanha Steel (Proprietary) Limited for ArcelorMittal South Africa employees employed at Saldanha Works.

Directors

Executive directors are defined as key senior management. Details relating to directors' remuneration and shareholdings (including share options) in the company are disclosed in the directors' remuneration report in note 30.

Senior employees and prescribed officers

Details relating to option and share transactions are disclosed in note 30.

Shareholders

The principal shareholders of the company are detailed in the Analysis of Shareholders schedule on page 101 of this report.

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

28. Post-employment benefits

28.1 Pensions

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial year the following funds were in existence:

- ArcelorMittal South Africa Selector Pension Fund (Reg no 12/8/35421) and ArcelorMittal South Africa Selector Provident Fund (Reg no 12/8/35423), both operating as defined contribution funds.
- Iscor Employees' Provident Fund (Reg no 12/8/27484), operating as a defined contribution fund.
- ArcelorMittal South Africa Pension Fund (Reg no 12/8/363), operating as a defined benefit fund. This fund is closed to new entrants.
- Iscor Retirement Fund (Reg no 12/8/5751), operating as a defined benefit fund. This fund is closed to new entrants.

The assets of these plans are held separately from those of the company and group in funds under the control of the trustees. All funds are governed by the South African Pension Funds Act of 1956.

28.1.1 Defined contribution plans

Membership of each fund and employer contributions to each fund recognised in the statement of comprehensive income were as follows:

	Working members		Employer contributions	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
ArcelorMittal South Africa Selector Pension and Provident Funds	**4 414**	4 608	**118**	113
Iscor Employees' Provident Fund	**3 972**	4 176	**60**	53
Total	**8 386**	8 784	**178**	166

Contribution rates for active members are 7% and 10% by the member and ArcelorMittal South Africa Limited respectively. The only obligation of the group and company with respect to the defined contribution plans is to make the specified contributions. No other post-retirement benefits are provided to these employees.

28.1.2 Defined benefit plans

ArcelorMittal South Africa Pension Fund

The company and group operate the ArcelorMittal South Africa Pension Fund, which is a wholly funded defined benefit plan, for qualifying employees. The fund is administered by Sanlam Employee Benefit. Contribution rates for active members are 7% and 10% by the member and ArcelorMittal South Africa respectively of the member's pensionable earnings.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as a percentage scale of final average salary for each year of pensionable service. The percentage scale ranges from 1.7% to 2.5%, and the average final salary is the pensionable salary over the 24 months which precedes the member's retirement.

The last statutory actuarial valuation was performed as at 31 December 2011. The actuaries were of the opinion that the fund was adequately funded. The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The trustees' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next 12 months.

28. Post-employment benefits *continued*

28.1 Pensions *continued*

28.1.2 Defined benefit plans *continued*

Iscor Retirement Fund

The group and company operate the Iscor Retirement Fund, which is a wholly funded defined benefit plan, for qualifying employees. The fund is administered by Retirement Fund Solutions Administrators Proprietary Limited.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as 43% of notional past-service contributions, plus 43% of the employer's and member's contributions.

The last full statutory actuarial valuation was performed as at 31 December 2011. The actuaries were of the opinion that the fund was adequately funded.

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund	
Membership	**2012**	2011	**2012**	2011
As at 31 December				
Active members	**35**	35		
Pensioner members	**7 529**	7 851	**1 073**	1 112
Contingent pensioner members			**31 907**	33 680
Pension fund assets	**Rm**	Rm	**Rm**	Rm
The major categories of plan assets are as follows:				
Cash	**782**	2 276	**43**	22
Equities	**1 819**	1 527	**121**	135
Fixed-interest-bearing stock	**2 916**	1 764	**198**	202
Foreign investments	**1 790**	1 532	**79**	67
Investment in property companies		12	**1**	
Other assets				22
Total	**7 307**	7 111	**442**	448

Principal actuarial assumptions

Weighted average assumptions used for the purposes of the actuarial valuations determined in consultation with independent actuaries for both of the funds are the same.

	2012 %	2011 %
At valuation date		
Discount rate	**7.9**	8.5
Expected return on plan assets	**10.6**	9.8
General inflation rates	**6.6**	5.8
Salary inflation	**7.6**	6.8
Net post retirement rate		
– ArcelorMittal South Africa pension fund	**3.1**	4.3
– Iscor Retirement Fund	**1.3**	2.7

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

28. Post-employment benefits *continued*

28.1 Pensions *continued*

28.1.2 Defined benefit plans *continued*

Assumptions regarding future mortality are based on published statistics and mortality tables.

	ArcelorMittal South Africa Pension Fund 2012 Rm	ArcelorMittal South Africa Pension Fund 2011 Rm	Iscor Retirement Fund 2012 Rm	Iscor Retirement Fund 2011 Rm	Total 2012 Rm	Total 2011 Rm
For the year ended 31 December						
Service cost	**2**	2			**2**	2
Interest cost	**530**	537	**30**	29	**560**	566
Expected return on assets	**(659)**	(626)	**(42)**	(39)	**(701)**	(665)
Net actuarial gains	**(127)**	(87)	**(12)**	(10)	**(139)**	(97)
Asset restriction adjustment[1]	**128**	88	**12**	10	**140**	98
Subtotal	**1**	1			**1**	1
Less: member contributions[2]						
Employee costs	**(1)**	(1)			**(1)**	(1)

Reconciliation of the funded status to amounts recognised in the statement of financial position

	ArcelorMittal South Africa Pension Fund 2012 Rm	ArcelorMittal South Africa Pension Fund 2011 Rm	Iscor Retirement Fund 2012 Rm	Iscor Retirement Fund 2011 Rm	Total 2012 Rm	Total 2011 Rm
For the year ended 31 December						
Projected benefit obligation	**7 061**	6 631	**423**	374	**7 484**	7 005
Fair value of plan assets	**(7 307)**	(7 111)	**(442)**	(448)	**(7 749)**	(7 559)
Surplus	**(246)**	(480)	**(19)**	(74)	**(265)**	(554)
Cumulative unrecognised actuarial losses	**(1 655)**	(1 293)	**(143)**	(76)	**(1 798)**	(1 369)
Unrecognised defined benefit asset[1]	**963**	963	**90**	90	**1 053**	1 053
Subtotal	**(938)**	(810)	**(72)**	(60)	**(1 010)**	(870)
Asset restriction adjustment[1]	**938**	810	**72**	60	**1 010**	870
Net (asset)/liability recognised						

[1] *Fund rules prohibit the realisation of the defined benefit surplus in the form of refunds from the plan or reductions in future contributions to the plan. On partial and full liquidation of the fund any available surplus is apportioned to the sole benefit of the members.*

[2] *Rounding to zero due to the use of numeric reporting scale format of one million.*

28. Post-employment benefits *continued*

28.1 Pensions *continued*

28.1.2 Defined benefit plans *continued*

Movement in present value of benefit obligation

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund		Total	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
For the year ended 31 December						
Projected benefit obligation at beginning of year	**6 631**	6 915	**374**	368	**7 005**	7 283
Interest cost	**530**	537	**30**	29	**560**	566
Service cost	**2**	2			**2**	2
Benefits paid	**(750)**	(740)	**(46)**	(33)	**(796)**	(773)
Actuarial losses/(gains)	**648**	(83)	**65**	10	**713**	(73)
Projected benefit obligation at the end of the year	**7 061**	6 631	**423**	374	**7 484**	7 005

Movement in present value of plan assets

	ArcelorMittal South Africa Pension Fund		Iscor Retirement Fund		Total	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
For the year ended 31 December						
Fair value of plan assets at beginning of year	**7 111**	7 167	**448**	442	**7 559**	7 609
Expected return	**659**	626	**42**	39	**701**	665
Contributions	**1**	1			**1**	1
Benefits paid	**(750)**	(740)	**(46)**	(33)	**(796)**	(773)
Actuarial gains/(losses)	**286**	57	**(2)**		**284**	57
Fair value of plan assets at the end of the year	**7 307**	7 111	**442**	448	**7 749**	7 559

The plan assets of both of the defined benefits funds include ordinary shares of ArcelorMittal South Africa with a fair value of Rnil (2011: Rnil).

Contributions

Funding is based on the actuarially determined contributions. The expected pension contributions for the 2013 financial year are R1 million (2012: R1 million) to the ArcelorMittal South Africa Pension Fund and Rnil (2012: Rnil) to the Iscor Retirement Fund.

