Integrated Annual Report 2015

ArcelorMittal

Stabilising the present, building the future

15

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Indicates pages where the reader can access further information on a particular topic.

Feedback

We value feedback from our stakeholders and use it to ensure that we are reporting appropriately on the issues that are most 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 reports

Integrated Annual Report (IAR)

This printed IAR (also available online, with additional information, at our company's IAR website **www.arcelormittalsa.com/integratedreport2015**), is intended to provide readers with an overview of our operations during the year, about our ability to create value over the short, medium and long term, and our performance in managing our most material issues, which inform our key strategic objectives. The printed and online reports include messages from leadership, operational reviews, corporate governance and risk management reports, summarised financial statements and information for shareholders.

Annual Financial Statements

The full financial statements, which are available, on request, from the company secretary at our registered offices and at **www.arcelormittalsa.com/integratedreport2015**, provide comprehensive insight into the financial position of the company for the year under review.

About this report

Stabilising the present, building the future

This is our fifth integrated annual report (IAR). With this report we aim to provide a transparent and balanced appraisal of the material issues that faced our business during the year under review and that impact our ongoing ability to create value.

The report should be read in conjunction with the full financial statements.

This report aims to provide all stakeholders with an account of the group's operational, financial, economic, social and environmental performance, its use of the capitals as described by the <IR> Framework and its creation of value in terms of those capitals, governance, opportunities and risks during the period reviewed as well as prospects. As with our 2014 report, this year we continue to place a premium on conciseness in our printed reporting while increasing our level of disclosure in our online IAR.

The report has been prepared in accordance with the recommendations of principle 9.1 of the King Code and the International Integrated Reporting (<IR>) Framework as published in December 2013 by the International Integrated Reporting Council.

Content and presentation of information in this year's IAR were informed by a third-party analysis of our 2014 report, which was adjudged "excellent" in the 2015 Ernst & Young Excellence in Integrated Reporting Awards. The Nkonki Insights into the Top 100 JSE Listed Companies Awards for 2014 ranked our report the third best.

Scope and boundary of this report

This IAR covers the period from 1 January 2015 to 31 December 2015. The previous IAR covered the 2014 financial year. Our 2015 report covers the operations of ArcelorMittal South Africa, which include Vanderbijlpark Works, Vereeniging Works, Saldanha Works, Newcastle Works, Pretoria Works, Tubular Products and our Coke and Chemicals operation (from this year we report on Vereeniging, Newcastle and Tubular Products as an integrated long products division). Despite widespread restructuring undertaken during the year there has been no material change in the scope and boundary of the IAR compared to the prior year, or historical financial data.

Materiality

In this report we seek to address those issues that are most material to our formulation and execution of strategy.

In 2015 our leadership explicitly determined that our most material issues related to:

- Our commitment to safety as embodied in our vision, mission and values
- Addressing the considerable risks that threatened to destroy our business and with it the primary steel industry in South Africa.

Leadership's determination of materiality was informed by detailed reports emanating from our enterprise risk management process and extensive engagement with stakeholders, many of whose interests are today more extensively aligned with those of the company.

A list of our most material issues is on page 10.

Forward looking statements

Certain statements in this document constitute "forward looking statements" which involve known and unknown risks and opportunities, 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.

Assurance

To further enhance the integrity of our report we have opted for limited assurance of certain key performance indicators (KPIs). The number of indicators assured this year was the same (12) as in 2014. The limited assurance statement is on page 79.

Regarding the summarised consolidated financial statements 2015

We have provided summarised consolidated financial statements in our printed report, in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued respectively by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, in particular International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

An independent audit was performed by Deloitte & Touche, expressing a modified opinion with an emphasis made on going concern. The opinion on the summarised consolidated financial statements, included in the IAR, is on page 83.

Board responsibility

The board, together with the audit committee, takes responsibility for this IAR. The report was prepared by a representative team of the company, assisted by outside experts, which reported to the chief executive officer (CEO) and chief financial officer (CFO). All directors were given at least two opportunities to review and comment on the contents and to ensure the report's 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 3 February 2016.

Signed by the CEO and CFO, who have been duly authorised thereto by the board.

Paul O'Flaherty
Chief executive officer

Dean Subramanian
Chief financial officer

Report navigation

The following icons, relating to our key strategic objectives, our top 12 risks and our most material issues, are used throughout this report to aid navigation.

Our four key strategic objectives

- Protecting the health and safety of our people
- Driving profitability
- Maintaining our licence to operate
- Creating a high-performance culture

Our top 12 risks

- Liquidity – Risk 1
- Increased imports – Risk 2
- Market demand and price decline – Risk 3
- Competition Commission issues – Risk 4
- Unsustainable input costs – Risk 5
- Availability of energy – Risk 6
- Insufficient input material supply – Risk 7
- Proposed carbon taxes – Risk 8
- Environmental and health impacts from operations – Risk 9
- Catastrophic plant failure – Risk 10
- Contract management – Risk 11
- Safety performance – Risk 12

Material issues

- Ensuring workplace safety
- Restructuring the balance sheet
- Seeking tariff trade protection
- Addressing unsustainable input costs, especially iron ore
- Seeking non-tariff trade protection and localisation of steel
- Establishing a fair price for steel
- Resolving Competition Commission issues
- B-BBEE compliance
- Environmental compliance
- Customer focus
- Optimising our industrial footprint
- Debating carbon tax
- Improving relations with labour and industry
- Training for a new operating reality

About us

Our vision

To add value to all our stakeholders through our market leadership position in sub-Saharan Africa by producing quality steel products safely, being an employer and supplier of choice while striving to be among the lowest-cost steel producers in the world.

Mission

We aim to achieve our vision by:

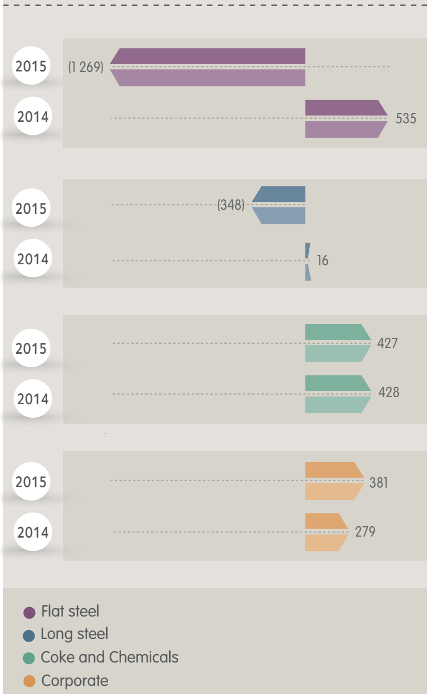
- Protecting the health and safety of our employees
- Pursuing operational excellence in all business processes
- Producing innovative high-quality steel solutions for our customers on time
- Protecting our environment and caring for the communities in which we operate
- Being a fair employer as well as a career and skills developer
- Being a responsible corporate citizen

Introduction

Headquartered in Vanderbijlpark, Gauteng, ArcelorMittal South Africa is Africa's largest steel producer with a production capacity, in a normal year, of 6.5 million tonnes of liquid steel which, after taking into account various yield factors, amounts to approximately 5.5 million tonnes of saleable steel products. This year we produced some 4.8 million tonnes of saleable steel. Our primary goal is to sell into the local and nearby markets. Currently we supply approximately 60% of the steel used in South Africa while exporting the balance to sub-Saharan Africa and elsewhere. In 2015, we permanently employed 9 315 (2014: 8 825) people, with an estimated economy-wide employment-creating impact of over 100 000 jobs.

A proudly South African company, we are part of the ArcelorMittal group, the world's leading steel producer with industrial sites in over 20 countries and a presence in more than 60. Our steel is produced in flat and long products that are further processed by downstream manufacturers. We also have a Coke and Chemicals operation which produces commercial grade coke for use by the ferro-alloy industry, and processes steelmaking by-products.

Ebitda contribution



Flat steel products

Produced at Vanderbijlpark and Saldanha Works. Products include slabs and heavy plate as well as hot rolled coil, cold rolled and coated products. Major consumers are the construction, piping, packaging and automotive industries.

Vanderbijlpark Works

Capacity

2.9 million tonnes
of liquid steel per annum

One of the world's largest inland steel mills and sub-Saharan Africa's biggest supplier of flat steel products. An integrated process produces liquid iron which is refined to produce, ultimately, heavy plate and coils.

Capacity utilisation

75% (2015) **83%** (2014)

Lost time injury frequency rate (LTIFR)

0.51 (2015) **0.54** (2014)

Revenue

R14.9 billion (2015)
R17.7 billion (2014)

Liquid steel production

2.182 million tonnes (2015)
2.5 million tonnes (2014)

For more information on Vanderbijlpark Works, please refer to page 47.

Saldanha Works

Capacity

1.3 million tonnes
of liquid steel per annum

Largely export focused, Saldanha produces high-quality ultra-thin hot rolled coil, using a world-first merger of the Corex and Midrex technologies to replace the need for blast furnaces and coke ovens.

Capacity utilisation

74% (2015) **87%** (2014)

Lost time injury frequency rate (LTIFR)

0.0 (2015) **0.59** (2014)

Revenue

R5.0 billion (2015)
R5.3 billion (2014)

Liquid steel production

0.963 million tonnes (2015)
1.1 million tonnes (2014)

For more information on Saldanha Works, please refer to page 47.

Values

These underpin our strategic objectives and impact our stakeholders

- Safety
- Caring
- Customer focus
- Commitment

Long steel products

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

Capacity

2.3 million tonnes
of liquid steel per annum

The foremost South African producer of profile products including low and medium-carbon commercial grades, sulphur-containing free-cutting steels, micro-alloyed steels and high-carbon wire-rod steels as well as alloy steels, specialty steel, seamless tube and forge products.

In 2015 a restructuring of our Long Steel division entailed billets produced at the Newcastle furnace (which was relined at a cost of R1.8 billion in 2014) being transported to Vereeniging for milling, unlocking synergies and boosting return on capital employed.

Tubular Products Vereeniging is the sole producer of hot rolled and cold drawn seamless tube products in South Africa. The facility produces 100 000 tonnes of final product per annum, of which some 80% is exported.

Capacity utilisation (Newcastle)	Capacity utilisation (Vereeniging) excluding Tubular Products which does not produce liquid steel
81% (2015) **32%** (2014)	**41%** (2015) **78%** (2014)

Lost time injury frequency rate (LTIFR)

Newcastle	Vereeniging	Tubular
0.25 (2015) **0.1** (2014)	**1.06** (2015) **1.24** (2014)	**1.52** (2015) **1.81** (2014)

Revenue (including Newcastle, Vereeniging and Tubular Products)

R10.9 billion (2015) **R9.1 billion** (2014)

Liquid steel production

1.694 million tonnes (2015) **0.932 million tonnes** (2014)

For more information on long steel, please refer to page 47.

Coke and Chemicals

Coke and Chemicals' core business is the production of commercial coke for the ferro-alloy industry from coke batteries located at Vanderbijlpark, Newcastle and Pretoria. The business also processes and beneficiates metallurgical and steel by-products, including coal tar. These are sold as raw materials for a wide variety of uses.

Capacity

695 000 tonnes
of commercial coke per annum

Produces commercial coke for the ferro-alloy industry from coke batteries in Vanderbijlpark, Newcastle and Pretoria. Metallurgical and steel products are also beneficiated, amongst them coal tar.

Lost time injury frequency rate (LTIFR)

1.09 (2015) **0.95** (2014)

Revenue

R1.8 billion (2015) **R2.0 billion** (2014)

Commercial coke production (000)

406kt (2015) **522kt** (2014)

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

Our value creation model

Inputs

Natural capital

Raw materials consumed

	2013	2014	2015
Iron ore	6 607kt	6 562kt	**6 541kt**
Coal	4 461kt	4 700kt	**4 074kt**
Purchased scrap	973kt	879kt	**793kt**
Fluxes	1 474kt	1 612kt	**1 658kt**

Energy

	2013	2014	2015
Electricity consumed (TWh)	3.67	3.52	**3.40**

Water intake

	2013	2014	2015
Water intake (Mℓ)	17 515	18 774	**18 418**

Human and intellectual capital

	2013†	2014†	2015†
Employees	9 016*	8 825*	**9 315***
Hired labour	1 729	1 411	**106**
Service contractors	4 375	3 316	**2 417**
Training spend	R138m	R151m	**R202m**

† As at 31 December.
** Permanently employed.*

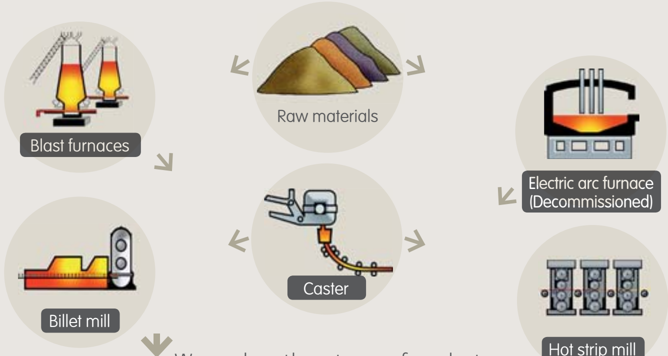
Financial capital

	2013	2014	2015
Equity	R20 694m	R20 722m	**R13 472m**
Borrowings	R906m	R1 000m	**R5 029m**

Key
t = tonnes
kt = kilotonnes
TWh = terrawatt hour
kℓ = kilolitres
Mℓ = megalitre

Our business model – 1928 to 2015

We are Africa's largest steel producer with an almost 90-year legacy of producing the products that form the backbone of our nation's economy. With facilities at Vanderbijlpark, Saldanha, Newcastle, Vereeniging and Pretoria, we have the capacity to produce 6.5 million tonnes of liquid steel.

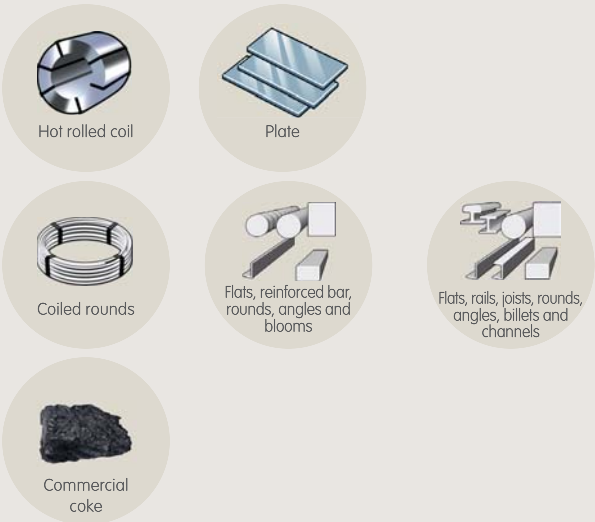


We produce three types of products:

Flat steel products

Long steel products

Coke and Chemicals



Flat and long steel products are further processed by downstream manufacturers. Coke and Chemicals produces commercial-grade coke for use by the ferro-alloy industry as well as selling steelmaking by-products.

We produce at five plants:
Vanderbijlpark, Saldanha, Newcastle, Vereeniging and Pretoria

73% of our sales are domestic (based on tonnage)

	2013	2014	2015
Total South African steel market (kt)	5 400	4 900	**5 000**
ArcelorMittal South Africa's domestic steel sales (kt)	3 126	3 002	**3 039**
In 2015 we sold our products domestically as follows:			
Construction (%)			**60**
Metal products (%)			**20**
Automotive and assembly (%)			**11**
Mining and agriculture (%)			**9**

Our new steel sales environment, 2016

In 2015 and early 2016 the South African authorities imposed **import duties** on a range of flat and long steel products

We envisage that, from 2016, **a steel pricing regime will apply** with prices of flat steel being determined according to an agreed formula. From 2016, we also envisage that **government will commit itself to localise primary steel** in designated sectors for infrastructural spend

Outputs and outcomes

Financial capital

Shareholders, investors, employees

	2013	2014	2015
Revenue	R32 421m	R34 852m	R31 141m
Ebitda	R1 768m	R1 258m	(R809m)
Profit/(loss) from operations	R47m	(R301m)	(R4 736m)
Ebitda margin	5.5%	3.6%	(2.6%)

Manufactured capital

Customers

	2013	2014	2015
Flat steel products sold	2 771kt	2 981kt	2 678kt
Domestic market	2 003kt	1 951kt	1 915kt
Export market	768kt	1 030kt	763kt
Long steel products sold	1 459kt	1 259kt	1 459kt
Domestic market	1 123kt	1 051kt	1 124kt
Export market	336kt	208kt	329kt
Coke and Chemicals sold			
Market coke	545kt	466kt	451kt
Tar	109kt	110kt	96kt
Other	994kt	1 323kt	1 120kt

Human capital

Employees, contractors

	2013	2014	2015
Safety: LTIFR	0.56	0.58	0.48
Safety: Fatalities	0	4	2
Salaries and wages	R3 408m	R3 764m	R4 027m

Social capital

Local communities, suppliers, local business

	2013	2014	2015
Socio-economic development	R37.4m	R16.3m	R12.6m
Procurement spend	R29 612m*	R32 275m*	R29 047m
Direct GDP	1%	1%	0.7%
Indirect GDP contribution	R11 000m (0.4%)	R11 000m (0.4%)	R15 200m (0.4%)
Economic value contribution	R32 421m	R34 852m	R31 141m
Taxes contributed	R1 500m	R870m	R618m
Procurement spend – QSE and EME	R2 000m	R2 500m	R2 800m

*Restated, from R25 000m and R26 786m, as reported in the 2014 integrated report, to include imports.

Intellectual capital

Customers, employees

Investment in tailored steel products enables local manufacture of wind towers and has cut the cost of solar installations by 16%.

Natural capital

Employees, contractors, communities

For a full list of our environmental outputs, see page 12.

Trade-offs

In 2015, to stay in business, our utmost priority was to minimise losses – and to preserve cash. The imperative to preserve financial capital meant significant trade-offs; most were financial capital positive but negative for other capitals.

Manufactured capital

Capital expenditure in 2015 was **R1 153 million** (2014: R2 798 million)

Social capital

Our CSI spend decreased from **R16.3 million to R12.6 million**

Procurement spend fell by **10% to R29 billion**

Human capital

Restructuring of our long steel products division saved **R73 million**

Social capital

This year we spent over **R32 million** on socio-economic, enterprise and supplier development

Manufactured capital

To preserve cash we cut back on planned steel production by **1 400 kilotonnes**

Natural capital

Spend on mitigating our environmental impact was **R65 million** (lower than R320 million projected at end-2014)

Our creation of social value

As Africa's largest primary steel producer, ArcelorMittal South Africa creates vast social capital. Our products – produced in South Africa by South Africans using mostly South African raw materials and skills – are at the heart of the manufacturing, construction and energy sectors – sectors that employ millions and which create the infrastructural backbone underpinning our economy and the livelihoods of present and future generations.

We are committed to working with the private sector, government and labour to unlock economic growth, industrial development and job creation.

As detailed in our 2015 Factor Report, here we present some of the many ways in which we as a company, as an employer, customer and steel producer create significant value for South Africa and its people.

Employer, job creator, skills developer

Over **9 300** permanently employed by ArcelorMittal South Africa in 2015 (2014: 8 825) (2013: 9 016)

3.5 jobs created for every R1 million spent by us

Over **580 000** hours of training conducted at a cost of R202 million (2014: R151 million) (2013: R138 million)

R139 million spent on technical training, apprenticeships and bursaries in 2015 (2014: R46.8 million) (2013: R42 million)

For detail on our performance as an employer, see page 62.

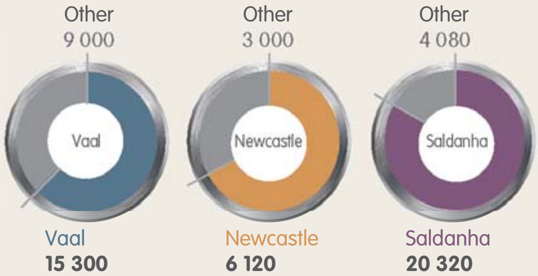
Local economic and social impact

Our plants are at the very heart of at least three regions which rely on them for employment and economic activity and to which we contribute through community investment and training

Approximate locations and number of SMEs supported

*2015 estimates

Number of households in community – ArcelorMittal South Africa supported (direct and indirect)



*2014 estimates

Source: ArcelorMittal South Africa Factor Report, ArcelorMittal South Africa site overviews, StatsSA – average household size.

In 2015 ArcelorMittal South Africa:

Employed 85% of new recruits from local communities (2014: 68%)

Placed **R5.6 billion** worth of business with 1 079 vendors located in close proximity to our plants (2014: R4.8 billion) (2013: R5.9 billion)

Invested R12.6 million in local communities through 37 projects (2014: R16.3 million) (2013: R37.4 million)

Reached **469 schools and 112 000 individuals,** with our three sponsored schools

Gave 447 learnerships to local students (2014: 227) (2013: 131)

For more detail on our local economic and social impact see page 53.

Catalyst for change

R158 million – value of strategic and value-added export rebates given to SA customers in 2015

4.7% – percentage of company shares given to a new employee trust, with HDSA staff receiving 60% of benefits

R20 million – 2015 spend on enterprise and supplier development

9 to 25 – increase in black representation in "top" management between 2014 and 2015 (17 to 23 – increase in "senior" management)

R2 800 million – 2015 procurement spend with exempt micro enterprises and qualifying small enterprises (2014: R2 000 million) (2013: R2 500 million)

National economic, industrial and employment impact

Eighty percent of our production goes to four key industrial sectors which, between them, account for some 20% of South Africa's GDP and two million jobs.

Sector	GDP contribution %	Our 2015 sales (000 tonnes)	Employment (000)
Construction	3.5	1 792	1 300
Utilities (water and energy)	2.2	138	100
Mining	7.5	273	430
Automotive	7.2	364	120

For more detail on our national economic and social impact, see page 7.

In 2015 ArcelorMittal South Africa and its first order suppliers contributed R42.8 billion to the national economy.

Economic growth engine

R24 billion value added by creating products which otherwise would be imported – 1.1% of direct GDP

R618 million paid in taxes, duties and rates

R7 billion export revenue

R29 billion spent on 2 825 suppliers

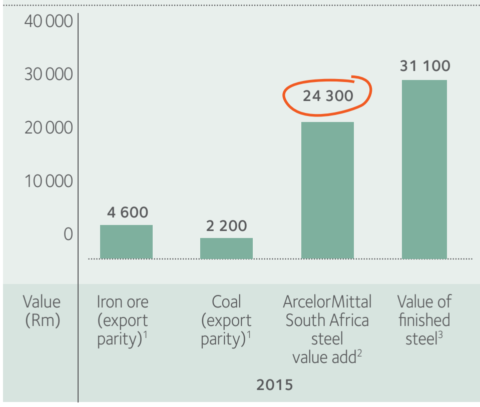
R3 billion in rebates to domestic customers over the past 10 years

40 000 additional jobs we can create by investing in new capacity and offering pricing support

NDP enablement through beneficiation

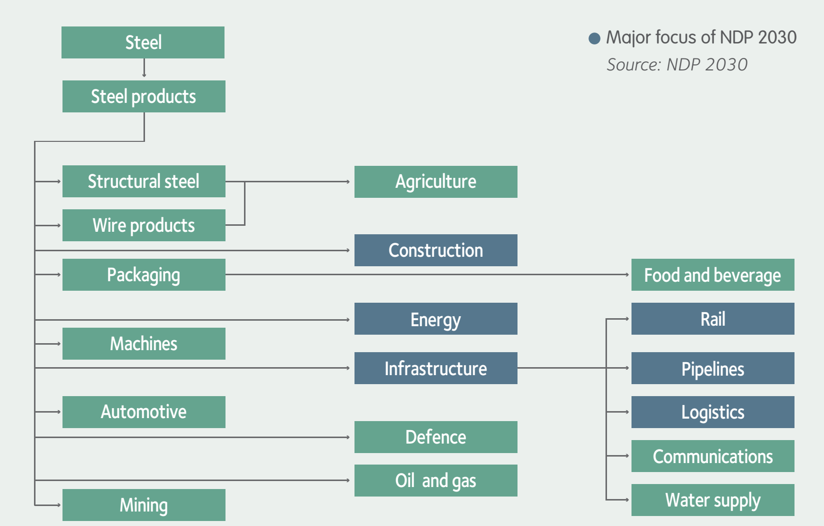
The National Development Plan (NDP) contains key targets that are supported by ArcelorMittal South Africa's activities, the key being the secure domestic supply of steel required to execute the NDP's ambitious infrastructure plans. ArcelorMittal South Africa directly and indirectly contributes to the attainment of many of the plan's social, economic and environmental targets.

ArcelorMittal South Africa will enable the NDP by creating value through converting raw material to steel



[1] *Raw materials considered are iron ore and coking coal (excludes limestone and dolomite), export parity price as per 2015 average estimates as reported by IMF (Iron Ore) and World Bank (South African export coal).*
[2] *2015 revenue less EPP value of iron ore and coal consumed by company.*
[3] *Refer to the consolidated summarised annual financial statements.*
Source: Steel Index at IMF, World Bank, ArcelorMittal South Africa internal data, BCG analysis.

Touching every part of the South African economy, steel is central to the achievement of the 2030 goals of the NDP



Stabilising the present, building the future

How our four key strategic objectives address our most material issues and our key risks, what these mean for our key stakeholders, and how we measure our performance on achieving our strategic objectives.

Our key stakeholders

(and our key risks and material issues that were of greatest concern to them)

Employees and trade unions
Risk 9, Risk 10, Risk 3, Risk 12

Government
Risk 4, Risk 8, Risk 9, Risk 2, Risk 12

Customers
Risk 2, Risk 3, Risk 10

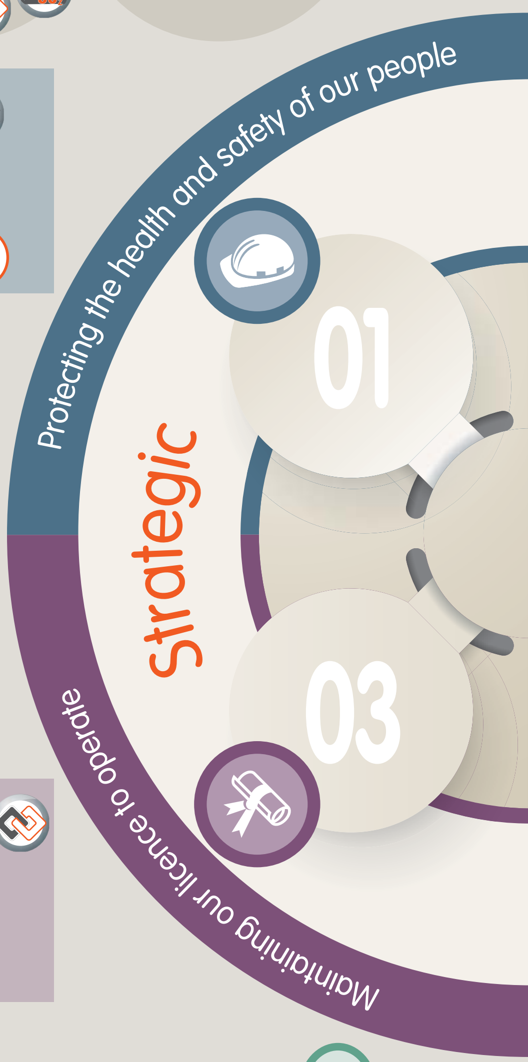
Our most material issues

What our strategy addresses

- Ensuring workplace safety
- Restructuring the balance sheet
- Seeking tariff trade protection
- Addressing unsustainable input costs, especially iron ore
- Seeking non-tariff trade protection and localisation of steel
- Establishing a fair price for steel
- Resolving Competition Commission issues
- B-BBEE compliance
- Environmental compliance
- Customer focus
- Optimising our industrial footprint
- Debating carbon tax
- Improving relations with labour and industry
- Training for a new operating reality

Risk 4, Risk 10, Risk 12

Risk 8, Risk 9, Risk 12



Our scorecard

See pages 42 to 67.

Protecting the health and safety of our people

- KPI 1 Number of fatalities
- KPI 2 Lost time injury frequency rate (LTIFR)
- KPI 3 Total injury frequency rate (TIFR)

Driving profitability

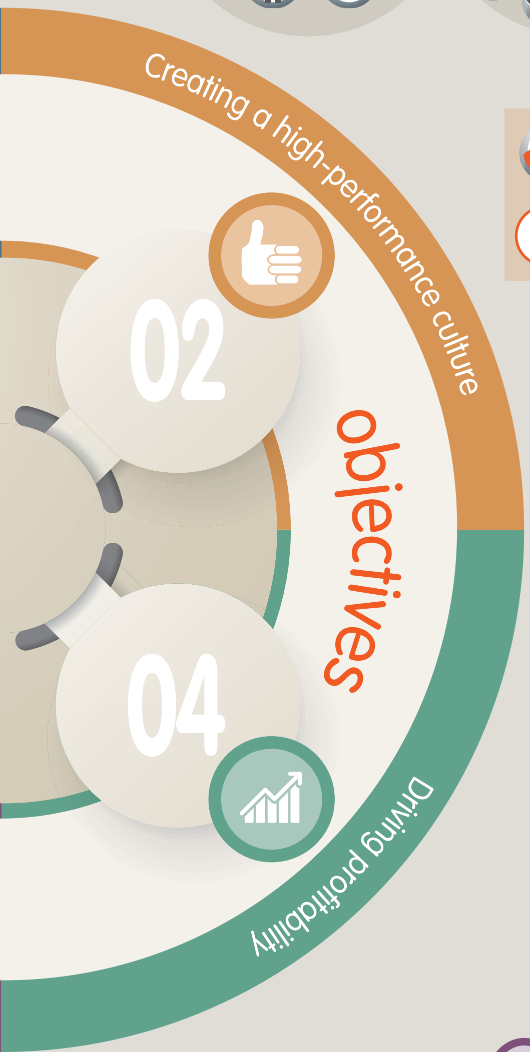
- KPI 4 Ebitda per tonne
- KPI 5 Return on financial capital employed (ROCE)
- KPI 6 Liquid steel production (000 tonne)
- KPI 7 Cash generated from operations
- KPI 8 Daily net cash/debt position

Risk 9 Risk 12
Local communities and NGOs

Risk 9 Risk 10 Risk 3 Risk 11 Risk 1 Risk 12
Suppliers and contractors

Risk 3 Risk 4 Risk 2 Risk 5 Risk 8 Risk 10 Risk 1
Shareholders

See page 26.



Risk 1 Risk 7 Risk 10 Risk 11 Risk 12

Risk 1 Risk 2 Risk 3 Risk 4 Risk 5 Risk 6 Risk 8 Risk 11

Top 12 risks

These were the risks that most threatened our sustainability during the course of 2015.

- Risk 1 Liquidity
- Risk 2 Increased imports
- Risk 3 Market demand and price decline
- Risk 4 Competition Commission issues
- Risk 5 Unsustainable input costs
- Risk 6 Availability of energy
- Risk 7 Insufficient input material supply
- Risk 8 Proposed carbon taxes
- Risk 9 Environmental and health impacts from operations
- Risk 10 Catastrophic plant failure
- Risk 11 Contract management
- Risk 12 Safety performance

Risk and materiality, see page 18.

Maintaining our licence to operate

- KPI 9 Legal and environmental compliance
- KPI 10 B-BBEE status level
- KPI 11 B-BBEE ownership transaction
- KPI 12 Enterprise and supplier development and preferential procurement performance
- KPI 13 Specific environmental measures – see page 59

Creating a high-performance culture

- KPI 14 Total cost of employment per tonne of liquid steel
- KPI 15 Execution of Future Leaders programme
- KPI 16 Management control and employment equity performance

For more detail on our national economic and social impact, see page 7.

Key sustainability indicators

We seek to grow social and human capital as well as financial capital while minimising our consumption of, and impacts on, natural capital. These are some of the leading performance indicators which we closely monitor and which our strategy seeks to influence.

Making steel more sustainable

Risk 8 Risk 9

Key performance indicator	Unit	2015	2014	2013	Definitions
Percentage of operations certified to the Environmental Management System Standard, ISO 14001	%	**100**	100	100	ISO 14001 is an international standard for environmental management systems
Greenhouse gases					
Direct carbon dioxide (CO_2) – Scope 1+	t/t liquid steel	**2.13**	2.37	2.19	Direct CO_2 emissions
Indirect carbon dioxide (CO_2) – Scope 2+	t/t liquid steel	**0.67**	0.79	0.72	Indirect CO_2 emissions due to electricity consumption
Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)+	t/t liquid steel	**2.80**	3.09	2.91	
Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)+	mt	**13.57**	14.08	14.83	
Atmospheric emissions					
Sulphur dioxides (SO_2)	Tonnes	**21 544**	20 022	23 485	
Particulates from point sources	Tonnes	**2 535**	2 304	2 543	
By-products					
By-products generated	mt	**4.09**	4.01	4.28	
By-products disposed (% of total)	%	**35**	32	39	
Energy use					
Electricity (purchased)+	TWh	**3.40**	3.52	3.67	
Total energy consumption	PJ	**128.4**	124	127	
Material use*					
Iron ore	Tonnes	**6 541 045**	6 562 183	6 606 649	
Coal+	Tonnes	**4 074 721**	4 699 604	4 461 055	
Dolomite	Tonnes	**519 658**	707 521	576 621	
Limestone	Tonnes	**540 694**	869 770	826 106	
Scrap (consumed)	Tonnes	**793 160**	879 301	973 023	Scrap metal excluding by-products that contain Fe
Water**					
Fresh water intake	kℓ	**18 418 173**	18 773 893	17 515 297	

** 2015 figures: actual amounts consumed*
*** 2014 and 2013 figures restated*

Investing in our people

Risk 1 Risk 3 Risk 5 Risk 10 Risk 11 Risk 12

Key performance indicator	Unit	2015	2014	2013	Definitions
Employee numbers+ (permanent at year-end)	Number	**9 315**	8 825	9 016	
Employee and contractor fatalities+	Number	**2**	4	–	
Lost time injury frequency rate (LTIFR)+	(per million hours worked)	**0.48**	0.58	0.56	LTIFR is the number of fatalities and injuries that have resulted in an employee or contractor being away from work for at least one day after the day the accident occurred, per million hours worked
Disabling injury frequency rate (DIFR)	(per million hours worked)	**0.70**	1.18	1.06	DIFR is the number of fatalities, lost time injuries and restricted workday case injuries per million hours worked. Restricted workday case injuries are recorded when the injured employee returns to work by their next shift and can complete meaningful tasks, but a restriction placed on them by a medical practitioner limits their ability to perform all of the tasks required of them
Total injury frequency rate (TIFR)	(per million hours worked)	**10.77**	15.83	13.05	All injuries (fatalities, DIFR, lost time injuries, medical aid and first aid injuries) per million hours worked

+ Externally assured

Investing in our people continued

Key performance indicator	Unit	2015	2014	2013	Definitions
Occupation disease frequency rate (ODFR)	(per million hours worked)	**0.19**	0.08	0.17	Occupational diseases (work-related ailments) per million hours worked
Percentage of operations certified to the health and safety management system standard, OHSAS 18001	%	**100**	100	100	OHSAS 18001 is an international standard for health and safety management systems
Number of hours of full-time package category employee training	Number	**93 216**	78 775	33 296	Number of hours of full-time package category employee training. This includes health and safety training
Number of hours of full-time bargaining unit category employee training	Number	**488 079**	303 133	196 891	Number of hours of full-time bargaining unit category employee training. This includes health and safety training and on-the-job training
Investment in employee training and development	Rm	**202**	151.4	138.1	
Proportion of above focused on black employees	%	**71**	75	90	
Investment in bursary scheme	Rm	**63**	65.3	80.3	
Graduates in training	Number	**35**	17	18	
Production learners	Number	**422**	374	813	
Apprentices	Number	**462**	447	574	
Artisan to technician conversion programme	Number	**98**	52	62	

Creating value for our stakeholders Risk 1 Risk 5 Risk 11

Key performance indicator	Unit	2015	2014	2013	Definitions
Value added statement					
Revenue	Rm	**31 141**	34 852	32 421	
Purchased materials and services	Rm	**(29 612)**	32 275	29 612	
Finance income	Rm	**9**	12	7	
Investment income	Rm	**122**	67	5	
Value distributed to:	Rm	**(6 034)**	6 050	4 924	
Shareholders	Rm	**–**	–	–	
Employees	Rm	**4 027**	3 764	3 408	
Providers of debt	Rm	**812**	389	391	
Government	Rm	**40**	84	221	
Community investment+	Rm	**12.6**	16	37	
Reinvested in group	Rm	**1 262**	2 675	1 550	

Transparent governance Risk 1 Risk 9 Risk 12

Key performance indicator	Unit	2015	2014	2013	Definitions
Fines, penalties and settlements	Number	**–**	–	–	All incidents of and fines for non-compliance with all laws and regulations associated with safety, health and environmental issues
Fines, penalties and settlements	Rm	**–**	–	–	Payments include fines due to non-compliance with all laws and regulations and permits. The payments do not include levies or costs for lawyers and product liabilities

+ *Externally assured*

Our operating context

In almost all material respects the context in which ArcelorMittal South Africa operated in 2015 militated against our ability to generate profits and even survive.

The already extremely challenging operating conditions which prevailed throughout 2014 worsened in 2015 with South African steel demand remaining flat while a flood of imports at record unsustainably low prices, particularly from China, grew.

This year the slump in commodity prices negatively impacted the key mining and construction sectors – not only in South Africa but also in key export markets. Despite the sharp drop in the prices of most key commodities, ArcelorMittal South Africa realised only limited input benefits. Global iron ore prices dropped 43% in USD terms in 2015 (and 32% in rand terms). In contrast, our iron ore costs rose 2% in rand terms (and fell 16% in USD terms).

Market overview

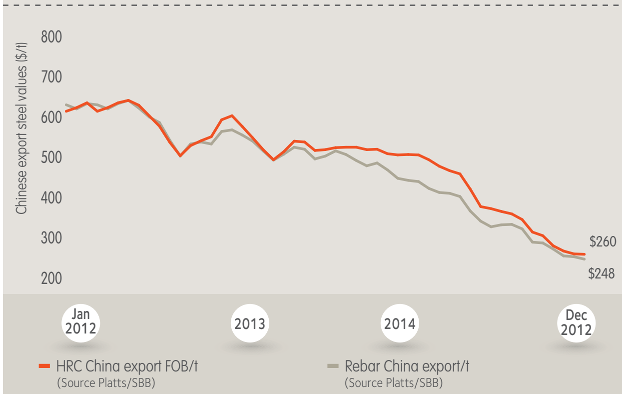
Global

Worldwide finished steel output declined from 1 647 million tonnes in 2014 to 1 605 million tonnes per annum (mtpa) for the whole of 2015. While worldwide production and apparent consumption both fell, Chinese exports continued to grow: in 2014 China exported 50% more steel than it did in 2013, its exports rising a further 20% in 2015 to 112.4 mtpm.

Against a backdrop of stagnant growth in demand and growing state-subsidised exports from China, worldwide steel prices plummeted: between January and December, hot rolled coil prices slumped from USD421/t to USD260/t.

Between 2014 and 2015 Chinese steel exports into South Africa rose by 72%, representing 56% of total steel imports into this country by year-end and 16% of all local sales.

Chinese export steel prices ($/t)

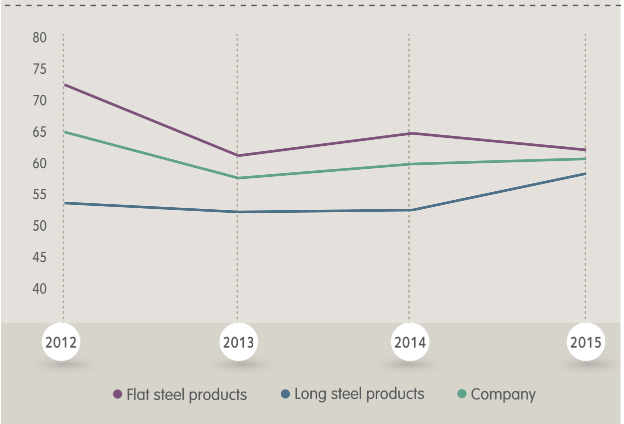


FOB China coke prices declined by 26% between Q4 2014 and Q4 2015 (USD176/t to USD130/t).

South Africa

With a massive and growing worldwide oversupply of steel and with heavily subsidised Chinese producers aggressively targeting sub-Saharan Africa, prices realised for both long and flat steel came under unprecedented pressure this year.

