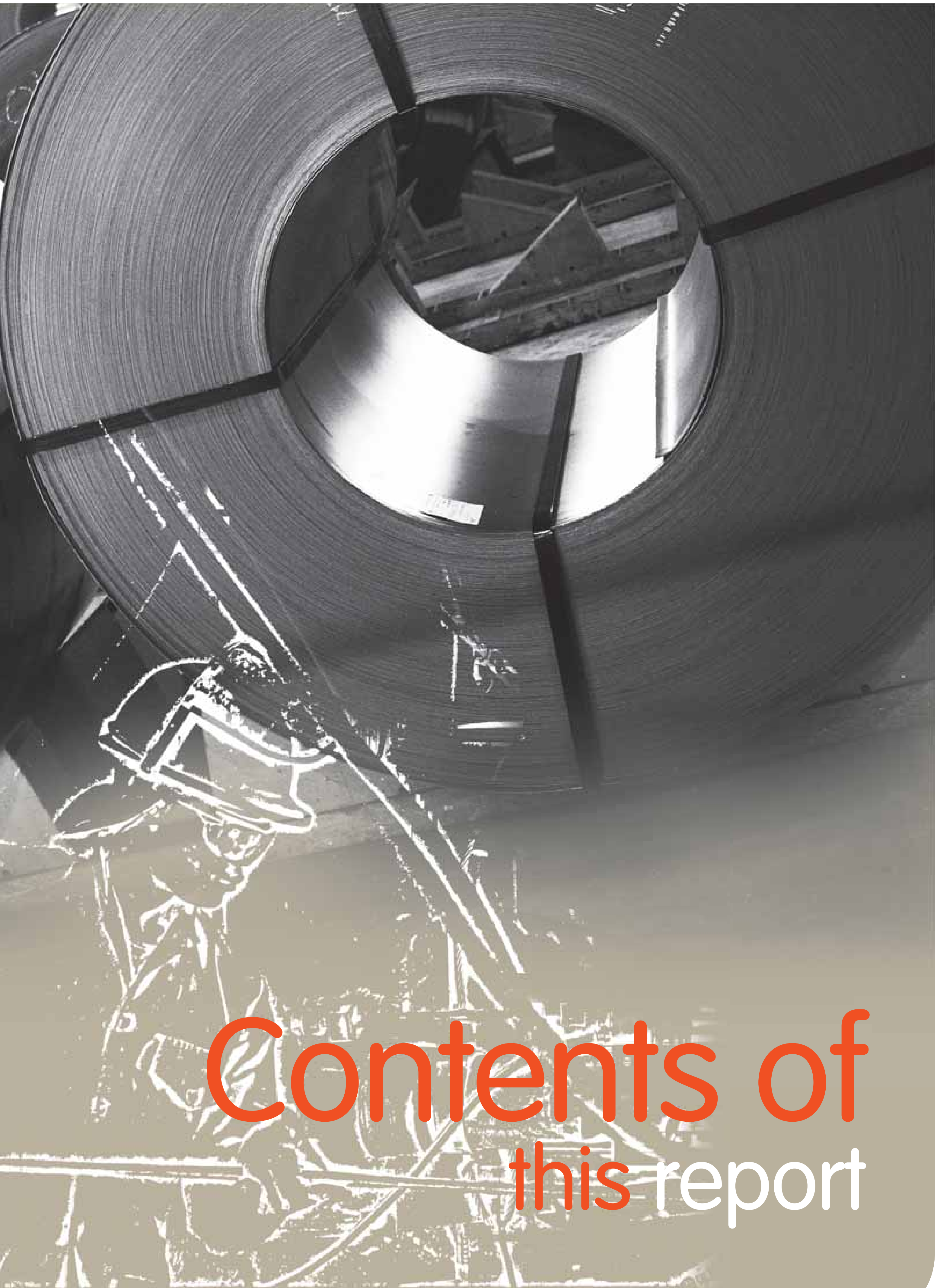
ArcelorMittal

Towards recovery

Integrated annual report 2013

ArcelorMittal

Contents



Contents of this report

About this report

This is our third integrated annual report. In it we have tried to provide all stakeholder groups with a transparent and balanced appraisal of the material issues facing our business during the year under review. It represents a further step in our journey towards integrated reporting.

This report should be read in conjunction with the full financial statements and the sustainability report, also published during the year under review. The purpose of each of the three reports is outlined on page 3 opposite.

Scope and boundary of this report

This integrated annual report (IAR) covers the period from 1 January 2013 to 31 December 2013. The previous integrated annual report covered the 2012 financial year. There are no restatements of information from the previous integrated annual report in this document.

This integrated report provides an account of the group's operational, financial, economic, social and environmental performance, as well as governance, during the period under review.

It covers the local operations of ArcelorMittal South Africa which include Vanderbijlpark Works, Vereeniging Works, Saldanha Works, Newcastle Works and Coke and Chemicals. There has been no material change in the scope and boundary of the integrated annual report compared to the prior year.

Forward looking statements

Certain statements in this document constitute "forward looking statements", which involve known and unknown risks, other uncertainties and important factors that could turn out to be materially different following the publication of actual results.

These forward looking statements speak only as of the date of this document. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

Progressing integrated reporting

This report has been prepared in accordance with the recommendations of principle 9.1 of the King Code and the guidelines of the Global Reporting Initiative (GRI 3.1).

The content of this report has also taken into account the recommendations from external commentators on our 2012 report, as well as the Integrated Reporting Framework (the Framework), which was published during December 2013 by the International Integrated Reporting Council.

This IAR is the first ArcelorMittal South African IAR that references the Framework. Our aim is for our systems to be aligned so that our reporting processes achieve full compliance with the Framework by the third IAR that references the Framework.

Assurance

In order to further enhance the integrity of our report we opted for limited assurance of certain key performance indicators ('KPIs'). This assurance process will be further improved in the future periods in line with the refining of our controls and governance around these measures to withstand the same level of scrutiny as financial information. The full assurance statement is on page 105.

Regarding the summarised consolidated financial statements 2013

We have provided summarised consolidated financials in our printed report, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting.*

The full set of consolidated annual financial statements ('AFS') are available on the disk that is packaged with the printed integrated annual report as well as on the website, **www.arcelormittal-reports.com/reports/ar_2013/index.php.**

An independent audit was performed by Deloitte and Touche, expressing an unqualified opinion. The full assurance statement is on page 112 of the annual financial statements.

Board responsibility

The board, together with the audit committee, holds responsibility for this integrated annual report. The report was prepared by a representative team of the company which reported to the CEO and CFO. All directors had the opportunity to review and comment on the contents and to ensure its integrity. In the board's opinion, this report addresses the material issues and accurately presents the integrated performance of the organisation and its impacts.

The board authorised this report for release on 28 March 2014. Signed by the acting chief executive officer, who has been duly authorised thereto by the board.

Dr Hans Ludwig Rosenstock
Acting chief executive officer

How to use this report

This report contains icons and cross-references to assist the reader in navigating the information, and to prevent repetition in cases where an issue is touched on in more than one chapter.

The following icons relate to our five strategic imperatives, and the six strategies we have identified to drive the strategic imperative of driving profitability:

- Protecting the health and safety of employees
- Driving profitability
  - Customer focus
  - Eliminate excessive raw material costs
  - Improve operational efficiencies
  - Improve supplier efficiencies
  - Optimise our industrial footprint
  - Energy efficiency
- Government relations
- Managing our people
- Environmental responsibility
- Engaging with local communities

These icons have been developed to improve the quality of reporting regarding how strategy is linked to strategic imperatives, risks and stakeholders. They indicate that the issue, stakeholder group or risk being discussed is addressed by or linked to that particular strategic objective.

There are also cross-references in this report to the online sustainability report and the full financial statements, as well as internal references to other chapters and sections. These are indicated as such.

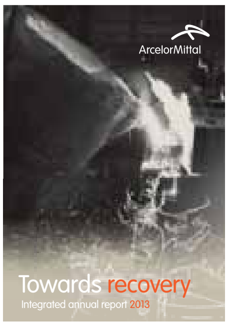
Please provide us with your feedback

We value feedback from our stakeholders and use it to ensure that we are reporting on the issues that are relevant to them.

Please take the time to give us your feedback on this report.

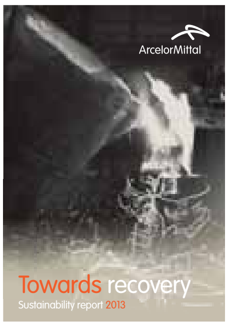
Visit the web link: **www.arcelormittalsa.com/investorrelations/emailus.aspx**

Our three reports



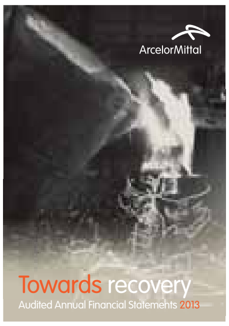
Integrated annual report (IAR)

This printed report (also available online at **www.arcelormittal-reports.com/reports/ar_2013/integrated/index.php** is intended to provide readers with an overview of our operations during the year, and our performance in managing our most material issues, which are listed as strategic imperatives in this report. It also includes messages from leadership, operational reviews, the corporate governance and risk management reports, summarised financial statements and information for shareholders.



Sustainability report

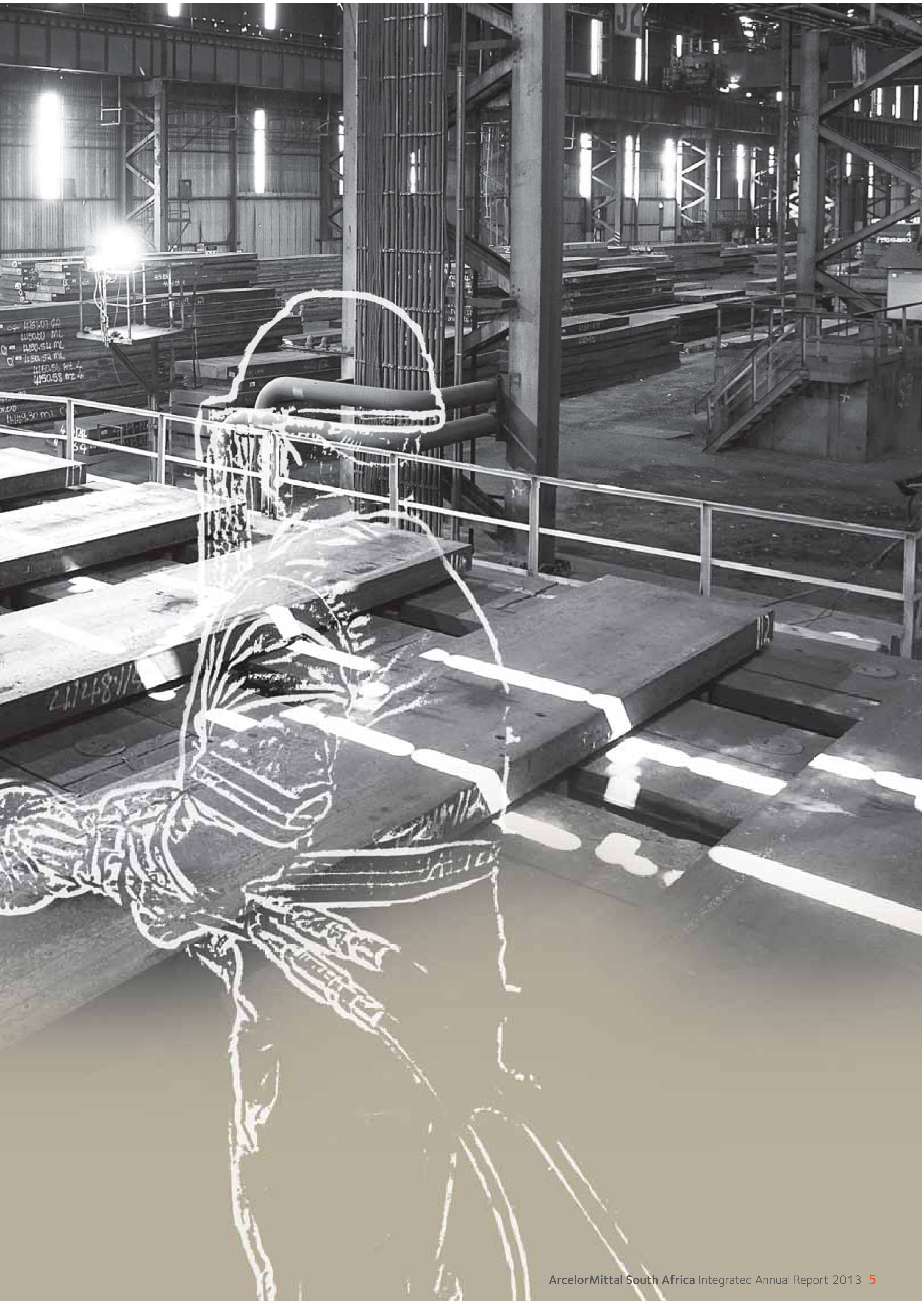
Published on the web at **www.arcelormittal-reports.com/reports/ar_2013/sustainability/index.php**, in the April following the release of the IAR, the sustainability report provides detailed information on all our environmental, social and economic impacts – not just those deemed to be most material for the year under review. It includes our corporate responsibility ethos, and additional statistics not published in the IAR.



Full financial statements

The full financial statements, available on the disk that is packaged with the printed integrated annual report as well as on the company website **www.arcelormittal-reports.com/reports/ar_2013/index.php**, provide comprehensive insight into the financial position of the company for the year under review.

Our business



An overview of our business

ArcelorMittal South Africa is the largest steel producer on the African continent, with a production capacity of 6.5 million tonnes of liquid steel per annum. We supply over 60% of the steel utilised in South Africa and export steel to the rest of sub-Saharan Africa and elsewhere.

ArcelorMittal South Africa is part of the ArcelorMittal group, the leading steel producer in the world and the market leader in sectors such as construction, domestic appliances, packaging and automotive. The greater group has industrial sites in over 20 countries and a presence in more than 60 countries across both the developed and developing worlds.

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 and supplier of choice.
- Living the brand values of Sustainability, Quality and Leadership.

Our products and markets

ArcelorMittal South Africa is an integrated steel producer. Our steel is produced in flat and long products that are suitable for further processing by downstream manufacturers for use in the construction, mining, automotive, packaging, appliance and general manufacturing industries. Steel manufacturing is complemented by a coke and chemical operation that produces commercial grade coke for use by the ferro-alloy industry, and processes by-products resulting from the steel manufacturing process.

Flat steel products
Flat steel products are produced at our Vanderbijlpark and Saldanha Works. These include slabs, heavy plate as well as hot-rolled coil, cold-rolled and coated products such as tinplate and hot-dip galvanised, electrogalvanised and pre-painted sheet.

The biggest market is the building and construction industry, followed by the welded pipe and tubes industry. Other significant markets are the packaging and automotive industries.

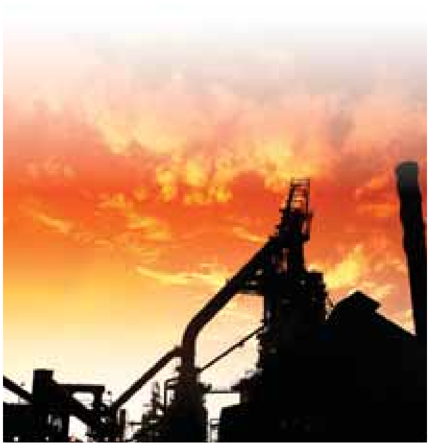
Long steel products
Our long steel operations produce a range of products at Newcastle and Vereeniging Works. These include bar, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, light, medium and heavy sections, rod and forged products.

The biggest long steel product market is the building and construction industry. Other significant markets are the mining, automotive, agricultural, engineering, manufacturing and petro-chemical industries.

Coke and Chemicals
Coke and Chemicals' core business is the production of commercial coke for the ferro-alloy industry from coke batteries located at Pretoria and Newcastle Works. The business also processes and beneficiates metallurgical and steel by-products, including coal tar. These are sold as raw materials to make aggregates for road paving, cement, fertilisers, plastics, electronics and roofing.

Our five operational sites

Headquartered in Vanderbijlpark in South Africa's Gauteng province, we have operations in Vanderbijlpark, Vereeniging, Saldanha, Newcastle and Pretoria. During 2013 we employed on average 9 016 employees directly, and indirectly generated employment for many more through downstream industries and suppliers.



Vanderbijlpark Works

Capacity of 3.0 million tonnes of liquid steel annually

Achieved world-beating safety performance, setting new records in LTIFR and incidents with lost time.

Profile

- Largest steel mill in sub-Saharan Africa
- Two blast furnaces
- LTIFR: 0.24
- Net operating loss: R1.3 billion

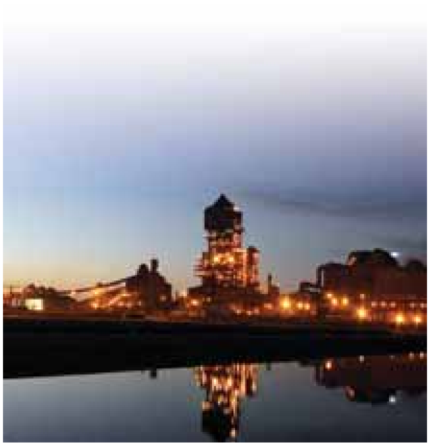
Revenue

R14.9 billion

Liquid steel production

2.1 million tonnes

For more information on Vanderbijlpark Works please refer to page 44



Saldanha Works

Capacity of 1.3 million tonnes of liquid steel annually

Received the group's Performance Excellence Award for Operational Excellence – recognising outstanding implementation of World-Class Manufacturing.

Profile

- Combines the Corex and Midrex processes into a continuous production process
- LTIFR: 1.51
- Net operating income: R224 million

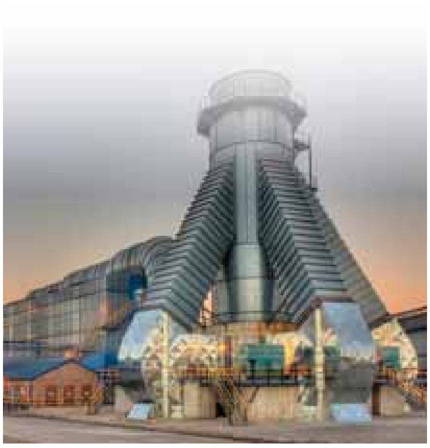
Revenue

R5.8 billion

Liquid steel production

1.1 million tonnes

For more information on Saldanha Works please refer to page 45



Vereeniging Works

Capacity of 0.4 million tonnes of final product per annum

Quality and reliability improved as a result of the ongoing business improvement programme.

Profile

- South Africa's major supplier of speciality steel products, seamless tube and forge products
- LTIFR: 1.61
- Net operating income: R118 million

Revenue

R3.1 billion

Liquid steel production

299 kilotonnes

For more information on Vereeniging Works please refer to page 47

Newcastle Works

Capacity of 1.9 million tonnes of liquid steel annually

Operations were stable throughout the year, with no planned outages. Capacity utilisation up to 83%.

Profile

- One blast furnace, three oxygen furnaces and four rolling mills
- LTIFR: 0.64
- Net operating income: R791 million

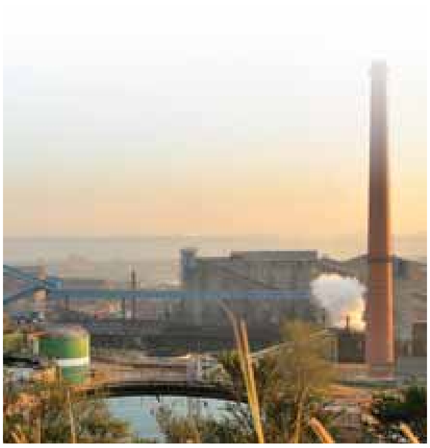
Revenue

R8.5 billion

Liquid steel production

1.6 million tonnes

For more information on Newcastle Works please refer to page 46



Coke and Chemicals

Capacity of 695 000 tonnes commercial coke

Consistent and stable performance throughout the year. LTIFR of 0.

Profile

- Two coke batteries
- LTIFR: 0
- Net operating income: R479 million

Revenue

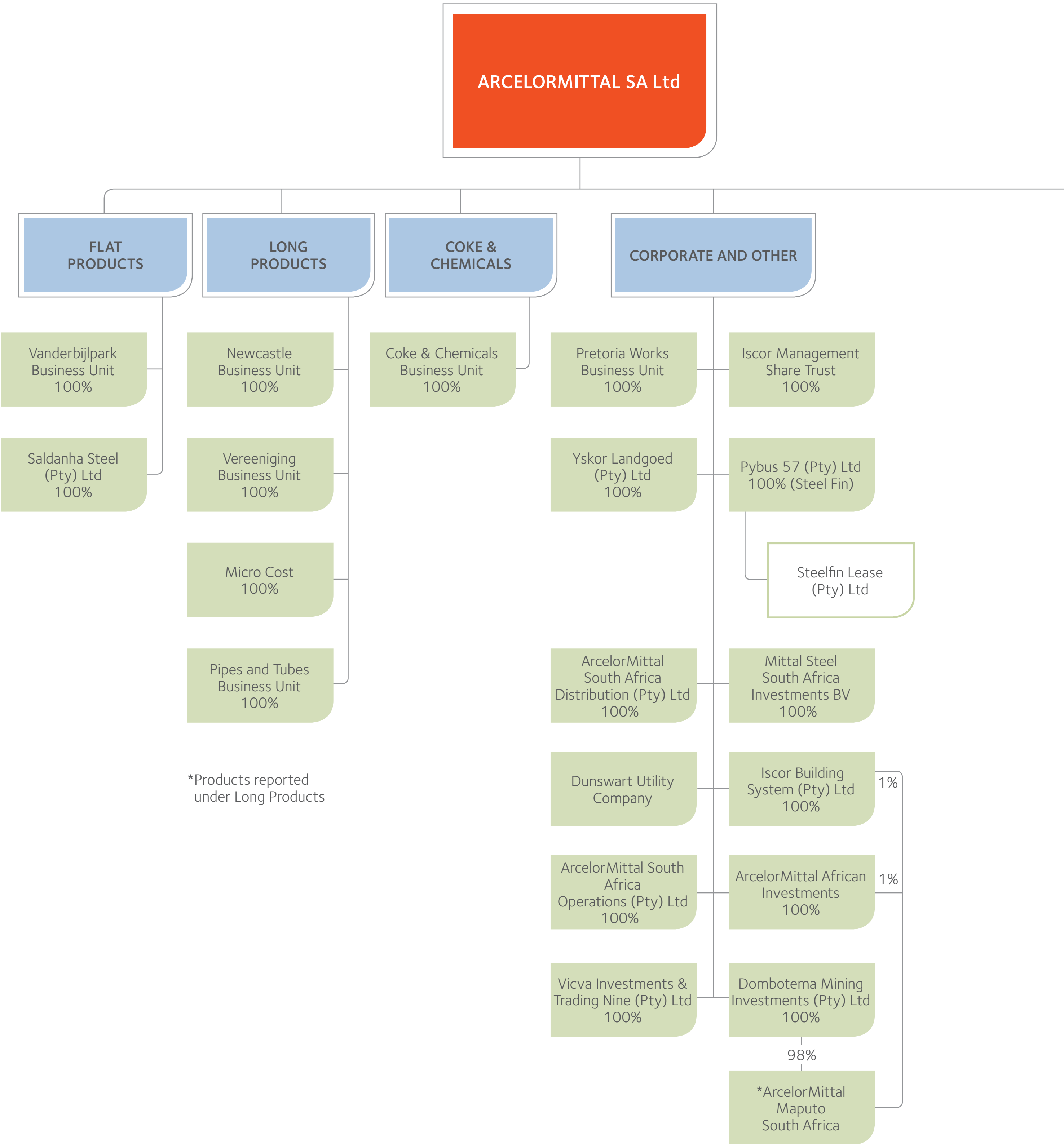
R1.9 billion

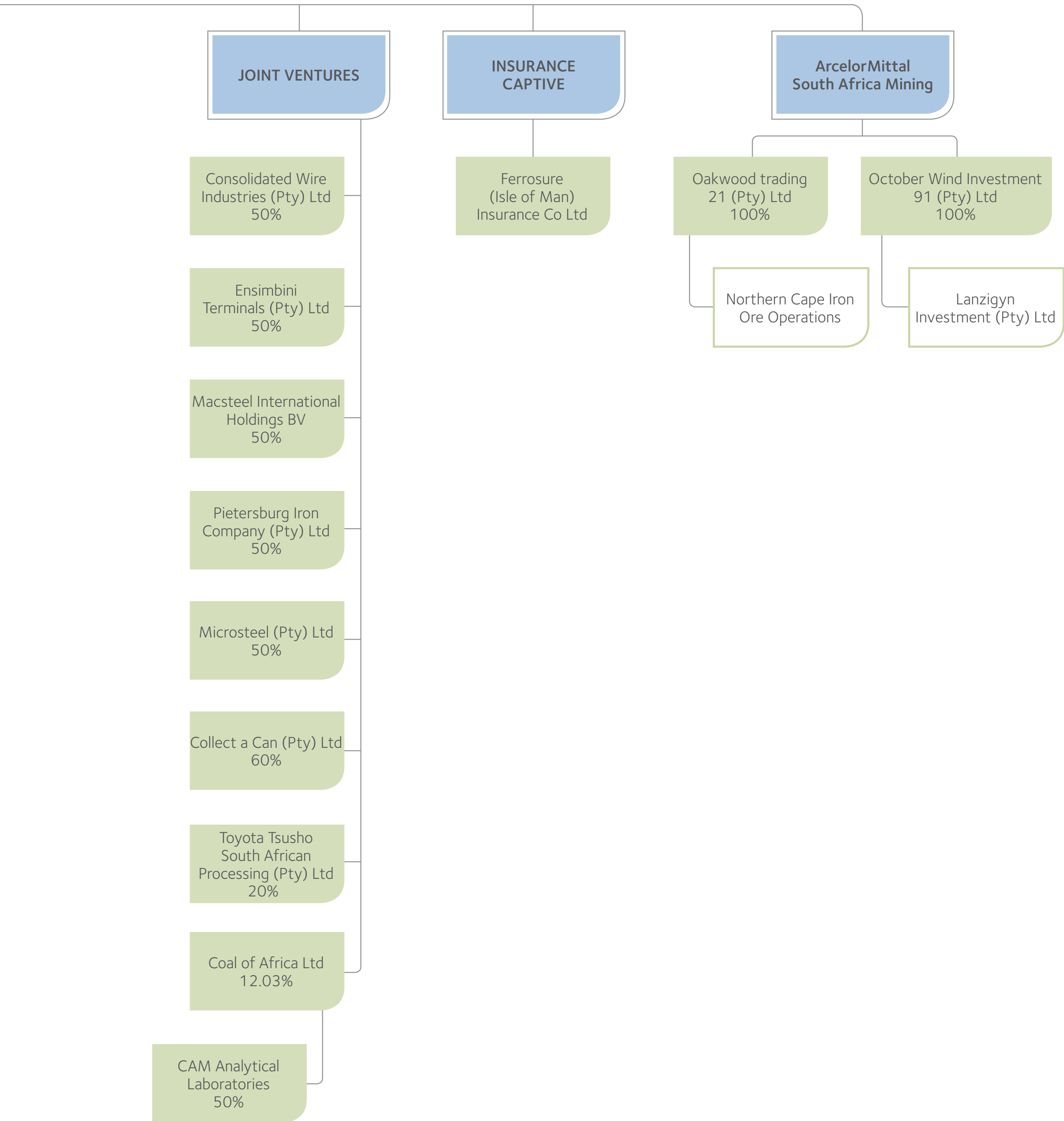
Commercial coke production

391 kilotonnes

For more information on Coke and Chemicals please refer to page 48

Company structure




JOINT VENTURES
Consolidated Wire Industries (Pty) Ltd 50%
Ensimbini Terminals (Pty) Ltd 50%
Macsteel International Holdings BV 50%
Pietersburg Iron Company (Pty) Ltd 50%
Microsteel (Pty) Ltd 50%
Collect a Can (Pty) Ltd 60%
Toyota Tsusho South African Processing (Pty) Ltd 20%
Coal of Africa Ltd 12.03%
CAM Analytical Laboratories 50%
INSURANCE CAPTIVE
Ferrosure (Isle of Man) Insurance Co Ltd
ArcelorMittal South Africa Mining
Oakwood trading 21 (Pty) Ltd 100%
October Wind Investment 91 (Pty) Ltd 100%
Northern Cape Iron Ore Operations
Lanzigyn Investment (Pty) Ltd

Our value creation model

Inputs

Input materials consumed

Iron ore:	6 606 649t
Coal:	4 461 055t
Scrap:	973 023t
Fluxes (dolomite + lime):	1 402 727t

Energy

Electricity purchased:	3.67TWh

Water intake

Water intake	17 515 297 kL

Human and intellectual capital

Employees*:	9 016
Hired labour*:	1 869
Service contractors*:	3 918
Training spend:	R138.1 million

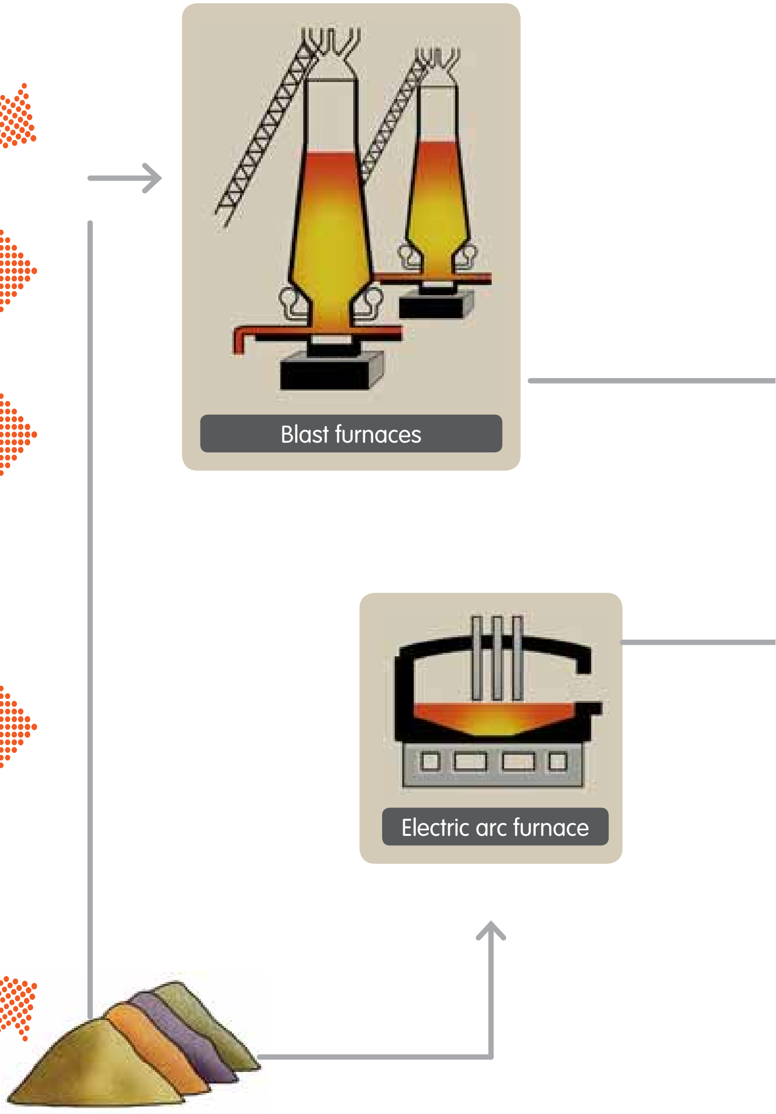
*Average for year

Financial capital

Capital expenditure:	R1 569 million

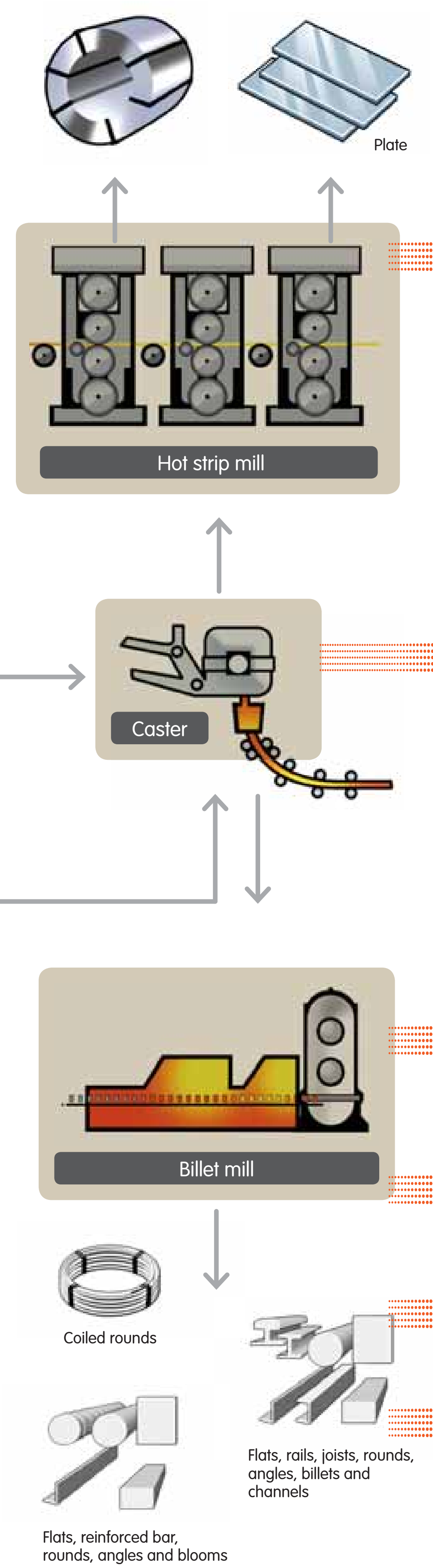
Key:
t = Tonnes
kt = Kilotonnes
TWh = Terrawatt hour
kL = Kilolitres

Steelmaking process



Waste outputs

CO_2:	15 199 600t
Dust:	2 543t
SOx:	23 485t
Waste disposed:	1 652 386t



Value outputs

Financial outputs – page 32

Revenue (R million):	32 421
Ebitda (R million):	1 768
Profit from operations (R million):	47
Ebitda margin (%):	5.5

Product outputs

Flat steel products – page 44	2 771 kt
Domestic market:	2 003 kt
Export market:	768 kt
Long steel products – page 46	1 459 kt
Domestic market:	1 123 kt
Export market:	336 kt
Coke and chemicals – page 48	
Market coke:	545 kt
Tar	109 kt
Other	994 kt

Safety – page 51

LTIFR:	0,56
Fatalities:	0

Socio-economic outputs

Socio-economic development – page 79	R37.4 million
Procurement spend	R25 billion

Stakeholders impacted

Shareholder
Investors
Employees

Customers

Employees
Contractors

Local communities

Suppliers
Local business

Performance highlights at a glance

Towards profitability

Improved financial performance

- 58% rise in ebitda to R1.8 billion.
- Turned around operating loss of R477 million in 2012 to operating profit of R47 million – improvement of R524 million.
- Headline loss narrowed from R518 million in 2012 to R224 million.

Optimising our operations

Improved operational efficiencies

- Business improvement programme delivering improved productivity, full usage, yields and quality.
- Safe and speedy recovery from the Vanderbijlpark fire; lessons learned now being implemented.
- Industrial audit conducted to identify and mitigate risk of major failures.