History of experience adjustment

	ArcelorMittal South Africa Pension Fund				
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
For the year ended 31 December					
Present value of defined benefit obligation	**7 061**	6 631	6 915	6 592	6 562
Fair value of plan assets	**(7 307)**	(7 111)	(7 167)	(7 295)	(7 276)
Surplus	**(246)**	(480)	(252)	(703)	(714)
Experience adjustments on plan liabilities – gains/(losses)	**(648)**	83	(505)	(198)	121
Experience adjustments on plan assets – gains/(losses)	**286**	57	(56)	73	(1 004)

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

28. Post-employment benefits *continued*

28.1 Pensions *continued*

28.1.2 Defined benefit plans *continued*

History of experience adjustment

	Iscor Retirement Fund				
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
For the year ended 31 December					
Present value of defined benefit obligation	**423**	374	368	387	405
Fair value of plan assets	**(442)**	(448)	(442)	(448)	(476)
Surplus	**(19)**	(74)	(74)	(61)	(71)
Experience adjustments on plan liabilities – gains/(losses)	**(65)**	(10)	(7)	18	6
Experience adjustments on plan assets – gains/(losses)	**(2)**		12	(37)	(50)

Medical benefits

The group and company contribute to medical aid schemes for the benefit of retired employees and their dependants, where those qualifying retirees accepted early retirement in 1994. At 31 December 2012 there were 34 qualifying retirees (2011: 37).

On the basis of current practice, which is reviewed annually, the actuarially determined present value of post-retirement medical aid obligations has been provided. These obligations are unfunded. The group and company have no further post-retirement medical aid obligations for current or retired employees.

29. Share-based payments

29.1 ArcelorMittal South Africa equity-settled Share Option Plan

The group and company operate the Management Share Trust, consisting of an option share plan for the benefit of the group's and company's senior management including executive directors.

The transaction administration with participants is outsourced to service provider, EOH Human Capital Solutions Proprietary Limited.

"*33 3/10: 33 3/10: 33 4/10 ArcelorMittal group-type Option Scheme*" (effective from 12 December 2005 to present)

Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4% respectively, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

The option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

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

There were no grants made in 2012. For the purposes of valuing the existing options, the expected attrition rate was 14.01% (2011: 13.19%).

For the options granted during 2011, the key inputs utilised to determine the grant date valuation appear below:

- Discount rate: 6.06%
- Annual volatility rate: 39.05%
- Early exercise multiple: 1.85 times strike price
- Continuous dividend yield: 2.8%

29. Share-based payments *continued*

29.1 ArcelorMittal South Africa equity-settled share option plan *continued*

The weighted average fair value per option granted for the reporting period ended 31 December 2011 amounted to R23.97. There were no options granted in 2012.

	Million
Existing share distribution and shares available for future distribution	
Number of shares available for utilisation in terms of the ArcelorMittal South Africa Management Share Trust at 1 January 2012	39.5
Add: Share option releases, forfeitures and resignations	0.7
Number of shares available for future utilisation at 31 December 2012	**40.2**

The charge for the group and company for this equity-settled share option plan amounted to R16 million (2011: R26 million).

	Options	
	2012 million	2011 million
Outstanding at beginning of year	**5.2**	3.5
Issued		2.2
Exercised		(0.2)
Lapsed/cancelled/forfeited	**(0.7)**	(0.3)
Outstanding at end of year	**4.5**	5.2
Weighted average remaining contractual life in days at year-end		
Average days until fully vested	**556**	861
Average days until expiry	**3 113**	3 418
Weighted average prices applicable per transaction type		
Issued (R/unit)		73.93
Exercised strike price (R/unit)	**53.38**	55.60
Lapsed/cancelled (R/unit)	**88.69**	98.61
Outstanding (R/unit)	**88.66**	88.36

Details of outstanding options as at 31 December 2012 are as follows:

	Options	
	2012	2011
Latest expiry date	**2021**	2021
Exercise price range (R)	**53.38 – 250.00**	53.38 – 250.00
Number of outstanding instruments	**4 511 068**	5 178 745
Total proceeds if outstanding instruments were immediately exercised (Rm)[1]		8.5
Total intrinsic value of out-of-the-money options at 31 December (Rm)	**(238)**	(111)
ArcelorMittal South Africa closing price at 31 December 2012	**R36.00**	**R68.58**

[1] *Proceeds to employees should all options vest on 31 December 2012. Hypothetically if all options were to vest on 31 December 2012, all options are out-of-the-money.*

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

29. Share-based payments *continued*

29.1 ArcelorMittal South Africa equity-settled share option plan *continued*

Terms of the options outstanding at the reporting date are as follows:

	Options			
For year ended 31 December	**Exercise price range 2012 R**	**Outstanding numbers 2012**	Exercise price range 2011 R	Outstanding numbers 2011
Expiry date details				
2015	**53.38**	**249 600**	53.38	283 261
2016	**54.19 – 83.88**	**470 251**	54.19 – 83.88	556 704
2017	**97.72 – 140.00**	**554 859**	97.72 – 140.00	638 726
2018	**73.75 – 250.00**	**691 965**	73.75 – 250.00	798 291
2019	**95.50 – 121.50**	**667 720**	95.50 – 121.50	772 420
2020	**76.88 – 85.10**	**38 200**	76.88 – 85.10	38 530
2021	**59.00 – 87.20**	**1 838 473**	59.00 – 87.20	2 090 813
Total		**4 511 068**		5 178 745

29.2 Long-term Incentive Plan

The Long-term Incentive Plan (LTIP) was approved for adoption in 2012 to replace the existing equity-settled share option plan. This conditional share scheme rewards participating employees by allowing them to acquire shares in ArcelorMittal South Africa.

The transaction administration with participants is outsourced to service provider, EOH Human Capital Solutions Proprietary Limited.

Designated members of the executive committee and senior management are eligible for participation in the scheme. LTIP shares vest after three years except in the case of certain executive members where the required performance conditions also needs to be met. There is a provision for proportionate awards where there is a change of effective control of the company or where an employee is retrenched, retires or dies while in service.

The number of LTIP shares granted is calculated in accordance with the employees grading within the group and is approved by the remuneration committee of ArcelorMittal South Africa.

In December 2012, the first phase of the LTIP share scheme to senior management (excluding senior members of the executive committee) was implemented. A total of 990 928 LTIP shares were granted.

The charge for the group and company for the LTIP amounted to R1 million (2011: Rnil). For the purposes of valuing the LTIP grant the following assumptions were made:
- Fair value of a unit on grant date: R29.01
- Expected attrition rate (specific grading of senior management): 10%
- Continuous dividend yield: Rnil

	2012 Rm
Outstanding at beginning of year	
Issued	**1**
Outstanding at end of year	**1**

These LTIP shares will vest on 10 December 2015. The full charge value of the LTIP shares as at 31 December 2012 is R36 million.

29.3 ArcelorMittal group equity-settled shared payment plan

29.3.1 Terms of the options outstanding at the reporting date are as follows:

The ArcelorMittal group issued equity-settled share options over its own shares, denominated in US$, to its executive employees seconded to ArcelorMittal South Africa. The charge to the group and company for the year amounted to R1.2 million (2011: R2 million).

29. Share-based payments *continued*

29.3 ArcelorMittal group equity-settled shared payment plan *continued*

29.3.1 Terms of the options outstanding at the reporting date are as follows: *continued*

Details of outstanding options as at 31 December are as follows[1]:

	2012	2011
Latest expiry date	**2020**	2020
Exercise price range (US$)	**27.31 – 78.44**	27.31 – 78.44
Number of outstanding instruments	**127 957**	48 679
Total proceeds if outstanding instruments were immediately exercised (Rm)[2]		
Total intrinsic value of out-the-money options at 31 December (Rm)[3]	**(30)**	(8)

[1] Includes, at the reporting dates, those outstanding options received before and during the participants' tenure as employees of ArcelorMittal South Africa.
[2] Hypothetical scenario, assuming all instruments were to vest on 31 December 2012 (excludes out-of-the-money options, where applicable). Translated to ZAR using the closing exchange rate at 31 December 2012. All options are out-of-the-money as at 31 December 2012
[3] Hypothetical scenario, assuming all instruments were to vest on 31 December 2012. Translated to ZAR using the closing exchange rate at 31 December 2012. All options are out-of-money as at 31 December 2012.

	Options			
	Exercise price range per option 2012 US$	Outstanding option numbers 2012	Exercise price range per option 2011 US$	Outstanding option numbers 2011
Expiry date details				
2015	**27.31**	**14 717**	27.31	8 206
2016	**32.07**	**23 057**	32.07	12 206
2017	**61.09**	**20 400**	61.09	6 000
2018	**78.44**	**22 600**	78.44	6 600
2019	**36.38**	**27 450**	36.38	9 334
2020	**30.66**	**19 733**	30.66	6 333
Total		**127 957**		48 679

Details related to the individual holdings are contained in the directors' remuneration report.

Employee Share Purchase Plan

The ArcelorMittal group enabled all employees within its group to participate in the Employee Share Purchase Plan. Employees could purchase ArcelorMittal group shares at a discount to the ruling market price at grant date. There were two grants made, one in 2008 and the other in 2009. All options relating to the 2008 and 2009 grants were either sold or transferred at 21 January 2012 and 21 January 2013, respectively.

