

INTEGRATED  
ANNUAL REPORT

2017



ArcelorMittal

## 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.

## Our mission

We aim to achieve our vision by:

- › Keeping our people safe
- › 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



VIEW THIS REPORT ONLINE

<https://southafrica.arcelormittal.com/InvestorRelations/IntegratedAnnualReports.aspx>



## Our values

These underpin our strategic objectives and impact our stakeholders:



› Safety



› Customer focus



› Caring



› Commitment

### Access our full annual financial statements

The full 2017 financial statements, which are available at <https://southafrica.arcelormittal.com/InvestorRelations/AnnualFinancialStatements.aspx>, provide comprehensive insight into the financial position and performance of the company for the year under review. Copies of the full financial statements may also be requested from the company secretary through our registered offices.

### Navigating this integrated annual report

The flap on the back cover includes easy-to-reference icons to aid navigation as well as our top material issues, top risks and key performance indicators.

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### 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: <https://southafrica.arcelormittal.com/InvestorRelations/Emailus.aspx>

At <https://southafrica.arcelormittal.com/InvestorRelations/AnnualValueCreationReports.aspx> and <https://southafrica.arcelormittal.com/InvestorRelations/LeadershipReports.aspx> we report in greater depth and detail on our performance against each of the four key strategic objectives covered in the integrated report and on our corporate governance.

# Report navigation

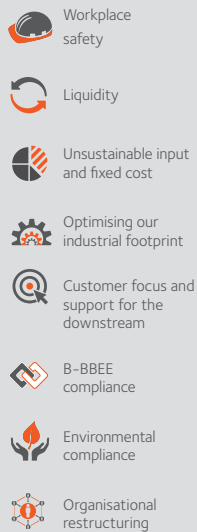
To aid navigation and cross-referencing, this report contains the following icons: our key strategic objectives, our most material issues, our top 10 risks and our key performance indicators.

Our online report includes additional information on particular topics.

These icons refer to our four key strategic objectives:



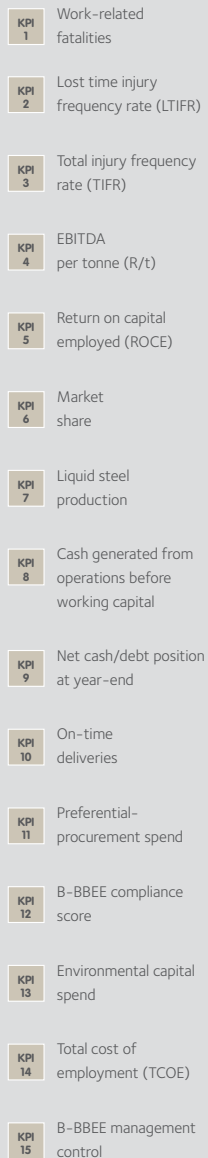
These icons refer to our material issues:



These icons refer to our top 10 risks:



These icons refer to our 15 key performance indicators:



# About this report

With this 2017 integrated annual report (IAR) we aim to provide a concise, transparent and balanced appraisal of the material value-creation issues which our strategy addressed during the year.

This report should be read in conjunction with the full financial statements and additional online reports (see below).

Our report seeks to provide a concise account of the company's leadership and strategic performance, its use of the capitals (as described by the International Integrated Reporting <IR> Framework) and its creation of value, its risks and opportunities and prospects.

We have taken the view that most stakeholders require a single, more concise overview of our performance, governance and prospects. We remain committed to ensuring maximum but relevant, impartial disclosure on our most material issues and our strategic performance. To this end we continue to report, in considerably greater detail, in our online suite of reports:

- ▶ This IAR – presented in both interactive and pdf format
- ▶ Annual value creation report
- ▶ Full annual financial statements, including unabridged remuneration and financial performance and limited assurance reports
- ▶ Leadership report, including our King IV application statement and full corporate governance discussion.

## Scope and boundary of this report

This IAR covers the period from 1 January 2017 to 31 December 2017. It concerns the leadership and operations of ArcelorMittal South Africa Ltd (ArcelorMittal South Africa) whose business model and operations are described on pages 2 and 3 of this report. There have been no material changes to either scope or boundary. Restatements of historical data are clearly indicated.

Certain statements in this document constitute forward looking statements which involve known and unknown risks and opportunities, other uncertainties and important factors which 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

This report is among the first by JSE-listed companies to include assurance over the process of report compilation. A statement by the head of our internal audit function on the process appears alongside. Neither compilers of this report nor the board or management had prior insight into the internal audit report on the IAR compilation process. A limited assurance report on selected key performance indicators is contained in our full financial statements, as is an explanation of our presentation of summarised consolidated financial statements and our adherence to relevant standards and legislation.



<http://www.youtube.com/arcelormittal>



<https://www.linkedin.com/company/arcelormittal-south-africa/>

An independent audit was performed by Deloitte & Touche, expressing an unmodified opinion on the consolidated financial statements, which included the material uncertainty relating to going concern. The opinion on the summarised consolidated financial statements is included in the IAR.

## Board responsibility

The board, together with the audit and risk committee, takes responsibility for this IAR. All directors were given at least three opportunities to review and comment on the contents and to ensure the report's integrity. The board is satisfied that this report addresses the material issues, accurately presents the integrated performance of the company and its impact, and that it has been compiled in accordance with the <IR> Framework.

The board authorised this report for release on 2 March 2018.

Wim de Klerk  
Chief executive officer

Dean Subramanian  
Chief financial officer

## Assurance over the 2017 integrated annual report (IAR) reporting process

### Background and scope

Management requested internal audit (IA) to conduct an assurance review over the process followed to compile the company's IAR for the period ended 31 December 2017.

The reporting team obtained appropriate guidance from company leadership on what they (leadership) considered material for the purposes of reporting in the 2017 IAR. IA attended this briefing and closely monitored the IAR team on the detailed gathering, presentation and verification of information as well as communication with all internal stakeholders including the board.

For the purpose of providing an assurance statement, IA formed part of the IAR team in an advisory capacity and observed the process.

### Conclusions

IA is satisfied that the IAR team faithfully executed against its brief in terms of materiality and the presentation of information including that describing leadership's formulation and execution of strategy. The team was very effective in obtaining material information concerning the operations of ArcelorMittal South Africa, which include flat steel operations (Vanderbijlpark Works and Saldanha Works), long steel operations (Newcastle Works, Vereeniging and tubular products) and the Coke and Chemicals division.

Adinda Louw  
Head South Africa, Internal Audit and SOx  
23 February 2018

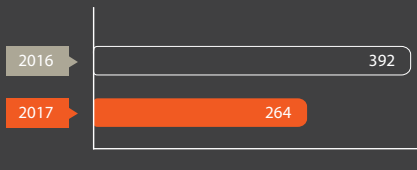
# Who we are

With headquarters in Vanderbijlpark, Gauteng, ArcelorMittal South Africa is Africa's largest steel producer with an annual production capacity of 6.1 million tonnes of liquid steel; approximately 5.2 million tonnes of saleable steel products. In 2017 we produced 4.9 million tonnes of saleable steel, an increase of 139 000 tonnes over 2016. A proudly South African company, we are part of the world's leading steel producer with industrial sites in over 20 countries and a presence in more than 60.

## EBITDA contribution (Rm)

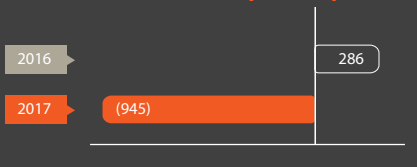
### Flat steel

264m



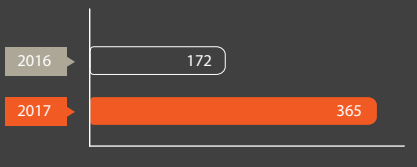
### Long steel

(945)m



### Coke and Chemicals

365m



### Corporate

1m



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

## Flat steel products

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

### 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

**81%<sup>+</sup>**

(2016: 82% – 2015: 75%)

#### Lost time injury frequency rate (LTIFR)

**0.38<sup>+</sup>**

(2016: 0.39 – 2015: 0.51)

#### Revenue

**R22.5 billion<sup>+</sup>**

(2016: R18.3 billion – 2015: R15.9 billion)

#### Liquid steel production

**2.340 million tonnes<sup>+</sup>**

(2016: 2.389 million tonnes – 2015: 2.182 million tonnes)

<sup>+</sup> Externally assured.

For more information on Vanderbijlpark Works 31

### Saldanha Works



#### Capacity

**1.3 million tonnes**

of liquid steel per annum

Largely export focused, Saldanha Works 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

**86%<sup>+</sup>**

(2016: 64% – 2015: 74%)

#### LTIFR

**0.62<sup>+</sup>**

(2016: 0.30 – 2015: 0.0)

#### Revenue

**R7.9 billion<sup>+</sup>**

(2016: R5.2 billion – 2015: R5.2 billion)

#### Liquid steel production

**1.118 million tonnes<sup>+</sup>**

(2016: 832 000 tonnes – 2015: 963 000 tonnes)

<sup>+</sup> Externally assured.

For more information on Saldanha Works 32

## Long steel products

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



### Capacity

**1.9 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 2017 Newcastle and Vanderbijlpark shipped 101 000 tonnes of input material for processing into heavy structural products at Evraz Highveld Steel's heavy structural steel mill in Mpumalanga. Since 2015 billets produced at the Newcastle furnace have been transported to Vereeniging for milling. 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)

**76%<sup>+</sup>**

(2016: 81% – 2015: 73%)

### LTIFR

**0.40<sup>+</sup>**

(2016: 0.92% – 2015: 0.25%)

### Revenue

**R11.8 billion<sup>+</sup>**

(2016: R10.6 billion – 2015: R10.9 billion)

### Liquid steel production

**1.452 million tonnes<sup>+</sup>**

(2016: 1.550 million tonnes – 2015: 1.694 million tonnes)

<sup>+</sup> Externally assured.

For more information on long steel products  32

## Coke and Chemicals

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



### Capacity

**695 000 tonnes**

of commercial coke per annum

Almost two-thirds of revenue derives from the ferrochrome industry with significant quantities of commercial coke also being consumed by the aluminium, alloys, petrochemicals and other sectors.

### LTIFR

**0.00<sup>+</sup>**

(2016: 1.25 – 2015: 1.09)

### Revenue

**R1.4 billion<sup>+</sup>**

(2016: R1.4 billion – 2015: R1.8 billion)

### Commercial coke production

**190 000 tonnes**

(2016: 251 000 tonnes – 2015: 406 000 tonnes)

<sup>+</sup> Externally assured.

For more information on Coke and Chemicals  32

# How we create social and human value



## Local economic and social impact

Our plants are at the very heart of the local economies of the Vaal Triangle, northern KwaZulu-Natal and the West Coast.

In 2017, in addition to paying employees R4.2 billion in salaries, wages and benefits, we spent R29 billion with suppliers and invested R1.38 billion on maintaining and improving our plants and on mitigating our environmental impacts. Much of this work was carried out by local contractors and suppliers. This capital expenditure was spent as follows in these three regions: Newcastle R523 million, Vaal R762 million and Saldanha R97 million.

## National economic, industrial and employment impact

More than 70% of our South African sales go to four key industrial sectors which, between them, account for some 20% of South Africa's GDP and almost two million jobs.

Sector	GDP contribution (%)	Our 2017 sales (000 tonnes)
Construction	3.6	1 735
Utilities (water and energy)	2.5	152
Mining	6.3	295
Automotive	7.5	292



## Employer, job creator and skills developer

**197** – number of full-time apprenticeships offered in partnership with the Department of Labour, merSETA and the Unemployment Insurance Fund

**345** – number of jobs revived following the reopening of the Evraz Highveld Steel structural steel mill in Mpumalanga

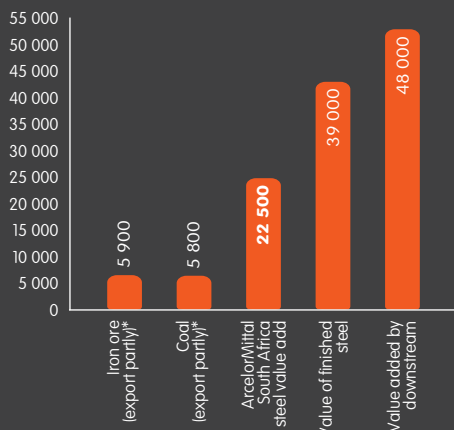
**3** – jobs created for every 1 000 tonnes of steel produced

317 000 hours of training conducted at a cost of **R154 million**

Almost **9 000** directly employed, of whom 65% were ACI (African, coloured and Indian)

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

Statistics for 2017



\* Tonnes consumed at average EPP for 2017.



## Catalyst for change

**R30 million** – cost of a 1 600m<sup>2</sup> business incubation hub opened with the Department of Trade and Industry in Vanderbijlpark

**19%** – percentage of total procurement sourced from black-owned businesses – up from 14% in 2016

**92%** – percentage of those in our technical training pipeline who were black. Of 743 learner apprentices, 95% were black, as were 100% of bursar technicians

**Level 3** – B-BBEE contributor status



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



**In 2017 ArcelorMittal South Africa:**

Actively supported applications for import protection on <b>15</b> downstream product categories	Grew its technical training pipeline by <b>13%</b> to <b>1 518</b> individuals	Invested <b>R23 million</b> in local communities through socio-economic development (2016: R17.4 million)
Had a freshwater intake of <b>3 160</b> litres per tonne of liquid steel – one-ninth of the world average	Reached <b>54 000</b> learners through our three sponsored science centres	Grew supplier development by over 80% to <b>R17.8 million</b>

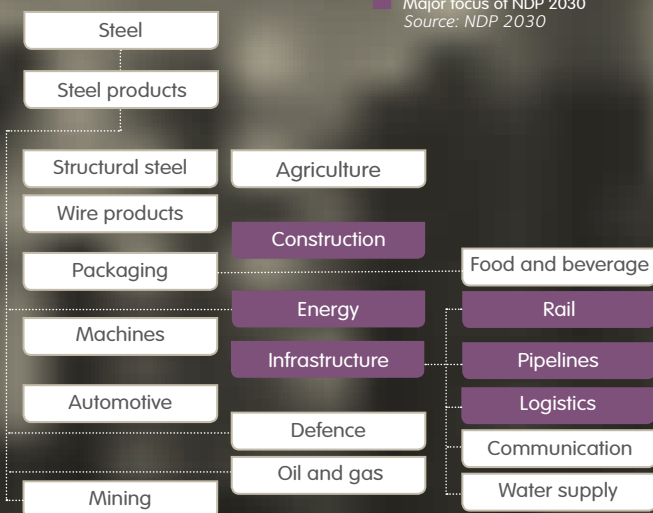


**Economic growth engine**

<b>R322 million</b> – value of rebates given to customers who used our products to achieve new export sales in 2017 – more than three times the 2016 value	<b>R29 billion</b> – amount paid to suppliers
<b>R7.3 billion</b> – export revenue – up 34% over 2016	<b>R60 million</b> – paid to the Committee of Secondary Manufacturers' Trust to support downstream exports

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

Major focus of NDP 2030  
Source: NDP 2030



**Enabling the NDP through beneficiation**

Attainment of the National Development Plan's (NDP) key targets is supported by ArcelorMittal South Africa's activities. By beneficiating large amounts of raw materials and producing primary steel for further processing, ArcelorMittal South Africa facilitates manufacturing, job creation, investment in infrastructure and exports.

# Our operating context

International steel markets recorded limited but significant growth in demand in 2017, significant in that, as the World Steel Association noted, the improvement pointed to ‘the cyclical upturn broadening and firming throughout the year’.

## Market overview

### World

The association predicted that global steel demand would reach 1 622.1Mt in 2017, growing to 1 648.1Mt in 2018 (a 1.6% increase). Global steel demand excluding China was estimated at 856.4Mt for 2017 (up 2.6% on 2016) and 882.4Mt for 2018 (a growth of 3.0%). Even accounting for plant closures and environmental shutdowns, Chinese steel output grew by 40Mt in 2017, that country maintaining its global market share at 50%.

Whereas a cyclical upturn began to take root in most developed and developing markets this year, the same could not be said of South Africa. Domestically, various negative factors, most notably a lack of investor confidence, translated into depressed steel sales with demand shrinking by some 2% off an already low base.

### South Africa

Because of its size, structure and cost base, ArcelorMittal South Africa’s fortunes are, to a very large extent, tied to those of the national economy and, in particular, infrastructural investment. With political uncertainty weighing on investment decisions and execution of large projects continuing to lag, at approximately 20% of GDP, gross fixed capital formation (a key measure of infrastructural investment) remained extremely low – half that of similar countries.

Over the next three years, government has committed to spending R403 billion on infrastructure through its state-owned enterprises (SOEs – which investments are typically steel intensive) with the full government infrastructure budget amounting to more than double that amount. However, this year, execution of approved infrastructural projects remained poor, meaning that funds were not deployed towards generating economic activity, creating much needed roads, hospitals and roads, and job creation.

Poor, even negative, domestic steel demand reflected another disappointing economic performance, the latest estimate of GDP growth for the year being just 0.9%. Agriculture showed good growth (16%) on the back of improved weather conditions but growth in the key (steel consuming) manufacturing, building and construction and mining sectors was either negligible or negative. At the time of reporting, it was estimated that both the manufacturing and construction sectors had contracted by 0.1% while mining output

grew by 4.5%. For most of the year indices tracking purchasing manager and consumer confidence continued to reflect the nation’s negative outlook.

In the latter part of 2017 the effects of essential steel import protections began to become apparent with imports declining for the full year by 195 000t.

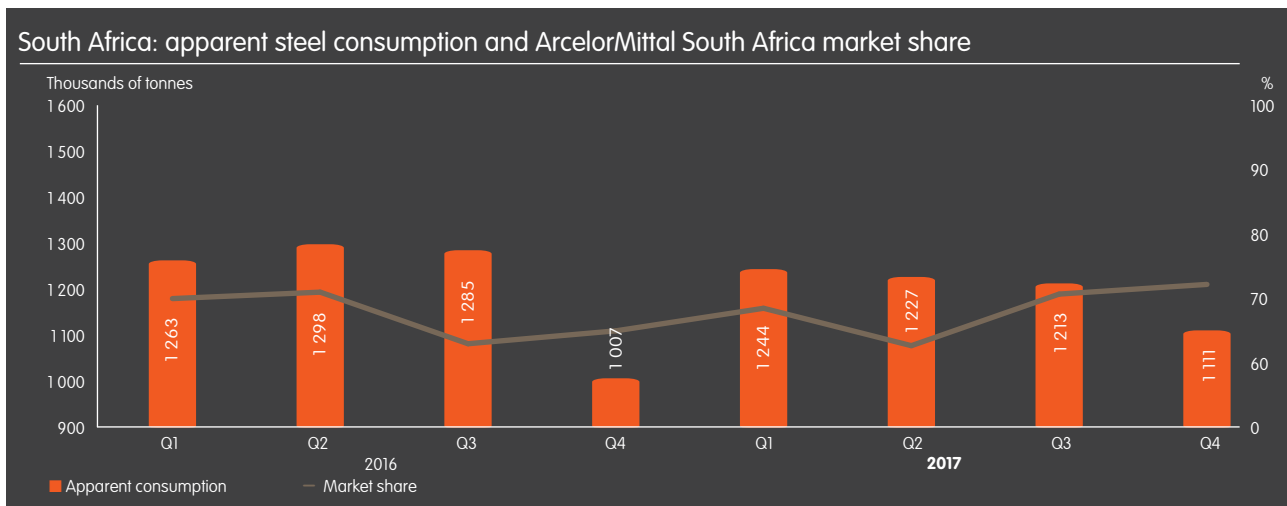
Import tariffs and safeguards apply to flat and long steel products. From January 2017 the designation of local content (where public sector organisations are required to use locally produced steel products) began to come into force; this process continued to be rolled out in 2017. In the year reported, these interventions had a measurable effect on locally produced primary steel sales. However, the flat and long steel downstream (including many of our traditional customers) suffered from having little or no protection against the import of unfairly subsidised finished or semi-finished products.

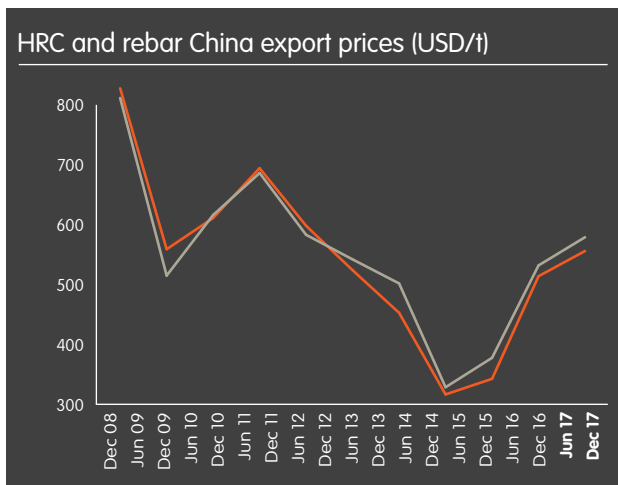
With our fortunes becoming increasingly aligned with those of the downstream, this year represented a sea change in how ArcelorMittal South Africa sought to engage with its customers. This engagement (see 34) included wide-ranging consultation and support for preparing and submitting applications for protection against unfair imports of finished and semi-finished products. We also bolstered our sales and marketing function, increased rebates paid for value-added exports and worked with various authorities, departments and SOEs on the effective implementation of designation.

### Steel pricing and currencies

Import tariffs and safeguards have no effect on domestic flat steel prices; instead ArcelorMittal South Africa has committed to price flat steel products taking into account a ‘fair pricing’ basket of prices prevailing within Europe, the North American Free Trade Agreement area and the Far East.

In line with strengthening international steel prices – especially in the United States – our average net realised price rose 15%, from R7 282 in 2016 to R8 338 per tonne.





Because its prices in US dollar, the company is extremely exposed to exchange rate fluctuations, especially those in the rand/US dollar rate. In 2017 the average rand/US dollar exchange rate was 13.32 whereas the average for 2016 was 14.72.

In particular, the performance of the rand against the US dollar has a material effect on our profitability. In 2017 the domestic currency was relatively volatile (trading in a band between 12.27 and 14.49) and responding mostly to political shocks but in the main remaining resilient in the face of stagnant growth and poor local sentiment. The rand/US dollar exchange rate ended the year close to the 12.40 level at which the year began. This despite ratings downgrades of the country's credit.

### Export markets

A weaker rand naturally improves our export competitiveness, especially in the sub-Saharan African markets to which we have traditionally exported. ArcelorMittal South Africa exports a quarter of its production with 37% of Saldanha's production going to foreign markets. Cheap, often dumped steel exports have in recent years posed a significant threat to our ability to compete in many foreign markets but our new focus on opportunity management (see 12) has led us to believe that, with a closer engagement with regional governments and end-users and their needs, we can turn this potential risk to our competitive advantage.