ArcelorMittal South Africa market share evolution (%)



Hopes that domestic steel demand would return to 2013 levels following the disruptive platinum and steel and engineering strikes of 2014 and that there would be a limited upturn in construction activity failed to materialise this year. During 2015 it became increasingly apparent that there was little domestic appetite for industrial or infrastructural investment with companies focusing on those investments that will increase productivity in the short term rather than investing for long-term growth – the kind of investment that typically consumes steel.

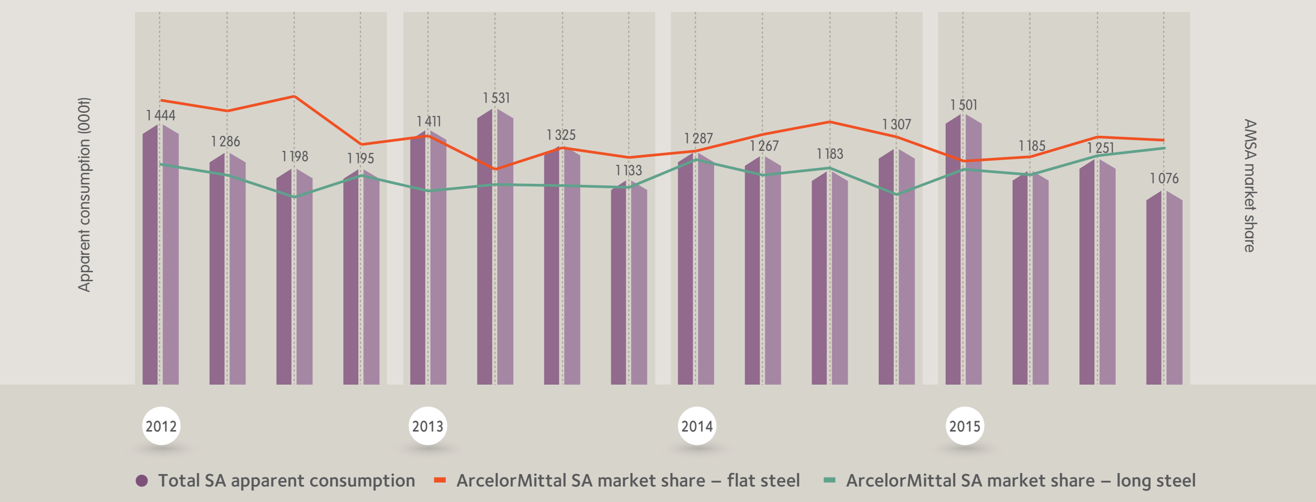
Added to this, load shedding, high wage inflation, Eskom and Transnet Freight Rail (TFR) tariffs increasing far above inflation and labour relations instability continued to depress investor sentiment while low commodity prices similarly dampened the mining sector's growth potential. In addition, there was no discernible increase in public sector infrastructural spend, a situation that was exacerbated by programmes including new rolling stock and electricity transmission not specifying local steel content levels.

In an environment of falling prices and low overall economic activity, customers had little incentive to restock. In 2015 apparent steel consumption declined by some 31kt or 0.6% while real consumption (sales less the effects of stockpiling) fell by 0.7% and stock levels reached 7.0 weeks (2014: 7.5 weeks). Imports accounted for 25.8% of the growth in apparent domestic consumption as total domestic production declined by approximately 8.9%.

Inventory levels outside the primary steel producers

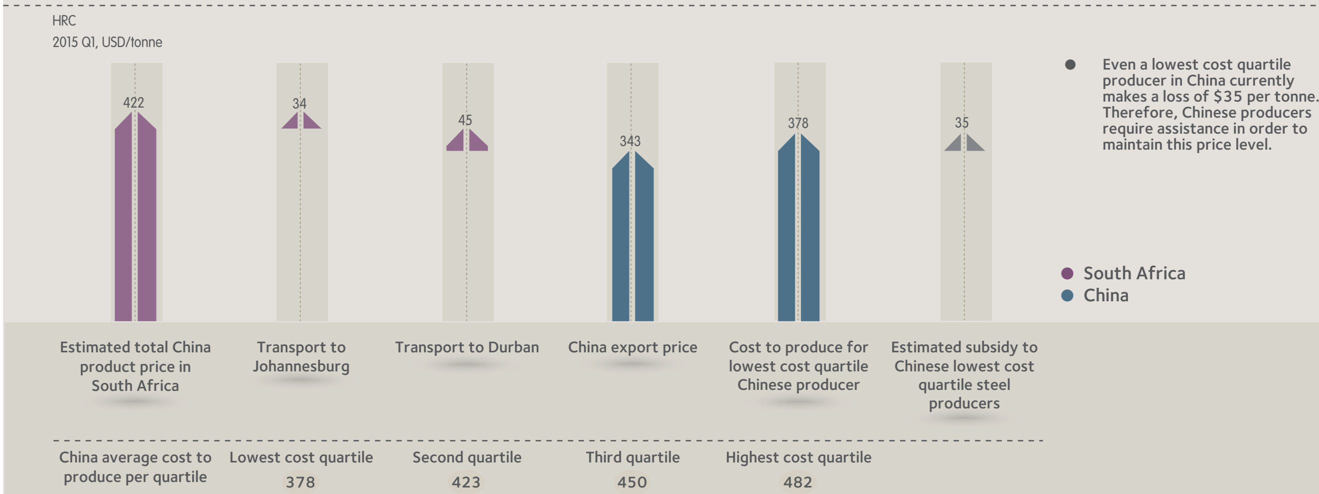
The combined, sharply negative impact of growing, subsidised Chinese imports and sluggish local demand was illustrated in April 2015 when South Africa's second largest steel producer, Evraz Highveld Steel and Vanadium, filed for business rescue. Despite this development, in the face of surging Chinese imports, ArcelorMittal South Africa's market share dropped from 64.5% to 61.9% for flat steel while long steel products' market share rose from 52.5% to 58.2%.

Apparent steel consumption and market share



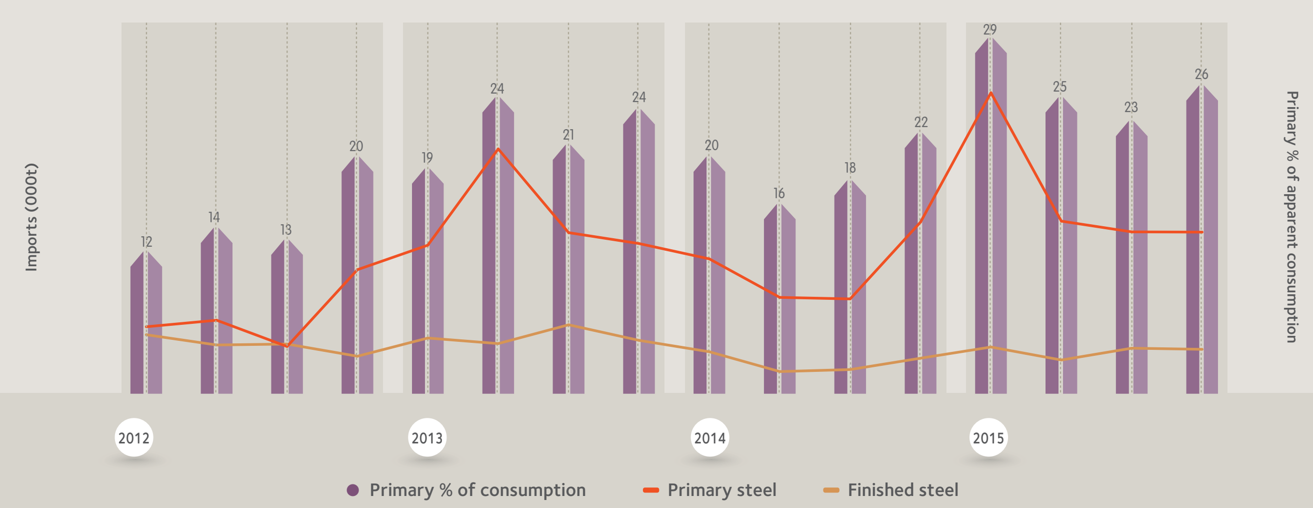
Our operating context continued

China prices its products below its own cost of production



Source: MEPS International Steel Review, International Trade Solutions China Report, AMSA

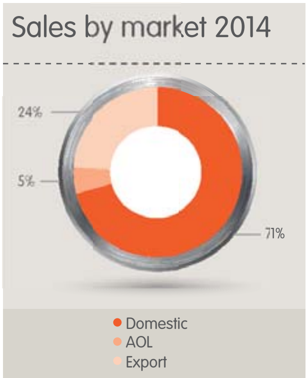
Import of primary and finished steel products

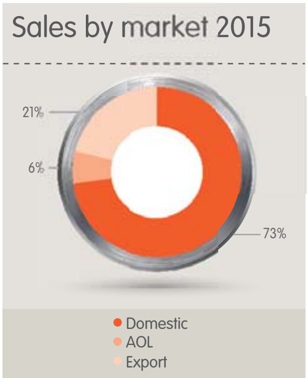




African markets

In 2015 our exports into sub-Saharan markets (including the Africa Overland segment) represented 26.3% of export sales, down from 29.2% in 2014. Our core markets (South Africa and AOL) this year accounted for 79.3% of total steel sales.





As was the case in South Africa, this year regional economies also suffered from the slump in commodity prices which, in turn, depressed investment in oil and gas and mining development. (Within our export markets non-residential construction and mining account for 70% of shipments, consumption by the former being largely determined by the level of activity in the latter sector.) Diminished resources revenues further reduced governments' willingness or ability to invest in general infrastructural development in a number of key African markets.

While China aggressively targets South Africa for sales of steel (which it is able to sell at below its own cost of production and land in Gauteng more than 13% cheaper than the South African cost of production), similar conditions prevailed elsewhere in Africa.

In an environment of depressed underlying demand and growing Chinese exports, our shipments to Africa inevitably declined by 2.9%. This was despite long product sales to the sub-Saharan region improving following the Newcastle reline process completed in 2014.

Raw materials and energy

Risk 1 Risk 5 Risk 6

Raw materials make up 46% of the main input costs of steel production. Between 2008 and 2015, international prices of the raw material baskets for flat and long products fell by 43.7% and 26.2% respectively. In contrast, the cost of ArcelorMittal South Africa's flat and long raw material baskets (RMB) increased by 1.1% and 4% respectively. (International realities had a most material impact on ArcelorMittal South Africa's prices realised but a much more muted effect on local RMB/price differentials.)

Between 2007 and 2014 ArcelorMittal South Africa's cost per tonne from Sishen Iron Ore (which supplies 65% of our iron ore) rose 476%. Whereas a price of cost plus 3% was originally envisaged during the unbundling of our predecessor, Iscor, the cost plus 20% arrangement that subsequently came into effect had a profoundly negative impact on our costs. (In 2015 we paid R250 million more than if we had paid Sishen's export parity pricing.)

This year the cost of other major inputs continued to reflect sharp increases, electricity costs rising 13% and rail 8%, further squeezing the company's profitability and its ability to generate sustainable profits.

Product development and outlook

Risk 1 Risk 3

With sales prices softening by some 20% relative to 2014 – 31.5% for rebar and 23.5% for hot rolled coil – we overhauled our pricing levels as well as payment terms while striving to improve delivery times. (A number of key domestic customers have adopted a dual-supplier principle to take advantage of better terms received for buying imported steel – most imports are offered on the basis of 180-day payment terms – and perceived unreliable delivery of local steel.)

In addition to improving pricing, delivery times and payment terms, in 2015 we launched a customer education drive with the slogan "Know what you're buying" – aimed at raising awareness of the quality benefits of buying ArcelorMittal South Africa steel and the pitfalls and even dangers associated with using often inferior imported products.

Regulatory environment

Risk 1 Risk 2 Risk 4

Almost all countries possessing a primary steel producing sector have in place import duties to protect local industries against the subsidised import and dumping of steel products. Internationally, the imposition of such safeguard duties increased recently in line with the surge in Chinese exports. Until this year, however, South African producers including ArcelorMittal South Africa enjoyed no such protection.

Government was, at least until this year, reluctant to accede to widespread calls for protection against dumped steel. Its policy instead favoured the promotion of what was often referred to as the "developmental" pricing of primary steel which, it was believed, would benefit steel consumers and positively impact the cost of infrastructural development.

While our company leadership has recently argued consistently for necessary protection, the authorities were reluctant to act on such appeals or agree to implement formal requests for such protection. Much of this reluctance related, we perceived, to legacy issues. In the past ArcelorMittal was believed to have abused its dominant position and to have failed to meaningfully embrace transformation. We believe that in 2015 this appraisal of our social performance underwent substantial, more positive revision.

2015 risk and materiality

In 2015 our very survival was at serious risk. As such, our most material issues were largely concerned with the various, considerable threats to the sustainability of our business – and our strategy was almost exclusively concerned with mitigating and, wherever possible, obviating these risks.

At the outset of the year our board of directors considered various reports from management on the risks facing our company.

The board agreed that the single most material issue facing ArcelorMittal South Africa in 2015 was the need to stabilise our present situation to build a sustainable future. Stabilising our business meant combating our key risks by constantly addressing the issues that were most important to our survival.

The top 12 risks facing our company in 2015 were:

1. Liquidity
2. Increased imports
3. Market demand and price decline
4. Competition Commission issues
5. Unsustainable input costs
6. Availability of energy
7. Insufficient input material supply
8. Proposed carbon taxes
9. Environmental and health impacts from operations
10. Catastrophic plant failure
11. Contract management
12. Safety performance

With the determination by our leadership that the overriding imperative facing our company was the need to ensure its survival by addressing (mostly external) risks it followed, ipso facto, that our most material issues were derived from our top risks. In addition to material issues deriving from our risks, the health and safety of our employees and contractors is our foremost value and integral to our mission. Our most material issues this year were:

- Ensuring workplace safety
- Restructuring the balance sheet
- Seeking tariff trade protection
- Addressing unsustainable input costs, especially iron ore
- Seeking non-tariff trade protection and the localisation of steel
- Establishing a fair price for steel
- Resolving Competition Commission issues
- B-BBEE compliance
- Environmental compliance
- Customer focus
- Optimising our industrial footprint
- Debating carbon tax
- Improving relations with labour and industry
- Training for a new operating reality

With external factors testing the effectiveness of our enterprise risk management (ERM) process to the extreme, our company this year experienced a considerably renewed, sharper focus on the importance of an effective ERM process.

Determining materiality

Our integrated annual report seeks to explain how execution of our strategy and our governance practices created value in the year reported – and are likely to do so into the future. To this end we report performance on our four key strategic objectives:

- Protecting the health and safety of our people
- Driving profitability
- Maintaining our licence to operate
- Creating a high-performance culture

We formulate our key strategic objectives by answering the questions: what are the most material issues our company must address if it is to create value into the future while meeting the terms of its mission and subscribing consistently to its values? And: what are the issues that matter most to our stakeholders?

Our mission and values embed safety in our DNA. Safety is non-negotiable and is always placed above any other consideration or issue; any strategy or action that compromises our ability to keep our people safe compromises our values. As a values-driven organisation, safety is our foremost material issue.

Stakeholder inclusiveness is central to determining our most material issues. This engagement happens through formal platforms. For more on how we engage with stakeholders see page 28.

Explicit and perceived stakeholder concerns are regularly reported to the executive committee and board for consideration while the company's policies and strategic execution are communicated to stakeholders for input.

In addition to the concerns of stakeholders, we consider the macro-economic, political, social, legislative and regulatory environments in which we operate and do business, as well as the risk register, which is informed by our ongoing enterprise risk management systems and overseen by the audit and risk committee.

This year our risk register highlighted the many ways in which the environments mentioned above posed very real threats to our ability to stay in business and to continue creating value. At the outset of the year our board considered detailed reports on material risks and, in addition to safety, prioritised our most material issues accordingly. At a strategy session and two special board meetings, the board updated these issues.

Enterprise risk management

Our ERM policy is aligned with the ArcelorMittal group risk management policy, world best practices, the King III Code and the ISO 31000 standard. The objective of this policy is to enhance our ability to manage the uncertainties faced by our business. In the long run this will create greater confidence in the company's capacity to seize opportunities, alleviate risks and achieve sustainable successes. The following continuous improvements are either being implemented or are embedded within our business:

- Control effectiveness audits to verify current controls
- Revision of the project risk management process, including training
- Ongoing changes to our internally developed risk database with a focus on strengthening the link between the risk and capital expenditure systems
- Development of dashboards to support decisive, practical and visual risk management

In addition to the continuous risk management improvement process, the following actions are ongoing or are being implemented:

Industrial audit on asset risks
As in recent years, in 2015 an industrial audit was conducted to identify the top asset risks (per business unit) that could have a significant impact on plant availability. Outcomes from these audits were shared and discussed with relevant segment and group managers, the information shared clearly highlighting the capital requirements necessary to address the top exposures per operational centre.

In the past three years 55% of the 62 top asset risks identified in 2013 were mitigated. Investments included significant risk mitigation expenditure at Newcastle, chief among these the R1.8 billion blast furnace reline in 2014, stove refurbishment, the sinter plant reline and the BOF flare stack repair. Other business units also spent significant amounts of risk-mitigating capital on items such as purchasing critical spares, upgrading drives and the improvement or installation of fire systems. New asset risks identified in 2015 were assessed and included in the various risk registers. Risks identified as being part of the top exposures for the company will be highlighted and addressed accordingly.

Structural risk survey
ArcelorMittal South Africa's plants are ageing, ranging in age between 17 and 104 years. Because of the age of our plants, the risk of structural failure was identified as a focal area for 2015. Although structural risks were identified and mitigated in certain areas it was further decided to launch an investigation to determine the status of all critical physical structures within the company. This investigation includes the identification of structures at risk, the frequency and adequacy of structural surveys, the state of at-risk structures and actions to address concerns identified.

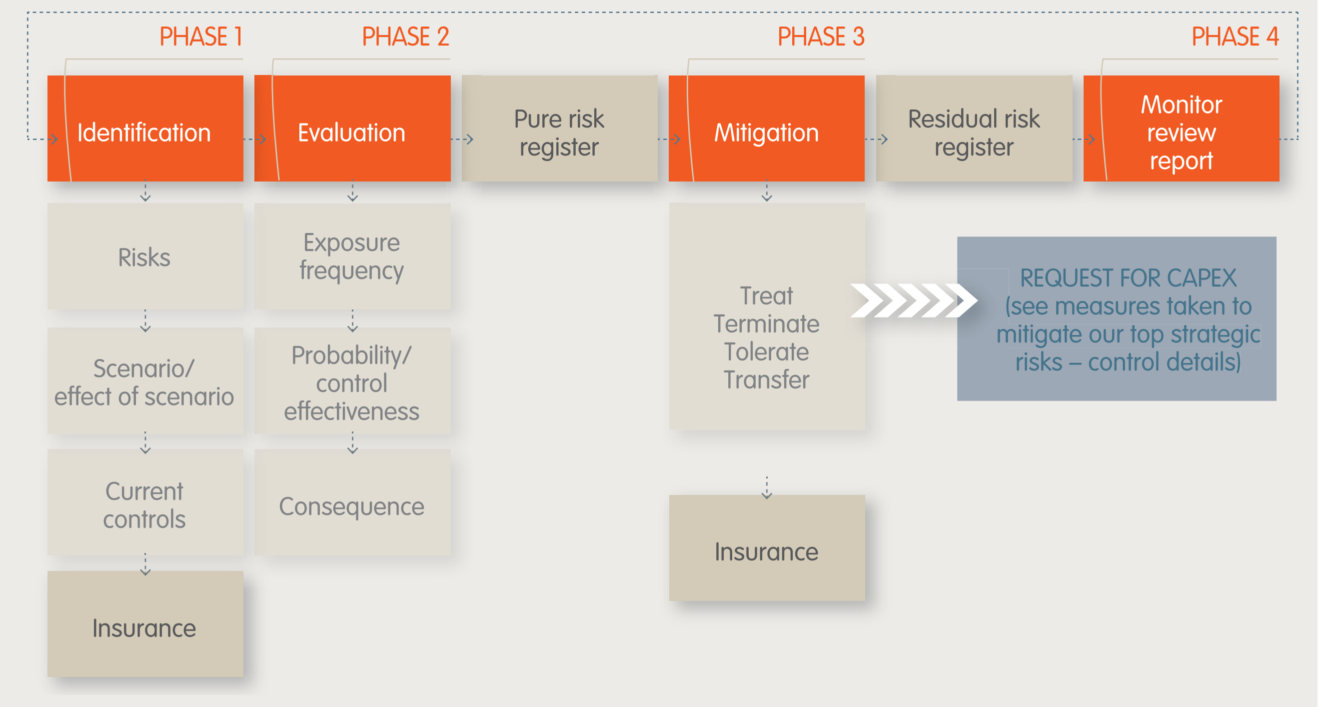
Focus on maintenance oversight
This year a "CEO maintenance governance committee" was initiated, to meet on a quarterly (initially monthly) basis. The principal objective of these meetings is to monitor the execution of plant maintenance and reliability performance to improve plant availability/reliability while minimising or eliminating major breakdowns and risks. Information discussed during committee meetings supports decision-making processes on:
- Operating/capital expenditure
- Maintenance practices
- The identification and mitigation of risks

Risk management database
The internally developed risk management database is used to register all risks identified at ArcelorMittal South Africa. The database was initially developed in 2006 at Saldanha Works to replace then Excel-based risk documents and was subsequently rolled out across the company, becoming an established risk management tool with the following advantages:
- Uniformity in the application of the risk management process and risk assessment methodology
- An aligned, structured approach to risk management
- Alignment in reporting
- Tracking of changes to risks
- Security of information
- Ease in collaboration of risks (reduction in administrative burden)
- Seamless integration with the capital expenditure database

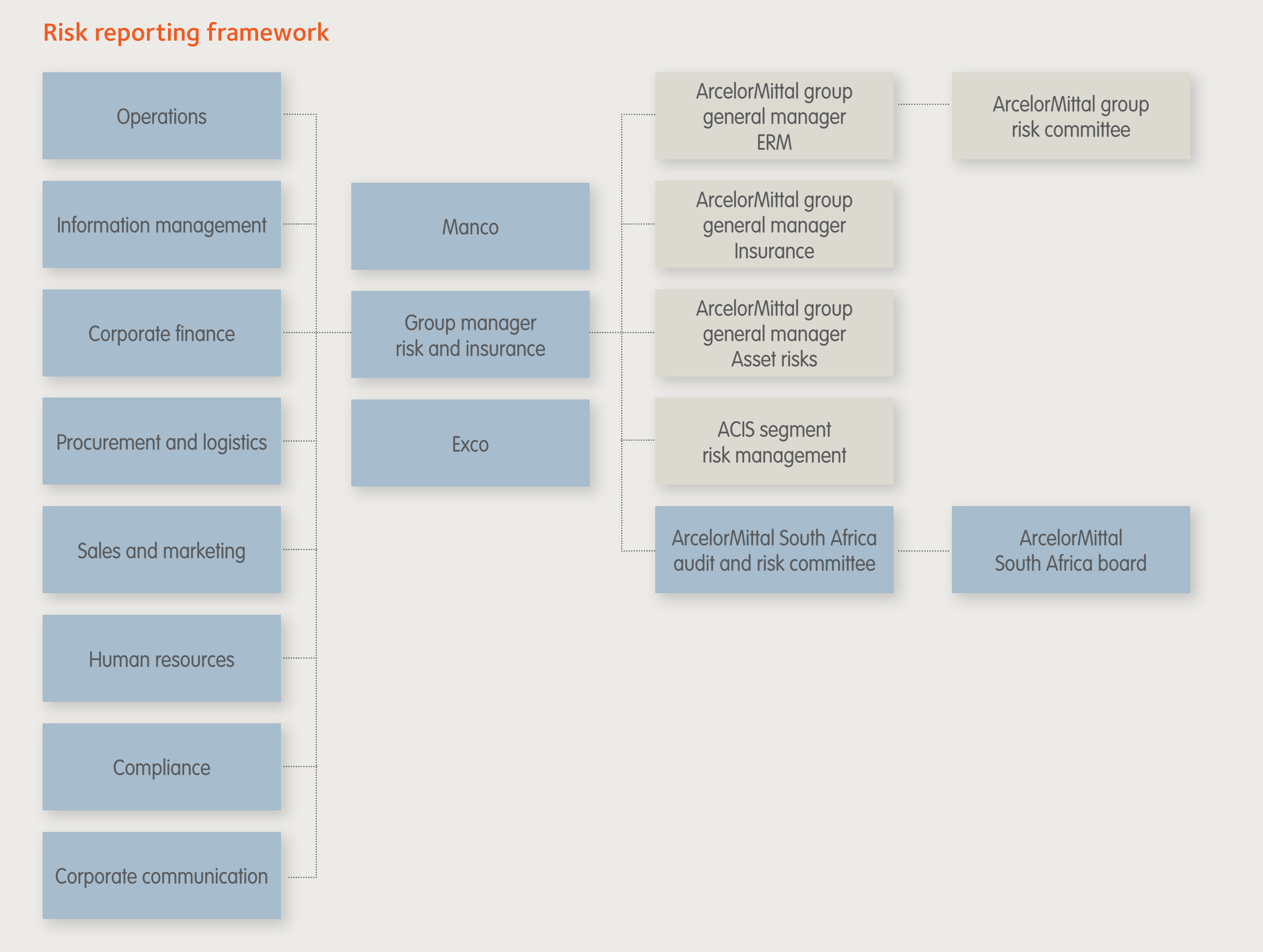
Board accountability
Our board is ultimately responsible for risk management and has an audit and risk committee which oversees risk policies and strategies. Top risks are also reported to the group risk committee via the group enterprise risk manager.

IT forms an integral part of risk management, the board bearing responsibility for IT governance while delegating to management the implementation of the IT governance framework.

Organisational structures and reporting framework
Risk assessment process



2015 risk and materiality continued



Risk management is structured around the following functional risk areas: sales and marketing, operations, procurement and logistics, human resources, finance, strategic, legal, health, safety and environment. The risk management process is divided into four distinct phases as per the graphic above. 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 management committee and, on a quarterly basis, to the executive committee, the audit and risk committee and the board.

Project risk management

With the significant time and cost overruns experienced during the Newcastle blast furnace reline in 2014, it became apparent that mitigation measures, particularly as they related to contractors' access to specialist skills, were materially deficient. A follow-up investigation was undertaken to learn and share experiences so as to prevent similar risks materialising during future relines or major projects. An audit was also conducted on the reline project with recommendations made to improve project management. One of the recommendations relating to the project risk management process was to also drive structured risk management during the execution phase of projects. This recommendation was implemented in the second half of 2015.

Business continuity management

The business continuity management (BCM) policy we have implemented is aligned with world best practices, the King III Codes 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.

Business continuity plans are implemented according to the risk profile of the company. This year the implementation of operational business continuity plans was concluded at all operating sites. The desktop testing of the business continuity plans will be a key risk management focus in 2016.

Insurance

Our insurance department, with the assistance of external consultants and using recognised international procedures and standards, undertakes regular loss-prevention audits of all plants and operations.

During 2015 AIG and Mapfre, two of the top three asset insurance companies, joined our loss surveyors (Axa-Matrix) in the annual loss survey exercise. The chief outcomes of the survey were:

- Increased management awareness of risks and actions to address these risks
- Improved fire system maintenance (further improvement required)
- Additional emphasis required on hydraulic room housekeeping and protection

Operational risk exposure is measured by risk consultants using a vulnerability index. Loss surveyors evaluate three main categories: management, fire protection and process safety (with 39 sub-categories) to determine the company's vulnerability index. Our vulnerability index has improved by 24% over the past eight years. Action plans to improve the vulnerability rating have been drafted and form part of the risk management process

We have an insurance programme in place which is underpinned by an approved insurance policy which provides insurance cover for losses above agreed deductibles at competitive costs (measured and determined both locally and abroad). Insurance cover is, in principle, risk-based as is outlined in the policy.

With no catastrophic insurable incidents during the past two years, ArcelorMittal South Africa's insurability has improved. Medium and longer-term alternative insurance options are thus being investigated to find the optimum insurance solution for the current business environment. Alternatives such as "spread loss facilities", "increase in captive deductible buy down" and "unwinding of the ring-fenced cell into the Ferrosure Isle of Man (FIOM) captive" were investigated. The following approaches are currently being taken on the three alternatives:

- Spread-loss facilities: Quotes were received on spread-loss or a hybrid spread-loss/reinsurance options. Further investigation into these options is ongoing to find the optimal risk-financing solution
- Increase in captive deductible buy-down: An increase in the deductible will necessitate an increase in premium. Although this will reduce the bottom-line impact during an incident, the current cash constraints do not support such an initiative
- Unwinding of our ring-fenced cell into the FIOM captive: A decision was made not to unwind our cell into the captive as cell funds need to be ring-fenced for ArcelorMittal South Africa. The accounting principles of the cell consolidation were changed in line with changed governance practices

Internal assurance

In 2015 Internal Assurance and Risk Management focused on combined assurance and the improvement thereof.

Combined assurance principles are followed by ArcelorMittal South Africa with levels 1, 2 and 3 assurance providers linked to controls for the top risks.

A combined assurance audit was conducted in October and November 2015. The outcome of the audit supported inclusion of the combined assurance principles into the risk database with training and full implementation to be undertaken in 2016.

Combined assurance principles were programmed into the risk management database to allow for continuous auditing on all three levels and to capture all information on a reliable database. Combined assurance reporting has also been developed and will be used to supplement Level 2 and Level 3 assurance reporting.

Continuous improvement

To improve the robustness of the ERM process we continuously review our risk management performance. A maturity model is used across the ArcelorMittal group to monitor the maturity of the risk management processes. We are assessed in the top 10 within the ArcelorMittal group. The following actions to improve the maturity of our risk management process are being pursued:

- Scheduling of baseline risk identification sessions to supplement existing continuous identification and assessment processes
- Analysis of group technical benchmark information to determine unplanned reliability as an input to risk identification
- Embedding of the combined assurance (current control effectiveness audit) process
- Benchmarking of risk management processes

We actively participate in knowledge management programmes (KMPs) and webinars where risk lessons are shared with other facilities within the ArcelorMittal group. These programmes inform the ongoing improvement of our risk management process. The ArcelorMittal South Africa risk manager is part of the global risk steering committee that is driving improvement actions for the group by using local knowledge and skills. This year actions arising from the committee's work included the design and rollout of operational risk management at ArcelorMittal sites where this process had not yet been implemented.

Compliance risk management

While the company has an effective compliance policy, with the exception of some pockets of excellence, there is no entrenched compliance culture. In 2015 we began implementing an appropriate compliance framework, this process entailing the establishment of a compliance structure (including the creation of company-wide coordination, capability and reporting templates), appointing compliance champions and raising awareness about the importance of compliance.

Using Compliance Institute of SA guidelines, we aim to effectively identify, monitor and report regulatory compliance risks.

Outlook for 2016

We recognise that effective risk management requires ERM processes, principles and objectives to be aligned and embedded across the organisation. We have made substantial progress on aligning the methodology and reporting process. Expanding the risk database this year contributed to streamlining the alignment and reporting process. In the year ahead we will focus on improving the robustness of the process by, among other measures, improving the risk control effectiveness approach. This will be achieved by applying the newly developed combined assurance approach to the risk database and testing and updating contingency plans while keeping the basic measures in place. In 2016 various actions will be taken to embed and integrate compliance risk management at both head office and business unit level.

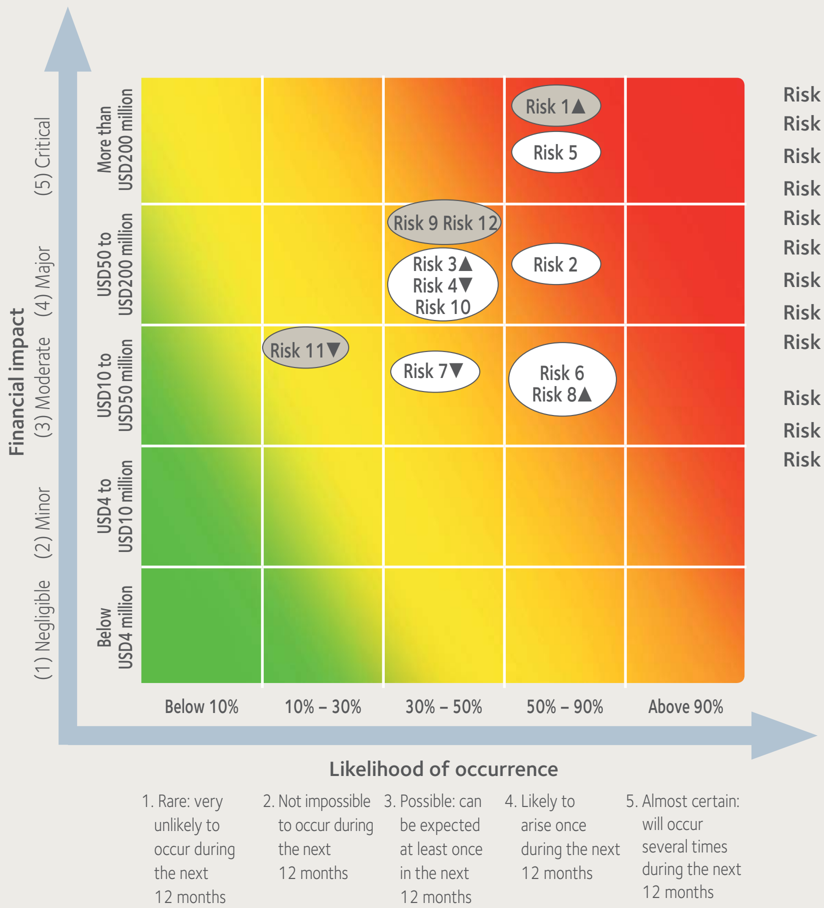
The effectiveness of the improved risk management process will be subject to a formal internal assessment and risk maturity audit in 2016.

2015 risk and materiality continued

Most significant risk exposures

The top strategic residual risks, as identified through our ERM process, which could impact our sustainability, are detailed in the diagram below.

Heat map of our top 12 risks in 2015



Risk 1▲	Liquidity
Risk 2	Increased imports
Risk 3▲	Market demand and price decline
Risk 4▼	Long tail Competition Commission issues
Risk 5	Unsustainable input costs
Risk 6	Availability of energy
Risk 7▼	Insufficient input material supply
Risk 8▲	Proposed carbon tax
Risk 9	Environmental and occupational health impacts from operations
Risk 10	Catastrophic plant failure
Risk 11▼	Contract management
Risk 12	Safety performance

Likelihood of occurrence
Future direction
Risk is increasing ▲
Risk is decreasing ▼

Measures taken to mitigate our top strategic risks

Risk number	Risk name and context	Control details (controls currently implemented)	Action details (additional actions to reduce the risk)
Risk 1	**Liquidity:** The decline in markets due to minimal local infrastructure spend, a surge in imports as well as the decline in steel prices, leads to severe cash pressure on the company. Sufficient cash/facilities are thus crucial during current trying times.	◆ Promissory notes programme ◆ True sales of receivable (TSR) programme ◆ Overnight facilities at banks ◆ Loan facility with ArcelorMittal group ◆ Supplier financing programme ◆ Mandated extended payment terms ◆ Cash initiatives	◆ Implement a 12-month syndicated facility between our three major banks ◆ B-BBEE transaction in progress ◆ Bond raising (if required) ◆ Sale of non-core assets ◆ Discussions with government on localisation of steel, import duties, pricing model, anti-dumping protection ◆ Rights issue ◆ Additional funding from group ◆ Additional utilisation of working capital facilities
Risk 2	**Increased imports:** Different competitive actions in the market put ArcelorMittal South Africa's profitability at risk. Increased imports, predominantly from China, are the main concern with the acquisition of distribution channels by competitors, investment into new plant capacity by the IDC (including overseas investors such as Hebei) and a Chinese company buying Evraz are all contributing factors.	◆ Monitoring of market activities and review of strategies accordingly ◆ Improved customer service and reliability ◆ Feedback from customers and developing account plans accordingly (target market approach)	◆ Implementation of target market approach and industry plans ◆ Shorten lead times and improve on-time delivery ◆ Supply stability by continued focus on improvements, maintenance and operational expenditure requirements ◆ Improve B-BBEE status ◆ Filing for import tariffs and safeguard applications on selected products ◆ Actively pursuing with government the localisation of steel for government infrastructure spent ◆ Minimising imports of products made by ourselves
Risk 3	**Market demand and price decline:** Global oversupply of steel puts pressure on steel prices. This, together with lower domestic demand as a result of low steel growth in steel-consuming sectors, contributes towards market demand declining. If a further drop in international prices is experienced, exports could also become impossible with a resultant impact on company profits.	◆ Adequate market intelligence, including: • Monitoring of imports • Strategy discussions with customers • Consumption modelling with customers • Monitor leading market indicators	◆ Implementation of target market approach and industry plans ◆ Further development on an ongoing basis in Africa overland ◆ Target projects (eg infrastructure) ◆ Strategic sessions with customers ◆ Shorten lead times and improve on-time delivery ◆ Investment into working capital ◆ Improve B-BBEE status ◆ Filing for import tariffs and safeguard applications on selected products ◆ Actively pursuing with government the localisation of steel for government infrastructure spent ◆ Minimising imports of products we produce
Risk 4	**Competition Commission issues:** Historical breach of applicable laws and regulations may result in penalties or even plant closure.	◆ Group compliance training on: • Company and group policies • Anti-trust • Anti-corruption • Economic sanctions	◆ Appropriate legal defences being adopted ◆ Relationship building ◆ Proactive training and monitoring of potential vulnerabilities ◆ Settlement proposals

Measures taken to mitigate our top strategic risks continued

Risk number	Risk name and context	Control details (controls currently implemented)	Action details (additional actions to reduce the risk)
Risk 5	**Unsustainable input costs:** Higher and rising input costs of material, services or transport that are not compensated by an increase in steel prices could lead to margin squeeze with a resultant financial impact on the company.	◆ Change of unfavourable contract with leading iron ore supplier ◆ Alternative iron ore supply ◆ Weekly stock planning meetings ◆ Target stock days ◆ Optimising internally generated material (eg scrap) ◆ Strategic partnership ◆ Leakage prevention initiatives ◆ Increased Africa supply ◆ Contracts in place with key suppliers defining price and/or pricing mechanism	◆ Investigating alternative sources – including import of iron ore ◆ Base volume to be negotiated (rail and road) – thus focus should be on sustainable logistics performance
Risk 6	**Availability of energy:** With the constraint on Eskom's resources, ArcelorMittal South Africa could expect significant supply disruptions if Eskom applies load curtailment initiatives to balance national generation and load. This will put pressure on plant stability and has a direct impact on production.	◆ Optimising electricity consumption within the company ◆ Monthly discussion between industry and Eskom ◆ Standard NRS048 "Emergency energy supply for South Africa" implemented ◆ Emergency electricity network exists in Newcastle ◆ Changes in Vanderbijlpark and Vereeniging footprint	◆ Energy business improvements to explore energy efficiency improvements requiring no or low capital ◆ Explore opportunities for third-party investments to reduce energy consumption with low or no capital contribution
Risk 7	**Insufficient input material supply:** Input material disruptions due to different factors such as insufficient stock holding, Transnet Freight Rail (TFR) inefficiency or supplier disruptions such as strikes, breakdowns or incidents could result in plant stoppages/ disruptions with resultant production losses.	◆ Internal logistics improvement plan to address turnaround times ◆ Road transport as alternative ◆ Monthly forum with TFR ◆ Inventory management ◆ Daily, weekly and monthly planning meetings ◆ Integrated transport plan ◆ Logistics operations centre (LOC) with TFR on site ◆ Alternative supply of critical input material ◆ Weekly dashboard report between TFR and company CEO ◆ Review and maintain safety stock levels to serve as contingency	◆ Joint optimisation project between company management and TFR to improve service delivery
Risk 8	**Proposed carbon tax:** The legislation of a carbon tax will have a significant financial impact on the business.	◆ Participation in the Department of Environmental Affairs Carbon Budget process resulting in an increase in the tax-free threshold ◆ Adequate intelligence including: • International steel carbon footprint • Worldwide best practice • Company data on CO_2 emissions control ◆ Ongoing capital expenditure	◆ Industry joint position – continue lobbying against the tax ◆ Information sharing ◆ Request a special dispensation for iron and steel ◆ Relationship building

Risk number	Risk name and context	Control details (controls currently implemented)	Action details (additional actions to reduce the risk)
Risk 9	**Environmental and occupational health impacts from operations:** Non-compliance with existing environmental laws and regulations such as the National Environmental Management Air Quality Act could have a significant impact on the company leading to penalties or even plant closures. Potential occupational health impacts from operations could also impact employees.	◆ Projects implemented ◆ Emissions measurement ◆ Closure of electric arc furnace (EAF) and Battery 3 in Vanderbijlpark ◆ Closure of EAF in Vereeniging ◆ Improved PPE at coke ovens	◆ Individual action plans to partially remediate including commitment by CEO on environmental capex allocation ◆ Major projects include zero effluent discharge (ZED) project and BOF slag disposal site at Newcastle and Coke Battery coal water treatment, sulphur recovery plant and ZED at Vanderbijlpark ◆ Ongoing shop floor audits for incorrect use of PPE and violations of standard operating procedures ◆ Periodic medical surveillances
Risk 10	**Catastrophic plant failure:** Sudden and unforeseen (catastrophic) plant failures leading to a significant loss of production are a risk not only to the profitability of the company but will also impact customers, potentially forcing them to seek alternative supply, thus increasing the risk of imports.	◆ Asset risk management process to mitigate risks ◆ Preventative maintenance ◆ Monitoring of operational drivers during monthly reviews including CEO maintenance governance meeting	◆ Business improvement process ◆ Implementation of actions to reduce asset risks through prioritised capex plan ◆ Increased focus on process safety and passive plant protection ◆ Focus on current control effectiveness
Risk 11	**Contract management:** Poor contract management and contract execution may lead to non-compliance with potential significant losses.	◆ Compliance cell custodians of contracts, managing compliance and enablement of contract management process ◆ Identification of long-term, high-value and high-risk contracts using a rules-based approach ◆ Comprehensive contracting guidelines available ◆ Spent matrix control in place for key commodities ◆ Software solution in SAP (contract lifecycle management) to effectively manage contracts ◆ Management of contract register, deployment of Qlikview, SAP controls ◆ Contract management process with contract owners implemented	◆ Draft contract manual to also be aligned with procurement policy ◆ Renegotiate all logistics road contracts ◆ EMS: contract management audit
Risk 12	**Safety performance:** Non-compliance and non-adherence to fatality prevention standards and unsafe acts and conditions may potentially lead to lost time injuries and ultimately to fatalities.	◆ Driving the adherence to fatality prevention standards ◆ Close out of IRCA and cross-site audit findings ◆ Visual felt leadership and focus on serious occurrences ◆ Improved focus on leading indicators and hazard identification ◆ Management presence on the shop floor	◆ Journey to zero incidents by: • Reducing DIFR, TIFR, number of serious occurrences and potential serious injuries or fatalities • Driving FPS standards – Level 3 at all sites end 2016

Our stakeholders and our strategy

Until recently we related to our stakeholders in a mostly fragmented fashion, largely considering (and seeking to meet) the legitimate interests of one stakeholder group in isolation from the interests of other groups.