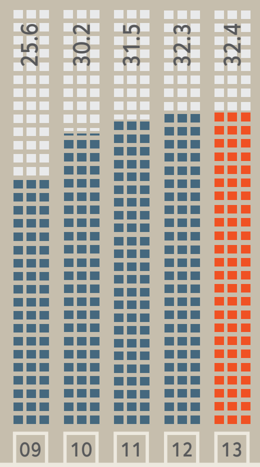
Prioritising our people

Health, safety and people development

- Zero fatalities for second calendar year running.
- LTIFR of 0.56 from 0.61 in 2012.
- Increased investment in training and development to R138.1 million, in spite of challenging economic conditions.

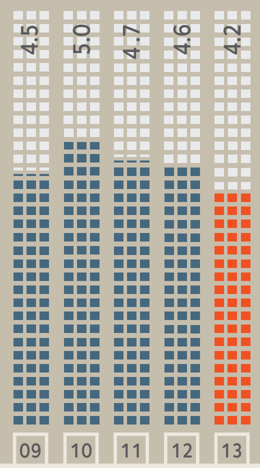
Revenue

R32 421 million



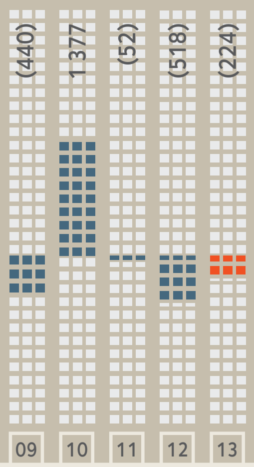
Steel sales

4.2 million tonnes



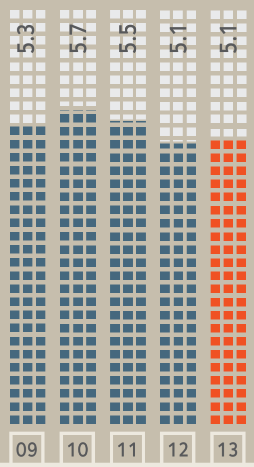
Headline (loss)/earnings

(R224) million



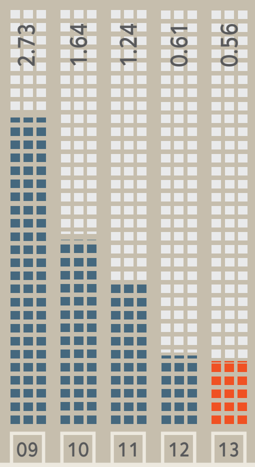
Liquid steel production

5.1 million tonnes



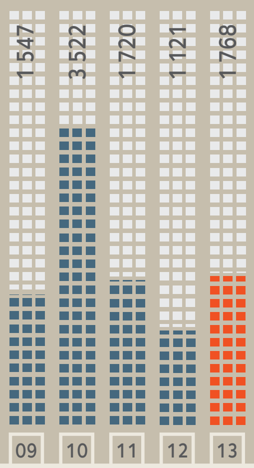
Lost time injury frequency rate (LTIFR)

0.56



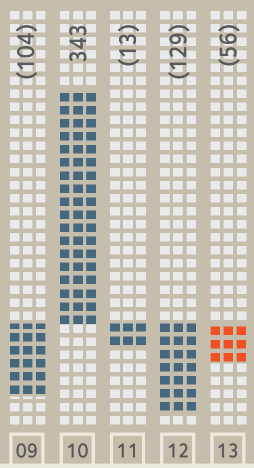
Ebitda

R1 768 million



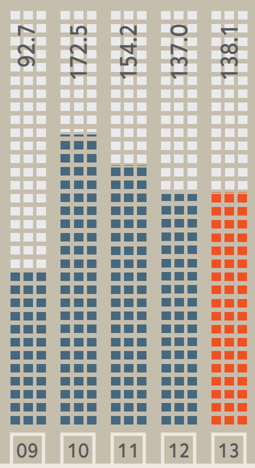
Headline (loss)/earnings per share

(56) cents



Training expenditure

R138.1 million



Determining what matters

Our business is faced with a broad array of risks, challenges and opportunities. We have an impact on a wide group of stakeholders, all of whom raise a variety of concerns and issues.

Stakeholder engagement plays a central role in helping us to gather information on these issues. This is done either through formal engagement platforms or in the day-to-day running of the business. Full detail on our stakeholder groups, why they are important and how we engage with them can be found on page 20.

In addition to the concerns of stakeholders we also consider the macro-economic environment in which we operate; regulation and legislation that affects our business; and the risk register as overseen by the audit and risk committee.

This combined approach helps us to develop a comprehensive picture of all the issues facing the company. While these issues are all managed to a greater or lesser extent, some are necessarily more important than others. We filter them according to:

- how important they are to our most influential stakeholders;
- whether they present serious risks to the company; and
- whether they offer significant business opportunities.

In so doing, we are able to identify our strategic imperatives. These can be defined as the things that have the greatest potential to impact our immediate and ongoing success and sustainability. They are what we have reported on for the year under review. The need to manage them is what drives our business strategy.

Our strategic imperatives for 2013 are:

1. Protecting the health and safety of our employees (page 51)

Safety forms the core of our value system and is of paramount importance at all our operations. Pursuing the goal of Zero Harm is informed as much by our vision of producing safe sustainable steel as it is by legislation that demands protection of the lives and wellbeing of our employees.

2. Driving profitability (page 57)

A company that is unprofitable is not sustainable. In recent years ArcelorMittal South Africa has either run at a loss or just broken even. Whilst acknowledging that we have no control over many market factors, this is a situation that cannot continue indefinitely. It is a driving priority that we regain a position of profitability. This imperative impacts all our stakeholders, from government and communities to shareholders, suppliers and employees. It is driven by five strategies, each of which makes a contribution to the goal of becoming profitable once again. Because of the role they will play in helping us achieve what can be described as our most critical goal, we have reported on each of these focus areas in detail. They are:

- Customer focus
- Eliminate excessive raw material costs
- Improve operational efficiencies
- Improve supplier efficiencies
- Optimise our industrial footprint
- Improve energy efficiency

3. Government relations (page 63)

Government is one of our most important stakeholders. Improving our relationship with state organs has been a key focus during the year under review, particularly in the light of engagement regarding the Sishen Iron Ore Company supply agreement, pricing issues, beneficiation and environmental compliance.

4. Managing our people (page 67)

Our employees play an integral role in enabling the business to achieve its strategic objectives. We operate in a scarce skills market and the long-term success of our business relies on the extent to which we are able to attract, retain and develop skilled people.

5. Environmental responsibility (page 73)

Environmental stewardship is a key area of corporate responsibility. Lack of environmental compliance carries the risk of losing our license to operate, and many community concerns relate to environmental issues.

6. Engaging with local communities (page 79)

The buy-in of communities is critical to securing our social licence to operate and our commitment to addressing their issues and concerns is underpinned by our corporate responsibility ethos. Local communities also provide labour and services for our business. Commitment to the socio-economic transformation of South Africa through the broad-based black economic empowerment (B-BBEE) codes also forms part of our corporate responsibility focus.

Linking strategic imperatives, strategy, risks and stakeholders

Risks, strategic imperatives, strategy and stakeholders are intricately linked across the different areas of our business.

The diagram on the pages that follow plots these linkages and attempts to illustrate how our strategic imperatives drive value for a range of stakeholders and address a number of risks, and how this process is underpinned by certain business fundamentals and values that ensure our legal and social licence to operate.

Strategic imperatives, strategy and stakeholders

At the centre of the diagram is our core strategic imperative to drive profitability. This goes to the very heart of the company's sustainability - it is imperative that we return to a profit-making position if we are to survive.

The achievement of this goal will deliver value to a range of stakeholders. Shareholders and investors will receive a return on their investment and employees will be able to enjoy the security of working for sustainable business. Contractors, suppliers and local businesses will benefit from ongoing supply contracts with us, and customers will be ensured of the delivery of steel products to meet their own strategic objectives. Finally, local communities will benefit from potential work opportunities and our ability to increase our investment in education, healthcare and social upliftment.

We have identified six strategies to drive profitability: customer focus, improve operational efficiency, optimise our industrial footprint, improve supplier efficiency, eliminate excessive raw material costs, and improve energy efficiency. Detail is provided on how each of these will contribute towards our goal of regaining profitability on pages 57 to 61.

However, we recognise that making a profit is not the only ingredient for a sustainable business. Certain business fundamentals and values have to be in place for a company to maintain its legal and social licence to operate. These are the non-negotiables that underpin our company – they may not contribute directly to the achievement of profit but they deliver value in other ways and are important because they address certain risks. These business fundamentals and values are listed at the bottom of the diagram.

Business fundamentals and values, and their link to strategic imperatives and stakeholders

Zero Harm

Zero Harm is a fundamental value throughout the ArcelorMittal group. It drives our strategic imperative of protecting the health and safety of employees, and has a direct impact on both employees and contractors.

Compliance and governance

Compliance and sound corporate governance form the second pillar of our business fundamentals. We need to comply with various regulatory, environmental and health and safety legislation. Regulatory compliance is linked to our strategic imperative of focusing on government relations, and relates not only to legal and regulatory compliance, but also to issues of government policy such as pricing controls. It has an effect on employees, government stakeholders and shareholders and investors.

Our strategic imperative to manage our environmental impact ensures that we comply with environmental legislation, and is directly informed by our corporate responsibility ethos, ethics and principles of good governance. Civil society, local communities and non-governmental organisations (NGOs) are the stakeholder groups to which this imperative is most relevant.

Zero Harm is already enshrined in our values, but issues of health and safety are also relevant to compliance with health and safety legislation.

Community support

The buy-in and support of communities is a third pillar that's needed to do business. While the risk of closure by communities is not a significant risk our business faces, community support is nevertheless important to securing our social licence to operate. We also draw our labour from communities, and some of our suppliers are local businesses from the communities in which we operate. Investing in local communities is also enshrined as an important corporate responsibility value, and is central to our ability to contribute to the socio-economic transformation of the company.

People management

The fourth business fundamental - people management - pertains to the people we employ. Their skills, expertise, drive and commitment make the achievement of all business goals possible. It is critical that we engage with them in a transparent and meaningful way, and invest in their ongoing skills development through training and leadership programmes.

Risks

Our strategic imperatives and strategies also address our most pressing business risks. These risks are listed in the key to the right of the diagram and have been divided into short to medium-term risks (beige icon) and longer-term risks (purple icon). It should be noted that this list is not exhaustive - it merely captures the most important risks facing the company across its various business areas. Where a strategic imperative or strategy addresses specific risks, these risks are referenced with the corresponding 'risk icon'.

Linking strategic imperatives,

(Refer to previous page for guidance on interpreting this diagram.)

Icon for strategic imperatives and strategies

CONTRACTORS

LOCAL BUSINESS

CUSTOMERS

EMPLOYEES

Delivering value to

Customer focus	Improve operational efficiency	Optimise our industrial footprint
R2 R8	R3 R4 R6 R8	R2 R4

Business fundamentals and values

ZERO HARM	COMPLIANCE AND GOVERNANCE		
	REGULATORY	ENVIRONMENTAL	HEALTH AND SAFETY
Protect the health and safety of our employees	Government relations	Environmental responsibility	Protect the health and safety of our employees
R6 R12	R1 R15	R1 R6	R1 R6 R12
Employees Contractors	Employees Government Shareholders and investors	Civil society Government NGOs Local communities	Employees Local communities Contractors

risks, strategy and stakeholders

LOCAL COMMUNITIES
SUPPLIERS
INVESTORS
SHAREHOLDERS

Risk icon key

Short to medium term

- R1 Legal and regulatory compliance
- R2 Market demand and price decline
- R3 Contract performance
- R4 Catastrophic plant failure
- R5 Availability of energy
- R6 Environmental and health impacts of operations
- R7 Transnet Freight Rail efficiency
- R8 Increased competitor activity and imports
- R9 Sishen iron ore contract
- R10 Disruption of strategic material input supply
- R11 Skills acquisition and retention

Longer term

- R12 Safety performance
- R13 Impact of CO_2 legislation
- R14 Foreign exchange exposure
- R15 Pricing controls by government

o stakeholders

R2 R8 R14

Improve supplier efficiency

R3 R5 R7 R10

Eliminate excessive raw material costs

R2 R3 R9

Improve energy efficiency

R5 R13

COMMUNITY SUPPORT

Engaging with local communities

R6

Local communities

PEOPLE MANAGEMENT

Managing our people

R11

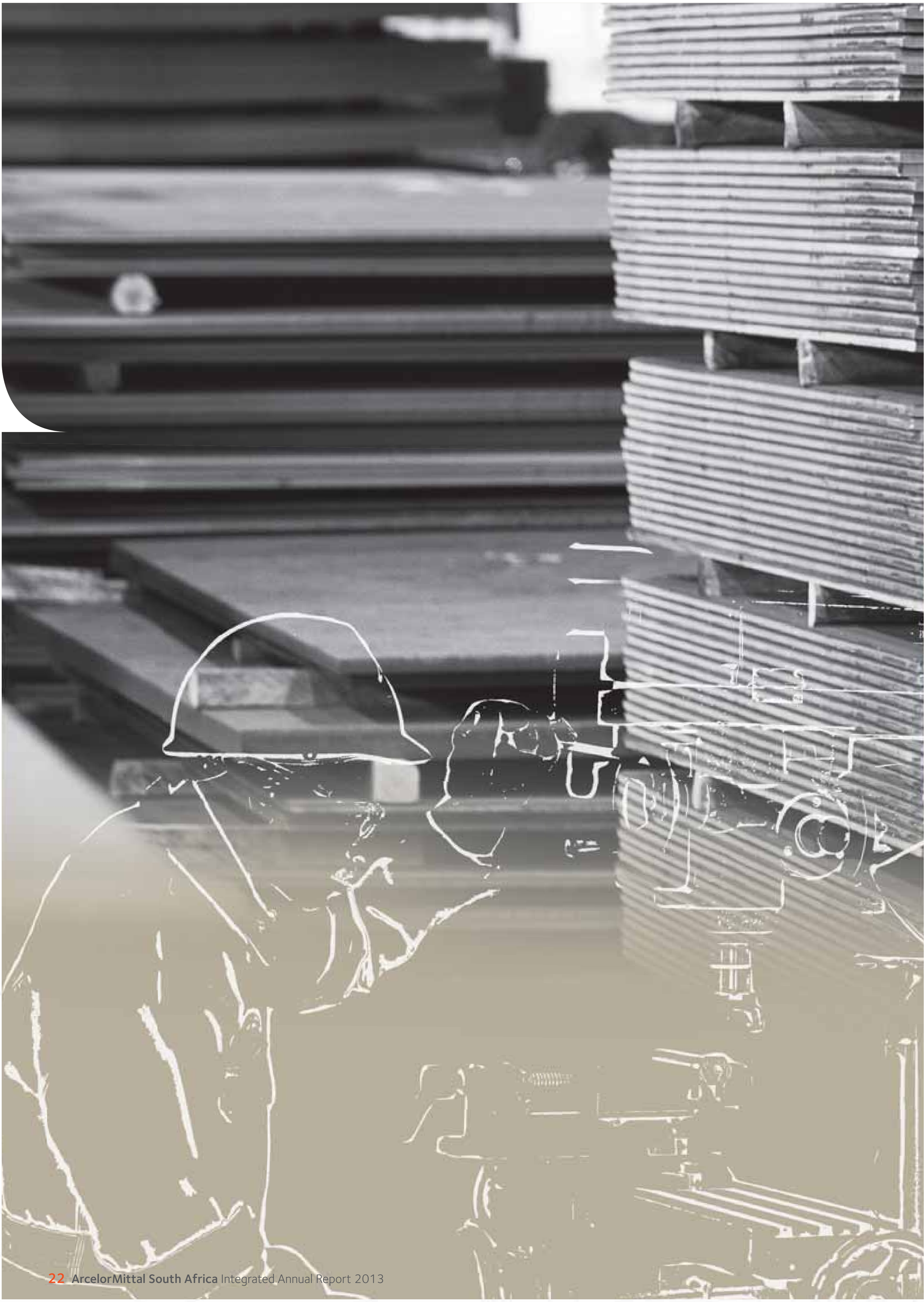
Employees

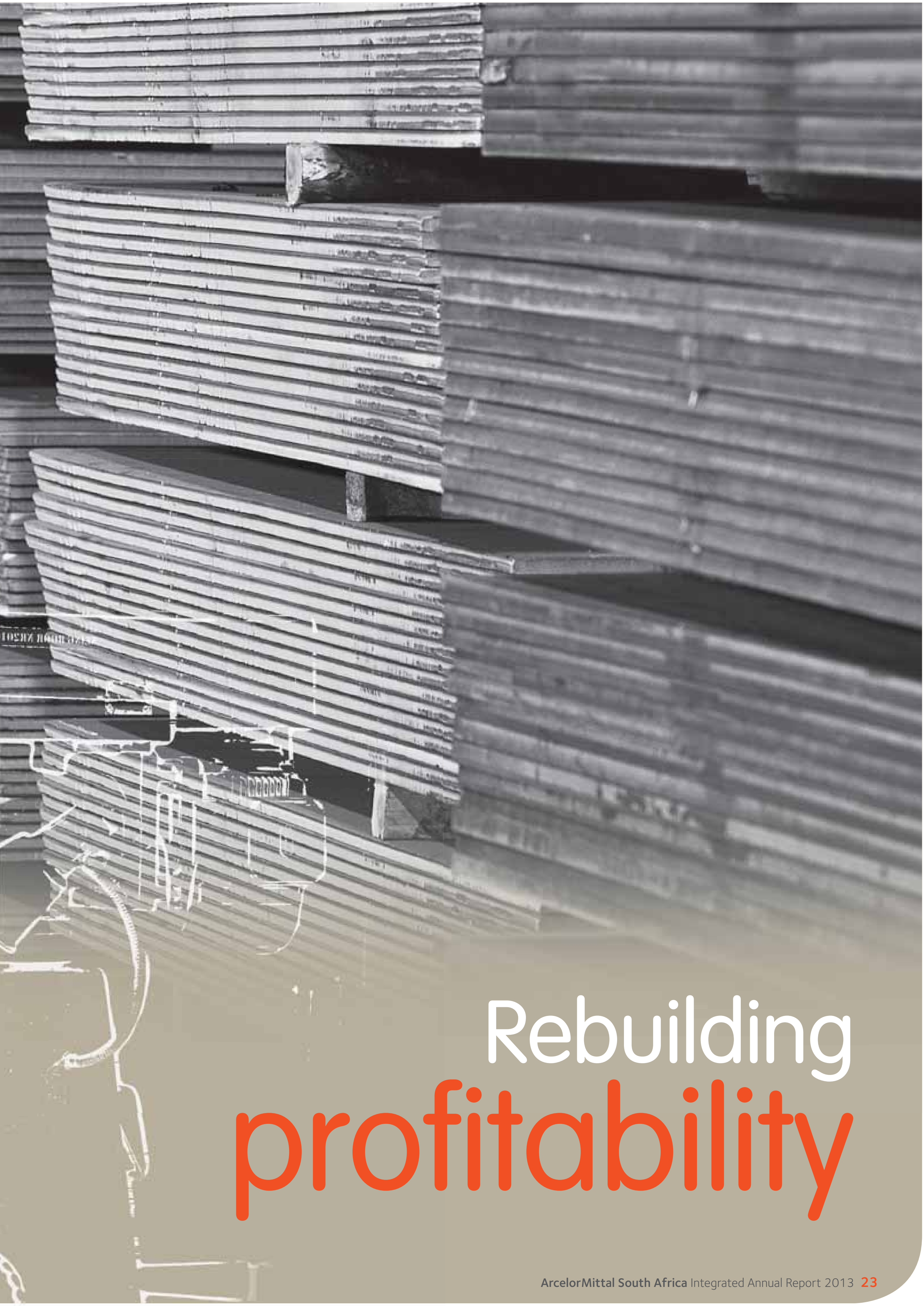
Our stakeholders and how we engage them

Tabled below is a list of our stakeholders, why they are important and the engagement platforms relating to each. The diagram on pages 18 and 19 provides detail on how our strategies and risks impact stakeholders.

Stakeholder group	Why they are important	Engagement platforms
Customers	• They provide the market for our products • We depend on them for revenue without which the business could not function	• Regular, ongoing engagement between sales staff, management and key customers to determine the needs of the market and identify issues as they arise • Direct ad hoc communication when necessary to keep customers up to date on new developments or the resolution of specific issues • Customer satisfaction surveys
Employees	• Integral to delivery on our strategic objectives • Provide their skilled labour to produce our products • They are our most important and valued ambassadors	• Internal magazines, intranet, posters and email campaigns • Results presentations to senior management • Shop floor safety meetings • Performance and career development reviews (package category employees) • Formal grievance and dispute resolution structures • Culture and values surveys
Government – national departments, parliament portfolio committees	• Develop legislation and policies that directly impact the environment in which we operate • Have the ability to grant or revoke licences necessary to operate	• CEO and officers in charge of specialist functions engage on an individual level with national ministry, provincial departments and local government representatives.
Shareholders	• We are ultimately accountable to shareholders, who expect returns on their investment • They influence the decisions taken by the board	• Quarterly reports, bi-annual and annual results presentations • Shareholder roadshows and meetings
Investors	• Accountable to investors who might not hold direct equity, but other instruments such as bonds	• Results presentations • Investor roadshows and meetings
Suppliers	• They directly influence raw material and other input costs • Reliable delivery from suppliers impacts our ability to deliver on customer needs and expectations	• Regular meetings held between management and key suppliers • Managers onsite conduct ongoing engagement and management of contractors • Contractors undergo all safety training • Tender briefing meetings
Trade unions	• More than 70% of our workforce belongs to unions and more than 80% is covered by collective bargaining agreements • Good relationships with organised labour can avert industrial action and positively influence the outcome of wage negotiations	• Union representation on a range of committees including Safety, Health & Environment Committee, Training Committee and Employment Equity Committee • Shop floor line managers engage with union representatives on a daily basis • Formal engagement as part of the wage negotiation process • Meetings between senior management and union head office level • Other engagement as and when issues arise
Local communities	• They live in the vicinity of our operations and their environment and employment opportunities are directly impacted by our business • Direct beneficiaries of our corporate social investments	• Annual community engagement forums facilitated by local councillors, municipal representatives, community leaders and NGOs • Environmental open days • Arranged meetings with CSI managers • Regular planned one-on-one meetings
NGOs and special interest groups	• Represent the social and environmental concerns of local communities and broader society	• Attend bi-annual environment open days in line with Atmospheric Emissions Licence (AEL) conditions, and various community engagement forums • We respond to NGO requests for meetings and information on a case-by-case basis
Small to medium local enterprises	• They can provide a range of secondary products and services to our operations • They provide us with the opportunity to improve our preferential procurement and enterprise development score on the DTI Codes of Good Practice scorecard	• Attend annual community engagement forums • Invited to attend preferential procurement days that detail our tender processes and opportunities to do business with the company • Arranged office meetings
Media	• Has the potential to influence public perception and brand reputation	• Company spokesperson deals directly with media on a regular basis, responding to queries and requests for information and keeping media informed of key developments at the company • CEO and officers in charge of specialist areas are interviewed by the media on a regular basis • Media is invited to quarterly, bi-annual and annual results presentations, as well as important company events such as the launch of corporate social investment (CSI) projects


ArcelorMittal





Rebuilding profitability

Message from the chairman

Dear Stakeholders

This is ArcelorMittal South Africa's third integrated annual report, and it is pleasing to see the progress that the company has made in providing stakeholders with an increasingly balanced and transparent view of its strategic imperatives.

The report that follows represents a further step on this journey. It attempts to make the important link between how the concerns of stakeholders and the risks and opportunities facing the business help to determine the material issues, which in turn inform strategy. We trust that it will provide readers with relevant and accessible insight into the key issues the company grappled with during the year, how these affect its various stakeholder groups, and the way in which it is addressing each of them.

The year in context

The year under review was another challenging one for ArcelorMittal South Africa. The company continued to face significant market headwinds as global demand for steel remained sluggish. The local building and construction industry, which drives a significant portion of local steel demand, is yet to regain traction and while infrastructural development projects are starting to come on-stream, it will take time for these projects to make a significant impact on steel demand.

The fire at the basic oxygen furnace (BOF) at Vanderbijlpark Works in February severely impacted production for two months. The prodigious efforts of employees, contractors, suppliers and the global ArcelorMittal group ensured a safe, fast turnaround to recovery, and constructive engagement with authorities allowed the company to temporarily restart the electric arc furnace (EAF). These factors were instrumental in ensuring that the country's steel supply was affected only for a short time.

However, as a direct result of the fire there was an inevitable rise in imports, both of primary and finished steel products. This impacted market share and continues to have a lingering effect on the business. I believe most of our strategic imperatives can be captured in the company's need to combat imports in its home market. For decades our major strength has been the

Our existence as a business goes beyond making a profit. Part of our undertaking should be to make South Africa a more just and equitable society that provides opportunity for all.

Mpho Makwana
Chairman

ability to satisfy virtually all of South Africa's steel requirements. There is no doubt that losing this ability will greatly harm South Africa's industrialisation drive. We need to lead a concerted effort from all role-players to ensure the pre-eminence of local supply of steel products is not permanently lost.

Our role in South Africa

Market challenges and the impact of the fire have brought into sharp focus the fact that, as the country's leading supplier of steel, the fortunes of ArcelorMittal South Africa have a direct impact on the broader South African context. It is therefore critical that we ensure the sustainability of the business so that we can continue to play a role in the development of the country.

Central to the achievement of this goal will be finding common ground with government and other key stakeholders on a range of issues that affect our business. While we recognise that business and government often take divergent views, we believe ongoing engagement between the parties is the way forward to finding mutually beneficial solutions. To this end the company has intensified its focus on government engagement with role-players at a national, provincial and local government level.

Our engagement with government authorities on two key issues during the year reveal the shift that has occurred in our approach to dealing with this important stakeholder group. Engagement efforts following the BOF fire helped secure the support of the Department of Trade and Industry (DTI) for our application to the Department of Environmental Affairs to restart the EAF. This played a direct role in ensuring the least possible disruption of our steel supply to the South African economy.

We have also kept the DTI and the Department of Mineral Resources (DMR) continually updated on the progress of the Kumba Iron Ore dispute, which was settled in November 2013 and came into effect on 1 January 2014.

We are committed to engaging in robust debate and ongoing dialogue with government on carbon tax and steel pricing issues and are hopeful that doing so will allow both parties to gain insight into

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Central to the achievement of this goal will be finding common ground with government on a range of issues that affect our business.

the key challenges and priorities at play. This will pave the way for greater understanding and common ground.

Positioned for recovery

What is critical is that ArcelorMittal South Africa returns to profitability. In spite of the significant challenges faced during the year, the company retained its focus on internal improvements and driving a return to profitability.

Board and management have identified six major areas of focus that will help to turn the fortunes of the company around – even under current market conditions.

These strategies, which are covered in detail in the CEO's review and the various chapters of the report that follows, will take time to have an impact and targets have been set for achievement by 2016. However, I am confident that they will position the company for strong recovery. Apart from the fire, it was also pleasing to see an overall return to greater operational stability during the year. This too bodes well for the turnaround plan.

Nevertheless the business needs sustainable, profitable pricing if it is to conduct essential maintenance, meet its environmental obligations and have capital available for new product development. This is an ongoing and significant challenge.

Delivering on people promises

If anything illustrates that the company and its employees are capable of effecting a turnaround, it is the safety performance of ArcelorMittal South Africa over the past two years. The company reached the milestone of two calendar years without a fatality.

Progress continues to be made on all other key safety indicators, driven by an intense management focus on driving a behaviour-based safety culture. Employees have embraced the safety challenge and are to be commended on their exceptional achievement in this most important area of the business.

ArcelorMittal South Africa also continues to drive the training and development of its own people and the broader technical skills pool as a key priority. This is critical in a skills market in which technical and engineering skills are in short supply. It demonstrates our belief in the value of our people and the importance of investing in skills development for the benefit of broader South Africa.

Driving the corporate responsibility agenda

The company's investment in society continued during the year, with the handover of the flagship Mandela Park Primary School in Mthatha and the opening of the Reamohetse Wellness Centre in Sebokeng. These are just two among the many projects that saw ArcelorMittal South Africa invest over R37.4 million in socio-economic development.

In keeping with global recognition of the principles of sustainability, our investment in such projects reflects our ongoing commitment to investment in the country.

Last year saw the passing on of former President and the father of our nation, Nelson Mandela. Nelson Mandela was South Africa's lodestar. He was the embodiment of what we yearn to become as a nation and his selfless life and teachings will continue to inspire us into the future. We at ArcelorMittal South Africa would like to thank his family for the sacrifices they made. As a business we share his vision that part of our undertaking should be to make South African a more just and equitable society that provides opportunities for all. Like Nelson Mandela so eloquently said, "It is through education that the daughter of a peasant can become a doctor, that the son of a mineworker can become the head of the mine, that a child of farm workers can become the president of a great nation. It is what we make out of what we have, not what we are given, that separates one person from another."

We understand that our existence as a business goes beyond making a profit. We need to be an instrument of change, and the product we manufacture should not only steel the edifice of our nation but also help embolden the dreams of our people. South Africans who lived through Mandela's era are truly blessed. Now it is our turn to pass blessings on to those less fortunate than us.

Acknowledgements and appointments

During the year Mr MJN Njeke and Mr M Macdonald retired and Ms ND Orleyn resigned from the board of ArcelorMittal South Africa as independent non-executive directors with effect from 4 February 2013, 29 May 2013 and 1 October 2013 respectively. The board extends its appreciation to these directors for their service and input.

The board welcomed Ms NP Mnxasana and Mr JRD Modise, who were appointed as independent non-executive directors with effect from 1 October 2013. I look forward to working together with them in the year ahead.

I would also like to take this opportunity to thank our outgoing CEO, Nku Nyembezi-Heita for her dedication and leadership in the past six years. She nimbly navigated the financial market meltdown and turbulent steel cycle. Nku leaves the company in a better position to take advantage of the impending market recovery. On behalf of the board of ArcelorMittal South Africa, and the ArcelorMittal group, we express our thanks for Nku's unstinting dedication and guidance, as well as her calm and determined leadership. I and the board wish her well in her future endeavour.

The search for a new CEO is well underway and we hope to name a successor at our next AGM. In the interim, Dr Hans Ludwig Rosenstock, COO, was appointed acting CEO effective 19 February 2014.

Looking forward

ArcelorMittal South Africa joins the country in celebrating 20 years of democracy. The last two decades have been instructive in what we as a people have been able to achieve. But they have also cast a long shadow on our shortcomings and the amount of work that still needs to be done.

We are heartened by the role our sector has played in supporting infrastructure development. We supplied steel to the various projects that helped deliver a magnificent FIFA 2010 World Cup, but we see our role as going beyond this by playing a significant role in engendering pride and contributing to nation-building.

ArcelorMittal South Africa continues to make strides in Africa as we take our place in being part of what is arguably one of the most exciting economic stories of the 21st century, dubbed the African Century.

Invitation to attend the annual general meeting

I hereby extend an invitation to all our shareholders to attend the twenty-sixth ArcelorMittal South Africa annual general meeting, to be held at Radisson Blu Sandton Hotel, Room JSE 3, 12th Floor, c/o Rivonia Road and Daisy Street, Sandton, Johannesburg, South Africa on Tuesday 27 May 2014 at 09:00.

Message from the outgoing chief executive officer

Dear Stakeholders

Celebrating our safety performance

The positive trend in our safety performance continued over the past year. We achieved our most critical objective of zero fatalities, marking the second year in a row that this has been achieved. The dramatic turnaround in safety performance provides ongoing proof that our focus on fatality prevention standards, employee behaviour and visible management presence on the shop floor delivers tangible results. All safety metrics showed an improvement compared to the prior year, most notably lost time injury frequency rates and total number of incidents. We continue to roll out the behaviour-based care programme at our sites, and maintain a daily focus on safety as a fundamental business priority.

Market conditions and key challenges experienced during 2013

Our company weathered another difficult year as sluggish steel demand tracked global trends. Although US demand for steel was more robust on the back of strong automotive and improving construction sectors, Europe experienced weak buying sentiment. Infrastructural development has slowed in China and this contributed to an oversupply of steel in the global market, leading to pressure on pricing. The economic growth of countries in sub-Saharan Africa again contributed to an increase in steel demand, albeit off a low base. However, the same cannot be said for South Africa, which experienced lower-than-expected GDP growth, estimated at around 2% for the year. The major steel-consuming sectors remained depressed, contributing to an overall contraction in actual steel consumption.

Added to the challenges presented by these macro-economic forces, we experienced a fire at the steel plant at Vanderbijlpark Works, which disrupted operations for a period of two months and hampered our ability to meet local market demands. This led to a significant increase in imported steel products and a loss of market share. To mitigate the negative impact on the market, we obtained permission from environmental authorities to temporarily restart the electric arc furnace, which was shut down following a directive from environmental authorities in October 2012. Utilisation of the EAF allowed us to meet at least some of the pressing demand for steel until the operation had recovered from the fire. It was, however, idled again after a period of two months and will remain so indefinitely.

We signed a new iron ore supply agreement with Kumba, ending our long-running dispute with the company. The agreement delivers multiple benefits.

Nonkululeko Nyembezi-Heita

- 0 fatalities for second year running
- LTIFR of 0.56 from 0.61 in 2012
- 58% rise in ebitda to R1.8 billion
- Headline loss narrowed to R224 million from R518 million

On the positive side, the exchange rate of the rand against major currencies weakened substantially towards mid-year, providing a favourable trading environment for the company. Export volumes increased on a marginal basis – it was again profitable to trade in foreign markets although on-ground logistical costs remain a serious challenge.

Financial performance

Financial performance for 2013 was satisfactory, considering the prevailing market conditions, as well as the Vanderbijlpark fire experienced during the year. Ebitda rose 58% to R1.8 billion, while the headline loss narrowed from R518 million last year to a loss of R224 million.

Despite production losses following the fire, which were limited to 361kt, liquid steel production was at much the same level as last year. This was largely as a result of a successful and speedy repair programme. Capacity utilisation increased from 66% to 76%, reflecting the progress on the consolidation of our production footprint and the overall improved reliability and stability.

Total steel sales were 392kt lower, a decrease of 9% compared to the prior year.

Costs were well-contained, rising at an inflationary level, which also takes into account the higher iron ore, scrap and power prices.

Commercial coke sales rose 18% year-on-year as the ferrochrome industry resumed operations at the end of the electricity buyback programme in early June 2013.

We have a target of achieving an ebitda of USD100 per tonne by 2016 and I am pleased to say that we have made progress. Various strategic initiatives are in place to ensure successful delivery of the overall goal. These are detailed in the section that follows.

Achieving profit in a challenging market

We do not have control over many of the negative factors that currently shape the fortunes of the steel industry and our company. However, there are a number of variables that are within management's control. We have been focusing on these over the past few years in an effort to trade profitably despite challenging markets. This is one of our most pressing strategic imperatives and goes to the very heart of the company's sustainability.

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During the past year we presented our strategy which is to deliver a range of improvements which cumulatively would deliver an ebitda of USD100 per tonne by 2016 (off a 2012 baseline) under current market conditions. Many of these were not new and had previously been presented under the banner of our business improvement initiative. However, there were a couple that were newly added, in particular the renewed focus on tackling the high cost of raw materials from Thabazimbi. The other initiatives relate to strategies to deepen market penetration, continue to drive improved operational efficiencies, improve supplier efficiencies, optimise our industrial footprint and drive greater energy efficiency.

Together with the ongoing prioritisation of safety, environmental compliance and the retention and development of our employees, this strategy has been the driving focus across all operations and disciplines during the year. It is alluded to in every section of this report and covered in detail in the *'Driving profitability'* chapter (page 57). While much remains to be done, what follows is a summary of what was achieved in each area during the year under review and an overview of future plans.