Exports are shipped by sea (mostly to east and west Africa – so-called bluewater exports) and trucked or railed to southern and central Africa (Africa Overland). Exports are therefore important to our revenue and a significant source of foreign exchange. In 2017 growing exports was a major strategic focus, the company succeeding in increasing foreign sales by 183 000 tonnes to 995 000 tonnes or 23% of total sales (2016: 20%).

In several key Africa Overland markets, government commitments to invest in building infrastructure, coupled with an improvement in some key commodity prices, underpinned demand. The World Steel Association estimates that African steel demand contracted slightly

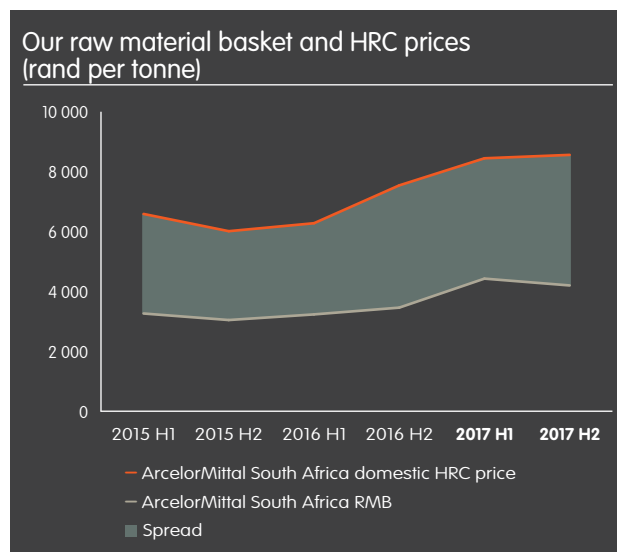
in 2017 (largely ascribable to weak demand from North Africa) but foresees robust growth in 2018 of over 3%.

### Steel costs

Our ability to generate EBITDA profits is closely tied to the differential between the raw material basket (RMB – the combined cost of our input materials) and sales prices, or net realised prices (NRPs).

For 2017, international prices of iron ore (37% of our RMB) were as much as 23% higher than those of 2016. In mid-year, prices slumped from a high of almost USD95/t at the end of February to an intra-year low of under USD55/t in June, at which point prices began to recover strongly, reaching USD71/t at year-end.

Prices of our other key input material, coking coal (49% of the basket) reached near-record highs in H1, at a time when planned repairs and maintenance sharply reduced our own ability to produce coke. In Q3 and Q4, however, coking coal prices softened. For the whole of 2017 our RMB cost in dollar terms rose by 42% relative to 2016.



In H1 our long steel competitors benefited from the fact that scrap steel price increases (at 20%) were lower than the increases of our major input costs. This meant that we lost competitiveness and, therefore, market share on, especially, sales of rebar and wire rod, a situation that was addressed from Q3.

While the prices of our major variable costs declined in Q3 and Q4, international steel prices held up, translating into an improved gap between the RMB and NRPs. In H1 2017, the gap was similar to that of the second half of the previous year but widened marginally in H2 2017.

# Our value creation model

Our business model requires the input of various capitals in the creation of steel, coke and chemicals. We operate our business model in a social, environmental and human context from which we derive our licence to operate. We create value for a broad range of stakeholders but our business model is

## Inputs

### Natural capital

#### Raw materials consumed

	2015	2016	2017
Iron ore	6 541kt	6 604kt	7 234kt
Coal	4 075kt	4 014kt	4 056kt
Consumed scrap*	759kt	684kt	781kt
Fluxes	1 658kt	1 733kt	1 767kt

\* Externally procured and internally generated and recycled.

### Energy

	2015	2016	2017
Electricity purchased (TWh)+	3.40	3.14	3.26

+ Externally assured.

### Water intake

	2015	2016	2017
Water intake (Mℓ)	18 418	15 475	15 505

### Human and intellectual capital

	2015†	2016†	2017†
Employees	9 315*	9 056*	8 913
Hired labour	106	320	77
Service contractors	2 417	2 997	2 890
Training spend	R202m	R184m	R154m

† As at 31 December.

\* Permanently employed (including fixed term contractors).

### Financial capital

	2015	2016	2017
Equity+	R13 472m	R13 543m	R8 058m
Borrowings+	R5 029m	R1 950m	R6 400m

+ Externally assured.

## Our working business model

We produce iron and steel, commercial coke and useful by-products in three provinces, in processes that sustain hundreds of thousands of jobs. This is our business model:

### Steelmaking process



Raw materials



Blast furnaces



Caster



Billet mill



Hot strip mill

We produce three types of products:

Flat steel products

Long steel products

Coke and Chemicals



unsustainable if we do not create real and meaningful value for investors, employees, government, suppliers, communities and customers – while proving that we are doing everything possible to minimise our environmental impact.

## Outputs and outcomes

### OUR NEW SALES ENVIRONMENT

Since 2016 we have applied fair pricing on flat steel products. Performance on this commitment is transparent with our application of a pricing remedy agreed with the Competition Commission being independently audited.

Tariffs and other trade measures aim to protect us and other primary steel producers as well as downstream manufacturers from unfair government-subsidised imports.

Our steel prices are set taking into account a basket of prices prevailing in international markets

Our pricing and even particulars of our capital expenditure are monitored by independent regulators.

### Financial capital

#### Shareholders, investors, employees

	2015	2016	2017
Revenue <sup>+</sup>	R31 141m	R32 737m	<b>R39 022m</b>
EBITDA <sup>+</sup>	(R809m)	R190m	<b>(R315m)</b>
Loss from operations <sup>+</sup>	(R4 736m)	(R1 092m)	<b>(R1 220m)</b>
EBITDA margin	(2.6%)	0.6%	<b>(0.8%)</b>
Headline loss per share <sup>+</sup>	(1 338c)	(244c)	<b>(230c)</b>
Headline loss <sup>+</sup>	(R5 370m)	(R2 589m)	<b>(R2 518m)</b>

### Human capital

#### Employees, contractors

	2015	2016	2017
Safety: LTIFR <sup>+</sup>	0.48	0.62	<b>0.66</b>
Safety: Fatalities <sup>+</sup>	2	3	<b>3</b>
Salaries and wages <sup>+</sup>	R4 027m	R4 175m	<b>R4 164m</b>

### Manufactured capital

#### Customers

	2015	2016	2017
<b>Flat steel products sold</b>	<b>2 678kt</b>	<b>2 736kt</b>	<b>2 995kt</b>
Domestic market	1 915kt	2 097kt	<b>2 352kt</b>
Export market	763kt	639kt	<b>643kt</b>
<b>Long steel products sold</b>	<b>1 459kt</b>	<b>1 351kt</b>	<b>1 262kt</b>
Domestic market	1 124kt	1 178kt	<b>950kt</b>
Export market	329kt	173kt	<b>312kt</b>
<b>Coke and Chemicals</b>			
Market coke	451kt	367kt	<b>193kt</b>
Tar	96kt	75kt	<b>82kt</b>
Other (mostly slag)	1 120kt	710kt	<b>709kt</b>

### Social capital

#### Local communities, suppliers, HDSA businesses

	2015	2016	2017
Socio-economic development <sup>+</sup>	R16.3m	R17.4m	<b>R23.0m</b>
Procurement spend	R32 275m	R27 789m	<b>R29 058m</b>
Direct GDP contribution	1%	0.9%	<b>1%</b>
Taxes contributed	R870m	R837m	<b>R968m</b>
Procurement – QSE and EME	R2 500m	R2 750m	<b>R2 170m</b>

<sup>+</sup> Externally assured.

## Trade-offs

In 2017, we took decisive action to preserve cash. This meant that we had to reduce costs on many fronts, impacting our employees, suppliers, communities and ultimately our ability to create human and social value.

### Manufactured capital

↓ **R636 million**

The amount by which our capital expenditure declined from 2016 – to preserve cash – to R1 382 million

### Social capital

↑ **> 300%**

Growth in the value of export rebates given to customers over the previous year, to R322 million. This impacted our bottom line but enabled local customers to earn foreign exchange and to sustain and grow their businesses

### Human capital

↓ **2 380**

The number of package category employees and directors who went without salary increases in 2017, in order to preserve financial capital

### Social capital

↑ **R1 billion**

The amount by which procurement spend increased from the R28 billion of 2016 as purchases of goods and services from black-owned business rose by almost a fifth

### Human and intellectual capital

↓ **R30 million**

The reduction in training expenditure, translating into a third fewer training hours, impacting our intellectual and human capital

### Financial capital

↓ **R377 million**

Increase in interest incurred on borrowing following the conclusion of a borrowing-based facility. While financial capital negative, the facility very substantially derisked our business

# 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					
Key performance indicator	Unit	2017	2016	2015	Definitions
Percentage of operations certified to the ISO 14001 standard	%	100	100	100	ISO 14001 is an international standard for environmental management systems
<b>Greenhouse gases</b>					
Direct carbon dioxide (CO <sub>2</sub> ) – Scope 1*	t/t liquid steel	2.34	2.32	2.13	Direct CO <sub>2</sub> emissions
Indirect carbon dioxide (CO <sub>2</sub> ) – Scope 2*	t/t liquid steel	0.67	0.68	0.67	Indirect CO <sub>2</sub> emissions due to electricity consumption
Total greenhouse gas (CO <sub>2</sub> equivalent Scope 1 and Scope 2)*	t/t liquid steel	3.01	3.00	2.80	
Total greenhouse gas (CO <sub>2</sub> equivalent Scope 1 and Scope 2)*	mt	14.71	14.30	13.57	
<b>Atmospheric emissions</b>					
Sulphur dioxides (SO <sub>2</sub> )	Tonnes	21 623	22 881	21 544	
Particulates from point sources	Tonnes	3 580	2 973	2 535	
<b>By-products</b>					
By-products generated	mt	4.23	4.13	4.09	
By-products disposed (% of total)	%	40	37	35	
<b>Energy use</b>					
Electricity (purchased)*	TWh	3.26	3.14	3.40	
Total energy consumption*	PJ	139	131	128	
Electricity self-generated	MWh	237 154	209 632	209 479	
<b>Material use</b>					
Iron ore	Tonnes	7 234 023	6 603 664	6 541 045	
Coal	Tonnes	4 055 568	4 013 533	4 074 721	
Dolomite	Tonnes	862 169	505 746	519 658	
Limestone	Tonnes	814 589	556 957	540 694	
Scrap (consumed)	Tonnes	781 490	684 041	758 884	Externally procured and internally generated and recycled
<b>Water</b>					
Fresh water intake	kℓ	15 504 695	15 475 311	18 418 173	

Investing in our people					
Key performance indicator	Unit	2017	2016	2015	Definitions
Employee numbers* (permanent at year-end)	Number	8 913	9 056	9 315	
Employee and contractor fatalities*	Number	3	3	2	
Lost time injury frequency rate (LTIFR)*	per million hours worked	0.66	0.62	0.48	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	0.87	0.89	0.70	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	7.66	9.50	10.77	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	2017	2016	2015	Definitions
Occupation disease frequency rate (ODFR)	per million hours worked	0.18	0.02	0.19	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	74 266	133 794	93 216	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	308 888	378 778	488 079	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	154	184	202	
Proportion of above focused on black employees	%	71	67	71	
Investment in bursary scheme	Rm	83	56	63	
Graduates in training	Number	32	30	35	
Production learners	Number	414	418	422	
Apprentices	Number	743	546	462	
Artisan-to-technician conversion programme	Number	35	50	98	

## Creating value for our stakeholders



Key performance indicator	Unit	2017	2016	2015	Definitions
<b>Value added statement</b>					
Revenue	Rm	39 022	32 737	31 141	
Purchased materials and services	Rm	35 478	27 789	29 612	
Finance and investment income	Rm	74	74	131	
Percentage of total spend with black-owned businesses	%	19.2	14.1	13.4	
<i>Value distributed to:</i>					
Shareholders	Rm	–	–	–	
Employees	Rm	4 164	4 175	4 027	
Providers of debt	Rm	951	793	812	
Government	Rm	–	2	40	
Community investment*	Rm	12	17	13	
Reinvested in group	Rm	1 322	1 952	1 262	

## Transparent governance



Key performance indicator	Unit	2017	2016	2015	Definitions
Fines, penalties and settlements	Number	–	1	–	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	–	1 500	–	Provision includes fines due to non-compliance with all laws, regulations and permits. Payments do not include levies or costs for lawyers and product liabilities. The figure reflected here relates to the penalty agreed this year with the Competition Commission, which the company will begin paying in 2018

\* Externally assured.

# Risk and materiality









In 2017 our strategy was principally concerned with combating risks to the company's survival.

Whereas significant progress was made this year on ensuring our sustainability, the majority of our top risks remained of such magnitude that they dominated board and management deliberations on strategy formulation and execution. As such, our most material issues derived from our top risks, including continuing risks to the safety of people.

The top 10 risks facing our company in 2017 were:

- Risk 1** Solvency and liquidity
- Risk 2** Foreign-exchange exposure
- Risk 3** Operational stability
- Risk 4** Spread risk
- Risk 5** Decrease in market demand
- Risk 6** Increased imports
- Risk 7** Insufficient input material supply and quality of input material
- Risk 8** Increased input costs
- Risk 9** Safety performance
- Risk 10** Environmental compliance

**Our most material issues this year were:**

 – Workplace safety	 – Liquidity	 – Unsustainable input and fixed costs	 – Customer focus and support for the downstream
 – B-BBEE compliance	 – Environmental compliance	 – Optimising our industrial footprint	 – Organisational restructuring

## Determining materiality

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



Keeping our people safe



Ensuring financial sustainability



Creating social value




Creating a high-performance culture

We formulate our key strategic objectives by answering the questions: what are the most material issues we must address in order to create value into the future, and what are the issues that matter most to our stakeholders?

## Risk management

This year our risk register highlighted the many ways in which the environments mentioned above posed very real threats to our viability and to our ability to continue creating value.

The board considers risk to be integral to its decision-making and to the formulation of policy. In 2017 we began to formally capture, quantify and manage ‘upside risks’ – significant opportunities. Our new focus on opportunities derives not only from the publication of the King IV code but also from the fact that some top risks (such as B-BBEE compliance and imports) have been significantly mitigated, and that we are now positioned to exploit actions previously taken to mitigate these risks, to create considerable value.

Because risk and opportunity management are essential to our value-creating strategy, we include an extended discussion on this subject in our  online annual value creation report.



## Risk governance

### Enterprise risk management

ArcelorMittal South Africa's enterprise risk management (ERM) process is aligned with world best practices, the King IV code, the ISO 31000 and 22301 standards and ArcelorMittal group risk management policies and practices. The objective of our ERM process is to enhance our ability to manage the uncertainties faced by our business, especially in a depressed South African economy. In the long run this will create greater confidence in the company's capacity to seize opportunities, alleviate risks and achieve sustainable successes.

Our board is ultimately responsible for risk management and has an audit and risk committee which oversees risk policies and strategies. Risk management reports, containing, inter alia, the top risks for the business in different categories, are provided to and discussed by the executive committee, audit and risk committee and board. Top risks are also reported to the ArcelorMittal group risk committee via the group enterprise risk manager.

The board bears responsibility for information technology (IT) governance while delegating to management the implementation of the IT governance framework. An IT risk management report, containing the top IT-related risks in different categories, is provided to and discussed at the audit and risk committee. As with most other industries, concerns about increased cyber security threats (including the security of sensitive information) receive considerable attention.

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.

### Risk and opportunity

The company actively applies the principles set out in King IV. With the risk management process sufficiently embedded and with the potential impact of some top risks being significantly mitigated, in 2017 the company pursued the identification and evaluation of risk upside (opportunities) as per the King IV code. At ArcelorMittal South Africa, opportunities have been broadly defined as follows:

- 】 Strategic opportunities/projects
  - The long-term survival of any company is not only dependent on maintaining the status quo but also requires that the company pursue different strategic opportunities. (In our case examples include reopening the Evraz Highveld Steel heavy structural mill and aligning operations to market requirements).
- 】 Strategic risks posing opportunities
  - The impact of the company's strategic risks is calculated both on 'most credible impact' and 'best case impact'
  - In some cases best case impacts present opportunities. An example is the rand/US dollar exchange rate.

- 】 Project-related opportunities
  - Risks and opportunities on significant capital projects are identified. Opportunities are listed (and assessed), examples of opportunities we have to maximise value creation include the use of local steel in project execution, or the use of local labour when placing contracts with international companies.

### Combined assurance

In 2016 the combined assurance process, supported by the risk management system, was implemented in full. The implementation process consisted of four phases:

- 】 Finalisation and testing of the combined assurance process within the risk systems
- 】 Training of risk specialists and risk database users in combined assurance principles and changes to the database
- 】 Conducting combined assurance (control effectiveness) audits on top risks
- 】 Auditing of the combined assurance process by global assurance (internal audit) at the end of 2016.

In 2017 the outcomes of the 2016 process were used to further improve the effectiveness of combined assurance which is today fully integrated into the risk management process. This integration ensures that remediation or improvement opportunities are prioritised and assessed for comprehensiveness.

This year control effectiveness audits were done on top strategic, asset and IT risks. Supporting documentation was uploaded to the risk database with global assurance auditing the process and the effectiveness of controls in November.

The components of the COSO 2013 framework are applied as an integral part of the overall system of internal control and are built into the risk management system.

### Asset risk management

The risk management process is directly linked to the capital process, to ensure that risk-based capital allocation is prioritised and scrutinised to address exposures that are real threats to the business.

Over the past five years significant asset risk mitigation actions were executed. Newcastle spent a large amount of capital on reducing its risks. Chief among these investments were a R1.8 billion blast furnace reline in 2014, stove refurbishment, sinter plant reline and a basic oxygen furnace (BOF) flare stack repair. Other business units also spent significant amounts of risk-mitigating capital on items such as the Corex campaign extension at Saldanha (at a cost of R76 million); purchasing of critical spares with gearbox spares being the top priority; upgrading drives and the improvement or installation of fire detection and suppression systems.

# Risk and materiality continued

New asset risks identified in 2017 were assessed and included in the various risk registers. Top asset risk exposures identified in 2017 were:

- › Restriction of water supply (Saldanha)
- › Blast furnace stoves
- › Motors/generators
- › Structures.

## Structural risk surveys

ArcelorMittal South Africa's plants are ageing, between 18 and 106 years old. Because of the age of our plants, the risk of structural failure was identified as a focus area in 2015 with continued focus in 2016 and 2017. 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 included 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. Structural risks identified are prioritised and actions to mitigate them allocated.

## Project risk management

Project risk management, a continuing focus area in 2017, has become part of the culture of the business. All major projects, or projects with significant risks attached, go through a structured project risk management process facilitated by risk specialists. Project risks and opportunities are identified for the different project stages and are updated at a frequency determined in conjunction with project teams. Follow-up on project risks and opportunities and the implementation of mitigation actions is done during the project execution phase.

Identifying opportunities as part of project risk management became more relevant in 2017 due to both the drive from risk specialists and the governance expectations set by King IV, and will be a continued focus area in 2018.

## Business continuity management

The business continuity management (BCM) policy we have implemented is aligned with world best practices, the King IV code and the ISO 22301 standard. 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 IT business continuity plans were revised prior to the SAP platform being migrated to the cloud. These updated contingency plans ensured a continuation of normal business during the transition period when SAP was down. Operational business continuity plans at other sites will be benchmarked and updated.

## Compliance risk management

Until recently, while the company had an effective compliance policy, apart from some pockets of excellence, there was no entrenched compliance culture. In 2017, a compliance risk management framework (whose development had been initiated in 2015) and compliance operating procedures were adopted by the board.

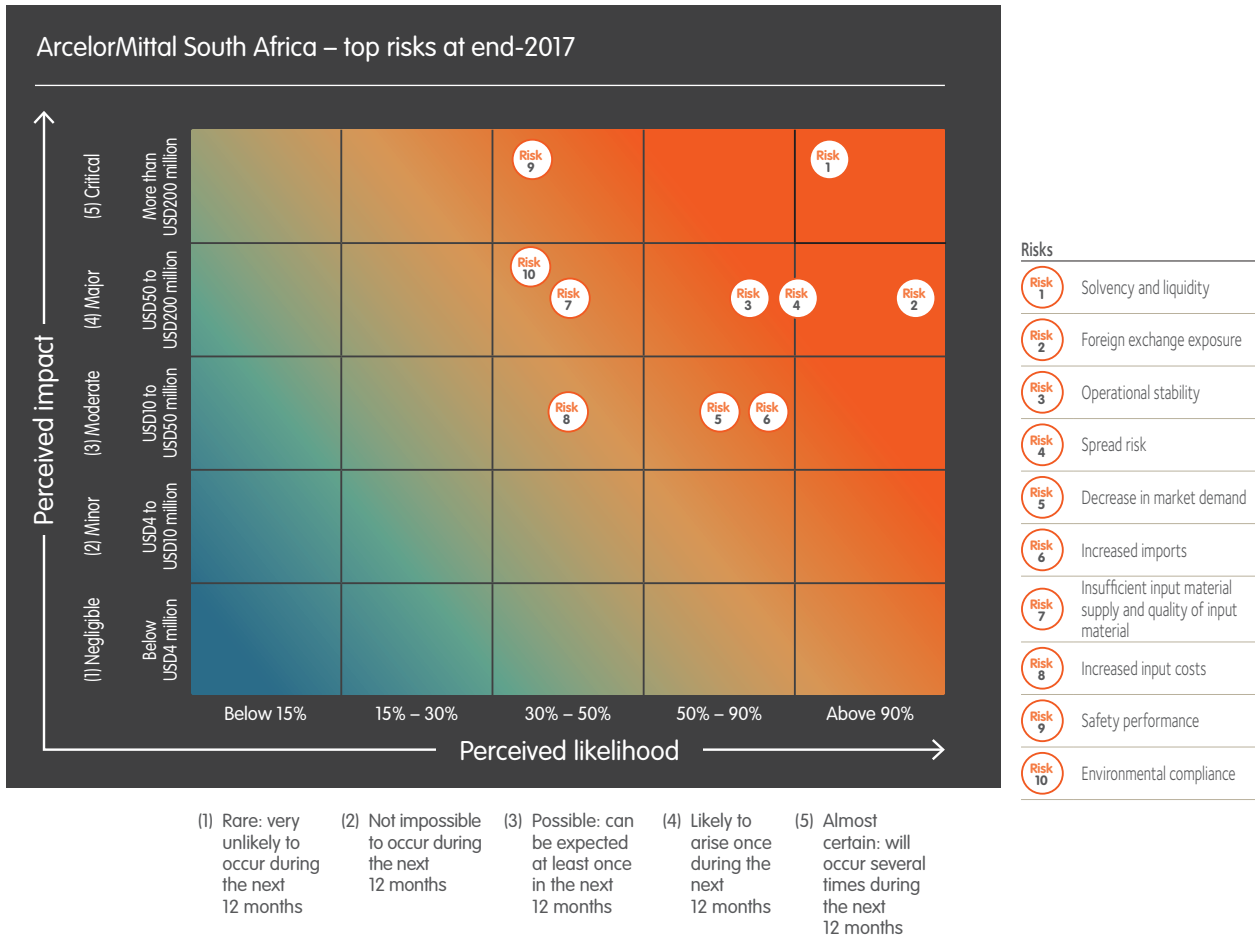
A compliance officer and compliance champions were appointed and, in 2017, underwent extensive training. Competition law was a particular training focus. Also this year the internal audit function undertook a robust audit of the compliance risk management process, finding that satisfactory progress had been made.