Since 2014 our approach to stakeholder engagement has undergone significant changes; today we are acutely aware that our stakeholders' interests are integrated with those of each other and that we will only succeed in executing our strategy by considering the totality of stakeholders' interests. Just as our execution of strategy means trade-offs in our creation or diminution of the various capitals, so our strategy impacts our stakeholders in different ways.

Here we detail how our execution against our strategic objectives impacts stakeholders' interests.

Strategic objective: Protecting the health and safety of our people

Material issues	Key 2015 actions	Stakeholders impacted	Impact on stakeholders	Other strategic objectives impacted
Risk 12 Ensuring workplace safety See page 42.	In line with group policy, we implemented a focus on serious occurrences (SOs), a new system of investigating such occurrences as rigorously as if they were fatalities. Managers' safety KPIs are no longer restricted to the number of shop-floor (safety) audits they personally carry out, but are expanded to include total safety performance in areas under their control	Employees Contractors	Shop-floor audits declined, as expected, while 82 SOs were investigated. Key safety statistics improved relative to 2014	Creating a high-performance culture Maintaining our licence to operate
	After three of our four work-related fatalities in 2014 were suffered by contractor employees we instituted wide-ranging new safety standards for contractors	Contractors	Contractors are now required to meet minimum safety compliance standards and face possible blacklisting while safety is a key determinant of their remuneration	

Strategic objective: Driving profitability

Material issues	Key 2015 actions	Stakeholders impacted	Impact on stakeholders	Other strategic objectives impacted
Risk 2, Risk 1, Risk 3 Restructuring our balance sheet See page 46.	To ensure our ability to meet our obligations and invest for our future sustainability, we implemented a number of measures to restructure our debt. These included various working capital initiatives, beginning to convert short-term debt to longer-term debt, asset sales and a rights issue	Shareholders Lenders Suppliers	The effects of various measures implemented this year to improve cash flow aimed to ensure that the company continues as a going concern while reducing risk and lowering the cost of funding. Our rights issue raised R4.5 billion which was used to settle a group loan and for operational and capital expenditure	Creating a high-performance culture
Risk 3, Risk 1, Risk 7, Risk 2 Optimising our industrial footprint See page 46.	This year we restructured our long products division, which had significant impacts on Vereeniging and Newcastle. This was done to address our cash cost per tonne of liquid steel which (on a normalised basis) increased 2% to R6 465/tonne. Our production first strategy was amended at the end of Q1, in line with declining market demand	Shareholders Employees Trade unions Suppliers Local communities Contractors	Some 337 employees were affected by section 189 retrenchment measures. Management changes (improvements we were able to directly influence and excluding raw materials) totalled R273 million. Capital expenditure amounted to R1.2 billion (2014: R2.7 billion including the Newcastle reline)	Creating a high-performance culture
Risk 1, Risk 5 Addressing unsustainable input costs, especially iron ore See page 49.	Our major achievement on reducing our raw material basket cost was renegotiating our iron ore supply contract with Kumba. Other input cost reductions were achieved, in line with prevailing commodity prices	Suppliers Contractors Shareholders	Commodity and service suppliers, including contractors, faced short-term reductions in income but will benefit from our assured long-term sustainability	Maintaining our licence to operate
Risk 2, Risk 3 Seeking the implementation of tariff and non-tariff trade protection and establishing a fair price for steel See page 52.	To ensure our survival against a flood of subsidised steel imports we engaged consistently with authorities and regulators. By early 2016 three of 10 applications for the introduction of 10% import duties on our products had been gazetted while five safeguard duty applications had been submitted.	Employees Government Customers	Tariff and non-tariff import protection measures will positively impact our ability to stay in business. Customers will benefit from more predictable steel prices. Profitability, and hence, dividends will effectively be capped while we are incentivised to continuously find ways to reduce our cost of production	Maintaining our licence to operate

All stakeholders benefit in the medium to long term from a safer, profitable, Strategic objective

Maintaining our licence to operate

Material issues	Key 2015 actions	Stakeholders impacted	Impact on stakeholders	Other strategic objectives impacted
B-BBEE compliance (Risk 11) See page 53.	In early 2016 we plan to conclude a B-BBEE transaction which will transfer a significant proportion of our issued share capital to a new partner. This will have the effect of improving our codes of good conduct score under the ownership element from zero (out of 25) to at least 19	Shareholders Government	The B-BBEE transaction will make available new shareholders' equity which will be used to fund capital expenditure and to reduce our borrowing requirement. The transaction will be beneficial for government as it supports its drive for economic transformation while creating new social capital	Driving profitability
	This year we announced an employee share ownership plan (ESOP), allocating 4.7% of our share capital to employees, favouring previously disadvantaged staff	Shareholders Employees	The ESOP gave 9 251 employees a meaningful interest in our business (equivalent to 4.7% of equity at the time) and in its sustainability	Creating a high-performance culture
	In 2015 we invested R20 million in enterprise and supplier development: R5 million in enterprise development and R15 million in supplier development. We improved our procurement from EME vendors from 352 to 478 and from QSE vendors from 441 to 546	Suppliers Local communities Government	At year-end we were procuring goods and services from more than 1 100 small and medium, historically black-owned, businesses. Our local communities benefit while our ESD B-BBEE score stood at 30.12 out of a possible 44 points at year-end	Driving profitability
Resolving Competition Commission issues (Risk 4) See page 53.	This year we worked hard to reach a comprehensive settlement of legacy competition issues. Such a settlement, which we anticipate being announced in 2016, is likely to entail us paying a substantial fine	Regulators Government Shareholders	Settling our outstanding issues with the commission will draw a line under an issue that has ranked among our chief risks for several years, distracting management's attention. Such a settlement will be essential to restoring relationships with key stakeholders, notably government and regulators. A settlement will give greater certainty to our future financial performance	Driving profitability
Environmental compliance (Risk 9) See page 56.	We continued to invest in emissions and effluent control. While meeting legal obligations, our lack of free cash flow affected our ability to mitigate our environmental impacts	Local communities NGOs Government	Environmental capital spend this year was little changed at R65 million (2014: R63 million)	Driving profitability Protecting the health and safety of our people
Debating carbon taxes (Risk 8) See page 58.	We engaged vigorously with government, policymakers and industry on proposed new carbon taxes, arguing that the timing of these taxes is inopportune given the state of the primary steel sector	Government Shareholders	Carbon taxes, as envisaged, will negatively affect our profitability, even threatening our sustainability	Driving profitability
Improving relations with labour and industry (Risk 1, Risk 5) See page 51.	Management engaged extensively and more openly with employees and union leaders on the threats to our business and to the jobs it sustains	Employees Trade unions	Organised labour and management this year achieved a new accord, which is vital to tackling risks to our sustainability. We believe this new accord will include the avoidance of unproductive industrial action and will serve to safeguard jobs and to boost productivity	Driving profitability Protecting the health and safety of our people

Strategic objective

Creating a high-performance culture

Material issues	Key 2015 actions	Stakeholders impacted	Impact on stakeholders	Other strategic objectives impacted
Training for a new operating reality (Risk 1, Risk 3, Risk 11, Risk 12, Risk 5) See page 65.	This year we implemented a new leadership programme for senior management. Our Future Leaders programme involved 224 individuals and was implemented at a cost of R6.7 million	Employees	Leaders among our employees will be equipped with new skills and the abilities required to navigate our company through a substantially different operating reality	Driving profitability Protecting the health and safety of our people

Our stakeholders and how we engage them

Below is a list of our stakeholders, why they and their concerns are important and how we engage with each group:

Stakeholder group	Why they are important	Their interests in our business	Material issues
Customers	Provide the markets for our products Provide revenue, without which the business could not function	Quality products Pricing On-time delivery Product choice	
Employees	Integral to delivery on our strategic objectives Provide skilled labour to produce and market our products Our most important and most valued ambassadors	Reward and recognition Security of employment Career progression Education and training Corporate reputation	
Government (national, provincial, local), parliamentary portfolio committees, regulators	Develop legislation and policies that directly impact our business Have the ability to grant or revoke licences necessary to operate and impose penalties	Product pricing Job creation Legislative and regulatory compliance Socio-economic impact Environmental compliance Transformation	
Shareholders	We are accountable to shareholders who expect returns on their investments Influence decisions taken by the board	Sustainability of our business Return on investment Effective risk management and corporate governance Good corporate citizenship Transformation	
Suppliers and contractors	Directly influence raw material and other input costs Reliable delivery impacts our ability to deliver on customer needs and expectations Impact our safety performance	Opportunities for continuing and new business Fair and transparent treatment including predictable payment Employee safety	
Trade unions	More than 70% of our workforce belong to unions and more than 80% are covered by collective bargaining agreements Good relationships with organised labour can avert industrial action and positively influence the outcome of wage negotiations Union support can help secure regulatory measures which ensure our sustainability	Maintenance of employment and new job creation Employee remuneration Members' career advancement Employee safety Transformation Industry sustainability	
Local communities	Live in the vicinity of our operations, their environment and employment opportunities being directly impacted by our business Direct beneficiaries of our corporate social investments and economic opportunities presented by our operations	CSI and socio-economic development projects Environmental performance Opportunities for employment and business	
NGOs and special interest groups	Represent the social and environmental concerns of local communities and broader society	Our socio-economic impacts Environmental performance	
Small and medium enterprises	Provide a range of secondary products and services to our operations Provide us with the opportunities to improve our ESD scores on the dti Codes of Good Practice scorecard Are integral parts of our local communities	Business opportunities Enterprise development Preferential procurement	
Lenders	Provide funding required to remain in business and to invest in growth	Business sustainability Predictable payment of interest and principal debt and regular servicing of facilities Security of credit	
Media	Has the potential to influence public perception and brand reputation	Access to newsworthy, timeous information Industry and economic insight	

How we engage with them

- 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 inform customers about new developments or the resolution of specific issues
- Customer satisfaction surveys

- Internal magazines and announcement mailers, intranet, posters and email campaigns
- CEO roadshows
- Shopfloor safety meetings
- Performance and career development reviews (package category employees)
- Formal grievance and dispute resolution structures
- Culture and values surveys

- CEO and officers in charge of specialist functions engage on an individual level with national ministry, provincial and local government representatives
- Industry meetings with government
- Detailed reports on company financial, commercial and socio-economic performance
- Integrated Annual Report
- Factor report

- Bi-annual and annual results presentations
- Shareholder roadshows and meetings
- Quarterly production SENS announcements
- Integrated Annual Report

- Regular meetings between management and key suppliers
- Managers on-site conduct ongoing engagement and management of contractors
- Safety training for contractors

- Union representation on a range of committees including safety, health and environment, training and employment equity
- Shopfloor line managers' engagement with union representatives on a daily basis
- Wage negotiation process
- Meetings between CEO, senior management and union head office level
- Integrated Annual Report
- Joint presentations to government

- Annual community engagement facilitated by local councillors, municipal representatives, community leaders and NGOs
- Environmental open days
- Arranged meetings with CSI managers
- Meetings and joint local upliftment projects with chambers of commerce and municipalities
- Regular planned one-on-one meetings
- Advertising
- Integrated Annual Report

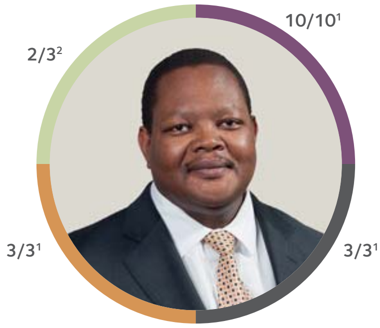
- Annual community engagement forums
- Preferential procurement days that detail our tender processes and opportunities
- Integrated Annual Report
- Structures representing government, NGOs and business
- Office meetings

- Annual community engagement forums
- Preferential procurement days that detail our tender processes and opportunities
- Office meetings
- Enterprise development training
- Interaction with supplier development officials at business units and head office
- Supplier incubator hub (from 2016)

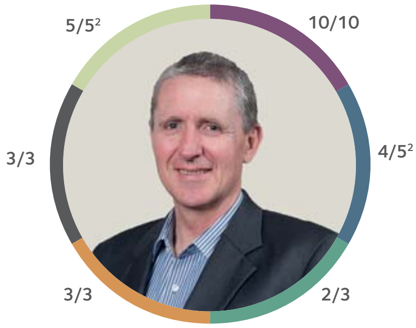
- Daily electronic and telephonic communication
- Regular updates by CEO and senior finance officials
- Detailed presentations
- SENS announcements

- 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 representatives are invited to interim and full year results presentations as well as important company events such as the launch of CSI projects
- SENS announcements and media releases
- Integrated Annual Report
- Site visits and media conferences

Company leadership

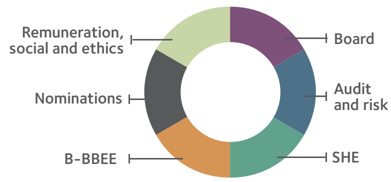


Mr PM Makwana (Mpho) (45)
Independent non-executive chairman
Appointed board chairman on 5 February 2013
BA (Hons)
Value added to the board:
Governance, stakeholder relations and transformation best practice



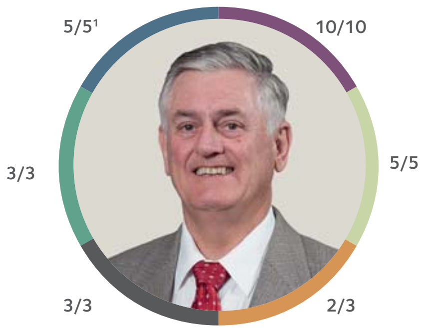
Mr PS O'Flaherty (Paul) (53)
Chief executive officer (CEO)
Appointed on 1 July 2014, resigned with effect 12 February 2016
BCom, BAcc, CA(SA)
Value added to the board:
Strategic leadership and financial insight

Committee key:



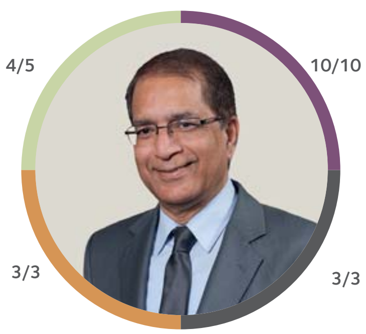
[1] *Chairman*
[2] *Attended by invitation*

Mr D Subramanian (Dean) (43)
Chief financial officer (CFO)
Appointed CFO on 1 August 2015
CA(SA)
Value added to the board:
Experience in finance and steel management

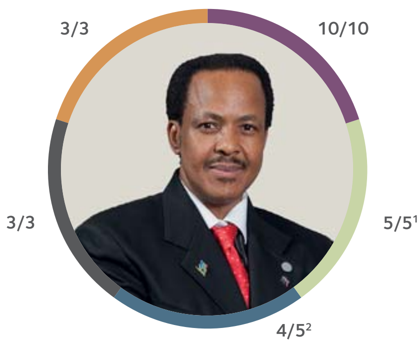


Mr DCG Murray (Chris) (71)
Independent non-executive director
Appointed on 11 May 2007
BCom, CA, MBL
Value added to the board:
Financial understanding and risk management

Mr RK Kothari (Ramesh) (43)
Non-executive director
Appointed on 11 June 2015
CA
Value added to the board:
Experience in finance and steel industry management



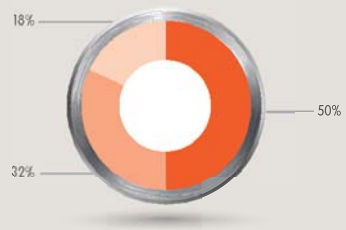
Mr DK Chugh (Davinder) (59)
Non-executive director
Appointed on 1 May 2002
BA, LLB, BSc (Hons), MBA
Value added to the board:
In-depth knowledge of group strategy and marketing



Mr JRD Modise (Jacob) (49)
Independent non-executive director
Appointed on 1 October 2013
BCom, BAcc, CA(SA), MBA, AMP
Value added to the board:
Governance and sustainability best practice

Mr LP Mondi (Lumkile) (53)
Non-executive director
Appointed on 11 May 2007
MA Economics, BCom (Hons) Economics
Value added to the board:
Macro-economic insight and governance

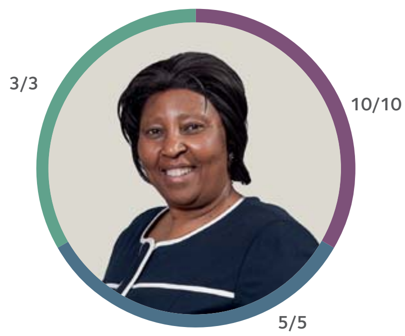
Board membership at the time of reporting



These are our leaders – the men and women at the helm of our company.

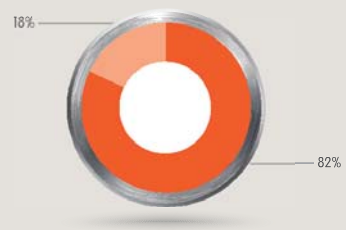
During the past year the board of directors held ten meetings, including a strategy session and four special board meetings. Attendance by directors at board and committee meetings is set out on these pages while the following pages contain reports from the chairman, chief executive officer and chief financial officer.

Mr MAM Vereecke (Marc) (56)
Non-executive director
Appointed on 11 June 2015
Civil Engineer Electronics
Value added to the board:
In-depth knowledge of operations and manufacturing



Ms NP Mnxasana (Nomavuso) (59)
Independent non-executive director
Appointed on 1 October 2013
BCom, BCompt (Hons), CA(SA)
Value added to the board:
Sustainability best practice and risk management expertise

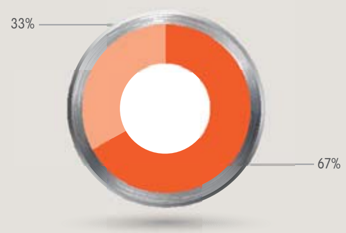
Board gender representation



Mr NF Nicolau (Neville) (56)
Independent non-executive director
Appointed on 10 September 2015
BTech, MBA
Value added to the board:
High-level strategic and technical insight

Ms LC Cele (Zee) (63)
Independent non-executive director
Appointed on 4 January 2016
BCom, MACC
Value added to the board:
Commercial and tax expertise

Board diversity (including international directors)



Message from the chairman

MPHO
MAKWANA

Dear stakeholders

On these pages I reflect on a year of momentous challenge, change and achievement for our company, a year in which we drew ArcelorMittal South Africa back from the edge of a precipice – to the benefit of our employees, our suppliers, our investors, our customers and society.

On pages 8 and 9 of this report we set out just how critically important a thriving primary steel industry is to the achievement of the more competitive, more inclusive, more equal South Africa that the National Development Plan has mapped out for us.

A national engine for growth

We also attempt, on those pages (and in our expanded online report), to provide some insight into the enormous value that ArcelorMittal South Africa creates for a multitude of stakeholders. Without wanting to duplicate information elsewhere in this report, it bears repeating that steel is a key enabler of virtually every single part of our economy and the bedrock of our nation's industrialisation with the five leading steel-consuming sectors alone contributing R600 billion in GDP and sustaining eight million jobs. By annually beneficiating 6.5 million tonnes of our nation's iron ore and producing a staggering variety of quality steel products, every year our company adds many billions to the economy.

South Africa needs a strong primary steel sector more than is generally realised. In developing countries such as ours there is a positive correlation between GDP and steel intensity and, as we grow our economy, we will need more steel – 5.8mtpa by 2020 and more than 7mpta by 2030.

Unlocking the value of our mineral wealth

Few, if any, countries are as richly endowed with mineral resources to the extent that our country is. Iron ore is chief among the mineral endowments we have inherited. Yet, every year, we fail to unlock the potential that lies underground to create a vibrant economy that creates value-adding jobs.

We at ArcelorMittal South Africa stand ready and willing to play our part in creating that value-creating new economy. In so doing we commit to invest in people, in our customers and in our national capacity to create value, as enunciated by the National Development Plan.

Replacing what we already have in the Vaal Triangle, Newcastle and Saldanha would take more than a decade to accomplish and cost tens of billions of rand that would be much better spent elsewhere while exposing South Africa to very considerable security-of-supply risks.

But, reading this report, it will become abundantly clear just how close we came this year to losing what we have – a proud, almost 90-year-old national asset that employs over 9 300 people directly while supporting tens of thousands more at suppliers big and small, numbers that multiply into the millions through the flat, long and tubular steel products our mills produce every day of the year.

A team effort involving all stakeholders

When I refer to how, in 2015, "we" saved ArcelorMittal South Africa, I refer not just to the board and management of our business but, in all humility and with the greatest appreciation, to the broad array of stakeholders who have real interests in our sustainability.

To the extent that, in the past, we have taken many of these stakeholders and their legitimate interests for granted, we acknowledge our shortcomings and we apologise. However, to the extent that we subscribe to a new compact with our stakeholders and to serving their interests, I direct your attention to the new section in this report, '*Our stakeholders and our strategy*', on pages 26 and 27.

In 2015 we weathered a perfect storm of unprecedented severity; the challenges we faced this year, and how our strategy addressed these are the subject of much of this report and so I shall restrict myself to paying tribute and offering my thanks to those many stakeholders who in 2015 worked with us to set ArcelorMittal South Africa on the high road to growth.

A new approach to safety

The previous year was a lamentable one on many scores but most notably in the area of safety. Directed by a board of directors that repeatedly expressed in no uncertain terms its alarm and dismay at our poor 2014 safety performance, management this year acted decisively to keep our people safer. Despite a renewed, more vigorous focus on safety, we suffered two fatalities during the year, and a third in January 2016.

On page 42 we detail our new approach to managing safety on a daily basis, how our new emphasis on serious occurrences required all levels of management and employees to take greater personal responsibility for their safety and that of the people around them. That our entire workforce, as well as our trade unions, have embraced this new responsibility is borne out by much improved safety statistics which, while still far from the ideals for which we strive, at least show an improvement on those of the previous year. Risk 12

Working with employees and unions

Engagement with our employees – on safety and all issues affecting our sustainability – was a key leadership concern in 2015 as we asked our people to make considerable sacrifices, to share in the painful restructuring that was required. It was therefore deeply pleasing that, in August, we were able to announce a historic employee share ownership plan which gave our employees a 4.7% share of our business through the Ikageng Broad-Based Employee Share Ownership Scheme.

More meaningful engagement with our workforce was of the utmost importance to sustaining a strong sense of teamwork while our business underwent many profound, frequently daunting, changes. Progress on several of our most important key performance indicators proves, I believe, that in 2015 we made solid, even breakthrough, progress on executing one of our key strategic objectives: the creation of a high-performance culture.

Transforming our business

In 2015 we fundamentally transformed our business in terms of employment equity as well as how we develop and partner with small historically disadvantaged enterprises and suppliers (page 54). We also intend transforming our company ownership by making an announcement, early in the new year, of a new B-BBEE partner.

We are ready and willing to play our part in creating a value-creating new economy. In so doing, we commit to invest in people, in our customers and in our national capacity to create value, as enunciated by the National Development Plan.

In preparing to announce a landmark B-BBEE investment we must acknowledge the role that our various shareholders have played, in particular our majority shareholder as well as South African institutional investors including the Industrial Development Corporation and the Public Investment Corporation. Indeed, it would be remiss not to acknowledge the contribution made by all minority shareholders, whose patience and unflagging support through these dark days we fully intend to reward in the near future. As the chief executive officer makes clear in his message, the backing from the ArcelorMittal group this year took many forms and was absolutely vital to setting our company on its new, more sustainable course.

The partners to whom we are indebted for our survival and sustainability are by no means only internal to our organisation. This year we succeeded to a very substantial degree in sweeping away years and even decades of misunderstanding and mistrust that had bedevilled our relationships with key external stakeholders. Already in 2014 we embraced the need to communicate more openly, more transparently with communities and those interested in how we interact with our physical and social environments. We sought, wherever possible, to cement these relationships this year. Risk 1

Mending bridges with government

We worked equally hard to mend bridges with government and regulators. We salute the ministries of trade and industry and economic development and the commissioners of the International Trade Administration Commission and the Competition Commission, as well as their many hard-working officials. We thank them, in particular, for their willingness to embrace a new relationship with our company and their determination to cast that relationship into agreements, undertakings, determinations and regulations that will allow our company to create growing social value for decades to come. In the same breath we salute the leadership of our most prominent trade unions, especially the National Union of Metalworkers and Solidarity, who fought in our corner to argue the imperative of safeguarding a vital industry and the jobs of thousands of their members. Risk 4 Risk 2

Safeguarding the interests of customers

In granting ArcelorMittal South Africa and other primary producers protection against the blatantly unfair import of subsidised steel, those in positions of authority to do so were mindful of the interests of steel-consuming industries and companies. We share their concern – that the prices at which we sell our steel should be affordable and fair – and to this end have committed ourselves to developing and agreeing pricing mechanisms that are transparent and equitable towards all concerned.

As with any organisation, sales are the lifeblood of our company and we need our customers as much as they need the steel we produce. We thank our many customers, in many fields and sectors, for their loyalty and support. We shall not let them down. Risk 2

Since becoming chairman of ArcelorMittal South Africa in 2013 our board has undergone two extremely robust externally moderated board review processes. These processes and their outcomes have been taken to heart by all directors, greatly strengthening the quality of our governance and leadership. The extent to which our board has created value in leading and overseeing our evolving strategy, while always subscribing to the vision and values that underpin ArcelorMittal South Africa is reflected, I believe, in the '*Corporate governance*' section of this report (page 68).

Going concern

As at 31 December 2015 the current liabilities of ArcelorMittal South Africa Ltd (group) exceeded its current assets by R838 million. However, following our rights issue, which was concluded on 15 January 2016, borrowings of R3.2 billion were converted to equity, reversing this position.

The group's funding plan for the next 12 months takes into account improved sales volumes resulting from the imposition of required import tariffs and a weak rand-dollar exchange rate, ongoing cost reductions, cutbacks in non-essential capital expenditure, the sale of redundant assets, the continuation of existing facilities and support from the ArcelorMittal group (AM group) as and when required.

Our funding plan includes the successful rights offer (concluded on 14 January 2016) which resulted in a net R1.3 billion cash injection. Our planned black economic ownership transaction will ensure a further capital injection. With the full support of the AM group, we intend to convert our short-term borrowing facilities to medium-term debt.

Based on the above, the board believes that ArcelorMittal South Africa Ltd is a going concern over the next 12 months as cash generated from operations, together with current facilities and the specific cash initiatives outlined above, will be sufficient to meet our present working capital and capital requirements over the next 12 months.

Shareholders are cautioned that, due to material uncertainty around timing relating to import tariffs, fair pricing and steel localisation, the steel industry and the group, would need to undertake significant structural changes should these government interventions not materialise in the next 12 months. Risk 1

Thanks

The board that I have the honour of chairing today is more than equal to the demanding task of leading our company through the no doubt many challenges and snares that lie in store. This despite taking leave this year of a number of dedicated members including independent non-executive director Advocate Fran du Plessis, and non-executive director, Mr Gonzalo Urquijo and, subsequent to the year-end, independent non-executive director Mr Chris Murray (who served with great distinction and value as a director since 2007 and chaired our audit and risk committee). We thank them for their outstanding service and wish them well in their future endeavours.

On 14 December the company announced the resignation of Paul O'Flaherty as CEO. As was reported, Paul intends to pursue other interests. The board and I wish him well in these new endeavours while saluting him for his exceptional achievements in stabilising our company's present and building its future. We are delighted that Paul will continue to serve ArcelorMittal South Africa as a non-executive director.

This year we welcomed Mr Marc Vereecke and Mr Ramesh Kothari as non-executive members of the board and, as independent non-executive directors, Mr Neville Nicolau and (in January 2016) Ms Lungile "Zee" Cele. As presently constituted we have a board of the utmost expertise and ability, a board that is more representative of the diversity we seek to create throughout ArcelorMittal South Africa.

Invitation to attend the annual general meeting

I hereby extend an invitation to all shareholders to attend the 28th ArcelorMittal South Africa annual general meeting, to be held at The Hyatt Regency, Rosebank, South Africa on 25 May 2016 at 09:00.

Mpho Makwana
Chairman

Message from the chief executive officer

PAUL
O'FLAHERTY

Dear stakeholders

Last year we reported (I believe with unprecedented candour) on the many challenges facing our business. We reported how the domestic and export markets in which we sell our steel were mostly flat with prices that were being squeezed by an unrelenting flood of Chinese government-subsidised imports.

Twelve months later, our operating context (see page 14) has only become more challenging. Our projections last year, that apparent and real domestic consumption would grow by 13.3% and 8.1% in 2015 respectively, proved to be far too sanguine, the actual figures being slightly negative. Yet, for most of the year, there was no stemming the flood of artificially cheap Chinese steel into South Africa, most notably that of flat products which grew by 34%. While subsidised imports rose at unprecedented rates, internationally, steel prices collapsed.

In April a worthy competitor of ours, Evraz Highveld Steel, filed for business rescue and others in the South African primary steel space shed jobs throughout the year. Our own survival was called into serious question.

This year we report a dismal financial performance. As has been the case since 2011 we have failed, once again, to deliver profits and dividends for our providers of capital, our losses widening by a substantial degree while our cash position became increasingly parlous.

But, as this report seeks to explain, in 2015 we acted with the utmost resolve to do everything in our power to save our business. We took many hard decisions, informed by intense introspection and expert detailed analysis.

By the end of a most challenging year we had changed how we produce and sell steel (see pages 6 and 7), even who and what we are and how we engage with our stakeholders. At great sacrifice and at great cost we are in the process of adapting our business model. Within the space of just over a year we have fundamentally changed ArcelorMittal South Africa. We have changed it for the better – into a business that has largely succeeded in stabilising its present, and which is resolutely building a better future.

Specifically, at the date of this report, we had made good progress towards building our future as:

- Three of 10 applications for import duties had been gazetted and five approved pending implementation while five safeguard duty applications were being reviewed
- The Department of Trade and Industry had committed to working with National Treasury to ensure that locally produced steel would be included in localisation calculations for government's designated sectors while good progress had been made on reaching agreement with government on a pricing mechanism for local steel
- Similarly good progress had been made on resolving outstanding competition issues
- A new iron ore contract will ensure that the company pays market-related prices
- A successful rights issue was concluded in January 2016
- The board had selected a B-BBEE consortium to take up an equity share in the company

Ensuring the health and safety of our people

A year ago we were compelled to acknowledge a woeful performance on safety. In 2014 we suffered four work-related fatalities and each of our three leading safety indicators – the lost time, disabling and total injury frequency rates – worsened. This lamentable result came after several years in which we had become proud of our steadily improving safety record. As the events of 2014 made clear, pride had translated into complacency and we realised that we had to drastically re-examine our safety policies, procedures and mindset.

In 2015 our lost time injury frequency rate was 0.48 (2014: 0.58 and 2013: 0.56) while our total injury frequency rate improved markedly, from 15.83 to 10.77.

Although I acknowledge that this year our overall performance on keeping our people safe improved not only relative to 2014 but also relative to the performance of 2013, we still have a very long way to go on keeping our people safe. Most regrettably we suffered two fatalities during the year, and a third subsequent to the year-end. The chairman, board and management join me in extending our sincere condolences to the families of Messrs Someleze Nkonqa, Thulane Blessing Buthelezi and Vusi Xaba. Risk 12

Driving profitability

Unfortunately much of this year's integrated annual report concerns our strategy to address and combat the very serious risks to our sustainability which we faced in 2015. The reader of this report will find much less information about our opportunities, opportunities which the company fully intends to pursue in the future, having succeeded to a considerable extent this year in securing its survival and ability to generate profits.

At the same time that our share of the flat domestic steel market was shrinking due to the effects of cheap imports, our export markets disappointed, flat tonnages exported falling by a quarter. Risk 3

Throughout H1 of this year imports continued to increase, reaching 35% of apparent domestic flat steel consumption and 15% of apparent long steel consumption – a reflection more of the ability of heavily subsidised Chinese producers to export regardless of profitability than of any real underlying local demand. In H2, however, imports slowed by 23% as stock levels remained high despite buyers attempting to limit levels. Risk 2

By the end of a most challenging year, we had changed how we produce and sell steel, even who and what we are and how we engage with our stakeholders.

With our net realised prices for steel declining by 23% on a dollar basis (and 9% on a rand basis) (and commercial coke prices declining), revenue was inevitably affected, this year amounting to R31 141 million (2014: R34 852 million). Lower-than-budgeted sales volumes and prices, combined with stubbornly high variable costs, translated into an ebitda loss of R809 million. Risk 1

Weak steel demand is not a situation that is unique to South Africa or sub-Saharan Africa. In fact, around the world, poor demand is the new reality, a reality that has driven down sharply the prices of key input commodities, most notably iron ore and metallurgical coal.

Yet, as international iron ore prices fell by 43% this year (measured in USD), the prices ArcelorMittal South Africa paid for its ore only decreased by 16% in USD terms but rose 2% in ZAR terms respectively, a fact that put us at a distinct, potentially fatal disadvantage. With iron ore representing 26% of total cost per tonne of steel produced this year, our cost plus 20% arrangement with Kumba was threatening not only our profitability but our very survival. Which is why, this year, we had no option but to renegotiate this arrangement, to secure terms that would at the very least allow us to stay in business. Risk 3

We were understandably delighted that, in November, we were able to announce a new pricing arrangement with Kumba, based on export pricing parity (see page 49). Risk 5

In the new context of low, inelastic steel prices, producers around the world are focusing on improving (in many cases simply preserving) their margins through the achievement of operational efficiencies. Until our Kumba contract was renegotiated, however, we had little prospect of substantially reducing our costs – and thereby competing effectively.

This year our restructured, strengthened sourcing department recorded notable success in reducing variable costs, total procurement savings amounting to R1 billion. Of particular note, Transnet's performance improved markedly by 8% from 2014.

For some time optimising our industrial footprint has been a key concern of the current management team – and one of its greatest challenges. While the renegotiation of our key iron ore supply contract was the standout achievement on reducing costs this year, considerable success was also achieved in lowering our fixed cost base.

As the section, '*Driving profitability*', explains in more detail, our operations teams this year materially improved the reliability and productivity of our plants. Buoyed by the advances in terms of plant reliability made since H2 2014 and the ultimately successful reline of the Newcastle blast furnace, from Q3 of last year we began following a production first strategy. This was designed to extract maximum efficiencies from our very large, very expensive facilities by running them at near full capacity. This strategy was followed until Q2 2015 when tepid sales and the resulting increase in stockpiles necessitated a decision to scale back production at all plants. Risk 7 Risk 10

Inevitably our sustainability depended on parts of our operation being cut back to reflect the harsh new realities of our operating environment. In August we announced that we intended to put the Vereeniging meltshop under care and maintenance with production being shifted to Newcastle. Faced with daunting profitability challenges, this year management did everything that was conceivably within its power to preserve jobs. Of the utmost importance, in 2015 we forged a deep-rooted pact with our unions, a pact built on open, honest communication and a mutual understanding that, together, we will all do whatever it takes to preserve our business and the communities and the tens of thousands of jobs that depend on it.

The rationalisation of our long products division delivered savings of R73 million this year – a performance that reflects the solid strides we have begun making on the creation of a truly high-performance culture.

Partnering for sustainability

Our progress against the B-BBEE Codes of Good Practice this year (see page 53) and what we envisage achieving in early 2016 represent, I believe, a remarkable achievement given our context and history and signals, in no uncertain terms, our willingness, even our determination, to embrace change.

As of the end of Q2 2016, much of our equity will be held by new shareholders – our own workforce and an empowered consortium of investors. We take particular pride in the fact that we have been able to give all of our employees a meaningful interest in the future wellbeing of their company, a development of the utmost importance given the strong social pact with the labour force that will be required to achieve and sustain essential productivity improvements.

In the face of unprecedented financial pressure, a standout achievement of 2015 was our continuing investment in our people. The Future Leaders programme (see page 66), launched this year in association with Duke University, aims at fostering values-driven leadership and the high-performance culture of excellence that will be essential to our future sustainability and growth.

To all who made our Employee Share Ownership Plan and our anticipated B-BBEE shareholding possible we extend our most sincere thanks. In particular I must acknowledge the contribution of the ArcelorMittal group, owner of 46.8% of our equity before our rights issue. Their support in this watershed year has underpinned every major gain, every significant strategic intervention executed.

Message from the chief executive officer continued

In managing our variable costs our major shareholder assisted us by granting us more accommodating payment terms for group-sourced raw materials; their enlarged loan to R3.2 billion enabled us to restructure our debt and to significantly improve our previously very worrying cash position. In optimising our footprint the best-practice expertise and technical support received from the group continue to be of inestimable value. Risk 1

Our B-BBEE performance was not simply about earning and maintaining our licence to operate, rather it was about creating fundamentally new, more mutually beneficial and more sustainable relationships with employees, investors, suppliers, lenders, government, communities, trade unions and customers.

As the chairman notes in his message, this year we acknowledged various shortcomings on our part and we anticipate having to pay a substantial penalty for historical competition transgressions. Doing so added to our company's burden of debt but we have, as the message from the chief financial officer explains, this year made provision for this and other liabilities.

The impending imposition of import tariffs in 2016 and concerted action now being taken by the authorities to implement safeguards are essential to the survival of South Africa's primary steel sector. Without these vitally necessary measures our industry and our company will simply not survive.

We are grateful that our pleas for protection similar to that imposed by other countries with primary steel sectors are being heard. As agreed with government, in return for this regulated levelling of the playing fields we commit ourselves to pricing mechanisms on flat products that are as fair as they will be transparent. We also commit ourselves to using our leadership position to foster the development of black industrialists who we will assist in developing new products, new markets and new, sustainable job-creating enterprises.

Outlook

While our 2015 income statement was heavily influenced by once-off pre-tax adjustments amounting to R2 558 million (explained in the chief financial officer's message), no similar impairments, write-offs and provisions are anticipated in the new year.