Details of unvested shares as at 31 December 2012 are as follows:

Vesting date	21 January 2013
Number of shares	2 182
Market price on grant date (US$)	36.56
Discounted market price (US$)	31.06 and 32.90

Restricted stock unit plan

The ArcelorMittal group has commenced with the restricted stock unit plan. Restricted stock units are issued for the benefit of senior executives of the group. The restricted stock unit entitles the holder of the unit to receive one ArcelorMittal group share on or after the vesting date of the restricted stock unit, subject to the vesting conditions being met. Restricted stock units vest after three years of continued employment within the group. This plan replaces the Executive International Mobility Share Option Plan.

Grant date	29 September 2011
Vesting date	29 September 2014
Share price at grant date	16.87 US$
No. of units outstanding	6 000
Options fully vested	Nil
Expense charged	R0.2 million (2011: Rnil)

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

30. Remuneration of directors, prescribed officers and highest paid senior employees

This is a summary of directors' remuneration, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Limited. For a more detailed analysis, refer to the remuneration report on page 16 of this report.

30.1 Remuneration

	Notes	Guaranteed pay[1] R	Short-term incentives[2] R
Executive directors			
N Nyembezi-Heita		**4 441 177**	**325 000**
RH Torlage	5	**2 160 975**	**65 397**
Sub-total		**6 602 152**	**390 397**
Prescribed officers and highest paid employees			
H Kriel	6	**594 654**	
WA Nel		**2 162 540**	**130 054**
TG Nkosi		**2 143 921**	**128 816**
KS Kumar		**1 970 304**	**130 158**
H-L Rosenstock	7	**1 410 774**	**32 300**
JJ Aernout	8	**1 429 593**	**116 176**
JM Lotter	9	**1 518 096**	**74 086**
JJ Fourie	10		
Sub-total		**11 229 882**	**611 590**
Non-executive directors			
DCG Murray			
FA du Plessis			
LP Mondi			
MJN Njeke	11		
M Macdonald			
ND Orleyn			
Sub-total			
Total		**17 832 034**	**1 001 987**

Directors' remuneration is not paid to the non-executive directors in the employment of the ArcelorMittal group and have therefore not been disclosed in this note.

Notes

1 *Guaranteed pay includes travel allowances, retirement and healthcare funding.*
2 *The short-term incentives relate to benefits for the December 2011 financial year, paid in March 2012. The 2011 figure was adjusted to reflect actual payments made for the 2010 year of assessment.*
3 *The equity incentives have been computed using the binomial matrix formula. Detailed calculations can be found under directors' unexercised share options in the table that follows.*
4 *Other includes separation payments, leave encashments, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance.*
5 *RH Torlage resigned as an executive director effective 2 January 2013. The board appointed MJ Wellhausen as chief financial officer and as executive director effective 2 January 2013.*
6 *Resigned on 31 March 2012.*
7 *Appointed as chief operations officer on 9 January 2012.*
8 *Resigned on 30 September 2012.*
9 *Appointed as general manager, human resources on 1 August 2012.*
10 *Resigned on 31 December 2011.*
11 *MJN Njeke retired as non-executive director and chairman of the board on 4 February 2013. PM Makwana joined the board as independent non-executive director and chairman with effect from 5 February 2013.*

Equity incentives[3] R	Directors' fees R	Committee fees R	Other[4] R	Total remuneration/ emoluments 2012 R	Total remuneration/ emoluments 2011 R
1 895 481			6 300	6 667 958	8 033 190
1 007 171			92 302	3 325 845	3 338 127
2 902 652			98 602	9 993 803	11 371 317
			2 440 006	3 034 660	3 549 742
678 237			19 556	2 990 387	3 464 165
319 512			149 900	2 742 149	2 978 818
340 844			39 782	2 481 088	3 444 107
389 327			625 462	2 457 863	
			341 795	1 887 564	2 446 846
			124 363	1 716 545	
					7 593 869
1 727 920			3 740 864	17 310 256	23 477 547
	145 200	289 300	3 474	437 974	494 363
	145 200	169 400	39 284	353 884	206 987
	145 200	121 000	37 268	303 468	266 076
	880 000		1 013	881 013	872 245
	145 200	290 400	7 776	443 376	424 564
	145 200	217 800		363 000	393 600
	1 606 000	1 087 900	88 815	2 782 715	2 657 835
4 630 572	1 606 000	1 087 900	3 928 281	30 086 774	37 506 699

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

30. Remuneration of directors, prescribed officers and highest paid senior employees *continued*

30.2 Share Options

30.2.1 ArcelorMittal South Africa Equity-settled Share Option Plan

Options issued to directors, prescribed officers and the highest paid senior employees (who are not directors), which form part of the 40.2 million (2011: 39.5 million) shares allocated to the Management Share Trust, totalled 575 602 as at 31 December 2012 (2011: 642 422) as follows:

The following table reflects the status of unexercised options held by executive directors, prescribed officers and the highest paid senior employees, the gains made by them as a result of past awards during the year ended 31 December 2012:

Names of executives	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations exercised and paid during the year
N Nyembezi-Heita (CEO)	2008/03/25	31 660		
	2008/11/10	66 520		
	2009/11/02	66 520		
	2011/09/29	110 620		
	2011/11/07	66 520		
		341 840		
RH Torlage (CFO)	2006/11/08	29 563		
	2006/12/12	2 946		
	2007/11/20	16 770		
	2008/11/10	16 770		
	2009/11/02	15 250		
	2011/09/29	53 500		
	2011/11/07	35 153		
		169 952		
Sub-total		**511 792**		
WA Nel	2011/02/10	14 010		
	2011/11/07	17 310		
		31 320		
N Nkosi	2011/02/10	18 650		
	2011/11/07	13 840		
		32 490		
Sub-total		**63 810**		
Total		**575 602**		

Notes:
- Share options vests within three years and exercisable within 10 years from the date of issue.
- Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed in this note.

Number of allocations that lapsed during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price R	Exercise price R	Exercise date	Present value of unvested share options at the end of the year
	31 660	31 660	186.50			
	66 520	66 520	73.75			
	66 520	66 520	106.50			
	110 620	36 836	59.00			1 077 723
	66 520	22 151	67.00			739 230
	341 840	**223 687**				**1 816 953**
	29 563	29 563	83.88			
	2 946	2 946	82.02			
	16 770	16 770	133.50			
	16 770	16 770	73.75			
	15 250	15 250	106.50			
	53 500	17 815	59.00			521 233
	35 153	11 705	67.00			390 672
	169 952	**110 819**				**911 905**
	511 792	**334 506**				**2 728 858**
	14 010	4 665	87.20			202 909
	17 310	5 764	67.00			192 369
	31 320	**10 429**				**395 278**
	18 650	6 210	87.20			270 111
	13 840	4 608	67.00			153 819
	32 490	**10 818**				**423 930**
	63 810	**21 247**				**819 208**
	575 602	**355 753**				**3 548 066**

Notes to the group and company annual financial statements *continued*

for the year ended 31 December 2012

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
31. Contingent liabilities				
Contingent liabilities at the statement of financial position date, not recognised in these financial statements, are:				
• Face value of financial guarantee contracts issued in the normal course of business from which it is anticipated that no material liabilities will arise	**1**	1	**24**	24
Total	**1**	1	**24**	24

The Competition Commission (the Commission) has thus far referred the following four cases against the company to the Competition Tribunal (the Tribunal) for prosecution. The company rejects the allegations made in each of these cases and is defending itself accordingly.

1st Wire rod matter – alleged price discrimination conduct

In January 2007, the Commission referred a case against the company to the Tribunal relating to alleged price discrimination on wire rod. The matter is yet to be set down for hearing before the Tribunal.

2nd Wire rod matter – alleged price discrimination conduct

In November 2012, the Commission referred another case relating to alleged price discrimination in the wire rod market to the Tribunal. This case is essentially the same as the case referred in January 2007. The parties and the issues are identical save for the fact that the contravention alleged in this case, is alleged to have taken place during a later period being 2004 – 2006.

Long steel matter – alleged cartel conduct

In September 2009, the Commission referred a case against the company and three other primary steel manufacturers in South Africa to the Tribunal for alleged price fixing and market division in respect of certain long steel products.

The Commission requested the Tribunal to find the company guilty of the contraventions as alleged and to impose on it an administrative penalty of 10% of 2008 turnover. In December 2009 the company filed an application with the Tribunal for access to the Commission's investigation record to enable it to answer to the case against it.

In September 2010, the Tribunal handed down judgment refusing the company access to the bulk of the documentation in the Commission's investigation record. The Tribunal based its judgment on the fact that the documentation in question had been claimed by one of the parties in the matter as confidential. The company subsequently appealed this judgment to the Competition Appeal Court (the CAC). In April 2012 the CAC ruled essentially that the matter be referred back to the Tribunal for a hearing to determine the validity of the confidentiality claims. The Commission appealed this ruling to the Supreme Court of Appeal. The appeal is expected to be heard some time during 2013.