Customer focus

Customer service is a central pillar and recently we devoted a great deal of time to gaining more insight into the needs of specific segments of the market so as to better position our service offering. This also fed into our product development efforts. Over and above our traditional focus on public sector infrastructure development, we broadened the horizon to include renewable energy projects during the year. Our efforts at addressing the import threat met with a measure of success in a few product areas through strategic rebates. Naturally the operational disruption in the first quarter was a major setback, but it did appear that the market was returning to a normal trading pattern by year-end.

Eliminating excessive raw material costs

Two important developments during the year have paved the way to significantly reduce excessive costs relating to key raw material inputs.

We signed a new iron ore supply agreement with Sishen Iron Ore Company (SIOC), ending our long-running dispute with the company. In terms of the agreement, SIOC will supply us with 6,25mtpa of iron ore from its Sishen and Thabazimbi mines on a cost plus 20% arrangement from 2016 until the end of life of Sishen. The price agreement for the years 2014 and 2015 is explained below.

On the face of it, a cost plus 20% agreement appears less favourable than the cost plus 3% arrangement we were due to pursue in arbitration. However, a number of important factors need to be borne in mind in evaluating this. Firstly, it obviates the need for further time-consuming and costly litigation. Secondly, it provides a comprehensive solution to a number of ongoing disputes over and above that pertaining to Sishen ore, and deals decisively with the excessive cost at Thabazimbi as the mine nears the end of its life. Moreover, we stand to pay a substantially lower cost per tonne than we do at present. Sishen ore was at USD65 per tonne in accordance with the interim price agreement, compared to a hefty USD133 per tonne from the Thabazimbi mine.

From 2016 the new cost plus 20% iron ore supply agreement is an all-in price for both Sishen and Thabazimbi material, irrespective from which source it is supplied, and is based on the cost of production at the Sishen mine only. For 2014 and 2015 the price will be a weighted average price between Sishen cost plus 20%, and a pre-determined price and volume of 1.6 mt and 2.0 mt respectively. In dollar terms the company expects to realise a saving of around USD15 per tonne compared to 2013.

The agreement also delivers other benefits. It includes a ceiling price equal to the Sishen export parity price at the mine gate, thereby removing any future risk that we pay substantially more than export parity prices as we have done for Thabazimbi iron ore in the past. Apart from a portion of the rehabilitation provision, our Thabazimbi mine closure costs are also taken over by Kumba.

Moving to coal supply, we expect the closure of our captive coal mine, Tshikondeni, to proceed as planned at the end of 2014. This supply will be replaced by coal from Mozambique.

Improve operational efficiencies

Our business improvement programme continues to deliver improved operational efficiencies. A number of initiatives have been implemented and are starting to show results in increased productivity, optimal fuel usage, an increase in yields, scrap usage optimisation, improved quality and the reduction of costs relating to raw material handling.

Operational stability will drive greater efficiency. World-Class Manufacturing (WCM) is now entrenched at Saldanha Works. Despite a furnace that is close to the end of its campaign, Newcastle Works achieved a satisfactory level of throughput. Vanderbijlpark Works implemented a new asset reliability programme on a trial basis at the finishing mills three years ago, with great success. This is now being rolled out to other parts of the plant, most notably the iron making area. Following the fire at Vanderbijlpark, we conducted an industrial audit to identify key asset-related risks across all our operations.

Improve supplier efficiencies

An audit of our top 60 contracts has identified significant opportunities to save costs through improved contractor management and a push for greater efficiency among all our suppliers. A stock optimisation programme introduced during the previous year proved impossible to sustain as rail service deteriorated to unacceptable levels. We are working closely with Transnet Freight Rail to address this. This will be a key area of focus in the year to come.

Optimise our industrial footprint

Optimising our industrial assets will allow us to improve capacity utilisation and save costs. At Vanderbijlpark we ceased operating the EAF, one continuous caster and an old coke oven battery. Nonetheless, we are still some way from meeting the overriding objective to operate the primary assets at a minimum utilisation rate of 85%. This initiative will therefore continue to receive management attention.

Energy efficiency

Our energy costs increased 149% between 2008 and 2012. Thus we urgently need to invest in strategies to mitigate what is now the fastest rising input cost. A range of existing energy efficiency projects continue to deliver savings, but the current capital expenditure constraints mean we are unable to invest in large game-changing projects that will drive significant energy savings.

Environmental management

We recognise the fact that there are certain environmental legacy issues relating to the company's history, and we have always taken full responsibility for addressing these. As legislation and public pressure have led to increasingly stringent environmental management standards, there has been a fundamental shift in the way we manage issues of environmental responsibility. Over the past five years we have invested over R1 billion in environmental improvement projects. These include significant plant upgrades to ensure we comply with changing legislation and licensing requirements, and the rehabilitation of numerous legacy sites. Notable projects include the Newcastle zero-effluent discharge project and Vanderbijlpark sinter air abatement system, which represent a combined investment of R670 million.

While we are currently operating in a severely cash constrained environment, we nevertheless try to prioritise capital expenditure to ensure we continue to comply with environmental legislation.

General

The past year saw an application brought by the Vaal Environmental Justice Alliance (VEJA) for access to the so-called Vanderbijlpark Environmental Master Plan and the Green Scorpions documentation relating to the closure of the Vaal Waste Disposal Site. This application was made under the Promotion of Access to Information Act (PAIA). The document in question is out-dated and irrelevant following significant changes that have been made to the environmental legislative framework since it was compiled. Furthermore, it is of a confidential nature and was developed solely for internal use. Based on these factors, we refused VEJA's request for access to the documentation.

In response, VEJA initiated High Court proceedings against the company and a hearing took place on 3 June 2013. On 10 September 2013, the South Gauteng High Court ruled against ArcelorMittal South Africa in this matter. On 1 October 2013 we served notice for leave to appeal, which was granted on 9 December 2013.

Outlook

The global steel industry is showing signs of recovery which is led by a rebound in Europe which will be partly offset by a slowdown in Chinese growth in 2014. However, overall GDP growth in emerging and developing markets as a whole is projected to improve slightly.

On the back of this, the world production of steel is set to rise in 2014 and, recently, steel companies around the world have become more optimistic, although modestly so, in their outlooks. However excess production capacity and low pricing power remain significant risks.

Domestically, the near-term prospects for the economy remain sluggish, exacerbated by labour action, chiefly in the mining industry. The forecast for 2014 economic growth remains below 3%, reflecting continued weakness in key sectors of the economy. This growth forecast compares to a projected growth in sub-Saharan Africa of approximately 6%.

We will, however, continue to drive our internal improvement programmes and focus on optimising our strengths.

Message from the chief financial officer

Overview

Trading conditions remained challenging for steel producers globally, and the domestic market tracked this trend. The financial performance echoes the difficult operating environment which the company continues to face but also reflects the progress made on internal improvements.

The share price was impacted at the beginning of the year by the fire in Vanderbijlpark. The market capitalisation of ArcelorMittal South Africa dropped by R1.7 billion in the week following the incident. The weakness persisted up to the end of April, whereafter there was some recovery on the back of clarity about cost savings initiatives, aided late in the year by the signing of the new iron ore supply agreement with SIOC.

We turned around our operating loss of R477 million in the previous year to an operating profit of R47 million, an improvement of R524 million. The ebitda rose by 58% to R1.8 billion, with all four quarters being positive. The headline loss narrowed to R224 million, compared to the previous year's loss of R518 million.

Revenue increased marginally by 0.4% to R32.4 billion with the average steel prices increasing by 9%, offset by a decrease in steel shipments by 9%.

Operating profit and headline earnings include a provision for the Tshikondeni mine amounting to R158 million. This coal mine has come to the end of its life and continues to have high production costs. We will close the mine at the latest by the end of 2014. The provision covers our social obligation that comes with this closure.

The insurance claim for the BOF fire at Vanderbijlpark was settled at USD88.5 million. The funds were received, net of the USD45 million insurance deductible, which equated to R431 million. The resulting operating loss, net of insurance, is R540 million (USD56 million at an average exchange rate of 9.65).

Not included in the headline earnings are once-off items for the impairment of various assets amounting to R1 950 million, described in more detail below.

Net finance costs were slightly higher than in the previous year. The finance costs include foreign exchange losses of R44 million (2012: R9 million loss)

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Matthias Wellhausen
Chief financial officer

Financial performance

	2013 Rm	2012 Rm
Revenue	**32 421**	32 291
Ebitda	**1 768**	1 121
Depreciation and amortisation	**(1 563)**	(1 598)
Tshikondeni mine closure cost	**(158)**	–
Profit/(loss) from operations	**47**	(477)
Impairment charges	**(1 950)**	–
Finance and investment income	**108**	60
Finance costs	**(368)**	(334)
(Loss)/income after tax from equity-counted investments	**(35)**	59
Income tax credit	**51**	184
Loss attributable to owners of the company	**(2 147)**	(508)
Adjusted for:		
Impairment charges	**1 950**	–
Profit on disposal or scrapping of assets (net of tax)	**(27)**	(10)
Headline loss after tax	**(224)**	(518)
Headline loss per share (cents)	**(56)**	(129)

following the sharp devaluation of the rand against the US dollar during the month of May.

Equity earnings, net of tax, represented a loss of R35 million, primarily due to our share of the losses incurred by Coal of Africa Ltd (CoAL) of R183 million, and Pietersburg Iron Company (Pty) Ltd of R43 million. The negative results were partially offset by equity income from Macsteel International of R150 million, and a profit from the sale of assets in Microsteel amounting to R42 million.

Impairment charges

The majority of the non-cash charges relates to the write-off of assets for the captive mine in Thabazimbi amounting to R1 878 million. Our financial responsibilities for this mine ended with effect from 1 January 2014, with the commencement of the new comprehensive iron ore supply agreement with SIOC.

In signing this agreement, the company ceased its involvement in management and operational decisions relating to the mining, production or processing of iron ore at the Thabazimbi mine.

The Thabazimbi assets written off consist of capitalised overburden (R1,1 billion), non-depreciated environmental obligations (R400 million) and mobile and fixed assets (R400 million) that overall have no significant value outside of the mine. These assets were transferred to Kumba at no value as part of the overall settlement.

It is also important to note that this write-down includes the estimated capitalised costs for environmental rehabilitation until the end of 2013, when our responsibilities for this obligation ended.

In addition, we also impaired:

- Our 12% participation in the equity of CoAL, in line with the decreased share price value, amounting to R49 million.
- The remaining financial assets of R23 million in our joint venture company, Microsteel after the majority of the operating assets therein was sold.

Main steel cost drivers

Overall costs were stable and only increased by 1.7%. However, behind that stability we saw high increases in the cost for iron ore, which were offset by significant improvements in the coal prices.

Message from the chief financial officer *continued*

Iron ore cost increased by 24%, largely driven by our captive mine in Thabazimbi, where we saw a price increase of 49%. Iron ore costs relating to the Sishen mine remained at the interim negotiated price levels of USD72 per tonne for inland plants and USD50 per tonne for Saldanha, but as the parity of the rand versus US dollar weakened from R8.2 to R9.7, the cost from Sishen in rand terms increased by 25%.

The weighted average cost of metallurgical coking coal decreased by 17% of which imported coking coal prices decreased 36% in US dollar and 18% on a rand delivered basis.

Energy costs were up 5% following an electricity price increase of 12% compared to the previous year. The impact of the electricity increase on total cost was partially offset by reduced activity through the electric arc furnaces at Vanderbijlpark (80kt vs 285kt).

Manpower expenses increased by 3% which reflects our successful efforts to consolidate our footprint at Vanderbijlpark (idling of the electrical arc furnace, caster V3 and coke oven battery 3).

Maintenance costs were lower, also reflecting the high spend in 2012 and the standstill in Vanderbijlpark during the rebuild of the facilities in the steel shop in 2013.

Total ebitda was R1 768 million, an improvement by R647 million compared to the previous year, whilst the ebitda margin increased from 3.5% to 5.5%. This improved result was carried by both steel segments.

Long and flat steel products both improved ebitda by more than R400 million, with flat steel products turning from a loss of R266 million in the previous year to a positive R135 million. The improvement in long steel products was driven by a 5% increase in price, partially offset by 2% lower shipments and 1% increase in cost.

Ebitda by segment

	2013 Rm	2012 Rm
Flat steel products	**135**	(266)
Long steel products	**1 198**	770
Coke and Chemicals	**514**	503
Corporate and other	**(79)**	114
Total ebitda	**1 768**	1 121
Ebitda margin	**5.5%**	3.5%

The improvement in flat had the same drivers, but due to the implications from the fire, the developments were more pronounced. Prices increased by 11%, driven by a more selective regional mix in favour of our domestic customers, while volumes were 12% lower and costs increased by 8%. Overall, this is a positive development achieved despite the fire in Vanderbijlpark and the move to limit exports from Newcastle in order to stock up and prepare for the reline in 2014.

Ebitda from our Coke and Chemicals business remained stable and contributed R514 million. In the coke business, commercial coke sales increased by 18% to a level of 545kt. However, the net realised prices declined by 17% along with the international coal prices. In the chemicals business, sales volumes remained flat, but prices increased by 13% along with the demand for our specialised products.

The negative result of corporate and other reflects the impact of the fire on the income of our captive cell. The rental business from our premises in Pretoria improved further from R37 million to R45 million.

Cash flow

	2013 Rm	2012 Rm
Cash generated from operations	**1 733**	1 265
Working capital	**(138)**	757
Capex	**(1 569)**	(875)
Net finance cost	**(157)**	(157)
Investments	**(53)**	(369)
Tax	**(221)**	(52)
Dividend received	**–**	87
Proceeds on scrapping of assets	**72**	29
Realised forex	**(128)**	(34)
Increase/(repayment) of borrowings and finance lease	**674**	(231)
Cash flow	**213**	420
Effect of forex rate changes on cash	**94**	25
Net cash flow	**307**	445
Cash in bank	**1 191**	884
Short-term loans	**(906)**	(10)
Net cash	**285**	874

Net cash remained positive at year-end, but decreased from R874 million in the previous year to R285 million.

This includes an increase in short-term borrowings over year-end of R896 million. Excluding this temporary increase, the cash flow is negative at R589 million.

Though we had an improved cash generation from operations of R1 733 million, the increase in outflows overcompensated this result. The main drivers were as follows:

- R1 569 million capital expenditure, 80% up versus the previous year and the highest spend since 2010. 67% of the Newcastle investments went into replacements/maintenance. The most significant projects here were purchases for the Newcastle reline of blast furnace 5 (R157 million), the blast furnace gas holder (R26 million) and the replacement of the scrubber demister (R59 million). In Vanderbijlpark R158 million were spent on the essential repair of the basic oxygen furnaces.

  Another 22% of the total investments were spent on environmental improvements. The spend on the zero effluent discharge project in Newcastle was R263 million, in Vanderbijlpark we invested into the coal water treatment plant (R27 million) and into the blast furnace D stockhouse bag house (R60 million).

- Increase of net working capital by R138 million compared to a decrease of R757 million in 2012. Inventories increased by R1 775 million mainly due to higher metal stocks, which rose by 340kt (R1 968 million), mainly on the account of the stock-up in Newcastle in preparation for the reline of blast furnace N5.

  Receivables and payables increased by R576 million and R2 304 million respectively. These movements include the impact from the use of promissory notes of R897 million and True Sale of Receivables (TSR) of R437 million. We use and limit these instruments to balance peaks in our working capital needs.

- Tax payments of R221 million mainly paid on the earnings in Saldanha, which is a separate legal entity and achieved positive results in 2013.

Financing costs are unchanged at R157 million versus the previous year. This mainly reflects the net interest spend that is incurred through the peak borrowing intra-month, following the payment cycles of receivables and payables.

Foreign exchange losses of R128 million represent the result of our hedging activities and trade transactions denominated in foreign currency.

Currency, commodity and credit risk management

Financial risks arise from our exposure to foreign exchanges rates, commodity price movements and counterparty credit risk. These risks are managed within the framework of our treasury and financial risk management policy.

Currency risk and opportunity

Volatility in exchange rates remains an ongoing threat to profitability. The USD/ZAR exchange rate was particularly volatile during the financial year under review and weakened to an average of R9.65, compared to R8.21 in the preceding year.

While a weaker exchange rate favours our competitiveness in the steel market, the sharp deterioration of 23% during 2013 (from R8.48 to R10.43), especially during the first half of the year, resulted in valuation losses on USD denominated liabilities. This was partially offset by revaluation gains achieved on export receivables.

To smooth the impact on the short term we have a hedging policy in place. We manage exchange risk through financial instruments that offer protection against adverse movements in exchange rates on certain transactional risks. Net dollar revenue, after taking into account dollar import payments, is hedged using forward exchange contracts. Capital expenditure and firm import commitments (in currencies other than the USD) are hedged using forward exchange contracts. Surplus USD cash is sold on a short-term rolling forward basis to reduce any short-term rand borrowings.

All the capital expenditure in foreign currency relating to the blast furnace reline in Newcastle has been hedged, excluding USD.

Commodity risk

We have not undertaken any economic hedging of commodities since mid-2008, although we continue to monitor the markets to identify the most opportune time to commence such hedging.

Credit risk management

Credit risk is concentrated in three key customers, representing 31% of credit sales. Third-party trade receivables are covered by credit insurance placed with Credit Guarantee Insurance Corporation of Africa. We piloted a TSR programme in September and rolled it out across the company during December. As part of this programme some high credit quality debtors were sold to a third party. This resulted in an 18% reduction in trade receivables at year-end. This programme was instituted in order to strategically address the fluctuating working capital needs.

Exposure to counterparty financial institutions

This risk is managed according to predetermined limits approved by the board and set in accordance with various rating indicators determined by Fitch Ratings. These are continuously reassessed according to the latest information in the financial markets. We currently have no significant exposure in this regard.

Contingent liabilities

The Competition Commission (the Commission) has thus far referred five 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. We therefore disclose these matters only as contingent liabilities.

In addition, the Commission is formally investigating one further complaint against the company. This matter currently has no financial implications.

Details on the Commission matters can be found in the full financials, which can be found on the disc with the printed IAR, or online at **www.arcelormittal-reports.com/reports/ar_2013/index.php.**

Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for reports and the requirements of the Companies Act of South Africa. The Listings Requirements require reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

Outlook

The development of domestic and international demand remains uncertain. Although there are signs of a recovery and pockets of growth, a broad and robust upswing is not yet evident.

The devaluation of the rand against the US dollar reduced the impact of the excessive inflation, benefiting our international competitiveness. This supports our efforts to maintain a higher capacity utilisation of our assets. However, volatility in the rand exchange rate, which compares to the currency volatility of the other emerging countries, remains high.

Our focus remains on achieving further progress on our internal improvement initiatives:

- Operational efficiencies (yield, fuel rates, reliability , refractory consumption and water consumption)
- Savings in raw material cost and other procurements (includes savings on Thabazimbi and Tshikondeni)
- Reduction in fixed cost through optimisation of our footprint, increase of capacity utilisation, as well as reduction of energy cost through higher efficiencies and use of off-gases.
- Improved customer service and optimised allocation of products to freight-friendly markets.

During 2013, we improved our ebitda from USD32 per tonne to USD44 per tonne. This reflects a contribution of USD20 per tonne from the improvement actions. The fire in Vanderbijlpark offset USD14 per tonne of these management gains whilst other movements in market prices and exchange rate had a favourable impact of USD6 per tonne.

In 2014 we will benefit from the new agreement for iron ore with the Sishen Iron Ore Company.

Management remains confident that a profitability of USD100 per tonne of steel can be achieved in the year 2015.

- For 2014 the capital expenditure focus will be on:
  - Newcastle: Blast furnace reline (R1.6 billion), raw material handling and sinter plant, reline window of opportunity projects
  - Vanderbijlpark: Blast furnace D stockhouse bag house, coke oven battery tightness project, start-up of waste gas channel repair, abatement of volatile organic compound emissions at the specialty chemicals plant.

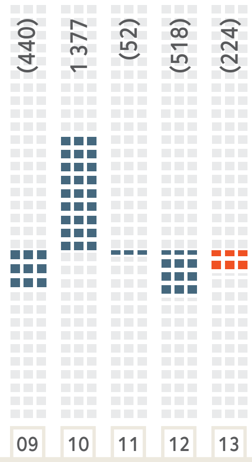
The reline of Blast Furnace N5 is scheduled for May 2014 and will last for an estimated 125 days. The total cost for the planned reline is R1.6 billion. Stock build-up will continue until the start of the reline and will reach a maximum of 394kt process stock and 496kt total stock by end April 2014.

Revenue

R32 421 million

Headline (loss)/earnings

(R224) million



Liquid steel production

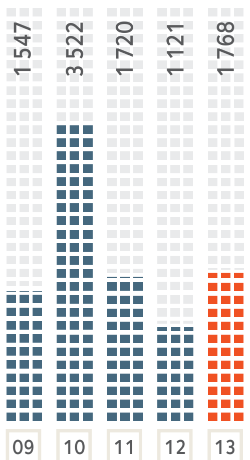
5.1 million tonnes

Steel sales

4.2 million tonnes

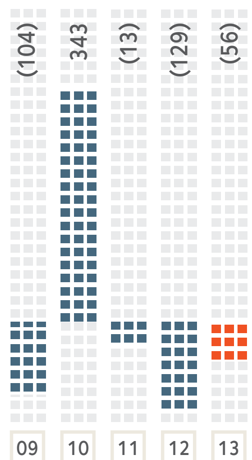
Ebitda

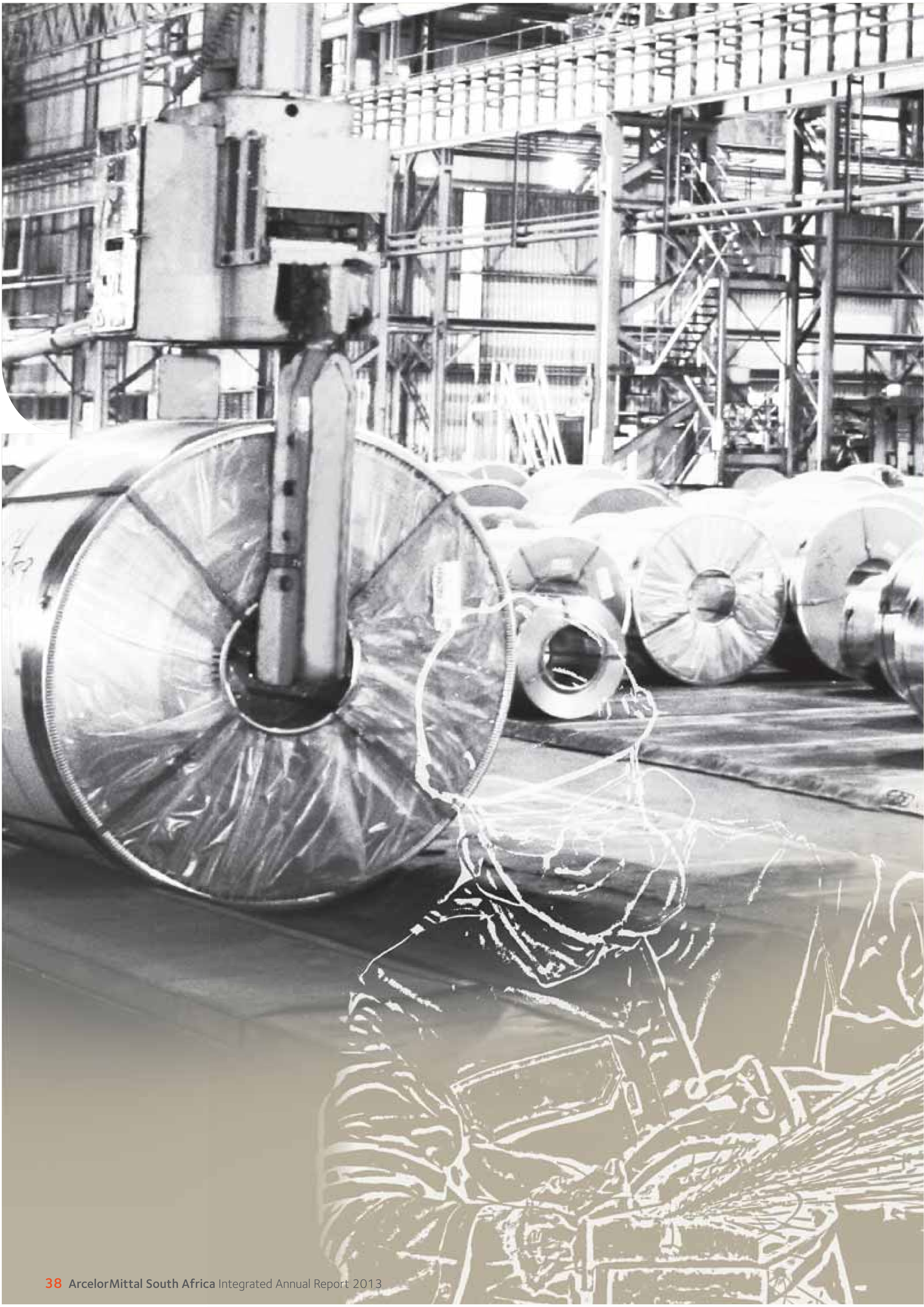
R1 768 million



Headline (loss)/earnings per share

(56) cents





Market review

Our operating context

ArcelorMittal South Africa's steel market is divided into the local South African market – of which building and construction accounts for the largest portion – and the Africa overland (AOL) market which consists of Botswana, Namibia, Zambia, Zimbabwe, Malawi, Lesotho, Swaziland and Mozambique. Additionally, we do blue water exports to the rest of sub-Saharan Africa and the Middle East.

Steel prices are globally determined and driven by the global supply and demand balance. They are also strongly influenced by raw material prices of iron ore, coking coal and scrap. Since steel is an international commodity it is transacted in dollars and ArcelorMittal South Africa is therefore exposed to exchange rate fluctuations. Global trends therefore necessarily impact directly on our business.

This chapter contains a summary of how these markets fared during the year under review and the key factors driving steel demand trends. For detailed information on the market-related strategies we have implemented to drive profitability in these markets, please see the *'Driving profitability'* chapter on page 57.

Market overview

Overall steel demand was variable during the year under review, with domestic demand and markets in Europe remaining depressed. However both North and South American markets showed positive growth. The slowdown of infrastructural projects in China, coupled with ever-increasing output from that country, has contributed to an increasing surplus in global steel. This has kept prices under pressure.

Local steel market

Overall, the domestic market saw growth of 5.9% in apparent steel consumption but a decline of 0.6% in underlying steel consumption.

Depressed domestic steel demand was driven largely by South Africa's lower-than-expected GDP growth rate at an estimated 2%, and slow-to-zero growth among the majority of the steel-consuming segments. While building and construction in the residential market has recovered somewhat, there has been little positive growth in the non-residential market and large civil contracts have been slow to appear.

The mining industry continued to be beset by labour unrest, falling commodity prices and declining investor confidence. This has significantly curtailed capital expenditure and contributed to the closure of some mining shafts. These two factors have impacted the demand for steel in both new and maintenance mining contracts.

On the positive side demand from the automotive sector saw some recovery during the year, although the industry was negatively impacted by the effect of seven weeks of industrial action.

While government infrastructural development projects have been slow to come on-stream, we have secured a number of large infrastructure-related contracts. These include the supply of steel to the Rand Water, Medupi and Kusile projects.

We have also been successful in gaining new business in the renewable energy market. In particular we have won tenders to supply steel for solar photovoltaic projects that form part of the three-phase Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). During 2013, we supplied 50kt of flat products for phase 1 and 2 REIPPPP projects. The tenders for phase 3 were recently announced and we have been awarded a number of projects for this round of the programme.

We expect wind energy to gain local manufacturing momentum in 2014, when the first wind tower factory is expected to commence operation.

Looking to the future, there are exciting prospects arising from Transnet's 10-year rolling stock programme. However, tenders relating to these projects are yet to be awarded. There are also potential opportunities in a variety of other infrastructure development projects including Eskom's transmission lines and newly approved coal-fired power station, the South African shale gas project and, in Africa, the pipeline and plant for Mozambique's liquefying natural gas (LNG) project and Zambia's Chobe-Zambezi water pipeline project.

The prevailing conditions in the domestic market have seen an excess supply of steel from local producers. Particularly in the long products, we have seen the emergence of many small players producing light sections and rebars and this has increased overall competition.

The fire at Vanderbijlpark Works contributed to an increase in primary steel imports to around 21% of total demand (2012: 15%). This led to a loss of domestic market share in flat steel products. We are confident that the quick recovery of Vanderbijlpark Works following the fire will allow us to regain this lost market share and reduce import penetration of primary products to around 14%.

The market also saw a surge in the import of finished steel products, particularly in wire fencing, pipe and tube products. Export incentives in China are one of the key driving forces behind the influx of these steel products to the local market. We have implemented a strategic import rebate to address this challenge and allow downstream manufacturers to compete with imported Chinese products.

African steel markets

The African steel markets in which we operate continued to grow during the year. On average these countries are experiencing economic growth rates above 5% a year. Investment is being channelled to mining development projects – in spite of weak commodity prices – and to infrastructural development.

These markets showed positive growth in steel demand of approximately 6% year-on-year. This robust growth trend is expected to continue in line with ongoing investment and GDP growth. However, collectively these countries still only account for 750 000 tonnes annually.

International steel markets

The North and South American markets have seen relatively stable growth in steel demand, with the US market showing significant growth across a broad base of sectors including manufacturing, automotive and construction.

However, the European and Asian markets continued to experience sluggish demand and weak buying sentiment, which affected global steel production and prices. Overall international economic growth remains weak at around 2.9%.

Of concern is the continued drop in steel demand in China, where infrastructure projects have started to slow down in line with lower-than-expected economic growth. There has not, however, been a commensurate slowdown in steel production and this has contributed to an oversupply of steel in the global market. These soft market conditions are expected to continue into 2014 unless China curtails steel production.

In India, demand for steel remains weak, driven by global market conditions and the fact that the current Indian government does not have the absolute majority required to make big policy decisions regarding investment.

Product development

During the year we continued to develop and improve products to meet evolving market requirements. New profiles were developed at our Vereeniging Works for the agricultural industry while Newcastle Works focused on increasing our mining bar and wire rod product ranges.

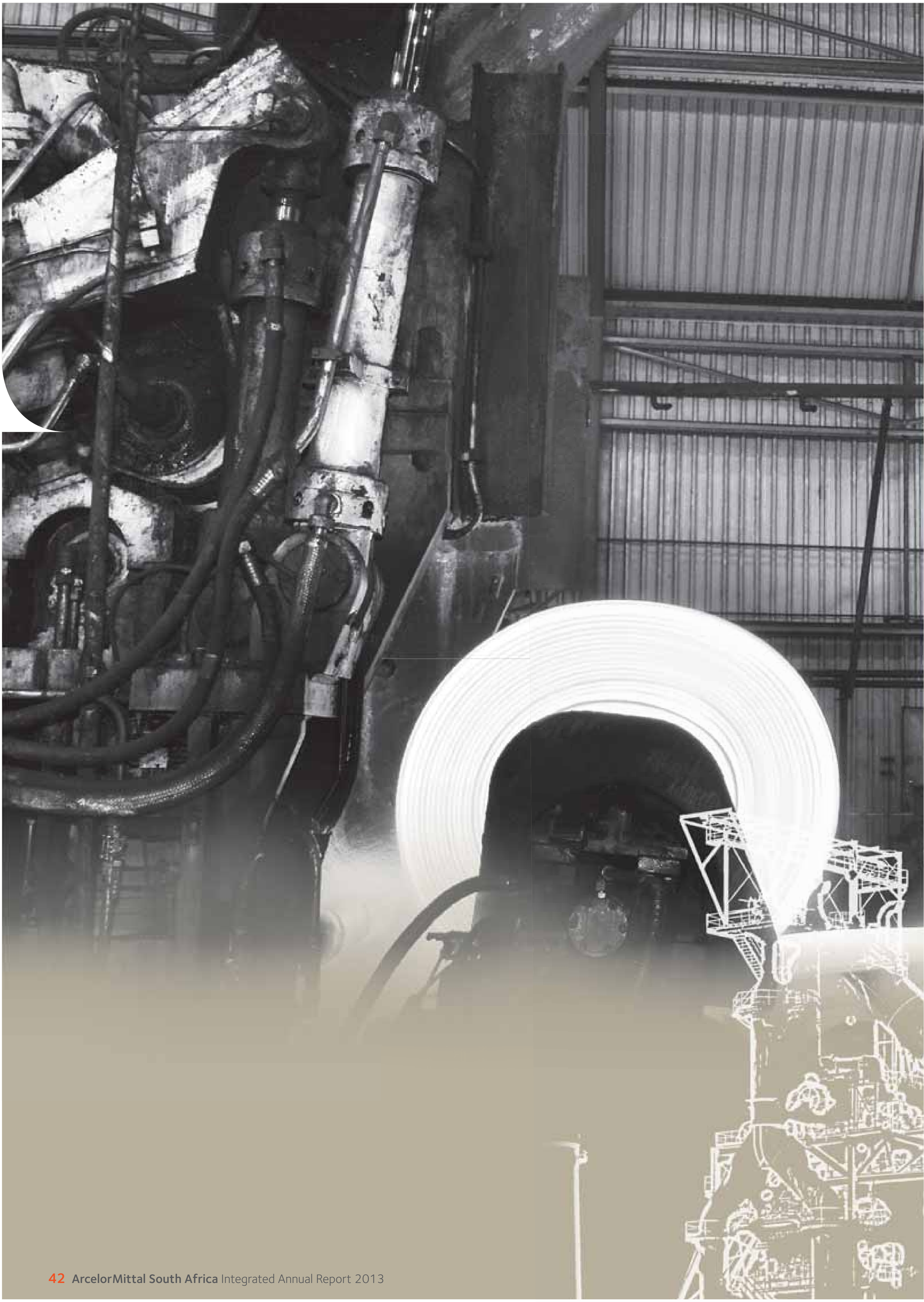
Some of the new product developments undertaken at Vanderbijlpark Works during the year included the development of higher strength hot rolled material in thicker gauges for wheels and chassis manufactured in the automotive industry, and automotive structural material in cold rolled and electrogalvanised steel. We also continued to develop new products for the light frame steel building and construction industry, including thicker gauge galvanised material. A new organic coated product was introduced for use in coastal areas.

Product development at Saldanha Works focused chiefly on developing higher strength thin gauge material which it is not possible to produce at Vanderbijlpark.

Share of domestic demand

ArcelorMittal South Africa's market share dropped to 58% for the year under review (2012: 64%). For long steel products market share was 52%, but the effects of the fire at Vanderbijlpark led to a drop of 10% in market share of flat steel products (62% compared to 72% in 2012).

In order to enhance customer value, we have embarked on an approach designed to focus on the relative attractiveness of market segments, determine industry growth potential, and/or augment profitability and direction-setting to pursue new opportunities in existing markets and identifying new market opportunities.



Optimising our operations

Operational review – Flat steel products

Financial and non-financial performance

	2013	2012
Revenue (Rm)	20 697	20 991
Ebitda (Rm)	135	(266)
Ebitda/tonne (R/tonne)	49	(85)
Net operating profit/loss (Rm)	(1 120)	(1 560)
Liquid steel production ('000 tonnes)	3 229	3 554
Capacity utilisation (%)	74	65
Steel sales ('000 tonnes)	2 771	3 138
– Domestic	2 003	2 223
– Export	768	915
Domestic sales as % of total steel sales (%)	72	71
Capital expenditure	835	594
– Value adding	–	16
– Replacements	759	537
– Environmental	76	41

Financial performance

The flat steel products division turned from a loss of R266 million in the previous year to a positive ebitda of R135 million.