In 2016 the depressed trading conditions of especially the past two years are unlikely to improve and demand may well decline but customs duties and safeguard/anti-dumping measures will (if fully implemented, as we are assured will be the case) allow us to produce and sell our steel in a considerably more sustainable context. Our new off-take arrangements with Kumba and the cost reductions achieved across the company will equip us to produce the same quality and range of products at lower costs, enhancing our competitiveness and ensuring our survival.

In 2015 we greatly improved the efficiency with which we make and sell our steel yet no one should be under any illusions about the enormity of the challenges still facing our business. Without the full implementation and enforcement of all import duties and safeguards sought, we will simply be unable to avoid very significant restructuring – and job losses.

In 2015 a detailed footprint analysis confirmed that the Vanderbijlpark Works has to be run at its optimal capacity. This we will do in 2016 while implementing a number of operational, cost-efficiency and productivity improvements to reduce fixed and variable costs. But keeping our flagship plant running at its full potential will only succeed if trade remedies are implemented in full; indeed only if the full suite of agreed remedies and the localisation of steel in government infrastructural projects are put in place will the many difficult changes we have made throughout the company this year bear fruit.

Whereas this year we impair our Saldanha unit by 84%, because of the outlook for our export markets and persistently high electricity prices, our commitment to the new social pact we have worked hard to achieve precludes us from ceasing operations at that plant. Closing Saldanha would have devastating impacts on the people, communities and economy of the west coast and would also not, we firmly believe, be in the best interests of our investors. Saldanha will continue to make considerable strides on reducing its costs of production and will be indispensable to exploiting an upturn in our export flat steel markets.

(One major concern about our financial sustainability, however, relates to the proposed implementation of carbon taxes in 2016. While the impact on us is now expected to be less severe than we previously communicated, the likely burden on our company if these taxes are enacted – see page 58 – will be punitive in the extreme.)

In January 2016 we announced the results of a successful rights issue which, with the support of the ArcelorMittal group, raised the amount of R4.5 billion – an amount that will be used to reduce our debt and partially fund our necessary five-year capital investment programme. The anticipated B-BBEE transaction will also be cash accretive. In the short term these and various measures taken this year (and to be carried through in Q1 2016) will normalise our liquidity and position us to achieve profitability in the medium term.

As noted by the chairman, I vacate the chief executive's chair with effect from 12 February 2016. I do so for entirely personal reasons, secure in the knowledge that the team I have been fortunate to lead since July 2014 has done everything humanly possible to address and effectively overcome the many challenges and very real risks facing our business.

With the positive, proactive support of our board and many stakeholders we have succeeded, in a short space of time, in charting a new course for our business. I have no doubt that the ArcelorMittal South Africa I leave as CEO (and which I look forward to continue serving as a non-executive director) is today positioned to not only survive but to create new value – for all stakeholders.

Paul O'Flaherty
Chief executive officer

Message from the chief financial officer

DEAN
SUBRAMANIAN

Overview

Across the world steel prices languished at multi-year lows in 2015 with supply gluts in many markets being exacerbated by unprecedented Chinese steel dumping.

Inevitably, the primary steel industry faced plummeting profitability as prices slumped to their lowest levels in a decade and demand contracted for the first time since 2009.

Throughout the year steel prices continued to fall at rates that were well in excess of reductions in the raw materials baskets, reducing spreads from USD230/t in 2014 to USD120/t at the end of 2015. Between January and December, China FOB prices for hot rolled coil fell by USD173/t or 34%, reaching a low of USD260/t at year-end, while, in the same period, the average price of rebar dropped by USD148/t or 33%. Risk 2 Risk 3

Whereas iron ore (62%Fe Platts) prices fell by 43% from an average of USD97/t in 2014 to USD56/t in 2015, almost alone among the world's primary steel producers, our cost per tonne of iron ore declined by 16% (in USD terms) in the same period, largely because of our iron ore supply agreement with Kumba Iron Ore Limited.

In South Africa and in the east and west African markets to which we export, growth in steel demand was, at best, minimal while imports of cheap Chinese government-subsidised steel grew exponentially, impacting both our prices and our volumes. (Persistently low oil prices had a significant impact in our west African markets where shortages of foreign currency markedly curtailed imports.)

In markets that are dwarfed by the scale of Chinese production – in excess of 800 million tonnes per annum (mtpa) – a parcel of 5 000 tonnes landed in South Africa effectively dictates the local market price.

In 2015 continued rand weakness had a positive impact on local prices but this was negated by the unrelenting dumping of cheap Chinese steel.

Results for the year

In the face of almost universally adverse operating conditions, in 2015 our revenue declined, from R34 852 million to R31 141 million. Ebitda was a negative R809 million (2014: a positive R1 258 million) and our headline loss a historically low R5 370 million (2014: R227 million). In the face of declining revenue and despite concerted cost-savings and restructuring initiatives, our cash flow position deteriorated sharply and finance costs doubled to R1 208 million. In 2015, as revenue reduced by 11%, our profitability was further substantially eroded by adjustments which included:

Financial performance

	2015 Rm	2014 Rm
Revenue	**31 141**	34 852
Once-off items	**2 558**	–
Ebitda	**(809)**	1 258
(Loss)/profit from operations	**(4 736)**	(301)
Impairments	**4 254**	–
Finance and investment income	**175**	17
Finance costs	**(1 208)**	(605)
Equity (loss)/earnings	**195**	191
Loss on disposal/scrapping of assets (net of tax)	**4**	21
Profit on disposal of assets of an associate (net of tax)	**—**	(10)
Headline loss	**(5 370)**	(227)
Headline loss per share (cents)	**(1 338)**	(57)

- Thabazimbi mine closure costs – On 16 July 2015, Kumba announced the closure of the Thabazimbi iron ore mine. This announcement followed a slope failure at the mine which rendered the mining of remaining ore uneconomical. (It is now anticipated that the mine will cease all mining activities in 2016. As a result, Run of Mine (RoM) inventory of R233 million was written off to its net realisable value (NRV), and a provision was raised for retrenchment costs of R249 million and developmental costs of R200 million, this latter amount being subject to ongoing review
- As reported in prior periods, and dating back to 2007, the Competition Commission has referred five cases to the Competition Tribunal and is formally investigating one further complaint against us. We have since engaged with the commission and made significant progress regarding a possible overall settlement. A detailed settlement agreement is in the process of being finalised. While such a draft agreement is still subject to final approval by the commission and the tribunal, a provision of R1 245 million, representing the present value of a proposed administrative penalty of R1 500 million has been recognised. Subject to certain conditions being agreed upon with the commission, we have proposed paying the administrative penalty over a period of five years, subject to appropriate interest.
- Vereeniging closure costs – As a result of the closure of the Vaal melt shop (VMS) and parts of the forge plants at Vereeniging Works, inventory to the value of R51 million was written down to its NRV and provision for voluntary severance packages of R35 million was recognised
- Payments made in advance – In accordance with a new draft amended agreement between Sishen Iron Ore Company (Pty) Ltd and ourselves, the company pays a market price (based on export parity pricing) for iron ore and will therefore no longer contribute towards the mine's stripping costs. At 31 December 2015, an asset of R568 million was derecognised and released through profit and loss
- Tshikondeni Mine closure costs of R23 million
- Impairments of R4 254 million which include:
  - Property, plant and equipment from the VMS and areas of the forge plants in Vereeniging of R370 million
  - The Saldanha Works' assets by R3 574 million
  - An investment in ArcelorMittal Analytical Laboratories (Pty) Ltd, a joint venture with Coal of Africa Ltd, of R8 million, and
  - Our investment in the Northern Cape Iron Ore Mining Operations of R302 million, impaired because of depressed iron ore prices

It bears emphasising that these adjustments were once-off items which will not be repeated in future and that, with the exception of the provision for Thabazimbi retrenchment costs, had no cash impacts in 2015.

Message from the chief financial officer continued

Costs

Factors beyond the company's control – depressed markets, low international iron ore prices and a flood of cheap Chinese imports – dominated our financial result. In a more positive light, however, it must be noted that in 2015 we achieved considerable success on positively influencing many of those factors that were within our control (see page 46).

In addition to stringent cost containment, in 2015 long steel production returned to more normal levels following the 2014 Newcastle blast furnace reline while the efficiencies and increased capacity resulting from the reline will positively affect our ability to drive profitability. (The section of this report, '*Driving profitability*', details achievements on reducing both our fixed costs and those variable costs that we were able to positively influence.)

Ebitda cost per tonne of liquid steel produced increased 2%, from R6348/t to R6 465/t. Ebitda cost per tonne sold decreased by 2%, from R7 923/t to R7 734/t, the variance between the cost of tonnes produced and tonnes sold relating to stock movements. The cost of raw materials – iron ore, coal and scrap (approximately 46% of costs) – decreased by 2%, consumables and auxiliaries (29% of costs) increased by 3% while our fixed cost per tonne rose by 8% – despite benefiting from a volume increase of 7% on liquid steel produced.

A particularly significant achievement this year in ensuring our company's sustainability was the renegotiation of our iron ore supply agreement with Kumba Iron Ore Limited. Had the new agreement (see also '*Driving profitability*') come into effect on 1 January 2015, ArcelorMittal South Africa would have derived a benefit amounting to R250 million. Overall procurement efficiencies amounted to a most commendable R1 billion. Risk 5

At USD449/t, this year we recorded important, often hard-won advances towards our goal of sustainably producing hot rolled coil and rebar at USD450/t. Ultimately we aim to produce our steel at USD400/t, a target that will test our commitment to the creation of a high performance culture and require buy-in from all stakeholders. Between Q1 2015 and the end of the year, we reduced our cost of producing HRC by USD89/t and rebar by USD49/t. This despite almost daily load shedding for several consecutive months.

Management gains (improvements that were within our control and not ascribable to changes in raw material costs, currency or other external factors) amounted to R273 million for the year. In short, our achievements in 2015 prove, we believe, that our culture, our processes and our stakeholder relationships are maturing to the point that we are starting to turn ArcelorMittal South Africa into a world-class, extremely competitive primary steel producer.

After-tax earnings from equity investments amounted to R195 million, a 2% increase on the R191 million earnings received in 2014.

Cash

This year our operational performance placed substantial strain on our liquidity with cash generated from operations a negative R264 million and net debt standing, at 31 December, at R2 865 million. (Such was the severity of the cash strain experienced this year that at year-end liquidity was ranked as our top strategic risk – see page 11.) This year our liquidity challenges were exacerbated by facility reductions carried out by local banks, a disappointing development in light of strenuous interventions made by management and the demonstrated commitment of government to support the primary steel industry. The support of the ArcelorMittal group proved critical during this difficult period, allowing us the headroom required to build a sustainable future for our business and industry.

In 2015 the company's working capital requirement decreased to a level of R10 796 million. This resulted from inventories being managed down to R9 385 million during H2, receivables decreasing by R622 million to R808 million due to decreased sales and considerably higher utilisation of our trade receivables programme. Payables rose by R503 million, largely the result of renegotiated, longer payment terms received from ArcelorMittal group sourcing. Risk 1 Risk 3

In order to arrest the deterioration in our cash position and to manage our in-month funding requirements this year our finance team expanded and vigorously implemented the following working capital measures:

- A supplier financing programme to obtain extended terms from key suppliers
- Liquidation of stock from a level of R11 493 million in June to R9 385 million at year-end
- Negotiating extended payment terms with the ArcelorMittal group on our coal purchase agreement
- Making greater utilisation of promissory notes

Main steel cost drivers (R/t liquid steel)

	2015	2014	Change on 2014	2015 weight
Iron ore and pellets	**1 607**	1 429	+12.4%	**Raw material basket 46%**
Scrap/DRI/HBI	**140**	304	-54.1%	
Coal (imported and domestically sourced)	**1 241**	1 317	-5.8%	
Electricity	**505**	486	+3.9%	**Auxiliaries and consumables 29%**
Other energy and utilities	**271**	227	+19.3%	
Alloys, fluxes and coating materials	**696**	688	+1.3%	
Refractories, electrodes and consumables	**382**	396	-3.7%	
Manpower	**679**	597	+13.7%	**Fixed cost 25%**
Maintenance	**315**	352	-10.4%	
Other*	**629**	552	+14.1%	
Total	**6 465**	6 348	+1.8%	**100%**
Liquid steel (000t)	**4 839**	4 518	+7.1%	
Average exchange rate (R)	**12.76**	10.84	+17.7%	

** General expenses, outside services, expert fees, IS/IT and insurance premiums.*

This year local bank short-term borrowing facilities were renegotiated, resulting in reduced facility levels, a fact that was offset by the extension of group loan facilities.

A rights offer of R4 500 million, fully underwritten by the ArcelorMittal group, was successfully completed on 15 January 2016 with net proceeds (after settling our ArcelorMittal group loan) of R1 300 million. We thank all of our investors (68% of whom followed their rights) for their confidence in our future ability to create value for themselves and for our other stakeholders.

Debt

While we have historically operated with a net cash position, this turned to a net debt position at the end of 2014 at R546 million, a trend that worsened through much of 2015 in light of current market conditions and ongoing capital expenditure needs.

This year we closely reviewed all planned capital expenditure and deferred, wherever possible, such expenditure that was adjudged not immediately essential. As a result, capital expenditure declined from, in the previous year, R2 798 million (which amount included the Newcastle blast furnace reline), to R1 153 million. (Notably, our R102 million investment in Vanderbijlpark's third ladle furnace will increase capacity by 200ktpa, supporting our decision to run our key plant at near capacity in 2016.)

As mentioned, in 2015 the ArcelorMittal group extended its R3.2 billion loan, our only long-term debt, to July 2016. Added to this we have overnight facilities with local banks. On the back of our increased requirement for borrowings, and the deterioration of the ZAR/USD exchange rate, finance costs rose this year from R605 million in the previous year to R1 208 million. In 2015 finance costs included foreign exchange losses of R437 million (2014: gain of R8 million).

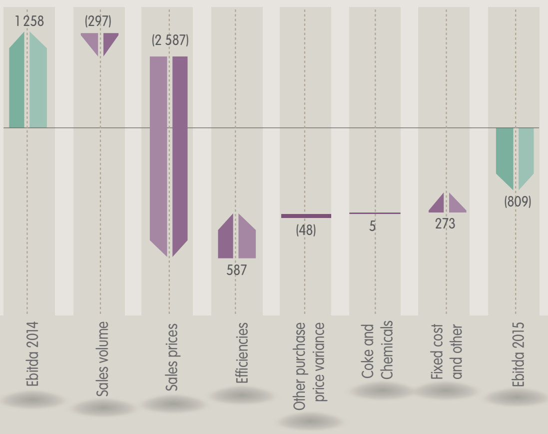
In addition to the completed rights offer, the planned B-BBEE transaction (see page 53) will be cash accretive. The net impact of the rights issue and the B-BBEE transaction on our debt position will be to substantially strengthen our financial position and reduce our net debt.

With a healthier gearing position the company may elect, in Q2 2016, to raise further debt finance through the international bond market. Risk 1

Cash flow (Rm)

	2015	2014
Cash generated from operations before working capital	(1 911)	1 186
Working capital	1 647	1 019
Capex	(1 256)	(2 713)
Net finance cost	(537)	(354)
Investments	(8)	37
Tax	(40)	(84)
Dividend received	114	61
Proceeds on scrapping of assets	2	1
Realised Forex	(258)	(17)
Increase of borrowings and finance lease	3 937	77
Cash flow	1 690	(787)
Effect of Forex rate change on cash	20	50
Net cash flow	1 710	(737)
Cash and cash equivalents at the beginning of the year	454	1 191
Cash and cash equivalents at the end of the year	2 164	454
Short-term loans	(5 029)	(1 000)
Net cash/(borrowings)	(2 865)	(546)

Key result drivers – Ebitda bridge (Rm)



Share price

Whereas our share price lost 30% of its value in 2014, the drop this year was 83%. As we restore our ability to create value in 2016, so we look forward to also restoring investor confidence.

Outlook

In the new year it is envisaged that the effects of crucial trade remedies, the localisation of steel, and iron ore costs based on export price parity, combined with continuing cost reduction measures and the optimisation of our industrial footprint will return ebitda to more traditional, more sustainable levels.

The year reviewed in this report was, in many, very material respects an exceptionally trying one. We have been tested but, with the active support of many diligent employees and committed stakeholders and partners, not found wanting.

With the implementation of various corporate actions, by mid-year 2016 our debt will have reduced significantly and, with an ongoing free cash flow improvement, we anticipate being in a cash-positive position by the end of 2016. Improved liquidity will assist in funding our operations and facilitate investment in major capital projects planned for 2016 to 2018.

Dean Subramanian
Chief financial officer

2015 highlights and 10-year performance review

In addition to the information disclosed in the chief financial officer's report, here we detail key indicators that inform our strategic objective of 'driving profitability' (see also page 46)

		2006	2007	2008
Revenue+	Rm	25 350	29 301	39 914
Ebitda by segment		7 178	8 802	13 602
Flat	Rm	4 487	5 265	8 112
Long	Rm	2 281	2 847	3 993
Coke and Chemicals	Rm	220	765	1 781
Other	Rm	190	(75)	(284)
Ebitda/tonne+	R/t	1 159	1 510	2 673
Ebitda margin+	%	28.3	30.0	34.1
Headline earnings+	Rm	4 730	5 741	9 484
Production (tonnes of liquid steel)	000 tonnes	7 055	6 375	5 774
Flat	000 tonnes	4 863	4 231	4 084
Long	000 tonnes	2 192	2 144	1 690
Sales by segment+		6 194	5 829	5 089
Flat	000 tonnes	4 268	3 928	3 412
Long	000 tonnes	1 926	1 901	1 677
Sales by market				
Domestic	000 tonnes	4 400	4 421	4 375
Africa Overland		11	11	10
Blue water exports		1 783	1 397	704
Net cash/borrowings+	Rm	7 679	3 973	8 378
Capacity utilisation (liquid steel)++	%	88.2	87.6	79.3
Productivity – tonnes of liquid steel/total FTE	t/FTE	n/a	n/a	428

Five-year benchmarking against peers

	2011	2012	2013	2014	**2015**
Ebitda margin %					
ArcelorMittal Global#	10.8	8.4	8.7	9.1	**10.6**
ArcelorMittal South Africa#	5.5	3.5	5.5	3.6	**(2.6)**
China/Korea*	18.6	8.1	10.4	11.1	**12.4**
Emerging markets*	27.8	13.7	14.3	17.0	**19.4**
Ebitda/tonne production (USD/t)					
ArcelorMittal Global#	118	85	82	85	**61.2**
ArcelorMittal South Africa#	34.1	27.5	35.1	27.4	**(15.4)**
China/Korea*	120.3	84.0	96.6	116.1	**82.3**
Emerging markets*	102.7	70.9	68.8	69.4	**91.5**
USD/t cost (revenue less ebitda)*					
ArcelorMittal Global*	912.6	867.4	796.0	775.2	**658**
ArcelorMittal South Africa#	757.7	745.7	675.8	671.6	**606.1**
China/Korea*	1 068.4	979.9	934.6	937.1	**597.6**
Emerging markets*	449.3	432.9	398.9	365.2	**439.7**
China/Korea hot rolled coil ϕ	640	625	550	445	**335**
Vanderbijlpark hot rolled coil#	673	650	565	529	**445**
Saldanha hot rolled coil#	637	551	521	508	**441**

2009	2010	2011	2012	2013	2014	**2015**
25 598	30 224	31 453	32 291	32 421	34 852	**31 141**
1 547	3 522	1 720	1 121	1 768	1 258	**(809)**
381	1 442	597	(266)	135	535	**(1 269)**
591	1 090	500	770	1 198	16	**(348)**
556	1 029	870	503	514	428	**427**
19	(39)	(247)	114	(79)	279	**381**
346	699	365	243	418	297	**(196)**
6.0	11.7	5.5	3.5	5.5	3.6	**(2.6)**
(440)	1 377	(52)	(518)	(224)	(227)	**(5 370)**
5 307	5 674	5 453	5 090	5 096	4 518	**4 839**
3 428	3 814	4 060	3 554	3 229	3 586	**3 145**
1 879	1 860	1 393	1 536	1 867	932	**1 694**
4 473	5 041	4 708	4 622	4 230	4 240	**4 131**
2 858	3 348	3 424	3 138	2 771	2 981	**2 678**
1 615	1 693	1 284	1 484	1 459	1 259	**1 453**
3 072	3 414	3 507	3 336	3 126	3 002	**3 039**
20	47	75	167	257	232	**236**
1 381	1 580	1 126	1 119	847	1 006	**856**
4 307	3 476	419	874	285	(546)	**(2 865)**
72.9	78.0	75.0	70.0	76.4	69.5	**70**
457	467	427	400	419	418	**472**

	2011	2012	2013	2014	**2015**
USD/t cost (revenue less ebitda)*					
China/Korea rebar ϕ	590	550	440	374	**238**
Newcastle rebar#	654	649	572	558	**476**
International raw material basket (USD/t)					
– Flat†	508	379	362	285	**196**
– Long†	569	503	463	427	**285**
South African raw material basket (USD/t – including transport) Flat					
– Vanderbijlpark#	361	332	304	311	**249**
– Saldanha#	324	274	274	268	**263**
Long					
– Newcastle#	444	307	313	289	**247**

* *Source: UBS (2015 estimate)*

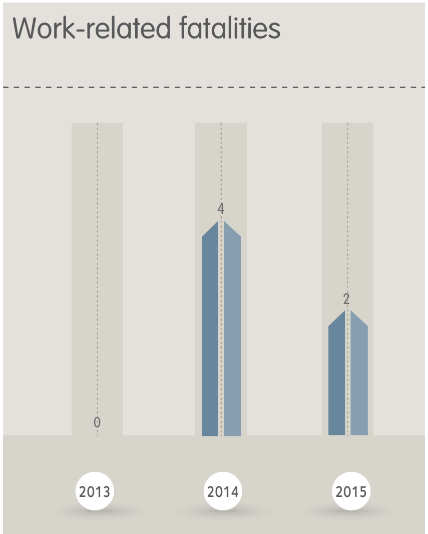
\# *ArcelorMittal's previously published results*

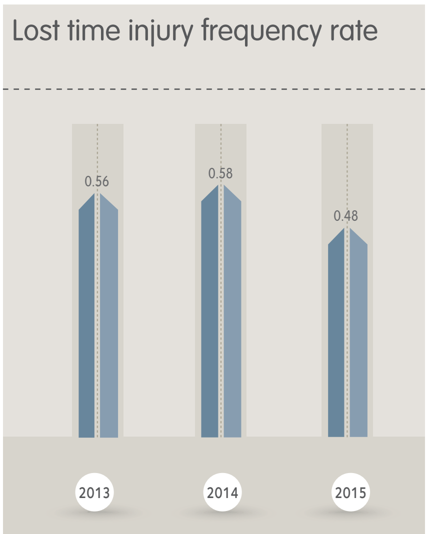
ϕ *World Steel Dynamics*

† *MB and Platts/SBB*

Strategic objective 1: Protecting the health and safety of our people

If we cannot keep our people safe and healthy we should not be in the steel business





Why this is important

Health and safety affect our people's lives and their work performance, our reputation, market acceptance, profitability and, potentially, our legal licence to operate.

Unless everyone feels safe while working at our company, we will be unable to maintain a high-performance culture, without which we will fail to drive profitability; health and safety therefore not only underpin our licence to operate but are essential to our sustainability.

Three-year key performance indicators

Work-related fatalities

2013	2014	2015
None	4	**2**

Lost time injury frequency rate

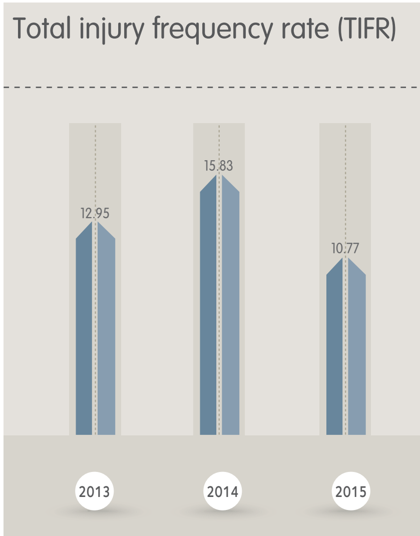
2013	2014	2015
0.56	0.58	**0.48**

Total injury frequency rate

2013	2014	2015
12.95	15.83	**10.77**

Our material health and safety issues in 2015

- Ensuring workplace safety



Key actions taken in 2015 to achieve this strategic objective

- Adopted a company-wide focus on serious occurrences
- Managers held responsible for overall safety in areas of responsibility
- Increased implementation of hazard identification and awareness
- Required general managers to sign off all high-risk tasks

Learning lessons from 2014

Keeping our people safe and healthy remains ArcelorMittal South Africa's utmost priority. We believe that if we cannot keep all employees and contractors safe we should not be in the steel business.

In 2014 our safety record gave cause for grave concern, the company suffering four work-related fatalities and our key safety indicators – lost time injury frequency rate, disabling

Lost time injury frequency rate
(quarterly)

Disabling injury frequency rate
(quarterly)

Total injury frequency rate
(quarterly)

injury frequency rate and total injury frequency rate (LTIFR, DIFR and TIFR respectively) – all worsening relative to the previous year.

Until May 2014 our overall safety record had shown considerable and steady improvement with no fatalities at our various operations since September 2011. The tragic incidence of four work-related deaths from May 2014, however, spoke of a growing complacency across our organisation, a mindset that we set ourselves to fundamentally and permanently change.

In 2015 our overall safety performance improved over that of the preceding 12 months. Most regrettably, however, in June 2015, we again suffered a workplace fatality when a 19-year-old sheeter employed by a contractor died in a fall-from-height incident. The contractor's services were later terminated.

Shortly before year-end a second fatal accident occurred, at Newcastle, when a 22-year-old basic oxygen furnace operator was engulfed in flames after molten steel was poured onto the tap floor, the result of the furnace being rotated in the wrong direction. In January 2016, a post-year-end death occurred, that of a cleaning contractor (38) who died in a crusher-related incident.

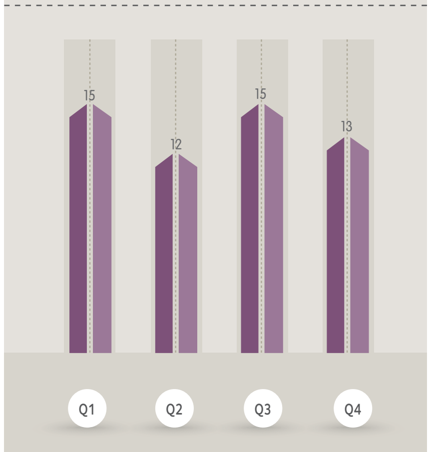
This year our key lost time injury frequency rate (LTIFR) measure (0.48 per million hours worked) compared favourably with that of the previous two years (0.56 and 0.58 in 2013 and 2014 respectively), achieving our target of 0.49. At 0.70 our disabling injury frequency rate – which includes fatalities, lost time injuries and restricted workday case injuries – showed a significant improvement over that of 2014 (1.18).

With an average of 37 injuries of all types being recorded per month this year, our total injury frequency rate for 2015 was 10.77 injuries per million hours worked. This figure – while still very far from being acceptable – points towards a positive trend, having reduced from 12.95 in 2013 and 15.83 in 2014.
This year attendance at health and safety training declined, from 53 000 in 2014, to 26 000. This reflected changes to our Fatality Prevention Standards training model which reduced the need for refresher training.

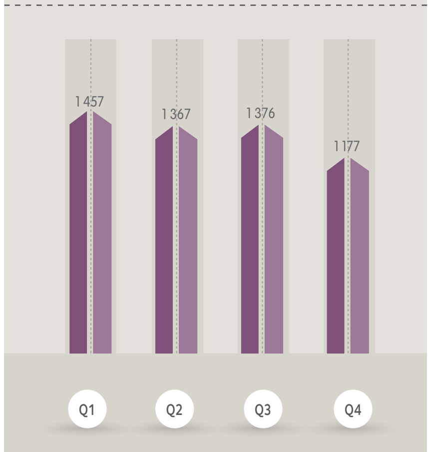
In 2015 Vanderbijlpark Works' safety performance was mixed with the fatality mentioned above and an LTIFR that was an improved 0.51 (0.54 in 2014). Before suffering an LTI in August, the cold rolling section had achieved 17 million man hours without an LTI, a record for any department at Vanderbijlpark.

Shop floor safety audits
(000) (quarterly)

Unsafe acts (000) (quarterly)



Near hits (quarterly)



Strategic objective 1: Protecting the health and safety of our people continued

Saldanha achieved a new record for LTI-free days (371) on 31 July, equivalent to 3.3 million LTI-free man hours. At the year-end the Works had recorded 524 days or 4.5 million LTI-free hours and an LTIFR for the year of zero (2014: 0.59).

Despite the fatalities referred to above, the long product division's safety performance showed an overall improvement on that of 2014. LTIFR for the year was 0.40 against 0.60 the previous year.

A new safety focus

In 2015, in line with evolving ArcelorMittal group health and safety policy and best practice, we adopted a company-wide focus on serious occurrences (SOs).

In the past we monitored and reported on workplace leading indicators; near hits, unsafe acts and unsafe conditions while shopfloor safety audits (SFAs) were expected to be carried out by all managers and supervisors on an almost daily basis. Statistical reports on these and other workplace safety indicators were regularly shared with management.

In 2015, in line with group policy, we implemented a system of reporting on SOs. Whereas near misses and unsafe acts, for instance, were captured and reported, it was apparent that lessons learnt from these were not being effectively implemented on the plant floor – that a near miss in one country's operation would translate into a fatality in another operation. SOs have now been implemented to overcome this learning gap with all significant occurrences being fully investigated (with the same amount of rigour as if they were fatalities) and reported in detail to both local and group management and board-level leadership.

The detailed monitoring and investigation of SOs aims to create a culture in which all employees and contractors assume personal and team responsibility for identifying potential hazards and then take appropriate preventive measures. As such, whereas managers' key performance indicators (KPIs) have, to date, included the number of SFAs they personally carried out, as of 2015 they are held responsible for overall safety in areas for which they are responsible – as measured by indicators including TIFR, DIFR and LTIFR.

(Until Q2 2014 all statistical indicators pointed towards the belief that the creation of a deep-rooted, proactive safety culture was taking root at our operations. That these statistics so dramatically and suddenly deteriorated proved that mere statistics could be misleading. In particular, in recent years fewer than 30% of fatalities related to incidents that were classified as near misses or unsafe acts/ conditions. In the absence of other, more meaningful measures of daily safety behaviour, however, these are the leadership measures by which supervisors and managers will be judged – and which will largely determine their variable reward.)

In addition to implementing SOs, this year we began bedding down a system of continuous HIRA (hazard identification and risk assessment) which emphasises precautionary behaviour (so-called 2 X 2 and 2 X 4 actions) whenever conditions or required behaviour deviate from the norm.

In response to the two fatalities suffered in 2014 involving man-vehicle interactions (MVIs) all plants undertook MVI audits, which were externally assured, and implemented appropriate action plans. Interventions included a requirement that all company and contractor vehicles (except for side tippers) had to be fitted with wheel guards (arches) by September 2015, improved illumination at potential danger points and re-engineering traffic flows.

Monitoring and auditing safety

In 2015 SFAs conducted declined from 263 143 in 2014 (2013: 138 239) to 105 732. This reduction was anticipated but the new emphasis on the quality of SFAs, rather than the number of audits will, it is envisaged, focus management and supervisor attention on performing interventions that are more likely to have a greater, more meaningful safety impact.

In 2015 we maintained our zero tolerance approach towards unsafe practices and behaviour. In 2015, 154 individuals received formal warnings for tolerating or overlooking potential hazards (2014: 387). In addition, 19 employees were suspended (2014: 40) and two (2014: five) dismissed.

This year we continued to practise behaviour-based care (BBC), an internationally used safety protocol, the principles of which are consistently communicated. We acknowledge, however, that retrenchments and announcements of possible restructuring have made embedding a safety culture particularly challenging. (Where employees are concerned about their personal job security they often neglect their own physical safety.) This is a challenge which is being at least partially addressed through a stronger emphasis on visible felt leadership and greater managerial and supervisory intervention at pre-shift, morning and shift-change meetings.

At a plant level, fatality prevention audits are carried out weekly in conjunction with SFAs by safety champions who also perform annual audits which are in turn audited by the group health and safety function. In addition, so-called layered plant audits and leadership behaviour interaction are conducted weekly by "G" roles and above.

Prioritising contractor safety

In 2014 three of four peopled killed at our plants worked for contractors. One of the two fatalities in 2015 was of a contractor employee.

Our observation, investigation and research over several years prove that the increased likelihood of contractor employees suffering serious and even fatal injuries at our plants has, primarily, three root causes.

The first of these has to do with the nature of contractors' work scopes – typically less skilled, more repetitive operations, while the second reason relates to the levels of safety training provided by contractors and the compliance standards enforced, levels and standards that are usually lower than those applied by ArcelorMittal South Africa. (In this respect, Mr Nkonqa's death was a particularly unpalatable event as his employer had not suffered an LTI in six years of working at our premises.) Thirdly, our experience shows that contractor supervisors do not exercise the same degree of daily safety briefing and auditing as is undertaken by our own managers and supervisors.

To improve the physical wellbeing of contractor employees, supervisors at all business units have been specifically tasked with ensuring that such "outside" employees are actively involved in safety briefings and that their staff receive particularly close supervision. This year safety KPIs were given greater weight in contractors' overall remuneration and contractors were made aware, at all performance and review briefings, that penalties would attach to instances of unacceptable safety performance.

In addition, from 2014 all vendors were required to maintain OHS Act compliance, OHSAS 18001 certification and implement FPS, failing which they would not be engaged or their services would be terminated.

Health and wellness

In 2015 eight cases of noise-induced hearing loss were recorded (2014: three) and additional training and awareness campaigns were implemented in an effort to reduce the incidence of this avoidable type of injury.

This year 3 826 HIV counselling and treatment sessions were conducted. A respiratory care programme was implemented at various sites as part of our coke oven health forum. This programme will be fully rolled out at all sites in 2016.

No cases of pneumoconiosis, silicosis or asbestosis were recorded in 2015.

Membership of a medical aid is compulsory for all full-time permanent employees unless employees are covered by their spouses' medical aid. This year 96.8% of all employees were on company-provided medical aid.

Outlook for 2016

In 2014 we set ourselves the objective of reducing our LTIFR and DIFR to sustained levels below 0.41 and 0.77 by 2019. These targets were informed by the widely accepted Bird Pyramid principles, experience within the ArcelorMittal group and a literature and best practice review. Our respective performances on LTIFR and DIFR, at 0.48 and 0.70, indicated some progress towards achieving these objectives. Our targets for 2016 are 0.46 and 0.67 respectively – targets which are lower than those of the ArcelorMittal group. In keeping with our renewed focus on contractor safety, we have set contractor LTIFR and DIFR targets for 2016 at 0.30 and 0.60.

In 2016 we will introduce a new safety key performance indicator – the number of serious occurrences (SOs) or potential to cause serious injury or fatality (PSIF) cases handled.

For sites where more than 8 million man hours are worked annually the SO/PSIF target will be set at 50 per year; for sites with between 0.5 and 8 million man hours, the target will be six SO/PSIF, and for those sites with fewer than 0.5 million man hours the target will be four such cases handled.

Strategic objective 2: Driving profitability

We need to reward our investors if we are to stay in business. Without sustainable profits we cannot create other forms of value

Why this is important

This year we recorded ongoing, mounting losses, largely the result of stagnant markets in which artificially low-priced imported steel was sold in record quantities. From Q2 markets – both domestic and export – deteriorated sharply, further reducing our earnings and our ability to generate cash. While protection from unfairly subsidised imports was essential to our survival, we have to demonstrate that such protection serves not merely to shield a systemically uncompetitive primary steel sector. In future our profitability will be largely determined by our ability to drive down costs; on long products, in particular, we can only effectively compete with local and international manufacturers by addressing our cost base.

Three-year key performance indicators

Ebitda per tonne (R/t)

2013	2014	2015
418	297	**(196)**

Return on capital employed (ROCE – %)

2013	2014	2015
5.6	(1.2)	**(342)**

Cash generated from operations before working capital (R million)

2013	2014	2015
1 733	1 186	**(1 911)**

Liquid steel production (000 tonne)

2013	2014	2015
5 096	4 518	**4 839**

Net cash/debt position at year-end (R million)

2013	2014	2015
285	(546)	**(2 865)**

Issues that were most material to driving profitability in 2015

- Restructuring the balance sheet
- Optimising our industrial footprint
- Seeking the implementation of tariff and non-tariff trade protection and the localisation of steel
- Addressing unsustainable input costs, especially iron ore
- Establishing a fair price for steel
- Resolving Competition Commission issues
- Debating carbon tax

Key actions taken in 2015 to address our most material issues

- To restructure the balance sheet we executed a rights issue, completed on 15 January 2016, raising R4.5 billion
- We actively engaged on carbon tax proposals and legacy Competition Commission issues (see page 53)
- Interactions on tariff and non-tariff trade protection and the localisation of steel began to bear fruit at year-end (see page 52)
- To optimise our industrial footprint we:
  - Undertook footprint analyses (Vanderbijlpark and Vereeniging)
  - Improved plant reliability and production efficiencies
  - Implemented various energy efficiency initiatives
  - Deferred non-essential, planned capital expenditure of R447 million
- To address unsustainable input costs, we renegotiated the Kumba iron ore agreement
- Improved on-time deliveries to customers, from 55% in 2014 to 62% (still a most unsatisfactory performance)

In 2015 we urgently addressed the issues that were most material to our achieving sustainable profits. These initiatives included renegotiating contracts for the supply of raw materials and services; scrutinising and adapting, where possible, our industrial footprint and manpower costs; improving the reliability of our production processes and significantly improving our customer service. We closely interrogated capital-expenditure needs and deferred such expenditure wherever possible. Managing our constrained liquidity, to meet our short-term liabilities, was a key focus.

Optimising our industrial footprint

Business unit performance

The flat steel products division this year recorded an ebitda loss of R1 269 million, a reversal of the improvement achieved in 2014 when ebitda was a positive R535 million following a R266 million ebitda loss in 2013. Net operating loss for flat products this year was R3 091 million (2014: R529 million).

Long steel products returned an ebitda loss of R348 million, a worse-than-anticipated performance relative to the R16 million profit in 2014 when the division was negatively impacted by the almost five-month reline of the Newcastle blast furnace. This year production of liquid long steel rose by 82% over 2014 but revenue increased by just 19.8%. This was due to a combination of sales volumes not matching the increase in production and sharply lower realised prices. Once-off provisions in 2015 amounted to R339 million. The division's net operating loss was R1 226 million (2014: R326 million).

This year our Coke and Chemicals division recorded ebitda of R427 million (2014: R428 million), a performance that was negatively influenced by a 26% drop in world sales prices, but bolstered by higher demand for ferro-chrome, producers of which are the main users of commercial coke.

From Q3 2014 a production first strategy was followed with the aim of running all plants at maximum capacity, Saldanha, for example, averaging 85% capacity utilisation in the first two months of 2015. However, during Q1 it became apparent that markets were considerably softer than had been anticipated and that it was no longer feasible to continue with the production first approach. With stock levels building up as demand slackened, in March 2015 production strategies and planning were adapted to reflect anticipated sales.

Total steel production (both flat and long) for the year was 4.84 tonnes, 14% higher than 2014. Coke and Chemicals' production levels were similar to those of 2014.

Flat Steel Products – Vanderbijlpark Works

In Q1 Vanderbijlpark's productivity was negatively impacted by difficulties experienced at the sinter plant where the main cooling fan gearbox failed. Stability was restored after a spare was procured and various reliability actions were taken to restore stability of supply.

This year a bespoke asset reliability programme that had been started in areas of Vanderbijlpark in 2011 was rolled out to the remainder of the plant. A close focus on improving reliability resulted in unplanned maintenance downtime reducing from 27.94% at the start of 2015 to 26.54% in H2. Improved root cause analysis of breakdowns in the hot strip mill translated into the unplanned downtime rate of 24.4% for the second six months of 2014 continuing into 2015, reducing further, to 15.88% for the full year. (In 2011 this number had been over 30%.)

Continuous caster's reliability improved to the point that it was placed in the top 50% of the ArcelorMittal group for reliability and the galvanising lines improved their mean time between failure (MTBF) 100% since 2013. This year the input coal mix was optimised and energy efficiencies achieved by installing variable speed drives. Fixed-cost improvements were derived from optimising shift patterns and reducing subcontractor activity.

In H1 a third ladle furnace was added to the steel plant as part of the debottlenecking of the secondary metallurgy area, a project that was completed in record time.