## Outlook for 2018

In the year ahead we will focus on improving the robustness of risk management by, among other measures, embedding the King IV recommended practice concerning the identification of upside risks (opportunities), taking the risk control effectiveness approach to a more detailed level, improving and testing our operational business continuity plans to mitigate the impact of a disaster and seeking to put in place an alternative risk financing programme when the company's risk bearing capacity is challenged. In 2018 various actions will be taken to embed and integrate compliance risk management at both head office and business unit level.

## Most significant risk exposures



The top strategic residual risks as identified through our ERM process, which could impact our sustainability, are detailed here.



# Our strategy, stakeholders and creation of value

Here we illustrate how, in 2017, execution against our key strategic objectives addressed our most material issues and our key risks, what these actions mean for our key stakeholders, and how we measure our performance on achieving our strategic objectives.



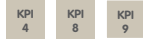





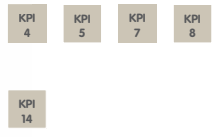
Keeping our people safe			
Material issues, top risks and KPIs	Key 2017 strategic actions	Stakeholders impacted	Impact on stakeholders and outcomes
<b>Workplace safety</b> 	<p>Strong focus on the identification and reporting of serious occurrences/potential to cause serious injury or fatalities</p> <p>Appointed 154 'safety custodians' to monitor contractors' application of safety standards</p>	<ul style="list-style-type: none"> <li>Employees</li> <li>Contractors</li> </ul>	<p>Our safety performance disappointed in the year; three contractor employees were killed in two incidents and our LTIFR worsened, from 0.62 to 0.66.</p>

Creating social value			
Material issues, top risks and KPIs	Key 2017 strategic actions	Stakeholders impacted	Impact on stakeholders and outcomes
<b>Customer focus and support for the downstream</b> 	<p>Assisted the downstream (our customers) in securing import protection on semi-finished and finished steel products. At year-end, we were working closely with a number of industry organisations including:</p> <ul style="list-style-type: none"> <li>SA Wire Association</li> <li>Association for Steel Tube and Pipe Manufacturing</li> <li>Southern African Metal Cladding and Roofing Association</li> <li>SA Iron and Steel Institute</li> <li>SA Coil Coaters Association</li> <li>SA Institute of Steel Construction.</li> </ul> <p>Communicated to customers the availability of export rebates and how to claim these.</p> <p>Developed new products and specifications, most in close association with existing and new customers, adding 34 000 tonnes in new sales.</p> <p>Opened Isando Logistics Centre to improve on-time deliveries and customer service.</p>	<ul style="list-style-type: none"> <li>Customers</li> <li>Employees</li> <li>Regulators</li> </ul>	<p>Customers will benefit from the company's expertise and input on securing vital protection against unfair imports.</p> <p>On-time deliveries deteriorated relative to the previous year.</p> <p>Customers were paid R322 million in export rebates, a 300% increase over 2016. This growth reflected significant export-driven domestic job creation and business activity although in 2017, fewer volume rebates were paid. This fact will boost the competitiveness of smaller, especially emerging merchants and manufacturers.</p> <p>Customers benefit from improved quality relative to often inferior imported products. Fair pricing on flat products guarantees customers market-related pricing.</p>
<b>B-BBEE compliance</b> 	<p>Recognition improved to Level 3 in 2017 but may decline to Level 4 in 2018 as a result of financial constraints impacting our ability to spend on skills development and the effect of the amended codes on our preferential procurement spend.</p> <p>The company substantially increased its spend on black-owned and black women-owned businesses and continued to invest in excess of code-required amounts on enterprise and supplier and socio-economic development.</p>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Government</li> <li>Regulators</li> <li>Communities</li> </ul>	<p>Transformed supply chains benefiting historically disadvantaged entrepreneurs.</p> <p>Provided enterprise development support and gave SMEs exposure to new-business opportunities while reaching tens of thousands of learners with quality science, maths and technical learning.</p>





Strategic

All stakeholders benefit in the medium to long term from a safer, profitable, more sustainable ArcelorMittal South Africa. In our online annual value creation report we detail who our material stakeholders are, why they are important, what matters to them and how we engage with them.

## Ensuring financial stability

Material issues, top risks and KPIs	Key 2017 strategic actions	Stakeholders impacted	Impact on stakeholders and outcomes
<b>Solvency and liquidity</b>   	<p>Established a R4.5 billion borrowing-based facility to reduce our liquidity risk while subordinating our loan facility with the ArcelorMittal group.</p> <p>Directors, management and package category employees received no salary increases.</p>	<ul style="list-style-type: none"> <li>› Shareholders</li> <li>› Lenders</li> <li>› Suppliers</li> <li>› Employees</li> </ul>	<p>Increased revenue for banking lenders while allowing the company to leave payment terms (to suppliers) largely unchanged from the previous year despite cash challenges.</p> <p>Many employees received lower remuneration in real terms.</p> <p>No recourse made to shareholders for additional capital raising.</p>
<b>Unsustainable input and fixed costs</b>   	<p>Contractual arrangements shielded the company from an approximately R1.1 billion impact arising from sharp increases in the international prices of iron ore and coking coal.</p> <p>Management savings on procured goods and services saved the company some R2.2 billion.</p> <p>An application to the Department of Energy to obtain a special purchased electricity tariff was initiated while a 10MW off-gas boiler was installed at a cost of R138 million to increase self-generation to 10% of requirement.</p> <p>To address an uncompetitive fixed cost base, in Q4 a Section 189 process was implemented.</p>	<ul style="list-style-type: none"> <li>› Shareholders</li> <li>› Suppliers</li> <li>› Employees</li> <li>› Contractors</li> </ul>	<p>Contracted offtake arrangements guarantee raw material suppliers offtake predictability while all suppliers benefit from a sustainable ArcelorMittal South Africa.</p>
<b>Optimising our industrial footprint</b>   	<p>In 2017 management and the board considered, in depth and with expert input, a number of options for restructuring our footprint. It was resolved to leave the business model substantially unaltered for the present.</p> <p>The recommissioning of the Evraz Highveld Steel heavy sections mill utilising slabs and blooms produced by the company was initiated.</p> <p>Various (considerably more than in previous years) high-level initiatives aimed at improving process efficiency and return on capital employed were implemented.</p> <p>Levels of stay-in-business capital expenditure declined by more than 27% in the face of cash flow challenges.</p>	<ul style="list-style-type: none"> <li>› Customers</li> <li>› Employees</li> <li>› Contractors</li> <li>› Suppliers</li> </ul>	<p>Several suppliers had reduced scopes of contract or work although the impact on procurement of goods and services was significantly less than would have been the case had a major footprint restructuring taken place.</p> <p>Considerable opportunities were unlocked with the recommencement of operations at Evraz Highveld Steel, both for suppliers, the local community and especially employees.</p>

## Creating a high-performance culture

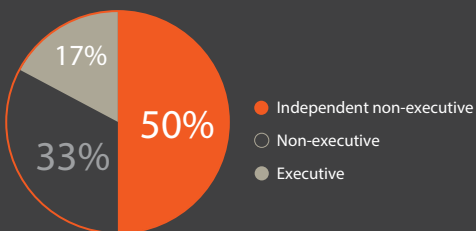
Material issues, top risks and KPIs	Key 2017 strategic actions	Stakeholders impacted	Impact on stakeholders and outcomes
<b>Unsustainable fixed costs</b>    	<p>In Q4 the company initiated a Section 189 process, aimed at addressing a fixed cost base which compares unfavourably with those of competitors and peer companies.</p>	<ul style="list-style-type: none"> <li>› Employees</li> <li>› Hired labour</li> <li>› Contractors</li> <li>› Communities</li> </ul>	<p>The process is expected to result in cost savings but no job losses.</p>

Objectives

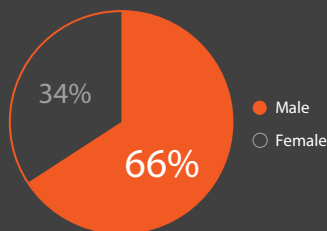
# Company leadership



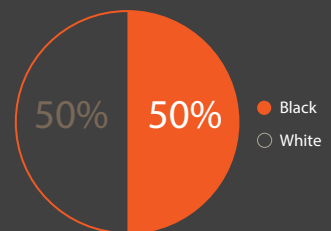
Board membership at the time of reporting



Board gender representation



Board diversity (including international directors)



In 2017 the board of directors held seven meetings including two special meetings. In May directors resolved to consolidate the board's six committees into four – to ensure greater effectiveness. On this page we give details of individual directors including their attendance at the meetings of the board and specific committees.

1. **Mr PM Makwana (Mpho)** (47)  
**BA (Hons)**  
*Value added to the board:*  
 Governance, stakeholder relations and transformation best practice
2. **Mr WA de Klerk (Wim)** (54)  
**BCom, BAcc, CA(SA)**  
*Value added to the board:*  
 Strategic leadership and financial insight
3. **Mr D Subramanian (Dean)** (45)  
**BCom, BCompt (Hons), CA(SA)**  
*Value added to the board:*  
 Experience in finance and steel industry management
4. **Mr HMA Blaffart (Henri)** (63)  
 Civil engineer, MA general management  
*Value added to the board:*  
 Human resources, research and development
5. **Mr RK Kothari (Ramesh)** (45)  
**CA(India)**  
*Value added to the board:*  
 Experience in finance and steel industry management
6. **Mr DG Clarke (David)** (53)  
**PhD, MA Physics**  
*Value added to the board:*  
 Strategy and integration and operational improvement
7. **Ms KMM Musonda (Monica)** (43)  
**LLB, LLM**  
*Value added to the board:*  
 Knowledge of legal, entrepreneurial and African business
8. **Mr JRD Modise (Jacob)** (51)  
**BCom, BAcc, CA(SA), MBA, AMP**  
*Value added to the board:*  
 Governance and sustainability best practice
9. **Mr LP Mondi (Lumkile)** (56)  
**MA Economics, BCom (Hons) Economics**  
*Value added to the board:*  
 Macro-economic insight and governance
10. **Ms NP Gosa (Noluthando)** (55)  
**BA (Hons), MBA**  
*Value added to the board:*  
 Business administration and experience in investment banking
11. **Ms NP Mnxasana (Nomavuso)** (61)  
**BCom, BCompt (Hons), CA(SA)**  
*Value added to the board:*  
 Sustainability best practice, risk and finance management expertise
12. **Mr NF Nicolau (Neville)** (58)  
**BTech, MBA**  
*Value added to the board:*  
 High-level strategic and technical insight
13. **Ms LC Cele (Zee)** (65)  
**BCom, MAcc**  
*Value added to the board:*  
 Commercial and tax expertise
14. **Mr GS Gouws (Gert)** (59)  
**BCom (Law), BCom (Hons), CA(SA), FCMA CGMA**  
*Value added to the board:*  
 Strategic financial and organisational leadership

Directors' attendance				From 1 Jan – 2 May 2017					From 3 May – 31 Dec 2017						
Director	Date of appointment	Changes	Category	Race	Gender	Board	ARC	SHE	B-BBEE	RSEC	Nom	HRN	TSEC	Ad hoc	CEO selection
PM Makwana	05/02/2013		Independent non-executive	Black	Male	7/7	2/2	*	1/1	*	2/2	3/3	2/2	2/2	2/2
JRD Modise	01/10/2013		Independent non-executive	Black	Male	7/7	7/7	*	1/1	3/3	2/2	3/3	2/2	2/2	1/2
NP Mnxasana	01/10/2013		Independent non-executive	Black	Female	7/7	7/7	3/3	1/1	3/3	2/2	3/3	2/2	*	2/2
NF Nicolau	10/09/2015		Independent non-executive	White	Male	7/7	*	3/3	*	3/3	*	3/3	2/2	*	2/2
LC Cele	04/01/2016		Independent non-executive	Black	Female	7/7	7/7	3/3	*	*	*	*	*	*	*
KMM Musonda	12/06/2017	Appointment	Independent non-executive	Black	Female	4/4	*	*	*	*	*	*	2/2	*	*
RK Kothari	11/06/2015		Non-executive	Indian	Male	7/7	7/7	*	1/1	2/3	2/2	2/3	2/2	2/2	*
HMA Blaffart	19/07/2016		Non-executive	White	Male	5/7	*	*	*	2/3	2/2	3/3	2/2	*	2/2
DG Clarke	19/07/2016	Resigned	Non-executive	White	Male	4/6	3/7	0/3	1/1	*	*	*	*	*	*
NP Gosa	01/12/2016		Non-executive	Black	Female	7/7	*	*	1/1	*	*	*	2/2	*	*
LP Mondi	11/05/2007	Retired	Non-executive	Black	Male	2/3	*	*	*	3/3	*	*	*	*	*
GS Gouws	01/11/2017	Appointment	Non-executive	White	Male	1/1	*	*	*	*	*	*	*	*	*
WA de Klerk	01/07/2016	Retired	Executive	White	Male	7/7	7/7	3/3	1/1	3/3	2/2	3/3	2/2	2/2	*
D Subramanian	01/08/2015		Executive	Indian	Male	7/7	7/7	*	1/1	3/3	*	*	*	2/2	*

#### Keys

Chair	Ex-committee on 2 May 2017	Committees from 3 May 2017	Committees that were unchanged
By invitation	Remuneration, social and ethics committee (RSEC)	Human resources, remuneration and nominations (HRN)	Audit and risk committee (ARC)
* Not a member/invitee	Nominations committee (Nom)	Transformation, social and ethics committee (TSEC)	Safety, health and environment (SHE)
	B-BBEE committee (B-BBEE)		
	Management share trust committee		

# Message from the chairman





**Mpho Makwana**  
Chairman

The year under review (2017) was, as these pages make clear, an extremely tough one for our company and, indeed, for our country.

## Reason for optimism

In the first half of the year our financial performance was impacted by the triple challenges of extremely weak domestic steel demand, high raw material costs and a persistently strong and volatile rand. Only in the third quarter did we begin to see tangible, if very slight, evidence of an improvement in demand and the positive effects of safeguard duties. Subsequently, in the fourth quarter, our prospects improved further as we recorded gains in sales, market share and pricing while beginning to reap the benefits of a concerted focus on costs.

The net result was that, as we looked towards 2018, we could do so in the realistic expectation that the prospects of ArcelorMittal South Africa and those of the entire steel industry were more positive than they had been for several years.


Most unfortunately, I am not able to reflect on much progress on keeping our people safe. As we report on  28, three contractor employees died on our premises this year and our lost time injury frequency rate deteriorated. The board joins me in extending our heartfelt condolences to the families of Messrs Chikwen, Tyali and Gusha. The board is satisfied that management has taken appropriate measures to prevent, as far as possible, a repeat of these tragic occurrences and will continue to exercise the utmost vigilance while holding management at all levels strictly accountable for safety. 

## Putting partnerships to work

A key theme running through this report is that of partnerships. The solid progress of recent years, and especially that of 2017, was not achieved by the company acting in isolation but rather by the company working in tandem with a great many stakeholders, stakeholders with whom our interests have become increasingly integrated.

Chief among these partners is government which has taken to heart the industry perspective (consistently championed by ourselves) that a flood of unfairly subsidised imports was bad for the sector, bad for manufacturing and construction and for the country. From 2016, import duties were introduced and, as our H2 performance attests, in 2017 safeguard duties began to have the desired effect of protecting domestic industry and employment. Also this year the designation of local steel came into effect.

For their willingness to take much needed, decisive action, we salute our partner ministries in government. Similarly we acknowledge the support received from the Competition Commission and the Competition Tribunal which agreed to our request that the first (R300 million) payment of a R1.5 billion fine be divided into three separate tranches.


It is pleasing to be able to report (see  34) that we have taken decisive action to protect the downstream manufacturers, fabricators and industrialists on whom we depend for our existence. Most notably, for the first full year in our history we adhered to a fair pricing agreement reached with government, an agreement ensuring that flat steel prices are fair towards all parties.


By no means the least important of the company's relationships is that with the ArcelorMittal group which, at the end of the year, effectively owned 69% of our equity. For some time the group has stood by ArcelorMittal South Africa, its support taking many varied forms including financial, moral and intellectual support. In 2017 the company worked extremely hard, with many of the world's finest steelmaking brains seconded by the group, to ensure that we remain a sustainable business.

## Stakeholder engagement unlocks value creation

Equally, our increasingly integrated approach to value creation has led us to take hands with government, business and communities in the




areas of enterprise and supplier development as well as socio-economic development. In the Vaal Triangle and in Saldanha, we have recently begun actively working with businesses and government spheres with whom we previously might not have even thought of engaging (see  33). Similarly, this year, despite financial challenges, by working with the Department of Labour, merSETA and the Unemployment Insurance Fund, we were able to use our capabilities to provide hundreds of much needed apprenticeships.



This year the board worked extensively with our B-BBEE shareholder, Likamva Resources to deliver on our shared commitment to give communities a 5% equity stake in ArcelorMittal South Africa by September 2018. 

### Sacrifices made to drive sustainability

To achieve profitability and ensure our sustainability, in 2017 we again had to make a number of often daunting sacrifices. These sacrifices are explained in some detail in various sections of this report.

However, it bears mentioning here how the spirit of partnership has extended to our suppliers. Many of these (as we report on  31) have identified their own best interests with our survival. We commend those committed vendors and suppliers who, of their own volition, have addressed inefficiencies and reduced costs.

Our own people have also had to make a number of sacrifices. This year management, package category employees and non-executive directors went without salary and fee increases and our financial circumstances were such that we were not in a position to incentivise our employees to the extent that we would have wished. As we have noted in recent years, the spirit of partnership displayed by our trade unions has been exceptional; to this end, the board salutes the leaders of our partner unions, Numsa and Solidarity, for their outstanding leadership.

This year we began to effectively address the fact that as a company our productivity needs improving. The oneAMSA project (see  37) seeks to restructure our organisation to better reflect and execute the high-performance culture which is so essential to our survival. By January 2018 consultation relating to a so-called Section 189 process was implemented. While this is not expected to result in any job losses, the process will affect many of our employees. However, it cannot be stressed enough how vital rightsizing our workforce – employees, hired labour and contractors – is to our survival. 

### Appreciation

In preparing our company to realise its full potential to create value for investors, society and our economy, I must pay tribute to our outgoing chief executive officer, Wim de Klerk.

Wim and his team have had to execute an extraordinary number of very difficult tasks in the most extraordinary circumstances. With customary self-effacement, in his letter in this report, Wim details some of the great strides our company and the management team he has led have made in the past 12 months. It is thanks to the many considerable achievements of this and recent years that I look forward to Wim's successor, Kobus Verster, being able to undertake a more

conventional CEO's role, of focusing on guiding and growing a dynamic business while securing the interests of multiple stakeholders.

Our board must also be thanked and congratulated on the substantial workload all members shouldered, with great diligence, in the year. Particular board achievements include providing leadership on company structure and strategy, diversity and our export sales drive. In thanking our majority shareholder for its unstinting support, we also acknowledge the pivotal supporting role played by our B-BBEE shareholder, Likamva Resources, the first anniversary of whose shareholding we celebrated in 2017.

### Outlook

Looking to the future with renewed confidence, possessing substantially transformed relationships with customers, suppliers, communities and the authorities, we commit ourselves again to honouring all of our undertakings and obligations.

In particular, we commit ourselves to working with all like-minded partners to unleash the enormous potential of steel to build, both literally and figuratively, our economy. The central role steel plays in our economy is still not sufficiently appreciated; making steel sustains more than 100 000 jobs directly while the top five steel-consuming industries account for some 15% of GDP. But the potential that investing in this most unique material has to spur growth and job creation is only now becoming better understood.

We believe it is possible for manufacturing to create a million jobs for South Africans – and that steel can and must feature largely in discussions about how we achieve that. We also believe that effectively executing public sector infrastructure plans – plans that have been scoped, budgeted and signed off – can create immeasurable, lasting value. The time for industry, business and government to devise a detailed roadmap for how a steel-led unleashing of our pent-up economic potential can create the next big leap forward has arrived. In 2018, a revitalised, stronger ArcelorMittal South Africa is ready and willing to start such a conversation.

We congratulate our new President of the Republic, Mr M Cyril Ramaphosa, on his election. We echo the positive sentiments he recently expressed at the World Economic Forum that 'we are now filled with a great deal of hope that South Africa is going to continue playing its leadership role on this continent'. ArcelorMittal South Africa is open for business and ready to put its shoulder to the wheel.

### Invitation to attend the annual general meeting

I hereby extend an invitation to all shareholders to attend the 30th ArcelorMittal South Africa annual general meeting, to be held on Thursday, 24 May 2018 at 09:00 at The Place, 1 Sandton Drive, Sandton.



**Mpho Makwana**  
Chairman

# Message from the chief executive officer



**Wim de Klerk**  
Chief executive officer

I write this message to stakeholders on the eve of leaving my position at the executive helm of a remarkable South African business. I do so satisfied that the company's leadership has succeeded to a very large extent in delivering on its many, multi-faceted short-term strategic objectives.

In achieving these near-term goals, ArcelorMittal South Africa has, I believe, now been readied for a long-term future of sustainable value creation for all stakeholders.

As has been the case for the better part of a decade, however, in 2017 the South African markets on which we depend for most of our revenue remained depressed with little increase in demand for our steel products. In the face of stagnant or non-existent growth in demand, the prices of a number of our most important inputs, notably iron ore and coal, rose substantially. At the same time, persistent rand strength throughout the year militated against our prospects for a quick return to profitability.

## Ensuring our survival

It was thanks to the success achieved in securing (in partnership with government, regulators and many of our customers) vital import protection that we were able to survive at all. In 2017 all material, outstanding, approvals for measures including import tariffs, safeguards and the designation of local steel were put in place. A year previously, in 2016, this country imported almost 1.2 million tonnes of steel; this year that figure dropped by 195 000 tonnes or 16%, a development which preserved hundreds of local jobs.