Market performance

Domestic

Local shipments declined 10% to 2.0 million tonnes from 2.2 million tonnes in the prior year. However, the first half was largely impacted by shortage of steel as a result of the fire at the steel plant.

Although steel prices fell in dollar terms, they rose 8% in rand terms aided by a weaker currency.

International

Export sales accounted for 28% of total sales, the same as the previous year. From a volume perspective, export shipments were down 16% at a total of 768kt. We continued to pursue our strategy to focus on the domestic and the rest of sub-Saharan African markets, with 79% of total dispatches destined for these markets.

At an average of USD615 per tonne, average export prices were down on the previous year's average of USD643 per tonne. The trend in international steel prices was downward for most of the year as steel demand conditions continued to be challenging in most markets around the world.

Operational performance

Vanderbijlpark Works

Safety

Vanderbijlpark Works achieved world-beating safety performance during the year, setting new records in lost time injury frequency rates (0.24 down on 0.32 in 2012) and number of incidents with lost time (6 as compared with 8 in 2012). This is the second calendar year running that the plant (and the company as a whole) has not had a fatality. The behaviour-based safety programme, which has formed the foundation of these achievements, will remain a priority.

Recovery from the steel plant fire

On 9 February 2013, Vanderbijlpark Works experienced a fire at the basic oxygen furnace (BOF) facility. The incident occurred when a software interlock system failed to detect a fault in the sensor that determines the angle of the converter that holds liquid steel. Ordinarily the sensor and the software work together to control the convertor position, but the failure of these two safeguards resulted in the convertor turning 360º and spilling liquid steel, which came into contact with water and caused an explosion. This started a fire which quickly spread, via the cabling system, to the furnace's computer control rooms. This resulted in excessive damage to the furnace control systems, all cabling, manned operator stations, the motor control centre and associated equipment for all three furnaces.

While the fire resulted in a loss of 361kt of production, it is important to note that no one was injured during the incident. Moreover during the ensuing two months of complicated, high-risk repair and recovery work, we reported a single minor injury only. We also managed to recover from the incident much faster than expected – two months instead of the projected three – thanks to the collective efforts and professionalism of our employees, the quick response of our suppliers and the support of the global ArcelorMittal group.

Our immediate concern was meeting the demands of customers and we consulted closely with the local authorities. The support from the Department of Environmental Affairs and the Gauteng

Department of Agriculture and Rural Development (GDARD), which was extremely supportive of our efforts to recover from the incident. We received permission to restart the electric arc furnace on 28 February 2013. We sourced 52kt of slabs from sister plants in Brazil and Mexico and Saldanha supplied 60kt of hot rolled coil and process stock. All three furnaces were recommissioned in April and the EAF stopped indefinitely from June.

Extensive investigations and an industrial audit conducted on all our assets have highlighted a number of key learnings from the BOF fire, which have already informed the implementation of changes and new systems at ArcelorMittal South Africa and our sister plants around the world.

Operational performance

The effect of the fire meant that Vanderbijlpark Works did not meet its production targets. Liquid steel production of 2.1 million tonnes was down on last year's 2.4 million tonnes.

Iron ore supply was negatively impacted by Transnet Freight Rail delivery and challenges at mining operations. This required careful management to ensure operations were not disrupted. We incurred increased costs as a result of having to transport ore by truck and double handling at the plant. Close management of daily blast furnace production rates in line with iron ore supply resulted in relatively stable blast furnace operations.

Following the indefinite closure of the EAF, all steel grades previously produced through the electric arc furnace route have been successfully transferred to the integrated route. The number 3 coke battery was shut down during Q1 in accordance with our strategy to optimise our assets. The fire in the steel plant and sluggish demand during third and fourth quarter resulted in lower capacity utilisation (68%), not much above 2012's level (64%) against an 85% target. Furthermore it resulted in a partial shutdown of the downstream operations.

Employees affected by the coke battery, EAF and shutdowns at market-related stoppage of downstream plants were successfully redeployed in consultation with unions and there were no disruptions. (See the *'Managing our people'* chapter on page 67 for further detail.)

On the environmental front, we completed and commissioned the first phase of a new coal water filtering plant that has helped to improve the quality of effluent from the coke-making facility. The sinter plant de-dusting unit, commissioned in 2012, helped to reduce this plant's particulate emission concentration by more than 80%.

Saldanha Works

While safety performance at Saldanha Works started off well, the plant ended the year with a disappointing safety performance following a number of incidents with lost time in Q2. LTIFR for the year was 1.51 against last year's performance of 1.12. Management focused attention on detailed planning, improved hazard identification and risk management, permit to work controls, supervision and quality control plans.

Furthermore the plant implemented the World-Class Manufacturing (WCM) safety pillar to address safety issues in general. Focus has been on redesigning Standard Operating Procedures (SOPs) to make them more detailed and accessible to relatively inexperienced staff. We are confident that the plant will regain its previous safety performance levels in the near term.

Although capacity utilisation was high for the first three quarters of 2013, it dropped year-on-year from 92% in 2012 to 88% in 2013. This was due to the refurbishments and repairs undertaken in Q4 2013. Although production was slightly down on the previous year, liquid steel was at over a million tonnes in both years. The plant maintained its position in the first quartile of the global cost curve and, during September, produced at record levels for thin rolling.

Saldanha Works was awarded the Performance Excellence Award for the Operational Excellence category within the ArcelorMittal group – a recognition of its outstanding achievements in implementing the WCM programme.

Business improvement programme

The Saldanha Business Improvement (BI) programme combines WCM with a specific focus on energy and energy management. During the year it continued to deliver results, sustaining the savings realised in 2011 and 2012 and netting a further saving of USD4.5 per tonne hot rolled coil in 2013. The WCM programme secured and sustained high reliability and availability levels for all production units.

In terms of energy focus the plant sustained the improvements made in 2011/2012, and achieved a marginal improvement. An average comparative demand saving of 3.45MW was realised on a year-on-year basis. Saldanha Works was co-winner of the Eskom Eta awards in the industrial category for energy saving.

The prospects of a Biogas project for partial LPG replacement on the Saldanha site is also a highlight on the renewable energy front. The timeline for commissioning the plant is Q4 2014/Q1 2015.

Key priorities for 2014

- Further improving the safety performance by continuous application of the behaviour-based care programme at Vanderbijlpark and the WCM safety pillar at Saldanha.
- Reliability and quality improvement at Vanderbijlpark.
- Continuing to produce at nameplate capacity at Saldanha with further efficiency improvements.

Operational review – Long steel products

Financial and non-financial performance

	2013	2012
Revenue (Rm)	11 618	11 474
Ebitda (Rm)	1 198	770
Ebitda/tonne (R/tonne)	821	519
Net operating income (Rm)	897	471
Liquid steel production ('000 tonnes)	1 867	1 536
Capacity utilisation (%)	81	67
Steel sales ('000 tonnes)	1 459	1 484
– Domestic	1 123	1 113
– Export	336	371
Domestic sales as % of total steel sales (%)	77	75
Capital expenditure (Rm)	680	275
– Value adding	55	50
– Replacements	351	138
– Environmental	274	87

Financial performance

Long steel products saw an improvement in net operating income to R897 million from R471 million in the prior year while ebitda improved from R770 million to R1 198 million. The improvement in long steel products was driven by a 5% increase in price, partially offset by 2% lower shipments and 1% increase in cost.

Market performance

Domestic

Domestic sales were maintained at the previous year's levels after stable production and supply were restored following the Newcastle blast furnace dust catcher collapse in 2011.

In total, 77% of long steel product shipments were delivered to the domestic market, compared with 75% in the prior year.

International

Export sales declined 9% and constituted 23% of total long steel product dispatches. Of the total 336kt exported, 80% was delivered to the rest of Africa, 10% to Asia, 7% to the Americas and 3% to Europe. The bulk of our Africa overland shipments were exported to Mozambique, Botswana, Zambia and Zimbabwe. Average export prices in US dollar terms were 6% lower than the previous year but 12% higher in rand terms.

Operational performance

Newcastle Works

Newcastle Works saw an improved year-on-year safety performance during 2013, with a lost time injury free rate (LTIFR) of 0.64 (2012: 0.73). This represents a drop of 12.3% but the operation will continue to drive the behaviour-based safety programme to ensure further improvements are achieved. (For full details on safety performances please see the chapter *'Health and safety* on page 51.)

Operations at the plant were stable throughout the year and there were no unplanned outages. We operated the blast furnace in a prudent manner, taking account of its more delicate state prior to the reline scheduled for 2014. Vigilant and ongoing monitoring contributed to stable running of the furnace. A high focus on bar mill throughput and maintenance improvement yielded positive results during the year. However, hot metal production was impacted by inconsistent quality of raw materials, poor Transnet Freight Rail delivery and challenges at mining operations.

Capacity utilisation was up at 83% (2012: 66%) with the plant producing 1.56 million tonnes of liquid steel (2012: 1.3 million tonnes).

The Newcastle zero effluent discharge (ZED) project, which will allow all water to be recycled and reused within the plant, is on target for completion in 2014. The erection and cold commissioning was completed during 2013. The plant is expected to be fully operational by the beginning of Q3 2014.

Vereeniging Works

Vereeniging Works experienced a number of safety challenges during the year. The LTIFR was 1.61, compared to 0.78 in the previous year, however, the total number of accidents decreased year-on-year.

Overall production was aligned with challenging market conditions, with liquid steel production at 0.29 million tonnes up on 0.27 million tonnes in 2012. Capacity utilisation at the plant was at 75%.

EAF meltshop operations were stable throughout the year.

Business improvement programme

Quality and reliability improved at Vereeniging Works as a result of the ongoing business improvement programme. This included a focus on improved scrap administration which improves furnace production and yield.

Over the past year, Vereeniging Works' business improvement programme was focused on reduction of gas consumption in the furnace and the cost for dumping slag. The special profile mill improved on the coke oven gas (COG) vs natural gas (NG) gas ratio and overall reduction of gas consumption which resulted in a saving of R2.8 million (from R5 million in 2012 to R2.2 million in 2013). The unit was also successful in getting permission from the authorities to relocate the slag disposal to Vanderbijlpark Works; this resulted in savings of R10.3 million year-on-year. Waste handling was also improved during the year.

Newcastle Works' business improvement programme included the completion of two energy infrastructure projects – the rebuild of the blast furnace gas holder and the installation of a gas mixing station. These projects resulted in significant energy efficiency improvements – electricity generation increased by 7.4% (from 3.827MWh in 2012 to 4.133MWh in 2013), while use of natural gas at the mills was reduced by 35.6% year-on-year.

Key priorities for 2014

- Continued focus on meeting safety targets for Newcastle Works and Vereeniging Works.
- Successful completion of the Newcastle blast furnace reline project and achievement of the zero effluent discharge status.
- Vereeniging will continue to focus on efficiency improvement with special attention on alloys, energy consumption and alternative Fe sources for the EAF.

Operational review – Coke and Chemicals

Financial and non-financial performance

	2013	2012
Revenue (Rm)	1 937	1 856
Ebitda (Rm)	514	503
Net operating income (Rm)	479	471
Commercial coke production ('000 tonnes)	391	446
Sales ('000 tonnes)	1 648	1 477
– Coke	545	460
– Tar	109	109
– Other	994	908
Capital expenditure (Rm)	14	5
– Value adding	14	–
– Environmental	–	5

Financial performance

Revenue from the Coke and Chemicals business of R1 937 million was 4% higher following an 18% increase in commercial coke sales volumes, partially offset by a 17% drop in net realised prices. Tar volumes remained flat with prices increasing 13%. Ebitda remained stable and contributed R514 million.

Operational performance

Coke and Chemicals delivered excellent safety results during the year, following a safety performance improvement trend started in 2010. The LTIFR for the year was zero (2012: 1.84). The hazard identification programme has played a key role in delivering on safety goals at the operation.

The battery oven, tar plant and HCL plant delivered consistent performance during the year, with all units operating in stable conditions. The Pretoria coke battery came back into full production in Q3.

In the first half of the year, Coke and Chemicals' business suffered from low demand as a result of Eskom's power buyback programme for the ferro-chrome sector. Market demand increased when this programme ended on 31 May 2013.

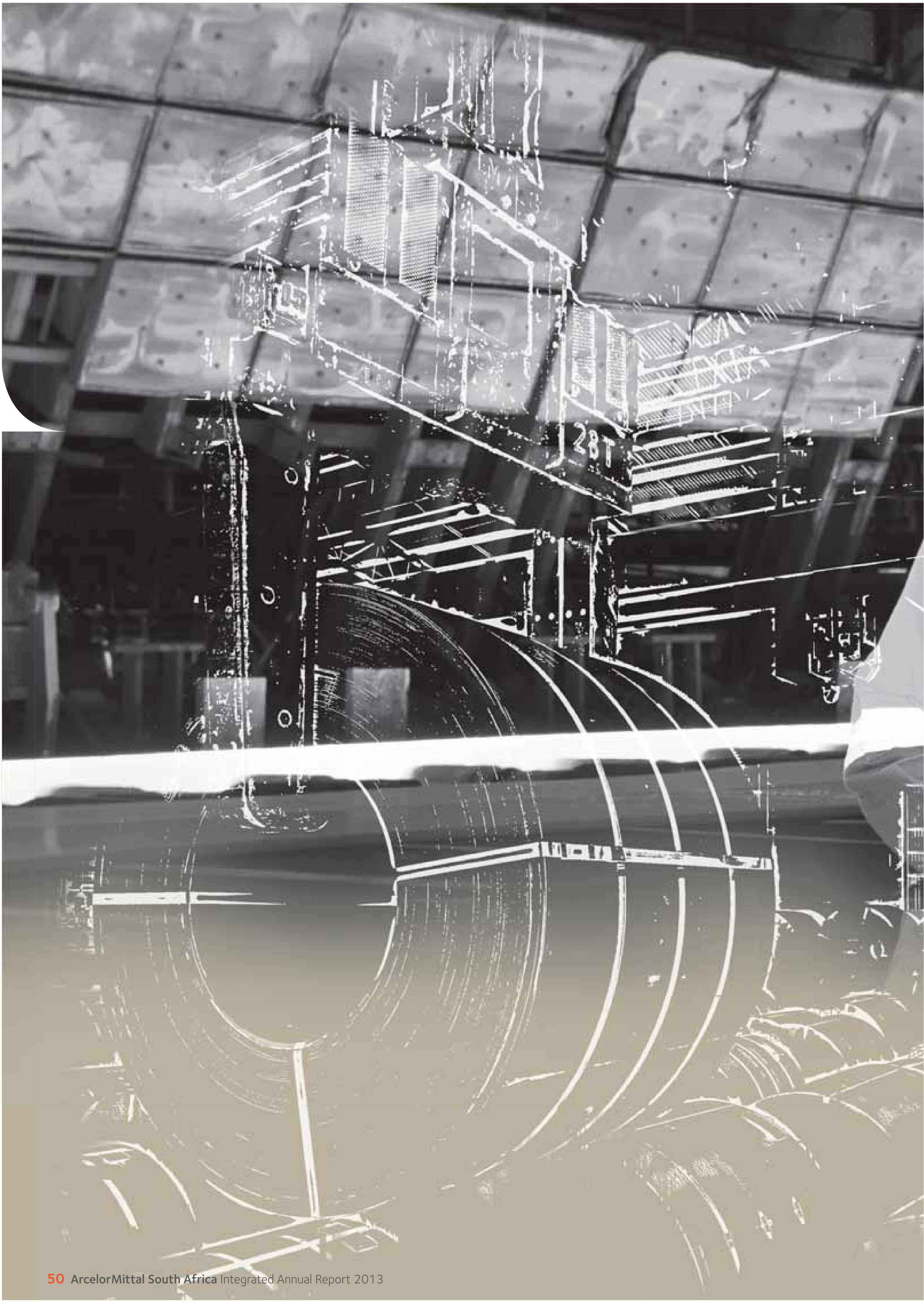
Business improvement programme

The main focus has been to develop by-products that could be sold into the market. 2013 saw the introduction of a number of by-products, utilising waste from various mills. This yielded sales of R1.55 million.

Operational improvement has focused on the roll-out of Operational Management Infrastructure (OMI), components of which included business and process flow reevaluation, KPI verification and prioritisation, and review and improvement of SOPs.

Key priorities for 2014

1. Maintain zero disabling injuries by keeping LTIFR at zero.
2. Achieve a coke market share of 82% by supplying 545 000 tonnes of market coke to the ferro-alloy industry.
3. Achieve stable operations in both Pretoria and Vanderbijlpark.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Health and safety

Protecting the health and safety of employees

The health and safety of our employees and contractors is of paramount importance. This is reflected in our values, our vision of producing safe, sustainable steel and our Journey to Zero programme. Safety performance is directly linked to the bonuses of all employees, from executive level to the shop floor.

In addition to forming the foundation of our values and corporate responsibility ethos, safety is linked to serious potential reputational issues and legislative sanctions. For these collective reasons it is an ongoing strategic imperative.

Our most important health and safety issues

Safety issues are determined by the global ArcelorMittal group's fatality prevention standards. These capture the key safety risks associated with steelmaking:

1. Isolation and lock-out
2. Confined spaces and gas hazardous areas
3. Working at heights
4. Rail safety
5. Vehicles and driving
6. Cranes and lifting
7. Contractor management
8. Emergency preparedness

Additional fatality prevention standards – there are 11 in total – relate to measures that manage safety risks. These include hazard identification, risk assessments, conducting shop-floor audits and incident investigations.

We measure safety performance using lost time injury frequency rate (LTIFR), restricted work day cases (RWDC), total injury frequency rate (TIFR) and fatality rate (FR).

Our occupational health issues are also determined by the risks and exposures inherent in steelmaking. Noise induced hearing loss (NIHL) is the key risk, but we also monitor lung diseases (silicosis and pneumoconiosis) and employee wellness. The latter two do not represent major areas of concern. Occupational health performance is measured on occupational diseases frequency rate (ODFR).

Driving improved safety performance

It has been extremely pleasing to see the ongoing improvement in safety performance during the year under review. ArcelorMittal South Africa has not experienced a single fatality in over two years, breaking all previous safety records. This proves that increased vigilance, continuous training and the implementation of our behaviour-based safety programme are delivering real results.

Behaviour-based care was piloted at Vanderbijlpark Works during 2012. Based on the exceptional results of this pilot we rolled it out at our other operations. It includes a holistic approach to safety that is based on understanding the underlying cause of unsafe acts and behaviour, shop floor presence of management, in-depth discussion with employees and contractors and identifying lessons that can be learned to improve safety performance.

We have also shifted our safety management focus from a reactive to a proactive approach. Importantly this included the introduction of a new fatality prevention standard during the year – Hazard Identification Risk Assessments (HIRA).

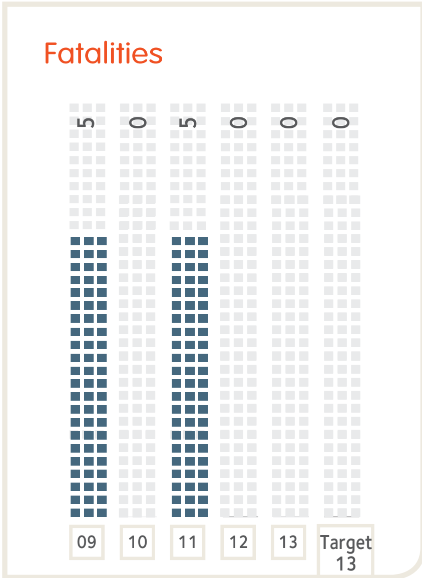
We paid closer attention to tracking and addressing 'near-misses' and this has had a significant impact on our ability to reduce unsafe situations, acts and behaviours. The number of shop floor audits increased from 138 239 in 2012 to 209 703 in 2013. Visible leadership has also played a role in improving our safety performance, with management continuing to spend a significant portion of time walking the shop floor and highlighting key safety risks with employees.

During the year there was a group-wide focus on applying more stringent audit standards when assessing compliance with the fatality prevention standards. Our goal remains to have all sites attain at least level-3 compliance, and this was achieved during the year.

Tracking key safety indicators

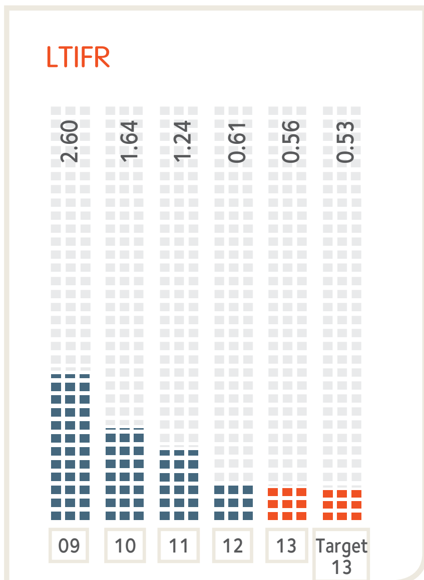
Fatalities

We ended the year with an accumulated fatality-free period of 857 days (two years, four months).



Lost time injuries

Our lost time injury frequency rate improved marginally during the year from 0.61 to 0.56. However, this follows a dramatic improvement made between 2011 (1.24) and 2012 (0.61).



The significant safety performance turnaround seen at Vanderbijlpark Works during 2012 continued in 2013. The operation achieved an LTIFR of just 0.24, well below the target of 0.28. Increased emphasis was placed on finger and hand injuries, which were identified as the most prevalent type of injury. A series of focused workshops has helped to bring about a dramatic improvement in these types of incidents and this contributed to the overall improvement in lost time injuries. Vanderbijlpark Works' safety performance is particularly commendable when one considers the safety challenges arising from the recovery project to the BOF fire (see '*Operational review – Flat steel products*' on page 44 for further details).

Newcastle Works improved its LTIFR from 0.73 in 2012 to 0.64 in 2013. While this represents a movement in the right direction, it still falls short of our LTIFR target of 0.53. We are confident that the improvement drive will be enhanced as the implementation of the Behaviour-Based Care programme touches a greater proportion of the workforce.

Saldanha's LTIFR increased from 1.12 in 2012 to 1.51 in 2013. Despite this, the overall safety performance in terms of total number of restricted work day cases (RWDC), medical aid injury (MAI) and first aid injury (FAI) has been reduced year-on-year since 2011. Root causes for each of the lost time injuries have been identified and addressed to help prevent re-occurrence.

Vereeniging Works also experienced a significant increase in the number of lost time injuries, ending the year with an LTIFR of 1.61. This performance is particularly disappointing given the significant improvements made in the previous year, in which LTIFR improved from 1.63 in 2011 to 0.78 in 2012. It needs to be noted however that the total number of injuries reached an all-time low in 2013.

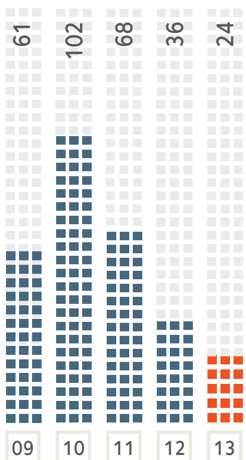
Coke and Chemicals' business objective of reaching a year without a lost time injury was achieved in July 2013.

Restricted work day cases

There was a further drop in restricted work day cases during the year, from 36 in 2012 to 24 for the year under review.

The improvement in RWDC is based on the safety initiatives implemented across the group including the Behaviour-Based Care programme, increased management visibility and employee training.

Restricted work day cases

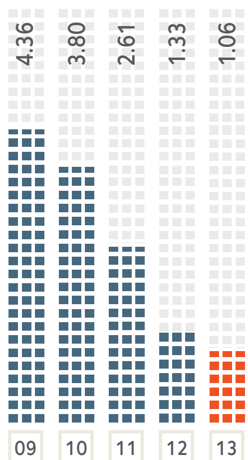


Total and disabling injury frequency rate

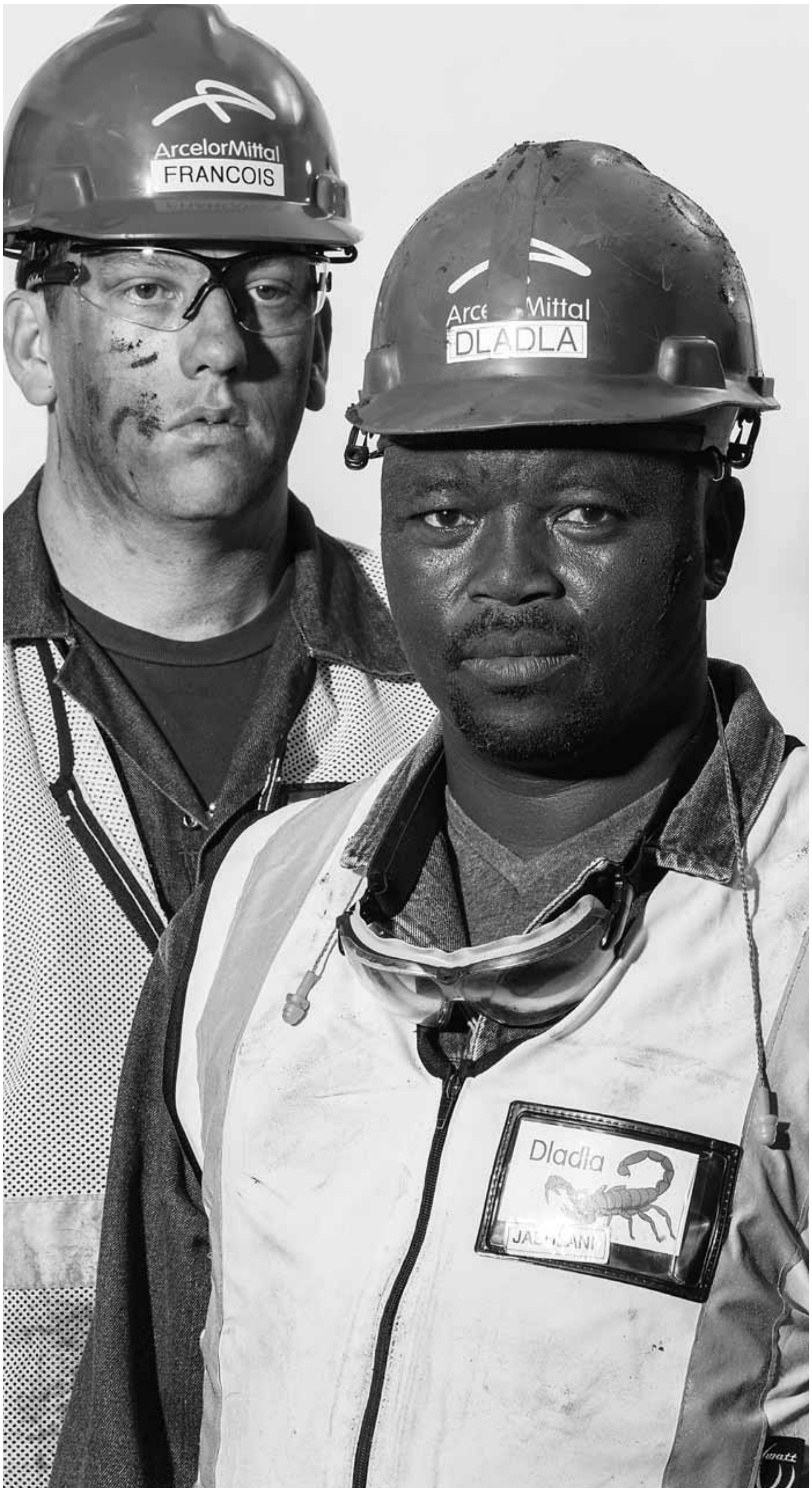
In spite of challenges at certain operations, the safety trend was one of overall year-on-year improvement. Total injuries fell to 625 (2012: 773), contributing to a total injury frequency rate of 13.05 (2012: 15.6) and disabling injury frequency rate of 1.06 (2012: 1.33).

Total injuries frequency rate

Disabling injuries frequency rate



Protecting the health and safety of employees *continued*



Members of the Red Scorpions safety officer programme which promotes offline safety supervision and monitoring.

Occupational health

Our occupational disease frequency rate improved during the year to 0.17 (2012: 0.44). There were six cases of noise induced hearing loss, compared to 17 in the previous year, while incidents of pneumoconiosis dropped from three to zero. This improvement has been driven by increased awareness and training.

Employee wellness

External wellness programme consultants, Ndlovu Care Group, continues to run a company-wide employee wellness programme that focuses on chronic lifestyle disease management and HIV/Aids. There has been a steady increase in the number of employees participating in wellness events and making use of the wellness services on offer. During the year 2 705 employees took part in a wellness week.

For further detail on employee wellness and the initiatives undertaken during the year, please see our sustainability report online.

Health and safety goals for the year ahead

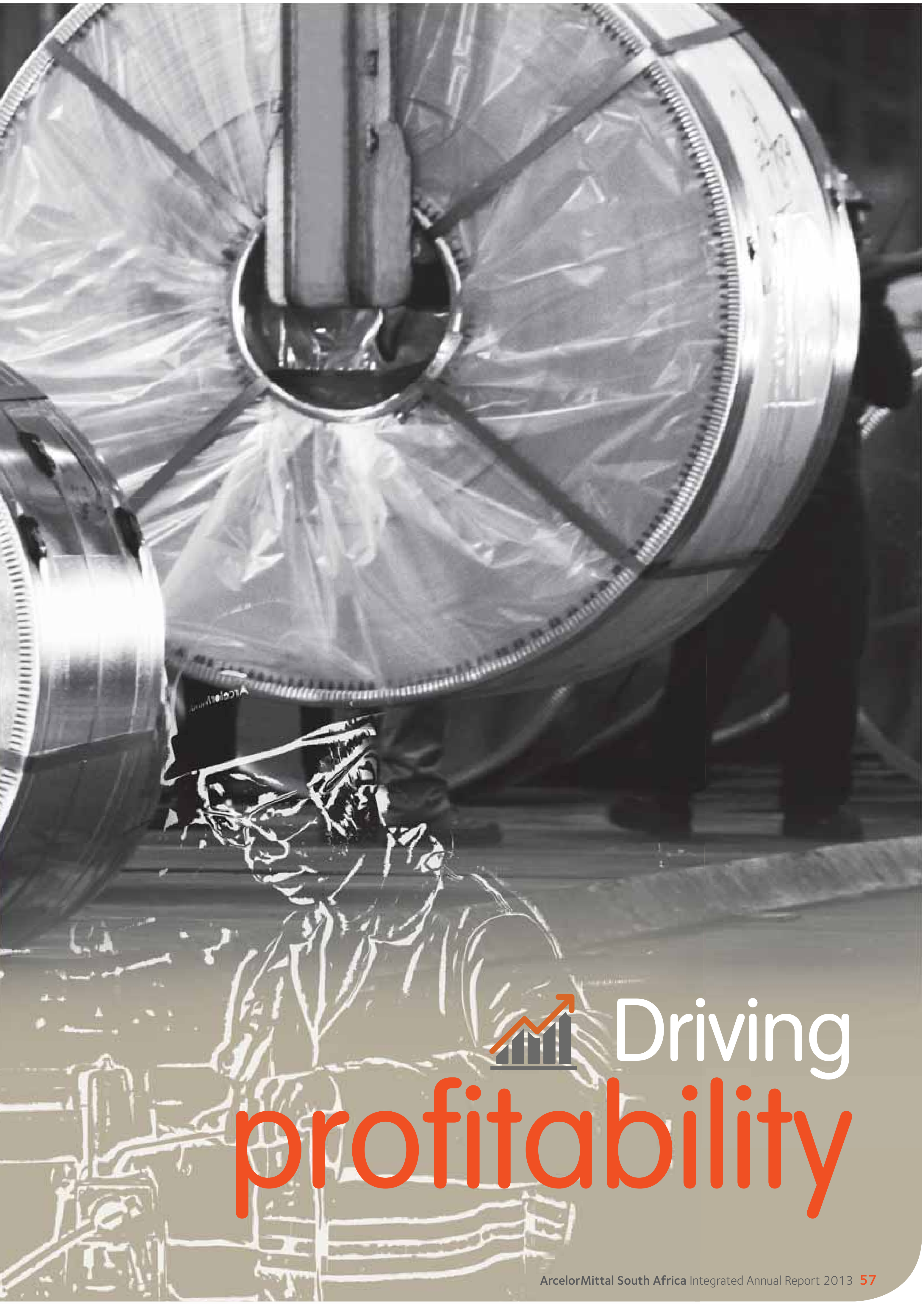
- Zero fatalities
- Minimum level-3 compliance with fatality prevention standards

For more health and safety information

Our sustainability report, which can be accessed online at **www.arcelormittal-reports.com/reports/ar_2013/sustainability/index.php** contains further detail on:

- How we manage health and safety
- Health and safety practices and policies
- Health and safety training initiatives
- Employee wellness
- Key health and safety programmes and initiatives undertaken during the year under review

Increased vigilance, continuous training and our behaviour-based safety programme has resulted in safer employees, fewer incidents and zero fatalities for two years running.



Driving profitability

Driving profitability

One of the most significant challenges currently facing our business is achieving profit in a stubbornly weak market. Since the recession in 2009, the domestic steel market has been severely impacted by a depressed building and construction sector, lagging investment in infrastructure and a soft global steel market. Coupled with this have been strongly escalating energy and labour costs, the envisaged introduction of carbon tax, de-industrialisation and the flood of imports of both primary and finished steel products into the local market.

Our cost competitiveness in international markets has been impacted as a result. Our ebitda margin has declined due to the weak market conditions and higher input costs. The global steel pricing curve dictates the prices at which we can sell our products to domestic customers and we do not therefore have the option of passing on these rising costs to the market, unless government came to the industry's assistance by reintroducing protective tariffs.

These are considerable challenges, most of which are beyond our control. However, if the company is to remain sustainable, it must make a profit. In the past three years we invested significant effort in identifying opportunities for internal improvement that will improve our cost position and thus drive profitability – even if the market does not recover.

This internal improvement programme focuses on those things that we can control, with a specific emphasis on reducing costs. Through it we believe we can effect an ebitda turnaround from the current region of USD50 per tonne to around USD100 per tonne, even in the current operating context. Our timeline for the achievement of this goal is 2016.

The programme's five main pillars have formed the core of our strategic focus for the year under review. They are summarised in the table that follows, together with the key drivers needed to deliver. The sixth pillar - energy efficiency – requires considerable capital expenditure which has not yet been approved.

What we need to achieve	Key drivers to help us get there
Customer focus	Segmentation, targeting and positioning
Eliminate excessive raw material costs	Price of iron ore from Thabazimbi and coal from Tshikondeni
Improve operational efficiencies	Fuel rates, yield, productivity
Improve supplier efficiencies	Contract management
Optimise our industrial footprint	Capacity utilisation at Vanderbijlpark Works
Energy efficiency*	Gasholder and independent power producers

** Requires capital expenditure yet to be approved.*

Customer focus

ArcelorMittal South Africa enjoys a leading market position in southern Africa, with 58% market share in South Africa and 38% in the Africa overland (AOL) market.

However, our market share dropped during the year. Rising imports – from around 10% to 16% in the past five years, and peaking at 21% in 2013 – are an increasing area of concern and have been driven by the exchange rate, an absence of trade barriers, supply disruptions and price volatility.

Improving our market share will limit the import threat and improve ebitda margins. This is the focus of our segmentation, targeting and positioning approach to the market. It seeks to deepen our penetration of identified segments and grow market share to 65% of the domestic South African market and 40% of Africa overland by 2016, reallocating volumes from sea exports to supplying into the more "freight-friendly" southern African markets.

For this we have invested in targeted import replacement initiatives, product development and enhanced service and quality.

Growing the domestic market

In the domestic market we are focusing on further optimising our product portfolio, particularly flat products from Vanderbijlpark Works. This has informed the development of a number of concepts for investment in the plate mill upgrade to service wind farm projects, and in material for tin plate to defend our share of the domestic packaging market and reclaim import volumes.