Flat steel matter – alleged conscious parallelism

On 30 March 2012, the Commission referred a case against the company and Evraz Highveld Steel and Vanadium Limited (Highveld Steel) to the Tribunal for alleged price fixing and market division in respect of certain flat steel products. The form of price fixing alleged by the Commission in this instance is one based on the "conscious parallelism" phenomenon. This mainly relates to Highveld Steel increasing its prices each time the company increases its prices.

The Commission requested the Tribunal to find the company guilty of the contraventions as alleged and to impose on it, an administrative penalty of 10% of the 2008 turnover.

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
31. Commitments				
Capital commitments				
Capital expenditure contracted for property, plant and equipment	**687**	887	**656**	801
Capital expenditure authorised but not contracted for property, plant and equipment	**1 027**	728	**972**	666
Total	**1 714**	1 615	**1 628**	1 467
Operating lease commitments				
Plant, equipment, vehicles and buildings				
The future minimum payments under non-cancellable standalone and embedded operating leases are as follows:				
– Less than one year	**131**	83	**130**	82
– More than one year and less than five years	**219**	190	**211**	186
– More than five years	**9**	4	**7**	4
Total	**359**	277	**348**	272

31. Rental agreement

A depot and off-loading facility owned by the group and company (included under note 13) are leased to a third party in terms of a 14-year rental agreement ending 30 June 2013. In terms of the rental agreement, the lessee does not have the option to purchase the facility at any stage during or after the completion of the contract.

The total rentals received for the year ended 31 December 2012 amounted to R16 million (2011: R18 million). The future gross operating rentals to be received in accordance with the agreement are set out below:

	2012 Rm	2011 Rm
Gross operating rentals		
Less than one year	**8**	16
More than one year and less than five years		8
Total	**8**	24

32. Subsequent events

On 9 February 2013 the company experienced a fire at the steel shop at the Vanderbijlpark Works, which caused extensive damage to the electrical installations of the Basic Oxygen Furnaces, resulting in the shutdown of these facilities. The group had no option but to declare a *force majeure* (a contractual provision removing liability for unavoidable catastrophes) with regards to sales orders and supply commitments.

An insurance policy is in place against property damage, business interruption and subsequent losses of market share.

In order to mitigate the negative impact of the *force majeure*, certain actions were taken:

- Stock holdings of finished products and rollable semi products were made available to a maximum level;
- 52 000 tonnes of semi-finished products from plants within the ArcelorMittal group have been confirmed and will arrive at the Vanderbijlpark Works in the first half of April 2013;
- Additional product from the Saldanha Works is being diverted to the domestic customers (approximately 40 000 tonnes per month);
- With the assistance of ArcelorMittal group experts and suppliers, the repair activities are being accelerated. It is expected that the steel production will resume during March 2013, with the plant back in full production by end of April 2013; and
- ArcelorMittal South Africa has applied for permission to restart the electrical arc furnaces after the Gauteng Department of Agriculture and Rural Development (GDARD) withdrew the compliance notice that was originally issued on 22 October 2012. The company has now furnished satisfactory evidence of its compliance with the conditions stipulated therein and continues to apply for approval to restart the electrical arc furnaces temporarily.

ArcelorMittal South Africa regrets the unfavourable impact that this incident has had on customers, and in future the company will further intensify efforts in terms of risk management. The resilience of the supply chain will also be strengthened in cooperation with the ArcelorMittal group and other stakeholders. The continued focus on reliability and asset protection, contingency stockholding and supplies from strategic equipment suppliers is forming an important part of this initiative.

Annexure 1: Equity-accounted investments

	Reporting currency	Number of shares held	Percentage Holding 2012 %	2011 %	Group carrying amount 2012 %	2011 Rm	Company carrying amount 2012 %	2011 Rm	Year-end other than 31 December
Jointly controlled entities									
Unlisted shares									
• Collect-a-Can Proprietary Limited[1]	ZAR	2 400 000	**60**	60	**30**	20	**2**	2	
• Coal of Africa and ArcelorMittal Analytical Laboratories Proprietary Limited	ZAR	50	**50**	50	**14**	16	**17**	17	30 June
• Consolidated Wire Industries Proprietary Limited	ZAR	1 999 999	**50**	50	**108**	103	**14**	14	31 March
• Ensimbini Terminals Proprietary Limited	ZAR	1 000	**50**	50	**10**	12	**7**	8	30 June
• Macsteel International Holdings BV	US$	35 001	**50**	50	**2 362**	2 087			
• Microsteel Proprietary Limited	ZAR	2 000	**50**	50	**38**	38	**38**	38	30 June
• Pietersburg Iron Ore Company Proprietary Limited	ZAR	4 000	**50**	50	**35**	16	**103**	64	
Associates									
Listed shares									
• Coal of Africa	US$	126 133 423	**16**	16	**332**	462	**367**	758	30 June
Unlisted shares									
• Northern Cape Iron Ore Mining Operations	ZAR	125 000	**25**		**252**				28 February
• Toyota Tsusho South Africa Processing Proprietary Limited	ZAR	20	**20**	20	**23**	18	**16**	16	31 March
Total investment					**3 204**	2 772	**564**	917	
Directors' valuation of shares in jointly controlled entities and associates					**3 264**	3 096			

[1] *Collect-a-Can Proprietary Limited is 60% owned but accounted for as a joint-venture due to ArcelorMittal South Africa having joint control (and not full control) over Collect-a-Can Proprietary Limited.*

	2012 Rm	2011 Rm
Jointly controlled entities *continued*		
The summarised financial information in respect of the jointly controlled entities are as follows:		
Total assets	**8 418**	7 175
Total liabilities	**3 574**	2 864
Revenue[1]	**24 658**	18 998
Net profit attributable to ordinary shareholders[1]	**441**	321
The summarised financial information in respect of the unlisted associate is as follows:		
Total assets	**258**	272
Total liabilities	**176**	194
Revenue	**538**	517
Net (loss)/profit attributable to ordinary shareholders[2]	**(3)**	14
The summarised financial information in respect of the listed associate is as follows:		
Total assets	**4 910**	4 289
Total liabilities	**1 402**	1 053
Revenue[1]	**1 880**	1 897
Net loss attributable to ordinary shareholders[1]	**(1 067)**	(1 589)
Fair value of investment in listed associate	**367**	768

[1] *Indicative, amounts were translated at the average ZAR/US$ exchange rate for the year.*
[2] *For the purposes of determining the net losses attributable for ordinary shareholders, losses earned by Northern Cape Iron Ore Mining Operations between the periods 14 April 2012 to 31 December 2012 were disclosed, due to ArcelorMittal acquiring Northern Cape Iron Ore Mining Operations shares from 13 April 2012.*

Critical judgement and estimates

Equity accounting in the group's accounts of the investment in Coal of Africa Limited (Coal)

As ArcelorMittal South Africa has representation on the board of Directors and exercises significant influence, equity accounting has been applied in the consolidated accounts of the group. The financial results as at 30 September 2012 was therefore used in the information provided. This is consistent with prior years.

Fair value of unlisted investments

In determining the fair value of the unlisted investments for impairment assessment and disclosure purposes, use was made of net asset value, liquidation, simple earnings multiple and discounted cash flow valuation techniques.

In general, an earnings multiple of 6.5 was applied to the investments (2011: earnings multiples of 6.5 times), while average liquidation realisation rates ranged from 80% to 100% (2011: 90% to 100%) on net asset value depending on the nature of the business. The realisation rates are based on the observable market rates for similar assets.

Annexure 2: Investments in subsidiaries

	Country of incorporation[1]	Reporting currency	Issued capital (unlisted ordinary shares)	Interest of company: Shares 2012 R	Shares 2011 R	Indebtedness 2012 Rm	Indebtedness 2011 Rm
Property							
Yskor Landgoed Proprietary Limited	RSA	ZAR	4 000	**4 000**	4 000	**(94)**	(94)
Manufacturing							
Iscor Building Systems Proprietary Limited	RSA	ZAR	100	**100**	100		
Saldanha Steel Proprietary Limited	RSA	ZAR	2 000	**1 009**	1 009	**3 575**	4 609[2]
Mining							
Lanzigyn Investments Proprietary Limited	RSA	ZAR	100	**85**	85		
Oakwood Trading 21 Proprietary Limited	RSA	ZAR	100	**100**	100	**255**	
October Wind Investments 91 Proprietary Limited	RSA	ZAR	100	**100**	100		
Service							
Ferrosure (Isle of Man) Insurance Co Limited[3]	IOM	USD	70	**12 011 246**	12 011 246		
MSSA Investments BV	NEH	USD	134 669	**241 105 200**	241 105 200		
Pybus Fifty-Seven Proprietary Limited	RSA	ZAR	1	**1 000**	1 000	**403**	403
Vicva Investments and Trading Nine Proprietary Limited	RSA	ZAR	1	**1 000**	1 000	**3 828**	3 828
Dombotema Mining Investments Proprietary Limited	RSA	ZAR	100	**100**	100		
ArcelorMittal South Africa Distribution Proprietary Limited	RSA	ZAR	100	**100**	100	**64**	59
ArcelorMittal African Investments	Mauritius	USD	100	**716**	716		
ArcelorMittal South Africa Operations Proprietary Limited	RSA	ZAR	1	**1**	1		
Total investments in subsidiaries (note 14)				**253 124 757**	253 124 757	**8 031**	8 805

[1] RSA – Republic of South Africa, IOM - Isle of Man and NEH - The Netherlands.
[2] This amount includes the shareholders loan of R8 billion (December 2011: R8 billion) and intercompany advances of R4.4 billion (December 2011: R3.1 billion).
[3] Issued capital is non-voting redeemable preference shares.