I join the chairman in paying tribute to the many partners whose decisive action over the past two years has ensured the survival

of the primary and downstream steel sectors. These parties include regulators and government. (Here I need to record the fact that, in 2017, we complied, in all material respects, with the settlement agreement reached in the previous year with the Competition Commission.) We also salute and thank our investors including the ArcelorMittal group which, in 2016, demonstrated its faith in our future by following its rights and, with other shareholders, enabling us to raise a then much needed amount of R4.5 billion. In 2017, the group again supported us by increasing its subordinated loan to our company, from R1.2 billion to R2.7 billion.

One of the standout successes of 2017 was the finalisation of a R4.5 billion borrowing-based facility, R1 billion more than envisaged in our 2016 integrated annual report. As with the support received from the ArcelorMittal group, we acknowledge the faith our lenders continue to place in us.

## Building stability and investing in resilience




In 2017, I am pleased to report, we succeeded in stabilising our production to the extent that both Vanderbijlpark and Saldanha improved their output and capacity utilisation. At 81%, utilisation was three percentage points higher than the previous year with liquid steel production also rising by 3% or 139 000 tonnes. This was despite production at long steel products declining as the division responded effectively to overcapacity in its markets and to a temporary competitive disadvantage. Similarly, while the profitability of Coke and Chemicals was inevitably impacted by lengthy planned repairs, this division quickly returned to normal output once these improvements had been completed.

As we explain in the section, *Ensuring financial sustainability*, our technical teams investigated, planned and applied new, often innovative, ways of working to continuously drive down our costs and to bolster our competitiveness. It was thanks to our determined efforts in 2017 to find ways to produce steel smarter and more reliably that flat steel products returned a much improved EBITDA performance, as did Coke and Chemicals. Our disappointing overall EBITDA performance derived almost entirely from losses sustained by long steel products. In 2017 we felt the positive effects of initiatives such as Project Focus and Project Attack (see [31](#)) but we expect the greatest impacts from these interventions and from oneAMSA (see [37](#)) to only manifest themselves on our bottom line from 2018.

### Keeping our people safe


Working smarter should not just be about output and reliability; it has to be about finding better, more consistent ways to work safer. The deaths this year of three men employed by contractors cast a terrible pall over the progress which we continued to make on so many fronts. In addition, we were extremely disappointed that our key lost time injury frequency rate declined although we took some comfort from a significantly improved total injury frequency rate. As much as we are determined to compete with the best in the world on cost, we have to constantly recommit ourselves to become world class on safety.


Not only did we succeed this year in improving the reliability of our facilities, we worked hard to improve the quality of our products. As we explain on [32](#), for example, in 2017 Saldanha achieved a record 0.9mm thickness on ultra-thin rolled coil. Also significant was the successful restart and ramping up of production at the Evraz Highveld Steel heavy section mill which, by year-end, had produced 49 000 tonnes of product which would otherwise have been imported. 

Both the flat and long teams worked hard on product development, collaborating closely with many partners, both in South Africa and elsewhere in Africa, to provide solutions that help our customers to be more efficient and more cost-effective. In 2017 such efforts added 34 000 tonnes of new sales. In finding new markets for our steel we have focused particularly on the Africa Overland (AOL) segment where we succeeded this year in growing sales substantially but where we believe that a 40% share (currently 23%) is achievable in the short term. This despite fierce competition from many exporters targeting these markets.

### Focusing on customers and employees

In my message in last year's integrated annual report I committed my team to putting the customer at the very centre of our strategy and of our business model. I am therefore particularly pleased to be able to report that we have, in fact, achieved a great deal in getting closer to our customers, to meeting their needs and to ensuring that we do everything we can to help them survive and thrive (see [34](#)).

In 2017 our leadership continued to focus a great deal of attention on our people, believing that embedding a high-performance culture is the key to achieving sustainable profits and a deep-rooted safety mindset. 

We are grateful for the understanding, of our difficult operating situation, that our employees and unions have continued to display and for the maturity that again characterised our labour relations. Regrettably, as the chairman notes, it has not been possible to avoid a Section 189 process. However, we embarked on this exercise determined to minimise its impact on our employees and to use it as an opportunity to improve our structures and our productivity. I have every confidence that these improvements will be reflected in future communications with stakeholders. 

### Outlook

In 2017 we continued to record significant losses but, as was borne out by our financial performance later in the year, our investments, partnerships and sacrifices have started positioning the company for a better future.

In the year reviewed many scenarios for the future structure of the company were weighed in the greatest detail and with the most expert input. In particular, we considered the future of our operations in Saldanha and Newcastle. Hard-won improvements in the financial performance of both during the course of the year reported vindicated our belief that it was in investors' best interests for us to remain an integrated and increasingly export-focused primary steel producer.

I thank those who have, since September 2016, given me and the company their unstinting support. In particular, I thank our chairman, Mr Mpho Makwana, and his able directors, my management team and the thousands of inspired, hard-working people at ArcelorMittal South Africa. I wish them and my successor, Kobus Verster, every success.

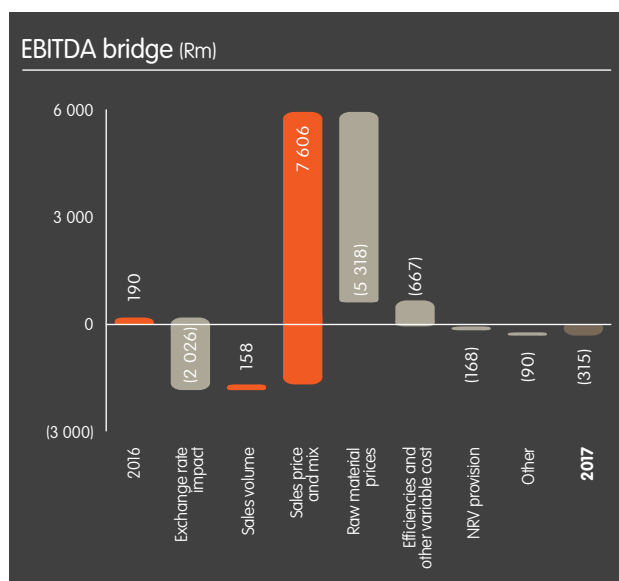


**Wim de Klerk**  
Chief executive officer

# Message from the chief financial officer



**Dean Subramanian**  
Chief financial officer



## Overview

In 2017 factors over which the company had limited control weighed heavily on our financial result while performances on fixed costs, output, reliability, prices and sales (especially exports) were all positive.

Revenue grew by 19% in the year but the cash cost per tonne of liquid steel of our raw materials basket (50% of costs) rose by 32% (or by some R5.3 billion) with rand strength and volatility having a profoundly negative effect on profitability.

Long steel products' (LSP) EBITDA contribution worsened substantially, from a positive R286 million in 2016 to a loss of almost R1 billion, flat steel products (FSP) reversed its EBITDA loss of the

	2017 Rm	2016 Rm
Revenue	39 022	32 737
Once-off items	71	227
EBITDA	(315)	190
Loss from operations	(1 220)	(1 092)
Impairments	(2 604)	(2 154)
Finance and investment income	74	176
Finance costs	(1 515)	(876)
Equity earnings	139	129
B-BBEE charge	–	(870)
Headline loss	(2 518)	(2 589)
Headline loss per share (cents)	(230)	(244)

previous year and Coke and Chemicals grew revenue by a commendable 2% despite a 44% decline in commercial coke sales.

Loss for the period, at R5 128 million, was R422 million higher. Less the effects of a higher impairment cost (R2 604 million), the headline loss for the year reduced marginally in rand terms.

## Results for the year


For the second consecutive year, revenue rose in 2017. Growth in income to R39 022 million (2016: R32 737 million) stemmed from a 15% rise in average net realised sales prices and a 4% growth in sales volumes, to 4 257 000 tonnes.

At negative R315 million, company EBITDA was weaker than that of the previous year (a positive R190 million). This performance related

almost entirely to the operating losses sustained by LSP in whose markets competitors using mostly scrap steel were able to undercut us on pricing. At R1 284 million, LSP's operating loss increased sharply relative to the previous year, an 8.5% improvement in realised prices being insufficient to offset large increases in especially raw material costs and a small contraction in sales volumes. Positively, LSP grew tonnages exported by over 80%. Both FSP and Coke and Chemicals improved their EBITDA margins, to 0.9% and 26% respectively.

Domestic steel markets remained depressed, to the extent that apparent steel consumption declined by some 1%. Despite lacklustre demand, South Africa remained attractive to a number of foreign producers which have sizeable amounts of excess production capacity. The imposition of import protection measures, most notably safeguards, had a moderating impact on local sales of foreign-produced steel (imports fell by almost 200 000 tonnes) while the designation of local steel and the development of new products also grew volumes. Export revenue increased by 18% in 2017 with, as mentioned, long steel exports accounting for the bulk of the success achieved in African and other markets.

In 2016 the rand traded against the US dollar at an average rate of 14.72 while the average exchange rate for the whole of 2017 was 13.32. In our recent experience, a USD1 strengthening against the local currency translates into a R1 billion cost for the company; it was specifically rand strength in the year that accounted for the R2 000 million impairment raised in H2 (a total impairment for the year of R2 604 million, 2016: R2 154 million).

Encouragingly, the company enjoyed success across the board on capacity utilisation and plant reliability. The effects of the mini-reline at Saldanha, undertaken in 2016, and other capital expenditure items at both Vanderbijlpark and Newcastle in the prior year, were reflected in more stable operations while various cost reduction initiatives bore fruit this year, a process that is expected to be accelerated from 2018. This year problems encountered with the quality of input materials were largely overcome while Vanderbijlpark successfully ramped up production following the rupture of the stove at blast furnace C in late 2016. 

## Costs

As described elsewhere, variable cost increases were substantial as the international cost of imported coking coal rose by a third and iron ore prices by 23%. The net result was a 16% growth in the cash cost per tonne of liquid steel, from R6 544 to R7 581. It is worth stating, however, that price increases incurred by the company for iron ore, in particular, were considerably lower than average global increases. This achievement stemmed from contractual arrangements put in place to limit the risk of potential price shocks. In 2017 we continued to enjoy success (some R2.2 billion) in achieving savings on the procurement of goods and services net of production, exchange rates and market influences. As a result, the differential between sales prices and the raw material basket remained at sustainable levels despite the delivered rand price of hard coking coal increasing by 70%.

## Cash and debt

With the large increase in net borrowings, the company's interest expense rose by some 76% to R870 million, an outcome which derived from our operations' increased cash requirement. While the net debt position rose significantly over the year the company's cash

needs were adequately addressed through the R4.5 billion borrowing-based facility (BBF) which was secured in February 2017. Establishing the facility was undoubtedly one of the most outstanding corporate successes of the year, an achievement which reflected lenders' continued appetite for our risk and signalled their belief in our company's sustainability. Despite heightened cash demands from our operations, at year-end the company had some R800 million in undrawn working capital available.

## Going concern

The H2 impairment of R1 996 million mentioned above related to the spot rate of R12.40 to the US dollar on 31 December 2017. The impairment – which had no cash flow impact – was recognised in terms of IAS 36 which requires that assets be impaired if their carrying amount is greater than their recoverable amount.

For the next 12 months directors are satisfied that, with an envisaged improvement in sales volumes and the implementation of further cost-cutting measures, the company will remain a going concern. However, the impairments recognised in 2017 could have had the effect of the company breaching a BBF covenant relating to its consolidated tangible net worth. We are grateful that our lenders agreed to a covenant holiday and that the covenant will not be tested before 30 June 2018, during which time we intend renegotiating covenant levels. In the event that these negotiations do not yield the desired outcomes, the company has sufficient initiatives in place, including a letter of support from the ArcelorMittal group to the maximum value of R1 500 million, to satisfy the current shortfall in meeting the net worth covenant.

## Outlook

While net realised sales prices track and, to a large extent, offset increases in key inputs, sharp, often unwarranted and disproportionate, rises in administered prices, notably electricity and rail transport, pose a severe risk to our ability to return to sustainable profitability. Similarly, the imposition of carbon taxes on an industry which has already done as much as can reasonably be expected of it to reduce its emissions, threatens our viability.


In the latter months of the year the company posted its first quarterly EBITDA profit in five quarters while generating cash. These improved performances point, I believe, to greater financial resilience although markets and sales prices are expected to remain under pressure for at least the next year.

At year-end various detailed initiatives were well advanced to restructure our cost base to effectively confront the anticipated new reality of high input costs and enduring rand strength. These include optimising our footprint, reducing the procurement of goods and services, addressing fixed costs, disposing of non-core assets, further discussion with state-owned enterprises on reducing logistics and electricity costs, and liquidating high stock levels.



Dean Subramanian  
Chief financial officer

# 2017 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 'ensuring financial sustainability' (see also  30).

		2008	2009	2010
<b>Revenue</b>	Rm	39 914	25 598	30 224
<b>EBITDA by segment</b>	Rm	13 602	1 547	3 522
Flat	Rm	8 112	381	1 442
Long	Rm	3 993	591	1 090
Coke and Chemicals	Rm	1 781	556	1 029
Other	Rm	(284)	19	(39)
<b>EBITDA/tonne</b>	R/t	2 673	346	699
<b>EBITDA margin</b>	%	34.1	6.0	11.7
<b>Headline earnings/(loss)</b>	Rm	9 484	(440)	1 377
<b>Production (tonnes of liquid steel)</b>	000 tonnes	5 774	5 307	5 674
Flat	000 tonnes	4 084	3 428	3 814
Long	000 tonnes	1 690	1 879	1 860
<b>Sales by segment</b>	000 tonnes	5 089	4 473	5 041
Flat	000 tonnes	3 412	2 858	3 348
Long	000 tonnes	1 677	1 615	1 693
<b>Sales by market</b>				
Domestic	000 tonnes	4 375	3 072	3 414
Africa Overland	000 tonnes	10	20	47
Blue water exports	000 tonnes	704	1 381	1 580
<b>Net cash/borrowings</b>	Rm	8 378	4 307	3 476
<b>Capacity utilisation (liquid steel)</b>	%	79.3	72.9	78.0
<b>Productivity – tonnes of HRC equivalent/total FTE</b>	t/FTE	428	457	467

## Five-year benchmarking

	2013	2014	2014	2016	2017
<b>EBITDA margin (%)</b>					
ArcelorMittal global*	8.7	9.1	8.2	11.0	<b>12.2</b>
ArcelorMittal South Africa <sup>†</sup>	5.5	3.6	(2.6)	0.6	<b>(0.8)</b>
<b>EBITDA/tonne production (USD/t)</b>					
ArcelorMittal Global*	82	85	62	75	<b>99</b>
ArcelorMittal South Africa <sup>†</sup>	35.1	27.4	(15.4)	3.2	<b>(4.8)</b>
<b>USD/t cost (revenue less EBITDA)</b>					
ArcelorMittal Global*	796	775	689	602	<b>707</b>
ArcelorMittal South Africa <sup>†</sup>	676	672	606	541	<b>601</b>
<b>China import prices, ArcelorMittal South Africa costs and prices</b>					
China hot rolled coil (price) <sup>‡</sup>	695	596	419	461	<b>638</b>
Vanderbijlpark hot rolled coil (cash cost) <sup>#</sup>	565	529	445	386	<b>530</b>
Saldanha hot rolled coil (cash cost) <sup>#</sup>	521	508	441	433	<b>502</b>
ArcelorMittal South Africa hot rolled coil (domestic prices)	716	701	521	515	<b>637</b>

	2011	2012	2013	2014	2015	2016	2017
	31 453	32 291	32 421	34 852	31 141	32 737	39 022
	1 720	1 121	1 768	1 258	(809)	190	(315)
	597	(266)	135	535	(1 269)	(392)	264
	500	770	1 198	16	(348)	286	(945)
	870	503	514	428	427	172	365
	(247)	114	(79)	279	381	124	1
	365	243	418	297	(196)	47	(64)
	5.5	3.5	5.5	3.6	(2.6)	0.6	(0.8)
	(52)	(518)	(224)	(227)	(5 370)	(2 589)	(2 518)
	5 453	5 090	5 096	4 518	4 839	4 771	4 910
	4 060	3 554	3 229	3 586	3 145	3 221	3 458
	1 393	1 536	1 867	932	1 694	1 550	1 452
	4 708	4 622	4 230	4 240	4 131	4 087	4 257
	3 424	3 138	2 771	2 981	2 678	2 736	2 995
	1 284	1 484	1 459	1 259	1 453	1 351	1 262
	3 507	3 336	3 126	3 002	3 039	3 275	3 302
	75	167	257	232	236	218	204
	1 126	1 119	847	1 006	856	594	751
	419	874	285	(546)	(2 865)	(290)	(3 262)
	75.0	70.0	76.4	69.5	70.0	78.2	81.0
	427	400	419	418	472	471	478

	2013	2014	2015	2016	2017
<b>China import prices, ArcelorMittal</b>					
<b>South Africa costs and prices</b>					
China rebar (price)†	680	454	394	420	564
Newcastle rebar (cash cost)#	572	558	476	444	597
ArcelorMittal South Africa rebar (domestic prices)	727	686	484	481	606
<b>International raw material basket (USD/t)</b>					
– Flat†	362	285	196	217	277
<b>South African raw material basket (USD/t – including transport)</b>					
<b>Flat</b>					
– Vanderbijlpark#	304	311	249	216	321
– Saldanha#	274	268	263	224	310
<b>Long</b>					
– Newcastle#	313	289	247	247	338

\* ArcelorMittal global reported figures.

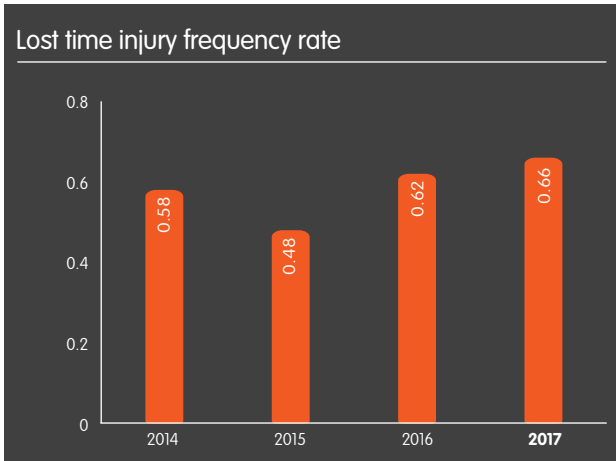
# ArcelorMittal South Africa's previously published results.

Φ USD/t selling price into South Africa. China import price equals China export (FOB/t)<sup>1</sup> plus sea freight plus trader margin.

† Platts/MB.

# Strategic objective 1: Keeping our people safe

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



## Why this is important

Safety affects 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; safety not only underpins our licence to operate but is essential to our sustainability. In 2017 three people died while working at ArcelorMittal South Africa. We are convinced that these tragic events could have been avoided, and that they should not be repeated.



## Three-year key performance indicators

KPI 1	<b>Work-related fatalities<sup>†</sup></b>	2017: 3	2016: 3	2015: 2
KPI 2	<b>Lost time injury frequency rate<sup>†</sup> (LTIFR)</b>	2017: 0.66	2016: 0.62	2015: 0.48
KPI 3	<b>Total injury frequency rate (TIFR)</b>	2017: 7.66	2016: 9.50	2015: 10.77

<sup>†</sup> Externally assured.

## Issues that were most material to driving safety issues in 2017

- Contractor safety performance
- Improving risk awareness and reducing risk tolerance
- Man/vehicle interactions
- Legal non-compliance

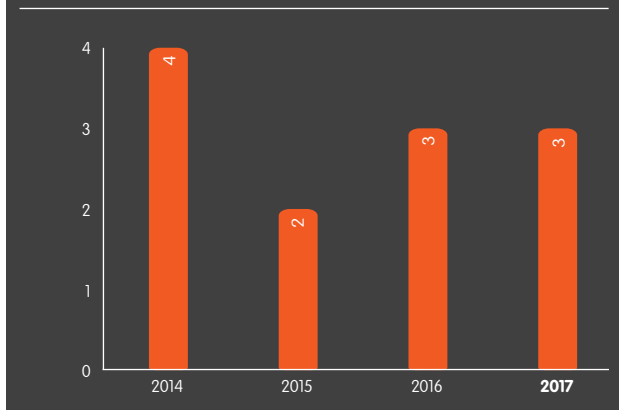
## Key actions taken in 2017 to achieve this strategic objective

- Identification and addressing of serious occurrences (SOs)/potential to cause serious injury or fatalities (PSIFs)
- Aggressive approach to separating men and machines
- Proactively identifying hazards and eliminating them
- Training superintendents and improving the quality of pre-shift safety meetings
- Awareness training on top five safety risks

## A mixed safety performance

In 2017 we again suffered three work-related fatalities at our premises. This was the same number of people killed as in the previous year. In 2015, two people died while working at ArcelorMittal South Africa and, the year before that, four. The six people who died at our plants in the past two years were all contractor employees. All deaths were avoidable and we remain convinced that it is possible for us to make steel without incurring fatalities.

## Work-related fatalities



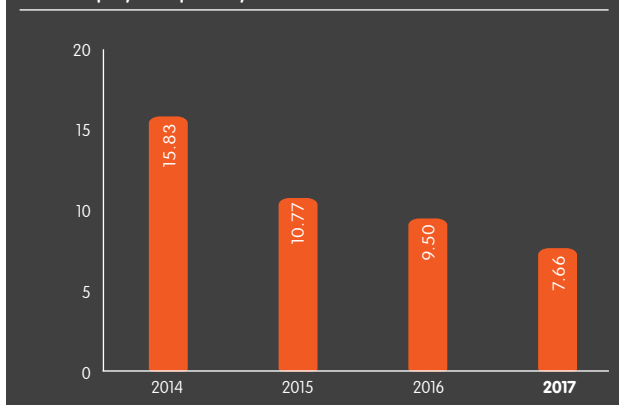
This year our key LTIFR deteriorated from the 0.62 of 2016 to 0.66. This derived largely from a worse performance in the second half of the year. Positively, our TIFR, at 7.66, was significantly better than that of the previous year (9.50) and less than half the figure for 2014. Long steel products – which particularly disappointed in 2016 – achieved a considerably better record – as measured in terms of both lagging and leading indicators with its LTIFR showing a notable improvement.



Our online annual value creation report contains considerably greater detail on our execution against this strategic objective. Information includes expanded disclosure on our material safety and health issues as well as how our strategy addressed these issues, plus insight into our 2018 plans to work towards zero harm.



## Total injury frequency rate



In 2017 health and safety teams at corporate and business unit level concentrated on implementing and enforcing the diligent recording of all SOs and PSIF cases, in line with ArcelorMittal group policy.