Supplier reliability and customer service are fundamental to increasing our market share and achieving our on-time delivery target of 82.5%. Ongoing quality improvement efforts have driven a significant reduction in customer complaints, which currently average 0.55% of total sales revenue in 2013. There has also been a concerted drive to improve responsiveness and flexibility to customer needs in all facets of the business.

Growing the Africa overland market

The AOL market offers good growth opportunities. Economies in the countries neighbouring South Africa – Africa overland – are expected to grow at an average rate of more than 6% per annum, and steel demand is expected to reach 1 million tonnes by 2018. We have good access to these markets, having successfully established logistics and distribution channels into the region. Our future market growth plans will focus on infrastructure projects in Mozambique and Zambia and improving logistics, reliability and cost.

Eliminate excessive raw material costs

The substantial increase in input costs over the past four years has not been compensated by an increase in steel prices. Raw materials, in particular iron ore and coal, make up our biggest input costs. Accordingly, we need to continually explore avenues to reduce these significantly to improve profitability.

Two important developments during the year will contribute to savings we are targeting on raw material costs:

Coal

The supply of the majority of our hard coking coal requirements are negotiated centrally by ArcelorMittal in Luxembourg from suppliers around the world. Increased supply from Mozambique will result in a saving on logistical costs due to its proximity.

A small portion of our hard coking coal requirement is supplied locally from Exxaro's Tshikondeni mine. In terms of a long-standing off-take agreement with Exxaro, we are bound to take all coal mined from this captive mine on a cost plus basis. Costs at Tshikondeni have escalated dramatically as the mine nears the end of its life, and this has led to a substantial increase in the cost we are paying for Tshikondeni coal.

In accordance with the mine closure plan we will proceed with the closure of the mine in late 2014 with the material being replaced with imported coal, sourced from Mozambique.

Iron ore

After ongoing negotiations, we signed an agreement with Kumba on 5 November 2013, ending the long-running disputes between our two companies. The agreement ensures security of iron ore supply for the next 18 years, at prices lower than what we were previously paying in terms of the interim price agreement.

In terms of the agreement, Kumba will now supply 6.25mtpa to ArcelorMittal South Africa from its Sishen and Thabazimbi mines on a cost plus 20% arrangement. From 2016 the new cost plus 20% iron ore supply agreement is an all-in price for both Sishen and Thabazimbi material, irrespective from which source it is supplied, and is based on the cost of production at the Sishen mine only. For 2014 and 2015 the price will be a weighted average price between Sishen cost plus 20%; and a pre-determined price and volume of 1.6 mt and 2.0 mt respectively.

A further positive outcome is that the agreement presents the possibility of extending the life of the Thabazimbi mine, allowing Kumba a two-year transition period to ramp up a brownfield mining plan relating to the operation. If successful, this will secure the jobs of around 1 300 employees, of whom 850 are permanent staff, and benefit small to medium-sized suppliers located in the vicinity of the mine.

The agreement, which came into effect on 1 January 2014, settles all previous disputes between the two companies. For a detailed explanation of its cost benefits, please see *'Message from the outgoing CEO'* on page 28.

Improve operational efficiencies

We continue to drive the business improvement programme at Vanderbijlpark, Newcastle and Vereeniging Works, and the WCM programme at Saldanha Works. These programmes play a central role in delivering ongoing improvements in operational efficiency. In particular, we have focused on increased productivity, optimal fuel usage, an increase in yields, scrap usage optimisation, improved quality and the reduction of costs relating to raw materials handling and sub-contractor spend.

We have made solid progress in improving performance at Saldanha, Newcastle and Vereeniging Works. Saldanha Works retained its position in the first quartile globally in terms of cost competitiveness, due in part to significant efficiency improvements and higher exposure to international raw material prices of imported pellets and metallurgical coke. The planned 2014 reline of the blast furnace in Newcastle will include the implementation of new technology that will optimise and enhance process efficiency, reduce environmental impact and lower future maintenance cost. We expect to derive significant savings from an improved fuel rate. The reline will also limit outage downtime to a minimum and restore the structural integrity of the facility to ensure reliable operations for the next 20 years.

Further detail on the benefits being derived from our operational efficiencies focus can be found in the individual *'Operational reviews'* on pages 44 to 48.

At Vanderbijlpark Works we have introduced a range of targeted interventions focused on driving reliability and quality improvements at this operation. At the finishing mill we have introduced an asset reliability programme that involves improvement of maintenance efficiency, and a quality improvement drive that includes ongoing training and process standardisation. Repairs, replacements and design improvements have improved operational stability in the blast furnace area. The strip processing lines have also seen a significant drop in the number of unplanned stoppages.

Overall the results in Q3 – the quarter following by the fire – were encouraging.

Addressing the risk of major failures

Operational stability and the avoidance of major failures are critical to the achievement of maximum operational efficiency. We regularly assess the top asset risks to which our operations are exposed. The audit quantified the financial risk and highlighted additional mitigation controls to be put in place to further reduce our exposure.

Our ongoing structured approach to proactively identify, analyse and mitigate exposures includes fire detection and protection projects, structural repairs, blast furnace and corex relines and repairs, and maintenance contracts for fire detection and suppression systems.

Ongoing investment in maintaining our assets is also important to ensure reliability. We are confident that the maintenance capex we have committed, together with the aforementioned repairs and maintenance programmes, will remain sufficient to sustain our competitive

Driving profitability *continued*

position. Although there was decreased maintenance expenditure in 2009 as a result of the global financial crisis, there has been a gradual increase in maintenance spend each year.

We have seen a steady decline in our vulnerability index over a five-year period, from 62% in 2008 to 43% in 2012. This is a measurement of the company's exposure to potential disasters. It is determined at each plant, where the effectiveness of controls implemented to prevent disasters is measured. Three main categories – process safety, management and protection – and 39 sub-categories are measured by external consultants to determine the control effectiveness of a plant. This is expressed as a percentage. The inverse of the control effectiveness thus reflects the vulnerability rating of a plant. The plant vulnerability ratings are used to calculate the site vulnerability rating and ultimately ArcelorMittal South Africa's vulnerability rating or loss exposure. Our vulnerability index target for 2015 is 38%.

Improve supplier efficiencies

During the year our procurement and logistics function has focused on three strategic pillars to drive improved supplier efficiencies, which will in turn benefit our business. These include supporting operational efficiency through reliable logistics; enhancing cash flow through stock optimisation; and cost containment through strict contract management and controls.

Support operational efficiency through reliable logistics

Logistics is central to the ability of our plants to operate at maximum efficiency – to do so they need to have an optimal supply of raw materials.

We rely on Transnet Freight Rail for the delivery of iron ore and coal to our plants and are targeting year-on-year improvements in turnaround times, demurrage and performance against plan. This will allow us to reduce the tonnage of raw materials delivered via costly road transport.

In 2012 we saw a dramatic improvement in Transnet rail performance, from 68% achievement against plan in 2011 to 81% in 2012. This allowed us to significantly reduce raw material costs and expensive road transport in 2012. But in 2013 we lost much of the ground we had gained in this regard. We were targeting an improvement in rail performance to 88% against plan, which would have allowed us to reduce road transport to 400 000 tonnes. However, Transnet rail performance dropped to 77% against plan during the year, forcing us to transport in excess of 800 000 tonnes by road.

Road transport is more expensive than rail but it also comes with other attendant costs. Our steel plants were designed

We continue to drive the business improvement programme with employees to achieve our goal of improving operational efficiency.

to accept raw material delivery by rail. Road transport necessitates costly double handling as raw materials have to be moved from where they are delivered. The labour, time and equipment costs pertaining to double handling amounted to approximately R150 million in 2013 alone.

Enhancing cash flow through stock optimisation

Reliable delivery has a direct impact on our ability to optimise raw material stocks, which in turn drives improved cash flow and working capital. In this regard we have introduced a stock optimisation programme for alloys, spares and consumables and focused on negotiating more favourable payment terms with key suppliers.

Cost containment through strict contract management and controls

We have identified significant potential cost savings that can be derived from improved management of contracts and the negotiation of more favourable rates and payment terms.

During the year, we formed a dedicated team to conduct comprehensive end-to-end audits of our 60 biggest contracts. These included a detailed analysis of the delivery obligations of contractors, an assessment of whether these are being sufficiently met and the extent to which suppliers can improve their own operational efficiencies.

In all contracts audited to date we have identified opportunities for greater cost containment and improved contractor efficiencies on a range of issues. We also placed greater focus on empowering the relevant onsite staff to manage contractors more closely, identifying key deliverables that need to be monitored.

Optimise our industrial footprint

We are targeting increased capacity utilisation through a targeted programme to optimise our assets, with specific focus on Vanderbijlpark Works.

This included closure of the electric arc furnace and termination of the electrical steelmaking route, which will deliver fixed cost savings. After successfully introducing plate mill steel grades to improve productivity at casters V1 and V2, we were able to close caster V3 and the secondary station.

Coke oven battery three was also closed due to reduced blast furnace consumption.

We have improved productivity in the cold rolling mills by running the cold rolling north at full capacity and restructuring the shift pattern in the cold rolling south facility.

Permanent staff in affected operations have been redeployed to other parts of the Vanderbijlpark Works. For further information on the human resources impact of the optimisation project, please see the *'Managing our people'* chapter on page 67.

Energy efficiency

Information on energy efficiency can be found in the *'Environmental responsibility'* chapter on page 73.

We use a structured approach to proactively identify, analyse and mitigate the risk of major failures at our operations.


ArcelorMittal

Government relations

Government relations

Government is a critical stakeholder in our business. The fortunes of our company affect the security of steel supply in the country, which in turn has a direct impact on infrastructural development and government's ability to deliver on its national development agenda. We make an important contribution to the economy through the payment of taxes and we are a significant employer.

Through various legislation and enforcement authorities, government regulates our environmental and human resources management and its authorities grant the licences we require to operate. Government policies, including those relating to issues such as energy tariffs, carbon tax, environment and broad-based black economic empowerment, have a direct impact on our business.

Government is a key roleplayer in issues relating to import protection. It has a vested interest in the pricing of steel products and the role ArcelorMittal South Africa plays in the beneficiation of iron ore and the development of the downstream steel industries. We believe that the iron ore to steel value chain provides a perfect platform to demonstrate what could be achieved to beneficiate the country's mineral resources. To this end, we have various proven examples of how we have intervened tactically to support the downstream industry. For more information see the *'Market Review'* chapter on page 39.

Government's position on these issues touches on four important items on our own agenda – licence to operate; protection from unfair imports; energy tariffs; and iron ore beneficiation, steel supply and pricing.

We see matters improving through dialogue to find common ground on development objectives. Our engagement with government departments have centred on the following issues of business importance:

Licence to operate

We require various trading licences in order to operate legally and sustainably, and engage with the relevant government departments in applying for and securing such licences.

In 2013, we initiated the application process for our Atmospheric Emission Licences, which remain to be issued for Saldanha, Newcastle and our operations at Pretoria Works. Negotiations are currently underway regarding these authorisations, but it is a general area of concern that authorities may implement stricter standards than those prescribed in the Air Quality Act.

We are also awaiting approval of amendments to our existing Water Use Licence at Newcastle Works.

Defending market access and protection from unfair imports

The domestic market is increasingly exposed to imports of primary and finished steel product imports (see *'Market Review'* chapter on page 39) and we are engaged in a number of initiatives to protect the downstream manufacturing industry.

We provide funding to the South African Iron & Steel Institute's (SAISI) national Value Added Export initiative, Committee of Steel Manufacturers (COSM). This aims to support and grow domestic steel fabrication by allowing specific customers to claim a rebate for value added steel product exports. In addition, ArcelorMittal South Africa offers a further incentive to customers that can show proof of export.

For critical industries like the automotive, packaging and appliance manufacturing, we maintain price levels over a longer period of time to ensure more price stability, as well as to counter imports. We also have a coastal rebate system to support products at risk in coastal areas.

It is interesting to note that few primary steel producers in other developing countries enjoy less than an average of 6% import protection, with the average steel duties lever ranging between 1% and 28% on products which can be secured locally. In the South African market, however, we do not enjoy any import protection.

Energy tariffs

The ongoing increases in energy costs pose a major challenge to the steel industry which is already under pressure. As we compete in an international commodity market we cannot pass these costs on to customers. Natural gas tariffs are expected to be regulated early in 2014 and this will lead to additional increases in energy costs.

We continue to engage with government and policy makers on this critical challenge.

Proposed carbon tax

The proposed carbon tax legislation will have dire consequences on the steel industry as a whole. In 2013 we undertook various lobbying actions to highlight our position on this issue, which is covered in the *'Environmental responsibility'* section on page 73.

Constructive dialogue with the relevant government ministries and National Treasury in particular has helped to convey the impact of the proposed legislation on business and industry. In his budget speech of February 2014, the Minister of Finance announced the delay of carbon tax implementation. Further engagement will take place in 2014 as legislation takes shape.

Engaging DTI and DMR on iron ore beneficiation, steel supply and pricing

The dispute with Kumba regarding the supply of iron ore (see pages 30 and 31 or full detail) had a material impact on the local beneficiation of iron ore and the security of steel supply for the country.

The DTI was engaged in the mediation of the iron ore supply agreement which was signed in November 2013. Working jointly with Kumba, we kept the DMR appraised of the progress of negotiations as the outcome affected the beneficiation of iron ore, in which the DMR has a vested interest.

The final agreement has delivered an average saving to the company on the cost per tonne of iron ore, and it is the DTI's position that this should be passed on to steel customers. However, loss of competitiveness and profitability means we are not in a position to entertain a wholesale development steel pricing regime. Reducing the excessive cost of raw materials such as iron ore, while important, is just one part of a medium-term strategy to return the company to profitability. It does not, in itself, solve the challenges we face regarding competitiveness and profitability. We continue to have an ongoing dialogue with the DTI on the issue of pricing. It should be noted that special projects, import replacement and export encouragement are all considered on their merits when 'developmental' prices are requested by our customers.

Deepening our engagement with government

We are committed to a process of open engagement and dialogue with various levels of government. The stakeholder engagement plan developed during the year focuses heavily on engagement with government on a number of key issues.

Through this engagement we hope to develop dialogue with government. Our goal is to foster greater understanding of the pressures facing our business and the opportunities we have to contribute to the ongoing development of the country.

We have categorised different levels of government stakeholders.

Level 1

- Department of Trade and Industry (DTI) – engage on issues of stimulation of the downstream steel industry, security of supply (including SIOC) and steel pricing
- Department of Mineral Resources (DMR) – engage on issues of security of iron ore supply, particularly the Kumba relationship
- Ministry of Economic Development – engage on the issue of longer-term investment plans, impact of rising energy costs and carbon tax
- Ministry of Water and Environmental Affairs – engage on environmental projects, and new legislation
- Ministry of Energy – engage on energy efficiency programmes, including the gas regulations
- Departments of Education, Science and Technology, and Health – engage on issues of skills development, job creation and opportunities for public-private partnerships

Levels 2 and 3

This includes provincial and local government with whom we engage on issues of skills development and job creation; corporate social investment projects; and public-private partnership opportunities.

Engaging government and the public on restarting the EAF

During February 2013, the fire at Vanderbijlpark Works brought steelmaking to a halt. In order to mitigate the impact of supply disruptions we lodged a formal application to the Department of Environmental Affairs as well as the Sedibeng District for the variation of the Atmospheric Emission Licence (AEL). These engagements led to a public participation process and the approval of the variation to the AEL. We sought the support of Emfuleni municipality, local community stakeholders and the Gauteng Department of Agriculture and Rural Development (GDARD) to temporarily restart the electric arc furnace (EAF) which was switched off in October of 2012. We also engaged closely with the Sedibeng District Municipality, DTI and the Department of Economic Development. All stakeholders were immensely supportive of our efforts to recover quickly from the effects of the fire and meet market demand.

Education partnerships

The tripartite partnership between ArcelorMittal South Africa, Department of Education and Department of Science and Technology is just one example of a successful public-private partnership (PPP). The ArcelorMittal South Africa science centres in Sebokeng, Saldanha and Newcastle are housed within premises owned by Department of Education and facilitate easy access and daily communication between the Department of Education and the science centres.

The Department of Science and Technology sponsored the inclusion of mobile laboratories at the three science centres as well as at rural schools whose learners are not able to easily reach the centres.

We also collaborated with the Department of Education in delivering the Mandela Park Primary School to 1 200 learners in Mthatha.

ArcelorMittal South Africa partnered with government in delivering the new Mandela Park Primary School to the Slovo Park community in Mthatha, Eastern Cape.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Managing our people

Managing our people

Our employees are one of our most important stakeholder groups. They play a central role in helping the company to achieve its goals and objectives. We are committed to focusing on sustainable employee development and retention to ensure future growth.

Key features of the labour environment during the year under review

South Africa's labour environment was characterised by a wave of strikes across a number of sectors during 2013. Given the fact that the company was due to engage labour and unions in wage discussions during the year, we had included the possibility of strike action as one of our top three human resource risks. However, we successfully concluded wage negotiations during the year without any labour unrest.

The year also saw a number of changes being finalised to amend the skills development legislation governing the payment of skills development levies.

Proposed amendments to legislation governing the Sector Education and Training Authorities (SETAs) will mean that companies can only claim back 25% in mandatory skills levy, compared to the 50% previously claimable. While this will have a material impact on the skills development costs that the company can recoup from the SETAs, we will not be reducing skills development spend as a result, and will continue to invest in training as a driving business imperative.

The Labour Relations Amendment Bill was passed by parliament in August 2013 and will most likely be implemented in Q2 2014. In terms of the Bill, employees of labour brokers will be regarded as permanent employees of a company if they earn below a certain threshold and are employed as workers for that company for a period of more than three months. As such, they will be entitled to the same benefits as ordinary full-time employees.

We are currently in the process of conducting an impact study to determine the full extent to which this new legislation will affect the company. The outcomes of this study will inform the provisions made to ensure we comply with the Bill, and the changes that need to be made to existing and future labour broking contracts.

Finally, amendments to the Employment Equity Bill are expected to introduce stricter penalties for failure to meet EE plan targets.

Our key human resource-related issues

We have identified five strategic imperatives relating to human capital. These reflect the key concerns of our employees, the business risks arising from people-related issues and the role that employees play in driving the achievement of our strategic goals. They are summarised below:

1. Labour productivity
2. People development
3. Talent retention
4. Employment equity
5. Employee engagement

Labour productivity

The rising cost of labour, energy, raw materials and logistics has intensified our need to drive improved productivity, optimise our assets and contain costs to ensure we remain competitive.

Programmes to drive the achievement of these strategic objectives necessarily have an impact on our employees. As a result we have redeployed some employees from retired assets. These employees have either replaced contracted labour in key positions or filled critical vacancies.

Our asset optimisation programme focused primarily on Vanderbijlpark during the year – in particular on the electric steelmaking and cold rolling facilities. While the company received permission to temporarily restart the EAF in order to meet customer demands following the fire, this was only for a period between April and June 2013. Thereafter the EAF was again shut down in line with the 2012 compliance notice received from environmental authorities to shut these operations (see the *'Environmental responsibility'* chapter on page 73). The cold rolling facilities were closed due to lower volume demand driven by the depressed steel market.

This closure affected a total of 356 employees. Following a comprehensive engagement programme with labour and unions, 28 employees elected to take voluntary separation packages and 261 were successfully redeployed.

We will measure overall productivity improvement between 2014 and 2016. The achievement of these targets will depend on, amongst other things, our ability to successfully manage hired labour, contractors and overtime. We continue to track and monitor the cost of full-time equivalent (FTE) workers at each of our operations against budget.

We successfully introduced a salary deferral process for package category employees during the year, with employees agreeing to receive a profitability-linked salary increase in December instead of during the normal April review cycle. This increase was aligned to a 5.7% salary increase budget measured against an ebitda target of R1 265 million at the end of Q3. This target was successfully achieved and the deferred salary increase implemented in December 2013.

People development

Skills development remains a key area of focus and we continued to invest significantly in training and development, conducting in excess of 230 187 hours of training during the year at a cost of R138.1 million.

Our most pressing skills development challenges arise from a national shortage of engineering and technical skills, and the fact that a high proportion of our artisan pool is nearing retirement (some 7% of production staff are due to retire in the next two years and 38% of artisans have less than five years' experience). Training also focuses on developing a robust leadership pipeline to ensure we have the skills needed for future succession planning, and growing our pool of black talent in order to meet B-BBEE targets.

Building a technical skills pipeline
In line with a commitment to developing the national technical skills pool, ArcelorMittal South Africa has historically developed more technical skills than is necessary to meet its own requirements.

During the year budgetary constraints forced us to curtail this investment. However, our technical training pipeline is still more than sufficient to meet our own technical skills needs.

Various programmes focus on the development of learners, apprentices, artisans, technicians and engineers, and include bursary and candidate programmes:

Pipeline	Enrolled during 2013	Current pipeline – Total numbers
Engineering bursars	26	106
Candidate engineers	18	61
Technician bursars	0	31
Candidate technicians	7	66
Apprentices	234	574
Candidate artisans	30	95
Production learners	26	813
Graduates in training	10	18
Learner technicians	41	58

Leadership development

Our leadership development programmes build leadership and management capacity among existing and future leaders. These programmes include:

Leadership development programme	Successfully completed
Future Finance Leadership Programme	8
Core Leadership and Management Skills Programme	910
Junior Management Programme	269
Women in Leadership	3
Explore	28
Challenge	16
Pioneer	4
Virtual Knowledge Sharing Programmes (artisan to technician conversion)	50

Talent retention

The high cost of recruitment, together with the scarcity of business-critical technical skills, makes talent retention a key priority for the business. Our voluntary resignation rate is 4% – the same percentage recorded in 2012 and still within our annual benchmark of 5%.

However, it is important that we understand employees' reasons for leaving. Exit interviews provide us with invaluable insight into the drivers of employee resignation. During the year, a combination of reasons for leaving emerged. These indicated that our retention challenges are chiefly caused by uncompetitive remuneration and organisational culture.

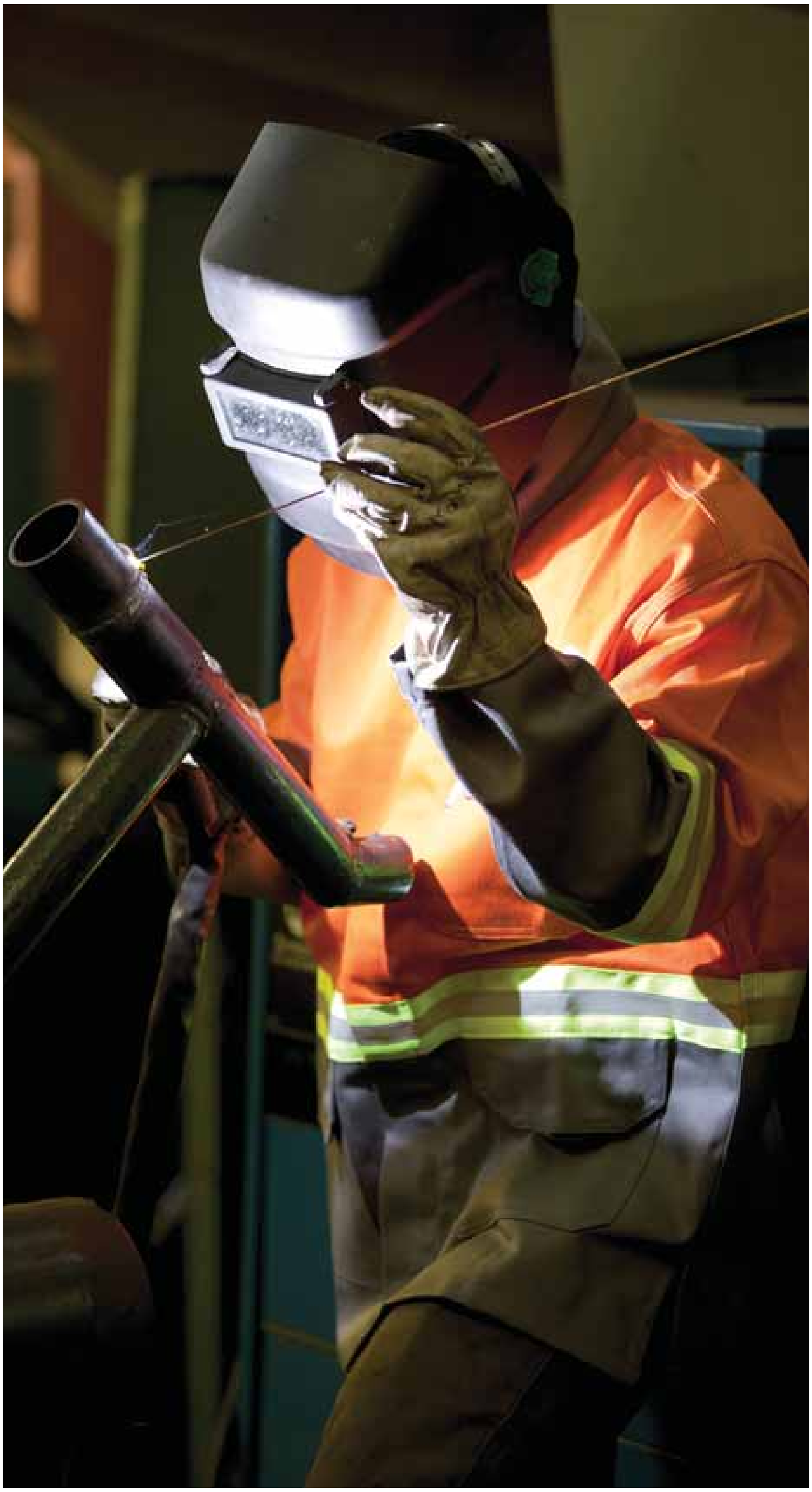
- **Remuneration**

Salary market benchmarks were adversely affected by the economic slowdown in 2008 and our subsequent salary freeze in 2009. In addition, our plan to defer the general pay increase to December 2013 may have increased pay disparity with the market. We continue to conduct bi-annual salary benchmarking exercises and to drive home the message that improved productivity will drive profitability, which in turn will benefit all employees. For full details regarding remuneration, please see the *'Remuneration, social and ethics report'* on page 90.

- **Culture**

We launched a Barrett Culture Transformation programme during the year to build a company culture in which all employees can thrive and are supported and empowered to contribute to our many business improvement initiatives.

We undertook an extensive survey among management and employees to gain a clear understanding of the values of individuals; the collective perception of the current culture; the impact of leadership on organisational culture; and the desired culture for the company.



Technical skills training forms an important part of our skills development and training focus.

Information gathered from this survey will assist us in developing a clear set of values and guidelines for leadership and culture transformation, and a roadmap for implementation. This programme will continue in the year ahead.

During the year we also extended the medium term incentive plan, started in 2012, to other critical areas of the business to curb the loss of critical scarce skills.

Employment equity

The period for our current Employment Equity plan (EE) came to an end in September 2013 and we are due to submit a new plan in Q3 2014. This will be influenced by the recent amendments made to the Department of Trade and Industry (DTI) Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice and the Employment Equity Bill.

A review of the progress made on our 2010 – 2013 EE Plan shows that while some improvement in our EE profile was evident between 2010 and 2011, the 2012 and 2013 periods were stagnant. This is largely due to the hiring freeze in 2012 and early 2013. In 2013 we conducted a workforce analysis (manning point analysis), the results of which led to a 23% downward adjustment in our EE numerical goals.

Tough trading conditions have also hampered our growth plans and employment and promotion opportunities for employees. The war for technical talent and the shortage of African, Indian and Coloured (AIC) candidates means we continue to lose engineers, technical people, AIC professionals and experienced managers.

While we face challenges in meeting our EE targets at the top and senior management levels, we have fared better at levels below. Appointment and promotion of executives into top management positions is decided upon at ArcelorMittal group level. This means that top management will include foreign nationals who are on leadership rotation assignments based on their expertise and the country requirements. However, this policy is not applied to the exclusion of the appointment or promotion of local talent into leadership positions. In addition, our talent management processes and succession plans are under constant scrutiny to ensure that our recruitment and promotion strategies are implemented in line with our employment equity and diversity and inclusion policies. A holistic approach to AIC recruitment and skills development plays a central role in helping us to grow a pipeline of diverse talent.

All non-AIC appointments at levels E and above are elevated to the CEO for approval and line managers are measured on EE progress, which influences their performance bonus.

As at 31 December 2013, permanent employees, which exclude temporary staff, numbered 8 713 of which 57% is black (2012: 57%).

In the year ahead we will continue to emphasise the internal development of talent. Where opportunities for recruitment arise, the focus will be on AICs and people with disabilities, particularly at middle and senior management levels.

Employee engagement

We recognise that our employees are operating in tough working conditions in a volatile market, and that this can have a significant impact on morale. We continue to engage in open two-way communication with employees and their union representatives to ensure we understand their concerns and provide them with feedback on how we are addressing them.

During the reporting period a number of events such as the Vanderbijlpark fire, the closure of the EAF as well as the closure of other plants and subsequent redeployment of personnel tested our relationship with organised labour. In spite of these challenges, we managed to maintain good relationships with unions and secured a wage settlement at an average of 7.5% adjustment without labour unrest. This represents the achievement of a key human resources goal set in 2012.

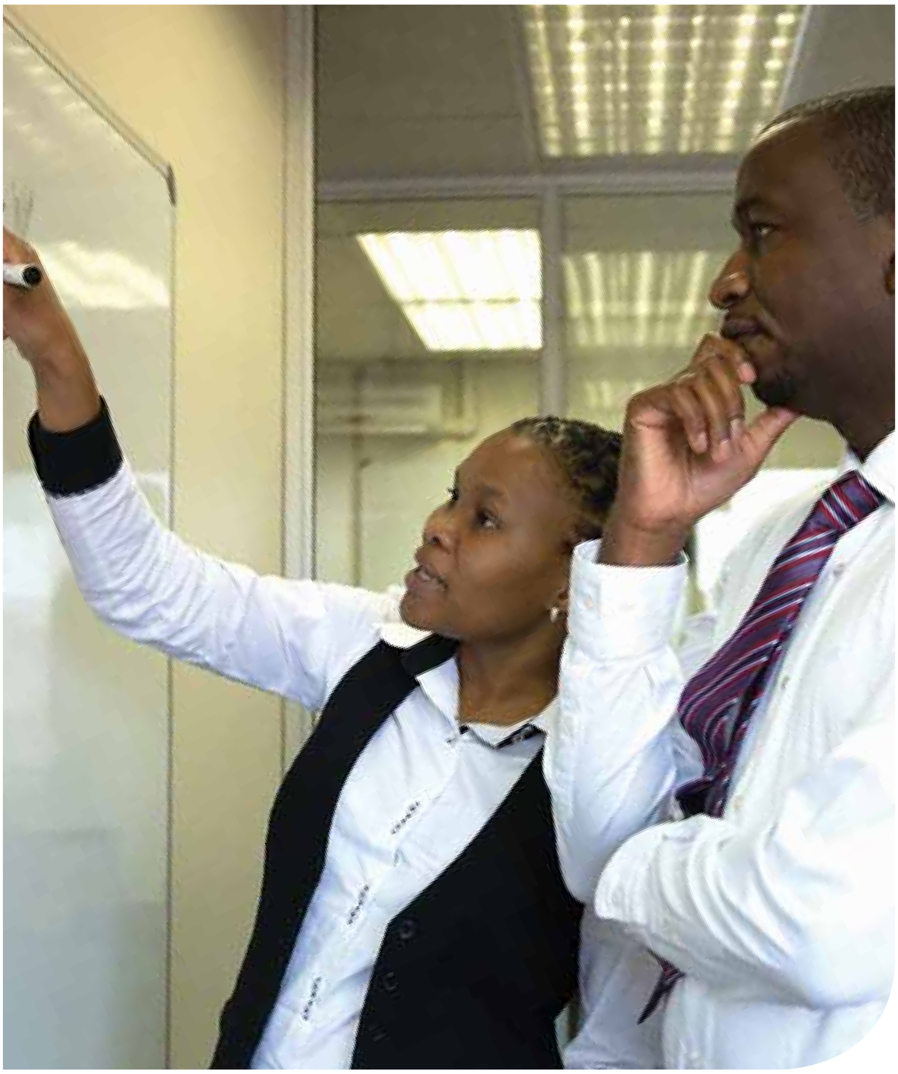
Organised labour still represents 86% of the workforce and in the year ahead we will build on the existing relationships we have with Numsa and Solidarity to renegotiate a peaceful wage settlement.

The exit interviews and Barrett Culture survey outlined in this chapter are just two examples of proactive ways in which we engage with employees. Further information can be found in the '*Stakeholder engagement*' table (page 20).

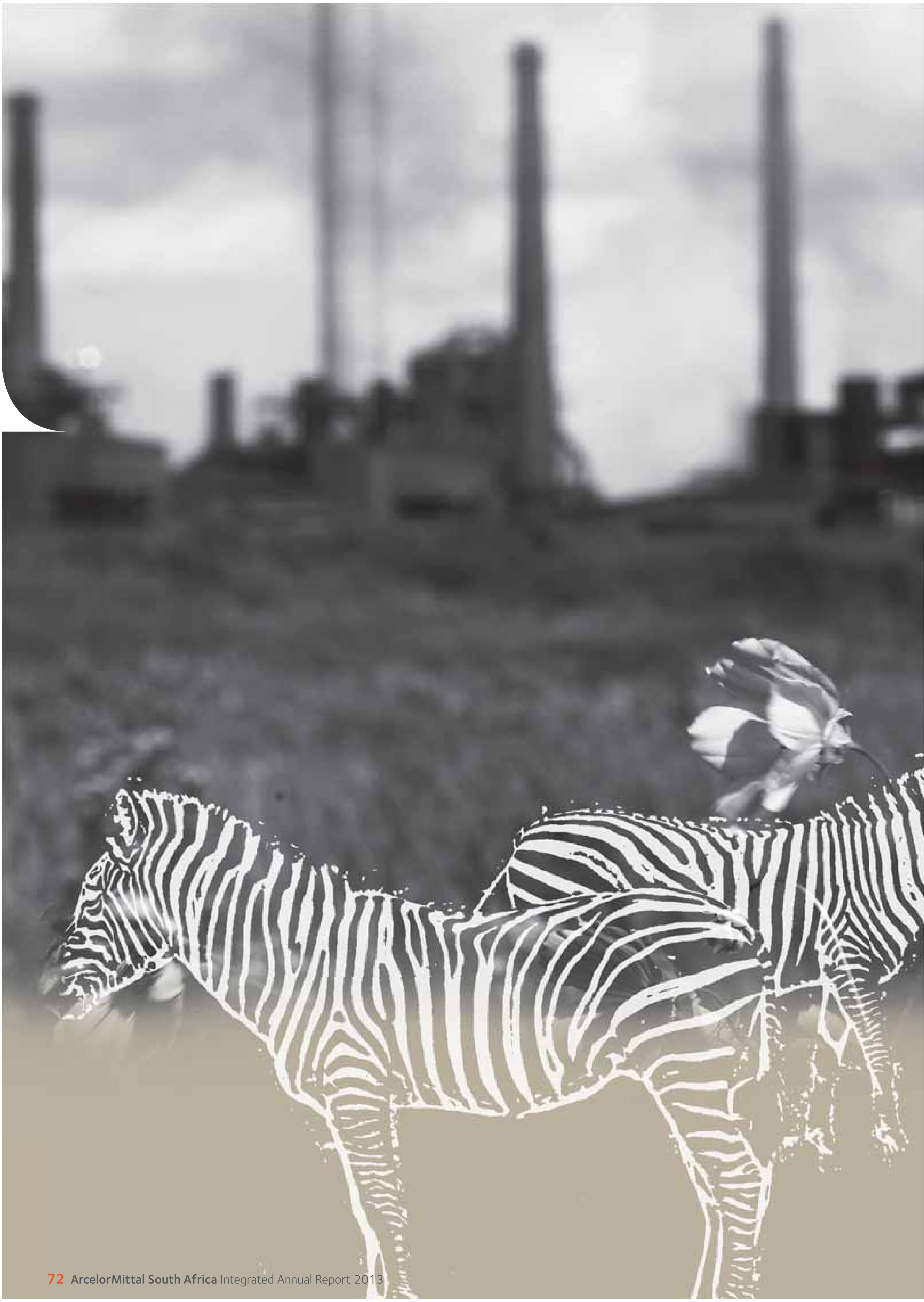
For more HR information

Our sustainability report can be accessed online at **www.arcelormittal-reports.com/reports/ar_2013/sustainability/index.php**, and contains further detail on:

- How we manage human resources
- Human resources practices and policies
- Human resources statistics (workforce profile, diversity profile, training stats)
- Key human resources programmes and initiatives undertaken during the year under review
- Human resources targets for the year ahead.