Analysis of ordinary shareholders

as at 31 December 2012

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Shareholder spread				
1 – 100 shares	7 656	30.12%	371 056	0.08%
101 – 1 000 shares	16 159	63.57%	3 235 483	0.73%
1 001 – 50 000 shares	1 060	4.17%	3 053 534	0.69%
50 001 – 100 000 shares	358	1.41%	13 819 708	3.10%
100 001 – 10 000 000 shares	154	0.61%	49 267 934	11.05%
10 000 001 and more shares	31	0.12%	376 028 922	84.35%
Total	25 418	100.00%	445 776 637	100.00%
Distribution of shareholders				
Corporate holdings	3	0.01%	208 768 448	46.83%
Other management funds	143	0.56%	81 586 254	18.30%
Pension funds	196	0.77%	58 490 364	13.12%
Unit trusts	120	0.47%	42 927 260	9.63%
Other funds	73	0.29%	38 478 053	8.63%
Insurance companies	21	0.08%	8 996 185	2.02%
Unclassified holders (Less than 10 000 shares)	24 862	97.82%	6 530 073	1.47%
Total	25 418	100.00%	445 776 637	100.00%
Geographical holding by owner				
Switzerland	13	0.05%	209 465 596	46.99%
South Africa	24 936	98.11%	198 294 686	44.48%
United States	73	0.29%	26 469 434	5.94%
Great Britain	90	0.35%	9 521 538	2.14%
Namibia	194	0.76%	731 806	0.16%
Balance	112	0.44%	1 293 577	0.29%
Total	25 418	100.00%	445 776 637	100.00%
Beneficial shareholders with a holding of 5% and more of the issued shares				
ArcelorMittal Holdings AG	2	0.01%	208 700 402	46.82%
VICVA Investments and Trading Nine	1	0.00%	44 550 255	9.99%
Industrial Development Corporation	1	0.00%	35 252 586	7.91%
Government Employees Pension Fund (GEPF)	3	0.01%	32 753 006	7.35%
Coronation Fund Managers*	152	0.60%	26 308 393	5.90%
Total	159	0.63%	347 564 642	77.97%
Public and non-public shareholders				
ArcelorMittal Holdings AG	2	0.01%	208 700 402	46.82%
VICVA Investments and Trading Nine	1	0.00%	44 550 255	9.99%
Directors of the company or its subsidiaries	2	0.01%	6 957	0.00%
	5	0.02%	253 257 614	56.81%
Non-public shareholders	5	0.02%	253 257 614	56.81%
Public shareholders	25 413	99.98%	192 519 023	43.19%
Total	25 418	100.00%	445 776 637	100.00%

Share price performance	
Opening price 3 January 2012	R68.22
Closing price 31 December 2012	R36.00
Intraday high for the period (2 February 2012)	R70.65
Intraday low for the period (20 November 2012)	R25.17
Number of shares in issue	445 776 637
Volume traded during period	125 068 124
Rand value of shares traded	R6 186 876 440
Ratio of volume traded to shares issued (%)	28.06%

**Includes funds under management excluding those managed on behalf of the GEPF.*

Notice of annual general meeting

Electronic participation

Shareholders or their proxies may participate in the meeting by way of a conference call and, if they wish to do so:

- must contact the company secretary (by email at the address sw@premcorp.co.za) by no later than 09:00 on Monday, 27 May 2013 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

Attendance and voting

The date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend, participate in and vote at the meeting is Friday, 24 May 2013 ("meeting record date"). Therefore the last day to trade to be registered as a shareholder in the company's register is Friday, 17 May 2013.

If you are a registered shareholder as at the meeting record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained therein.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

Attendance and representation at the annual general meeting

In accordance with the mandate between you and your CSDP/broker, you must advise your CSDP/broker of your intention to attend the annual general meeting in person, or if you wish to send a proxy to represent you at the annual general meeting. Your CSDP/broker will issue you the necessary letter of representation to you or your proxy to attend the annual general meeting.

All participants at the meeting will be required to provide identification reasonably satisfactory to the chairman of the meeting before any person may attend or participate in the annual general meeting. Forms of identification include the presentation of a valid identity document, drivers' licence or passport.

Purpose of the meeting

In order for an ordinary resolution and a special resolution to be approved by shareholders, it must be supported by more than 50% and 75%, respectively, of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Notice is hereby given that the twenty-fifth annual general meeting of the company will be held at Radisson Blu Sandton Hotel, Room JSE 1, 12th Floor, c/o Rivonia Road and Daisy Street, Sandton, Johannesburg, South Africa on Wednesday, 29 May 2013 at 09:00.

The purpose of this annual general meeting is to:

- present the directors' report and the audited annual financial statements of the group for the year ended 31 December 2012;
- present the social, ethics and audit and risk committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, to pass, with or without modification, the resolutions set out below:

1. **Presentation of the annual financial statements**
   Presentation of the consolidated annual financial statements of the company and its subsidiaries, the directors' report, the external auditors' report and the audit and risk committee chairman's report

2. **Ordinary Resolution Number 1: Re-appointment of auditors**
To re-appoint Deloitte & Touche as the independent registered auditor of the company, and to note Dr DA Steyn as the individual determined by Deloitte & Touche to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing year.

3. **Ordinary resolution number 2: Re-election of directors**
To re-elect Messrs S Maheshwari, DCG Murray and LP Mondi as directors by way of separate resolutions who retire in accordance with the Articles of Association and are eligible and available for re-election.

4. **Ordinary Resolution Number 3: Re-appointment of directors**
To elect Messrs MJ Wellhausen and PM Makwana as directors by way of separate resolutions, who were appointed by the board and retire in accordance with the Articles of Association and are eligible and available for re-appointment.

A brief curriculum vitae of the directors standing for re-election are provided on page 8 and form an integral part of this notice of annual general meeting.

5. **Ordinary resolution number 4: Election of the audit and risk committee members**
To elect, by way of separate resolutions, Messrs DCG Murray (subject to the approval of ordinary resolution number 3), Ms F du Plessis and Ms ND Orleyn as members of the audit and risk committee from the conclusion of this annual general meeting until the next annual general meeting.

The board is satisfied that the above-mentioned directors are suitably skilled and experienced independent non-executive directors and that they collectively have the appropriate experience and qualifications to fulfil their audit and risk committee obligations as set out in section 95 of the Act.

A brief curriculum vitae of the above-mentioned directors reflecting their experience and qualifications, are provided on page 8 of this report and form an integral part of this notice of annual general meeting.

6. **Ordinary resolution number 5: Unissued shares to be placed under the control of the directors**
To place the authorised but unissued share capital of the company under the control of the directors and to grant, until the conclusion of the next annual general meeting, an unconditional authority to the directors to allot and issue at their discretion (but subject to the provisions of the Act and the JSE Listings Requirements) the unissued shares of the company on such terms and conditions and to such person, whether they be shareholders or not, as the directors at their discretion deem when, and on such terms and conditions as, they deem it fit to do so.

7. **Advisory endorsement: Remuneration policy**
To endorse the company's remuneration policy (excluding the non-executive directors), as set out in the remuneration report on page 19 by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa 2009.

Notice of annual general meeting *continued*

8. Special resolution number 1: Non-executive directors' fees

To approve, by way of separate resolutions, the annual fees payable to the independent non-executive chairman, effective from 1 February 2013, and the annual fees payable to the non-executive directors of the company effective from 1 May 2013.

		Annual retainer	Attendance fee per meeting
8.1	Chairman	R1 800 000	
8.2	Director	R153 912	R12 826
8.3	Audit and risk committee chairman		R27 984
8.4	Audit and risk committee member		R13 992
8.5	Nominations committee chairman		R25 652
8.6	Nominations committee member		R12 826
8.7	Safety, health and environment committee chairman		R25 652
8.8	Safety, health and environment committee member		R12 826
8.9	Social, ethics and remuneration committee chairman		R25 652
8.10	Social, ethics and remuneration committee member		R12 826
8.11	Share trust committee chairman		R25 652
8.12	Share trust committee member		R12 826

Reason for and effect of this resolution

The reason and effect of this resolution is to grant the company the authority to pay remuneration to its directors for their services as directors.

9. Special resolution number 2: Financial assistance to related or inter-related company

That the board may authorise the company (for a period of two years from the date on which this resolution is passed) to generally provide any direct or indirect financial assistance in the manner contemplated in and subject to the provisions of Sections 44 and 45 of the Act to a related or inter-related company or corporation or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred upon the board for these purposes.