Blast furnace C underwent a yearly campaign extension refractory shotcrete in June. In August the furnace was shut down for the remainder of the year as market conditions necessitated a reduction in the production of liquid iron. Blast furnace D supplied all required hot metal for the steel plant for the remainder of 2015.

In October the board considered a detailed expert review of our Vanderbijlpark operation. This concluded that a reversion to the production first strategy was unavoidable, given the structural fixed cost structure of our largest plant. The following month we communicated to stakeholders our intention to run Vanderbijlpark at an annual production target of 3mtpa – an increase of a third over our actual production for the full 2015 year.

Vanderbijlpark key performance indicators

	2013	2014	**2015**
Full cast regrades	6.5%	4.5%	**2.6%**
Mean time between failure (hours)	136	145	**547**

Flat Steel Products –Saldanha Works

The plant achieved pleasing results in terms of cost containment, reducing fixed costs by 0.6% and limiting variable cost increases to just 5.4%. Capacity utilisation was reduced to meet export market challenges with the plant operating at between 75% and 85% utilisation for most of the year. As a result, production amounted to 963kt HRC versus a planned 1.1mt. New levels of efficiency were achieved at the reduced throughput levels, however.

Faced with both weak demand and soft prices in our export markets, this year Saldanha focused on improving relationships with clients, enhancing quality and cutting production costs.

In the medium term, the plant's sustainability will be enhanced by an anticipated agreement to receive LNG-generated electricity and new iron-making technologies that will be deployed during the Corex plant's planned 2017 reline.

Saldanha key performance indicators

	2013	2014	**2015**
HRC <1.09mm production (tonne/month)	15 070	19 099	**23 438**
Thin slab caster breakouts (%)	0.3	0.17	**0.19**

Long Steel Products

In August it was decided to amalgamate Vereeniging, Newcastle Works and Tubular Products into one long products business unit. This decision was designed to unlock synergies and achieve greater capacity utilisation while the long steel products business's production was tailored to more accurately accord with market demand.

In recent years continued low demand and mounting electricity costs had compromised the overall viability of the Vereeniging operation, resulting in the decision to close the meltshop. This closure affected some 248 jobs and was addressed through a section 189 process. An impairment of R370 million was accounted for.

In terms of the divisional restructure, initiated in October, billets produced at the now considerably more efficient Newcastle furnace are transported to Vereeniging for milling, resulting in significantly improved mill usage at both plants at reduced cost. Long steel production costs reduced from USD371 in Q1 to USD300 in Q4.

Despite production targets being reduced in line with softening demand, long steel output rose from the 900kt of 2014 to 1.7mt after the 2014 reline. Sales amounted to 1.5mt (2014: 1.3mt).

Strategic objective 2: Driving profitability continued

Newcastle's coke battery 2 production was stopped with the battery being hot idled in August for critical repairs, with operations resuming in December. Further major repair is planned for 2016.

Due to reduced steel production levels it is expected that long products will remain self-sufficient in the production of metallurgical coke for blast furnace operations during the 2016 repair. In 2015 market coke production was also supplemented from battery 4 in Vanderbijlpark.

Crude steel production in Q1 reduced due to unforeseen production difficulties (which were expeditiously addressed) and the decision in March to cut back on output. In Q2 the blast furnace target was cut to 4 000tpd, reducing further to 3 600tpd the following quarter. Other operations, at both Newcastle and Vereeniging, maintained satisfactory reliability although low volumes per profile translated into considerable time having to be spent on setting up the various mills between short rolling cycles.

Despite the difficulties inherent in maintaining product variety at lower production volumes, the long steel division achieved conspicuous success in reducing costs. This was achieved through a combination of lower input costs and operational and sourcing enhancements. Fixed cost management was similarly successful through strict control of cash spend.

Long Steel Products key performance indicators

	2013	2014	**2015**
Blast furnace fuel rate (kg/tonne)	527	541	**517**
Bar mill delay ratio (%)	15.98	16.57	**15.58**

Coke and Chemicals

Revenue from the Coke and Chemicals division amounted to R1.8 billion (2014: R2.0 billion) and ebitda of R427 million (2014: R428 million).

Total commercial coke production was 406 000 tonnes – 22% lower than the previous year. Whereas volumes produced in H1 were almost identical to those of the corresponding six months in 2014, H2 production was 115 000 tonnes lower than the corresponding period in 2014.

Commercial coke sales were 451 000 tonnes, 3.5% down on 2014, In line with worldwide commodity price trends.

Coal tar sales decreased by 12%, offset by a 3% rise in prices.

Ebitda per tonne of coke produced was R607 (2014: R345). This improvement was achieved by sourcing less expensive coal.

Coke and Chemicals key performance indicator

	2013	2014	**2015**
Solvent plant availability (%)	87	87	**92**

Tubular Products

This year Tubular Products was severely impacted by the drop in crude oil prices and the resulting general malaise afflicting the oil and gas sector. As a result, mill utilisation fell by 47% this year. Despite these very adverse conditions, the division was ebitda and cash flow positive.

Performance on unplanned downtime was marginally better than that of 2014 while utilisation rates were negatively impacted (as was the case in other production areas of the company) by time spent on size changes, caused by shorter production runs. Mill yields improved through a focus on reducing cobble and NDT rejects. A R19 million project to install a threading and coupling production facility was completed successfully, most equipment installed being salvaged from the tube plant at ArcelorMittal Ostrava.

Cost savings

Various cost containment measures this year resulted in overall savings, on raw materials, goods and services, amounting to R1 billion. Transnet Freight Rail improved its service performance by 8%, resulting in considerable savings for all business units. (This year 76% of production was railed – 2014: 71% – reducing our environmental impact.)

Inevitably, the need to restructure our operations and reduce our manpower costs entailed some job losses. Rationalisation at Vereeniging and the corporate function affected 337 positions (detailed under *'Creating a high-performance culture'*) and, in the case of Vereeniging, annualised savings of R71 million.

Our original budget anticipated our mills running at full capacity with production levels being reduced to match market demand and to curtail stock build-up. As a result, production declined from a budgeted 6.1mtpa to 4.8mtpa.

Labour productivity

This year our key productivity measure, tonne of liquid steel to full time (job) equivalent, expressed as HRCe/FTE, increased markedly – from 418 to 472. Total cost of employment (TCOE) per tonne of liquid steel, measured in USD, was USD77/t (2014: USD95/t). In ZAR terms, TCOE/t decreased from R1 042 to R979.

In 2015 our total permanent employment rose, from 8 825 positions at the end of 2014 to 9 315. This increase derived largely from the in-sourcing of hired labour, as required by legislative changes.

Capital expenditure

This year we cut overall capital expenditure by some 59%, to R1 153 million versus the R2 798 million of 2014 – an amount that was skewed by the Newcastle reline and, as such, represented an increase of 150% on the figure for 2013.

In 2015 capital expenditure was limited to essential maintenance (R1 088 million) and environmental compliance (R65 million). Risk 9 Risk 10

The three main production capital items during 2015 were:

- Vanderbijlpark – complete the third ladle furnace at the steel plant (R102 million)
- Newcastle – reline final payments (R72 million)
- New BOF slag disposal site (R45 million), also at Newcastle

Other significant capital projects undertaken this year were:
Vanderbijlpark
- Complete waste gas channel ducting (R8 million)
- Battery 4 bracing and end-flue repair (R2 million)
- Replace BOF off-gas coolers (R15 million)
- Producing double reduced material (R15 million)
- Standalone gas fired boiler (R3 million)

Newcastle
- BOF sludge filter presses (R23 million)

Coke and Chemicals
- Battery N2 bracing and end-flue repair (R24 million)
- Tar plant environmental compliance (R14 million)

Energy efficiency

The energy cost of producing steel in South Africa continues to increase sharply – since 2012 our cost of electricity has risen 31.5% per kilowatt hour (KWh) while the price of natural gas per gigajoule rose some 27.2% in the same period. In 2015 our total energy bill represented 16% of variable costs (2014: 14.5%) with the expectation that electricity tariffs will escalate by more than 20% in 2016/17.

This year our cost of electricity per tonne of liquid steel rose by only 3.9%, compared with 12% the previous year.

Saldanha achieved particularly noteworthy success on energy efficiency this year: time-of-use tariff optimisation saved 24.5GWh while LPG consumption per tonne declined 26% to 0.11GJ/t.

In 2015 we experienced 60 load-shedding incidents – a total of 556 hours.

Given our company's limited financial means, in the past two years we have utilised a variety of instruments including tax incentives and government project financing to fund a number of energy efficiency investments.

In 2016 a 50-tonne-per-hour high-pressure steam boiler will be installed and commissioned at Vanderbijlpark's 5 and 6 direct reduction kilns to supplement the existing waste-heat generating units. Investment in these new boilers will be made possible by project financing facilities provided by the Finnish government.

Our dependence on erratic and increasingly expensive electricity supplies from the national grid has underpinned our close involvement in a project to generate power using imported liquefied natural gas in Saldanha. This project, being developed by third parties, would make our Saldanha Works independent of Eskom electricity supplies at more predictable tariffs. A measure of the progress being made on the Saldanha LNG power project is that this year the key environmental impact assessment process for the power plant will commence in February 2016. Risk 6

Addressing unsustainable input costs, especially iron ore

This year we concluded a revised supply agreement with Kumba Iron Ore Ltd that will make a significant contribution to improving our competitiveness, profitability and sustainability. Risk 5 Risk 7

The new iron ore supply agreement is based upon export parity pricing (EPP). Previously, in terms of our 6.25mtpa off-take entitlement, we paid Kumba costs plus 20% for ore received from its Sishen mine with a ceiling of EPP but a floor price of cost excluding any margin. During the latter half of 2015 we paid the floor price.

The EPP is based on the Platts 62% Fe CFR China Fines Index. At certain levels we will receive a discounted price; when the index price is between USD60/t and USD70/t we will receive a 5% discount to the EPP; between USD70/t and USD80/t a 6.25% discount and, when the index is above USD80/t, a 7.5% discount. There is no floor price applicable.

At 22 January 2016 the applicable index price was USD42/t. The ArcelorMittal group foresees prices averaging USD45/t throughout 2016.

The amended pricing mechanism provides us with considerably greater cost certainty and means that the cost of our single most significant raw material input is aligned with prices paid by our competitors. Had the agreement been implemented from 1 January 2015 the benefit to our company would have been some R250 million.

This year we benefited from improved terms received under our procurement arrangements with the ArcelorMittal group for other key inputs including hard coking coal, zinc and pellets. These improved terms were substantially cash positive.

Strategic objective 2: Driving profitability continued

Outlook for 2016

In 2016 the potential saving arising from the new Kumba iron ore agreement, based on projected tonnages and EPP and the USD/ZAR exchange rate as at 22 January 2016, will be some R480 million. Being denominated in US dollars, the new agreement exposes the company to a measure of currency risk. This is partly mitigated, however, by our Beeshoek iron ore supply agreement which was previously USD-denominated but is today denominated in rands.

Running at near its design capacity, Vanderbijlpark's production costs per tonne of liquid steel are projected at USD527/t (2015: USD575/t). Strenuous efforts will be made to drive down fixed and variable costs with a number of projects to sustain the reliability improvements achieved in 2015 already approved. Cold rolling capacity will be increased to accommodate an expanded product range.

Newcastle's production costs are projected at USD419/t (2015: USD437/t) in 2016 with blast furnace production targeted at some 1.78mtpa of crude steel and saleable tonnes rising by 330 000kt. Plant availability will, it is anticipated, improve from 2015's 77% to 94%.

New investments planned for 2016 to 2019 will be to:

- Increase double reduce tin product capabilities for the packaging market (cost: R150 million)
- Convert the continuous annealing line (CAPL) to produce galvanised products for the automotive industry (R850 million)
- Install a new colour line for the construction market (R300 million)

The impairment of Saldanha Works (see page 37) derived from the view that this export-focused facility was likely to continue making losses for the foreseeable future as it would not benefit from the introduction of import-protection measures, and from the effects of high electricity prices.

In 2016 a review of Saldanha's footprint will be undertaken. Without anticipating the outcomes of this detailed review, it is envisaged that Saldanha's entire business model will have to be adapted to accommodate an anticipated lower export pricing scenario. A planned reline of the Corex furnace will be delayed for four years, the Corex instead undergoing a less costly five to seven-month campaign extension repair. During the repair, the Conarc will continue to melt metal to roll to final product.

After being heavily impacted by the Newcastle furnace repair in H2, Coke and Chemicals will be further affected by a battery repair planned for Newcastle. This will reduce the amount of market coke being available for sale.

Enhancing our sales mix, combined with the introduction of a fair price model for flat steel and the effects of import protection will, we believe, translate into higher volumes and improved sales prices.

Increased revenues will enable ArcelorMittal South Africa to operate profitably while incentivising ongoing efforts to achieve greater efficiency and making it possible for us to carry out significantly greater capital expenditure projects – R2 525 million in 2016 (2015: R1 153 million). These investments will further minimise our environmental impact while delivering improved operating efficiencies.

Strategic objective 3: Maintaining our licence to operate


We are a proudly South African business that places the highest value on executing our responsibility to sustain and create natural, human and social capital

Why this is important

Various stakeholders grant us licences to stay in business. Without government intervention to protect our industry against blatantly unfair imports our business cannot continue in its present form. Government expects us to sell steel at prices that support steel-consuming customers and the growth of the economy and employment. To maintain our licences to operate we have to demonstrate responsible environmental practices and a meaningful commitment to economic and social transformation and upliftment. Should we fail to convince various stakeholders of our commitment to these objectives we risk losing our licences to stay in business.

Three-year key performance indicators

Fines, penalties and settlements

2013	2014	**2015**
None	None	**None***

**Excludes any penalty that may be agreed with Competition Commission.*

B-BBEE compliance score

End 2013 (old codes)	End 2014 (old codes)	**End 2015 (amended codes)**
Level 7	Level 6*	**Level 3***

**Level 6 (under the old codes) was externally assured and applied throughout 2015. Level 3 was self-assessed based on the new codes.*

Preferential procurement

	January 2015	**December 2015**	**Improvement during 2015**
EMEs	1.76%	2.41%	**37%**
QSEs	3.72%	8.14%	**118%**
Black-owned businesses	7.38%	13.37%	**81%**

The amended (May 2015) B-BBEE codes had a profound impact on our procurement score. Our performance on procurement from targeted groups of suppliers this year was as above.

Total environmental spend (Rm)

2013	2014	**2015**
350	63	**65**

Issues that were material to maintaining our licence to operate in 2015

- Ensuring workplace safety (see page 42)
- Establishing a fair price for steel
- Resolving Competition Commission issues
- B-BBEE compliance
- Environmental compliance
- Debating carbon tax
- Improving relations with labour and industry

Key actions taken in 2015 to address our most material licence-to-operate issues

- On tariff and non-tariff trade protection and fair pricing, we engaged with the authorities on suitable measures and a new pricing regime
- Made considerable progress on reaching a settlement of long-standing competition issues
- Forged a new compact with organised labour on the industry's future
- Debated the introduction of punitive carbon taxes
- Established structures to expedite improvement of our B-BBEE compliance, substantially improving our performance by year-end
- Created a new resource dedicated to enterprise and supplier development and preferential procurement
- Finalised a R428 million zero effluent discharge project at Newcastle

Engaging with stakeholders to maintain our licences to operate

Our various stakeholders include government, organised labour, communities and regulatory authorities – all of whom have material, legitimate interests in our business and its conduct.

For the past decade our relations with the various levels of government have been clouded by mistrust and misperception, a reality that had undermined our desired ability to operate on a level playing field.

Our relations with local communities, particularly in the Vaal Triangle, have historically been characterised by similar levels of mistrust, a situation that is today much improved. Maintaining our licence to operate requires that ArcelorMittal South Africa be perceived as a company that is committed to transformation, social upliftment, economic development, people development and environmental best practice.

This year we made concrete progress on overhauling our B-BBEE compliance and on improving our communication and engagement with all stakeholder groups; communicating more transparently about our shortcomings, challenges and intentions we have succeeded in winning greater support from many important stakeholder groups.

Strategic objective 3: Maintaining our licence to operate
continued

Our worsening financial performance this year significantly impacted our ability to invest in much-needed capital expenditure, including expenditure on lessening our environmental impacts, although all compliance requirements were met. Despite our lack of profitability we succeeded in maintaining our level of corporate social investment although this was substantially lower than the amount allocated two years previously. Risk 1 Risk 9

In 2015 it became abundantly clear that without protection against a flood of subsidised steel imports, our business would soon become unsustainable. Were the status quo to be simply maintained, our company would have had to be fundamentally restructured – to focus on the production of only a limited number of products which could be produced profitably. Inevitably this would have translated into the loss of thousands of jobs and devastating impacts on the local communities and suppliers which rely on ArcelorMittal South Africa.

This was the low road scenario which our board and management were obliged to contemplate – while doing everything possible to avert such an eventuality. In 2015 we worked hard to stabilise our "present" and to build our future. We believe we have succeeded in this largely by engaging with government and regulators – on convincing them to grant us the licences to operate that will keep us in business.

Government's reluctance to implement anti-dumping and fair-trade measures similar to those that are applied across the world derived from a historical antipathy towards our company. Much of this antipathy was, we have come to appreciate, rooted in reality. Our business must actively earn its licence to operate.

In convincing the authorities to implement (as they began to do towards the end of the year) the measures necessary to preserve South Africa's primary steel industry, the input and support of various stakeholders was essential. Chief among these were organised labour, which in 2015 identified its interests and its members' interests with those of our company, and our employees.

In continuously earning our licence to operate we have committed ourselves to delivering on the interests of stakeholders including government, the competition authorities, labour, suppliers and customers. We have committed ourselves to fundamental change – of our business model and of the ways in which we create social and human capital.

Tariff and non-tariff import protection and fair pricing

Throughout 2015 we engaged extensively with the departments of Trade and Industry, Economic Development, Public Enterprises and Mineral Resources, as well as with the Presidency. These engagements related to a number of our most pressing concerns.

In addition to the question of unfair competition from subsidised imported steel we raised with the authorities concerns relating to Transnet's performance, iron ore pricing, electricity constraints and erratic power supplies while seeking mutually beneficial outcomes. In almost all instances we were gratified to experience a greater openness to consider our legitimate concerns and a greater willingness to find workable solutions that would benefit a variety of stakeholders.

On protection against artificially low-priced imports the following actions were taken this year:

Status of applications submitted to the South African authorities by ArcelorMittal South Africa and others for duties and safeguards on imported steel products, as at end-January 2016

Product and type of protection sought	Applicant	Status
Wire rod – increase in duty to 10%	SA Iron and Steel Institute (SAISI) represented by ArcelorMittal South Africa	Implemented
Zinc/aluminium/colour coated and galvanised	SAISI represented by ArcelorMittal South Africa and SAFAL Steel	Implemented
Rebar– increase in duty to 10%	SAISI represented by ArcelorMittal South Africa	Implemented
Rebar – safeguards	SAISI represented by ArcelorMittal South Africa	Submitted, addressing queries
Structural steel – increase in duty to 10%	Evraz Highveld Steel & Vanadium	Approved, pending implementation
Semi-finished products – increase in duty to 10%	ArcelorMittal South Africa	Approved, pending implementation
Flat rolled plate – increase in duty to 10%	ArcelorMittal South Africa	Approved, pending implementation
Flat rolled plate – safeguards	SAISI represented by Evraz Highveld Steel & Vanadium and ArcelorMittal South Africa	Submitted, addressing queries
Cold rolled coil – increase in duty to 10%	ArcelorMittal South Africa	Approved, pending implementation
Sections – increase in duty to 10%	ArcelorMittal South Africa	Approved, pending finalisation
Sections – safeguards	SAISI represented by Highveld Steel & Vanadium and ArcelorMittal South Africa	Submitted, being processed
Other bars and rods – increase in duty to 10%	ArcelorMittal South Africa	Submitted, awaiting finalisation
Other bars and rods – safeguards	ArcelorMittal South Africa	Submitted, addressing queries
Hot rolled coil – increase in duty to 10% and safeguards	ArcelorMittal South Africa	Submitted, being finalised
Hot rolled coil – safeguards	SAISI represented by ArcelorMittal South Africa	Submitted, addressing queries

At year-end it was expected that the effects of much-needed protection against unfairly subsidised imports would be felt from Q2 2016.

Localisation of steel
While we made a number of far-reaching operational, productivity and other improvements at all plants this year, the sustainability of our operations, and in particular Vanderbijlpark (which will be run at its optimal capacity), are heavily dependent on the full implementation of agreed trade remedies – and the critical designation of primary steel for localisation in government infrastructure projects.

Similarly, our sustainability will require a strong social compact with labour to ensure that productivity improvements can be successfully implemented so as to avoid headcount reductions.

Fair pricing for steel
We accept and respect government's concerns about primary steel pricing and its effects on South African manufacturing and, as stated in our 2014 Integrated Annual Report, we are extremely receptive to any suggested intervention that may increase the competitiveness of South African manufacturing as our sustainability "is inextricably tied to that of our customers: steel-consuming manufacturers and fabricators".

In 2015 we engaged in negotiations on protection against unfair imports while also undertaking wide-ranging discussions on an independently verified pricing structure for steel.

Resolving Competition Commission issues

Issues relating to historical (2007 to 2013) competition practices have loomed large in our leadership's deliberations and strategy formulation – to the extent that until this year "Long-tail Competition Commission issues" ranked as our top strategic risk. Risk 4

As at the date of reporting, significant progress regarding a possible overall settlement had been made and the parties involved were in the process of finalising a detailed settlement agreement.

B-BBEE compliance

As with any company operating in South Africa, we need to embrace transformation and be able to clearly demonstrate that we are working affirmatively to change who we are and how we operate. In our case this need is especially pronounced given the political dimensions of our operating context and the many ways in which political decisions inform our licence to operate, even our survival.

At the beginning of 2015 our broad-based black economic empowerment (B-BBEE) rating stood at 6 under the old codes of best practice which were replaced with new, amended, codes in May. (In our 2014 Integrated Annual Report we reported a Level 7 compliance but a formal audit subsequent to our reporting raised this to Level 6.) Under the new codes, maintaining the status quo would have meant that we would have become non-compliant.

Driven by an interim B-BBEE subcommittee of the board, in 2015 we worked with purpose towards defined outcomes in order to overhaul our B-BBEE performance. This year a B-BBEE transformation team was established with an operating budget of R6.8 million. Comprising the CEO and nine senior officials, the B-BBEE management committee met with the board on a quarterly basis, reporting on progress against all five pillars of the amended B-BBEE codes.

The headline result of this increased resource and commitment was that, at year-end, we had improved our compliance score – lifting our score from 45 points under the old code to 75 under the new. This achievement reflected not only our determination to prove our commitment to transformation but to put this commitment into everyday practice.

For most of the year we received no points under the ownership element of the revised scorecard – out of a possible 25. This was partially addressed in the second half of the year when we announced the creation of an employee share ownership programme (ESOP).

Ownership
In addition to the ESOP, in September we communicated our intention to implement a B-BBEE transaction which would enable an empowered consortium to acquire acquire a significant proportion of our issued share capital.

At year-end offers from interested consortiums were being evaluated and an announcement on the new B-BBEE investor was expected in Q1 2016.

Potential B-BBEE investors were expected to demonstrate how they would add value to ArcelorMittal South Africa by supporting the execution and achievement of our strategy while enhancing and increasing its economic footprint. In particular, investors had to demonstrate how they would support our transformation initiatives, especially in the areas of enterprise, supplier and socio-economic development.

Employee share ownership plan
In September we received shareholder approval for an ESOP in terms of which the Ikageng Broad-based Employee Share Trust held 4.7% of our shares (following our rights issue this reduced to 1.9%). While the scheme is open to all ArcelorMittal South Africa employees excluding those who participate in our long-term incentive plan, 60% of benefits will accrue to historically disadvantaged individuals with black employees enjoying 15% more benefits than their white counterparts.

For more on the structure and functioning of the ESOP see the remuneration report on page 75.

Strategic objective 3: Maintaining our licence to operate
continued

For details on our performance on management control and skills development, see '*Creating a high-performance culture*' on page 62.

This year we steadily improved our skills development performance, our score rising from 8.93 (out of 25) to 24.00 by December. AIC training spend for the year amounted to R179.3 million.

Enterprise and supplier development and preferential procurement
Whereas enterprise and supplier development (ESD) was previously the responsibility of just one company official, this year these functions were administered by 10 individuals. A greater resource was required given the need to administer and mentor a large number of smaller vendors making up 10% of company procurement.

The decentralisation of head office functions to the business units, begun in Q4 2014, further improved policy implementation, especially in terms of ESD and preferential procurement. Feedback from local entrepreneurs and communities indicated that they believed decentralisation had greatly enhanced the company's understanding of their offerings and needs while enhancing their access to procurement opportunities.

The Vesco Group, a reputable Level 2 non-profit organisation which operates in the Vaal Triangle and is controlled via the board, had a significant impact this year on our social, economic and community investments and our B-BBEE performance. Vesco's B-BBEE impact was in the order of 3.2 points, achieved through various preferential procurement undertakings and a skills development intervention which found alternative placements for learners not offered permanent positions within the company.

Vesco also provided facilities, skills and resources used for skills, enterprise and supplier development. In 2015 Vesco and its subsidiaries implemented 70 projects at ArcelorMittal South Africa, creating 2 000 jobs, and launched several community projects, including a soup kitchen providing 1 400 meals per day to disadvantaged people in the Vaal Triangle.

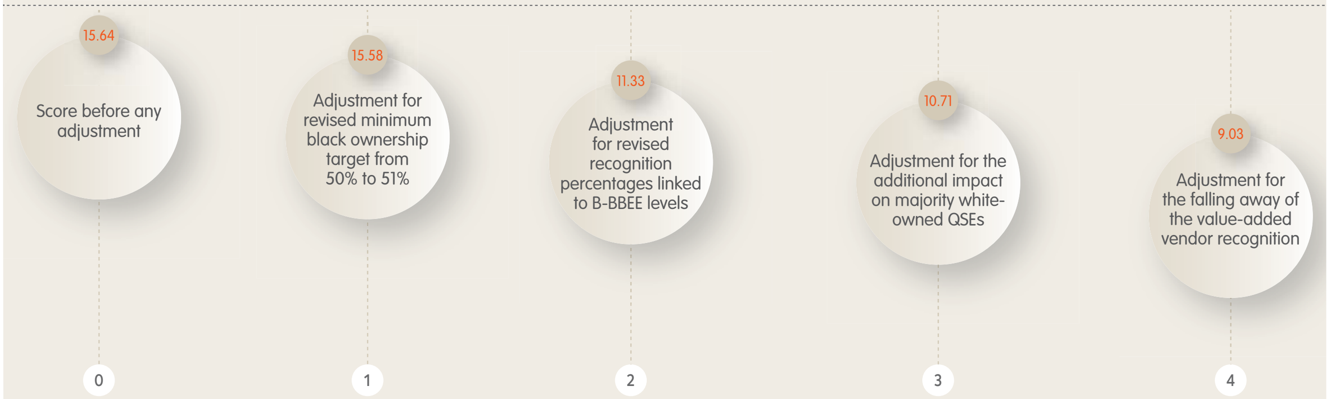
In 2015 we overhauled and greatly enhanced our ESD and preferential procurement practices and policies, progress that was reflected in our achieving 30.12 points out of a possible 44 points for the new ESD element. This was despite the amended codes having a significant, deleterious impact on our ESD scorecard.

On enterprise development we achieved 10 points out of a maximum 10 with our supplier development performance also reflecting a maximum five out of five points. (As noted in the previous integrated annual report, in 2014 we previously received no points for enterprise development.)

This year we invested R5 million in enterprise development projects aimed at promoting the broad-based empowerment of entrepreneurs drawn from local communities. Each business unit signed agreements with reputable institutions to provide training designed to ready suitable candidate businesses for inclusion in our supplier development programmes.

Our supplier development plan is informed by a keen understanding of both vendors' capabilities and the procurement opportunities from which they can realistically benefit – and then closing the potential suppliers' gaps and engineering a match between their capabilities and supply opportunities.

Impact of amended codes on preferential procurement performance



In 2015 an amount of R15 million was allocated to supplier development training, training which included business management, financial literacy, basic business skills and marketing and was offered either free of charge or for a nominal fee (including indirect investment, total spend on supplier development totalled R16.2 million). A notable highlight was a module, presented by the Vaal University of Technology and funded by ArcelorMittal South Africa, introducing particularly young entrepreneurs to so-called disruptive technology and associated business opportunities. Of this amount, R10 million was required on our B-BBEE scorecard (10 points). Our achievement on enterprise development amounted to five points.

Supplier development projects	Investment spend
Industrial products	R6 500 000
Logistics contracting	R1 850 000
Civil contracting	R1 291 000
Chemical supply	R167 000
Start-up enterprises	R206 000
Supply of industrial products from a disabled association	R125 000
Reprographic services	R560 000
Reclamation services	R690 000
Industrial services	R1 450 000
General support services	R2 850 000

By October 2016 an existing industrial premise in Vanderbijlpark will have been converted to a business hub/incubator accommodating 12 entrepreneurs whose capability and readiness to supply ArcelorMittal South Africa has been audited. An amount of R8 million was invested this year in preparing an 800m^2 workshop space within this building for operations in 2016. In 2015, 19 major black-owned exempt micro-enterprises (EMEs) and qualifying small enterprises (QSEs), all of them offering steel sector-focused goods and services, were enrolled in our supplier development programme at various business units, an amount of R15 million being spent with these majority black-owned exempt micro-enterprises (EMEs) and qualifying small enterprises (QSEs).

Application of the amended B-BBEE codes meant that our preferential procurement score as at the end of 2014 dropped from 18.68 to 15.64 due to a restructuring of the sub-element points and percentage structures. A secondary impact, as set out in the graphic, ”Impact of amended codes on preferential procurement performance”, resulted in a further drop in points, from 15.64 to 9.03. This related mostly to reductions in our recognised B-BBEE spend by an amount of R7.4 billion, the change from 50% to 51% black ownership and the loss of accounting for the multiplier effect relating to “value-added vendors” (the latter representing an amount of approximately R2 billion).

By Q4 2015 this preferential procurement underperformance had been largely remedied, from an internally measured score of 8.48 for the month of January, to 13.24 in December. This was achieved mainly through the redirecting of procurement to more compliant vendors. Our 2016 target for procurement from qualifying EMEs and QSEs is R3.2 billion – and a preferential procurement contribution of three points.

This year we made it easier for black-owned EMEs and QSEs to become officially registered vendors. We also instituted protocols and systems highlighting the B-BBEE credentials off such suppliers to procurement professionals while working with other industries in our local areas to identify and foster emerging enterprises.

At year-end we had 2 830 active vendors of which 500 were qualifying EME vendors, 552 were qualifying QSEs and 118 were >30% black women-owned businesses.

In 2015, some R579 million of existing non-contracted procurement spend was ring-fenced for first offer to black-owned EME and QSE vendors. Regrettably, this initiative served to underscore the capability and compliance gaps within our existing black-owned supplier base with only R22 million being awarded to such companies as part of a phase 1 rollout. Improving performance in this important area will be a key preferential procurement target in 2016 – and a key driver of our supplier development initiatives.

ESD highlights in 2015:

1. Enterprise development (ED) funding– R5 million
2. ED broad-based business training within local communities – 80 entrepreneurs
3. Number of direct ED beneficiaries – four
4. Number of ED compliance assistance audits completed – 50
5. Supplier development (SD) funding – R15 million
6. Number of SD beneficiaries – 19 vendors
7. Number of SD compliance assistance audits completed – 67
8. Expressions of interest from local vendors on our new website platform – 502 vendors

Strategic objective 3: Maintaining our licence to operate
continued

Socio-economic development
This year our CSI spend declined from R16.3 million in 2014 (R37.4 million in 2013) to R12.6 million.

Despite the need for severe budget cuts, we remained committed to our flagship CSI partnership, with the Department of National Education: the three science centres we have sponsored since 2006 in Sebokeng, Saldanha and Newcastle. This year spend on the science centres amounted to R9.8 million (2014: R11.2 million).

In addition to their ongoing support services, the Sebokeng Science Centre hosted some 4 000 learners and educators from 35 schools during the Vaal Career Week while the Amajuba Science Centre (Newcastle) reached 600 learners with a Grade 12 winter schools programme and the Saldanha Science Centre reached 2 237 Grade 10 and 11 learners as well as 174 early childhood development learners during National Science Week. In total, the science centres reached 361 schools.

As in recent previous years, in 2015 we received five out of five points under the B-BBEE codes of good conduct for socio-economic development.

Environmental compliance

Our environmental policy
The 10 principles of our group's environmental policy, which guides our stewardship of the environment, are:

- Implementation of environmental management systems including ISO 14001 certification for all production facilities
- Compliance with all relevant environmental laws and regulations and other company commitments
- Continuous improvement in environmental performance, taking advantage of systematic monitoring and aiming at pollution prevention
- Development, improvement and application of low impact, environmental production methods taking benefit from locally available raw materials
- Development and manufacture of environmentally friendly products focusing on their use and subsequent recycling
- Efficient use of natural resources, energy and land
- Management and reduction, where technically and economically feasible, of the CO_2 footprint of steel production
- Employee commitment and responsibility towards environmental performance
- Supplier and contractor awareness and respect for ArcelorMittal's environmental policy
- Open communication and dialogue with all stakeholders affected by ArcelorMittal South Africa's operations

Our ISO 14001 certified environmental management systems are based on these core principles. In 2015 all of our operations retained their ISO 14001 certification.

We are also bound by environmental legislation including the National Environmental Management Act No 107 of 1998 (NEMA); the National Environmental Management Air Quality Act No 39 of 2004; the National Water Act No 36 of 1998 and the National Environmental Management Waste Act No 59 of 2008.

The group manager: environment is responsible for overall environmental management and compliance and is a member of the ArcelorMittal South Africa management committee. The group manager and corporate energy manager share responsibility for carbon and climate change issues. Both positions report to the chief technical officer. The corporate environment department reports to the company's health, safety and environment (SHE) subcommittee of the board on environmental activities, performance, policies and outlook. The committee in turn raises material environmental issues with the board.

Our most material environmental issues in 2015 were:

- Proposed carbon tax and climate change
- Emissions to air
- Water management
- By-product utilisation
- Rehabilitation of legacy sites
- Energy efficiency

(Our key environmental indicators derive from those most material issues which we are able to directly influence.)

In the year reviewed we continued to make solid progress on mitigating our substantial environmental impacts despite a lack of resources arising from the company's poor financial performance.

Our key environmental indicators include emissions and process water discharges as well as percentage of by-products recycled. Our performance on these key indicators, and others, in the year reviewed relative to previous years is reflected in various graphs in this section.

Of particular note, this year we finalised a three-year, R428 million zero effluent discharge (ZED) project at Newcastle Works – an extremely large and costly exercise which reflects our commitment to environmental best practice. Further progress was made on curbing our fugitive air emissions, especially at Vanderbijlpark Works, by means of ongoing rehabilitation of disturbed areas and small improvements at the sinter plant.

In 2015 we incurred capital expenditure of R65 million (2014: R63 million and 2013: R350 million) on mitigating our environmental impacts. This was considerably lower than the 20% of R1.6 billion Capex projected in our 2014 Integrated Annual Report, this performance relating entirely to our company's straitened financial circumstances.

ArcelorMittal South Africa embraces the need to produce steel in the most environmentally friendly ways possible. We are committed to minimising our impact on our environment and on the health and wellbeing of our communities. To this end we have invested some R2 billion over the past decade in reducing, where possible, emissions and process water discharges while addressing environmental legacy issues. We also strive to find more applications for our by-products, but with the depressed construction sector being our largest client, progress was below expectation this year.

The reality is that the scale of our operations is such that very large amounts of investment are required to address those aspects of our environmental impact which it is possible to address. Until such time as our company is returned to sustainable profitability, environmental Capex requirements will continue to compete for resources with stay-in-business expenditure.

There were no major environmental incidents recorded in 2015 in terms of section 30 of NEMA, although, in some instances, we struggled to comply with all conditions of the water use licences of our various operations. Our emissions levels in absolute terms were slightly higher this year than in 2014 – a reflection more of increased production and better monitoring in Q1 than of structural deficiencies.

This year Pretoria Works received a formal inspection by the so-called Green Scorpions environmental enforcement units at a provincial and national level but no report was received and in our opinion, compliance levels were good. In February, we received a pre-compliance notice from the Gauteng Department of Agriculture and Rural Development (GDARD) on an inspection conducted at Vanderbijlpark in the previous year. This pre-compliance notice detailed certain instances of regulatory non-compliance, particularly relating to emissions and by-product spillages. A response was compiled and detailed corrective measures and engagement took place throughout the year with the GDARD regarding progress made with the required improvements. All corrective measures, with the exception of sinter plant abatement, were implemented by the end of 2015. The sinter plant improvements relate to fugitive dust abatement at a crushing and screening facility where 50% of the work was completed.

In December 2015 Newcastle Works received a compliance notice/directive from the Department of Environmental Affairs. This demanded that the disposal of waste into the BOF slag disposal site be immediately halted and that an independent consultant be appointed within five working days to conduct studies into 15 identified areas within the works. The notice also directed Newcastle Works to stop selling slag from the BOF unless customers could prove that they possessed waste management licences, and to report on previous sales.

Newcastle complied with the notice within the required timeframes and submitted an appeal/objection. This process aims to overturn the moratorium on the sale of BOF slag products – which the company holds should not be viewed as waste – and on some of the instructions received relating to the disposal of waste into the BOF slag disposal site. (In any event, a new BOF slag disposal site was completed in December, meaning that continuity of operations could be maintained.)

On 23 July 2015, the Parliamentary Portfolio Committee on Environmental Affairs visited Vanderbijlpark Works as a follow-up to hearings held in November 2014. The focus was on air quality and how our plants in the Vaal Triangle priority area have implemented their priority area plans. The chairman expressed his satisfaction with the progress made and specifically highlighted the transparency shown during the site visit, presentation and in discussions since November 2014. The fact that ArcelorMittal South Africa to date had not had to apply for any postponements regarding emission limits was also well received by committee members.

Our key environmental risks

Key strategic risk	Importance	2015 developments
Carbon taxes	Could have the effect of making our business unsustainable. We acknowledge our potential impacts on climate change.	A Carbon Tax Bill was published on 2 November 2015 for comment. While the likely financial impact on the company will be less than that previously communicated, the impact will nevertheless be substantial. We will continue to interact with authorities and interested parties on potential consequences.
Effluent discharges	Environmental impacts and potential licencing and legislative infringements.	Vereeniging, Newcastle and Vanderbijlpark infringed water use licence conditions. Newcastle ZED project was fully implemented. Vanderbijlpark ZED status will be restored during Q2 2016. Vereeniging compliance improved from Q4.
Fugitive emissions	Emissions caused by wind, traffic and ineffective process controls could infringe AEL (atmospheric emissions licence) conditions.	All plants issued with AELs. Began R24 million vapour recovery project to capture all vapour releases from tar distillation plant, for completion in Q1 2016 at Vanderbijlpark Works. In many cases rehabilitation of disturbed areas has contributed significantly in reducing such emissions. Various projects are also planned to optimise dust extraction units at operational activities.
Legacy areas	Groundwater and atmospheric pollution (fugitive emissions).	R48 million project to establish new disposal site to replace Newcastle BOF slag site completed by end-2015. Further 129 hectares at Vanderbijlpark rehabilitated.
Groundwater contamination	Groundwater pollution from legacy dams and active sources at certain business units.	Work is ongoing where legacy groundwater pollution is evident and good progress was made to neutralise past activities that may have resulted in potential contamination.
Compliance with authorisations in general	Infringement of conditions in authorisations.	There is an active drive within the company to ensure that even the smallest conditions in authorisations are complied with.

Strategic objective 3: Maintaining our licence to operate
continued

Debating carbon tax and compliance
An updated carbon tax policy paper, published by the National Treasury in 2013, proposed a carbon tax of R120 per tonne of CO_2 above certain thresholds, escalating by 10% per annum. In November 2015, draft legislation was published for public comment, the proposed bill making clear that the introduction of South Africa's first carbon tax (at the same rate per tonne) was scheduled for January 2017. Risk 8

Based on the new tax-free thresholds contained within the draft legislation and official commentary accompanying the release of the bill relating to electricity price neutrality (electricity bought), we estimate that a carbon tax would add some R300 million to our annual costs. We previously communicated (based on the 2013 carbon tax policy paper) our estimation that our annual carbon tax liability would be at least R525 million.

While the reduction in our liability is welcomed, the likely amounts payable would nevertheless directly threaten our sustainability and undermine many of the advances we have made this year on reducing our cost base.