By monitoring and investigating SOs in detail, we aim to foster a culture in which everyone on site takes personal and team responsibility for identifying potential hazards, reporting them and taking appropriate, timely action. In 2017 we stepped up the scope and level of reporting by safety professionals to plant and business unit management on risks and incidents.

At 0.87 the disabling injury frequency rate (DIFR) – which includes fatalities, lost time injuries (LTIs) and restricted workday case injuries – was similar to that of 2016 (0.89).

In encouraging a total safety culture we are laying greater emphasis, in our daily communications with employees and contractors, on the TIFR. This approach attempts to create awareness that the conditions and actions responsible for even ‘less serious’ incidents including near misses, first-aid cases and medical aid injuries have the potential for serious harm.

Coke and Chemicals operated without an LTI since Q3 2016 while Saldanha recorded zero LTIs in 2017.

### Changing our safety culture

As was the case in 2016, this year we continued to ramp up communication between safety professionals and managers, between managers and teams and among team members.

As part of the Be Aware – We Care initiative for Vanderbijlpark Works since 2016, hazard identification continued through the ‘Snakes for Safety’ and ‘Hunt for Hazards’ interactive training programmes. Hunt for Hazards encourages shop-floor employees to become part of finding safety solutions while encouraging management involvement

and their safety interaction with employees. Snakes for Safety uses live snakes to drive home impactful, memorable safety messages.

### Contractor safety still a key concern

For the second year all three of those killed at our premises were employees of contractors.

On 3 April, Mr David Chikwen and Mr Zola Tyali, high-angle workers aged 38 and 28 respectively, were killed during a Corex shaft-cleaning shutdown at Saldanha. The men were unblocking a waste chute when an abnormally large amount of dust was ejected out of an opened manhole on the gas cyclone. The dust spontaneously ignited, burning the ropes on which the men were suspended. They died as a result of a fall of 14m. Mr Chikwen leaves a wife and three children and Mr Tyali a wife and one child.

On 23 May, Mr B Gusha, a 30-year-old bricklayer, was walking on a walkway at Vanderbijlpark’s coke battery 6 when he was struck from behind by a forklift which, on impact, rolled over him. Mr Gusha was an unmarried father of one child.

As was the case in recent years, in 2017 the three tragic incidents in which contractor employees lost their lives were thoroughly investigated. Lessons learnt were widely disseminated and, as indicated, decisive action taken at all business units to do everything possible to prevent a repetition of the tragic man-vehicle interaction which claimed Mr Gusha’s life.

Following the dismal safety performance of various contractors in recent years, at Vanderbijlpark we appointed 154 so-called safety custodians, mid-level managers who monitor contractors’ application of our safety standards and procedures and their workers’ safety culture. These custodians report directly to general managers in the event that they become aware of contractors’ material non-compliance.

### Safety outlook

This year we undertook a rigorous deep-level drive to bed down our focus on SOs and PSIFs. Reporting on such cases was satisfactory but, in the new year, we will redouble efforts to achieve active implementation of identification and reporting. In particular, safety professionals will work with plant and business unit managers to close the gap on SOs and PSIFs. This means that where risks are reported to have been mitigated and controlled, safety officials will actively verify that all effective controls have, in fact, been implemented. Where they believe that this is not the case, they will be empowered to report any non-compliance.

In the new year, reporting on SOs/PSIFs will comprise 5% of all managers’ bonus KPIs.

# Strategic objective 2: Ensuring financial sustainability

With sustainable profits we will have a greater ability to contribute to economic growth while rewarding those who grant us our licences to operate and who contribute to the success of our business.

## Why this is important

Without the ability to generate sustainable profits and cash we cannot remain in business, provide returns to our providers of capital, income to our employees and suppliers and investment into our communities.



### Three-year key performance indicators

KPI 4	<b>EBITDA per tonne (R/t)</b>	2017: (64) <sup>†</sup>	2016 <sup>†</sup> : 47	2015 <sup>†</sup> : (196)
KPI 5	<b>Return on capital employed (ROCE) (%)</b>	2017: (7.5)	2016 <sup>†</sup> : (1.2)	2015 <sup>†</sup> : (342)
KPI 6	<b>Market share (%)</b>	2017: 69	2016: 67	2015: 60
KPI 7	<b>Liquid steel production (000 tonne)</b>	2017: 4 910	2016: 4 771	2015: 4 839
KPI 8	<b>Cash generated from operations before working capital (R million)</b>	2017: (613) <sup>†</sup>	2016 <sup>†</sup> : 215	2015 <sup>†</sup> : 1 186
KPI 9	<b>Net cash/debt position at year-end (R million)</b>	2017: (3 262) <sup>†</sup>	2016 <sup>†</sup> : (290)	2015 <sup>†</sup> : (2 865)
KPI 10	<b>On-time deliveries (%)</b>	2017: 50.9	2016: 59.1	2015: 64.9

<sup>†</sup> Externally assured.

## Issues that were most material to ensuring financial sustainability in 2017

- › Minimising variable cost increases
- › Fixed costs
- › Footprint optimisation
- › Restructuring our balance sheet
- › Achieving plant stability



Our online annual value creation report contains considerably greater detail on how our company sought to ensure financial sustainability in the year. Information includes an expanded discussion on material issues relating to production and our management of both fixed and variable costs.

## Key actions taken in 2017 to address our most material financial sustainability issues

In H1 2017 our company recorded a negative cash flow of R2 059 million and ended the year with net debt of R3 262 million. Restructuring our balance sheet, in 2016 a rights issue raised R4 500 million while early this year overnight facilities were replaced with a three-year borrowing-based facility of a similar amount. These corporate actions were essential to our operating as a sustainable company as were several working capital initiatives carried out over the past two years. At the time of reporting, further balance sheet restructuring was being investigated by the company's leadership.

In 2017 the company initiated several important measures to improve operational efficiencies, increase volumes and reduce costs. These initiatives included:

- › The N2 battery refurbishment at Newcastle Works which was completed in Q3 2017. It is expected that the refurbishment will improve the sustainability of the coke batteries and that the batteries' coke-making capability (traditionally a significant EBITDA contributor) will be restored to 381 000 tonnes per year
- › Optimising our footprint through closing unprofitable lines (including Vanderbijlpark's galvanised annealing plant), upgrading others and undertaking detailed planning for further near-term rationalisation
- › Active engagement with strategic suppliers on reducing costs resulted in a record R2.2 billion saving
- › Further restructuring, cost-cutting and efficiency measures were implemented
- › Reduction of working capital, mainly through lower inventory levels
- › An off-gas boiler project completed at Vanderbijlpark in June 2017 will enable the generation of approximately 70 000MWh additional power per annum – a R60 million annual benefit
- › Aggressively pursuing the Africa Overland (AOL) market.

The viability of our business depends on our being able to sustainably generate positive EBITDA and positive cash flows from our operations. Without these we will be unable to return to profitability.

## Frontal attack on costs

In 2017 our leadership could point to a number of extremely important achievements in the past two years. These included putting behind the company legacy competition issues and the many regulatory challenges these entailed, overhauling the company's B-BBEE standing including a landmark ownership transaction, completed in 2016, stabilising production and cementing our social licences to operate. Balance sheet restructuring, putting in place measures and agreements to protect the company from potentially crippling procurement increases and overhauling our performance management systems were by no means the least of these achievements.

Freed from these demanding tasks, in 2017 a far-reaching, decisive new approach towards managing down production process costs was embarked upon, in conjunction with no fewer than 17 visiting ArcelorMittal group experts, including nine individuals at the level of chief technology officer, who between them spent 51 weeks at our premises.

Following recent deep benchmarking work comparing the performance of several ArcelorMittal European plants (which exercises disclosed considerable, attainable outcomes), the CEO requested group support for undertaking a similar exercise at ArcelorMittal South Africa. Over several months a detailed top-down and, subsequently, bottom-up analysis, confirmed the realistic achievement of variable cost savings, at Vanderbijlpark, of USD35 to USD45 per tonne, and at Newcastle of approximately USD50 per tonne.

In Q4 a focused, process-by-process benchmarking of added, feasibly eradicable costs dubbed Project Attack (ArcelorMittal South Africa total targeted added cost and KPIs) was launched at Vanderbijlpark, Newcastle and Saldanha.

In 2016 management gains accounted for procurement and logistics savings of R860 million while the figure for 2017 was some R2.2 billion, excluding exchange rate and volume adjustments. Stressing the importance of line management working more closely with the procurement function, Project Attack targets further, very substantial company-wide procurement savings.

### Saving on procurement and logistics costs

Our record performance on reducing input and logistics costs by R2.2 billion in 2017 was achieved through numerous initiatives and engagements with suppliers.

The international prices of key raw materials were volatile. The iron ore price declined this year from USD83.18t in Q1 to USD65.75t in Q4 and coking coal prices increased significantly, from USD169.53 in Q1 to USD206.21 in Q4. In mitigating the effects of unpredictable iron ore prices, we fixed in excess of 50% of our iron ore requirement in rand, significantly below the prevailing market price. Also this year, as part of negotiations with Kumba Iron Ore over our takeover of the Thabazimbi mine, we succeeded in reducing the threshold applicable to our discount pricing agreement with that company.

In 2017 important progress was achieved on stabilising previously erratic logistics performance, in particular the rail delivery of raw materials; this year road transport, which had been necessitated by rail under-performance, was reduced by some 420 000 tonnes which had substantial environmental and financial benefits. Despite these improvements, rail logistics remain prohibitively expensive, some R350/t across all company flows. In 2017 the company began researching in detail the prospects and potential cost savings of replacing domestic coal and iron ore supplies with imported materials; at the time of reporting the findings of this study were in the process of being implemented.

### Restructuring fixed costs

Project Attack is concerned with addressing variable costs but it is apparent that this approach, on its own, will be insufficient to ensure the sustainable competitiveness of ArcelorMittal South Africa. In 2017, simultaneous to the introduction of Project Attack, the rollout of oneAMSA entails a substantial reduction in the company's total cost of employment (TCOE) which, at 465 tonnes of HRC/rebar per full-time equivalent (FTE) position, is in the group's poorest quartile.

### Tariff and non-tariff import protection

By the end of 2017 duties had been applied to the import of 10 steel product categories. With a number of stakeholder groupings, ArcelorMittal South Africa applied for these duties to protect the primary and downstream steel sectors from the import of steel which had been unfairly subsidised. This brought South Africa in line with virtually all countries possessing primary steel industries.

In August 2017 the last of these 10 duties (on certain structural steels) came into force following the restart of production at Evraz Highveld Steel; a duty of 10% had been gazetted in 2015 but not implemented pending the resumption of production at the plant.

In terms of a tolling arrangement whereby slabs and blooms produced at Newcastle are shipped to Evraz Highveld Steel for processing into structural steel, in 2017 it was possible to restart the Mpumalanga mill which had been shut two years earlier when its owner entered business rescue. By year-end this had resulted in the re-employment of some 345 of 1 800 people who had been retrenched while providing a substantial boost to the local economy and saving 63 000 tonnes of imported structural steel.

This year, safeguards (additional, import protection measures) were approved for HRC and plate. The implementation of safeguards on HRC was particularly significant as these products represent more than 40% of our company's revenue.

In addition to these important protections, this year the authorities enforced the designation of local steel for use in state projects including rail rolling stock, power transmission, construction and permanent railway infrastructure. This means that all successful tenderers must use prescribed percentages (in most cases 100%) of local steel in the execution of their work.

### Optimising our industrial footprint

In 2017 important progress was made on optimising our footprint and on stabilising production. This was despite weak and often uncertain demand.

#### Flat steel products – Vanderbijlpark

Vanderbijlpark began 2017 with the need to stabilise operations following the loss of one of blast furnace C's three hot blast stoves in November 2016. Repairs to the stove are scheduled for completion in Q2 2018.

While ironmaking difficulties were encountered in Q2, notably at blast furnace D, these were successfully addressed and iron making continued to improve throughout the year such that, at 608 682t, output in Q4 was 102 670t higher than Q1.

Apart from minor and isolated setbacks, the steel plant and downstream mills performed well, in some instances achieving exceptional results.

Year on year the HRC cash cost increased by 3.7% (R255/t HRC) mainly as a result of high costs in Q1 and Q2 which derived from large quantities of import coke whose poor quality translated into plant inefficiencies. More stable operations in the second half saw better cost results with the Q4 cost being 5.5% lower than that of Q1.

# Strategic objective 2: Ensuring financial sustainability continued

## Vanderbijlpark key performance indicators

### Blast furnace total fuel consumption (kg/t hot metal)

<b>2017: 515</b>	2016: 525	2015: 514
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### Non-prime generation (%)

<b>2017: 6.52</b>	2016: 8.7	2015: 7.34
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## Flat steel products – Saldanha

This year was the first since 2014 that Saldanha had been run full, the plant achieving production of 1 058 102 tonnes of HRC (a 26% increase on the 784 343 tonnes of 2016) and closing the year with an EBITDA profit of R270 million.

Improving product quality is essential to Saldanha's ability to compete in the export markets on which it depends. This year considerable progress was made on ultra-thin rolled coil, production of 0.99mm thickness being sustained while conducting experiments with 0.9mm.

In the new year various efficiency improvements proven in recent years will, it is envisaged, translate into sustainable EBITDA gains of over R140 million.

## Saldanha key performance indicators

### Combined fuel rate (t/t/Fe)

<b>2017: 0.610</b>	2016: 0.625	2015: 0.602
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### Non-prime generation (%)

<b>2017: 84.09</b>	2016: 82.73	2015: 83.16
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## Long steel products

High coal prices created a price advantage for local scrap-based mills, resulting in long products' market share being eroded, from 66% in 2016 to 56% as domestic sales declined by 228 000 tonnes. The scrap raw material basket of producers using scrap to manufacture long products has traditionally been USD30 to USD50 per tonne higher than the raw material basket of an integrated process such as ours. However, due to the spike in coal prices, in H1 in particular, this position made integrated mills uncompetitive against scrap-reliant producers. As coal prices began to normalise from Q3, our competitiveness improved.

This year management of the LSP division responded to poor market demand and lower than projected sales in Q1 and Q2 by maintaining production efficiencies despite lower throughputs. Fixed costs were lowered by reducing employment, maintenance and other sales, general and administrative costs to compensate for a lower throughput of 1.45 million tonnes (1.55 million in 2016). Operations were then able to quickly ramp up production in Q3 to exploit more

buoyant local demand while maintaining the reduced cost footprint. This made it possible to increase exports at profitable margins.

Production at the Evraz Highveld Steel mill was successfully restarted, output reaching 10kt per month by the end of the year and products finding ready market acceptance.

## Long steel products key performance indicators

### Cost of coal blend (R/t)

<b>2017: 4 062</b>	2016: 2 291	2015: 2 241
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### Coal to coke (%)

<b>2017: 74.27</b>	2016: 73.4	2015: 72.9
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## Coke and Chemicals

Coke and Chemicals overcame planned (and unforeseen) production challenges to return to a more normalised performance.

While meeting the imperative to supply coke to the company's iron and steelmaking units under challenging circumstances, Coke and Chemicals succeeded in achieving its target of producing 190 000t of saleable coke for 2017. Net prices were better than budgeted for both commercial coke and tar (R4 652/tonnes and R4 397/tonnes respectively) while fixed costs were some R4 million lower than budget.

## Coke and Chemicals key performance indicators

### Market coke production (000 t)

<b>2017: 190</b>	2016: 251	2015: 406
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### Tar production (000 t)

<b>2017: 77</b>	2016: 74	2015: 91
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## Energy efficiency

This year our specific total energy consumption per tonne of liquid steel increased by 2.5%. Because of the high cost of imported coal, we increased the use of (cheaper) local soft coking coal, energy consumption per tonne increasing because of the lower yield from this local coal.

A third party-supplied variable speed drive (VSD) project began in 2016 and was completed in 2017. These VSDs have reduced Eskom purchases by close on 90 000MWh per annum, some 2.5% of our annual electricity purchased.

In 2017 a 10MW off-gas boiler was commissioned at Vanderbijlpark with the potential to generate up to 70 000MWh per year. Own generation will represent approximately 10% of the company's total electricity requirement.

# Strategic objective 3: Creating social value

Stakeholder relations are central to the growing success we have begun to achieve in catalysing real social value within our financial value chain, our communities and our broader operating context.

## Why this is important

We actively strive to achieve the ArcelorMittal group's desired sustainability outcomes of being an 'active and welcomed member of the community' and of having our contributions to society 'measured, shared and valued'. In South Africa, demonstrating that we use our influence and relationships to create broad-based economic empowerment and social upliftment is essential to the company being seen to be a responsible corporate citizen.



## Three-year key performance indicators

KPI	Preferential-procurement spend (percentage of total spend) (%)			
11	EMEs	2017: 5.6	2016: 3.28	2015: 2.41
	QSEs	2017: 5.7	2016: 6.85	2015: 8.14
	Black-owned businesses	2017: 19.2	2016: 14.01	2015: 13.37
KPI	B-BBEE compliance score			
12		2017: Level 3	2016: Level 3	2015: Level 4
* Reported as a self-assessed Level 4, subsequently independently assessed as Level 3.				
KPI	Environmental capital spend (Rm)			
13		2017: 41	2016: 38	2015: 65

## Issues that were most material to our creation of social value in 2017

- Supporting the viability and growth of the downstream steel and manufacturing sectors
- Having our creation of social value through socio-economic development and enterprise and supplier development valued
- Implementing a fair price for steel
- Transforming our supply chain
- Cementing stakeholder relationships to create broad-based social value

## Key actions taken in 2017 to create social value

- Opened a small business incubation hub and a business park
- Used our expenditure to leverage R5.6 million for enterprise development
- Led tariff protection applications for 15 downstream products



Our online annual value creation report contains considerably greater detail on our performance against this strategic objective. Information includes in-depth discussions on how our stakeholder relations are being maximised to create human and social value as well as unpacking efforts to mitigate our environmental impacts.

- Collaborated with the Gauteng government on sharing procurement databases for historically disadvantaged small-, medium-, micro-enterprises (SMMEs)
- Provided almost 200 full-time three-year apprenticeships in partnership with the Department of Labour and merSETA
- Rolled out integrated regional and sectoral transformation models with like-minded businesses and provincial government
- Advanced plans to develop a privately funded Vaal logistics hub and 750 hectare agricultural project with provincial government and local business

In the year reviewed a number of concrete outputs spoke to the increasing maturity of our integrated social value creation model, a model in whose implementation the board took an active and continuous interest.

Output highlights included:

- The opening of a R30 million, 1 600m<sup>2</sup> small business incubation hub adjacent to our Vanderbijlpark plant**
  - Partner: National Department of Trade and Industry – committed R15 million
  - Outcomes: Eleven start-up, previously disadvantaged businesses providing 102 jobs with a combined verified pipeline worth R9 million per annum during the first year of development.
- Creation of a business park in Vanderbijlpark housing three medium-sized businesses with free business space and facilities for township enterprises**
  - Partners: Local chambers of commerce and community NGOs
  - Outcomes: Hosted businesses provide 62 jobs and have a pipeline worth R8.2 million with further infrastructure capacity still to be awarded to suitable projects.

Capital investment in a business park for emerging small businesses in Newcastle was completed, establishing underroof space of 1 892m<sup>2</sup>. As part of phase 2, six mid-sized workshops will also be completed.

- Providing expertise and man-hours to developing tariff, safeguard and anti-dumping protection for the downstream**
  - Partners: Various industry organisations and companies
  - Outcomes: Protection safeguards business viability and jobs.
- Apprenticeship training of unemployed individuals funded by the Unemployment Insurance Fund through merSETA**
  - Partners: Department of Labour and merSETA
  - Outcomes: 197 full-time three-year apprenticeships; 143 graduates in 2017.
- Our integrated regional transformation model adopted by nine leading businesses in Saldanha to accelerate socioeconomic and enterprise and supplier development**
  - Partners: Nine corporates, Western Cape provincial government, local municipality
  - Outcomes: Corporate procurement forum and portal established, exposing 1 400 local emerging businesses to opportunities for development and revenue generation.

# Strategic objective 3: Creating social value continued

Our integrated socio-economic/enterprise and supplier development model adopted by a new multi-stakeholder entity, the Empowered Engineering and Manufacturing Initiative

- Partners: Steel and Engineering Industries Federation of Southern Africa (Seifsa) and 10 corporates
- Outcomes: Empowered black-owned engineering and manufacturing businesses.

## B-BBEE performance

In our 2016 report we stated that we had maintained our Level 4 compliance rating, based on a self-assessment exercise. In fact, subsequent to the year-end, we were independently verified as being a Level 3 contributor.

In 2017 the board's B-BBEE committee (subsequently the transformation, social and ethics committee) continued to provide leadership, oversight and direction on this most important aspect of our social licence to operate.

As was the case in 2016, our spend on socio-economic and supplier and enterprise development had a quantifiable impact well in excess of that required to earn maximum points in the relevant categories of the B-BBEE codes.

This performance is reflected in the following table:

Investment area	Required spend	Actual spend
Socio-economic development	R5.2 million	R23.0 million
Enterprise development	R5.2 million	R5.6 million
Supplier development	R10.4 million	R17.8 million

## Ownership

In 2017 our black shareholding was little changed from that of the previous year when shareholders approved a transaction which resulted in the 100% black-owned Likamva Resources acquiring 17% of our issued shares and staff 5.1%. With the interests of other shareholders, the company is assured of a long-term black shareholding of at least 25.1% – verified as 25.8% in May 2017 – and securing a full 25 points under the ownership element of the B-BBEE codes.

Between 2014 and the current year, the company's recognised preferential procurement spend declined from 92% to just 35%, a decline deriving from the amended codes' more stringent criteria and the extent to which the amendments translated into most suppliers achieving lower levels of recognition. Since 2015 our ESD programme has improved the company's B-BBEE performance by some 10 percentage points.

## Forging partnerships with the downstream

In assisting with applications for tariffs, safeguards and designation we were not motivated only by our concerns. Unfair imports have a direct, negative impact on the downstream, for which reason this year a project was initiated to integrate a range of activities aimed at supporting the downstream. (The downstream represents the businesses we wish to supply to; if we are to sustain sales to them, it is in our interests to help ensure their sustainability.)

Support extended to the downstream in 2017 included assistance for import protection on semi-finished and finished steel products. At year-end we were working closely with a number of industry organisations including:

- SA Wire Association
- Association for Steel Tube and Pipe Manufacturing
- Southern African Metal Cladding and Roofing Association
- SA Iron and Steel Institute
- SA Coil Coaters Association
- SA Institute of Steel Construction.