Reason for and effect of this special resolution

The reason for this special resolution is that, from time to time, the company may be required to provide financial assistance to subsidiaries and other related companies within the group. The effect of this special resolution is that the company will be authorised to provide financial assistance to subsidiaries and other related parties within the group.

10. Special resolution number 3: New Memorandum of Incorporation

To abrogate the existing Memorandum of Incorporation (formerly the company's Memorandum and Articles) (MOI) in its entirety and replace with a new MOI which will be tabled at the annual general meeting and initialled by the chairman for purposes of identification, with effect from the date of filing thereof at the Companies Intellectual Property Commission.

The salient features of the company's new MOI are set out on page 107 and form an integral part of this notice of annual general meeting.

Reason for and effect of this special resolution

The reason for and effect of this special resolution is to abrogate the existing MOI in its entirety and replace with a new MOI to ensure compliance with the Act.

11. Ordinary resolution number 6: Authority to implement resolutions passed at the annual general meeting

That any director or company secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions adopted at this annual general meeting.

By order of the board

Premium Corporate Consulting Services (Pty) Limited
Company Secretary

13 March 2013

Form of proxy

ARCELORMITTAL SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1989/002164/06)
JSE code: ACL ISIN: ZAE000134961
(the company)

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

For use in respect of the twenty-fifth annual general meeting of the company to be held at Radisson Blu Sandton Hotel, Room JSE 1, 12th Floor, c/o Rivonia Road and Daisy Street Sandton, Johannesburg, South Africa on Wednesday, 29 May 2013 at 09:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters) ______________________________

of (address) ______________________________

Telephone (work) ____________________ (home) ____________________

being the registered owner/s of ____________________ ordinary shares in the company

hereby appoint ______________________________ or failing him/her

______________________________ or failing him/her

the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

**Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

	Number of votes		
	For*	Against*	Abstain*
2. Ordinary resolution number 1: Re-appointment of auditors			
3. Ordinary resolution number 2: Re-election of directors			
3.1 Mr S Maheshwari			
3.2 Mr DCG Murray			
3.3 Mr LP Mondi			
4. Ordinary resolution number 3: Re-appointment of directors			
4.1 Mr MJ Wellhausen			
4.2 Mr PM Makwana			
5. Ordinary resolution number 4: Election of audit and risk committee members			
5.1 Mr DCG Murray			
5.2 Ms FA du Plessis			
5.3 Ms ND Orelyn			
6. Ordinary resolution number 5: Unissued shares to be placed under the control of the directors			
7. Advisory endorsement: Remuneration policy			
8. Special resolution number 1: Approval of non-executive directors' fees			
8.1 Chairman (with effect from 1 February 2013)			
8.2 Director			
8.3 Audit and risk committee chairman			
8.4 Audit and risk committee member			
8.5 Nominations committee chairman			
8.6 Nominations committee member			
8.7 Safety, health and environment committee chairman			
8.8 Safety, health and environment committee member			
8.9 Social, ethics and remuneration committee chairman			
8.10 Social, ethics and remuneration committee member			
8.11 Share trust committee chairman			
8.12 Share trust committee member			
9. Special resolution number 2: Financial assistance to related or inter-related company			
10. Special resolution number 3: New Memorandum of Incorporation			
11. Ordinary resolution number 6: Authority to implement resolutions passed at the annual general meeting			

Signed this ____________________ day of ____________________ 2013

Signature ______________________________

Assisted by (if applicable ______________________________

Instructions and notes to the proxy form

1. This proxy form will not be effective at the meeting unless received at the company's transfer office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by no later than 09:00 on Monday, 27 May 2013. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.

   Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the 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 beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.
5. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
6. If:
   - 6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; 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 listed in the proxy form is modified or amended,

   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 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 proxy form 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 chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the 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 chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.
10. This proxy form is revoked if the shareholder who granted the proxy:
    - 10.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 09:00 on Monday, 27 May 2013; or
    - 10.2 subsequently appoints another proxy for the meeting; or
    - 10.3 attends the meeting himself 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 in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the 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 office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by not later than 09:00 on Monday, 27 May 2013. 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 (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
14. The chairman of the annual 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 (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Annexure 3 – Salient features of the MOI

This annexure is a summary of the salient features of the MOI and does not include all of the details set out in the MOI. Shareholders should refer to the complete MOI which is available for inspection at the company's registered address from Thursday, 28 March 2013 until Wednesday, 29 May 2013.

The numbering of the salient features of the MOI set out below is consistent with the numbering of the full MOI. The definitions used in the MOI have been used in this summary of the salient features of the MOI.

4. Powers of the company

4.1 The company has all of the legal powers and capacity contemplated in the Act, and no provision contained in this Memorandum of Incorporation should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever.

4.2 The legal powers and capacity of the company are not subject to any restrictions, limitations or qualifications, and the company shall have all of the legal powers and capacity of an individual, provided that the company is capable of exercising such power and having such capacity.

5. Restrictive conditions

This Memorandum of Incorporation does not contain any restrictive conditions applicable to the company as contemplated in sections 15(2)(b) or (c) or prohibit the amendment of any particular provision hereof as contemplated in section 15(2)(c).

6. Issue of shares and variation of rights

6.1 The company is authorised to issue 1 200 000 000 no par value ordinary shares, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to –

6.1.1 vote on any matter to be decided by the shareholders of the company 1 (one) vote in respect of each ordinary share held in the case of a vote by means of a poll, whether in person or by proxy;

6.1.2 participate proportionally in any distribution made by the company; and

6.1.3 receive proportionally the net assets of the company upon its liquidation.

6.2 The board shall have all the powers afforded to it in terms of this Memorandum of Incorporation and under and in terms of the Act, except for the power to –

6.2.1 the creation of any class of shares; or

6.2.2 increase or decrease the number of authorised shares of any class of the company's shares; or

6.2.3 convert one class of shares into one or more other classes; or

6.2.4 consolidate and reduce the number of the company's issued and authorised shares of any class; or

6.2.5 subdivide its shares of any class by increasing the number of its issued and authorised shares of that class without an increase of its capital; or

6.2.6 reclassify any classified shares that have been authorised but not issued; or

6.2.7 classify any unclassified shares that have been authorised but not issued; or

6.2.8 the variation of any preferences, rights, limitations and other terms attaching to any class of shares; or

6.2.9 determine the preferences, rights, limitations or other terms of any shares, or the change of the name of the company and which powers shall only be exercisable by the shareholders and subject to their approval by way of special resolution.

13. Debt instruments

The board may authorise the company to issue secured or unsecured debt instruments as permitted by section 43(2), but no special privileges associated with any such debt instruments as contemplated in section 43(3) may be granted, and the authority of the board in such regard is accordingly limited by this Memorandum of Incorporation.

Annexure 3 – Salient features of the MOI *continued*

16. Financial assistance

The board may authorise the company to provide financial assistance by way of loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any Securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any such Securities, as set out in section 44, and the authority of the board in this regard is not limited or restricted by this Memorandum of Incorporation.

17. Acquisition by the company of its own shares

17.1 Subject to the JSE Listings Requirements, the provisions of section 48 and the further provisions of this clause –

17.1.1 the board may authorise the company acquire a number of its own shares; and

17.1.2 the board of any subsidiary of the company may determine that such subsidiary acquire shares of the company.

21. Shareholders' meetings by electronic communication

21.1 Subject to the provisions of the JSE Listings Requirements, the company may conduct a shareholders' meeting entirely by electronic communication or provide for participation in a meeting by electronic communication, as set out in section 63, and the power of the company to do so is not limited or restricted by this Memorandum of Incorporation. Accordingly –

21.1.1 any shareholders' meeting may be conducted entirely by electronic communication; or

21.1.2 one or more shareholders, or proxies for shareholders, may participate by electronic communication in all or part of any shareholders' meeting that is being held in person.

21.2 So long as the electronic communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other and without an intermediary, and to participate reasonably effectively in the meeting. Any notice of any meeting of shareholders at which it will be possible for shareholders to participate by way of electronic communication shall inform shareholders of the ability to so participate and shall provide any necessary information to enable shareholders or their proxies to access the available medium or means of electronic communication and such access shall be arranged and provided at the expense of the company.

22. Votes of Shareholders

22.1 Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Memorandum of Incorporation, at a meeting of the company:

22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;

22.1.2 on a poll any person who is present at the meeting, whether as a shareholder or as proxy of a shareholder, has the number of votes determined in accordance with the voting rights associated with the securities held by that shareholder; and

22.1.3 the holders of securities other than ordinary shares shall not be entitled to vote on any resolution at a meeting of shareholders except as provided in clause 22.1.3.