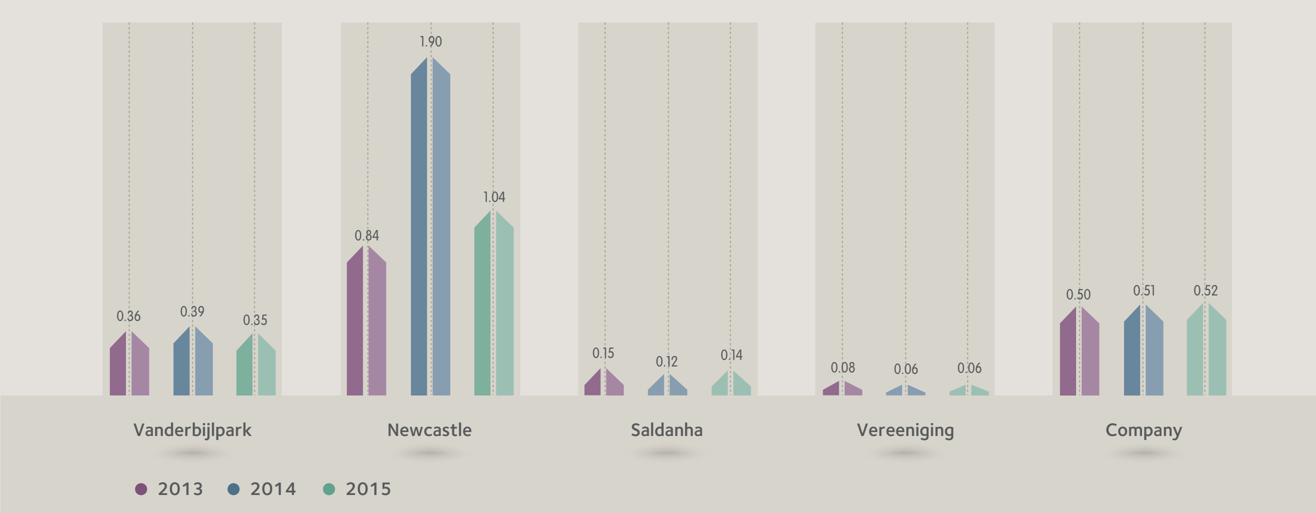
Throughout 2015 our CEO and group manager: environment made consistent representations, on behalf of both our company and the steel and manufacturing industries, on the seriously negative, unintended consequences of the proposed new tax. We have highlighted the irony that, while we are compelled to comply with stringent environmental legislation and regulation, our survival has been threatened by steel imported from markets where such compliance is not enforced and no price levied on carbon.

We have also submitted to the Davis Tax Committee (which is currently reviewing the South African tax system) our position regarding the proposed Carbon Tax.

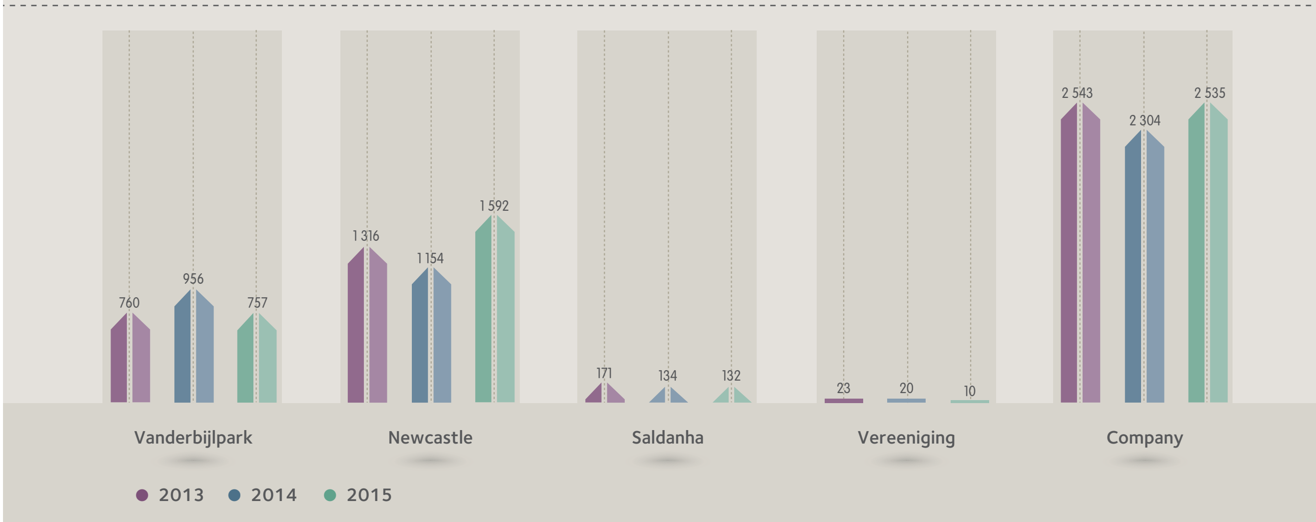
In particular, we have participated in industry efforts to achieve meaningful alignment between the proposed carbon tax and the Department of Environmental Affairs' carbon budget frameworks. To this end we submitted to the department detailed carbon budget applications covering the period 2015 to 2020. At year-end we were hopeful that a more realistic outcome would prevail – one that balances the very real need to minimise the impact of steel production on the environment with the need to preserve employment, economic activity and the national imperative to achieve the objectives of the National Development Plan.

(As well as a proposed punitive carbon tax regime, this year a draft national pricing strategy for waste management charges was published for comment. Taxes on waste disposal and the consumption of virgin materials – envisaged by the draft strategy – could have a material impact on ArcelorMittal South Africa. Unfortunately, no direction was given by the Department of Environmental Affairs in order for the potential financial impact to be assessed.)

Particulate emissions by plant from point sources (kg/tonne of liquid steel)



Particulate emissions by plant from point sources (tonne/annum)



Emissions to air
In 2015 we continued to make measured progress on combating emissions to air despite constrained access to investment. All facilities retained their atmospheric emissions licences (AELs) during the year while sporadic and limited exceedances of our various AELs were proactively communicated to, and addressed in cooperation with, the relevant authorities. An amount of R11 million was budgeted for improvements to Vanderbijlpark's sinter plant crushing and screening facility. This project, which arose from the Green Scorpions 2015 pre-compliance notice referred to above, was 50% completed in Q4 2015. We incurred a cost of R14 million in 2015 on a vapour recovery project at our distillation facility at Vanderbijlpark Works which is scheduled for completion in 2016 at a total cost of R28 million. Risk 9

Our most significant air emissions, particulates, were virtually unchanged this year with overall point source emissions being 0.52kg/tonne of liquid steel (2014: 0.51kg/tonne). In absolute terms particulate emissions increased by some 231 tonnes.

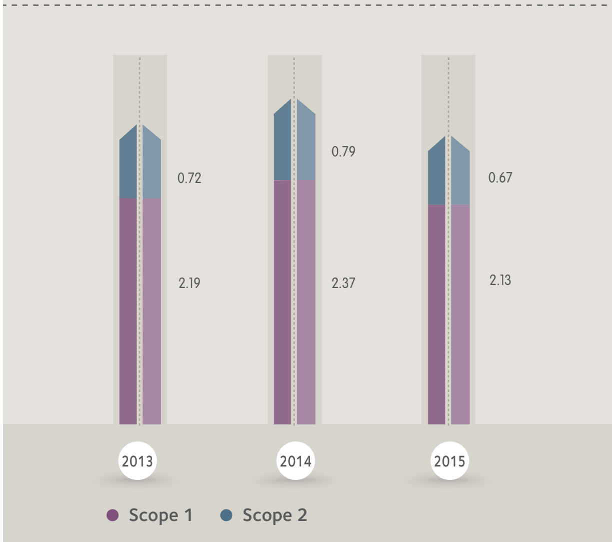
SO_2 emission levels were also similar to those of 2014 (4.45 tonnes/tonne of liquid steel (2014: 4.43/tonnes). In absolute terms our SO_2 emissions rose by 1 523 tonnes.

Scope 1 and Scope 2 CO_2 emissions, especially per tonne of liquid steel, were not significantly different to those of 2014.

In Q1 2015 a R120 million desulphurisation plant and dust abatement system were fully commissioned at Newcastle while R80 million emissions improvements at the sinter plant and R8 million at the blast furnace cast house were bedded down in early 2015.

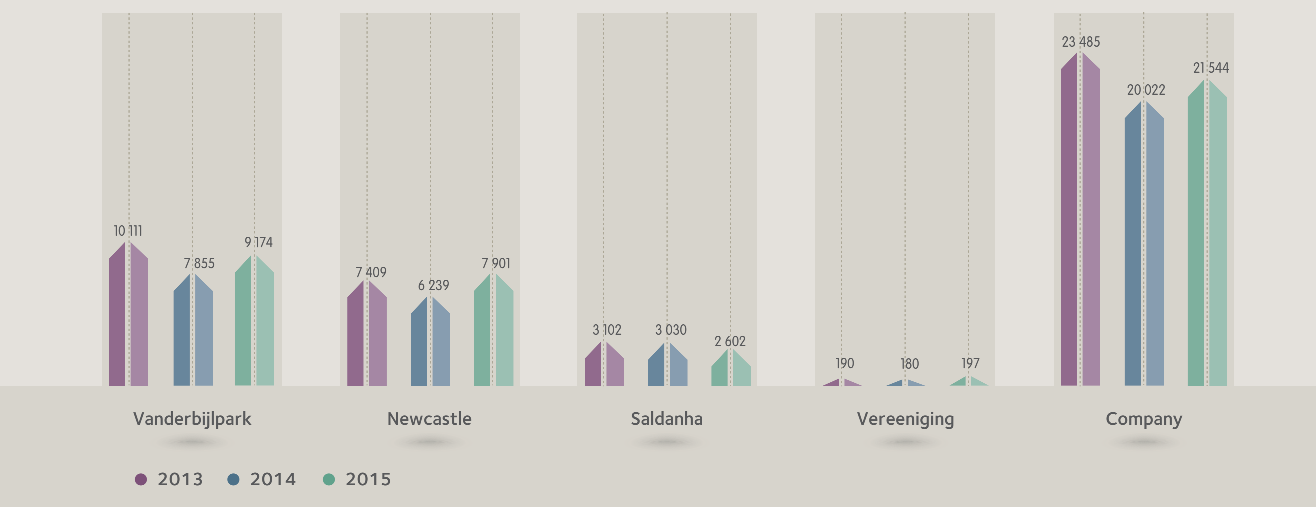
In the year reviewed we made considerable progress, through a number of small remedial actions, on reducing fugitive emissions escaping from our Coke batteries at Vanderbijlpark and Newcastle, actions that formed part of larger maintenance projects. Further, a R24 million vapour recovery project, to capture all vapour releases from our Vanderbijlpark tar distillation plant, was launched with a completion target of Q1 2016.

CO_2 emissions (tonne CO_2/tonne of liquid steel)

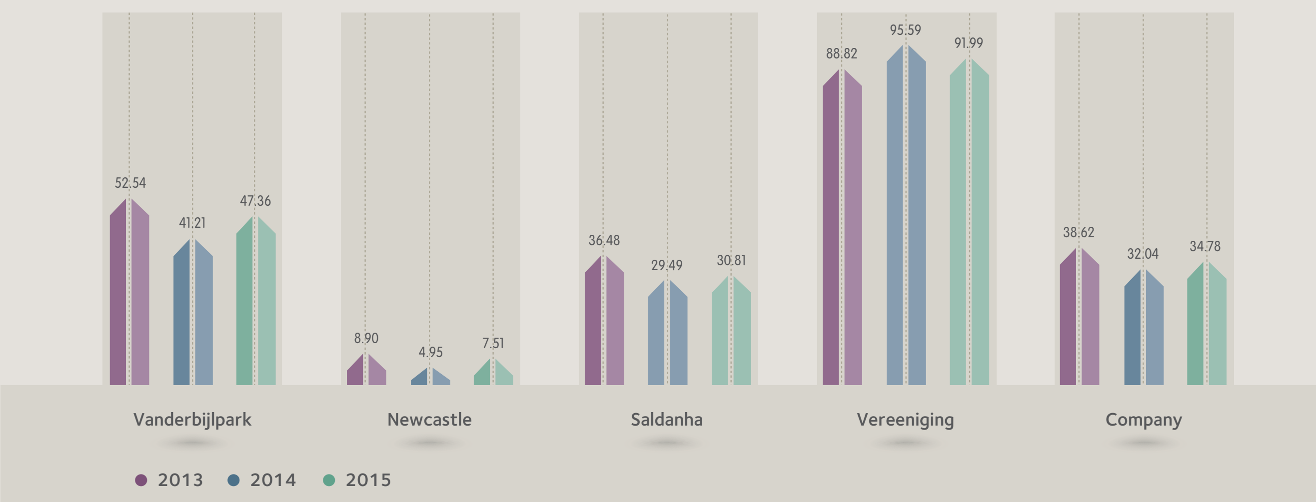


Strategic objective 3: Maintaining our licence to operate
continued

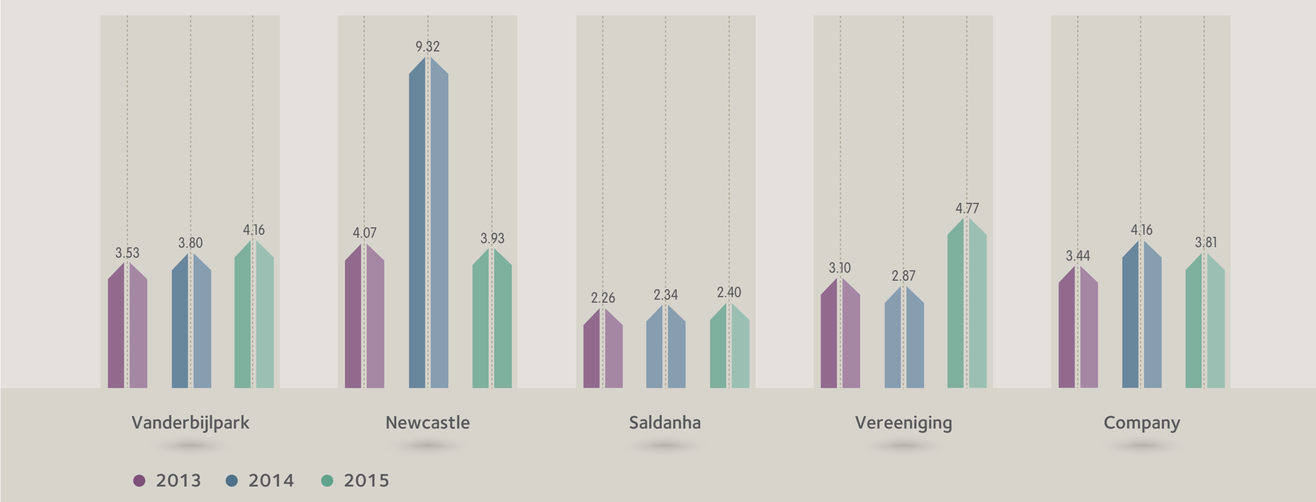
Total SO_2 emissions (tonnes)



By-products disposed of (% of total produced) 2013 to 2015



Fresh water intake 2013 to 2015 (kℓ/tonne liquid steel)



Water management
Our major water management achievement this year was commissioning the Newcastle ZED project which means that this plant now irrigates zero effluent. Whereas the project had been scheduled for completion in Q1 2015, at year-end minor commissioning challenges were still being addressed. Delays were largely the result of contractual disputes and unforeseen difficulties encountered in commissioning the lime reactor for fluoride removal.

Challenges in maintaining Vanderbijlpark's ZED status continued this year with process water being discharged on a regular basis in contravention of conditions in our water use licence. An amount of R90 million was allocated to effect improvements, this investment is expected to result in full compliance being achieved in Q2 2016. At Vereeniging, due to recurring incidents, we failed to comply with set effluent discharge limits but a project to improve the situation was completed by end-2015.

At Newcastle this year a R10 million project to line the leachate collection site at the BOF slag disposal operation will, it is envisaged, considerably reduce the risk of groundwater pollution.

Legacy site rehabilitation
In 2015 we continued to invest in rehabilitating sites as failure to address such rehabilitation needs poses significant environmental risks.

This year good progress was made at Vanderbijlpark Works where an additional 129 hectares of disturbed land were rehabilitated or remediated, bringing to 570 hectares the land successfully rehabilitated and/or vegetated since 2006. Risk 9

By-product utilisation
We remain committed to reducing our waste disposal quantities while closely monitoring the percentage of by-products that are landfilled. We strive to utilise or sell as many of our by-products as possible.

Phasing out of PCBs
During 2015, regulations pertaining to the management and phasing out of polychlorinated biphenyls (PCBs) were promulgated. In July phase-out plans for PCBs were submitted for all facilities in accordance with legislation. This exercise necessitated a full review of our PCB inventories, a process that highlighted the fact that good progress had been made in recent years to reduce PCB levels in our electrical equipment and that, where high PCB levels are still encountered, such will be removed in accordance with our phase-out plans.

Stakeholder engagement
ArcelorMittal South Africa consults and liaises closely on environmental issues with a number of national and local government bodies as well as organisations representing civic society including communities affected by our operations.

We acknowledge that these organisations have legitimate interests in our operations and that we have a number of material interests in common with these stakeholders. As such we seek to foster open and mutually beneficial communication with representative bodies while acknowledging that we have, in the past, failed to communicate as effectively and openly as could have been the case. In the Vereeniging/Vanderbijlpark area this year we continued to actively support various structures on which governmental and non-governmental organisations (NGOs) were represented. These include a waste monitoring committee (participation on which is a condition of our waste management licence) and the Rietspruit Forum, on which all water use licence holders have the opportunity to present details of their water-related performance and challenges to stakeholders including NGOs. Quarterly priority airshed meetings, held under the auspices of the local district municipality, and Department of Environmental Affairs, facilitate similar interaction between interested parties and the holders of AELs. Every six months Vanderbijlpark Works hosts an air quality stakeholder day at which we share detailed information on our air quality performance.

In 2014 we complied with a court order to hand over to the Vaal Environmental Justice Alliance (VEJA) and the Centre for Environmental Rights (CER) copies of the Vanderbijlpark environmental risk assessment reports and Green Scorpions documentation pertaining to the closure of the Vaal waste disposal site. At the time we made clear our intention to practise a greater degree of disclosure in our dealings with affected stakeholder groups. Interaction with VEJA and their legal representatives (CER) took place in various formats during 2015 and various requests for further information were answered.

Outlook for 2016

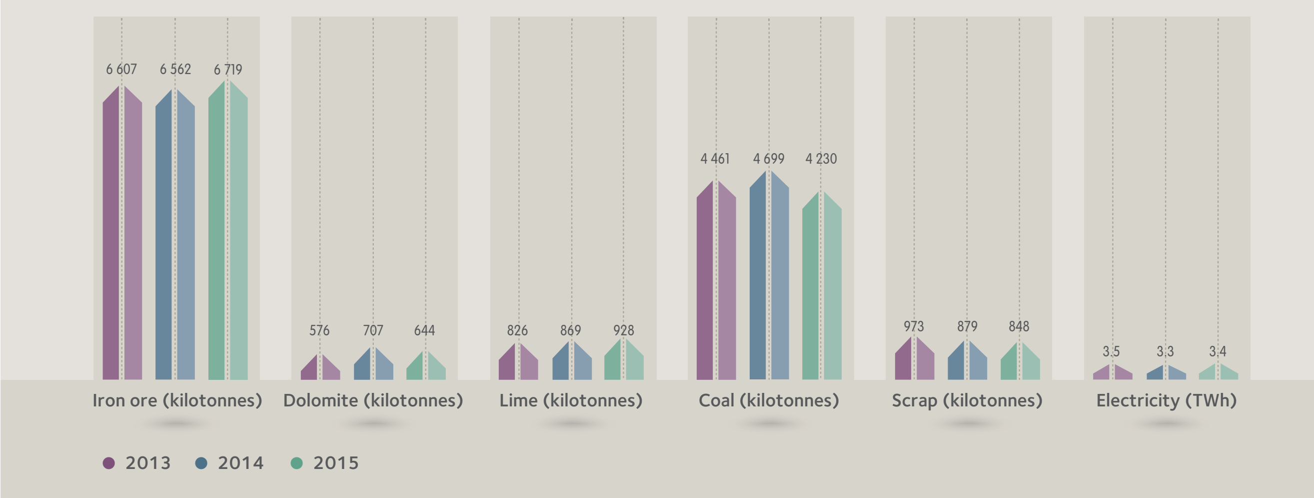
By January 2016 three tariff trade protection measures were in place and we were assured that safeguard and anti-dumping measures would be implemented in due course. This was gratifying as it gave us a new measure of confidence to keep investing in the maintenance and enhancement of our facilities and our environmental compliance, and in our people. Risk 2 Risk 3

Settlement of our legacy competition issues will substantially de-risk our company. Regrettably the same cannot be said of the carbon tax threat to our sustainability but we remain hopeful that our view – that such a tax cannot, in the case of primary steel, encourage less carbon-intensive behaviour and will be fruitlessly punitive – will prevail.

With the completion of our B-BBEE ownership transaction and further improvement on our performance under other elements of the codes, we anticipate further improving our compliance.

A return to profitability, as envisaged following the extensive corrective measures taken in 2015, will allow our company to have a greater social impact in terms of socio-economic and supplier and enterprise development.

Input usage 2013 to 2015



Strategic objective 4: Creating a high-performance culture

Our survival depends on creating a culture in which every employee performs to his or her potential and maximum productivity, a culture that values safety, teamwork, innovation and quality

Why this is important

For at least the foreseeable future our company will experience extraordinary, unprecedented challenges. We will be challenged to change almost all aspects of how we make and sell steel, how we conduct ourselves and how we engage with stakeholders. For our company there is no more "business as usual"; if we are to survive and drive profitability, we need to become excellent at everything we do. We simply can no longer afford mediocrity.

To become excellent at everything we do we need a re-energised, fully engaged, better skilled and unquestionably ethical workforce, each member of which is fully committed to a new era in which high performance is the daily norm.

Three-year key performance indicators

Total cost of employment/tonne of liquid steel (USD)

2013	2014	2015
91	95	77

Execution of Future Leaders programme

This programme was initiated in 2015, reaching 224 managers and leaders.

Management control performance (under B-BBEE codes)

December 2014	June 2015	December 2015
4.01	5.11	7.40

Our most material high-performance issues in 2015

- Workplace safety
- Training for a new operating reality

Key actions taken in 2015 to address our high-performance material issues

- Instituted new workplace safety policies and procedures (see page 42)
- Gave all employees shares in our company
- Instituted a Future Leaders programme reaching 224 managers and leaders
- Restructured our operations
- Overhauled our management control and employment equity performance

Transforming our culture for a new operating reality

In 2015 we recorded a number of standout human resources achievements. These included the implementation of a wide-ranging five-year strategic workforce plan which demonstrates our firm commitment to transformation and a productive, high-performance company.

We launched an employee share ownership plan giving more than 9 200 employees a 4.7% ownership stake in our company and introduced a cutting-edge Future Leaders programme. The considerable investment in Future Leaders represented nothing short of a change management intervention, designed to condition and empower our leaders to take initiative and responsibility for leading far-reaching, often daunting, changes.

In 2015 we succeeded in increasing our training spend by fully a third, this year spending R202 million on upskilling our people.

While restructuring affected 337 positions our productivity (as measured by total cost of employment per tonne of liquid steel) improved dramatically, from USD95/t to USD77/t.

Reflecting our new compact with labour, this year we reached multi-year wage agreements with our trade unions.

The general manager: human resources, communications and transformation, reporting to the CEO is a member of the ArcelorMittal South Africa executive committee and regularly briefs fellow executives on employment, recruitment and skills development issues. The board's remuneration, social and ethics committee is addressed by the general manager: human resources, communications and transformation at its quarterly meetings regarding the delivery of the human resource agenda. Through this agenda we are committed to the fair, equitable and non-discriminatory treatment of all employees including equal remuneration for men and women, and to building an inclusive and diverse workforce. We align our people management strategy with our business goals, to drive cost competitiveness and sustainable productivity, and develop and sustain a skilled and capable organisation.

We are directed by a group-wide health and safety policy, which includes our safety principles and highlights the imperative of shared responsibility for the safety of employees and contractors. Within ArcelorMittal South Africa we also have a safety, health and wellness policy, and comply with relevant local occupational health and safety legislation including the Occupational Health and Safety Act (1993).

The CEO is ultimately responsible for the health and safety of employees. The group manager: safety, health and wellness, reports to the CEO and manages day-to-day health and safety issues. This function also reports to the safety, health and wellness committee which meets on a monthly basis and is chaired by the CEO. The committee comprises the group manager: safety, health and wellness, the chief technical officer, the general managers of each operational site and union representatives.

Every work shift starts with a health and safety "toolbox" talk and issues of health and safety are covered by formal agreements with trade unions. Union representatives also sit on site safety committees and are involved in any investigations regarding safety incidents.

Employee morale was inevitably impacted this year by measures including retrenchments, employee redeployment and the implementation of so-called short time across the company. However, by year-end it was apparent that clear, consistent and proactive communication by management had instilled a greater willingness by all employees to embrace the high-performance culture that is essential to our sustainability. This sentiment was reflected in various pronouncements by trade union representatives, committing themselves to doing everything possible to ensure the survival of ArcelorMittal South Africa.

Despite our wage settlement being concluded without industrial action, internecine union disputes affected the company this year with the National Union of Metalworkers (Numsa) declining to attend some national company forums because of our short time and section 189 processes. Also this year dissension within labour federation Cosatu resulted in the newly established Limusa union beginning to organise at ArcelorMittal South Africa. At Newcastle Limusa is expected to secure organising rights in 2016.

Restructuring our operations
From March 2015, short time – in terms of which employees were required to sacrifice two days' leave or salary – was introduced at Vereeniging and Tubular Products, later being extended to other business units. Short time was subsequently increased to four days for Vereeniging and corporate, and five days at Vanderbijlpark.

A section 189 process which had begun in November 2014 affecting the corporate department was completed in February and entailed employees being offered voluntary early retirement (VER) or voluntary severance packages (VSP). In terms of offers made, VER participating employees received two and a half weeks' salary for every year worked and two weeks in the case of VSP. In total 89 corporate employees exited the company through VER or VSP, with some departments being decentralised through the deployment of personnel to standalone business units, decreasing overall corporate headcount from 1 010 to 575.

On 31 August 2015 the company communicated its intention to undertake an industrial footprint review of its Vereeniging Works/long steel business with a view to deciding on whether mothballing some plants and placing others under care and maintenance was prudent.

While import tariff and duty protection and the localisation of steel will assist in the medium to long term, trading conditions continued to worsen subsequent to the long steel review being announced. The company immediately began a consultation process relating to the potential closure of the Vereeniging meltshop and forge. Completed shortly before year-end, the footprint review and consultations with various stakeholders including unions and employees yielded alternative solutions in terms of which the forge will continue operating but the meltshop would, unavoidably, have to be placed under care and maintenance. Some 248 positions were affected.

Bargaining unit wage negotiations this year were protracted with Numsa and Solidarity tabling initial increase demands of 20% and 12% respectively. Four negotiating sessions, including two dispute resolution meetings, were held with Numsa. The union obtained a strike certificate after conciliation failed but subsequently signed a two-year wage agreement following bilateral engagement. Solidarity signed a three-year agreement without declaring a dispute.

In terms of bargaining unit agreements signed this year with both unions, grades J and K received 6.5% increases and grades H and I 6.2% with allowances, including medical aid, increasing by the same percentages. All affected employees received a once-off amount of R2 000 after tax. In 2016 and 2017 (the latter year applying to Solidarity members), employees will receive increases of CPI +1% (but not less than 7%), applicable to both wages and allowances. A floor of 4.5% will apply.

In 2015 voluntary staff turnover amounted to 3%, the lowest level in four years.

Labour productivity
A strategic workforce plan, approved by the board this year, envisages a 1% reduction in FTEs to the year 2020 while improving productivity by 23% as measured against a Q3 2015 baseline. Input to the plan was informed by our pipeline strategy, natural attrition, future retirements, anticipated promotions, limited external hires and our capital investment strategy.

Employee benefits
Membership of a retirement fund is a condition of employment for all permanent full-time employees. Employees appointed at Saldanha Works become members of the Saldanha Steel Retirement Fund while all other employees may choose to become members of either the ArcelorMittal SA Selector Pension and Provident Funds or the Iscor Employees Umbrella Provident Fund.

Package category employees contribute 7% of annual salary with the employer contributing 10%, this amount being included in employees' total cost to company.

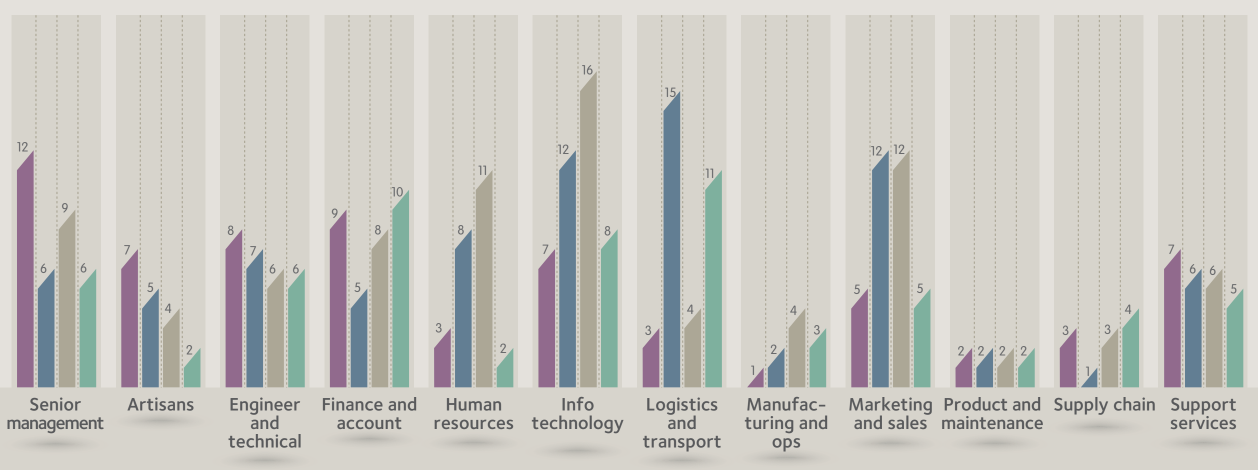
Funds are independent legal entities, existing separately from their beneficiaries and are capable in law of suing and being sued, of acquiring, holding and alienating movable and immovable property, and acquiring rights and obligations. Funds are managed by boards of trustees which are constituted by employer-appointed and member-elected trustees.

The company's retirement funding obligations towards current employees are all in terms of defined contributions. Defined benefits obligations towards a number of company pensioners will be funded from general company resources. However, this year defined benefit funds had very healthy assets of R8 billion and trustees and the company were working to remove any liabilities from the company's balance sheet.

Membership of a medical aid is compulsory for all full-time permanent employees unless employees are covered by their spouses' medical aid. This year 96.8% of all employees were on company-provided medical aid.

Strategic objective 4: Creating a high-performance culture
continued

Voluntary turnover – 2012 to December 2015 (%)



Overhauling our management control and employment equity performance

In 2015 we made considerable progress on achieving targets contained in our five-year (to 2018) employment equity plan and on improving our B-BBEE management control score.

In particular, we effectively addressed the representation of African, coloured and indian (ACI) individuals within the top, senior and middle management levels, despite ongoing, even heightened competition for such talent and the financial difficulties facing the company.

While our performance on management control (a potential 15 points plus four bonus points under the new amended B-BBEE codes) remained largely unchanged in the first half of the year, from July our performance improved significantly, to the point that by year-end we had achieved 7.40 points.

Management control score – May to December 2015

Employment equity committees at business units and within the corporate function were all fully functional this year. All committees operated according to Employment Equity Act guidelines and explicit terms of reference and met all occupational level, gender and race requirements.

Business units were consulted on their own employment equity targets, performance against which was tracked monthly by the corporate super structure. While we will continue to drive achievement of targets for top, senior and middle management levels in 2016, there will be a particular focus on improving ACI representation at the skilled and junior management levels.

Employment equity profile of our workforce including temporary employees (at September 2015)

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	**Total**
Top management	1	0	2	6	0	0	0	1	2	0	**12**
Senior management	12	4	6	89	7	2	0	11	4	0	**135**
Professionally qualified and experienced specialists and mid-management	58	11	21	224	16	5	11	58	23	5	**432**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	381	64	82	810	98	20	14	167	49	6	**1 691**
Semi-skilled and discretionary decision-making	2 900	233	183	1 787	229	40	19	216	52	3	**5 662**
Unskilled and defined decision-making	1 355	17	17	87	34	1	0	4	1	0	**1 516**
Total permanent	4 707	329	311	3 003	384	68	44	457	131	14	**9 448**
Temporary employees	76	6	1	11	16	0	0	0	0	0	**110**
Grand total	**4 783**	**335**	**312**	**3 014**	**400**	**68**	**44**	**457**	**131**	**14**	**9 558**

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, diversity and inclusion policies. An holistic approach towards the recruitment of designated groups will be central to helping us grow a pipeline of diverse talent.

In the year ahead we will continue to emphasise the internal development of talent with 80% of our recruitment opportunities being targeted at designated groups and people with disabilities, particularly at junior, middle, senior and top management levels.

In 2015, in addition to affirmatively recruiting and promoting ACI individuals, we emphasised the cultivation of talent with the inauguration of a new talent process designed to fast track the development of high-potential employees.

Training for a new reality

We believe that the education and development of our employees is of the utmost importance to the achievement of our strategy. We hold that training and development ensure a high-performance culture which drives productivity (which in turn directly impacts our profitability) in a safe and healthy environment, thus securing our licence to operate.

Despite our strained financial circumstances and a reduction this year in the amount of skills development expenditure that can be claimed back, in 2015 we continued to invest heavily in skills development, conducting 581 295 hours of training at a cost of R202 million.

Cost	**2015**	2014	2013	2012	2011
Training expenditure (Rm)	**202**	151.4	138.1	136.7	154.2
Training hours – bargaining unit employees	**488 079**	231 732	196 890	443 942	358 279
– package employees	**93 216**	78 775	33 296	40 187	30 676
Individuals directly impacted by skills development					
Apprentices	**462**	447	574	699	943
Learner technicians	**41**	24	58	48	67
Production learners	**422**	374	813	1 126	1 232
University and technikon bursars	**111**	107	137	151	148
Candidate engineers	**44**	43	61	69	54
Candidate technicians	**33**	52	66	103	67
Candidate artisans	**153**	84	95	167	206
Graduates in training	**35**	17	18	22	25
Total development pipeline	**1 301**	1 148	1 822	2 385	2 742

Strategic objective 4: Creating a high-performance culture
continued

Employee training investment: employment equity breakdown

	Pipeline and pipeline employment equity											
		African		Coloured		Indian		White		**Total**		
Pipeline	Total	Male	Female	Male	Female	Male	Female	Male	Female	**Male**	**Female**	% EE
Apprentices	462	351	24	34	1	24		25	3	**434**	**28**	94
Candidate artisans	153	109	28	2		1		13		**125**	**28**	92
Candidate engineers	44	19	5			3	2	16	9	**28**	**16**	43
Candidate technicians	33	18	11		2			2		**20**	**13**	94
Graduates in training	35	15	15			1	2		2	**16**	**19**	94
Learner technicians	41	20	17	1		2	1			**23**	**18**	100
Production learners	422	311	38	34	7	8	3	20	1	**373**	**49**	95
University bursars	103	27	10	1		9	9	37	10	**74**	**29**	54
Technician bursars	8	4	1			2		1		**7**	**1**	88
Total	1 301	864	149	72	10	50	17	114	25	**1 100**	**201**	89

The SA Qualifications Authority Act of 1995 promulgated learnerships without mentioning apprenticeships. Most companies in South Africa, notably state-owned enterprises, cut back on training and halted the training of apprentices, believing that learnerships would replace apprenticeships. Regrettably, it took some five years before the qualifications associated with the traditional apprenticeship skills could be developed, resulting in a depletion of the apprenticeship pipeline.

During this period, ArcelorMittal South Africa also cut back on the apprenticeship pipeline but did not stop training apprentices altogether. In fact, at this time, the company inaugurated its bursary approach to apprenticeships and implemented a fast tracked apprenticeship programme which was subsequently adopted and rolled out nationally by the MerSETA.

ArcelorMittal South Africa subsequently committed to training 100 apprentices in excess of its own need. This was followed by participation in the technical skills business partnership (TSBP) which formed part of the joint initiative for priority skills acquisition (JIPSA). ArcelorMittal South Africa has since continued to support the South African economy by training in excess of own need and diversifying the development pipeline to address the skills required by the company; functional as well as technical skills.

In fact, it was largely thanks to our efforts that the national artisan pipeline recovered from an all-time low of 1 800 apprentices in 2003 to just shy of 25 000 apprentices in 2015. ArcelorMittal South Africa continues to enjoy platinum training status awarded by the MerSETA in recognition of the role the company has played in this effort.

As in previous years, in 2015 the development pipeline was a key focus for preparing competent employees to rejuvenate the workforce and address the ageing workforce. The pipeline is currently managed on a six-year workforce planning cycle aligned with the company's skills needs. The 1 301 individuals registered in the pipeline this year remain more than sufficient to meet our needs for competent, qualified people while addressing the reality of an ageing population and normal turnover rates.

We appreciate that the stock of social capital, as this pertains to the skills of school leavers, directly influences our ability to create and grow human capital. To this end our representatives serve on a number of stakeholder forums that drive skills at a national level, in an attempt to improve the mathematics and science competency levels of school leavers. To address traditionally poor performance in mathematics and science, ArcelorMittal South Africa has created and sustains, in association with the Department of Basic Education, science centres in its local communities.

This year the focus of our skills development efforts for the pipeline continued to be predominantly engineering related. However, the pipeline has diversified to cater for a variety of functional competencies with bursaries being awarded to employees and employee dependants to study towards degree programmes.

After peaking in 2010 the development pipeline has declined in numbers year-on-year. The main reasons for this decline were budget constraints, changes related to grant regulations and alignment with the workforce plan.

ArcelorMittal South Africa's training department achieved ArcelorMittal University status in 2011, being the first satellite campus outside of Luxembourg. This partnership with the ArcelorMittal University based in Luxembourg affords South Africa access to programmes identical to those presented in Europe. In addition, South Africa pioneered the virtual classroom technology that is currently deployed throughout the group. This virtual classroom technology allows South Africa "to localise" programmes being implemented in Europe, in real time, to virtual classrooms at all of our locations in South Africa.

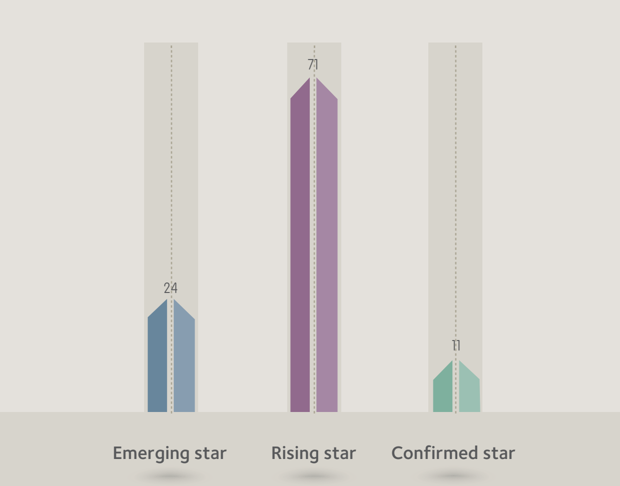
Group academies to which our employees have access address functional skills and provide for the common skills sets required to promote mobility throughout the group. The functional academies include:
- Steel academy
- Finance academy
- Internal assurance academy
- Human resources academy
- IT academy
- Purchasing academy
- Sales and marketing academy
- Legal academy
- Risk management academy
- Operational and maintenance excellence academy

Developing talent and future leaders

The ArcelorMittal group's global employee development programme (GEDP) seeks to ensure that we have a pipeline of talent, developed and ready to occupy key leadership positions. Aligned with GEDP, this year we rolled out an improved, more robust talent management process in which top and senior management played an active role in identifying and endorsing "talents" throughout the company.

Each "talent" has a clearly defined career growth path and development plan to enable them to acquire critical experience, functional expertise and the leadership capability necessary to prepare them for current and future leadership roles. The talent training philosophy is based on the 70%, 20%, 10% model, which requires 70% of learning to take place on the job, 20% through social learning, mentoring and coaching and 10% in the classroom.