Whereas designation should assist both the primary and downstream sectors to increase their sales and to sustain jobs, compliance with designation regulations cannot be assumed. To this end, the company deployed several internal experts to engage with state-owned enterprises on helping them to understand their obligations and how to ensure compliance. Our employees also consulted with officials of the South Africa Revenue Service on ways to improve tariff enforcement and reporting.

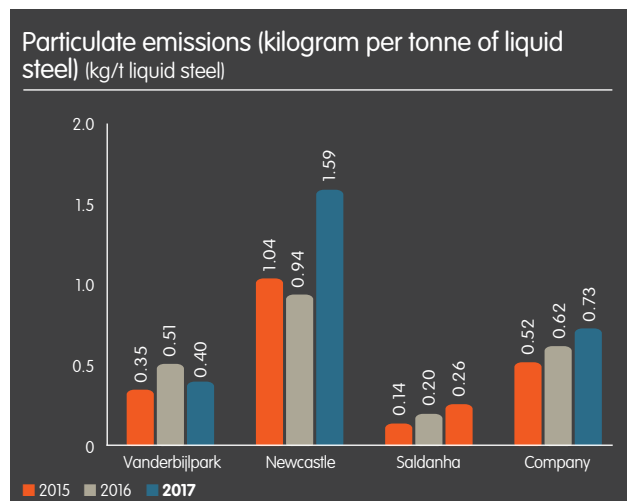
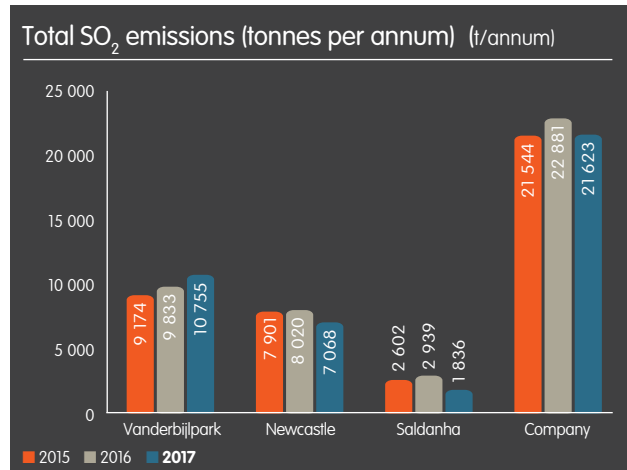
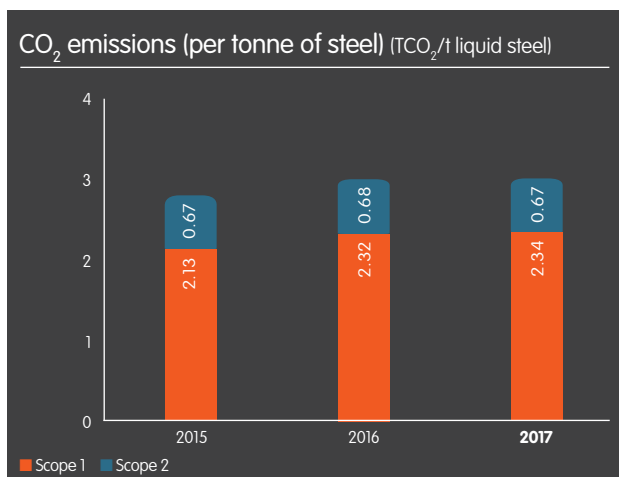
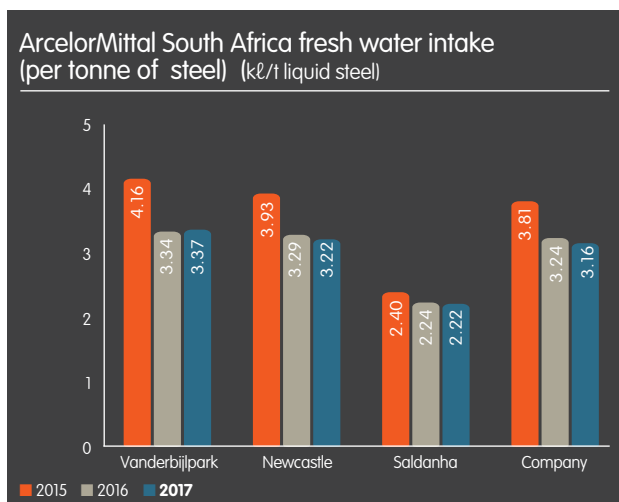
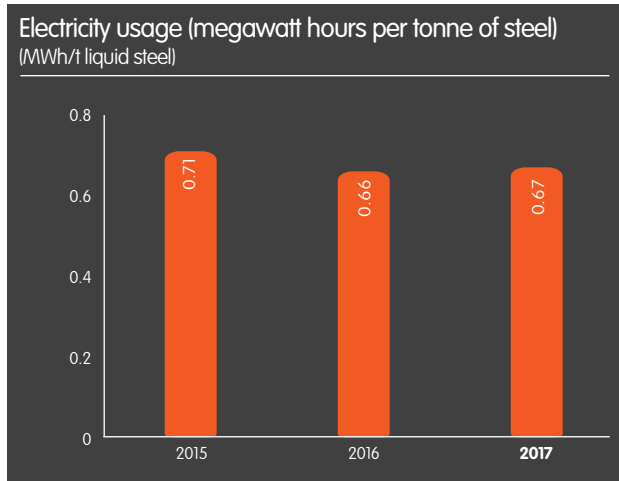
In 2017 the company ended its practice of granting volumetric discounts. In the previous year these amounted to some R386 million and, while benefiting some customers (mostly merchants), it was apparent that the system of extending these discounts had failed to achieve its intended outcomes. It also had the effect of favouring larger, well-established players in the steel industry while, potentially, prejudicing new, smaller entrants.

While volumetric discounts were no longer granted with effect from Q3 2017, this year the company paid some R322 million in secondary value-added export (VAE) rebates. These are rebates for customers who buy steel domestically and transform it into products which they are then able to sell into export markets. Along with Committee of Secondary Manufacturers (COSM) levies of more than R60 million paid by the company in 2017 (at R20.43 per tonne), the VAE rebates allow South African companies to compete in international markets while maintaining employment and earning foreign exchange.

## Outlook for socio-economic value creation

Achieving an expanded reach through our science centre sponsorships, to support various entrepreneurial disciplines, will be further explored in collaboration with the departments of Basic Education and Science and Technology.

## Environmental performance



### 2017 environmental overview

This year the company struggled to sustainably comply with a number of its formal environmental licences. This related largely to our financial performance which impacted our ability to invest in necessary environmental improvements. In the year we spent an amount of R41 million on mitigating our environmental impact (2016: R38 million) and had to contend with the effects of underinvestment in, especially, emissions controls. In 2018, the company intends investing greater amounts to address this reality.

Performance against key environmental indicators is by no means determined exclusively by the amount of capital expenditure made. It is also largely determined by skills and expertise and the disciplined application of management and control systems. In this regard it is noteworthy that the company continued to perform well on lowering its intake of fresh water; this stemmed more from the rigorous application of controls than from any new investment.

Less success was achieved in terms of managing emissions to air. CO<sub>2</sub> emissions rose on the back of increased production while CO<sub>2</sub> intensity (per tonne of liquid steel) was little changed. SO<sub>2</sub> emissions decreased and dropped marginally in absolute and intensity terms.

## Strategic objective 3: Creating social value continued

Particulate emissions, on the other hand, increased by an unacceptable 18%, the result of one particular challenge at Newcastle. Vanderbijlpark succeeded in slightly reducing dust emissions.

There were no major environmental incidents recorded this year in terms of section 30 of the National Environmental Management Act (NEMA). Inspections by the Green Scorpions were all of a routine nature with no significant non-conformances reported other than those that the authorities were already informed of.

In September Vanderbijlpark inaugurated a 50 tonne per hour off-gas boiler with a 10MW generating capacity. Commissioning of this important addition to our self-generating capacity was delayed by six months due to technical difficulties.

### Water management

In 2017 we continued to improve on our water abstraction rates. At 3.16kl per tonne of liquid steel, freshwater intensity was 2% lower than that of 2016 – when the company achieved its lowest figure in almost a decade.

The performance on water intake was despite difficulties encountered in maintaining Vanderbijlpark's zero effluent discharge (ZED) status.

Newcastle lost its ZED status in February and November. Despite an improved performance from November, Vanderbijlpark had been unable to achieve full ZED compliance by February 2018. Saldanha maintained ZED compliance throughout the year.

In Saldanha the crippling drought afflicting the Western Cape posed a severe threat to the plant's continued operations from Q4. This was after the Department of Water and Sanitation instructed the local municipality to reduce potable water supplies to industry by 40%, with effect from 1 October. At Saldanha water recovery and reuse rates are already at a theoretical maximum which makes the stipulated reduction impossible to achieve. This is now forcing the company to investigate alternative water sources. Saldanha is working closely with the municipality to investigate alternative water sources such as treated sewage water and groundwater.

In 2018 an amount in the region of R20 million is likely to be spent on upgrading the plant's reverse osmosis capability. We believe that, with an investment of this magnitude, it will be possible to reduce Saldanha's freshwater intake by some 40%. Regrettably, given delays experienced in obtaining water use licences, it is unlikely that this benefit will be realised before H2 2018.

### Emissions to air

In February the dust abatement system at Newcastle's blast furnace cast house collapsed, resulting in considerable, unplanned emissions. The relevant authorities were immediately informed with an independent assessment reporting that the plant's variance from its atmospheric emissions licence was acceptable from an environmental impact perspective for a limited period.

By year-end good progress had been made on effecting the required improvements. It is expected that compliance will be achieved by July 2018, at a capital cost of some R90 million.

With Vanderbijlpark's sinter plant continuing to experience difficulties with its emissions abatement system, particulate emissions were the company's single largest area of environmental underperformance in 2017.

A large three-year project at Vanderbijlpark, to be implemented from 2018, will improve our ability to remove SO<sub>2</sub>.

At the time of reporting the company was dealing with issues relating to various licences and general compliance.

### Carbon tax and by-products

There were few material developments this year on government's proposed carbon tax despite a draft Bill being published for comment in December 2017. It now appears likely that parliament will consider draft legislation during H1 of 2018. This year we continued to argue, in various forums, that the proposals, in their current form and levels of taxation, would threaten the existence of the primary steel industry and that other mechanisms to achieve the desired climate change outcomes should be developed. To the year 2020, we estimate that, if enacted as proposed, a carbon tax would add approximately R300 million to our annual cost base.

In 2017 by-product sales remained well short of recent historical levels, a reflection of depressed economic conditions. This translated into the percentage of by-products that had to be disposed of instead of finding alternative, commercial uses, rising from 37% to 40%. Since December 2015 we have been unable to sell any of the BOF slag produced at Newcastle because of an executive directive to the effect that the traditional buyers of this product lacked waste management licences. This compelled us to dispose of 440 000t of slag which would otherwise have found economically productive uses. Our legal dispute with the authorities on this issue (ArcelorMittal South Africa contends that BOF slag is not a waste product and, as such, should not require such licences) is unlikely to be resolved before H1 2018, at the earliest.

### Environmental outlook

It is likely that in 2018 essential environmental capital expenditure will represent a substantial increase over the annual spend of the previous three years. Priorities will be the Newcastle cast house abatement system and ongoing improvements at the Vanderbijlpark sinter plant. (At Newcastle, a project to reduce particulate emissions from the sinter building itself to below 50mg/m<sup>3</sup> is scheduled for completion in Q2 2018.)

At Saldanha Works a strategy was adopted to implement comprehensive additional measures to reduce the use of potable water supplied by the municipality. The strategy will be implemented in 2018 with success depending on the required authorisations being issued. The main focuses of this strategy are the use of treated sewage water and the abstraction of groundwater on site.



# Strategic objective 4: Creating a high-performance culture

A safe, lean but highly productive workforce is essential to proving that we can sustainably make great steel products at prices our customers can afford.

## Why this is important

ArcelorMittal South Africa is positioned within the bottom quartile of all ArcelorMittal group companies in terms of labour productivity. Since 2010 labour costs have risen 61% while crude steel production has decreased by 15%. In the decade since 2008, we have increased the tonnes of HRC produced per full-time equivalent (FTE) job from 428 to 478 but these gains have been outstripped by labour inflation.

Clearly a step change in reducing fixed costs is needed if our company is to remain competitive and return to sustainable profitability.



## Three-year key performance indicators

KPI 14	<b>Total cost of employment</b> (TCOE): TCOE/tonne of liquid steel (ZAR)*	2017: 1 049	2016: 1 063	2015: 970
KPI 15	<b>Management control performance</b> (under B-BBEE codes)	2017: 9.22**	2016: 9.50 <sup>+</sup>	2015: 7.40

\* Previously reported in USD.  
<sup>+</sup> Independently verified; previously reported (self-assessed) as 9.25.  
<sup>\*\*</sup> Self-assessed.

## Issues that were most material to ensuring high-performance in 2017

- 】 Workplace safety
- 】 Restructuring operations to unlock value and reduce costs
- 】 Training for a new operating reality
- 】 Producing sufficient fit-for-purpose technical skills
- 】 Talent management and succession planning
- 】 Employee engagement and changing our culture.

In 2017 management worked with various group experts to implement stretch targets on reducing variable and fixed costs (see 31). However, in ensuring that we rapidly sustain ongoing, positive EBITDA and positive cash flow, it is imperative that our apparently systemically poor performance on tonnes of HRCe/eRebar per FTE be improved. To this end, this year we began the process of restructuring our workforce. Our own labour reduced to 8 878 in 2017, representing a 3% reduction.



Our online annual value creation report contains considerably greater detail on our performance on creating a high-performance culture. In particular, this report details how, in 2017, management engaged with employees and how our investments in training are translating into the creation of vital technical skills.

## Restructuring oneAMSA

Under new leadership, the company's human resources function this year began implementing oneAMSA, a wide-ranging undertaking to improve productivity and decision-making by delivering a flatter, more streamlined organisation. The board and executive committee oversaw all elements of oneAMSA's rollout.

Of particular significance, in the year personal performance objectives were, for the first time, aligned with corporate strategic objectives using the new SuccessFactors software platform.

To ensure that individual performance is geared towards execution against our most important objectives, it is important that all employees subscribe to the objectives that will ensure our survival and our ability to create sustainable value for shareholders and other stakeholders. As such, oneAMSA aims to inculcate a sense of corporate belonging and shared values. (The reality of our organisational structure and culture, identified in 2016 and 2017 by a number of internal and external experts, is that business units and divisions have operated largely autonomously, in 'silos', to the detriment of effective decision-making and execution against strategic objectives.) This reality has also resulted in considerable, quantified, duplication of resources and processes; oneAMSA seeks to address these wasteful shortcomings by rapidly bolstering the creation of a high-performance culture.

In August 2017 a Section 189 process was initiated to achieve total cost of employment (TCOE) savings. OneAMSA envisages reductions in each of the four labour components of our fixed costs: own labour, contractor labour, overtime and hired labour. No direct job losses are expected with natural attrition accounting for the required lower head count – as occurred in 2017 when full-time employment reduced by 453 positions through resignations and retirements.

Borrowing extensively from ArcelorMittal group best practice, in 2018 shared services (including human resources, finance, sales and marketing, purchasing and logistics and IT) will be centralised as far as possible and appropriate. This will have the effect of streamlining decision-making, reducing costs and, in the case of sales and marketing, of improving customer relations and service levels. So, for example, the sales and marketing department's headcount will increase almost four-fold. This reflects the fact that, under oneAMSA, finished product warehousing and despatch personnel will resort under the sales function whereas previously they reported to production.

# Strategic objective 4: Creating a high-performance culture continued

## Training for our new future

A leaner, more productive labour force will need to demonstrate consistent high performance, which will require our people to possess even greater skills levels, an imperative that underlines the importance of continuing to invest in training.

In 2015 and 2016, despite severe financial constraints, we succeeded in spending a combined amount of R386 million on training. This year the company's financial position was such that it was not possible to sustain this expenditure, training spend declining by some R60 million to R153.9 million. Mitigating the impact of budgetary cuts was largely achieved by reducing externally provided training and by eliminating expenditure on leadership development while minimising operating costs. As a result, it was possible to even increase investment in the development of essential technical skills and to grow the technical

pipeline; at year-end the pipeline consisted of 1 518 individuals (2016: 1 346).

This increase in one of our traditional areas of greatest non-financial impact was achieved largely through partnerships, in particular partnerships with the Department of Labour and the Manufacturing, Engineering and Related Services Seta (merSETA). In 2016/2017, through the department's 'match-making' platform, Employment Services for South Africa, and merSETA, an amount of R30 million from the Unemployment Insurance Fund (UIF) was made available to ArcelorMittal South Africa to provide apprenticeship training to unemployed South Africans. In 2016/2017, 197 unemployed individuals from mostly impoverished backgrounds underwent apprenticeship training with an expected end date of 2019/2020, as indicated by the table below.

## UIF partnership apprenticeship pipeline

Pipeline	Total	African		Coloured		Indian		White		Total		% EE
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
UIF apprentices	197	166	25	1	0	1	0	4	0	172	25	98

At the end of 2017 some 743 individuals were participating in full three-year apprenticeship training programmes provided by the company's Engineering Academy in Vanderbijlpark. This year 143 apprentices graduated from this programme.

The 743 apprenticeships in our development pipeline (including the UIF beneficiaries) represented a 36% increase on the 546 registered a year previously. Some 95% of the current apprentices were from historically disadvantaged backgrounds. As has traditionally been the case, this number is in excess of ArcelorMittal South Africa's own requirement, meaning that scarce artisanal skills will continue to be developed and made available for deployment elsewhere in the manufacturing and industrial sectors.

In 2017, 3 487 employees were aged under 35, representing 38% of the workforce. (Significantly, the age profile of our artisanal workforce – at an average 40 years – is lower than the national average, estimated at 45 for practicing artisans.)

## Labour relations

There were, again, no incidents of industrial action in 2017. At year-end 62% of bargaining unit employees were members of the National Union of Metalworkers (Numsa). Solidarity represented 37% of bargaining unit employees.

In 2015 Numsa and the company signed a two-year agreement and, in the same year, Solidarity and the company signed a similar three-year agreement. In 2017 the final year of the three-year agreement with Solidarity was implemented and negotiations with

Numsa succeeded in aligning the wage negotiation cycle with both unions.

## Culture and employee engagement

In 2017 a tool to effectively determine levels of employee engagement was deployed across the company. Sourced from the ArcelorMittal group, 'speak-up' outcomes will be used to assist 'values teams' in providing solutions to enhance employee engagement while contributing towards the overall employee value proposition (EVP).

## Outlook for 2018

In the new year the continued rollout of oneAMSA will have wide-ranging impacts on the structures and culture of the company. These changes will be executed with maximum empathy and in close, open communication with affected employees and their union representatives. Driving culture change, from a top-down command structure to an inclusive environment in which all employees feel committed to the achievement of strategic objectives, will be embedded by values teams.

The development of digitised training will continue in 2018 with the completion of training materials for all outstanding fatality prevention standards and plant inductions.

# Leadership

## Overview

ArcelorMittal South Africa is a public company listed under the industrial – steel and other metals sector of the 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.

## Ethical and effective leadership

The board of directors is the custodian and focal point of corporate governance at ArcelorMittal South Africa. The board is mindful of the outcomes it needs to achieve as set out in the King Code on Corporate Governance (King IV) and in doing so applies the principles, as well as the practices as appropriate for the company. Directors acknowledge that their fundamental responsibility is to lead and direct the organisation in an ethical and effective manner.

The board, led by an independent non-executive director, accepts that it remains accountable to, and should report in a transparent and open manner, to all stakeholders regarding the performance of the company and how it has fulfilled its responsibilities as a board. As set out in King IV, the board appreciates that the company's core purpose, its risks and opportunities, strategy, business model and sustainable development are all inseparable elements of its value creation process. Decisions need to be made in an integrated manner, taking into account the effects of strategy on all stakeholders and the social, economic and environmental context.

This integrated annual report is the board's most important single annual communication to stakeholders; it is authorised by, and issued in the name of, the board. Similarly, the board has issued the company's online annual value creation report and its full leadership report, including our King IV application statement and a comprehensive discussion of corporate governance and board and committee responsibilities and undertakings.

In 2017 an external assessment of the board's effectiveness found that the board had grown to become an effective board which was operating well under challenging conditions.

In the year the board met on seven occasions, a reflection of the seriousness with which directors take their responsibility to understand, engage with and give informed leadership on the fundamentally challenging issues facing the company and its sustainable ability to create value into the future. In addition to regular, scheduled meetings, on two occasions the board held special meetings to consider and give guidance on pressing matters bearing on the company's sustainability.

The board undertook an extensive internal and candid review – informed by the external review – of its effectiveness and that of its committees. The review was informed by the many pressing and fluid challenges facing the company and the imperative to provide timely and effective leadership. A key outcome of this review was that in May directors resolved to accept a proposal by the (then) nominations committee that the board's six committees be consolidated into four

with their mandates, responsibilities and membership amended as follows:

- ▶ That the audit and risk, and health, safety and environment committees remain unchanged but that the following committees be constituted:
  - Human resources, remuneration and nominations committee
  - Transformation, social and ethics committee.

As a result of these changes, the B-BBEE, nominations and management share trust committees ceased to operate as separate committees, their responsibilities being subsumed by the consolidated committees.

The board strives for best practices that go beyond the legal minimum requirements, especially with regard to governance, compliance, ethics and social value creation.

## Actions

In addition to making important structural changes to maximise its effectiveness, in 2017 the board discharged its responsibility to provide ethical, effective leadership by:

- ▶ Closely engaging (both at, and between, board and committee meetings) with management on restructuring proposals and initiatives and giving strategic direction on key projects including the Thabazimbi mine takeover, the Evraz Highveld Steel transaction, and the relationship with B-BBEE shareholder Likamva Resources
- ▶ Appointing a new CEO towards the end of 2017
- ▶ Considering the restructuring of the balance sheet and approving a borrowing-based facility
- ▶ On an ongoing basis, reviewing the sustainability of the organisation given the difficult trading conditions
- ▶ Approving and monitoring a cost-reduction and efficiency programme to ensure sustainability
- ▶ Holding management to account for safety and environmental performance, particularly contractor fatalities and preventable serious injuries, and the enforcement of safety disciplines and protocols
- ▶ Closely monitoring risk management, the company's responses to adverse trading conditions, liquidity challenges and the imperative to reduce fixed costs in a humane but effective manner (Section 189 process)
- ▶ Responding decisively and timeously to auditor findings and opinions
- ▶ Giving guidance and oversight on compliance (including environmental matters) and competition issues
- ▶ Overseeing execution on economic transformation imperatives, notably those relating to enterprise and supplier development, preferential procurement and socio-economic development
- ▶ Reviewing the quality of stakeholder engagements and delivery on stakeholders' expected outcomes
- ▶ Amending the remuneration policy in response to concerns and issues raised by shareholders and others
- ▶ Approving a revised delegation of authority
- ▶ Reviewing the conflict-of-interest policy
- ▶ Approving the integrated annual report and the disclosure of material information.