22.1.4 The holders of Securities, other than ordinary shares and any special shares created for the purpose of black economic empowerment in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003 (as amended) and the Broad-Based Black Economic Empowerment Codes of Good Practice (as amended), shall not be entitled to vote on any resolution taken by the company, unless, as contemplated in clause 22.2 or otherwise permitted by the JSE Listing Requirements, in which instance –

22.1.4.1 the permitted votes of such shareholders may not carry any special rights or privileges; and

22.1.4.2 each such shareholder shall be entitled to 1 (one) vote for each share they hold, provided that their total voting right at such meeting may not exceed 24.99% (twenty-four point ninety-nine percent) of the total voting rights of all shareholders at that meeting.

25. Shareholders' resolutions

25.1 For an ordinary resolution to be approved it must be supported by more than 50% (fifty percent) of the voting rights of shareholders exercised on the resolution, as provided in section 65(7). Notwithstanding anything to the contrary contained in this Memorandum of Incorporation, to the extent that the JSE Listings Requirements require a higher percentage in respect of any particular ordinary resolution, the company shall not implement such ordinary resolution unless the company has obtained the support of the applicable percentage prescribed in terms of the JSE Listings Requirements.

25.2 For a special resolution to be approved it must be supported by the holders of at least 75% (seventy-five percent) of the voting rights exercised on the resolution, as provided in section 65(9).

26. Shareholders acting other than at a meeting

26.1 In accordance with the provisions of section 60 of the Act, but subject to clause 25.4, a resolution that could be voted on at a shareholders' meeting (other than in respect of the election of directors) may instead be:

26.1.1 submitted by the board for consideration by the shareholders entitled to exercise the voting rights in relation to the resolution; and

26.1.2 voted on in writing by such shareholders within a period of 20 (twenty) business days after the resolution was submitted to them.

26.2 The provisions of this clause 25 shall not apply to any shareholder meetings that are called for in terms of the JSE Listings Requirements or the passing of any resolution in terms of clause 26.1 or to any annual general meeting of the company.

27. Composition of the board of Directors

27.1.1 In addition to the minimum number of directors, if any, that the company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the board must comprise at least 4 (four) and not more than 20 (twenty) directors and the shareholders shall be entitled, by ordinary resolution, to determine such maximum number of directors as they from time to time shall consider appropriate.

27.1.2 All directors shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting of the company and no appointment of a director in accordance with a resolution passed in terms of section 60 of the Act shall be competent.

30. Directors' meetings

30.1 Save as may be provided otherwise herein and provided that the directors shall hold at least 3 (three) meetings annually, the directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

30.2 The directors may elect a chairperson and a deputy chairperson and determine the period for which each is to hold office. The chairperson, or in his absence the deputy chairperson, shall be entitled to preside over all meetings of directors. If no chairperson or deputy chairperson is elected, or if at any meeting neither is present or willing to act as chairperson thereof within 10 (ten) minutes of the time appointed for holding the meeting, the directors present shall choose 1 (one) of their number to be chairperson of such meeting.

31. Directors' compensation

The company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous 2 (two) years, as set out in sections 66(8) and (9) of the Act and the power of the company in this regard is not limited or restricted by the Memorandum of Incorporation.

Annexure 3 – Salient features of the MOI *continued*

32. Executive directors

The directors may from time to time appoint 1 (one) or more of their body to the office of managing director for such term and at such remuneration as they may think fit (subject only to the requirements of section 66(8) and (9) as referred to in clause 31.1, and may revoke such appointment subject to the terms of any agreement entered into in any particular case, provided that the period of office of a managing director appointed in terms of an agreement shall be for a maximum period of 5 (five) years at any one time. A director so appointed shall be subject to retirement in the same manner as the other directors except during the period of his agreement, and his appointment shall terminate if he ceases for any reason to be a director.

31. Indemnification of directors

The company may:

31.1.1 advance expenses to a director or directly or indirectly indemnify a director in respect of the defence of legal proceedings;

31.1.2 indemnify a director in respect of liability; and/or

31.1.3 purchase insurance to protect the company or a director,

and the power of the company in this regard is not limited, restricted or extended by the Memorandum of Incorporation.

32. Borrowing powers

32.1 Subject to the provisions of clause 35.2 and the other provisions of the Memorandum of Incorporation, the directors may from time to time:

32.1.1 borrow for the purposes of the company such sums as they think fit;

32.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of securities, mortgage or charge upon all or any of the property or assets of the company; and

32.1.3 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of securities, mortgage or charge upon all or any of the property or assets of the company.

32.2 The directors shall procure (but as regards subsidiaries of the company only in terms of the exercised voting and other rights or powers of control exercisable by the company they may so procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:

32.2.1 the company; and

32.2.2. all the subsidiaries for the time being of the company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the company or any of its subsidiaries for the time being for the indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),

shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the company or the subsidiaries for the time being of the company (as the case may be).

36. Annual financial statements

36.1 The company shall keep all such accurate and complete accounting records, in English, as are necessary to enable the company to satisfy its obligations in terms of:

36.1.1 the Act;

36.1.2 any other law with respect to the preparation of financial statements to which the company may be subject; and

36.1.3 the Memorandum of Incorporation.

36.2 The company shall each year prepare annual financial statements within 6 (six) months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7).

36.3 The company shall appoint an auditor each year at its annual general meeting. If the company appoints a firm as its auditor, any change in the composition of the members of that firm shall not by itself create a vacancy in the office of auditor.

36.4 The annual financial statements of the company must be prepared and audited in accordance with the provisions of section 30 of the Act.

36.5 A copy of the annual financial statements (which may be transmitted electronically) and the notice must be sent to shareholders at least 15 (fifteen) business days before the date of the annual general meeting of the company at which such annual financial statements will be considered.

38. Distributions

38.1 Subject to the provisions of the Act, and particularly section 46, the company may make a proposed distribution if such distribution:

38.1.1 is pursuant to an existing legal obligation of the company, or a court order; or

38.1.2 is authorised by resolution of the board, in compliance with the JSE Listings Requirements and must not provide that capital shall be repaid upon the basis that it may be called up again.

38.2 No distribution shall bear interest against the company, except as otherwise provided under the conditions of issue of the shares in respect of which such distribution is payable.

38.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the company may be chargeable.

38.4 The directors may from time to time declare and pay to the shareholders such interim distributions as the directors consider appropriate in accordance with the Companies Act.

38.5 All unclaimed distributions may be invested or otherwise made use of by the directors for the benefit of the company until claimed, provided that distributions unclaimed for any such period as the law may prescribe for the prescription of a claim from the date on which they were declared may be declared forfeited by the directors for the benefit of the company. The directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All monies, other than distributions, that are due to any shareholder/s shall be held by the company in trust for an indefinite period until lawfully claimed by such shareholder/s.

39. Access to company records

Each person who holds or has a beneficial interest in any Securities issued by the company is entitled to inspect and copy, without any charge for any such inspection or upon payment of no more than the prescribed maximum charge for any such copy, the information contained in the records of the company referred to in section 26(1) of the Act, being:

39.1.1 the Memorandum of Incorporation, and any amendments or alterations thereof;

39.1.2 a record of the directors, including the details of any person who has served as a director, for a period of 7 (seven) years after that person has ceased to serve as a director, and any information relating to such persons referred to in section 24(5);

39.1.3 all –

39.1.3.1 reports presented at an annual general meeting of the company for a period of 7 (seven) years after the date of any such meeting; and

39.1.3.2 any document that was made available by the company to the holders of Securities in relation to each such resolution;

39.1.4 any written communications sent generally by the company to all holders of any class of the company's securities, for a period as prescribed by the Act after the date on which each of such communications was issued; and

39.1.5 the Securities Register.

Annexure 3 – Salient features of the MOI *continued*

40. Payment of commission

The company may pay a commission at a rate not exceeding 10% (ten percent) of the issue price of a share to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares of the company or for procuring or agreeing to procure, whether absolutely or conditionally, subscriptions for any shares of the company.

41. Notices

41.1 All notices shall be given by the company to each shareholder of the company and simultaneously to the Issuer Regulation Division of the JSE, and shall be given in writing in any manner authorised by the JSE Listings Requirements and the Regulations, and particularly Table CR 3 annexed to the Regulations. All notices shall, in addition to the above, be released through SENS provided that, in the event that the shares or other Securities of the company are not listed on the JSE, all the provisions of this Memorandum of Incorporation relating to the publication of notices via SENS shall no longer apply and such notices shall thereafter only be published in accordance with the provisions of the Act.

42. Amendment of Memorandum of Incorporation

42.1 Subject to the provisions of clause 6.4, this Memorandum of Incorporation may only be altered or amended by way of a special resolution of the ordinary shareholders in accordance with section 16(1)(c), except if such amendment is in compliance with a court order as contemplated in section 16(1)(a).

42.2 An amendment of this Memorandum of Incorporation will take effect from the later of –

42.2.1 the date on, and time at, which the Commission accepts the filing of the notice of amendment contemplated in section 16(7); and

42.2.2 the date, if any, set out in the said notice of amendment,

save in the case of an amendment that changes the name of the company, which will take effect from the date set out in the amended registration certificate issued by the Commission.