Talent categories



Talent population represents 10% of the 1 043 B-F role employees at ArcelorMittal South Africa.

As part of our focus on developing future leaders, in 2015 we developed a "Future Leaders programme" with Duke University. The intention of this programme is to transform and align leadership values with the desired values of ArcelorMittal South Africa and to strive for operational excellence.

The cost of Future Leaders (R6.7 million in 2015) gives an indication of how important the company leadership considers this training intervention will be to our future sustainability. The programme aims to entrench a culture of strong, courageous and principled leadership that will prepare our organisation for a radically altered future, a future in which excellence becomes the ArcelorMittal South Africa hallmark and our company is synonymous with innovation, effectiveness and honesty.

The Future Leaders programme, designed to introduce learning through experience and application according to the 70%, 20%, 10% learning model (in keeping with our overall talent training philosophy), is based on the premise that future leaders need leadership tools and must be conversant with overall company strategy. A key premise is that for "Future Leaders" to be aligned with values-based leadership, an understanding of their own values is important to enable the shift to a new values system. A hands-on immersive experience is preferred over the normal classroom-based training courses to ensure retention of knowledge. Delivered over six days, "Future Leaders" consists of three modules.

Module 1 deals with personal insight and alignment with group values and includes an equine immersive experience making individuals aware of their personal values and how these relate to desired company values.

Module 2 deals with operational excellence, providing the latest thought leadership to empower leaders in the execution of their duties and to instil discipline within their teams.

Module 3 addresses leading and implementing change with two immersive experiences. The first utilises a motor-racing pit crew experience to focus on team excellence. The second addresses leading change with a simulated courtroom experience in which teams are formally "charged" and act as prosecution, defence and judiciary with proceedings being overseen being a real judge.

Intervals between the modules are dedicated to action learning projects (ALPs) which harness diverse groups working on specific topics to improve certain aspects of the business with a focus on people activities or business improvements. These projects have brought about a new way of working and savings from these projects outstrip the costs of the learning intervention. The 40 ALPs follow these themes:

- Strategy and values
- Leadership
- Employee value proposition
- High-performance teams
- Technical projects

In its inaugural year 242 talents took part in the Future Leaders programme.

Leadership development

ArcelorMittal University and Leadership learning interventions in 2015

	Number of employees	
	2015	2014
Junior management	**299**	359
Future finance leadership programme	**10**	7
Pioneer	**2**	4
Challenge	**1**	16
Explore	**29**	29
Women in leadership	**0**	15
Core leadership and management skills programme	**0**	146
Development centres	**0**	13
AMU training	**0**	140
Metallurgy for professionals	**0**	11
Cold rolling processes	**0**	6
Cold rolling and annealing	**0**	13
Coke making	**0**	140
Total number of employees	**341**	899

Outlook for 2016

In 2016 we intend continuing and, given an improvement in our profitability, increasing our investment in the development and retention of skills and a high-performance aptitude among management and identified talents.

In the new year we will continue to empower employment equity committees and look forward to reporting solid progress on aligning our employee profile with that of the national working population in a year's time.

In particular, we intend to more accurately measure and track the extent to which employees feel engaged with the company and its future.

Remuneration policies and practices will be scrutinised to ensure that they more appropriately and more actively reward and incentivise high performance at all levels and in all functions.

Corporate governance

Overview

ArcelorMittal South Africa is a public company listed under the Industrial – Steel and Other Metals sector of JSE Ltd (JSE). The company is subject to the JSE Listings Requirements and the Companies Act as well as other legislation applicable to companies in South Africa.

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

Although the company has complied throughout the reporting period with all provisions of King III, the board recognises that practices and procedures to ensure the highest standards of corporate governance can always be improved. Hence, the board will continually review the company's own standards against those in a variety of jurisdictions.

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, King III and current legislation. The board also recognises that good governance derives from responsible and ethical leadership, from leadership setting strategy that adequately considers the organisation's priorities and its impacts on stakeholders and the environment.

This year the revised board and committee terms and references and work plans were reviewed. Key board activities, changes and achievements this year included:

- Throughout the year the board actively supported the CEO and management in charting a way through the many challenges faced by the company and the steel industry
- Early in the year the board approved a strategy providing guidance to management on priorities to be addressed
- Key milestones were identified to monitor progress against the achievement of these priorities
- Initiatives to address the weakening balance sheet through securing additional funding were considered. In particular, the board approved the company proposing a rights offer to shareholders
- The board closely monitored progress in terms of the B-BBEE scorecard. Notably, the implementation of a B-BBEE equity transaction was approved with the board being actively engaged in the process of selecting appropriate partners
- The board reviewed the codes of business conduct and ethics and considered initiatives to enhance the compliance framework and culture within the company
- An effective and smooth transition process with the introduction of new directors was ensured
- A self-evaluation was conducted to assess the performance of the board in 2014

The board of directors

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

- Retain full and effective control of the company
- Give strategic direction to the company
- Monitor management in implementing plans and strategies, as approved by the board
- Appoint the CEO and executive directors
- Ensure that succession is planned
- Identify and regularly monitor key risk areas and key performance indicators of the business
- Ensure that the company complies with relevant laws, regulations and codes of business practice
- Ensure that the company communicates with shareowners and relevant stakeholders openly and promptly
- Monitoring the company's integrated performance
- 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 the effectiveness of internal systems of control including information technology (IT) management and accept responsibility for the total process of risk management
- Assess the performance of the board, its committees and its individual members on a regular basis

A clear division of responsibility exists at board level, as captured in the formal board charter which provides evidence of the balance of power between the independent non-executive chairman, chief executive officer and non-executive directors. The roles of the chairman and chief executive officer are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions.

The chief executive officer is responsible for developing and recommending to the board a strategy and vision for the company, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and provides input. The chief executive officer exercises final executive authority to run the company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

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 for 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.

Membership

For the year under review, the board consisted of 11 members: five independent non-executive directors (Messrs PM Makwana, DCG Murray, JRD Modise, Ms NP Mnxasana and Mr Neville Nicolau), four non-executive directors (Messrs DK Chugh, M Vereecke, RK Kothari and LP Mondi) and two executive directors (Mr PS O'Flaherty and Mr D Subramanian). At the date of this report the board consisted of 12 members including six independent non-executive directors.

Changes to directorate

Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee. Changes in the directorate this year were:

- Mr GP Urquijo resigned as a non-executive director on 8 June 2015
- Following Mr Urquijo's resignation and that of Mr S Maheshwari with effect from 31 March 2015, Messrs Ramesh Kothari and Marc Vereecke were appointed as non-executive directors with effect from 11 June 2015

- Mr G van Zyl (who was appointed acting CFO following Mr MJ Wellhausen's resignation as chief financial officer on 15 March 2015) stepped down from the role upon the appointment of Mr Dean Subramanian as CFO and executive director on 1 August 2015
- Adv F du Plessis resigned as an independent non-executive director on 22 July 2015. Following her resignation, Mr Neville Nicolau was appointed an independent non-executive director on 10 September 2015
- Ms Lungile "Zee" Cele was appointed as an independent non-executive director with effect from 4 January 2016

Following Mr PS O'Flaherty's resignation as the CEO and executive director of the company on 12 February 2016, it is proposed that he be appointed as a non-executive director, with effect from 1 March 2016.

Independence of directors

King III provides that assessment of the independence and performance of directors who have been serving on the board for more than nine consecutive years should be more rigorous than for those who have been appointed more recently. As at 31 December 2015 none of the company's independent directors had served for that length of time.

The independent non-executive directors are considered by the board to be independent in mind, character and judgement. The chairman of the company is the lead independent director.

The chairman

The chairman is an independent non-executive director and is free of any conflicts of interest. The chairman's role and functions are formalised and include:

- Setting the ethical tone for the board and the company
- Providing overall leadership to the board
- As chairman of the nominations committee, identifying and participating in selecting board members and overseeing a formal succession plan for the board, the CEO, the CFO and certain key management appointments
- Together with the company secretary, formulating a yearly board work plan
- Ensuring that the directors are aware of their fiduciary duties as directors of the board
- Ensuring that complete, timely, relevant, accurate and accessible information is placed before the board to enable it to reach an informed decision
- Ensuring that decisions by the board are executed
- Ensuring that good relations are maintained with the company's major shareholders and stakeholders

Chief executive officer

The CEO is an executive director on the board and 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
- Establishing an organisational structure for the company to enable execution of its strategic planning

Retirement and re-election of directors

One-third of 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 PM Makwana, DCG Murray, LP Mondi, JRD Modise and Ms NP Mnxasana retire and, being eligible, save for Mr DCG Murray, have offered themselves for re-election.

In terms of the company's board charter Mr DCG Murray has reached the retirement age for non-executive directors.

In accordance with the company's memorandum of incorporation, shareholders will be asked to confirm the appointment of Messrs D Subramanian, M Vereecke, R Kothari, N Nicolau, PS O'Flaherty and Ms L Cele as directors of the board at the forthcoming annual general meeting.

Company secretary

The company secretary advises the board on 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 legislation and regulatory requirements applicable to South Africa. On a quarterly basis, the board is informed of changes to legislation, regulation and best practice by means of a formal written update provided by the company secretary.

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 are dealt with by the board.

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

Premium Corporate Consulting Services (Pty) Ltd resigned as company secretary on 17 April 2015. Mr M Adam, the company's general counsel and GM: regulatory affairs, was appointed as the acting company secretary. He stepped down from this acting position when Ms Nomonde Beatrice Bam was appointed as the company secretary on 1 August 2015.

Board committees

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board committees certain functions to assist it in discharging its duties properly.

Each committee acts within approved written terms of reference under which authority is delegated by the board. The chairman of each committee reports at each scheduled meeting of the board, and minutes of committee meetings are provided to the board. The board committees are as follows:

Audit and risk committee

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, is set out on page 82 of this integrated annual report. Mr JRD Modise succeeded Adv FA du Plessis as a member of the committee in September 2015.

Safety, health and environment (SHE) committee

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

Corporate governance continued

The committee comprised Adv FA du Plessis who was succeeded as chairman by Mr Neville Nicolau on 10 September 2015, Mr DCG Murray, Ms NP Mnxasana, Mr M Vereecke and the CEO. Representatives of both the Numsa and Solidarity unions attend meetings as permanent invitees. The general managers of all business units, the chief technology officer, the group manager: health, safety and wellness as well as the group manager: environment are permanent invitees of the committee.

The committee met three times during the year under review. It rotates its visits between plants to ensure site visits by committee members. 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 committee 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 improvement
- Ensure adequate resources are provided to comply with SHE policies, standards and regulatory requirements

Remuneration, social and ethics committee

The remuneration, social and ethics committee report is on page 72.

Nominations committee

The nominations committee is chaired by the chairman of the board and consists only of independent directors Messrs PM Makwana (chairman), DCG Murray, DK Chugh and JRD Modise.

The CEO and Mr Henri Blaffart, the general manager: human resources and the vice-president: human resources of the global ArcelorMittal group attend the meetings by invitation.

The functions of the nominations committee are to:

- Ensure that the procedures for appointments to the board are formal, transparent and in accordance with the JSE Listings Requirements, the memorandum of incorporation and the Companies Act
- 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
- Identify and nominate candidates for the approval of the board to fill board vacancies (executive and non-executive directors) as and when they arise
- Be responsible for succession planning, in particular for the chairman and executive directors
- Agree, and put in place, a performance contract with the chief executive officer
- Formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members
- In the exercising of its duties, have due regard for the principles of governance and code of best practice
- Deal with any other nominations matters formally delegated by the board to the committee from time to time

Interim committee: B-BBEE committee

The B-BBEE committee consists of Messrs PM Makwana (chairman), DCG Murray, JRD Modise, DK Chugh and the CEO.

The committee was formed to monitor the company's performance in improving on its B-BBEE scorecard and to provide an "umbrella view" of how the company is performing against each of the identified pillars of the B-BBEE codes. The committee seeks to help management to move forward the process of improving the company's B-BBEE rating.

Share dealings by directors and management

In line with statutory and regulatory obligations and best practice, directors and management may not deal directly or indirectly in the company's shares during specific closed periods. These closed periods operate from year-end to the announcement of annual results, and from half-year-end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the requirements of JSE Ltd.

Directors and the company secretary require the prior approval of the chairman or chief executive officer before dealing in the company's shares.

A closed period was triggered by the cautionary announcement issued by the company on SENS on 30 September 2015, announcing the commencement of a B-BBEE ownership transaction and the intention to undertake a rights offer.

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 establish procedures for handling concerns about possible corrupt practices and provide guidance on how to fight and prevent corruption. All senior executives and staff in relevant sections of the business are required to be trained in the application of these guidelines.

Anti-competitive behaviour is monitored according to anti-trust guidelines. All senior executives and staff in relevant sections of the business are trained in the application of these guidelines.

Over the past year, 53 ethics-related incidents were reported to forensic services (2014: 47). Of these, 42 were found to have been unsubstantiated or were referred back. Seven allegations were substantiated.

Corrective action taken this year resulted in four dismissals and one case of corrective counselling. No employees resigned as a result of forensic investigations.

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.

Since 2013, 2 173 employees and vendors have received training in fraud awareness and prevention. A fraud awareness week was held in November and publicised across the company.

A fraud whistleblower line (0800 001 672) is operated by Global Compliance on behalf of the company.

This year no donations – either financial or in kind – were made to political parties. Such donations are strictly governed by an ArcelorMittal group policy which requires prior written approval by responsible office bearers and the regular maintenance of political donations registers and the signing of regular compliance certificates.

In the three-year cycle, which started on 1 January 2013, 2 173 employees underwent fraud awareness training. Fraud awareness training sessions for various employees of all levels were held during the fraud awareness week in November 2015. Various posters with the whistleblower hotline number, email address and website are visible within our buildings. An email was sent to all users of company email and flyers were distributed across all plants, two weeks prior to the fraud awareness week, with information regarding the week.

The CEO distributes, on an ongoing basis, group notices to all employees which highlight forensic issues identified, creating awareness of fraud and its consequences and advertising the hotline numbers.

Human rights

In the year reviewed none of our operations was identified as having human rights violations, including violations of the right to exercise freedom of association and collective bargaining, or to have been at risk for child, forced and compulsory labour.

Our close relationship with suppliers provides an opportunity to positively influence their environmental and social conduct, and we see this as an important part of our responsibility as a good corporate citizen. This year no instances were identified where the possibility existed for suppliers to infringe human rights as defined by our human rights policy and internationally accepted covenants and declarations. No specific human rights issues were raised at the board or senior executive levels.

Our global code for responsible sourcing was developed in collaboration with customers, suppliers, peer companies and NGOs. It outlines the minimum standards with which we expect suppliers to comply in the areas of health and safety, human rights, ethics and environmental responsibility.

It applies to our suppliers and contractors, their affiliates and to all of the products and services that we purchase. We encourage our suppliers to promote the requirements of the code within their own supply chains.

The ArcelorMittal human rights policy complements and brings together the human rights aspects from other company policies and guidelines. These include our code of business conduct, the health and safety, environment and human resources policies and the anti-corruption guidelines.

The human rights policy sets out the principles underlying our actions and behaviour in relation to human rights, and applies to all employees and subcontractors working at our sites.

Key stakeholders include:

- Employees: We are committed to respect the human rights of our employees. We develop our employment policies with the aim to achieve uniform worldwide application of the relevant aspects contained in the International Human Rights Declarations. We are committed to train our employees to be aware of, respect and protect human rights in the workplace and in the local communities directly impacted by our operations.
- Business partners: We seek to respect and promote human rights when engaging with subcontractors, suppliers, customers, joint ventures and other partners. We will do this, as appropriate, through proactive engagement, monitoring and contractual provisions.
- Local communities: We seek to respect human rights and to develop an understanding of the cultures, customs and values that prevail in our local communities by developing an inclusive and open dialogue with the people affected by our operations.

Specific provisions include:

- Promoting health and safety
- Promoting freedom of association
- Eliminating forced or compulsory labour
- Abolishing child labour
- Eliminating unlawful discrimination in the workplace
- Eliminating harassment and violence
- Providing competitive compensation
- Upholding conditions of employment
- Avoiding involuntary resettlements
- Respecting indigenous people's rights
- Adopting proportionate security arrangements
- Developing practices for land and water use

Statement of King III compliance

The board, through the audit and risk committee, has satisfied itself with the extent of the company's compliance with King III for the financial year ended 31 December 2015.

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

A statement on the company's compliance with King III is available online.

Remuneration report

In this review we have sought to improve transparency and the clarity of reporting on our remuneration philosophy and practices, and to clearly outline remuneration decisions made by all governance entities with respect to ArcelorMittal South Africa employees, executive and non-executive directors.

The remuneration context in 2015

For a variety of reasons, detailed elsewhere in this report, the financial performance of our company continued to disappoint this year, translating into a loss of value for shareholders. In this context, we are acutely mindful of the need for our remuneration policies and practices to strike a balance between shareholder interests and the need to attract, retain and incentivise the talent that is essential to an improvement in our company's fortunes. In 2015 the remuneration of senior management reflected the chastened circumstances facing ArcelorMittal South Africa while reward structures throughout the company were more closely designed to incentivise and reward the behaviours that will cement our envisaged progress along the high road.

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 responsibility to deliver shareholder value. This philosophy is underpinned by the following principles:

- We must attract and retain employees with the right skills, capability and drive to deliver on our strategy
- Compensation should be competitive and affordable
- Remuneration should encourage behaviour that is consistent with our value pillars:
  - Creating a *safe* environment for all
  - Striving to exceed *customer* requirements
  - *Caring* for all internal and external stakeholders
  - Demonstrating *commitment* to deliver quality work
- We review our pay philosophy and practice in accordance with regulatory and legal frameworks
- We communicate our remuneration philosophy, policies, practices and general principles to all employees clearly and transparently
- We consistently benchmark to ensure that our remuneration is competitive to stimulate a high-performance culture

Remuneration is benchmarked against national and manufacturing sector surveys. Market survey data is provided by PwC Remchannel while Hay Group peer comparisons influence our market-based approach as approved by the committee.

Remuneration, social and ethics committee

The remuneration, social and ethics committee (RSEC) met three times during the period under review.

The committee monitors the company's activities in respect of the environment and the health and safety of both employees and the public, and does so while having regard to any relevant legislation, other legal requirements or prevailing codes of best practice.

At each of its meetings, the committee reviews management reports and in turn reports on relevant matters within its mandate to the board. The committee's roles, responsibilities and work plan are set out in a comprehensive terms of reference and delegation of authority, as approved by the board. Objectives and responsibilities are aligned with the committee's statutory functions as set out in the Companies Regulations 2011 and form the basis of an annual work plan. In summary the committee has a duty to:

- Monitor the social, economic, governance, employment, remuneration and environmental activities of the company
- Bring material matters relating to these activities to the attention of the board as appropriate
- Report annually to shareholders on matters within the scope of its responsibilities

In the past year the committee reviewed the company's performance and strategy relating to social and economic development, including its standing in terms of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact Principles
- The OECD recommendations regarding corruption
- The Employment Equity Act
- The Broad-Based Black Economic Empowerment Act

The committee also received reports on, and considered, the company's:

- Promotion of equality, prevention of unfair discrimination, and reduction of corruption
- Contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
- Record of sponsorship, donations and charitable giving
- The health, environmental and public safety impacts 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 with and its contribution toward the educational development of its employees

As part of the board governance structure, a board evaluation is conducted using an external service provider every alternate year. In 2014 (with regard to performance in 2013) a board appraisal was conducted by an external party with an internal appraisal being carried out during the period reviewed. Questionnaires were used as the basis for assessing the performance of the board and its structures using best practice as espoused by King III. Generally, the results of the board effectiveness evaluation were very satisfactory with high average scores being recorded across all themes.

The committee was mandated by the board to develop and approve the remuneration policy for the company. In addition to executing its social and ethics responsibilities, the committee's key activities and achievements during the year included reviewing and acting on:

- The design structure for the remuneration of executive and senior management
- Targets and rules for performance-related pay schemes for all employees

- General salary increases and mandates for negotiations with trade unions
- Ensuring a proper system of succession planning for top management and monitoring succession planning in the rest of the organisation
- Confirming appointments to senior management positions
- Employment equity plans for implementation
- Matters relating to corporate culture and management performance in terms of retention and talent development

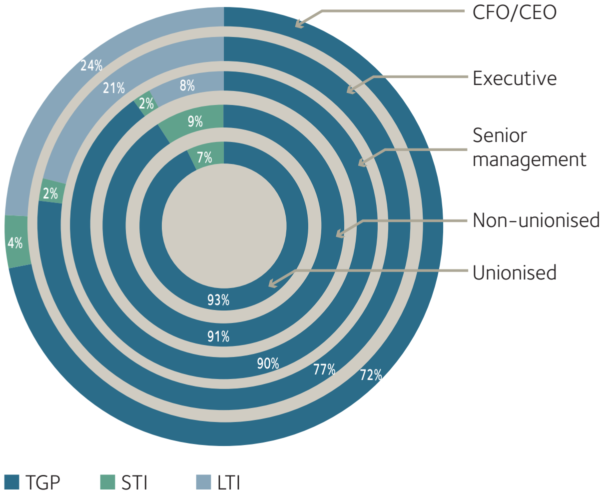
Remuneration design structure

ArcelorMittal South Africa's remuneration structure strives to reward employees for individual and corporate performance through an appropriate balance of fixed pay and short and long-term variable pay. The committee considers all set targets of the different elements of performance-based remuneration to ensure compliance with relevant governance structures and statutes. We have adopted the Hay-based job evaluation system to assess every job within the organisation that is aligned to the pay structure. Therefore fixed pay to variable pay ratios differ between the various job levels within the company; lower-level job categories receive a higher proportion of fixed, relative to variable, pay than is applicable to higher job categories.

We embrace the total reward concept which incorporates fixed pay, short-term and long-term incentives. Employees are rewarded for their contribution through:

- The payment of industry competitive annual packages (fixed salary and company benefits)
- Variable annual, bi-annual or monthly performance (see OPI) reward programmes
- Long-term cash-based equity schemes for senior management

Remuneration mix



Guaranteed pay

The guaranteed pay of package category employees is based on cost to company (CTC). It comprises cash salary, contribution to retirement funding (including death and disability risk insurance). CTC is usually determined with effect from April each year and is informed by parameters approved by the board. Factors such as inflation, market pay and individual performance inform pay differentiation. While remuneration is benchmarked against peer competitors, the results of individual annual performance may allow earnings above the market median.

Guaranteed pay for bargaining unit employees is negotiated with the National Union of Metalworkers of South Africa (Numsa) and Solidarity. Pay components, which are similar to package category, were adjusted by 7.42% according to a multi-year wage agreement implemented in April 2015 for a period of three years as reflected below.

Wage agreement	2015	2016	2017
Formulae	7.42%	CPI +1% (CPI floor of 4.5%, capped at 6.5%) – not less than 7% across the board	
Once-off	R2 000 (net)	–	
Semi-skilled level	6.5% (including allowance)	6.3% (including allowances)	
Skilled level	6.2%	6.0% (including allowances)	
Medical aid subsidy cap	6.5%	6.5%	

Revised labour-related legislation during 2015 necessitated a review of our current labour and remuneration practices. Changes implemented during 2015 included:

- Insourcing of hired labourers. (Our remaining component of hired labour is utilised legitimately as per the Labour Relations Amendment Act for shutdown and project purposes)
- Equal treatment of employees by designing a fit-for-purpose remuneration system as required by law based on a differentiated approach that complies with the Act. Criteria such as duration of service, experience and performance were used in the redesign of our remuneration approach to effectively address this

Unionised employees' pay progression is governed by competency-based remuneration, allowing for pay progressions in accordance with the individual's assessed competency level. This pay progression model for the bargaining unit has been implemented since 2003.

Variable pay

Variable pay structures include a performance incentive scheme, productivity bonus scheme and medium-term incentive scheme. The bonus schemes are discretionary and based on global design principles. The performance incentive scheme gives employees an annual performance bonus based on individual performance reviews combined with scorecards measuring the company's financial and non-financial performance. Bonus payments are calculated as a percentage of the individual's base salary.

Remuneration report continued

Performance incentive scheme – package employees
The performance bonus plan gives package category employees an annual performance bonus based on company and 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 – BSMs) performance, weighted respectively on a 70/30 basis. This is outlined in the table below, which also demonstrates the threshold, target and stretch levels to be achieved against the business plan either at company or business unit level.

	Performance levels			Performance measure and weights				
Role	Threshold 80%	Target 100%	Stretch 120%	Ebitda	Free cash flow	Health and safety	BSM	Total
CEO	20.0%	40.0%	60.0%	40.0%	30.0%	10.0%	20.0%	100.0%
General managers	15.0%	30.0%	45.0%	40.0%	30.0%	10.0%	20.0%	100.0%
Group managers	10.0%	20.0%	30.0%	40.0%	30.0%	10.0%	20.0%	100.0%
Managers	8.8%	17.5%	26.3%	40.0%	30.0%	10.0%	20.0%	100.0%

BSMs (20% of STI) are approved by the CEO and board and reflect key business drivers that are visible in our 2015 results.

Productivity bonus scheme – unionised employees

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

- Safety
- Throughput
- Quality
- Cost per tonne (new from 2015)

The extent to which individual employee performance is measured against these four targets is determined by employees' ability to influence safety, production and productivity in their areas. The productivity bonus payment is determined as a percentage of the monthly base salary and a maximum payment of 7% is applied.

As part of wage negotiations with unions during 2015 we further enhanced our focus on a high-performance culture by applying the same KPI targets to both package and bargaining unit employees as those pertaining to senior management.

Production and maintenance bonus (OPI) – production employees

To further enhance our reward offering and drive our performance culture, an additional element was added to the productivity bonus. Middle managers, technical and support staff linked directly to the production of steel are measured in the same way as their staff members and are incentivised for driving safety, quality and throughput. This monthly productivity bonus payment is determined as a percentage of monthly salary with a maximum of 5% achievement.

Medium-term incentive scheme aimed at retention of critical talent

The medium-term incentive scheme is aimed at retaining critical, scarce skills in various key specialist positions below senior management. Participants need to have been in employment for three years 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 scheme has been successful in retaining key skills in engineering and technical areas with a reduced labour turnover of 6% when compared with an 8% labour turnover in previous years. Although we have awarded medium-term incentives selectively, most tranches have been paid without a major impact on technical turnover.

Overall voluntary turnover in 2015 was 3%, the lowest level in four years. Voluntary labour turnover per employee category is reflected in the graph on page 64.

Long-term incentive plan for senior management

A share option scheme was effective from 2005 to 2011. Share options were offered at market prices on the grant date and were released in three annual tranches of 33.3%, 33.3% and 33.4%, commencing on the first anniversary of the offer date and expiring after 10 years. Option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Ltd on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the vesting to expiry date.

No share option grants were made in 2012, 2013, 2014 or 2015 and, as at 31 December 2015, all share options had vested.

In 2012, the remuneration, social and ethics committee approved a new long-term incentive plan (LTIP) based on performance and conditional share units based on employment, as approved by shareholders.

The scheme's participants are divided into two groups:

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

The above performance conditions were used for all LTIP awards from 2012 to 2014 with the rules relating to the 2015 award changing slightly, as indicated below:

	2015	Criteria	2014	Criteria
Executive members*	Performance-based	Measured annually**	Performance-based	ROCE/TCOE per tonne in USD equally weighted and averaged over three years
Senior management*	50% restricted share units 50% performance-based	Employment ROCE/TCOE per tonne in USD equally weighted and measured annually	Restricted share units	Employment

* *Allocations are moderated by individual performance.*
** *A three-year average will not be used to calculate vesting. Each year will be calculated so that if two years are achieved but the average over three years is not achieved then the two years will be awarded proportionately.*

All LTIP shares vest after a period of three years provided the employee continues employment within the company and achieves the required performance conditions. There is provision for proportional awards when there is a change in the effective control of the company, or when an employee is retrenched, retires, or dies while in service.

The annual share allocation percentage to senior managers and designated executives varies between 25% and 80% of guaranteed pay for on-target performance. (International executives participate in the ArcelorMittal group scheme in accordance to the international mobility policy.)

Executive retention

A once-off executive retention payment potentially costing R2 398 530 was implemented in September 2013. This once-off cash equivalent will be payable to qualifying executives in February 2016.

Employee Share Ownership Plan

In line with our commitment to transformation and our B-BBEE strategy, the board approved an Employee Share Ownership Plan (ESOP) effective from 1 October 2015. The size of the ESOP is a 4.7% shareholding with 21.1 million shares available for allocation. The board approved the scheme in September 2015, based on the following participation rules:

Beneficiaries	Criteria
All permanent employees middle management and below role levels	May not participate in more than one AMSA incentive scheme
African, coloured and Indian (ACI)	2 250 share units
Non-ACIs	1 950 share units

The free trust units allow some unallocated share units for new entrants to be kept in reserve and managed by the Ikageng Trust. In terms of IRFS 2, on assumption that the trust will be consolidated, the fair value of shares will be amortised equally over five years.

The structure and salient features of the ESOP include:
- The 21.1 million shares will be held by the Ikageng Trust for the benefit of participating employees
- First allocation date is 1 October 2015
- No new entrants will be allowed participation on or after 1 October 2019
- On expiry date, participating employees may exercise their right to receive the cash value of the shares (tax remains applicable) or the actual shares (tax applicable)
- The trust is managed by six trustees (three elected, two independent and one appointed by the company)

The trust deed also allows for fault and no fault termination rules:
- Fault termination will result in forfeiture of all the allocated share units in case of:
  - Dismissals as per our disciplinary code
  - Voluntary resignation or separation from the company

Beneficiaries who cease to be employed by the company as a result of retirement or death will be deemed as having had no fault termination and the trust will calculate the matured portion to which the beneficiary will be entitled to and dispose in accordance with trust deed rules.

Contractual arrangements

We do not have any fixed-term contracts with executive directors or senior executives and there exist 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 employment contracts.

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 also required to give two months' 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 and shareholders for approval and their term of office is three years. One-third of all directors retire at the annual general meeting but are eligible for re-election.

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

Remuneration report continued

A resolution proposing an increase in non-executive directors' fees was approved by shareholders on 27 May 2015. The committee has reviewed non-executive directors' fees for 2016 and a proposal will be put to the board in May 2016.

Remuneration of executive directors and prescribed officers
The following is a summary of the remuneration of executive directors, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd:

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	Salary (1)	Retirement funding R	Short-term incentives (2) R	Equity incentives (3) R	Other (4) R	Total remuneration 2015 R	Total remuneration 2014 R
Executive directors								
PS O'Flaherty	5	4 289 851	356 063	489 635	1 583 972	38 931	**6 758 452**	1 998 733
D Subramanian	6	892 598	78 237	–	–	72 946	**1 043 781**	–
MJ Wellhausen	7	570 084	–	313 000	89 467	225 096	**1 197 647**	5 711 060
Sub-total		5 752 533	434 300	802 635	1 673 439	336 973	**8 999 880**	7 709 793
Prescribed officers and highest paid employees								
WA Nel		2 263 463	187 870	191 500	1 764 526	50 169	**4 457 528**	4 260 222
M Adam	8	2 385 391	197 990	–	290 663	1 685 832	**4 559 876**	–
TG Nkosi		2 162 316	195 212	171 000	1 405 005	109 393	**4 042 926**	3 214 691
RH Torlage		2 111 644	179 177	135 500	891 478	158 417	**3 476 216**	3 721 679
KS Kumar	9	2 144 562	–	31 500	306 744	89 874	**2 572 680**	3 084 995
W Venter	10	1 555 184	129 082	3 000	433 519	110 849	**2 231 634**	–
HL Rosenstock	11	917 082	–	27 300	153 372	285 902	**1 383 656**	3 921 493
Sub-total		13 539 642	889 331	559 800	5 245 307	2 490 436	**22 724 516**	18 203 080
Total		19 292 175	1 323 631	1 362 435	6 918 746	2 827 409	**31 724 396**	25 912 873

	Notes	Directors' fees R	Committee fees R	Other R	Total remuneration 2015 R	Total remuneration 2014 R
Non-executive directors						
PM Makwana		1 262 800	–	10 295	**1 273 095**	1 190 610
DCG Murray		158 016	472 047	13 463	**643 526**	487 907
LP Mondi		158 016	172 381	–	**330 397**	269 346
NP Mnxasana		158 016	256 287	–	**414 303**	312 488
JRD Modise		158 016	413 650	4 289	**575 955**	387 112
FA du Plessis	12	87 630	147 196	59 680	**294 506**	479 949
NF Nicolau	13	49 665	80 034	1 431	**131 130**	–
Total		2 032 159	1 541 595	89 157	**3 662 912**	3 127 412

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.

1. *Salary represents cash salary earned by directors and prescribed officers.*
2. *The short-term incentives relate to benefits for the December 2014 financial year, paid in April 2015.*
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 encashment, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance.*
5. *In December 2015, PS O'Flaherty resigned as chief executive officer. PS O'Flaherty will be appointed as a non-executive director with effect from 1 March 2016. A replacement will be announced once finalised.*
6. *D Subramanian was appointed on 1 August 2015 as chief financial officer.*
7. *MJ Wellhausen resigned as CFO and executive director effective from 15 March 2015.*
8. *M Adam was appointed on 16 February 2015 as general council and regulatory affairs.*
9. *KS Kumar resigned as chief marketing officer with effect from 1 March 2016 .*
10. *W Venter was appointed as chief technology officer on 1 July 2015.*
11. *Dr HL Rosenstock resigned as chief operations officer on 30 June 2015.*
12. *FA du Plessis resigned on 22 July 2015 as non-executive director.*
13. *NF Nicolau was appointed as independent non-executive director on 10 September 2015.*

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 13.586 million shares (2014: 15.9 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, and the gains by them, as a result of past awards during the year ended 31 December 2015.

Names of executives	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price R	Present value of unvested share units at the end of the year R
PS O'Flaherty	LTIP	05/08/2014	53 473	0	53 473	–	35.80	240 629
		18/05/2015	–	330 801	330 801	–	18.73	1 488 605
			53 473	330 801	384 274	–		1 729 233
WA Nel	Share options	01/09/2006	1 120	–	1 120	1 120	67.88	–
		08/11/2006	15 110	–	15 110	15 110	83.88	–
		12/12/2006	1 382	–	1 382	1 382	82.02	–
		20/11/2007	11 120	–	11 120	11 120	133.50	–
		10/11/2008	11 120	–	11 120	11 120	73.75	–
		10/02/2011	14 010	–	14 010	14 010	87.20	–
		07/11/2011	17 310	–	17 310	17 310	67.00	–
	LTIP	14/11/2013	94 096	–	94 096	–	40.47	423 432
		27/05/2014	81 263	–	81 263	–	34.89	365 684
		18/05/2015	–	104 733	104 733	–	18.73	471 299
			246 531	104 733	351 264	71 172		1 260 414
TG Nkosi	Share options	29/06/2009	18 650	–	11 450	11 450	95.50	–
		02/11/2009	13 840	–	17 310	17 310	106.50	–
		10/02/2011	18 650	–	18 650	18 650	87.20	–
		07/11/2011	13 840	–	13 840	13 840	67.00	–
	LTIP	14/11/2013	84 728	–	84 728	–	40.47	381 276
		27/05/2014	52 131	–	52 131	–	34.89	234 590
		18/05/2015	–	79 857	79 857	–	18.73	359 357
			201 839	79 857	277 966	61 250		975 222
RH Torlage	Share options	08/11/2006	29 563	–	29 563	29 563	83.88	–
		12/12/2006	2 946	–	2 946	2 946	82.02	–
		20/11/2007	16 770	–	16 770	16 770	133.50	–
		10/11/2008	16 770	–	16 770	16 770	73.75	–
		02/11/2009	15 250	–	15 250	15 250	106.50	–
		29/09/2011	53 500	–	53 500	53 500	59.00	–
		07/11/2011	35 153	–	35 153	35 153	67.00	–
	LTIP	14/11/2013	21 304	–	21 304	–	40.47	95 868
		27/05/2014	51 669	–	51 669	–	34.89	232 511
		18/05/2015	–	99 887	99 887	–	18.73	449 492
			242 925	99 887	342 812	169 952		777 871
M Adam	LTIP	18/05/2015	–	147 387	147 387	–	18.73	663 242
			0	147 387	147 387	–		663 242
W Venter	LTIP	10/12/2012	16 330	–	16 330	16 330	29.01	73 485
		14/11/2013	12 770	–	12 770	–	40.47	57 465
		27/05/2014	13 222	–	13 222	–	106.50	59 499
		18/05/2015	–	20 255	20 255	–	18.73	91 148
			42 322	20 255	62 577	16 330		281 597

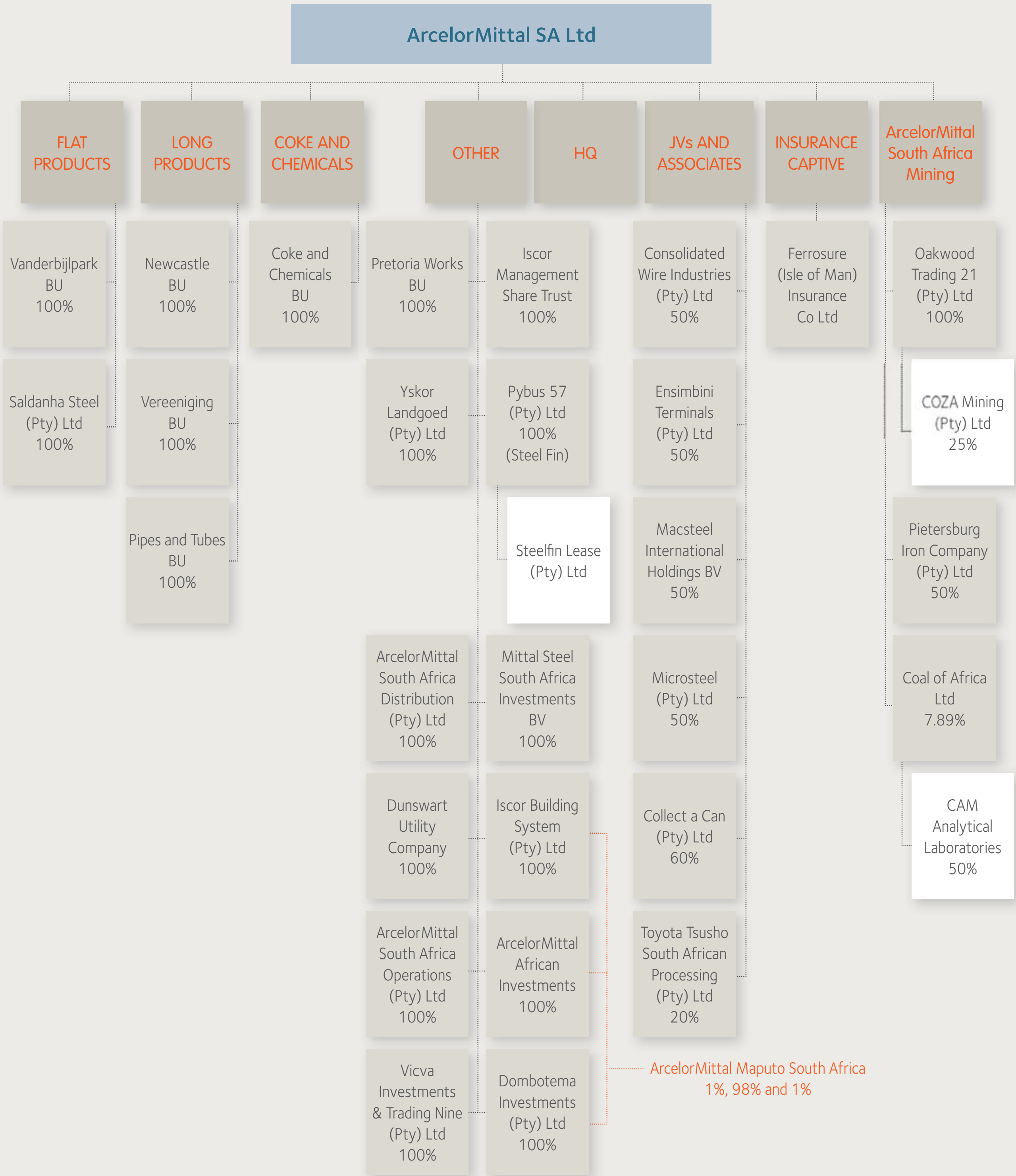
Notes:

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 during the year.
4. All share options have vested at the end of the period. All share options are "out of the money", therefore the present value is nil at 31 December 2014.