# Leadership continued

## Policies and procedures

In 2017 the board engaged with the company secretary, with management and independent experts on assessing the extent to which it applied the principles and recommended practices of King IV, and the extent to which this application resulted in the desired governance outcomes. This engagement concluded that the board and its governance practices were aligned with the requirements of King IV.

## Structure and process

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 on implementing plans and strategies, as approved by the board
- › Appoint the CEO and executive directors
- › Identify and regularly monitor key risk areas and key performance indicators of the business
- › Oversee the quality of stakeholder relationships and ensure that these relationships create broad-based value for the company, for society and for stakeholders
- › Ensure that the company complies with relevant laws, regulations and codes of business practice
- › Maintain oversight over succession planning and management
- › Ensure that the company communicates with shareowners and all relevant stakeholders openly and promptly
- › Monitor the company's integrated performance
- › Establish a formal and transparent procedure for appointments 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 and technology 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 board charter which provides evidence of the balance of power between the independent non-executive chairman, CEO and non-executive directors.

## Ethical business practices

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. This year the transformation, social and ethics committee reviewed the code and anti-corruption guidelines and reported to the board that it believed these were adequate.

No specific human rights issues were raised at the board or senior executive levels.

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

## Board committees


While the board remains accountable and responsible for the performance and affairs of the company and the need to provide consistent, quality, ethical and effective leadership, it delegates to management and board committees certain functions to assist it in properly discharging its duties. In ensuring that its leadership is as effective as possible, as described above, in 2017 the board rationalised its committees.

Other than the audit and risk committee, committee reports, including their terms of reference, membership and activities during the year, are included in our online leadership report, which also incorporates our King IV governance application statement.



# Remuneration report

## Human resources, remuneration and nominations committee chairman's report

On behalf of the human resources, remuneration and nominations (HRN) committee, I am privileged to present the 2017 ArcelorMittal South Africa remuneration report. The composition of the committee and attendance by members at the meetings is set out on  18 of this integrated annual report.

In 2017 the committee engaged extensively with shareholders, including our large institutional investors, on issues relating to value creation and remuneration policy and implementation. These matters were deliberated in a responsible and candid manner with some difficult decisions being taken and communicated within the company and to stakeholders. All engagements on value creation and remuneration were guided by the King IV Code on Corporate Governance, specifically principle 14 which requires governing bodies to exercise fairness and transparency on remuneration matters, policy and implementation.

Of particular concern to some shareholders was their belief that the 2016 remuneration report lacked transparency, specifically on elements of our long-term incentive plan (LTIP) performance targets. While performance measures were adequately disclosed, it was felt that targets were poorly described. A second matter of concern raised by shareholders was that the general level of disclosure in the 2016 report was lower than that of 2015, especially the nature of significant 'other' payments to directors and prescribed officers. The committee and I consider these concerns to be valid and hope that these have been addressed in this year's report, to the satisfaction of stakeholders. We believe that appropriate disclosure on all remuneration matters is now evident in the 2017 remuneration report. I thank shareholders for assisting us to ensure that our remuneration reporting meets required standards and expectations.

As is described elsewhere in this integrated report, the company's operating context, particularly local and global steel markets, remained extremely challenging in 2017 with excess supply and weak demand combining with an unfavourable rand/US dollar exchange rate to negatively impact our financial performance. Regrettably, measures implemented to save fixed costs and improve efficiencies failed to yield adequate results. From this year's report stakeholders will note that board and executive management decisions on remuneration-related policy and, in particular, implementation were underpinned by principles relating to the sustainability of this organisation and affordability.

In June 2017 the board adopted a King IV implementation plan whose provisions included the annual tabling of the remuneration policy for a non-binding advisory vote by shareholders at the AGM, with a recording of measures that the board commits to take should either the remuneration policy or implementation report be voted against by 25% or more of voting rights.

King IV recommends that the remuneration policy incentivise the achievement of strategic objectives and positive outcomes.

The committee and board are satisfied that, in the year reported on, management demonstrated great diligence and strength of leadership in working to create value. In particular, we note substantial execution

against strategic objectives which rendered these important outcomes:

- ▶ Implementation of various trade remedies including duties, safeguards and localisation, by the authorities, to protect our company, our sector and customers
- ▶ Stabilising production, improved reliability and capacity utilisation (the latter when market conditions allowed)
- ▶ Significant management savings on reducing variable costs and concerted action taken to reduce fixed costs
- ▶ Considerable social and human value creation through the transformation of, especially, our supply chain and investments in enterprise and supplier development, and partnerships to develop technical skills and business opportunities for SMMEs
- ▶ Increased support for the downstream including import protection and a drive to improve customer service
- ▶ Establishment of a borrowing-based facility, which substantially reduced our cash risks, and close ongoing management of liquidity
- ▶ Creation of new markets including restarting the Evraz Highveld Steel heavy sections mill and growing exports to Africa.

Linking pay to performance is of fundamental importance to our remuneration policy, for all employees but particularly for executives. Since 2013 we have strived to improve our remuneration policy and implementation by strengthening the relationship between line of sight (those work-related matters which individuals and groups can control or affect) and outputs and rewards, and by engaging with various stakeholders, notably shareholders.

This report reflects the key components of our remuneration policy, guidelines, reward practices and implementation, and remuneration decisions for all ArcelorMittal South Africa employees, executive and non-executive directors.

We have remained committed to ensuring that our remuneration policy and practices are undertaken in a fair and responsible manner, having considered inputs, requests and suggestions by shareholders and other stakeholders. These have been incorporated into the policy and are aligned with ArcelorMittal group strategy. I am pleased to advise that at the May 2017 AGM 95.35% of votes were cast in favour of the policy.

In closing I think it appropriate that I thank the many package category employees of ArcelorMittal South Africa, our executives and even my fellow non-executive directors who made considerable remuneration sacrifices this year. This was done in the interests of 'doing their bit' to ensure the sustainability of our great business. I am confident that, despite these sacrifices, they remain committed to fostering the high-performance culture that will ultimately return significant value to all of our stakeholders, including shareholders. I also thank those stakeholders who engaged with us with a view to improving, especially, our reporting on remuneration.



**Nomavuso Mnxasana**  
Chairman, HRN committee

2 March 2018

# Remuneration report continued

## Remuneration context and policy background

This report reflects remuneration policy principles and implementation, outlining decisions recommended by the HRN committee and taken by the board and executive management.

Despite the primary steel sector benefiting from vital protection against unfair flat steel imports, in 2017 ArcelorMittal South Africa again failed to return to profitability while consuming large amounts of cash. It is within this context of considerable financial stress that our remuneration policy and implementation sought to continue striking the most appropriate balance between financial value, strengthening the link between reward and performance, and ensuring that our employees remain engaged and committed.

In 2017 voluntary turnover at senior management level decreased to 4% compared with 7% in 2016; this brought about a level of stability and consistency within the company's decision-making structures and processes.

During the year we retained our underlying philosophy of attracting, developing and retaining talent while aligning and strengthening the link between line of sight and rewards. In the context of increasingly challenging trading conditions, management worked with considerable success to reduce fixed and variable costs, enhance plant stability and utilisation, to boost output and sales and to manage our material cash pressures.

Our remuneration philosophy seeks to reward performance and deliver shareholder value through the implementation of appropriate, fair and competitive remuneration practices.

The HRN committee has been delegated by the board to oversee the following human resources strategies:

- 】 Organisational and business unit structures – in 2017 a Section 189 process was initiated through the application of fair and transparent procedures
- 】 Reduction of remuneration-related fixed costs through a review of TCOE
- 】 In 2017 the committee and board reviewed short-term and long-term incentives and approved amendments as well as the implementation of a new short-term bonus scheme
- 】 Appointments to the board, committees and other entities such as retirement fund boards, company secretariat, etc
- 】 Remuneration and benefits for non-executive directors, employees and executive directors, targets and rules for performance-related pay schemes, annual reward allocations with company performance-related linkage, retirement fund rules amendments
- 】 This year the committee strengthened performance requirement as the cornerstone of reward practices linked to shareholder value, company, team and individual responsibility

- 】 The committee undertook extensive policy review and implementation aligned to the Employment Equity Amendment Act, and monitored internal equity pay and the equal-work-for-equal-value principles
- 】 Employee empowerment share trusts – registration and implementation of 10-year term and five-year term share ownership plans based on differing qualification criteria.

## Remuneration policy

Our policy on managing pay includes the following principles:


- 】 Effective governance over remuneration – alignment with King IV, in particular principle 14
- 】 Total rewards mindset – reward comprises a range of performance-based monetary and non-monetary elements. Pay is both fixed and variable
- 】 Performance aligned to strategy – reward differentiation is based on employees' performance, addressing line-of-sight responsibilities and implementing remuneration practices which seek to sustain the organisation
- 】 Manager discretion – operating and business unit empowerment through a delegation-of-authority matrix which combines robust core policy and strategy formulation with decentralised decision-making through formal delegation of authority
- 】 Legislative and legal compliance – equal pay for equal work
- 】 Pay mix – total pay includes variable pay elements and reward for contributions to business performance. The remuneration policy allows for differentiation on the basis of performance and tenure
- 】 Consistency – the reward philosophy strives to be both consistent and transparent. Benchmarking is performed annually using reliable and recognised methodologies.

## Remuneration design structure

The principle of performance-based remuneration is one of the cornerstones of our remuneration policy and implementation. In 2017 the King IV principle of strengthening alignment between reward and the achievement of strategic objectives and positive outcomes strongly influenced the remuneration policy, notably in the setting of performance conditions, measures and weightings in terms of short and long-term incentive plans.

## Key changes to our remuneration policy

In the past year the board resolved, with group approval, to implement revised performance conditions, targets and weighting:

- 】 A significant change to the LTIP was introduced whereby performance condition, TCOE in ZAR per tonne of liquid steel, with a 40% weighting, was replaced with market share, also weighted at 40%. The grant period remains three years with vesting in 2020, based on the achievement of the performance condition, noting that a vesting scale of 80% to 120% will be applied
- 】 Concerning the 2017 short-term incentive plan, ROCE percentage is added as an additional performance measure, and business-specific measures (BSMs) are replaced by market share. The table on  45 outlines the LTIP performance conditions and criteria.

## Pay elements

ArcelorMittal South Africa's remuneration strategy comprises the following key elements:

- 】 Guaranteed pay
- 】 Retirement, risk and medical benefits
- 】 Retention schemes (MTI and executive retention agreements)
- 】 Variable pay such as production and maintenance bonuses (OPI) and other short-term incentives (STIs), ie annual performance bonuses
- 】 Long-term incentives (LTIs), ie share plans
- 】 Other benefits.

## Guaranteed pay

Package category employees are remunerated on a cost-to-company (CTC) basis. The CTC includes a cash salary component and employer contributions to retirement (including disability and death risk insurance). CTC determination is typically effected in April each year and is informed by parameters approved by the board. Salary increases are moderated by individual performance, inflation and market salary settlement trends and annual budget provisions. Remuneration is benchmarked against peer competitors to assess internal remuneration relative to the market median and moderated accordingly.

In 2017 the board approved a 5% increase in CTC for bargaining unit employees. However, due to economic and financial challenges, the remuneration of package category employees, executives and non-executive directors was not adjusted (zero increases were implemented).

In February the benchmarking exercise undertaken for executive management revealed an anomaly in the chief financial officer's pay structure, to the effect that his earnings were below that of peer comparators. The board resolved that the CFO's earnings increase by 17.5%, to align with the market's guaranteed pay 50th percentile.

A further benchmarking study was undertaken by PwC Remchannel for ArcelorMittal South Africa's management structure. Average total reward comprising guaranteed pay, short and long-term incentives was benchmarked against comparable organisations which participate in the National, Manufacturing and JSE Top 40 remuneration circles.

The survey illustrated the fact that our top management's average total reward was between 13% and 28% higher than those benchmarked. It is worth noting that this variance derived largely from the packages of two key individuals. The board is satisfied that, given the company's many very substantial challenges and the concomitant pressures on executive decision-makers, the premium paid to retain top leadership is appropriate.

With regard to unionised employees, the last leg of a three-year agreement with Solidarity was implemented and negotiations to extend the agreement to the National Union of Metalworkers (Numsa) resulted in a successful alignment of the wage negotiation cycle. All pay components which equate to the non-unionised CTC were adjusted by 7% and agreements were successfully implemented in April 2017. The existing, legally binding, multi-term agreement, albeit applicable to Solidarity only, necessitated a further wage negotiation process with Numsa. This brought to a conclusion all multi-term wage agreements.

## Table summary of guaranteed pay policy and implementation

Agreement main features	Multi-term wage agreement guaranteed pay policy			Implementation	
	2015	2016	2017*	2016	2017*
Formulae	7%	CPI + 1% (floor – 4.5%, ceiling – 6.5%) increase not less than 7% across the board			
Once-off	R2 000 (net)	–		–	–
Semi-skilled level	6.5% (including allowances)	6.3% (including allowances)		7%	7%
Skilled level	6%	6.0% (including allowances)		7%	7%
Medical aid subsidy cap	7%	6.50%		7%	7%

\* 2017 wage agreement (policy) with Solidarity, policy principles negotiated and agreed with Numsa in 2017.

## Remuneration mix

ArcelorMittal South Africa's remuneration policy aims to attract and retain motivated, high-calibre employees whose interests are aligned with those of our shareholders. This is achieved through the right mix of guaranteed and performance-based remuneration (variable pay),

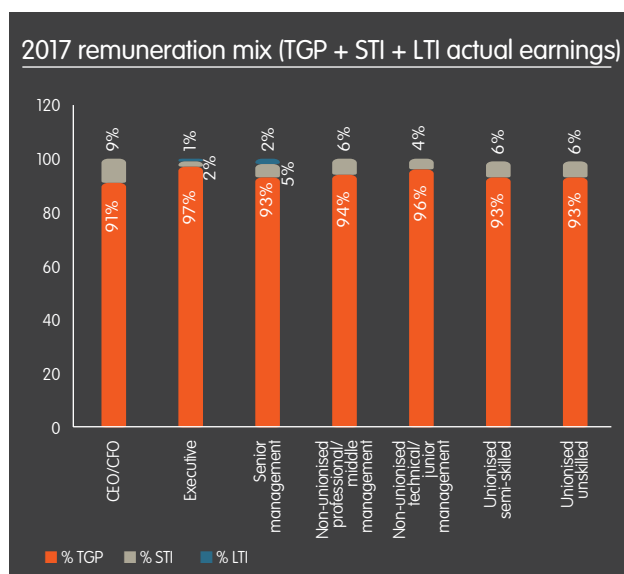
where the latter provides for differentiation between high, on-target and low performance. The pay mix of guaranteed and variable remuneration differs according to the level of the employee. Generally, the more senior the employee, the higher the proportion of variable pay in his/her total remuneration package.

# Remuneration report continued

Our remuneration mix is intended to reward top and senior management through a greater element of performance-based pay.

The methodology used to calculate the remuneration mix comprises the following:

- ▶ Total guaranteed package (TGP) – annualised current total annual CTC of an employee (excluding incentives). This includes retirement fund, medical aid and other fringe benefits
- ▶ STIs – the total performance bonus amounts which accrue to an employee over the course of the financial year based on STI policy and actual earnings
- ▶ LTIs – the values for the 2017 grant allocation were: performance stock units (PSUs) = R4.41 and restricted share units (RSUs) = R7.35.



The relatively low rates of variable pay (actual earnings reflected in the table above) when compared with our remuneration policy, derived from underachievement on performance targets.

## STIP 2017 – performance scorecard

Role	Performance levels			Performance measure and weights						
	Threshold 80%	Target 100%	Stretch 120%	EBITDA	Free cash flow	ROCE	Health and safety FRLTI LTI + RW		Market share	Total
CEO (A role)	20.0%	40.0%	60.0%	30.0%	20.0%	20.0%	5.0%	5.0%	20.0%	100.0%
General managers (B role)	15.0%	30.0%	45.0%	30.0%	20.0%	20.0%	5.0%	5.0%	20.0%	100.0%
Group managers (C role)	10.0%	20.0%	30.0%	30.0%	20.0%	20.0%	5.0%	5.0%	20.0%	100.0%
Managers (D role)	8.8%	17.5%	26.3%	30.0%	20.0%	20.0%	5.0%	5.0%	20.0%	100.0%

## Variable pay

While our remuneration mix is intended to reward top and senior management through a greater element of performance or risk-based pay as evidenced in the charts on the previous page, the relatively low actual reward this year derived from the fact that reward potential based on company-related performance measures was not realised as intended. The charts further illustrate that, notwithstanding an inflation rate of 5.3% as at April 2017, the performance and financial state of the company resulted in zero increases at all levels of the organisation except for unionised employees, where the 2017 reward allocation adjustment was regulated by the 2015 to 2018 Collective Labour Agreement (CLA).

## Performance incentive scheme package category – STIP 2017

While the 2015 and 2016 STIPs were similar, the 2017 STIP was remodelled. Carried out in consultation with ArcelorMittal group strategy, this remodelling included a move away from business-specific measures to company-based measures. The board approved the new scheme design with changes in the weighting of financial measures, ROCE percentage as an additional measure and replacement of business-specific measures (emphasis on personal line of sight) with market share (closer alignment with company performance).

A performance scorecard is used to measure financials (EBITDA, free cash flow, ROCE and market share) and non-financial (health and safety), weighted respectively on a 90/10 basis. This is a significant shift from the previous 70/30, where 30% derived from non-financial, business-specific measures/individuals' performance and health and safety. This is explained in the tables below which also demonstrate the threshold or trigger, target and stretch performance levels to be achieved against company strategy.



### 2017 STIP targets

Performance level		EBITDA	Free cash flow	ROCE	Health and safety		Flat	Market share	
					FRLTI	LTI + RW		Long	Combined
Threshold	80%	USD113 million	(USD12.60 million)	0.088%	–	–	73.88	64.31	70.11
Target	100%	USD142 million	(USD10.49 million)	0.110%	0.46	0.67	77.77	67.70	73.80
Stretch	120%	USD170 million	(USD8.4 million)	0.132%	–	–	81.65	71.08	77.49

Note: Linear vesting scale of 80% to 120% applied to all targets except for market share for which a 5% lower and upper interval was applied.

Notwithstanding serious financial constraints, the board approved bonus payments in respect of the STIP 2016, payments being effected in June. This decision was not taken lightly, especially in view of the suspension of a number of reward allocation processes. It was the considered view of the board that this payout was necessary to avoid a negative impact on the morale of package category employees, particularly in light of the recent salary increases awarded to bargaining unit employees.

#### Productivity bonus scheme (KPI) – 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:

- › EBITDA, weighting 80%
- › Safety, weighting 20%.

Safety achievement is delinked from EBITDA; therefore either both the 80% or 20% portion of the full bonus potential can be achieved.

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

#### Production and maintenance bonus (OPI) – production employees

This STI was introduced in 2015 as an incentive to drive a high-performance culture. Middle managers, technical and support staff whose direct line of sight is linked to steel production are measured and incentivised for driving safety, quality and business performance. The monthly productivity bonus payment is determined as a percentage of monthly salary with a maximum of 5% achievement. Due to current financial constraints, the bonus payments in respect of the OPI were suspended from April 2017, the suspension being informed by the rules of the scheme and subject to all necessary approval processes.

#### LTIP 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 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. However, in the case of a rights offer, the trust deed of the share option scheme (clause 19) states that the scheme shares (options) held by a participant shall be increased with the number of the shares to which the participant is entitled and will be equal to the subscription amount payable in respect of such rights shares at the rights offer price. Therefore, for every 100 options, the number of options increased by 163 at the rights offer price, applicable to the increased portfolio only. The result following our rights issue in January 2016 was an increase of 4.8 million options that were exercisable by eligible participants.

In 2012, shareholders approved a new LTIP based on performance and conditional share units. The board approved changes to the 2016 LTIP grant performance measures as follows:

- › ROCE (%) medium range forecast (MRF) 16/strategy update, weighted 50%
- › TCOE ZAR/t MRF 16/strategy update, weighted 50%
- › Linear vesting scale of 80% to 120% to be applied.

Specific to the 2016 grant rule, the share allocation percentage for senior managers and designated executives varied between 30% and 150% of CTC. (International executives participate in the ArcelorMittal group scheme, in accordance with the international mobility policy.)

The board approved amendments to the 2017 LTIP grant. Performance condition TCOE as applicable in 2016 was replaced with market share as indicated in the table below. The grant period will remain three years with vesting in 2020 based on the achievement of performance conditions, noting that a linear vesting scale of 80% to 120% will be applied. The weighting change of ROCE percentage at 60% and market share at 40% was also approved.

# Remuneration report continued

## 2017 grant – performance conditions

LTIP special grant 2017	Performance conditions		Targets			
	Weight	Measure	S'17	S'18	S'19	S'20
ArcelorMittal South Africa	60.0%	ROCE (%) 2	0.110%	3.9%	8.2%	7.7%
	40.0%	Market share (3)	73.8%	74.8%	75.4%	76.2%

ROCE (%) (2) targets for 2019 at 90% and 2020 at 85% of strategy.

The scheme's participants are divided into two groups:

- Designated members of the executive committee, who receive LTIP shares based on performance conditions: ROCE weighted at 60% and market share (defined as volumes/tonnes of steel sold in the domestic market versus domestic consumption) weighted at 40% for the 2017 grant. Performance stock units (PSUs): ROCE and market share are no longer equally weighted
- Senior management, who receive LTIP shares based on service conditions which include ongoing employment moderated by individual performance. Since 2015, 50% of the LTIP award for this category was also subject to PSUs and 50% subject to restricted stock units (RSU = moderated by active employment).

Salient features of the 2017 LTIP award, in accordance with the approved allocation rules:

- It is a three-year performance plan
- Awards are made annually
- Allocations are calculated on CTC X applicable percentage per grade X individual performance
- Threshold must be achieved to trigger payout for any measurement
- It is capped at 120% achievement of the specific target
- The audited financial year's performance is used for measurement purposes.

Eligible participants must remain employed to qualify for any settlement. 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.

### Executive retention

An executive retention scheme for key individuals was approved by the board in 2016 and implemented. The retention scheme was instituted due to increased turnover in the senior management category and to curb future possible flight risks. The retention payment is calculated as one-third of current annual CTC at the time of payment, payable in three annual tranches. The first tranche, made to six key individuals, was paid in July 2016, supported by strong retention terms such as: an acceptable performance level (3+); full reimbursement of the amount received in the case of resignation during the three-year period; acceptance of the three-year employment lock-in period. The second tranche was paid to five key individuals in July 2017.