Increasing the representation of black male and female employees in top and senior management levels remains a focus.



Environmental responsibility

Environmental responsibility

Protection of the environment is both a business imperative and a matter of good corporate citizenship. Steelmaking carries an unavoidable environmental footprint and we are driven by our value system and the need to comply with increasingly stringent environmental legislation to manage and reduce this impact as far as possible.

Our most pressing material environmental issues are listed below. These are informed by issues of legal compliance, the concerns of stakeholders, key business risks relating to our environmental footprint and our most significant environmental impacts.

- Promotion of Access to Information Act (PAIA) request for the Vanderbijlpark Environmental Master Plan and Vereeniging Green Scorpion audit information (PAIA matter)
- Proposed carbon tax policy and legislation
- Energy efficiency
- Compliance with air emissions standards
- Waste disposal
- Water management
- Rehabilitation of legacy sites – addressing soil and groundwater pollution
- Capital constraints
- General compliance with environmental legislation

PAIA matter

During the year, the Vaal Environmental Justice Alliance (VEJA), together with the Centre for Environmental Rights (CER), sought to obtain access to the Vanderbijlpark Environmental Master Plan and the Green Scorpions documentation relating to the closure of the Vaal Waste Disposal Site, under the Promotion of Access to Information Act (PAIA).

The Environmental Master Plan was researched and written for internal purposes and dates back to 2002. The detailed results of an audit of this kind are a confidential matter and we believe that this document must be viewed in this light. Furthermore, significant changes in the environmental legislative framework recently introduced have led to more stringent environmental controls, thus rendering the Environmental Master Plan outdated and irrelevant. On this basis, combined with other arguments, we refused VEJA's request for access to the documentation.

In response, VEJA initiated High Court proceedings against the company and a hearing took place on 3 June 2013. On 10 September 2013, the South Gauteng High Court ruled against ArcelorMittal South Africa in this matter. On 1 October 2013 we served notice for leave to appeal and such leave was granted on 9 December 2013. The judgment of the High Court is suspended till the appeal process is concluded. The hearing is expected to take place at a still to be determined date during 2014 in the Supreme Court of Appeal.

Carbon tax legislation

In May 2013, the National Treasury published an updated carbon tax policy paper, which proposes that a carbon tax of R120 per tonne of CO_2 emitted be introduced from 1 January 2015, with a proposed 10% per annum increase. During the Minister of Finance's Budget Speech, on 26 February 2014, it was announced that the proposed tax has been postponed till 2016.

The current proposal will have a significant financial impact on the already high cost base of producing steel, adding an estimated R630 million per annum to our costs. This is based on a 70% exemption and our steel production of around 5 million tonnes.

While the company appreciates that government's aim in introducing carbon tax is to change industry behaviour and reduce South Africa's carbon footprint, the reality is that there is limited scope for steel producers to reduce carbon emissions. Existing technologies simply do not allow for more carbon efficient alternatives and there are no new technologies available either.

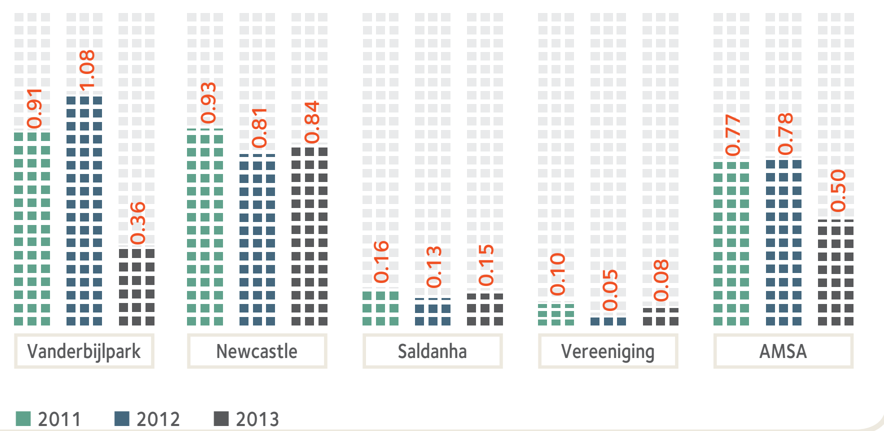
Until alternative, cleaner methods of steel production are available, we will remain unable to contribute to government's goal of lowering South Africa's carbon emissions. This makes the proposed carbon tax particularly punitive for manufacturing industries at a time when these sectors are struggling to remain globally competitive, especially sectors like ours which may not be able to pass the costs on to the consumer. Most competitor developing and developed countries have not levied a price on carbon, or where they have, such taxes are not as financially disproportionate as the one proposed for implementation in South Africa. It is our firm belief that the introduction of the carbon tax in its proposed form will contribute to the further de-industrialisation of the country at a time when it can least afford it.

Improve energy efficiency

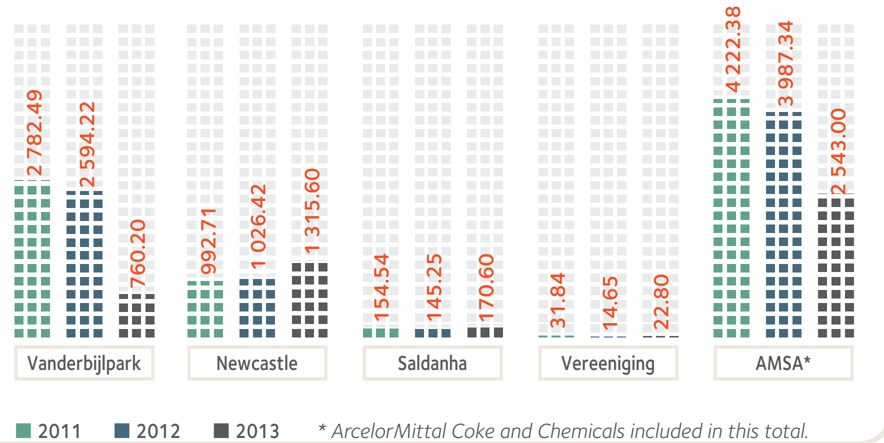
Carbon emissions are mainly a result of energy consumption and a carbon tax will therefore also add to the cost of energy, which is currently our fastest increasing input cost. Between 2008 and 2012, energy costs (including industrial gases) increased 149%. Local electricity utility, Eskom, is out of capacity and although two new large coal-fired 5 000MW-power stations (Medupi and Kusile) are under construction, their progress was hampered by labour unrest and strike action during the year.

The tariffs for natural gas will be become partially regulated by the National Energy Regulator of South Africa (NERSA) in 2014. All indications are that large energy consumers such as ourselves will see a tariff increase substantially higher than inflation on top of our standard contracted escalations.

Particulate emissions ArcelorMittal South Africa (kg/tonne liquid steel)



Particulate emissions ArcelorMittal South Africa (tonne/annum)



Collectively these factors have driven an intense focus on energy efficiency across the company. Efficiency improvements implemented to date, such as new lighting and load shift management, have delivered small incremental savings. Annualised savings of R70 million on electricity, R24 million on natural gas and R12 million on industrial gasses have been achieved. The decommissioning of the EAF in Vanderbijlpark reduced our load by an average of 70MW compared to 2012.

The capital required for the blast furnace gasholder and boiler in Vanderbijlpark, which will increase our power generation capacity, could not yet be allocated. This was due to other more necessary investments to ensure stable sustainable operations.

A targeted strategic drive with major capital investments is however required if we are to make a real impact on managing energy costs.

We are investigating alternative suppliers for electricity and gas at affordable prices. This includes a potential supply agreement with an independent power producer developing an 800MW power plant on the West Coast.

We have also identified a number of mitigation options to address the increase in energy cost per tonne of liquid steel, either by replacing natural gas or by generating our own electricity. Through the implementation of these plans we are seeking to deliver savings in line with our strategic internal improvement programme to drive profitability.

Emissions to air

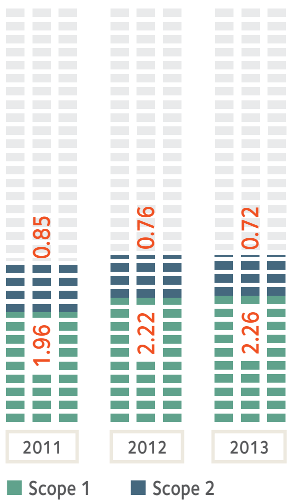
The Air Quality Act carries strict standards and timelines for companies to comply with. Our most significant air emissions are particulates – it is a key priority that these fall within the legislative compliance limits.

Overall point source particulate emissions have reduced to 0.50kg/tonne of liquid steel (2012: 0.78kg/tonne of liquid steel). This represents an absolute year-on-year reduction of 1 444 tonnes.

The sinter off-gas treatment plant at Vanderbijlpark Works reached its full emission reduction potential during the year, contributing significantly to the vast reduction in particulate emissions. The closure of the EAF (except for the period between mid-May and end-June 2013 following the Vanderbijlpark fire), also contributed to an absolute reduction in particulate emissions. However, this closure did not deliver a significant reduction in the amount of particulate emissions per tonne of crude steel produced, as steel production also dropped during the year.

Our total CO_2 emissions data, Scope 1 and Scope 2 were externally assured and verified for 2013. Scope 1: Raw material, mainly coal and gas (Ng and LPG) – 11.54 million tonnes; and Scope 2: Electricity – 3.66 million tonnes. The CO_2 intensity (million tonnes CO_2/million tonnes liquid steel) decreased slightly which can mainly be attributed to small-scale energy saving projects. As mentioned in the carbon tax

AMSA CO_2 emissions
($t\ CO_2/t$ Liquid Steel)



discussion, our potential to achieve significant CO_2 reductions is limited.

A site audit conducted by the Green Scorpions at Vanderbijlpark Works during the year highlighted some areas of concern regarding air emissions. We also received some community complaints about fugitive emissions, mainly at Saldanha Works.

We continue to investigate a range of projects to reduce air emissions. The need to implement these projects is necessarily balanced by the capital available to do so, and such projects will only be reported on as and when capital expenditure to implement them is approved.

Waste disposal

The Department of Environmental Affairs published new Waste Classification and Management Regulations in September 2013. This necessitated a review of some of our waste streams and the manner and locations at which we dispose of them may be affected in future, once the review is completed. In terms of the new classification system, the total concentrations of waste stream pollutants destined for landfilling need to be considered. This is a change from the previous system in which only the leachable concentrations were relevant. This could have a material impact on our waste disposal but final conclusions can only be drawn once all the new classifications are finalised.

During 2013, we received a delisting approval for Vereeniging's waste which was previously disposed of at the Holfontein waste disposal site (following the Green Scorpions' directive in 2007 to close the Vaal waste disposal site). This enabled us to dispose of this waste at our internal disposal site at Vanderbijlpark Works, delivering a considerable cost saving to the company. The delisting approval remained valid till the end of 2013, whereafter the new waste classification and management regulations apply. After applying the new classification and management regulations to the Vereeniging waste streams, the outcome was that the disposal at Vanderbijlpark could continue with the exception of one waste stream.

Demand for our by-products remained subdued during 2013, resulting in a situation where our disposal rates did improve but not to the extent we had hoped. The main reason for this was the poor economic situation, particularly in the construction-related sectors where most of our by-products are utilised.

Water management

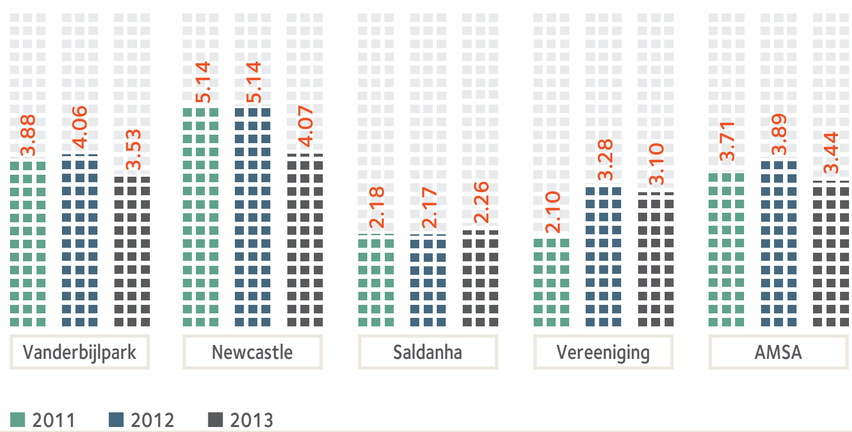
A key water management focus is to achieve zero effluent discharge status (ZED) at Newcastle Works (Saldanha and Vanderbijlpark are already ZED plants). We have to date invested R400 million in this project, which is on track to be fully operational by July 2014.

Unstable operations at our Vanderbijlpark Works have placed tremendous pressure on our water treatment facilities and on 21 November 2013 a discharge of effluent occurred. The discharge was contained within 10 hours to restore ZED status and the Department of Water Affairs was informed about the situation as per the Water Use Licence requirements.

We made good progress towards the completion of phase 1 of the Vanderbijlpark Works Coal Water Treatment project. This project involves the installation of gravel filters to improve the treatment of water from our coke making facilities, and was commissioned in October 2013.

During the year we also continued to monitor sulphate and chloride levels from our Pretoria Works. Some minor initiatives were successfully implemented but whether this success can be sustained will only be evaluated during the 2013/14 rainy season.

Fresh water intake (kℓ/tonne liquid steel)



Total water intake was significantly lower on the previous year at 17.5Mkℓ (2012: 19.8Mkℓ), and fresh water intake per tonne of crude steel produced decreased from 3.89kℓ/tonne in 2012 to 3.44kℓ/tonne in 2013.

Capital constraints

Lack of capital remains one of the key challenges we face in moving forward with our environmental management improvement plan. We share in the frustration that many stakeholders feel at the slow progress being made on certain environmental projects, but while the global steel industry grapples with one of its most significant downturns in recent years, we will continue to prioritise capital and investment in environmental projects that ensure legal compliance.

Rehabilitation of legacy sites – addressing soil and groundwater pollution

We continue to invest in the rehabilitation of 'legacy sites' that carry the risk of soil and groundwater pollution.

The remediation of the legacy dump at Newcastle was completed at a cost of R15 million. Vanderbijlpark Works continued to make good progress with its rehabilitation and remediation projects. Two-thirds of the old slag disposal areas are rehabilitated and the Dam 10 remediation is completed. Current work focuses on the old disused maturation ponds used for storage of coke-making effluent, and dams 1-4 which were used for the storage of leachate from the old slag disposal site.

For more environmental management information

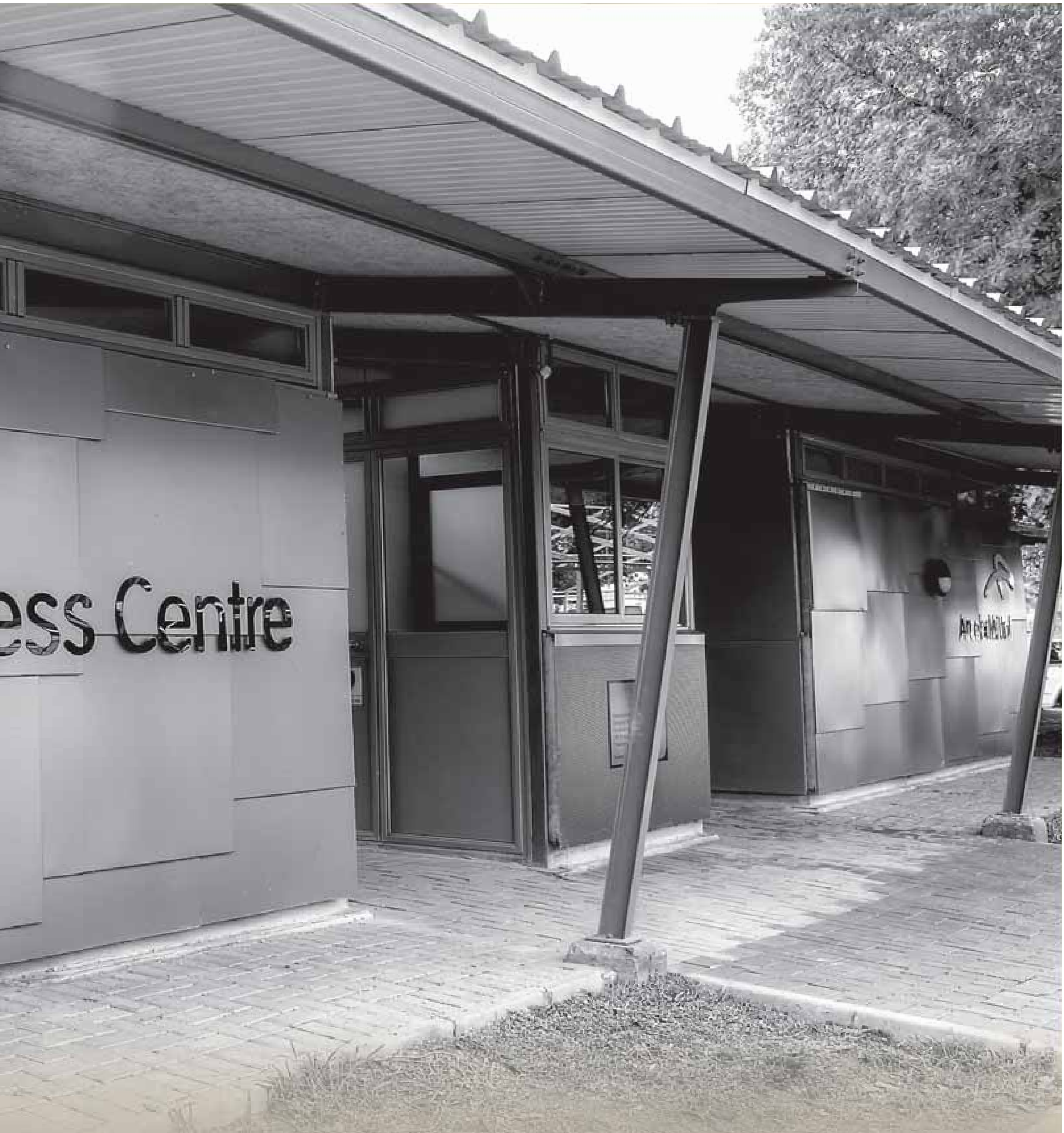
Our sustainability report, which can be accessed online at **www.arcelormittal-reports.com/reports/ar_2013/sustainability/index.php** contains further detail on our:

- Systems to manage environmental impacts
- Environmental practices and policies
- Full environmental statistics on all major indicators
- Other environmental initiatives undertaken during the year under review
- Environmental targets/initiatives for the year ahead.

The sinter off-gas treatment plant at Vanderbijlpark Works reached its full emission reduction potential during the year.

Water management, and the achievement of zero effluent discharge status, remains an ongoing environmental focus.


Reamohetse Wellne



Engaging with local communities

Engaging with local communities

Our operations have a significant impact on the environment and livelihood of the people living in local communities. Most of the people we employ come from local communities, but our influence extends beyond that of merely being an employer. It is important to engage with community members on certain aspects of our business that will affect them and their environment directly. Historically, relationships between the company and its communities were strained, but a sustained long-term commitment to meaningful community engagement is paying dividends. The ArcelorMittal South Africa Stakeholder Engagement Plan identifies communities as an important stakeholder and outlines the strategy and focus areas for engagement. (See the *'Stakeholder engagement'* table on page 20 for further detail.)

Community engagement gives us insight into community concerns regarding our operations and environmental impact, allowing us to address these directly. Doing so has an impact on our reputation and helps us secure a social licence to operate.

Addressing community concerns

We hold annual meetings with community leaders, local municipality, NGOs, local business representatives, ward councillors and special interest groups. These allow us to listen to community concerns, identify social development needs and provide community members with feedback on previous commitments and projects.

During the year we held these meetings in Bophelong, Boipatong and Sharpeville (near our Vereeniging and Vanderbijlpark Works) and with the communities surrounding our operations at Saldanha and Newcastle. The key concerns raised by communities, and our response to these, can be found online in our sustainability report.

Investing in community upliftment

Our community investments are channelled through the ArcelorMittal South Africa Foundation, and focus on the areas of education, healthcare and social upliftment. During the year we invested R37.4 million in corporate social investment projects (2012: R40 million). This investment far exceeds the 1% of net profit after tax proposed by the DTI Codes of Good Practice and illustrates our ongoing commitment to building strong partnerships with communities.

What follows is a synopsis of some flagship projects in each pillar:

Education

- Mandela Park Primary School, Slovo Park, Mthatha: this new school accommodates 1 200 learners and was built at a cost of R45 million to replace make-shift classrooms in this Eastern Cape community. It is equipped with a laboratory, media centre, administrative building with meeting rooms, staff room, reception area, computer room, sports ground, garden and vegetable tunnels and a fully-equipped nutrition centre. The school was handed over on Nelson Mandela Day in a ceremony attended by the Minister of Education.
- ArcelorMittal South Africa Science Centres: we ran a pilot Early Childhood Development (ECD) Open Day programme in all three of our existing Science Centres to extend their services to primary school educators from Grade R to Grade 7. The Science Centres have traditionally focused on high school learners, but evidence increasingly points to the importance of providing children with a good grounding in the sciences during the foundation phase of education. Feedback received from educators who attended the open day will be used to inform the development of a series of educator workshops in future.

Health

- Reamohetse Wellness Centre, Sebokeng: during the year we handed over this R13 million state-of-the-art wellness centre to the Sebokeng community and the Gauteng Department of Health. The facility addresses the shortage of adequate healthcare facilities in the Vaal Triangle and provides integrated HIV and TB medical treatment and care, as well as a range of other healthcare services for men and women. In line with our CSI policy, the centre was built using local labour and provided job opportunities and training for 36 local community members.
- Katleho Home for the Mentally Ill and Physically Disabled: working in partnership with local NGOs and other private sector companies, we helped to rebuild this facility in Evaton, which houses 26 mentally and physically disabled adults and children. The original building had fallen into a state of disrepair and was unfit for human habitation.

Social upliftment

- Impilo Social Grants: during the year we invested R1.8 million in various social investment initiatives that form part of this programme. These projects benefit orphans and vulnerable children, the disabled, the elderly, people affected by extreme poverty and those living with HIV.
- Re-roofing project: we continued with our project to re-roof houses in the Bophelong and Boipatong communities. During the year we replaced asbestos roofs on 48 houses with galvanised steel roofs. This has paved the way for a commitment from Eskom to install solar geysers in these homes now that the structures have safe, stable roofs.
- Housing project: we constructed two 'test' houses in Bophelong using steel technology and are currently in the process of assessing local contractors who will be able to roll-out a similar project in Newcastle in the year ahead.

For more information on our community work and impacts

Our sustainability report, which can be accessed online at **www.arcelormittal-reports.com/reports/ar_2013/sustainability/index.php** contains further detail on:

- Structures to manage community investment
- Community investment practices and policies
- Further detail on other community investment projects across all pillars
- Community investment goals for the year ahead.

The new Mandela Park Primary School in Mthatha, built at a cost of R45 million, includes a media centre and computer room.


ArcelorMittal

Corporate governance

Company leadership

Mr PM Makwana *(Mpho) (43)*
Independent non-executive chairman
BAdmin (Hons)
Appointed as independent board chairman and chairman of the nominations committee on 5 February 2013. Immediate past chairman of Eskom Holdings, 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, Sephaku Holdings Limited, Nedbank Group Limited and Nedbank Limited.

Dr HL Rosenstock *(Hans) (53)*
Acting chief executive officer (CEO)
Degree in Physical Engineering (Dipl.-Ing.) – Technische Universitaet Clausthal, Germany, (Dr.-Ing) Rheinisch Westfaelische Technische Hochnische Hochschule Aachen, Germany.
Following Ms N Nyembezi-Heita's resignation as director and CEO on 18 February 2014, Dr HL Rosenstock was appointed as director and acting CEO while the board embarks on a search for a permanent CEO. Since 2003, he was successfully COO of Mittal Steel Ruhrort and Mittal Steel Hochfeld, COO of ArcelorMittal Galati, COO of ArcelorMittal Rodange & Schifflange and later CEO of ArcelorMittal Duisburg. In 2011 he held the position of COO and vice-chairman of the board at ArcelorMittal Ostrava before moving to the position of COO of ArcelorMittal South Africa in 2012. He was also recently appointed as vice-president of the ArcelorMittal group.

Mr MJ Wellhausen *(Matthias) (56)*
Chief financial officer (CFO)
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 the 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 ArcelorMittal, he led the integration office until 2006.

Mr LP Mondi *(Lumkile) (51)*
Non-executive director
MA Economics (Eastern Illinois University), BCom (Hons) Economics (Wits University)
Appointed non-executive director on 11 May 2007. Member of the remuneration, social and ethics committee. Chief Economist of the Industrial Development Corporation. Director of companies, including Yard Capital (Pty) Limited and Thelo Rolling Stock.

Ms N Nyembezi-Heita *(Nonkululeko) (54)*
Outgoing chief executive officer (CEO)
BSc (Hons) (Elec Eng), MSc (Elec Eng), MBA
Appointed as CEO and a member of the board on 1 March 2008 and resigned as director and CEO on 18 February 2014. She was previously chief officer, mergers & acquisitions, at the Vodacom group and prior to joining Vodacom, 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.

Mr DCG Murray *(Chris) (69)*
Independent non-executive director
BCom, CA, MBL
Appointed independent non-executive director on 11 May 2007. Chairs the audit and risk committee and is a member of the safety, health and environment committee, the remuneration, social and ethics 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).

Dr DK Chugh *(Davinder) (57)*
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. Dr Chugh has over 35 years of experience in the steel industry in general management, materials purchasing, marketing, logistics, warehousing and shipping. Dr Chugh is a senior executive vice-president of ArcelorMittal, member of the ArcelorMittal group management board, responsible for shared services. He is also a member of the investment allocation committee.

Before becoming a senior executive vice-president of ArcelorMittal, he served as the CEO of Mittal Steel South Africa until 2006. He also served as director of commercial and marketing at Mittal Steel South Africa, among other positions. Dr Chugh was vice-president of Purchasing in Mittal Steel Europe until 2002, where he consolidated procurement and logistics across plants in Europe.

Adv FA du Plessis *(Fran) (58)*
Independent non-executive director
BCom, LLB, CA(SA), BCom (Hons) (Taxation)
Appointed as independent non-executive director on 4 May 2011. Ms du Plessis is an advocate of the High Court of South Africa. She holds a number of board positions, namely at Naspers and Life Healthcare. Adv du Plessis has previously held non-executive directorships at Sanlam, SAA and Industrial Development Corporation of South Africa Limited. She is a director of the auditing firm LDP Incorporated in Stellenbosch and an ad hoc lecturer in the department of accounting at the University of Stellenbosch, where she lectures the Masters Degree in Taxation. She chairs the safety, health and environment committee and is a member of the audit and risk committee.

Mr S Maheshwari *(Sudhir) (49)*
Non-executive director
BCom (Hons) CA CS
Appointed as non-executive director on 25 November 2005. Previously a member of the management committee of ArcelorMittal group, responsible for finance and mergers and acquisitions. Before this, he was managing director, business development and treasury at Mittal Steel from 2005 until its merger with Arcelor in 2006, and chief financial officer (CFO) of LNM Holdings NV from 2002 until its merger with Ispat International in 2004.

Over his 23-year career with ArcelorMittal, Mr Maheshwari has also held the positions of CFO at Mittal Steel Europe SA, Mittal Steel Germany and Mittal Steel Point Lisas, and director of finance and M&A at Mittal Steel.

Mr JRD Modise *(Jacob) (47)*
Independent non-executive director
BCom (Wits), BAcc (Wits), CA(SA) MBA (WBS), AMP Harvard
Appointed as independent non-executive director on 1 October 2013. Chairs the remuneration, social and ethics committee and is a member of the nominations committee. Has served on the boards of various professional organisations including the Independent Regulatory Board for Auditors (IRBA) and the South African Institute of Chartered Accountants (SAICA). He has served on the board of Eskom as well as on a number of JSE listed boards such as MTN and Altron.

Mr GP Urquijo *(Gonzalo) (52)*
Non-executive director
Economics and Political Science (Yale) MBA (Instituto de Empresa, Madrid)
Appointed as non-executive director on 27 May 2011. Mr Urquijo is member of the Group Management Board of ArcelorMittal, responsible for Asia, Africa, Commonwealth of Independent States (excluding China and India); Distribution Solutions; Tubular Products and corporate responsibility. He was previously senior executive vice president and chief financial officer of Arcelor.

Ms NP Mnxasana *(Nomavuso) (57)*
Independent non-executive director
BCom, BCompt (Hons), CA(SA)
Appointed as independent non-executive director on 1 October 2013. Member of the safety, health and environment committee and the audit and risk committee. Served as Group Audit and Risk Head at Imperial Holdings Limited and currently serves on the boards of Winhold, Nedbank and the JSE.

Corporate governance and risk management 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 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 2009 (King Code). 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 provided on the website at www.arcelormittalsa.com.

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.

A major role is played by the board's audit and risk committee whose terms of reference include oversight of ethical issues, compliance, risk assessment, reports to shareholders (including financial statements) and statutory requirements on behalf of the board.

Internal audit is an independent, objective assurance and consulting activity designed to add value to and improve ArcelorMittal South Africa's operations. It assists the company in accomplishing its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The head of internal audit reports administratively to the chief executive officer and functionally to the chairman of the audit and risk committee, and head of group internal audit of the holding company ArcelorMittal Holdings AG. Internal audit follows a risk based audit approach and the internal audit programmes are updated on an ongoing basis to embrace leading practices, key learnings and changes within the organisation. The audit plan is annually approved by the Audit and Risk Committee of the board.

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 of reference. During the period under review, the following changes were made:

- the name of the social, ethics and remuneration committee was changed to the remuneration, social and ethics committee;
- the terms of reference for all the board committees were reviewed and amended;
- work plans for the board and board committees for 2014 were approved; and
- a review was conducted by the Institute of Directors (IoD) on the effectiveness of the board and its committees.

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 shareholders 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 MP Makwana, DCG Murray, JRD Modise, Ms NP Mnxasana 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 MJ Wellhausen, the chief financial officer).

Changes to directorate

Changes to the directorate are as follows:

- Mr MJ Wellhausen was appointed as chief financial officer, allowing Mr RH Torlage to focus on projects of a strategic nature, with effect 2 January 2013.
- Retirement of Mr MJN Njeke as independent non-executive director and chairman of the board with effect from 4 February 2013; succeeded by the appointment of Mr PM Makwana as independent non-executive director and chairman of the board with effect from 5 February 2013.
- Retirement of Mr M Macdonald on 29 May 2013.
- Resignation of Ms ND Orleyn on 1 October 2013.
- Appointment of Ms NP Mnxasana and Mr JRD Modise with effect from 1 October 2013.
- Resignation of Ms N Nyembezi-Heita as chief executive officer and director with effect from 18 February 2014 and the appointment of Dr HL Rosenstock as acting chief executive officer and director with effect from 19 February 2014.

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 nominations 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

Following Ms N Nyembezi-Heita's resignation as director and CEO on 18 February 2014, Dr HL Rosenstock was appointed as director and acting CEO on 19 February 2014. The board has embarked on a search for a permanent CEO and the process is well underway. 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 comprises 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 directors reasonably believe 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.

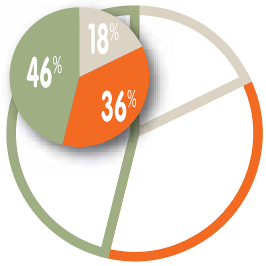
Retirement and re-election of directors

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 memorandum of incorporation. Messrs DK Chugh, GP Urquijo and Ms FA du Plessis retire and, being eligible, have offered themselves for re-election.

In accordance with the company's memorandum of incorporation, the appointment of Ms NP Mnxasana, Mr JRD Modise and Dr HL Rosenstock as directors of the board will be confirmed by shareholders at the forthcoming annual general meeting.

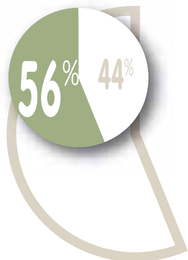
Board membership

- Independent non-executive directors
- Executive directors
- Non-executive directors



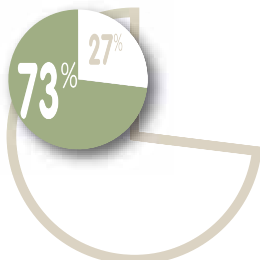
Non-executive directors' independence

- Independent non-executive directors
- Non-executive directors



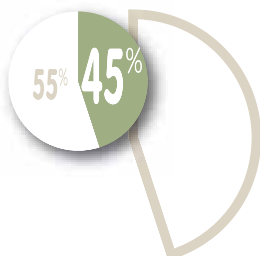
Board gender representation

- Male
- Female



Board diversity

- Black
- White



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. Attendance by directors at board meetings is set out in the table on below.

Board attendance

Name	Category	Board	Audit and Risk	SHE	Remune-ration, social and ethics	Nominations
Mr PM Makwana[4]	Independent	6/6[1]	N/A	2/3[2]	N/A	3/3[1]
Ms N Nyembezi-Heita	Executive	6/6	4/4[2]	3/3	4/4[2]	3/3[2]
Mr M Wellhausen	Executive	6/6	4/4[2]	N/A	N/A	N/A
Mr DCG Murray[6]	Independent	6/6	4/4[1]	3/3	4/4	3/3
Ms ND Orleyn[8]	Independent	2/4	1/1	N/A	2/2[1]	2/3
Ms FA du Plessis[7]	Independent	6/6	4/4	3/3[1]	N/A	N/A
Mr GP Urquijo	Non-executive	6/6	N/A	N/A	3/4[2]	1/3[2]
Mr DK Chugh	Non-executive	4/6	N/A	N/A	2/4	0/3[2]
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
Ms NP Mnxasana[9]	Independent	2/2	1/1	1/1	N/A	N/A
Mr JRD Modise[10]	Independent	2/2	N/A	1/1[2]	2/2[1]	N/A
Mr MJN Njeke[3]	Independent	1/1	N/A	N/A	N/A	N/A
Mr M Macdonald[5]	Independent	2/2	3/3[1]	1/1	N/A	N/A

Notes

1 Chairman.
2 Attended meetings by invitation.
3 Mr MJN Njeke retired as director, board chairman and chairman of the nominations committee on 4 February 2013.
4 Mr PM Makwana appointed as director, board chairman and chairman of the nominations committee on 5 February 2013.
5 Mr M Macdonald retired as director, chairman of the audit and risk committee and member of the SHE committee on 29 May 2013.
6 Mr DCG Murray appointed as chairman of the audit and risk committee on 29 May 2013.
7 Ms FA du Plessis appointed as chairman of the SHE committee on 29 May 2013.
8 Ms ND Orleyn resigned as director, chairman of the remuneration, social and ethics committee, member of the audit and risk committee and the nominations committee on 1 October 2013.
9 Ms NP Mnxasana appointed as director, audit and risk committee member and SHE committee member on 1 October 2013.
10 Mr JRD Modise appointed as director, chairman of the remuneration, social and ethics committee and member of the nominations committee on 1 October 2013.