Annexure 4 – 75 Principles of King III Code

The IOD Governance Assessment Instrument Tool was used to assess adherence to the principles of King III Report.

Chapter	Principle	Principle Description	Applied / Partially Applied / Not Applied	Not Applied Commentary	IoDSA GAI Score
Chapter 1	Principle 1.1	The board provides effective leadership based on ethical foundation	Applied		AAA
Chapter 1	Principle 1.2	The board ensures that the company is and is seen to be a responsible corporate citizen	Applied		AAA
Chapter 1	Principle 1.3	The board ensures that the company ethics are managed effectively	Applied		AAA
Chapter 2	Principle 2.1	The board acts as the focal point for and custodian of corporate governance	Applied		AAA
Chapter 2	Principle 2.2	The board appreciates that strategy, risk, performance and sustainability are inseparable	Applied		AAA
Chapter 2	Principle 2.3	The board provides for effective leadership based on ethical foundation	Applied		AAA
Chapter 2	Principle 2.4	The board ensures that the company is and is seen as a responsible corporate citizen	Applied		AAA
Chapter 2	Principle 2.5	The board ensures that the company's ethics are managed effectively	Applied		AAA
Chapter 2	Principle 2.6	The board ensures that the company has an effective and independent audit committee	Applied		AAA
Chapter 2	Principle 2.7	The board is responsible for the governance of risk	Applied		AAA
Chapter 2	Principle 2.8	The board is responsible for information technology (IT) governance	Applied		AAA
Chapter 2	Principle 2.9	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied		AAA
Chapter 2	Principle 2.10	The board ensures that there is an effective risk-based internal audit	Applied		AAA
Chapter 2	Principle 2.11	The board appreciates that stakeholders' perceptions affect the company's reputation	Applied		AAA
Chapter 2	Principle 2.12	The board ensures the integrity of the company's integrated report	Applied		AAA
Chapter 2	Principle 2.13	The board reports on the effectiveness of the company's internal controls	Applied		AAA
Chapter 2	Principle 2.14	The board and its directors act in the best interests of the company	Applied		AAA
Chapter 2	Principle 2.15	The board will/has consider/ed business rescue proceedings or other turnaround mechanisms as soon as the company has been/may be financially distressed as defined in the Company's Act, 71 of 2008	Applied		AAA
Chapter 2	Principle 2.16	The board has elected a chairman of the board who is an independent non-executive director. The CEO of the company does not also fulfil the role of chairman of the board	Applied		AAA

Annexure 4 – 75 Principles of King III Code *continued*

Chapter	Principle	Principle Description	Applied / Partially Applied / Not Applied	Not Applied Commentary	IoDSA GAI Score
Chapter 2	Principle 2.17	The board has appointed the chief executive officer and has established a framework for the delegation of authority	Applied		AAA
Chapter 2	Principle 2.18	The board comprises a balance of power, with a majority of non-executive directors. The majority of non-executive directors are independent	Applied		AAA
Chapter 2	Principle 2.19	Directors are appointed through a formal process	Applied		AAA
Chapter 2	Principle 2.20	The induction of ongoing training, as well as the development of directors are conducted through a formal process	Applied		AAA
Chapter 2	Principle 2.21	The board is assisted by a competent, suitably qualified and experienced company secretary	Applied		AAA
Chapter 2	Principle 2.22	The evaluation of the board, its committees and individual directors is performed every year	Partially Applied	Evaluations are bi-annual	AAA
Chapter 2	Principle 2.23	The board delegates certain functions to well-structured committees without abdicating from its own responsibilities	Applied		AAA
Chapter 2	Principle 2.24	A governance framework has been agreed upon between the group and its subsidiary boards	Applied		AAA
Chapter 2	Principle 2.25	The company remunerates its directors and executives fairly	Applied		AAA
Chapter 2	Principle 2.26	The company has disclosed the remuneration of each individual director and prescribed officer	Applied		AAA
Chapter 2	Principle 2.27	The shareholders have approved the company's remuneration policy	Applied		AAA
Chapter 3	Principle 3.1	The board has ensured that the company has an effective and independent audit committee	Applied		AAA
Chapter 3	Principle 3.2	Audit committee members are suitably skilled and experienced independent non-executive directors	Applied		AAA
Chapter 3	Principle 3.3	The audit committee is chaired by an independent non-executive director	Applied		AAA
Chapter 3	Principle 3.4	The audit committee oversees integrated reporting	Applied		AAA
Chapter 3	Principle 3.5	The audit committee has ensured that a combined assurance model has been applied which provides a co-ordinated approach to all assurance activities	Applied		AAA
Chapter 3	Principle 3.6	The audit committee is satisfied with the expertise, resources and experience of the company's finance function	Applied		AAA
Chapter 3	Principle 3.7	The audit committee oversees the internal audit function	Applied		AAA
Chapter 3	Principle 3.8	The audit committee is an integral component of the risk management process	Applied		AAA

Chapter	Principle	Principle Description	Applied / Partially Applied / Not Applied	Not Applied Commentary	IoDSA GAI Score
Chapter 3	Principle 3.9	The audit committee is responsible for the recommending the appointment of the external auditor and overseeing the external audit process	Applied		AAA
Chapter 3	Principle 3.10	The audit committee has reported to the board and the shareholders as to how it has discharged its duties	Applied		AAA
Chapter 4	Principle 4.1	The board is responsible for the governance of risk	Applied		AAA
Chapter 4	Principle 4.2	The board has determined the levels of risk tolerance	Applied		AAA
Chapter 4	Principle 4.3	The risk committee and/or audit committee has assisted the board in carrying out its risk responsibilities	Applied		AAA
Chapter 4	Principle 4.4	The board has delegated to management the responsibility to design, implement and monitor the risk management plan	Applied		AAA
Chapter 4	Principle 4.5	The board has ensured that risk assessments are performed on a continual basis	Applied		AAA
Chapter 4	Principle 4.6	The board has ensured that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied		AAA
Chapter 4	Principle 4.7	The board has ensured that management has considered and has implemented appropriate risk responses	Applied		AAA
Chapter 4	Principle 4.8	The board has ensured the continual risk monitoring by management	Applied		AAA
Chapter 4	Principle 4.9	The board has received assurance regarding the effectiveness of the risk management process	Applied		AAA
Chapter 4	Principle 4.10	The board has ensured that there are processes in place which enable complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied		AAA
Chapter 5	Principle 5.1	The board is responsible for information technology (IT) governance	Applied		AAA
Chapter 5	Principle 5.2	IT has been aligned with the performance and sustainability objectives of the company	Applied		AAA
Chapter 5	Principle 5.3	The board has delegated to management the responsibility for the implementation of an IT governance framework	Applied		AAA
Chapter 5	Principle 5.4	The board monitors and evaluates significant IT investments and expenditure	Applied		AAA
Chapter 5	Principle 5.5	IT is an integral part of the company's risk management plan	Applied		AAA
Chapter 5	Principle 5.6	The board ensures that information assets are managed effectively	Applied		AAA
Chapter 5	Principle 5.7	A risk committee and audit committee assists the board in carrying out its IT responsibilities	Applied		AAA
Chapter 6	Principle 6.1	The board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied		AAA

Annexure 4 – 75 Principles of King III Code *continued*

Chapter	Principle	Principle Description	Applied / Partially Applied / Not Applied	Not Applied Commentary	IoDSA GAI Score
Chapter 6	Principle 6.2	The board and each individual director have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business	Applied		AAA
Chapter 6	Principle 6.3	Compliance risk should form an integral part of the company's risk management process	Applied		AAA
Chapter 6	Principle 6.4	The board should delegate to management the implementation of effective compliance framework and processes	Applied		AAA
Chapter 7	Principle 7.1	The board should ensure that there is an effective risk-based internal audit	Applied		AAA
Chapter 7	Principle 7.2	Internal Audit should follow a risk-based approach to its plan	Applied		AAA
Chapter 7	Principle 7.3	Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	Applied		AAA
Chapter 7	Principle 7.4	The audit committee should be responsible for overseeing internal audit	Applied		AAA
Chapter 7	Principle 7.5	Internal audit should be strategically positioned to achieve its objectives	Applied		AAA
Chapter 8	Principle 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	Applied		AAA
Chapter 8	Principle 8.2	The board should delegate to management to proactively deal with stakeholder relationships	Applied		AAA
Chapter 8	Principle 8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied		AAA
Chapter 8	Principle 8.4	Companies should ensure the equitable treatment of shareholders	Applied		AAA
Chapter 8	Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied		AAA
Chapter 8	Principle 8.6	The board should ensure that disputes are resolved effectively and expeditiously as possible	Applied		AAA
Chapter 9	Principle 9.1	The board should ensure the integrity of the company's integrated report	Applied		AAA
Chapter 9	Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied		AAA
Chapter 9	Principle 9.3	Sustainability reporting and disclosure should be independently assured	Not Applied	Will be done in 2013	AA

Directorate and administration

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Registration number 1989/002164/06
Share code: ACL
ISIN: ZAE000134961

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