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

Organogram

Company statutory structure



Independent limited assurance report

To the directors of ArcelorMittal South Africa

We have performed our limited assurance engagement in respect of the selected non-financial key performance indicator (KPI) disclosures to be published in the ArcelorMittal South Africa (AMSA) integrated annual report for the year ended 31 December 2015.

Subject matter

The subject matter comprises the non-financial key performance indicators prepared in accordance with the Global Reporting Initiative G4 Guidelines (GRI G4) supported by management's internal basis of preparation (the criteria) as prepared by the responsible party during the year ended 31 December 2015. The subject matter comprises of the following:

- Lost time injury frequency rate (LTIFR)
- Total number of work-related fatalities
- Total number of permanent employees
- Demographics of permanent employees based in South Africa, by race
- Corporate social investment spend
- Total number of employees within the development pipeline
- Total direct energy consumption
- Total indirect energy consumption
- Total greenhouse gas emissions (scope 1 and scope 2)
- Carbon emission intensity per tonne of liquid steel
- Externally verified B-BBEE scorecard
- Liquid steel capacity utilisation

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the selection, preparation and presentation of the subject matter in accordance with the criteria. This responsibility includes ensuring the subject matter is prepared in accordance with the GRI, the identification of stakeholders and stakeholder requirements, material matters, for commitments with respect to the non-financial key performance and for the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any non-financial performance indicator transactions beyond the period covered by our limited assurance engagement.

Quality control

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of work performed

We have performed our procedures on the subject matter, the non-financial performance indicators of the company, as prepared by management in accordance with the GRI G4 as supported by management's basis of preparation for the year ended 31 December 2015.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter; and
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the report.

Our assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements, and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators has been presented, in all material respects, in accordance with GRI G4 Guidelines, supported by management's internal basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected non-financial key performance indicators as set out in the subject matter paragraph (of the audit report) for the year ended 31 December 2015, is not prepared, in all material respects, in accordance with the GRI G4 supported by management's internally developed basis of preparation.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of the entity's website is the responsibility of management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation.

Restriction on use and distribution

Our report is made solely to the directors of AMSA in accordance with our engagement letter, dated 30 September 2015 for the purpose of proving limited assurance over the subject matter disclosed in the AMSA integrated annual report for year ended 31 December 2015. We do not accept or assume liability to any party other than the entity, for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
20 Woodlands Drive, Woodmead, 2052

Per – AN le Riche
Partner

4 February 2016

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REPORTS AND FINANCIAL RESULTS

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, as amended.

Membership

The committee comprised the following members at the date of this report:

- DCG Murray (chairman),
- JRD Modise, and
- NP Mnxasana.

Each member is an independent director and has the adequate relevant knowledge, the financial expertise and experience to equip the committee to properly execute its duties and responsibilities. Members' qualifications are set out on pages 30 and 31 of this report.

The board notes the retirement of the chairman of the committee, Mr Chris Murray with effect from the date of the AGM. Ms Lungile Cele will be elected as the replacement member of the committee. Shareholders will be required at the AGM to authorise the audit committee members to elect a chairperson from amongst the members.

During the year under review, five meetings were held. Details of attendance by members at the meetings are set out on pages 30 and 31.

Functions of the committee

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, it 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, was satisfied with the independence and objectivity of Deloitte & Touche as external auditors and Mr M Mantyi as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement, as well as pre-approving the proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Ltd and the group for the year ended 31 December 2015 and, based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation.

Internal financial controls

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

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

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

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

The committee has satisfied itself that the newly appointed chief financial officer, Mr D Subramanian, has the appropriate expertise and experience.

The committee has assessed the competency, skills and resourcing of the group's finance function, and has satisfied itself 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, recommends the integrated annual report and the group and company annual financial statements for approval by the board of directors.

Directors' report

The directors' report has been included as part of the annual financial statements.

DCG Murray
Chairman

3 February 2016

Independent auditors' report on summarised financial statements

To the shareholders of ArcelorMittal South Africa Limited

The summarised consolidated financial statements of ArcelorMittal South Africa Limited, contained in the Integrated Annual Report, which comprise the summarised consolidated statement of financial position as at 31 December 2015, the summarised 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 2015. We expressed a modified audit opinion on the consolidated financial statements in our auditors' report dated 4 February 2016 and our report contained an other matter paragraph "Other reports required by the Companies Act" (refer below).

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 summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the information required by IAS 34: *Interim Financial Reporting*, the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 Summarised 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 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the information required by IAS 34: *Interim Financial Reporting* and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Emphasis of matter

The "emphasis of matter" paragraph in our audit report, dated 4 February 2016 draws attention to a note within the audited consolidated financial statements of ArcelorMittal South Africa Limited. Aligning herewith, and without qualifying our opinion, we draw attention to note 9 of the summarised consolidated financial statements derived from the audited consolidated financial statements of ArcelorMittal South Africa Limited, which sets out the directors' plans and initiatives which, should they not materialise, along with other matters, indicates the existence of a material uncertainty which may cast significant doubt on the group's and company's ability to continue as a going concern.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 4 February 2016, states that as part of our audit of the consolidated financial statements for the year ended 31 December 2015 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 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
Per – Mandisi Mantyi
Partner

4 February 2016

Summarised consolidated financial statements

for the year ended 31 December 2015

Basis of preparation

The summarised consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the requirements of the Companies Act of South Africa. These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. It also contains, as a minimum, 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.

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 investment not measured at fair value.

These summarised consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS. Deloitte & Touche have issued a modified opinion on the consolidated annual financial statements, which included the emphasis of matter paragraph also found in the ISA 810 opinion issued on this report. A full set of the audited consolidated annual financial statements is available for inspection from the company secretary at the registered office of the company, and has been published on the company's website.

The summarised consolidated financial statements were prepared under the supervision of Mr D Subramanian, the group's chief financial officer.

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2015

		Group	
Rm	Notes	2015	2014
Revenue		31 141	34 852
Raw materials and consumables used		(19 183)	(21 339)
Employee costs		(4 027)	(3 764)
Energy		(3 824)	(3 466)
Movement in inventories of finished goods and work-in-progress		(457)	292
Depreciation		(1 346)	(1 386)
Amortisation of intangible assets		(23)	(24)
Other operating expenses		(7 017)	(5 466)
Loss from operations	2	(4 736)	(301)
Finance and investment income		175	17
Finance costs		(1 208)	(605)
Impairment of other assets	3	(310)	–
Impairment of property, plant and equipment and intangible assets	3	(3 944)	–
Gain recognised on loss of interest over former associate		–	80
Income from equity-accounted investments (net of tax)		195	191
Loss before taxation		(9 828)	(618)
Income tax credit		1 193	460
Loss for the year		(8 635)	(158)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		1 232	445
Losses on available-for-sale investment taken to equity		19	(29)
Share of other comprehensive income/(loss)of equity-accounted investments		79	(253)
Total comprehensive (loss)/income for the year		(7 305)	5
Loss attributable to:			
Owners of the company		(8 635)	(158)
Total comprehensive (loss)/income attributable to:			
Owners of the company		(7 305)	5
Attributable loss per share (cents)			
– Basic	4	(2 152)	(39)
– Diluted	4	(2 152)	(39)

Summarised consolidated statement of financial position

as at 31 December 2015

	Group	
Rm	**2015**	2014
Assets		
Non-current assets		
Property, plant and equipment	**11 859**	16 001
Intangible assets	**112**	135
Equity-accounted investments	**5 090**	4 031
Other financial assets	**573**	58
Total non-current assets	**17 634**	20 225
Current assets		
Inventories	**9 385**	10 684
Trade and other receivables	**1 666**	1 562
Taxation	**75**	64
Other financial assets	**38**	37
Cash and bank balances	**2 164**	454
Total current assets	**13 328**	12 801
Total assets	**30 962**	33 026
Equity and liabilities		
Shareholders' equity		
Stated capital	**37**	37
Non-distributable reserves	**175**	(1 294)
Retained income	**13 260**	21 979
Total shareholders' equity	**13 472**	20 722
Non-current liabilities		
Finance lease obligations	**193**	256
Non-current provisions	**2 895**	1 720
Deferred income tax liability	**–**	1 204
Other payables	**236**	261
Total non-current liabilities	**3 324**	3 441
Current liabilities		
Trade payables	**7 761**	6 402
Taxation	**–**	18
Borrowings	**5 029**	1 000
Finance lease obligations	**63**	92
Current provisions	**541**	571
Other financial liabilities	**14**	11
Other payables	**758**	769
Total current liabilities	**14 166**	8 863
Total equity and liabilities	**30 962**	33 026

Summarised consolidated statement of cash flows

for the year ended 31 December 2015

	Group	
Rm	**2015**	2014
Cash (utilised in)/generated from operations	**(264)**	2 205
Interest income	**9**	12
Finance cost	**(554)**	(372)
Income tax paid	**(40)**	(84)
Realised foreign exchange movement	**(258)**	(17)
Cash flows from operating activities	**(1 107)**	1 744
Investment to maintain operations	**(1 164)**	(2 640)
Investment to expand operations	**(92)**	(73)
(Decrease)/increase in equity-accounted investments	**(8)**	37
Proceeds from disposal of assets	**2**	1
Dividend from equity-accounted investments	**114**	61
Investment income – interest	**8**	6
Cash flows from investing activities	**(1 140)**	(2 608)
Increase in borrowings and finance leases	**3 937**	77
Cash flows from financing activities	**3 937**	77
Increase/(decrease) in cash and cash equivalents	**1 690**	(787)
Effect of foreign exchange rate changes	**20**	50
Cash and cash equivalents at the beginning of the year	**454**	1 191
Cash and cash equivalents at the end of the year	**2 164**	454

Summarised consolidated statement of changes in equity

for the year ended 31 December 2015

	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 reserve Rm	Total equity Rm
Balance at 1 January 2014	37	22 271	(3 918)	(285)	246	1 370	973	20 694
Total comprehensive loss for the year	–	(158)	–	–	–	(253)	416	5
Share-based payment expense	–	–	–	–	23	–	–	23
Transfer between reserves	–	(134)	–	–	–	134	–	–
Balance at 31 December 2014	37	21 979	(3 918)	(285)	269	1 251	1 389	20 722
Total comprehensive loss for the year	**–**	**(8 635)**	**–**	**–**	**–**	**79**	**1 251**	**(7 305)**
Share-based payment expense	**–**	**–**	**–**	**–**	**55**	**–**	**–**	**55**
Transfer between reserves	**–**	**(84)**	**–**	**–**	**–**	**84**	**–**	**–**
Balance at 31 December 2015	**37**	**13 260**	**(3 918)**	**(285)**	**324**	**1 414**	**2 640**	**13 472**

Notes to the summarised consolidated financial statements

for the year ended 31 December 2015

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 the decommissioned Maputo Works
- Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial-grade coking coal
- Corporate and Other, consisting of 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 consolidated structured entities

Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments, 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 allocated to 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 consolidated structured entities, other than for Saldanha Works which is a subsidiary allocated to the flat steel products segment
  - Investments in equity-accounted entities
  - Available-for-sale investments
  - Cash and cash equivalents
  - Income tax, capital gains tax and value added tax related assets, as applicable
- Liabilities not allocated to operating segments are income tax, capital gains tax and value added tax-related liabilities, as applicable

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2015

1. Segmental report continued

	Flat steel products		Long steel products	
	2015 Rm	2014 Rm	**2015 Rm**	2014 Rm
Revenue				
– External customers	**19 483**	22 957	**9 949**	9 911
– Intersegment customers	**424**	1 484	**923**	2 500
Total revenue	**19 907**	24 441	**10 872**	12 411
Revenue to external customers distributed as:				
Local	**14 797**	16 087	**7 763**	8 054
Export	**4 686**	6 870	**2 186**	1 857
– Africa	**4 386**	5 512	**1 503**	1 031
– Asia	**247**	1 013	**390**	800
– Other	**53**	345	**293**	26
Total	**19 483**	22 957	**9 949**	9 911
Results				
Earnings before interest, tax, depreciation and amortisation	**(1 269)**	535	**(348)**	16
Provision for Tshikondeni mine closure costs	**–**	–	**–**	–
Provision for restructuring cost	**–**	–	**–**	–
Provision for onerous contract	**–**	–	**–**	–
Provision for Thabazimbi mine closure costs	**(429)**	–	**(253)**	–
Vereeniging closure costs	**–**	–	**(86)**	–
Competition Commission settlement	**–**	–	**–**	–
Payment in advance	**(420)**	–	**(148)**	–
Depreciation and amortisation	**(973)**	(1 064)	**(391)**	(342)
(Loss)/profit from operations	**(3 091)**	(529)	**(1 226)**	(326)
Impairment	**(3 574)**	–	**(370)**	–
Finance and investment income	**2**	4	**1**	3
Finance costs	**(117)**	(102)	**(38)**	(83)
Gain recognised on loss of interest over former associate	**–**	–	**–**	–
Income from equity-accounted investments (net of tax)	**–**	–	**–**	–
(Loss)/profit before tax	**(6 780)**	(627)	**(1 633)**	(406)
Income tax credit	**–**	–	**–**	–
(Loss)/profit for the year	**(6 780)**	(627)	**(1 633)**	(406)
Segment assets	**14 414**	19 038	**8 236**	9 318
Investments in equity-accounted entities	**–**	–	**–**	–
Segment liabilities	**4 877**	5 895	**2 647**	2 741
Cash (utilised in)/generated from operations	**(1 270)**	444	**140**	230
Capital expenditure	**601**	501	**625**	2 103
Number of employees at the end of the year*	**5 570**	5 044	**3 104**	2 534

** Includes employees on capital projects and temporary workers.*

Coke and Chemicals		Corporate and Other		Adjustments and eliminations		Total reconciling to the consolidated amounts	
2015 Rm	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm	**2015 Rm**	2014 Rm
1 709	1 984	**–**	–	**–**	–	**31 141**	34 852
90	60	**–**	–	**(1 437)**	(4 044)	**–**	–
1 799	2 044	**–**	–	**(1 437)**	(4 044)	**31 141**	34 852
1 709	1 984	**–**	–	**–**	–	**24 269**	26 125
–	–	**–**	–	**–**	–	**6 872**	8 727
–	–	**–**	–	**–**	–	**5 889**	6 543
–	–	**–**	–	**–**	–	**637**	1 813
–	–	**–**	–	**–**	–	**346**	371
1 709	1 984	**–**	–	**–**	–	**31 141**	34 852
427	428	**(1 131)**	289	**1 512**	(10)	**(809)**	1 258
–	–	**23**	(50)	**–**	–	**23**	(50)
–	–	**–**	(90)	**–**	–	**–**	(90)
–	–	**–**	(9)	**–**	–	**–**	(9)
–	–	**–**	–	**–**	–	**(682)**	–
–	–	**–**	–	**–**	–	**(86)**	–
–	–	**(1 245)**	–	**–**	–	**(1 245)**	–
–	–	**–**	–	**–**	–	**(568)**	–
(35)	(35)	**(20)**	(20)	**50**	51	**(1 369)**	(1 410)
392	393	**(2 373)**	120	**1 562**	41	**(4 736)**	(301)
–	–	**(2 570)**	–	**2 260**	–	**(4 254)**	–
–	1	**172**	9	**–**	–	**175**	17
(2)	(4)	**(1 051)**	(416)	**–**	–	**(1 208)**	(605)
–	–	**–**	80	**–**	–	**–**	80
–	–	**195**	191	**–**	–	**195**	191
390	390	**(5 627)**	(16)	**3 822**	41	**(9 828)**	(618)
–	–	**1 193**	460	**–**	–	**1 193**	460
390	390	**(4 434)**	444	**3 822**	41	**(8 635)**	(158)
960	1 072	**3 262**	1 648	**(1 000)**	(2 081)	**25 872**	28 995
–	–	**5 090**	4 031	**–**	–	**5 090**	4 031
186	189	**9 782**	3 680	**(2)**	(201)	**17 490**	12 304
554	254	**312**	1 277	**–**	–	**(264)**	2 205
57	20	**(27)**	89	**–**	–	**1 256**	2 713
254	226	**598**	1 225	**–**	–	**9 526**	9 029

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2015

	Group	
	2015	2014
2. Loss from operations		
Loss from operations has been arrived at after charging:		
– Depreciation	**1 346**	1 386
– Amortisation of intangible assets	**23**	24
– Thabazimbi mine closure costs	**682**	
– Tshikondeni mine closure costs	**(23)**	50
– Vereeniging closure costs	**86**	
– Competition Commission settlement	**1 245**	
– Payment in advance	**568**	
– Corporate restructuring cost		90
– Onerous contract – Sandton office		9

3. Impairments

The following impairments were raised during the year:

- R3 574 million of the property, plant and equipment and intangible assets for Saldanha Works due to poor international steel export prices and the extremely high local electricity tariffs, consequently the future of the operation is currently being reviewed;
- Property plant and equipment resulting from the Vaal Melt Shop and the areas of the Forge plants in Vereeniging being placed under care and maintenance of R370 million;
- The investment in ArcelorMittal Analytical Laboratories (Pty) Ltd, a joint venture with Coal of Africa Limited, of R8 million; and
- The investment of R302 million in the Northern Cape Iron Ore Mining Operations due to current depressed iron ore prices.

	Group 2015	Group 2014

4. Loss per share

	2015	2014
Basic 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.		
Loss attributable to owners of the company (Rm)	**(8 635)**	(158)
Weighted average number of ordinary shares in issue (thousands)	**401 202**	401 202
Basic loss per share (cents)	**(2 152)**	(39)
Diluted earnings 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)	**(8 635)**	(158)
Weighted average number of diluted shares (thousands)	**401 202**	401 202
Diluted loss per share (cents)	**(2 152)**	(39)

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

Rm	2015 Gross	2015 Net of tax	2014 Gross	2014 Net of tax
Loss attributable to owners of the company	**(9 828)**	**(8 635)**	(618)	(158)
Add: impairment charges	**4 254**	**3 261**	–	–
Gain recognised on loss of interest over former associate	**–**	**–**	(80)	(80)
Less profit on disposal of assets of an associate	**–**	**–**	(16)	(10)
Add: loss in disposal or scrapping of property, plant and equipment	**5**	**4**	29	21
Headline loss	**(5 569)**	**(5 370)**	(685)	(227)

Rm	Group 2015	Group 2014
Headline loss per share (cents)		
– Basic	**(1 338)**	(57)
– Diluted	**(1 338)**	(57)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows (thousands):		
– Shares in issue held by third parties	**401 202**	401 202
– Weighted average number of shares	**401 202**	401 202
Weighted average number of diluted shares (thousands)	**401 202**	401 202

Notes to the summarised consolidated financial statements
continued

for the year ended 31 December 2015

	Group	
	2015	2014
5. Commitments		
Capital commitments		
Capital expenditure contracted for property, plant and equipment	**992**	377
Capital expenditure authorised but not contracted for property, plant and equipment	**745**	798
Total	**1 737**	1 175

6. Related party transactions

The group is controlled by ArcelorMittal Holdings AG (AM group) which effectively owns 52% (2014: 52%) (shares held by the Employee Share Trust are excluded from the total number of shares in issue) of the company's shares. A broad-based employee share scheme was implemented in October which will own 4,7% of the company's shares. During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions are conducted at arm's length. At year-end the AM group loan, which is repayable in two tranches at the end of January and at the end of July 2016, but subject to renegotiation, amounted to R3.2 billion. Interest is payable at three months Jibar plus 2.125% and an amount of R261 million (2014: R132 million) was charged for the year ended 31 December 2015.

7. Fair value measurements

Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, particularly the valuation techniques and inputs used.

	Fair values as at period ended			
Financial assets/liabilities Rm	**31 December 2015**	31 December 2014	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale	**78**	58	Level 1	Quoted prices in an active market
Held-for-trading assets	**38**	37	Level 1	Quoted prices in an active market
Held-for-trading liabilities	**14**	11	Level 1	Quoted prices in an active market

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

8. Contingent liabilities

As reported in prior periods, and dating back to 2007, the Competition Commission (the Commission) has referred five cases to the Competition Tribunal and is formally investigating one further complaint against AMSA. The company has since engaged with the Commission and has made significant progress regarding a possible overall settlement and is in the process of finalising the detailed settlement agreement. As at 31 December 2015 the settlement amount of R1 245 million representing the present value of the proposed administrative penalty of R1 500 million has been recognised as a provision.

9. Going concern

As at 31 December 2015 the current liabilities of ArcelorMittal South Africa Ltd (group) exceeded its current assets by R838 million. However, following the rights offer on 15 January 2016, R3 200 million of borrowings, which were included in current liabilities were converted into equity, reversing this position.

The group's funding plan for the next 12 months takes into account improved sales volumes due to a decrease in imports as a result of the imposition of required import tariffs in Q2 2016 and the current weak rand:US dollar exchange rate, continued efforts in cost reduction, the cut-back of non-essential capital expenditure, the sale of redundant assets, the continuation of the current facilities in place and the continued support from the AM group as and when required.

The group's funding plan includes the successful rights offer concluded on 15 January 2016, which resulted in a net R1 300 million cash injection into the company. In addition, the group is well advanced in introducing black economic ownership at the equity level which should ensure further capital injection.

The group is also intending to convert its short-term borrowing facilities to medium-term debt and is looking at a number of options in this regard with the full support of the AM group.

Based on the above plans and initiatives, the board believes that ArcelorMittal South Africa Limited is a going concern over the next 12 months as its expected working capital resources, by way of cash generated from operations, together with current facilities as well as specific cash initiatives outlined above, are sufficient to meet the group's present working capital and capital expenditure needs during that period.

Shareholders are cautioned that, due to the material uncertainty from a timing perspective on the import tariffs, fair pricing and steel localisation, the steel industry and ArcelorMittal South Africa Limited will need to undertake significant structural changes if these government interventions do not materialise in the next 12 months.

10. Subsequent events

Rights issue

A successful rights offer for R4 500 million was concluded on 15 January 2016. The ArcelorMittal group has underwritten the rights issue in its entirety, through repayment of an outstanding intra-group loan of R3 200 million and made an additional cash injection of approximately R460 million. The intra-group loan is being repaid in two tranches; the first has been repaid and the second will be paid in Q2 2016.

B-BBEE transaction

As part of ArcelorMittal South Africa's initiatives in transforming the company, it is proposed that the B-BBEE transaction is undertaken to achieve a sustainable black ownership in the company in order for the company to maximise its score under the B-BBEE Codes of Good Practice. ArcelorMittal South Africa has now finalised the selection of a potential B-BBEE partner/s with whom to commence negotiations to conclude the transaction for an equity interest in the company.

No further events have come to the attention of management that warrant disclosure as of the day of this report.

Analysis of ordinary shareholders

as at 31 December 2015

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
1 – 100 shares	7 572	32.08	334 797	0.07
101 – 1 000 shares	14 370	60.89	2 776 551	0.62
1 001 – 50 000 shares	1 429	6.05	10 187 021	2.29
50 001 – 100 000 shares	82	0.35	5 958 809	1.34
100 001 – 10 000 000 shares	141	0.60	99 856 965	22.40
10 000 001 and more shares	7	0.03	326 637 989	73.28
Total	**23 601**	**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
Retirement benefit funds	129	0.55	55 931 414	12.55
Collective investment schemes and hedge funds	60	0.25	40 998 248	9.20
Retail shareholders, trusts and private companies	214	0.91	36 585 936	8.21
Employee share schemes	1	0.00	21 103 219	4.73
Other managed funds	37	0.16	41 391 381	9.28
Custodians, brokers and nominees	63	0.27	26 670 878	5.98
Unclassified holders (less than 10 000 shares)	23 082	97.80	6 668 303	1.50
Assurance and insurance companies	13	0.05	7 702 351	1.73
Total	**23 601**	**100.00**	**445 752 132**	**100.00**

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
South Africa	23 236	98.45	216 480 464	48.56
Switzerland	7	0.03	210 217 575	47.16
United Kingdom	60	0.25	10 646 740	2.39
United States	33	0.14	6 240 756	1.40
Namibia	171	0.72	676 035	0.15
Belgium	4	0.02	391 402	0.09
Luxembourg	6	0.03	390 387	0.09
Balance	84	0.36	708 773	0.16
Total	**23 601**	**100.00**	**445 752 132**	**100.00**

Beneficial shareholders with a holding greater than 5% 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
Investec Asset Management	24	0.10	37 817 279	8.48
Industrial Development Corporation	1	0.00	35 252 586	7.91
Coronation Fund Managers*	136	0.58	27 313 841	6.13
Government Employees Pension Fund	3	0.01	24 608 405	5.52
Vicva Investments and Trading Nine (Pty) Ltd	1	0.00	23 447 036	5.26
Total	**167**	**0.70**	**357 139 549**	**80.12**

** 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
Directors and associates of the company or its subsidiaries	2	0.01	10 582	0.00
	4	0.02	208 710 984	46.82
Non-public shareholders	**4**	**0.02**	**208 710 984**	**46.82**
Public shareholders	23 597	99.98	237 041 148	53.18
Total	**23 601**	**100.00**	**445 752 132**	**100.00**

Share price performance	
Opening price (2 January 2015)	R26.41
Closing price (31 December 2015)	R4.50
Intra-day high for the period (5 February 2015)	R26.99
Intra-day low for the period (18 December 2015)	R2.90
Number of shares in issue	445 752 132
Volume traded during period	181 871 472
Rand value of shares traded	R2 277 561 960
Ratio of volume traded to shares issued (%)	**40.80%**

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 34 of the annual financial statements.

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

	2015			2014		
Director	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
DCG Murray	–	**5 557**	**5 557**	–	1 557	1 557
JRD Modise	**5 025**	–	**5 025**	5 025	–	5 025
Total	**5 025**	**5 557**	**10 582**	5 025	1 557	6 582

No other director holds any direct or indirect beneficial interest in the share capital of the company. The only change to the above interests occurred by DCG Murray following an indirect beneficial purchase of 4 000 company shares on 6 March 2015.

Notice of annual general meeting

Important information regarding attendance at the annual general meeting.

Notice of annual general meeting

Notice is hereby given that the twenty-eighth annual general meeting of the company will be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 25 May 2016 at 09:00 to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out below and to deal with such other business as may be lawfully dealt with at the meeting.

Electronic participation

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

- must contact the company secretary (by email at the address: nomonde.bam@arcelormittal.co.za) by no later than 09:00 on Monday, 23 May 2016 in order to obtain a PIN 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.

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, 20 May 2016 (meeting record date). Therefore the last day to trade to be registered as a shareholder in the company's register is Friday, 13 May 2016.

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.

Identification

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.

Notice of percentage of voting rights

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.

Purpose of the annual general 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 2015;
- present the audit and risk committee report;
- present the remuneration, social, ethics and audit and risk committee report; and
- consider any matters raised by shareholders.

This notice of meeting includes the attached proxy form.

Directions for obtaining a copy of the complete annual financial statements

The complete annual financial statements for the year ended 31 December 2015 may be obtained from the website http://www.arcelormittalsa.com or a request may be sent to the company secretary (by email at the address: nomonde.bam@arcelormittal.co.za).

1. Presentation to shareholders of:

1.1 The consolidated annual financial statements of the company and its subsidiaries.
1.2 The directors' report.
1.3 The independent auditors' report.
1.4 The audit and risk committee chairman's report.
1.5 The remuneration, social and ethics committee chairman's report.

2. Ordinary resolution number 1: Reappointment of auditors

"Resolved, as an ordinary resolution, that Deloitte & Touche be and is hereby appointed as the independent registered auditor of the company, and that Mr Mandisi Mantyi be noted as the individual determined by Deloitte & Touche to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing year."

3. Ordinary resolution number 2: Re-election of Mr PM Makwana

"Resolved, as an ordinary resolution, that Mr PM Makwana, who was appointed by the board and retires in terms of the Memorandum of Incorporation (MoI) of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr Mpho Makwana (BAdmin (Hons)) was appointed as independent board chairman on 5 February 2013 and chairs the nominations and B-BBEE committees. 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 Ltd, Sephaku Holdings Ltd, Nedbank Group Ltd and Nedbank Ltd.

4. Ordinary resolution number 3: Re-election of Mr LP Mondi

"Resolved, as an ordinary resolution, that Mr LP Mondi, who was appointed by the board and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr Lumkile Mondi (MA Economics (Eastern Illinois University), BCom (Hons) Economics (Wits University)), appointed non-executive director on 11 May 2007, is a member of the remuneration, social and ethics committee. Previously appointed as the chief economist of the Industrial Development Corporation and is director of various companies, including Yard Capital (Pty) Ltd and Thelo Rolling Stock.

5. Ordinary resolution number 4: Re-election of Mr JRD Modise

"Resolved, as an ordinary resolution, that Mr JRD Modise, who was appointed by the board and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr Jacob RD Modise (BCom, BAcc, MBA, AMP) was appointed independent non-executive director on 1 October 2013 and is a member of the audit and risk committee, he previously chaired the remuneration, social and ethics committee. He is a former Group Financial Director and Chief Operations Officer of Johnnic and occupied senior finance positions at Eskom, Teljoy and JCI. Mr Modise is the founder and owner of Batsomi Investments and has held various non-executive directorships on some of South Africa's leading companies, including Altron Group, Eskom, DBSA, Blue IQ, The Nelson Mandela Children's Fund and Wits Business School.

6. Ordinary resolution number 5: Re-election of Ms NP Mnxasana

"Resolved, as an ordinary resolution, that Ms NP Mnxasana, who was appointed by the board and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Ms Nomavuso Mnxasana (BCom, BCompt (Hons), CA(SA)) was appointed independent non-executive director on 1 October 2013. She is a member of the safety, health and environment committee and member of the audit and risk committee. She served as group audit and risk head at Imperial Holdings Ltd and currently serves on the following JSE-listed boards: Nedbank and JSE.

7. Ordinary resolution number 6: Election of Mr NF Nicolau

"Resolved, as an ordinary resolution, that Mr N Nicolau, who was appointed by the board on 10 September 2015 as an independent non-executive director, be and is hereby ratified and that he be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM. "

Mr Neville Nicolau was appointed as an independent non-executive director on 10 September 2015. Mr Nicolau holds a BTech in Mining Engineering from the University of Johannesburg and an MBA (finance) from the University of Cape Town's Graduate School of Business. He is currently the CEO of Basil Read Holdings and has a long history at

Notice of annual general meeting continued

Anglo American at which he was the COO and executive director of Anglo Gold Ashanti. He has over 35 years' working experience in the mining sector which includes holding various technical, management and executive positions. He is the chairman of the health, safety and environmental committee.

8. Ordinary resolution number 7: Election of Ms LZ Cele

"Resolved, as an ordinary resolution, that the appointment of Ms LZ Cele, who was appointed by the board on 4 January 2016 as an independent non-executive director, be and is hereby ratified and that she be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM. "

Ms Lungile "Zee" Cele holds a BCom degree from the University of Fort Hare and various post-graduate tax qualifications from the University of Natal. She is the founder and was the Chief Executive of Tax Solutions CC prior to its merger with Garach and Garach Accountants in 2011. Ms Cele currently holds various board memberships, including Hulamin Ltd. She brings a wealth of commercial and tax expertise to the board.

9. Ordinary resolution number 8: Election of Mr RK Kothari

"Resolved, as an ordinary resolution, that the appointment of Mr RK Kothari, who was appointed by the board on 11 June 2015 as a non-executive director is hereby ratified, and that he be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr Ramesh Kothari holds a Chartered Accountant degree from the Institute of Chartered Accountants of India. He is a General Manager within the ArcelorMittal group and is the current CFO for the ACIS region. He has over 19 years' working experience in various industries and has held key executive finance roles.

10. Ordinary resolution number 9: Election of Mr M Vereecke

"Resolved, as an ordinary resolution, that the appointment of Mr M Vereecke, who was appointed by the board on 11 June 2015 as a non-executive director, be and is hereby ratified, and that he be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM ."

Mr Marc Vereecke holds a degree in Civil Engineer Electronics from the University of Gent. He is a Vice President (VP) in ArcelorMittal Holdings AG (the ArcelorMittal group) and his current position is that of Chief Operating Officer for the Africa and Commonwealth of Independent States (ACIS) region. He has had 31 years' working experience within the ArcelorMittal group, which includes holding various technical, project management and senior management positions. Mr Vereecke is a member of the health, safety and environmental committee.

11. Ordinary resolution number 10: Appointment of Mr D Subramanian

"Resolved, as an ordinary resolution, that the appointment of Mr D Subramanian, who was appointed by the board on 1 August 2015 as an executive director, be and is hereby ratified and that he be and is hereby reappointed as a director of the company."

Mr Dean Subramanian (BCom, CA (SA)) was appointed as the chief financial officer and executive director on 1 August 2015. He was previously a finance executive for the Steel Cluster of Aveng Limited. He has had 21 years' working experience in the retail, air transport, property management and construction industries. This includes having more than 11 years' experience in various positions at Aveng Ltd.

12. Ordinary resolution number 11: Election of Mr PS O'Flaherty

"Resolved, as an ordinary resolution, that the election of Mr PS O'Flaherty, who was appointed by the board on 1 March 2016 as a non-executive director, be and is hereby ratified and that he be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr Paul O'Flaherty (BAcc, BCom, CA(SA)) was appointed as the chief executive officer and executive director of the company on 1 July 2014. He resigned from this position on 12 February 2016. He was previously the financial director and group executive of Eskom Holdings. Prior to this, he was the chief financial officer and deputy CEO at Group Five Ltd.

Retirement of Mr DCG Murray

The board notes the retirement of Mr Chris Murray, a senior member of the board, with effect from the date of this AGM, as independent non-executive director, member of and chairperson of the audit and risk committee. Mr Chris Murray (BCom, CA, MBL) was appointed independent non-executive director on 11 May 2007 and was a member of the safety, health and environment committee, the remuneration, social and ethics committee, the nominations committee and B-BBEE committee. Previously, the chief executive of Haggie Group until 2004 and active for the Steel and Engineering Industries Federation of South Africa (SEIFSA).

13. Ordinary resolution number 12: Election of Mr JRD Modise as audit and risk committee member

"Resolved, as an ordinary resolution, that Mr Jacob RD Modise be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Mr JRD Modise is suitably skilled and an experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his audit and risk committee obligations as set out in section 94 of the Companies Act, 71 of 2008 (the Act).

A brief curriculum vitae of Mr Modise is set out in ordinary resolution number 5.

14. Ordinary resolution number 13: Election of Ms NP Mnxasana as audit and risk committee member

"Resolved, as an ordinary resolution, that Ms NP Mnxasana be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Ms Nomavuso Mnxasana is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 94 of the Act.

Ms Nomavuso Mnxasana (BCom, BCompt (Hons), CA(SA)) was appointed independent non-executive director on 1 October 2013. She is a member of the safety, health and environment committee and member of the audit and risk committee. She served as group audit and risk head at Imperial Holdings Ltd and currently serves on the following JSE-listed boards: Nedbank and JSE.

15. Ordinary resolution number 14: Election of Ms LZ Cele as audit and risk committee member

"Resolved, as an ordinary resolution, that Ms LZ Cele be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Ms Lungile "Zee" Cele is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 94 of the Act.

A brief curriculum vitae of Ms Cele is set out in ordinary resolution number 8.

16. Ordinary resolution number 15: Election of chairperson of the audit and risk committee

"Resolved, as an ordinary resolution, that the audit committee members, failing which the board of directors, be and are hereby authorised to elect a chairperson of the audit and risk committee from among its members, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

17. Non-binding advisory endorsement: Remuneration policy

"Resolved, as an ordinary resolution, that the company's remuneration policy (excluding the non-executive directors), as set out in the remuneration report on page 72 be endorsed by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa, 2009."

Notice of annual general meeting continued

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

"Resolved, by way of separate special resolutions, that the annual fees payable to the non-executive directors of the company with effect from 1 June 2016 and until otherwise determined by ArcelorMittal South Africa in general meeting be approved on the basis set out below:

	Annual retainer	Attendance fee per meeting
Chairman (all-in annual fee)	R1 355 952	None
Director	R174 500	R14 540
Audit and risk committee chairman	–	R31 500
Audit and risk committee member	–	R15 862
Nominations committee chairman	–	R29 079
Nominations committee member	–	R14 540
Safety, health and environment committee chairman	–	R29 079
Safety, health and environment committee member	–	R14 540
Remuneration, social and ethics committee chairman	–	R29 079
Remuneration, social and ethics committee member	–	R14 540
Share trust committee chairman	–	R29 079
Share trust member	–	R14 540
B-BBEE committee chairman	–	R29 079
B-BBEE committee member	–	R14 540
Any ad hoc or other board committee appointed by the board (chairman)*	–	R29 079
Any ad hoc or other board committee appointed by the board (member)*	–	R14 450

** Fees to be payable to the non-executive directors of the company with effect from 1 June 2016."*

Reason for and effect of this resolution

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

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

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

Reason for and effect of this special resolution

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

20. Ordinary resolution number 16: Authority to implement resolutions passed at the annual general meeting

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

By order of the board

Nomonde Bam
Company secretary

3 February 2016

Proxy form

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-eighth annual general meeting of the company to be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 25 May 2016 at 09:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting, or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters)

of (address)

Telephone (work) (home)

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

hereby appoint or failing him/her

or failing him/her

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

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

	Number of votes		
	For*	Against*	Abstain*
2. Ordinary resolution number 1: Reappointment of auditors			
3. Ordinary resolution number 2: Re-election of Mr PM Makwana			
4. Ordinary resolution number 3: Re-election of Mr LP Mondi			
5. Ordinary resolution number 4: Re-election of Mr JRD Modise			
6. Ordinary resolution number 5: Re-election of Ms NP Mnxasana			
7. Ordinary resolution number 6: Election of Mr NF Nicolau			
8. Ordinary resolution number 7: Election of Ms LZ Cele			
9. Ordinary resolution number 8: Election of Mr RK Kothari			
10. Ordinary resolution number 9: Election of Mr M Vereecke			
11. Ordinary resolution number 10: Appointment of Mr D Subramanian			
12. Ordinary resolution number 11: Election of Mr PS O'Flaherty			
13. Ordinary resolution number 12: Election of Mr JRD Modise as audit and risk committee member			
14. Ordinary resolution number 13: Election of Ms NP Mnxasana as audit and risk committee member			
15. Ordinary resolution number 14: Election of Ms LZ Cele as audit and risk committee member			
16. Ordinary resolution number 15: Election of chairperson of the audit and risk committee			
17. Non-binding advisory endorsement: Remuneration policy			
18. Special resolution number 1: Approval of non-executive directors' fees			
18.1 Chairman			
18.2 Director			
18.3 Audit and risk committee chairman			
18.4 Audit and risk committee member			
18.5 Nominations committee chairman			
18.6 Nominations committee member			
18.7 Safety, health and environment committee chairman			
18.8 Safety, health and environment committee member			
18.9 Remuneration, social and ethics committee chairman			
18.10 Remuneration, social and ethics committee member			
18.11 Share trust committee chairman			
18.12 Share trust committee member			
18.13 B-BBEE committee chairman			
18.14 B-BBEE committee member			
18.15 Any ad hoc or other committee appointed by the board (chairman)			
11.16 Any ad hoc or other committee appointed by the board (member)			
19. Special resolution number 2: Financial assistance to related or inter-related company			
20. Ordinary resolution number 16: Authority to implement resolutions passed at the annual general meeting			

Signed this day of 2016

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 secretaries' office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by no later than 09:00 on Monday, 23 May 2016. 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 (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with point 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 on 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 23 May 2016;
    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 secretaries' office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by not later than 09:00 on 23 May 2016. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
14. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Corporate information

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

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

Postal address
PO Box 2
Vanderbijlpark, 1900
Telephone: +27 (0) 16 889 9111
Facsimile: +27 (0) 16 889 2079

Internet address
http://www.arcelormittalsa.com
www.arcelormittalsa.com/integratedreport2015

Company secretary
Ms NB Bam
Telephone: +27 (0) 16 889 4195
Facsimile: +27 (0) 16 889 2517
Email: nomonde.bam@arcelormittal.com

Sponsor
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1 Fricker Road, Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
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Auditors
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Deloitte Place, Building 1, The Woodlands
20 Woodlands Drive, Woodmead, 2052, South Africa
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Transfer secretaries
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Telephone: +27 0861 100 950
Facsimile: +27 (0) 11 688 5217
Email: web.queries@computershare.co.za

United States ADR depositary
The Bank of New York Mellon
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Internet: www.bnymellon.com

BASTION GRAPHICS

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Vanderbijlpark
Phone: +27 (0) 16 889 9111
Fax: +27 (0) 16 889 2079
GPS coordinates: E 27° 48′ 19.6″ S 26° 40′ 22.3″

www.arcelormittalsa.com