Board committees

The board has established and delegated responsibilities to four board committees to assist in the board's discharge of its duties and responsibilities. Independent non-executive directors chair all standing committees. During 2013, all the committees held the minimum number of meetings. Details of number of meetings attended is set out in the table above.

Audit and risk committee

The audit and risk committee report as required in terms of section 94(7) of the Companies Act No 71 of 2008, as amended, is set out on page 110.

Remuneration, social and ethics committee

The remuneration, social and ethics committee report is set out on page 90.

Safety, health and environment committee (SHE)

Details of members and the number of meetings attended are set out in the table above. The SHE committee has been mandated to assist the board in ensuring sound management of safety, health and environmental matters.

The SHE committee appointed representatives of both Numsa and Solidarity as permanent invitees. The general managers of all business units, the 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.

Nominations committee
Details of members and the number of meetings attended is set out in the table on page 88.

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 by 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.

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 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 guidelines, which can be found online at **http://www.arcelormittalsa.com/Portals/0/Anti-Corruption%20Guidelines.pdf**, 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.

Statement of King Code compliance
The board, through the audit and risk committee, has satisfied itself with the extent of the company's compliance with the King Code for the financial year ended 31 December 2013.

The company complies with the King Code's recommendation of ensuring that the board comprises a majority of independent non-executive directors.

Compliance with the 75 Principles of the King Code is available on the company's website at www.arcelormittalsa.com.

Remuneration, social and ethics report

This report outlines our remuneration philosophy and provides detail on pay structures and how we reward executives, salaried and bargaining unit employees. It covers guaranteed and variable remuneration of salaried and bargaining unit employees, and the key decisions taken by the remuneration, social and ethics committee during the year under review.

The remuneration context in 2013

Sluggish steel demand, lack of recovery in the domestic market and the ongoing effects of the global economic recession contributed to another challenging year for the company. These challenges were added to by the fire at Vanderbijlpark Works in February of this year, which affected production for two months and impacted profitability.

It is within this context that the company has undertaken a strategic internal improvement programme to drive a return to profitability. Our goal is to deliver an improvement on ebitda to USD100 per tonne by 2015. (For full details on the elements of this strategy, see the *'Message from the outgoing CEO'* on page 28 and the *'Driving profitability'* chapter on page 57.)

We are confident that this strategy will allow us to regain a position of profitability, but it relies on a stringent focus on cutting costs and delivering on targets. Remuneration plays an important role in rewarding executives and staff for delivery on strategic business objectives, but this needs to be done within a context of business profitability and the creation of sustainable value in the business.

In this remuneration report we have sought to provide further transparency on how our pay policy is linked to business performance and the way in which share allocations to senior executives depends on their achievement of performance conditions.

Remuneration philosophy

Our remuneration philosophy seeks to balance the need to reward performance appropriately, fairly and competitively, and thereby attract and retain skilled employees, while remaining mindful of our accountability to deliver value to shareholders.

It is underpinned by the following principles:

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

We periodically review the remuneration philosophy to make sure it continues to be aligned with our evolving business strategy, changing market conditions and the corporate governance requirements of King Code. There were, however, no material changes made to the philosophy during the year under review.

Remuneration, social and ethics committee

The remuneration, social and ethics committee (RSEC) met four times in 2013 and was mandated by the board to develop and approve the remuneration policy as part of its responsibilities.

The social and ethics responsibilities of the RSEC are set out on page 100.

RSEC's membership, terms of reference and meeting attendance for the year under review can be found on page 88.

The following summarises key achievements and decisions made by RSEC during the year under review:

- successfully concluded peaceful wage negotiations with unions for bargaining unit employees;
- deferred the usual April pay increase and implemented a target-based increase if the business achieved a predetermined ebitda target;
- approved the 2013 bonus rules for management, which are aligned with the ArcelorMittal group policy guidelines;
- negotiated an agreement with labour unions to implement improved line-of-sight for the productivity bonus scheme for bargaining unit employees; and
- approved conditional share allocation to senior management based on the 2012 long-term incentive plan (LTIP) rules.

Pay design structure

Our pay structures are designed to align the value, significance and contribution of the job to the pay mix. A job evaluation system is used to assess each job's relative worth to the organisation, and this is then aligned to the pay structure.

This system means that 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 ensures we incentivise and reward high performance, while shifting a greater proportion of risk to top-level, higher-paid employees.

We embrace the total reward concept which incorporates fixed pay, short-term and long-term incentives. 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.

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 usually 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.

Over the past financial year, the global and local economic recession and sluggish demand for steel contributed to the company experiencing a reduction in revenues and profitability. These challenges were exacerbated by the fire at Vanderbijlpark.

It is within this context that the company postponed the annual April remuneration review process, focusing its attention on curbing costs and retaining jobs. However, the board approved a proposal for management to consider implementing a deferred pay process when the business achieved a predetermined ebitda target. This target was achieved at the end of September 2013, and employees received their salary increase and a once-off cash payment with effect from December 2013. The individual performance based pay increase was an average 3% adjustment from December 2013 and once-off cash equivalent backdated to April 2013. This increase was within the approved pay increase budget of 5.7% based on projected April 2013 inflation.

The remuneration of bargaining unit employees is negotiated with the National Union of Metalworkers of South Africa (NUMSA) and Solidarity. During the year we successfully concluded a one-year wage agreement of 7.4% with unions. This agreement was structured to differentiate employee pay increases based on grades, by allocating a higher pay increase of 9.95% to lower level employees backdated to 1 April 2013. Given that the agreement is for one year, we will begin the process of negotiating a new wage agreement with unions in Q1 2014.

Variable pay

Variable pay structures include the performance bonus plan, the productivity bonus scheme, the medium-term incentive scheme and the long-term incentive scheme. These allow us to incentivise, recognise and reward high-performing employees at all levels.

- **The performance bonus plan – package employees**
  The performance bonus plan gives package category employees an annual performance bonus based on their individual performance reviews.
  A performance scorecard is used to measure financial (ebitda and free cash flow) and non-financial (health and safety and business specific measures) performance, weighted respectively on a 70/30 basis. This is outlined in the table below, which also demonstrated the threshold, target and stretch levels to be achieved against the business plan. These limits are based on an assessed probability of achievement.

Role	Performance levels			Performance measures and weights				
	Threshold 80%	Target 100%	Stretch 120%	Ebitda	Free cash flow	Health and safety	BSM	**Total**
CEO and CFO	20.0%	40.0%	60.0%	40%	30%	10%	20%	100%
COO and GMs	15.0%	30.0%	45.0%	40%	30%	10%	20%	100%
Group managers	10.0%	20.0%	30.0%	40%	30%	10%	20%	100%
Managers	8.8%	17.5%	26.3%	40%	30%	10%	20%	100%

The business specific measures (BSMs) differ from one operation to another, but are aligned with the company's key strategic drivers and include the following:
- improving overall competitiveness through top-line growth;
- management gains;
- cost optimisation;
- working capital efficiency; and
- prudent allocation of capital expenditure.

The bonus participation for senior executives ranges from 15% (at 80% threshold) to 60% (at 120% stretch) of total cost-to-company. Individual performance scores are also used as multipliers to calculate the final bonus amount.

The current management bonus plan will remain in place for the duration of 2014.

- **The productivity bonus scheme – bargaining unit employees**
  The productivity bonus scheme is negotiated for bargaining unit employees with trade unions as part of wage negotiations. It seeks to drive improved productivity by rewarding bargaining employees for achieving monthly KPI targets that include:
  - safety;
  - throughput; and
  - quality.

The extent to which individual employee performance is measured against these three targets is determined by their ability to influence productivity in their area.

As part of wage negotiations with unions during the year, we further enhanced the line-of-sight for the productivity bonus scheme. In terms of these enhancements, the safety target will now be measured and rewarded separately from ebitda. This is the same principle that is applied to the short-term incentive scheme for salaried employees.

The productivity bonus payment is determined as a percentage of the monthly base salary and a maximum payment of 7% is applied.

- **The medium-term incentive scheme**
  The medium-term incentive scheme is aimed at retaining critical scarce skills in various key specialist positions below senior management. Participants need to be in the employment of the company 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 plan**
  The long-term incentive plan is a conditional share scheme that allows participating employees to acquire shares in ArcelorMittal South Africa. This supports 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 for designated members of the executive committee, if the company has 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 2013 we issued LTIP shares to eligible senior management and designated members of the executive committee. This share allocation also included 2012's delayed share allocation to designated members of the executive team.

The potential annual share allocation to senior managers and designated executives varies between 20% and 100% of cost to company. The RSEC also approved performance targets for ROCE and TCOE\t for the conditional shares issued to the designated executives comprising of CEO, and general managers which vest at the end of 2015. The achievement of these targets over the three-year period entitles designated executives to 100% of the LTIP allocation. The table on the next page details the vesting scale based on the percentage achievement of different performance targets.

Grant allocation as percentage of cost to company

AMSA GRADE	ALLOCATION %	CONDITIONAL SHARE AWARDS OF WHICH THE VESTING IS SUBJECT TO PERFORMANCE VESTING CONDITIONS	VESTING AT 80% OF TARGET PERFORMANCE (Assuming 80% of targets are reached in respect of both performance conditions)	VESTING AT ON TARGET PERFORMANCE (Assuming 100% of targets are reached in respect of both performance conditions)	VESTING AT OVER-PERFORMANCE TARGET (Assuming 120% targets are reached in respect of both performance conditions)	VESTING AT STRETCH PERFORMANCE TARGET (Assuming 140% targets are reached in respect of both performance conditions)
CEO	100%	100% of award	25% of 100%	50% of 100%	75% of 100%	100% of 100%
GMs	80%	100% of award	25% of 80%	50% of 80%	75% of 80%	100% of 80%
Group managers	30%	0%	Not subject to performance vesting – 100% vesting after 3 years			
Managers	20%	0%	Not subject to performance vesting – 100% vesting after 3 years			

LTIP shares allocated to senior management during 2013 are shown on page 99 of this report. The CFO and COO participate in the ArcelorMittal group share scheme according to international mobility policy.

The current LTIP plan will remain in place for the duration of 2014.

Executive retention

The remuneration, social and ethics committee (RSEC) has approved implementation of a once-off retention payment to designated executives. This retention amount is aimed at equalising ArcelorMittal South Africa LTIP performance share awards with Restricted Share Units (RSUs) awarded to peers at ArcelorMittal group. This once-off cash equivalent will be payable on the following basis:

- Payable at the end of three-year term i.e. similar to LTIP vesting cycle
- Early leavers for whatever reason will forfeit payment i.e. no good leaver provisions in the payout agreement.

The executive retention plan was implemented in September 2013 at a potential cost of R3.8 million and is payable to eligible executives in August 2016 based on above conditions.

Contractual arrangements

We do not have any fixed-term contracts with executive directors or senior executives, and there exists no 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 retire at the annual general meeting, but they are eligible for re-election.

During the year Mr M Macdonald and Mr MJN Njeke retired and Ms ND Orleyn resigned from the board of ArcelorMittal South Africa as independent non-executive directors with effect from 29 May 2013, 4 February 2013 and 1 October 2013 respectively. Mr PM Makwana was appointed as independent non-executive director and chairman of the board on 5 February 2013 and Ms NP Mnxasana and Mr JRD Modise were appointed as independent non-executive directors with effect from 1 October 2013.

RSEC 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.

A special resolution was approved by shareholders at the annual general meeting held on 29 May 2012 to increase the non-executive directors' fees by 6%. RSEC has approved the non-executive directors' fees for 2014, which will be tabled for shareholder approval by special resolution at the upcoming annual general meeting.

Remuneration of directors, prescribed officers and highest paid senior employees

Share-based payments

Equity settled share plan

Long-term incentive plan

The long-term incentive plan (LTIP) was adopted for the first time in 2012. The LTIP scheme was designed to replace the existing equity-settled share option plan. An LTIP is a conditional award of company shares offered to eligible senior employees. The shares only vest after a pre-determined period over which certain grant conditions must be met. The extent to which these grant conditions are met governs the number of shares that vest.

The number of LTIP shares granted is calculated in accordance with the employee's grading within the group and is approved by RSEC.

Designated members of the executive committee and senior management are eligible for participation in the scheme. LTIP shares granted to senior management will vest after three years. LTIP to the executive committee members only vest after three years provided that the prescribed performance conditions are met. Senior management receive shares subject to ongoing employment and individual performance. Proportionate awards will be made in the event of change of effective control of the company, retrenchment, retirement or death.

Upon vesting of the award, the company shall deliver the number of shares that have vested to the participating employee. The unvested units carry neither rights to dividends nor voting rights until the date of vesting.

The fair value of each unit equity-settled unit is determined using the market value at measurement date.

ArcelorMittal South Africa 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.

This scheme was 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 RSEC 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.

The administration of participant transactions of the both the share option and the LTIP are outsourced to EOH Human Capital Solutions Proprietary Limited, an external service provider.

There were no share option grants made in 2013 or 2012. For the purposes of valuing the existing options, the expected attrition rate was 12.01% (2012: 14.01%).

Key assumptions

For the purposes of valuing the LTIP grant the following assumptions were made:

	LTIP		Share options	
	2013	2012	**2013**	2012
Weighted average fair value on grant date (R)*	**40.47**	29.01	**n/a**	n/a
Expected attrition rate (%)	**12.01**	10.00	**12.01**	14.01
Charge to statement of comprehensive income (Rm)	**10**	1	**9**	16

** Market value of ArcelorMittal South Africa (which takes dividends into account) is used as the fair value.*

Shares available for distribution

	2013 million	2012 million
Opening balance	**39.2**	39.5
Utilisation	**(1.1)**	(1.0)
Releases, forfeitures, resignations	**0.3**	0.7
Closing balance	**38.4**	39.2

Reconciliation of outstanding LTIP units/share options

	LTIP		Share options	
	2013 million	2012 million	**2013 million**	2012 million
Outstanding at the beginning of the year	**1.0**	–	**4.5**	5.2
Granted	**1.1**	1.0	**–**	–
Expired/cancelled/forfeited	**–**	–	**(0.3)**	(0.7)
Outstanding at the end of the year	**2.1**	1.0	**4.2**	4.5

Exercisable options/units

	LTIP		Share options	
	2013	2012	**2013**	2012
Weighted average remaining contractual life in days at year-end				
Average days until fully vested	**895**	1 074	**197**	556
Average days until expiry	**n/a**	n/a	**2 754**	3 113
Weighted average prices applicable per transaction type				
Granted (R/unit)	**40.47**	29.01	**–**	–
Exercised strike price (R/unit)	**–**	–	**–**	53.38
Lapsed/cancelled (R/unit)	**–**	–	**96.54**	88.69
Outstanding (R/unit)	**32.50**	29.01	**88.29**	88.66
Details of outstanding options/LTIP units as at 31 December 2013 are as follows:				
Latest expiry date	**n/a**	n/a	**2 021**	2021
Exercise price range (R)	**n/a**	n/a	**53.38-250**	53.38-250
Number of outstanding units/options	**2 066 038**	990 928	**4 238 033**	4 511 068
Total proceeds to employees if exercised immediately (Rm)*	**77**	36	**–**	–
Total intrinsic value of out-of-the-money options (Rm)**	**–**	–	**(216)**	(238)
ArcelorMittal South Africa closing price at 31 December 2013 (R)	**37.3**	36	**37.3**	36

**Proceeds to employees should all options vest on 31 December 2013.*

***Hypothetically if all options were to vest on 31 December 2013, all options are out-of-the-money.*

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

	Options			
	Exercise price range 2013 R	**Outstanding numbers 2013**	Exercise price range 2012 R	Outstanding numbers 2012
For year ended 31 December				
Expiry date details				
2015	**53.38**	**242 883**	53.38	249 600
2016	**54.19-83.88**	**458 570**	54.19-83.88	470 251
2017	**97.72-140**	**516 589**	97.72-140	554 859
2018	**73.75-250**	**640 018**	73.75-250	691 965
2019	**95.5-121.50**	**610 040**	95.5-121.50	667 720
2020	**76.88-85.1**	**37 540**	76.88-85.1	38 200
2021	**59-87.20**	**1 732 393**	59-87.20	1 838 473
Total		4 238 033		4 511 068

Executive International Mobility Share Option Plan

The ArcelorMittal group issued equity-settled share options over its own shares, denominated in USD, to its executive employees seconded to ArcelorMittal South Africa. The charge to the group and company for the year amounted to R0.4 million (2012: R1.2 million).

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

	2013	2012
Latest expiry date	2 020	2 020
Exercise price range (USD)	27.31-78.44	27.31-78.44
Number of outstanding instruments	184 324	127 957
Total intrinsic value of out-the-money options at 31 December (Rm)[2]	(62)	(30)

[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 2013. Translated to ZAR using the closing exchange rate at 31 December. All options are out-of-the-money as at 31 December 2013.

	Share options			
	Exercise price range per option 2013 USD	Outstanding option numbers 2013	Exercise price range per option 2012 USD	Outstanding option numbers 2012
Expiry date details				
2015	27.3	14 717	27	14 717
2016	32.1	23 057	32	23 057
2017	61.1	30 400	61	20 400
2018	78.4	34 600	78	22 600
2019	36.4	39 450	36	27 450
2020	30.7	42 100	31	19 733
Total		184 324		127 957

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:

	2012
Vesting date	21 January 2013
Number of shares	2 182
Market price on grant date (USD)	36.56
Discounted market price (USD)	31.06 and 32.90

Restricted/performance stock unit plan

The ArcelorMittal group has commenced with the restricted/performance stock unit plan since 2011. The 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. Performance stock units vest upon continued employment as well as specific performance conditions being met. This plan replaces the Executive International Mobility Share Option Plan. The charge to the group and company for the year amounted to R1 million (2012: R0.2 million).

	Group and company	
	2013	2012
Latest vesting date	**27 December 2016**	29 September 2014
Number of units outstanding	**35 250**	6 000
Units fully vested	**Nil**	Nil
Weighted average fair value at grant date (USD)	**14.59**	16.87
Average days until fully vested	**724**	609

Reconciliation of outstanding restricted stock units

	R	R
Outstanding at beginning of year	**6 000**	–
Granted	**26 125**	6 000
Transfers	**3 125**	–
Exercised	**–**	–
Expired/cancelled/forfeited	**–**	–
Outstanding at end of year	**35 250**	6 000

Remuneration of directors and prescribed officers

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	Other[4] R	**Total remune-ration 2013 R**	Total remune-ration 2012 R
Executive directors							
N Nyembezi-Heita	5	4 434 321	381 500	710 381	13 194	**5 539 396**	6 667 958
MJ Wellhausen	6	2 501 940	305 073	507 351	7 432	**3 321 796**	–
Subtotal		6 936 261	686 573	1 217 732	20 626	**8 861 192**	6 667 958
Prescribed officers and highest paid employees							
WA Nel		2 252 903	403 415	224 757	86 865	**2 967 940**	2 990 387
TG Nkosi		2 215 608	251 182	197 738	36 678	**2 701 206**	2 742 149
RH Torlage	6	2 204 022	43 648	362 919	67 649	**2 678 238**	3 325 845
HL Rosenstock	5	1 733 076	611 005	300 824	15 989	**2 660 894**	2 457 863
KS Kumar		2 037 165	121 662	296 276	35 941	**2 491 044**	2 481 088
JM Lotter		1 656 450	144 292	43 555	9 960	**1 854 257**	1 716 545
H Kriel	7	–	–	–	–	**–**	3 034 660
JJ Aernout	8	–	–	–	–	**–**	1 887 564
Subtotal		12 099 224	1 575 204	1 426 069	253 082	**15 353 579**	20 636 101
Total		19 035 485	2 261 777	2 643 801	273 708	**24 214 771**	27 304 059

	Notes	Directors' fees R	Committee fees R	Other R	**Total remuneration 2013 R**	Total remuneration 2012 R
Non-executive directors						
DCG Murray		151 016	298 672	2 358	**452 046**	437 974
FA du Plessis		151 016	208 010	22 888	**381 914**	353 884
LP Mondi	9	151 016	113 982	–	**264 988**	303 468
MJN Njeke	10	85 556	–	–	**85 556**	881 013
M Macdonald	11	74 060	90 026	706	**164 792**	443 376
ND Orleyn	12	151 016	96 635	–	**247 651**	363 000
PM Makwana	10	880 000	–	–	**880 000**	–
JRD Modise	13	38 478	89 782	–	**128 260**	–
NP Mnxasana	14	38 478	52 470	–	**90 948**	–
Total		1 720 636	949 577	25 952	**2 696 165**	2 782 715

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 2012 financial year, paid in March 2013 as well as deferred compensation lump sum paid in December 2013. The 2012 figure was adjusted to reflect actual payments made for the 2011 year of assessment.
3. Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs 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. N Nyembezi-Heita resigned as CEO effective 18 February 2014. HL Rosenstock was appointed as acting chief executive officer with effect from 19 February 2014.
6. 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.
7. Resigned on 31 March 2012.
8. Resigned on 30 September 2012.
9. LP Mondi's remuneration is paid directly to the Industrial Development Corporation.
10. MJN Njeke retired as independent 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.
11. Retired on 29 May 2013.
12. Resigned on 1 October 2013.
13. Appointed on 1 October 2013.
14. Appointed on 1 October 2013.

ArcelorMittal South Africa equity-settled share option and long-term incentive plans

Options issued to directors, prescribed officers and the highest paid senior employees (who are not directors), which form part of the 38.4 million (2012: 40.2 million) shares allocated to the Management Share Trust, are 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 by them as a result of past awards during the year ended 31 December 2013:

Names of executives	Award type	Award date	Number of allocations at start of year	Number of allocations made during the year	Number of allocations at end of year	Number of allocations vested at end of year	Issue price	Present value of unvested share units at end of year
N Nyembezi-Heita (CEO)	Share options	25/03/2008	31 660	–	31 660	31 660	R186.50	–
		10/11/2008	66 520	–	66 520	66 520	R73.75	–
		02/11/2009	66 520	–	66 520	66 520	R106.50	–
		29/09/2011	110 620	–	110 620	73 672	R59.00	1 209 885
		07/11/2011	66 520	–	66 520	44 302	R67.00	826 063
			341 840	–	341 840	282 674		2 035 948
WA Nel	Share options	10/02/2011	14 010	–	14 010	9 345	R87.20	226 609
		07/11/2011	17 310	–	17 310	11 546	R67.00	214 965
	LTIP	14/11/2013	–	94 096	94 096	–	R40.47	3 509 781
			31 320	94 096	125 416	20 891		3 951 355
TG Nkosi	Share options	10/02/2011	18 650	–	18 650	12 440	R87.20	301 660
		07/11/2011	13 840	–	13 840	9 232	R67.00	171 886
	LTIP	14/11/2013	–	84 728	84 728	–	R40.47	3 160 354
			32 490	84 728	117 218	21 672		3 633 900
RH Torlage	Share options	08/11/2006	29 563	–	29 563	29 563	R83.88	–
		12/12/2006	2 946	–	2 946	2 946	R82.02	–
		20/11/2007	16 770	–	16 770	16 770	R133.50	–
		10/11/2008	16 770	–	16 770	16 770	R73.75	–
		02/11/2009	15 250	–	15 250	15 250	R106.50	–
		29/09/2011	53 500	–	53 500	35 630	R59.00	585 152
		07/11/2011	35 153	–	35 153	21 458	R67.00	399 509
	LTIP	14/11/2013	–	31 304	31 304	–	R40.47	1 167 639
			169 952	31 304	201 256	138 387		2 152 300
JM Lotter	LTIP	14/11/2013	–	70 452	70 452	–	R40.47	2 627 860
			–	70 452	70 452	–		2 627 860

Notes:
1. Share options vest within three years and exercisable within 10 years from the date of issue.
2. Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed in this note.
3. No options were exercised or lapsed during the year.

Restricted and performance stock unit plans

The following table reflects the number of restricted and performance stock units to executive directors, prescribed officers and the highest paid senior employees who belong to the ArcelorMittal group share based payment scheme.

HL Rosenstock	RSU	29/03/2013	–	2 000	2 000	–	USD12.78	USD35 680
ArcelorMittal group		27/09/2013	–	2 000	2 000	–	USD13.82	USD35 680
	PSU	27/09/2013	–	800	800	–	USD13.82	USD14 272
			–	4 800	4 800	–		USD85 632
MJ Wellhausen (CFO)	RSU	29/03/2013	–	2 500	2 500	–	USD12.78	USD44 600
ArcelorMittal group		27/09/2013	–	2 500	2 500	–	USD13.82	USD44 600
	PSU	29/03/2013	–	1 500	1 500	–	USD12.78	USD26 760
		27/09/2013	–	2 750	2 750	–	USD13.82	USD49 060
			–	9 250	9 250	–		USD165 020
KS Kumar	RSU	01/09/2011	2 000	–	2 000	–	USD21.28	USD35 680
ArcelorMittal group		29/03/2013	–	2 000	2 000	–	USD12.78	USD35 680
		27/09/2013	–	2 000	2 000	–	USD13.82	USD35 680
	PSU	27/09/2013	–	800	800	–	USD13.82	USD14 272
			2 000	4 800	6 800	–	–	USD121 312

Social and ethics

The functions and responsibilities of the remuneration, social and ethics committee include:

- 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 Organisation for Economic Co-operation and Development (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 Ethics Code and note training done by management on the Code.

Risk management report

We recognise that effective risk management is critical to our continued profitability and the long-term sustainability of our business. The Enterprise Risk Management (ERM) policy we have adopted is aligned with the ArcelorMittal group risk management policy, world best practices, the King Code proposals and the ISO 31000 standard.

The objective of this policy is to enhance our ability to manage the uncertainties faced in our business. In the long run this will create greater confidence in the company's capacity to seize opportunities and achieve sustainable success.

In February 2013 we were forced to step back and reflect on the risk management process after the fire at Vanderbijlpark Works rendered all three furnaces inoperable for almost two months.

Although a continuous risk management improvement process does contribute towards a more effective risk assessment and reporting methodology, the following additional actions were implemented in our strive towards more effective risk management:

- **Industrial audit on asset risks**
  An industrial audit was conducted with the aim of identifying the top asset risks per operational centre that could have a significant impact on the availability of the plants. New items identified as significant during these audits were assessed and included in the already existing risk registers.

  Outcomes from these audits were shared and discussed with the segment COO. The shared information clearly highlighted the capital requirements to address the top exposures per operational centre. Risks identified were also shared amongst our sister companies in the Asia, Africa and CIS (AACIS) segment for benchmarking purposes.

- **Interlock investigation**
  The fire initiated an interlock investigation in areas handling liquid steel. The investigation entails a cross-site assessment of all software and programmable logic controller (PLC) interlocks to confirm that interlocks are correctly designed to prevent possible emergency situations.

  Actions resulting from the investigations are implemented to address process safety with emergency procedures adapted accordingly.

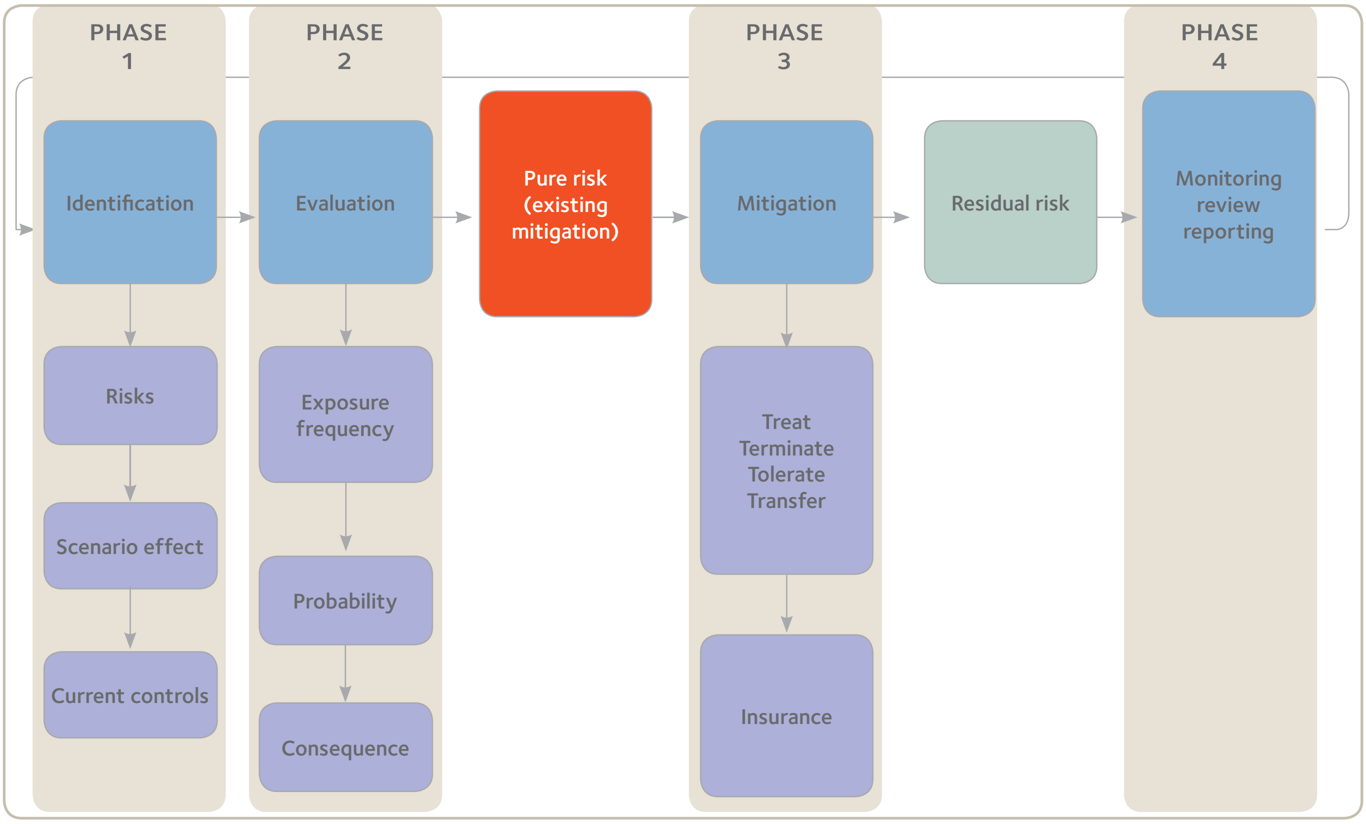
- **Best practice procedures**
  Experts from ArcelorMittal group drafted best practice procedures based on lessons learned from incidents (risks materialising). Areas where these procedures are applicable are assessed and improvements needed to adhere to these procedures are actioned and implemented.

Board accountability

Our board is ultimately accountable for risk management and has an established audit and risk management committee as a subcommittee to oversee our risk policies and strategies.

Organisational structures and reporting framework

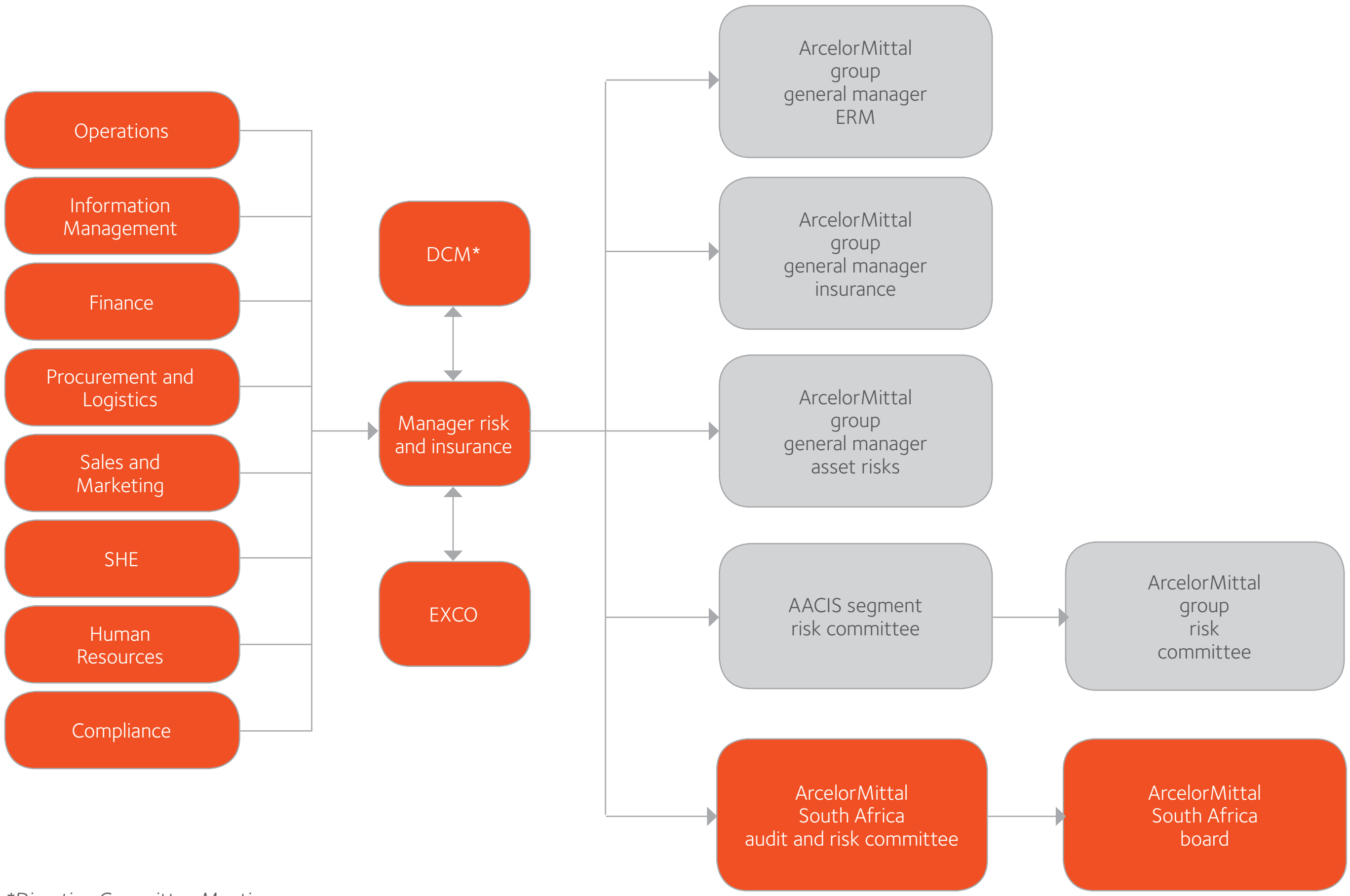
Risk management is structured around the following functional risk areas: sales and marketing, procurement and logistics, human resources, finance, strategic, legal, health and safety, environment and operations. The risk management process is divided into four distinct phases (see process diagram below).



The link between the risk database and capital process, which allows for risk-based budgeting and capital allocation, is an important part of our risk management process.

Each risk area, department or business unit has a risk officer who reports directly to the head of each department. The manager: risk and insurance attends all high-level risk committee meetings and prepares a consolidated risk management report that is presented monthly to the executive committee and on a quarterly basis to the directing committee, the audit and risk committee and the board of directors.

The risk management reporting process is graphically displayed below.



**Directive Committee Meeting.*

Our top consolidated risks are also reported to ArcelorMittal segment and group. These top risks are consolidated by the group and reported to the group risk committee.

Insurance

Our insurance department, with the assistance of external consultants and using recognised international procedures and standards, undertakes regular loss prevention audits (by international risk consultants) of all the company's plants and operations.

Operational risk exposure is measured by risk consultants using a vulnerability index. Our vulnerability index reduced by a significant 18.8% over the past five years with the current index being slightly above the group average. For details on the vulnerability index, please see page 60.

Action plans are drafted and are part of the risk management process to further reduce the company's exposure.

We have an insurance programme in place underpinned by an approved insurance policy that provides insurance cover for losses above agreed deductibles at competitive costs (locally and abroad). Insurance cover is in principle risk-based as is outlined in the policy. As a result of our claims history we have seen increases in our asset cover deductibles above our

Risk management report *continued*

risk-bearing capacity. We are investigating different vehicles to reduce the impact on the company and our customers.

The internal insurance department, together with internationally recognised loss adjusters, investigated the significant loss experienced in Vanderbijlpark Works due to the fire in February 2013. The claim was submitted to the asset insurers and was settled with final payment received in October 2013.

Business continuity management (BCM)

The business continuity management policy we have implemented is aligned with world best practices, the King Code proposals and the ISO 22301 standard.

This policy outlines our approach to the implementation and management of business continuity. The purpose of this policy is to provide a basis for understanding and implementing business continuity within ArcelorMittal South Africa and to provide confidence in the organisation's dealings with stakeholders.

This policy aims to:

- proactively improve resilience against disruption to our ability to achieve key objectives;
- provide a rehearsed method of restoring our ability to supply products and services to an agreed level, within an agreed timeframe, after a disruption; and
- deliver a proven capability to manage a business disruption and protect our reputation and brand.

Business continuity plans are implemented according to the risk profile of the company. Operational business continuity plans have been designed, implemented and tested for our Newcastle Works and are in process of being implemented at the other operational areas.

Continuous improvement

To improve the robustness of the enterprise risk management (ERM) process we continue to review our risk management performance. A maturity model is used across ArcelorMittal to monitor the maturity of the risk management processes. We are currently assessed under the top 30% in the ArcelorMittal group.

The following actions are being pursued to become more mature in our risk management process:

- implementation of control effectiveness audits to verify current controls;
- implementation of inherent and desired risk ratings;
- revision of policies and training documentation;
- scheduling of structured training and risk identification sessions and;
- development of a risk dashboard.

Our internally developed risk database initially designed for operational risks has been adapted to include strategic risks. Changes were also made to the database to improve:

- risk naming;
- desired risk ratings;
- financial assumptions; and
- reporting.

We actively participate in knowledge management programmes where risk lessons are shared with other facilities in the global ArcelorMittal group. These programmes inform the ongoing improvement of our risk management process.

The year ahead

We recognise that effective risk management requires that ERM processes, principles and objectives are aligned and embedded across the organisation. We have made substantial progress in aligning the methodology and reporting process. The implementation of a risk database also contributed towards streamlining the alignment and reporting process. A risk-based combined assurance process was also initiated by internal assurance.

In the year ahead we will focus our attention on improving the robustness of the process through scheduled training and risk identification sessions, improving the risk control effectiveness approach and expanding on the combined assurance process.

The effectiveness of the improved risk management process will be subject to a formal internal audit in 2014.

Most significant risk exposures

The top strategic residual risks, as identified through our ERM process, which could impact on our sustainability, are detailed in the diagram on pages 18 and 19.

Assurance report

Assurance report of the independent auditor, Deloitte & Touche to ArcelorMittal South Africa Limited on their sustainability performance indicators as contained in the Integrated Report for the year ended 31 December 2013 ("the Report")

Scope of our work

ArcelorMittal South Africa Limited (AMSA) engaged us to perform limited assurance procedures for the year ended 31 December 2013 on the selected sustainability performance indicators. The selected sustainability performance indicators are as follows:

- Lost time injury frequency rate
- Number of fatalities
- Number of permanent employees
- Demographic of permanent employees based on race
- Liquid steel capacity utilisation
- Corporate social investment spend
- Environmental (Scope 1 and Scope 2 CO_2 emissions)

Directors' responsibility

The directors of AMSA are responsible for the selection, preparation and presentation of the sustainability performance indicators for year ended 31 December 2013, including the implementation and execution of systems to collect required sustainability data.

Auditor's responsibility

Our responsibility is to express our limited assurance conclusion on selected sustainability performance indicators for the year ended 31 December 2013. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000). This standard requires us to comply with ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion.

The evaluation criteria used for our assurance are the AMSA definitions and basis of reporting

Summary of work performed

Considering the risk of material error, our multi-disciplinary team of sustainability assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient and appropriate evidence. Our work was planned to mirror AMSA's own group level compilation processes.

Key procedures we conducted included:

- Gaining an understanding of AMSA's systems through interview with management responsible for reporting systems at corporate head office and site level; and
- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured sustainability performance indicators included in the Report.

Our conclusion

Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that the selected sustainability performance indicators are not fairly presented.

This assurance statement is made solely to AMSA in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. Thus, we do not accept or assume responsibility to anyone other than AMSA for our work, for this report, or for the conclusions we have formed.

Deloitte & Touche

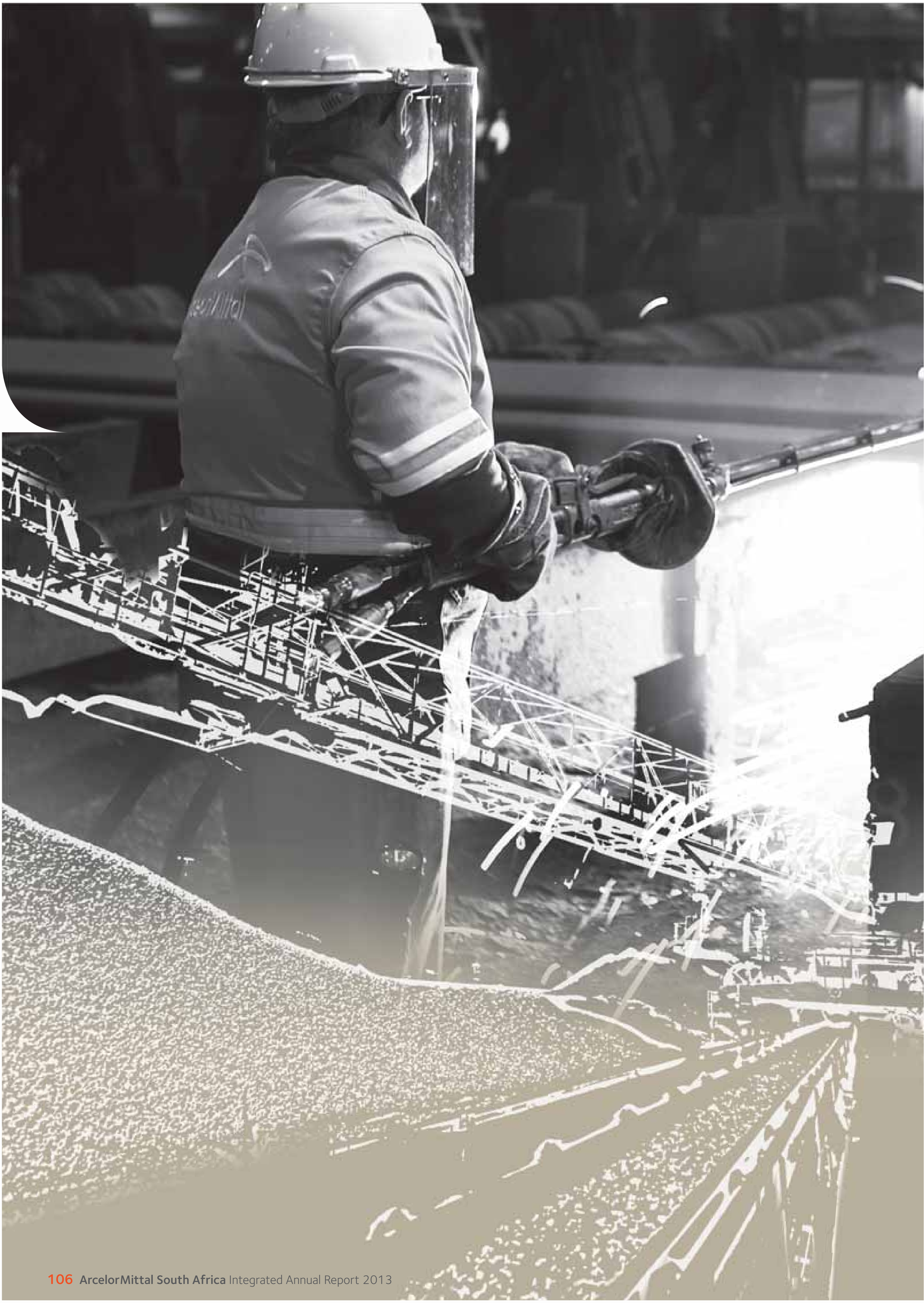
Deloitte & Touche
Registered Auditor
Per – AN le Riche
Partner
12 March 2014
1st Floor, The Square, Cape Quarter
27 Somerset Road, Greenpoint
Cape Town, 8005

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 Mazzocco (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.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited



Our financials

Directors' report

The directors have pleasure in submitting their report together with ArcelorMittal South Africa Limited's summarised consolidated financial statements for the year ended 31 December 2013.

Nature of business

ArcelorMittal South Africa Limited and its subsidiaries (together the group) manufacture and sell flat and long 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 inside of the back cover of this report.

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, and the functional and reporting currency is the South African rand (ZAR).

Financial results and activities

The contents of the summarised consolidated financial statements adequately summarises the financial performance of the group for the financial year ended 31 December 2013.

The full audited annual financial statements can be found on the disk packaged with the printed integrated annual report, and online at **www.arcelormittal-sa.com/reports/ar_2013/index.php.**

At 31 December 2013 the group had a net asset value per share of 5 158 cents (2012: 5 544 cents). The net asset value per share was calculated using a net asset value of R20.694 million (2012: R22.242 million). Refer to note 12 of the full audited annual financial statements for information on loss and headline loss per share.

Dividends

Consistent with the group's dividend policy, no dividends were declared for the 2013 and 2012 financial years.

Property, plant and equipment

Details of capital expenditure are provided in note 14 and the statements of cash flows in the full audited annual financial statements.

Shareholders' resolutions

On 29 May 2013 the shareholders approved via special resolution the adoption of the new Memorandum of Incorporation and authorised the directors in terms of and subject to the provisions of sections 44 and 45 of the Companies Act to cause the company to provide any financial assistance to any company or corporation which is related or inter-related to the company.

On 6 September 2013 the shareholders approved via special resolution the remuneration payable to the non-executive directors of the company.

Authorised and issued share capital

Details of the authorised and issued share capital are set out in note 22 of the full audited annual financial statements.

Shareholders

ArcelorMittal Holdings AG, as controlling shareholder, has an effective shareholding of 52.02%. The analysis of ordinary shareholders can be found on pages 122 to 123.

Directors' interests

The details of the beneficial direct and indirect interests of executive directors in the shares of the company are set out in note 33 of the full audited annual financial statements.

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

	2013			2012		
	Direct	**Indirect**	**Total**	Direct	Indirect	Total
Director						
DCG Murray	–	1 557	1 557	–	1 557	1 557
M Macdonald[1]	–	–	–	–	5 400	5 400
JRD Modise	5 025	–	5 025	–	–	–
Total assets	5 025	1 557	6 582	–	6 957	6 957

[1] *Retired as director on 29 May 2013.*

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 2013 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 notes 16 and 17 of the full audited annual financial statements.

Borrowing powers

In terms of clause 34 of the Memorandum of Incorporation, 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 88.

The following changes in directorate have taken place:
- RH Torlage resigned as an executive director with effect from 2 January 2013.
- The board appointed MJ Wellhausen as chief financial officer and as executive director effective 2 January 2013.
- MJN Njeke retired as chairman of the board and as independent non-executive director with effect from 4 February 2013.
- PM Makwana was appointed as chairman of the board and as independent non-executive director with effect from 5 February 2013.
- M Macdonald retired as independent non-executive director with effect from 29 May 2013.
- ND Orleyn resigned as independent non-executive director with effect from 1 October 2013.
- NP Mnxasana joined the board as independent non-executive director with effect from 1 October 2013.
- JRD Modise joined the board as independent non-executive director with effect from 1 October 2013.
- N Nyembezi-Heita resigned as executive director and chief executive officer with effect from 18 February 2014.
- HL Rosenstock was appointed as executive director and acting chief executive officer with effect from 19 February 2014.

Retirement by rotation

In terms of clause 27 of the Memorandum of Incorporation, the following directors are required to retire by rotation, and being eligible, offer themselves for re-election at the forthcoming annual general meeting:
- DK Chugh
- FA du Plessis
- GP Urquijo

Shareholders will be requested to confirm Ms NP Mnxasana, Mr JRD Modise and Dr HL Rosenstock'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 to be held on Tuesday, 27 May 2014, shareholders will be requested to reappoint 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 34 of the full audited 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 at the back of this report.

Subsequent events

The directors are not aware of any matters or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the group and company financial statements that would significantly affect the operations, the results and the financial position of the group and company.

Audit and risk committee report

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

Membership of the committee

The committee comprised the following members at the date of this report:
Mr DCG Murray;
Ms FA du Plessis; and
Ms NP Mnxasana (appointed following Ms ND Orleyn's resignation on 1 October 2013).

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

The experience and qualifications of the members are set out on pages 84 and 85.

Functions of the committee

During the year under review, five meetings were held. Details of the attendance are set out on page 88.

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 integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries;
- the effectiveness of the combined assurance model;
- the reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection;
- the effectiveness of the internal audit function;
- the auditor's findings and recommendations;
- statements on ethical standards for the company and considered how they are promoted and enforced;
- significant cases of unethical activity by employees or by the company itself; and
- reports on the risk management process in the company and assessed 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 risks.

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 any proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

Statutory reporting

The committee has evaluated the summarised consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2013 and based on the information provided to the committee, considers that the company complies, 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, and applicable legislation.

Internal financial controls

The committee agendas provide for confidential meetings between committee members and both the internal and independent external 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 administratively to the chief executive officer, functionally to the chairman of the committee and head of group internal audit of the holding company ArcelorMittal Holdings AG.

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 summarised consolidated financial statements. This is based on the information and explanations given by management and the group internal audit function. The group's internal audit function is more fully detailed on page 86 in the Corporate Governance 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 has assessed the competency, skills and resourcing of the group's finance function, and is satisfied as to 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 annual financial statements and integrated annual report

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

DCG Murray
Chairman
4 March 2014

Independent auditor's report on summarised consolidated financial statements

To the shareholders of ArcelorMittal South Africa Limited

The summarised consolidated financial statements of ArcelorMittal South Africa Limited, contained in the accompanying abridged report, which comprise the summary consolidated statement of financial position as at 31 December 2013, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2013 as set out on pages 113 to 121.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 13 March 2014. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below). Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of ArcelorMittal South Africa Limited.

Directors' responsibility for the summary consolidated financial statements

The company's directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2013 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "Other reports required by the Companies Act" paragraph in our audit report dated 13 March 2014 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2013, 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 consolidated financial statements.

These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: DA Steyn
Partner
13 March 2014

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 Mazzocco (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.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited

Summarised consolidated financial statements

for the year ended 31 December 2013

Basis of preparation

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements, except for the following new or revised standards, amendments thereto and interpretations as issued by the International Accounting Standards Board, which are effective for the current reporting period that were adopted:

- IAS 1 amendment Presentation of Financial statements: *Presentation of Items of Other Comprehensive Income*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 13 *Fair Value Measurement*
- IAS 28 *Investments in Associates and joint Ventures (2011)*
- IAS 34 *Interim Financial Reporting*

The summarised consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in equity instruments classified as available-for-sale.

The summarised consolidated financial statements are presented in rand, which is the group's functional and presentation currency.

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 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:

- the assumptions used in impairment tests of carrying values of cash-generating units and intangible assets;
- estimates of useful lives and residual values for intangible assets and property, plant and equipment; and
- valuation of available-for-sale investments.

Mr MJ Wellhausen, chief financial officer, is responsible for this set of financial statements and has supervised the preparation thereof.

Summary consolidated statement of comprehensive income

for the year ended 31 December 2013

	Group 2013 Rm	Group 2012 Rm
Revenue	32 421	32 291
Raw materials and consumables used	(19 652)	(18 760)
Employee costs	(3 408)	(3 356)
Energy	(3 288)	(3 156)
Movement in inventories of finished goods and work-in-progress	1 196	(467)
Depreciation	(1 544)	(1 582)
Amortisation of intangible assets	(19)	(16)
Other operating expenses	(5 659)	(5 431)
Profit/(loss) from operations	47	(477)
Finance and investment income	108	60
Finance costs	(368)	(334)
Impairment of financial assets	(72)	–
Impairment of property, plant and equipment	(1 878)	–
(Loss)/income after tax from equity-accounted investments	(35)	59
Loss before taxation	(2 198)	(692)
Income tax credit	51	184
Loss for the year	(2 147)	(508)
Other comprehensive income	580	64
Items that may be reclassified subsequently to profit or loss	1	1
Exchange differences on translation of foreign operations	561	62
Losses on available-for-sale investment taken to equity	(9)	(32)
Share of other comprehensive income of equity-accounted investments	28	34
Total comprehensive loss for the year	(1 567)	(444)
Loss attributable to:		
Owners of the company	(2 147)	(508)
Total comprehensive loss attributable to:		
Owners of the company	(1 567)	(444)
Attributable loss per share (cents)		
– Basic	(535)	(127)
– Diluted	(535)	(127)

Summary consolidated statement of financial position

as at 31 December 2013

	Group	
	2013 Rm	2012 Rm
Assets		
Non-current assets		
Property, plant and equipment	14 702	16 068
Intangible assets	146	121
Equity-accounted investments	3 737	3 204
Other financial assets	17	26
Total non-current assets	18 602	19 419
Current assets		
Inventories	10 553	8 761
Trade and other receivables	2 194	1 669
Taxation	51	154
Other financial assets	17	11
Cash and bank balances	1 298	884
Total current assets	14 113	11 479
Total assets	32 715	30 898
Equity and liabilities		
Equity		
Stated capital	37	37
Reserves	(1 614)	(2 178)
Retained income	22 271	24 383
Total shareholders' equity	20 694	22 242
Non-current liabilities		
Finance lease obligations	757	426
Provisions	1 328	1 364
Deferred income tax liability	1 747	2 031
Other payables	267	270
Total non-current liabilities	4 099	4 091
Current liabilities		
Trade payables	5 720	3 420
Taxation	6	97
Bank overdraft	107	–
Borrowings	906	10
Finance lease obligations	95	77
Provisions	408	312
Other payables	680	649
Total current liabilities	7 922	4 565
Total equity and liabilities	32 715	30 898

Summary consolidated statement of cash flows

for the year ended 31 December 2013

	Group 2013 Rm	Group 2012 Rm
Cash generated from operations	1 595	2 022
Interest income	7	10
Finance cost	(169)	(170)
Income tax paid	(221)	(52)
Realised foreign exchange movements	(128)	(34)
Cash flows from operating activities	1 084	1 776
Investment to maintain operations	(1 500)	(809)
Investment to expand operations	(69)	(66)
Investment in associates	(53)	(369)
Proceeds on disposal or scrapping of assets	72	29
Dividend from equity-accounted investments	–	87
Income from investments – interest	5	3
Cash flows from investing activities	(1 545)	(1 125)
Borrowings raised/(repaid)	896	(10)
Finance lease obligation repaid	(222)	(227)
Increase in contributions to the Management Share Trust	–	6
Cash flows from financing activities	674	(231)
Increase in cash and cash equivalents	213	420
Effect of foreign exchange rate changes on cash and cash equivalents	94	25
Cash and cash equivalents at beginning of the year	884	439
Cash and cash equivalents at end of the year	1 191	884

Summary consolidated statements of changes in equity

for the year ended 31 December 2013

	Stated capital Rm	Retained income Rm	Reserves: Treasury share equity reserve Rm	Reserves: Management Share Trust reserve Rm	Reserves: Share-based payment reserve Rm	Reserves: Attributable reserves of equity-accounted investments Rm	Reserves: Other reserves Rm	Total equity Rm
Group								
Balance at 1 January 2012	37	24 863	(3 918)	(285)	210	1 154	608	22 669
Total comprehensive loss for the year	–	(508)	–	–	–	34	30	(444)
Share-based payment expense	–	–	–	–	17	–	–	17
Transfer between reserves	–	28	–	–	–	189	(217)	–
Balance at 31 December 2012	37	24 383	(3 918)	(285)	227	1 377	421	22 242
Total comprehensive loss for the year	–	(2 147)	–	–	–	28	552	(1 567)
Share-based payment expense	–	–	–	–	19	–	–	19
Transfer between reserves	–	35	–	–	–	(35)	–	–
Balance at 31 December 2013	37	22 271	(3 918)	(285)	246	1 370	973	20 694

Notes to the summarised consolidated financial statements

for the year ended 31 December 2013

1. 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 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.

	Flat Steel Products 2013 Rm	Flat Steel Products 2012 Rm	Long Steel Products 2013 Rm	Long Steel Products 2012 Rm
1. Segmental report *continued*				
Revenue				
– External customers	19 922	20 192	10 616	10 289
– Intersegment customers	775	799	1 002	1 185
Total revenue	20 697	20 991	11 618	11 474
Revenue to external customers distributed as:				
Local	15 099	15 349	8 194	7 849
Export	4 823	4 843	2 422	2 440
– Africa	4 317	3 225	1 792	1 599
– Europe	3	3	62	124
– Asia	341	1 522	438	449
Other	162	93	130	268
Total	19 922	20 192	10 616	10 289
Results				
Earnings before interest, tax, depreciation and amortisation	135	(266)	1 198	770
Depreciation and amortisation	(1 255)	(1 294)	(301)	(299)
Provision for Tshikondeni mine closure costs	–	–	–	–
(Loss)/profit from operations	(1 120)	(1 560)	897	471
Impairment of financial assets	–	–	–	–
Impairment of property, plant and equipment	(1 269)	–	(551)	–
Finance and investment income	3	10	1	22
Finance costs	(82)	(38)	(16)	(64)
Loss after tax from equity-accounted investments	–	–	–	–
(Loss)/profit before tax	(2 468)	(1 588)	331	429
Income tax credit	–	–	–	–
(Loss)/profit for the year	(2 468)	(1 588)	331	429
Segment assets	19 698	19 713	7 555	6 142
Investments in equity-accounted entities	–	–	–	–
Segment liabilities	8 280	7 662	5 136	4 390
Cash generated from/(utilised in) operations	202	201	377	1 560
Capital expenditure	835	594	680	275
Number of employees at year-end	4 961	5 281	2 186	2 375

Coke and Chemicals		Corporate and Other		Adjustments and eliminations		Total reconciling to the consolidated amounts	
2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
1 883	1 810	**–**	–	**–**	–	**32 421**	32 291
54	46	**–**	–	**(1 831)**	(2 030)	**–**	–
1 937	1 856	**–**	–	**(1 831)**	(2 030)	**32 421**	32 291
1 881	1 805	**–**	–	**–**	–	**25 174**	25 003
2	5	**–**	–	**–**	–	**7 247**	7 288
1	1	**–**	–	**–**	–	**6 110**	4 825
1	4	**–**	–	**–**	–	**66**	131
–	–	**–**	–	**–**	–	**779**	1 971
–	–	**–**	–	**–**	–	**292**	361
1 883	1 810	**–**	–	**–**	–	**32 421**	32 291
514	503	**(76)**	109	**(3)**	5	**1 768**	1 121
(35)	(32)	**(18)**	20	**46**	47	**(1 563)**	(1 598)
–	–	**(158)**	–	**–**	–	**(158)**	–
479	471	**(252)**	89	**43**	52	**47**	(477)
–	–	**(72)**	–	**–**	–	**(72)**	–
–	–	**(58)**	–	**–**	–	**(1 878)**	–
1	–	**103**	28	**–**	–	**108**	60
(3)	–	**(267)**	(232)	**–**	–	**(368)**	(334)
–	–	**(35)**	59	**–**	–	**(35)**	59
477	471	**(581)**	(56)	**43**	52	**(2 198)**	(692)
–	–	**–**	184	**–**	–	**51**	184
477	471	**(581)**	128	**43**	52	**(2 147)**	(508)
903	1 003	**2 891**	2 531	**(2 069)**	(1 695)	**28 978**	27 694
–	–	**3 737**	3 204	**–**	–	**3 737**	3 204
1 710	1 580	**(2 876)**	(4 750)	**(229)**	(226)	**12 021**	8 656
590	584	**426**	(323)	**–**	–	**1 595**	2 022
14	5	**40**	12	**–**	(11)	**1 569**	875
235	236	**1 483**	1 487	**–**	–	**8 865**	9 379

	Group 2013 Rm	Group 2012 Rm
2. Loss per share		
Basic loss 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 attributable to owners of the company (Rm)	(2 147)	(508)
Weighted average number of ordinary shares in issue (thousands)	401 202	401 202
Basic loss per share (cents)	(535)	(127)
Diluted loss per share is calculated by dividing the 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 attributable to owners of the company (Rm)	(2 147)	(508)
Weighted average number of diluted shares (thousands)	401 202	401 202
Diluted loss per share (cents)	(535)	(127)

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

	2013 Gross Rm	2013 Net of tax Rm	2012 Gross Rm	2012 Net of tax Rm
Loss attributable to owners of the company	(2 198)	(2 147)	(692)	(508)
Impairment charges	1 950	1 950		
Less: Profit on disposal or scrapping of property, plant and equipment	(37)	(27)	(4)	(10)
Headline loss	(285)	(224)	(696)	(518)

	Group 2013	Group 2012
Headline loss per share (cents)		
– Basic	(56)	(129)
– Diluted	(56)	(129)
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		
Weighted average number of shares (thousands)	401 202	401 202
Weighted average number of diluted shares (thousands)	401 202	401 202

	Group 2013 Rm	Group 2012 Rm
3. Commitments		
Capital commitments		
Capital expenditure contracted for property, plant and equipment	1 170	687
Capital expenditure authorised but not contracted for property, plant and equipment	1 258	1 027
Total	2 428	1 714
Operating lease commitments		
Equipment and vehicles		
The future minimum payments under non-cancellable stand-alone and embedded operating leases are as follows:		
– Less than one year	99	131
– More than one year and less than five years	153	219
– More than five years	–	9
Total	252	359

The full audited annual financial statements are included in the CD with this printed Integrated Annual Report and are contained in the 2013 Financial Report, which can be found online at **www.arcelormittal-reports.com/reports/ar_2013/index.php.**

Analysis of ordinary shareholders

as at 31 December 2013

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
1 – 100 shares	7 694	31.07	359 543	0.08
101 – 1 000 shares	15 511	62.64	3 088 427	0.69
1 001 – 50 000 shares	1 294	5.23	8 690 575	1.95
50 001 – 100 000 shares	80	0.32	5 514 843	1.24
100 001 – 10 000 000 shares	151	0.61	49 849 860	11.18
10 000 001 and more shares	34	0.13	378 248 884	84.86
Total	**24 764**	**100.00**	**445 752 132**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Corporate holdings	2	0.01	208 700 402	46.82
Other managed funds	97	0.39	68 727 951	15.42
Pension funds	186	0.75	35 153 863	7.89
Unit trusts	110	0.44	46 696 924	10.48
Other funds	79	0.32	71 664 116	16.08
Insurance companies	21	0.08	8 285 851	1.86
Unclassified Holders (Less than 10 000 shares)	24 269	98.01	6 523 025	1.45
Total	**24 764**	**100.00**	**445 752 132**	**100.00**

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue	Number of shareholdings
South Africa	24 352	98.34	195 009 543	43.75	174
Switzerland	12	0.05	0	0.00	0
United States	45	0.18	23 474 717	5.27	41
United Kingdom	69	0.28	6 103 044	1.37	9
Belgium	6	0.02	0	0.00	0
Netherlands	3	0.01	209 109 543	46.91	3
Namibia	180	0.73	175 353	0.04	1
Australia			1 245 450	0.28	5
Norway			1 906 033	0.43	2
Balance	97	0.39	8 728 449	1.96	15
Total	**24 764**	**100.00**	**445 752 132**	**100.01**	**248**

Beneficial shareholders with a holding of 5% or more of the issued shares	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
ArcelorMittal Holdings AG	2	0.01	208 700 402	46.82
VICVA Investments and Trading Nine (Pty) Ltd	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	36 129 188	8.11
Investec Asset Management*	58	0.23	25 064 948	5.62
Coronation Fund Managers*	141	0.57	20 176 452	4.53
Total	206	0.82	369 873 831	82.98

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

Public and non-public shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
ArcelorMittal Holdings AG	2	0.01	208 700 402	46.82
VICVA Investments and Trading Nine (Pty) Ltd	1	0.00	44 550 255	9.99
Directors and Associates of the company or its subsidiaries	2	0.01	6 957	0.00
	5	0.02	253 257 614	56.82
Non-public shareholders	5	0.02	253 257 614	56.82
Public shareholders	24 759	99.98	192 494 518	43.18
Total	**24 764**	**100.00**	**445 752 132**	**100.00**

Share price performance

Closing price 31 December 2012	R36.00
Opening price 2 January 2013	R36.70
Closing price 31 December 2013	R37.30
Intraday high for the period (19 November 2013)	R45.59
Intraday low for the period (2 May 2013)	R22.60

Number of shares in issue	445 752 132
Volume traded during period	137 330 184
Rand value of shares traded	R4 425 720 921
Ratio of volume traded to shares issued (%)	30.81%

Notice of annual general meeting

Notice is hereby given that the twenty-sixth annual general meeting of the company will be held at Radisson Blu Sandton Hotel, Room JSE 3, 12th Floor, c/o Rivonia Road and Daisy Street, Sandton, Johannesburg, South Africa on Tuesday 27 May 2014 at 09:00.

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 Friday 23 May 2014 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 23 May 2014 ("meeting record date"). Therefore the last day to trade to be registered as a shareholder in the company's register is Friday 16 May 2014.

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 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, driver's 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.

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 2013;
- present the remuneration, social and ethics committee report;
- present the 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:

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.

1. **Ordinary resolution number 1: Reappointment of auditors**

   To reappoint 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.

2. **Ordinary resolution number 2: Re-election of directors**

   To re-elect Messrs DK Chugh, GP Urguijo and Ms FA du Plessis as directors by way of separate resolutions who retire in accordance with the memorandum of incorporation and are eligible and available for re-election.

   A brief curriculum vitae of the directors standing for re-election are provided on pages 84 and 85 and form an integral part of this notice of annual general meeting.

3. **Ordinary resolution number 3: Reappointment of directors**

   To elect Ms NP Mnxasana, Mr JRD Modise and Dr HL Rosenstock as directors by way of separate resolutions, who were appointed by the board and retire in accordance with the memorandum of incorporation and are eligible and available for reappointment.

   A brief curriculum vitae of the directors standing for reappointment are provided on pages 84 and 85 and form an integral part of this notice of annual general meeting.

4. **Ordinary resolution number 4: Election of the audit and risk committee members**

   To elect, by way of separate resolutions, Mr DCG Murray, Ms FA du Plessis and Ms NP Mnxasana 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 pages 84 and 85 of this report and form an integral part of this notice of annual general meeting.

5. **Advisory endorsement: Remuneration policy**

   To endorse the company's remuneration policy (excluding the non-executive directors), as set out in the remuneration, social and ethics report on page 90 by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa 2009.

6. **Special resolution number 1: Non-executive directors' fees**
To approve, by way of separate resolutions, the annual fees payable to the non-executive directors of the company with effective from 1 May 2014 and until otherwise determined by ArcelorMittal South Africa in general meeting.

Annual retainer and attendance fees where applicable

	Annual retainer	Attendance fee per meeting
Chairman (all-in annual fee)	R1 230 000	None
Director	R153 912	R12 826
Audit and risk committee chairman		R27 884
Audit and risk committee member		R13 992
Nominations committee chairman		R25 652
Nominations committee member		R12 826
Safety, health and environment committee chairman		R25 652
Safety, health and environment committee member		R12 826
Remuneration, social and ethics committee chairman		R25 652
Remuneration, social and ethics committee member		R12 826
Share trust committee chairman		R25 652
Share trust committee member		R12 826

7. **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.

8. **Ordinary resolution number 5: 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.

9. **To receive a report from the remuneration, social and ethics committee**
Shareholders are referred to the remuneration, social and ethics committee report on page 90.

By order of the board

Premium Corporate Consulting Services Proprietary Limited
Company secretary

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-sixth annual general meeting of the company to be held at Radisson Blu Sandton Hotel, Room JSE 3, 12th Floor, c/o Rivonia Road and Daisy Street, Sandton, Johannesburg, South Africa on Tuesday 27 May 2014 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*
1. Ordinary resolution number 1: Reappointment of auditors			
2. Ordinary resolution number 2: Re-election of directors			
2.1 Dr DK Chugh			
2.2 Mr GP Urquijo			
2.3 Ms FA du Plessis			
3. Ordinary resolution number 3: Reappointment of directors			
3.1 Ms NP Mnxasana			
3.2 Mr JRD Modise			
3.3 Dr HL Rosenstock			
4. Ordinary resolution number 4: Election of audit and risk committee members			
4.1 Mr DCG Murray			
4.2 Ms FA du Plessis			
4.3 Ms NP Mnxasana			
5. Advisory endorsement: Remuneration policy			
6. Special resolution number 1: Approval of non-executive directors' fees			
6.1 Chairman			
6.2 Director			
6.3 Audit and risk committee chairman			
6.4 Audit and risk committee member			
6.5 Nominations committee chairman			
6.6 Nominations committee member			
6.7 Safety, health and environment committee chairman			
6.8 Safety, health and environment committee member			
6.9 Remuneration, social and ethics committee chairman			
6.10 Remuneration, social and ethics committee member			
6.11 Share trust committee chairman			
6.12 Share trust committee member			
7. Special resolution number 2: Financial assistance to related or inter-related company			
8. Ordinary resolution number 5: Authority to implement resolutions passed at the annual general meeting			

Signed this day of 2014

Signature:

Assisted by (if applicable):

Instructions and notes to the form of proxy

1. This form of proxy will not be effective at the meeting unless received at the company's transfer office, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, by no later than 09:00 on Friday 23 May 2014. If a shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107.
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 form of proxy 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 form of proxy 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 form of proxy may delegate the authority given to him in this form of proxy by delivering to the company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy 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 form of proxy 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 form of proxy will not be effective unless:
   - 7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   - 7.2 the company has already received a certified copy of that authority.
8. The chairman of the meeting may, in his discretion, accept or reject any form of proxy 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 form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    - 10.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 09:00 on Friday 23 May 2014; 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 form of proxy, 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 Proprietary Limited, 70 Marshall Street, Johannesburg, by not later than 09:00 on Friday 23 May 2014. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107.
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 Proprietary Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Corporate information

Company registration
ArcelorMittal South Africa Limited
Registration number 1989/002164/06
Share code: ACL
ISIN: ZAE000134961

Company secretary
Premium Corporate Consulting Services
Proprietary Limited
(Registration number 2003/09512/07)
Attention: Solete Wilke
33 Kingfisher Drive
Fourways, 2188
South Africa
PO Box 2424, Fourways, 2055
Telephone: +27 (0) 465 5142/3
Facsimile: +27 (0) 86 512 8872
Email: sw@premcorp.co.za

Registered office
Vanderbijlpark Steel
Room N3-5, Main Building
Delfos Boulevard
Vanderbijlpark

Postal address
PO Box 2
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BASTION GRAPHICS

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