The impact of this retention scheme was evidenced by the reduced turnover at senior management level, from 7% in 2016 to 4% in 2017.

### MTI scheme aimed at retention of critical talent

The MTI 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 as part of our succession plan. The scheme has been successful in retaining key skills, especially in engineering and other technical areas. Although we have previously awarded MTIs selectively, five tranches were paid in 2016, and 16 in 2017, the latter year representing a total value of R2 375 211.

### Contractual arrangements

We do not have any fixed-term contracts with executive directors or senior executives and there exists no restraint or special severance compensation payable to such employees. A period of restraint with standard non-compete and non-solicitation conditions is included as a generic clause in employment contracts.

In October 2017 it was announced that Mr Wim de Klerk would step down as chief executive officer and executive director from the board with effect from 31 January 2018.

### Non-executive directors

A three-year remuneration correction strategy to offset the effects of non-executive directors receiving no increases in 2012 and 2014 was approved by the board in November 2015. This three-year strategy comprised a 9% adjustment which was implemented in May 2016. The board, on the recommendation of the then remuneration, social and ethics committee, approved fee and retainer adjustments for 2017 and 2018 based on CPI plus an additional 3%, the latter moderated according to business performance and affordability.

Notwithstanding an independent benchmark study conducted by PwC Remchannel (companies benchmarked included mining sector and JSE-listed companies) which indicated that earnings were below average, the recommended 5.3% adjustment was not implemented.

In support of the executive and package category employees, the board resolved that the recommended increase would be forfeited for the period 1 June 2017 to 31 May 2018.

### Remuneration of executive directors and prescribed officers

The following table is a 2017 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 the remuneration of directors, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd.

	Notes	Salary <sup>1</sup> R	Retirement funding R	Short-term incentives <sup>2</sup> R	Equity incentives <sup>3</sup> R	Retention/ sign on bonus R	Other <sup>4</sup> R	Total remuneration 2017 R	Total remuneration 2016 R
<b>Executive directors</b>									
WA de Klerk	5	8 458 833	521 151	680 000	1 192 646	1 600 000	54 812	12 507 442	6 337 696
D Subramanian		2 567 119	223 034	237 000	490 323	1 439 498	188 893	5 145 867	4 987 804
PS O'Flaherty	12								1 595 675
<b>Subtotal</b>		11 025 952	744 185	917 000	1 682 969	3 039 498	243 705	17 653 309	12 921 175
<b>Prescribed officers and highest paid employees</b>									
M Adam		2 928 950	243 106	76 500	1 001 588	1 057 352	44 590	5 352 086	5 582 818
R Bardien	6	2 012 929	167 075	17 000	351 188	–	42 460	2 590 652	370 341
RI Holcroft		1 675 065	252 997	58 000	587 049	642 000	77 530	3 292 641	2 596 591
WA Nel		2 405 272	199 640	55 000	742 392	–	62 308	3 464 612	4 664 087
AM Ngapo		2 979 498	247 302	53 500	522 486	–	43 697	3 846 483	2 172 222
HPR Orsoni	7	3 327 000	–	212 000	–	–	1 225 210	4 764 210	5 443 296
RH Torlage		2 268 732	192 216	75 500	732 015	–	172 881	3 441 344	4 836 913
W Venter	8	1 778 391	147 609	98 500	343 129	642 000	249 688	3 259 317	2 917 435
CTW Whitcher		1 819 795	159 898	13 000	325 377	668 000	151 003	3 137 073	171 495
C Hautz	9	916 132	–	–	–	–	985 397	1 901 529	–
TG Nkosi	13	–	–	–	–	–	–	–	2 707 686
KS Kumar	14	–	–	–	–	–	–	–	1 711 278
<b>Subtotal</b>		22 111 764	1 609 843	659 000	4 605 224	3 009 352	3 054 764	35 049 947	33 174 162
<b>Total</b>		33 137 716	2 354 028	1 576 000	6 288 193	6 048 850	3 298 469	52 703 256	46 095 337

	Notes	Directors' fees R	Committee fees R	Other <sup>4</sup> R	Total remuneration fees 2017 R	Total remuneration fees 2016 R
<b>Non-executive directors</b>						
PM Makwana		1 355 952	–	888	1 356 840	1 339 045
LC Cele		174 500	256 434	171	431 105	431 628
LP Mondl	10	72 708	72 700	–	145 408	336 962
NP Mnxasana		174 500	561 767	1 295	737 562	646 410
JRD Modise	16	174 500	525 840	675	701 015	681 910
NF Nicolau		174 500	319 877	4 381	498 758	442 951
NP Gosa		174 500	174 478	–	348 978	29 080
KMM Musonda	11	94 521	87 240	–	181 761	–
DCG Murray	15	–	–	–	–	245 521
PS O'Flaherty	12	–	–	–	–	163 450
LM Khangala (Ikageng)		–	14 540	–	14 540	–
MS Tonjeni (Ikageng)		–	14 540	–	14 540	–
<b>Total</b>		2 395 681	2 027 416	7 410	4 430 507	4 316 957

<sup>1</sup> Cash salary includes basic salary (cash component).

<sup>2</sup> The short-term incentive relates to bonus earned for the 2016 financial year, paid in June 2017.

<sup>3</sup> Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.

<sup>4</sup> Other includes UIF, COID, monthly leave structuring, leave encashment, travel claims, international mobility, telephone costs, death benefit, employer contribution to medical aid and travel allowance.

<sup>5</sup> The CEO, WA de Klerk retired on 31 January 2018. HJ Verster commenced as CEO designate on 2 January 2018, CEO and executive director on 1 February 2018.

<sup>6</sup> General manager, human resources and transformation, R Bardien, tendered her resignation at the end of November 2017, her last day of service was 31 January 2018.

<sup>7</sup> HPR Orsoni was appointed as chief technology officer effective 1 July 2017, his previous position was general manager Vanderbijlpark Works.

<sup>8</sup> W Venter was appointed as general manager Vanderbijlpark Works effective 1 July 2017, his previous position was chief technology officer.

<sup>9</sup> C Hautz was appointed as chief marketing officer effective 1 September 2017.

<sup>10</sup> LP Mondl non-executive director retired on 24 May 2017.

<sup>11</sup> KM Musonda was appointed as a non-executive director on 12 June 2017.

<sup>12</sup> PS O'Flaherty resigned as CEO and executive director on 12 December 2016 and following his appointment as non-executive director on 1 March 2016, resigned on 20 July 2016.

<sup>13</sup> TG Nkosi resigned as general manager: human resources, transformation and communications effective July 2016.

<sup>14</sup> KS Kumar resigned as chief marketing officer with effect from 30 July 2016.

<sup>15</sup> DCG Murray retired as a non-executive effective 26 May 2016.

<sup>16</sup> JRD Modise's fees were paid to Batsomi Enterprises (Pty) Ltd.

# Remuneration report continued

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

The following table reflects the status of unvested LTIPs held by executive directors and the highest paid senior employees as at 31 December 2017:

Names of executives	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Adjustment for units not expected to vest	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)
WA de Klerk	LTIP	10/10/2016	871 794		312 687	559 107		10.74	2 163 745
		08/05/2017		892 867	499 339	393 528		7.62	1 522 953
			871 794	892 867	812 026	952 635	–		3 686 698
D Subramanian	LTIP	10/10/2016	474 923		170 341	304 582		10.74	1 178 733
		08/05/2017		317 515	177 571	139 944		7.62	541 582
			474 923	317 515	347 912	444 526	–		1 720 315
M Adam	LTIP	18/05/2015	147 387		136 313	11 074		18.73	42 855
		10/10/2016	390 407		140 027	250 380		10.74	968 969
		08/05/2017		333 203	186 345	146 858		7.62	568 341
			537 794	333 203	462 685	408 312	–		1 580 165
R Bardien	LTIP	08/05/2017		372 117	208 108	164 009		7.62	634 716
			–	372 117	208 108	164 009	–		634 716
RI Holcroft	LTIP	27/05/2014	35 709		24 307	–	11 402	34.89	–
		18/05/2015	83 629		77 346	6 283		18.73	24 316
		10/10/2016	237 046		85 021	152 025		10.74	588 335
		08/05/2017		202 313	113 144	89 169		7.62	345 083
			356 384	202 313	299 818	247 477	11 402		957 734
WA Nel	LTIP	27/05/2014	81 263		55 316	–	25 947	34.89	–
		18/05/2015	104 733		96 864	7 869		18.73	30 453
		10/10/2016	267 170		95 826	171 344		10.74	663 101
		08/05/2017		273 628	153 027	120 601		7.62	466 724
			453 166	273 628	401 033	299 814	25 947		1 160 278
AM Ngapo	LTIP	08/05/2017		553 624	309 616	244 008		7.62	944 310
			–	553 624	309 616	244 008	–		944 310
RH Torlage	LTIP	27/05/2014	51 669		35 171	–	16 498	34.89	–
		18/05/2015	99 887		92 382	7 505		18.73	29 044
		10/10/2016	308 681		110 715	197 966		10.74	766 129
		08/05/2017		263 452	147 336	116 116		7.62	449 367
			460 237	263 452	385 604	321 587	16 498		1 244 540
W Venter	LTIP	27/05/2014	13 222		–	–	13 222	34.89	–
		18/05/2015	20 255		18 733	1 522		18.73	5 889
		10/10/2016	197 538		70 851	126 687		10.74	490 279
		08/05/2017		202 313	113 144	89 169		7.62	345 083
			231 015	202 313	202 728	217 378	13 222		841 251
CTW Whitcher	LTIP	27/05/2014	11 385		–	–	11 385	34.89	–
		18/05/2015	24 211		22 392	1 819		18.73	7 040
		10/10/2016	81 030		29 063	51 967		10.74	201 112
		08/05/2017		217 980	121 906	96 074		7.62	371 806
			116 626	217 980	173 361	149 860	11 385		579 958

Note: LTIP shares vest within three to five years.

### Restricted stock unit (RSU)/performance stock unit (PSU) plans

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

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 (USD)
HPR Orsoni	RSU	17/12/2014	5 000		–	5 000	10.96	–
		18/12/2015	5 000		5 000		3.83	161 600
	PSU	17/12/2014	5 000		5 000	5 000	10.96	161 600
		18/12/2015	5 000		5 000		3.83	161 600
		30/06/2016	89 400		89 400		4.58	2 889 408
		30/06/2016	17 880		17 880		4.39	577 882
		20/12/2017		4 480	4 480		1.18	144 794
		127 280	4 480	126 760	10 000		4 096 883	
C Hautz	RSU	17/12/2014	1 500		–	1 500	10.96	–
		18/12/2015	1 500		1 500		3.83	48 480
	PSU	17/12/2014	1 500		–	1 500	10.96	–
		18/12/2015	1 500		1 500		3.83	48 480
		30/06/2016	42 900		42 900		4.58	1 386 528
		30/06/2016	8 580		8 580		4.39	277 306
		20/12/2017		4 097	4 097		1.18	132 415
		57 480	4 097	58 577	3 000		1 893 209	

# Independent limited assurance report

**Limited assurance report of the independent auditor, Deloitte & Touche to the directors of ArcelorMittal South Africa Ltd on their non-financial performance indicator disclosures as contained in the integrated annual report and supplementary reports for the year ended 31 December 2017.**

We have undertaken a limited assurance engagement on selected subject matter disclosures to be published in the ArcelorMittal Ltd integrated report and supplementary reports (the reports) for the year ended 31 December 2017.

The subject matter comprises the sustainability key performance indicators as prepared in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines (GRI G4), as prepared by the responsibility party for the year ended 31 December 2017.

The terms of management's basis of preparation, supported by the GRI G4, comprise the criteria by which the company's compliance is evaluated for purposes of our limited assurance engagement.

The scope of the limited assurance over the summarised non-financial performance indicators is limited to:

#### **Social**

- 】 Lost-time injury frequency rate
- 】 Total number of work-related fatalities
- 】 Total number of permanent employees and RSA-based employee demographic (race)
- 】 Corporate social investment spend
- 】 Total number employees within the development pipeline

#### **Environmental**

- 】 Environment (scope 1) consumption
- 】 Environment (scope 2) consumption
- 】 Total greenhouse gas emissions (fee included above)
- 】 Carbon emission intensity per tonne of liquid steel

#### **Economic**

- 】 Externally verified B-BBEE scorecard
- 】 Liquid steel capacity utilisation

## **Directors' responsibility**

The company's directors are responsible for the selection, preparation and presentation of the subject matter in accordance with the criteria as disclosed in the integrated annual report for the year ended 31 December 2017, including the implementation and execution of systems to collect required non-financial performance data and maintenance of internal control relevant to the preparation of the integrated annual report that are free from material misstatement, whether due to fraud or error.

## **Auditors' responsibility**

Our responsibility is to express our limited assurance conclusion on the above non-financial performance indicators for the year ended 31 December 2017, based on the procedures we have performed and the evidence we have obtained. We conducted our limited 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. That standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement to obtain sufficient appropriate evidence about whether the selected subject matter is free from material misstatement.

We do not accept any responsibility for any reports previously given by us on any financial information used in relation to the subject matter beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

## **Our independence, ethical requirements, and quality control**

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 to Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, Deloitte & Touche maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements of professional standards and applicable legal and regulatory requirements.

### Summary of work performed

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of the company's use of GRI G4 Guidelines, as the basis of preparation for the selected key non-financial performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key non-financial performance indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to evidence gathering and risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, less assurance is provided. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Accordingly, we do not express a reasonable assurance opinion about whether the entity's selected subject matter has been prepared, in all material respects, in accordance with the criteria.

Our evaluation mirrored the company's own compilation process and included:

- › Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the non-financial reporting process for the selected subject matter
- › Tested 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 limited 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.

### Our conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that the selected non-financial

performance indicators as set out in the subject matter paragraph for the year ended 31 December 2017, are not fairly presented and prepared, in all material respects in accordance with management's basis of preparation, supported by the GRI G4 Sustainability Reporting Guidelines.

### 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 work has been undertaken to enable us to express a limited assurance conclusion on the selected subject matter to the directors of ArcelorMittal Ltd in accordance with the terms of our engagement, and for no other purpose. 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.



**Claire Hoy**  
Director  
**Deloitte & Touche**

27 March 2018

National executive: \*LL Bam chief executive, \*TMM Jordan deputy chief executive officer: clients and industries, \*MJ Jarvis chief operating officer, \*AF Mackie audit and assurance, \*N Sing risk advisory, \*NB Kader tax, TP Pillay consulting, S Gwala BPS, \*JK Mazzocco talent and transformation, MG Dicks risk independence and legal, \*TJ Brown chairman of the board

A full list of partners and directors is available on request \*Partner and registered auditor  
B-BBEE rating: Level 1 contributor in terms of DTI Generic Scorecard as per the amended Codes of Good Practice  
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

# 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 of the committee

The committee comprised the following members at the date of this report:

- 】 JRD Modise
- 】 LC Cele
- 】 NP Mnexasana

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.

The experience and qualifications of the members are set out on  18.

DCG Murray retired effective 25 May 2016 and JRD Modise was elected chairperson at the annual general meeting by the company's shareholders.

## Functions of the committee

During the year under review, seven meetings (which included two special meetings held by teleconference call) were held. Details of attendance are set out in the corporate governance section.

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

- 】 The quarterly and half-yearly financial reports, the integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries
- 】 The effectiveness of the combined assurance model
- 】 The reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection
- 】 The effectiveness of the internal audit function
- 】 The auditor's findings and recommendations
- 】 Statements on ethical standards for the company and considered how they are promoted and enforced
- 】 Significant cases of unethical activity by employees or by the company itself
- 】 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
  - Information technology risks

## Independence of auditor

The committee reviewed a presentation by the external auditor and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and M Mantyi as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approved each proposed contract with Deloitte & Touche for the provision of non-audit services to the company. During the year the committee reviewed and approved all non-audit services to the group and 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 2017 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 and financial pronouncements as issued by the Financial Reporting Standards Council.

## Internal financial controls

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

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

The committee is of the opinion, after having considered the assurance provided by the internal audit function, that the group's system of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the 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 chief financial officer, D Subramanian, has the appropriate expertise and experience to carry out his duties.

The committee has assessed the competency, skills and resourcing of the group's finance function, and is satisfied as to the overall adequacy and appropriateness of the finance function, and further ensured that the company has established appropriate financial reporting procedures and that these procedures are operating.

### **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 directors.


It should be noted that the previous company secretary resigned in November 2017. Premium Corporate Consulting Services (Pty) Ltd (Premcorp) represented by Solete de Sousa Wilke, was appointed as the acting company secretary until January 2018. In January 2018, Premcorp (represented by Solete de Sousa Wilke) was appointed as the interim company secretary. As a part of the appointment in January 2018, the suitability of Premcorp and Solete de Sousa Wilke to be appointed as such was considered as a part of the appointment process. In the light of the foregoing, it was not necessary to do a specific annual evaluation of the performance and independence of the company secretary during February 2018, having only appointed the interim company secretary in January 2018.

### **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 annual financial statements for approval by the board of directors.

### **Auditor and designated individual partner**

The committee notes that Deloitte & Touche has been the auditor of the group and company for 13 years. M Mantyi has been the designated individual partner for three years. The key audit matters as disclosed in the report of the independent auditor was communicated and reviewed by the committee.



**JRD Modise**  
*Chairman*

2 March 2018

# Independent auditor's report on summarised consolidated financial statements

## TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LTD

### Opinion

The summarised consolidated financial statements of ArcelorMittal South Africa Ltd, which comprise the summarised consolidated statement of financial position as at 31 December 2017, 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 Ltd for the year ended 31 December 2017.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of ArcelorMittal South Africa Ltd, in accordance with IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

### Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by 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 and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of ArcelorMittal South Africa Ltd and the auditor's report thereon.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 March 2018. That report also includes:

- ▶ A material uncertainty related to going concern section that draws attention to note 36 in the audited financial statements. Note 36 of the audited financial statements indicates that ArcelorMittal South Africa Ltd incurred a net loss of R5 128 million during the year ended 31 December 2017. These events or conditions, along with other matters as set forth in note 36 of the audited financial statements indicate that a material uncertainty exists that may cast significant doubt on ArcelorMittal South Africa Ltd's ability to continue as a going concern. These matters are addressed in note 10 of the summary financial statements; and
- ▶ The communication of other key audit matters.

### 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 requirements of the IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised) *Engagements to Report on Summarised Financial Statements*.



**Deloitte & Touche**  
Registered Auditors  
Per: Mandisi Mantyi  
Partner

27 March 2018

**Deloitte & Touche**  
Deloitte Place  
The Woodlands, Woodlands drive, Woodmead Sandton

National executive: \*LL Bam chief executive, \*TMM Jordan deputy chief executive officer: clients and industries, \*MJ Jarvis chief operating officer, \*AF Mackie audit and assurance, \*N Sing risk advisory, \*NB Kader tax, TP Pillay consulting, S Gwala BPS, \*JK Mazzocco talent and transformation, MG Dicks risk independence and legal, \*TJ Brown chairman of the board

A full list of partners and directors is available on request \*Partner and registered auditor  
B-BBEE rating: Level 1 contributor in terms of DTI Generic Scorecard as per the amended Codes of Good Practice  
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu Limited

# Summarised consolidated financial statements

## for the year ended 31 December 2017

### Basis of preparation

The summarised consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with the requirements of the Companies Act of South Africa as applicable to summarised financial statements. 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 (*Interim Financial Reporting IAS 39*). 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 the consolidated 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
- ▶ Estimates for share-based payments in terms of IFRS 2.
- ▶ Estimates used for future cash flows relating to asset retirement obligations (ARO) and environmental remediation obligations (ERO)
- ▶ Judgements to distinguish between ARO and ERO

These summarised consolidated financial statements do not include all the information required for full consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS and the Companies Act of South Africa. Deloitte & Touche has issued an unmodified opinion on the consolidated financial statements, which included the material uncertainty relating to the going concern paragraph also found in an 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 and consolidated financial statements were prepared under the supervision of Mr D Subramanian, the group's chief financial officer, CA(SA).

# Summarised consolidated statement of comprehensive income and other comprehensive income

for the year ended 31 December 2017

	Notes	2017 Rm	2016 Rm
<b>Revenue</b>		<b>39 022</b>	32 737
Raw materials and consumables used		(24 763)	(19 454)
Employee costs		(4 164)	(4 175)
Energy		(4 233)	(3 981)
Movement in inventories of finished goods and work-in-progress		346	973
Depreciation		(953)	(1 030)
Amortisation of intangible assets		(23)	(25)
Other operating expenses		(6 452)	(6 137)
<b>Loss from operations</b>	2	<b>(1 220)</b>	(1 092)
B-BBEE charges		–	(870)
Finance and investment income		74	176
Finance costs	3	(1 515)	(876)
Impairment of other assets		(10)	(11)
Impairment of property, plant, equipment and intangible assets	4	(2 594)	(2 143)
Income after tax from equity-accounted investments		139	129
<b>Loss before taxation</b>		<b>(5 126)</b>	(4 687)
Income taxation expense		(2)	(19)
<b>Loss for the year</b>		<b>(5 128)</b>	(4 706)
<b>Other comprehensive (loss)/income</b>		<b>(415)</b>	(554)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(392)	(618)
Income on available-for-sale investment taken to equity		(25)	1
Share of other comprehensive income of equity-accounted investments		2	63
<b>Total comprehensive loss for the year</b>		<b>(5 543)</b>	(5 260)
<b>Loss attributable to:</b>			
Owners of the company		(5 128)	(4 706)
<b>Total comprehensive loss attributable to:</b>			
Owners of the company		(5 543)	(5 260)
<b>Attributable loss per share (cents)</b>			
– Basic	5	(469)	(443)
– Diluted	5	(469)	(443)

# Summarised consolidated statement of financial position

as at 31 December 2017

	2017 Rm	2016 Rm
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8 474	10 670
Intangible assets	82	103
Equity-accounted investments	4 424	4 667
Non-current receivables	30	–
Other financial assets	55	394
	<b>13 065</b>	<b>15 834</b>
<b>Current assets</b>		
Inventories	11 519	11 274
Trade and other receivables	2 988	1 774
Taxation asset	58	58
Other financial assets	428	46
Cash and bank balances	3 138	1 660
	<b>18 131</b>	<b>14 812</b>
<b>Total assets</b>	<b>31 196</b>	<b>30 646</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital	4 537	4 537
Reserves	363	581
Retained income	3 158	8 425
	<b>8 058</b>	<b>13 543</b>
<b>Non-current liabilities</b>		
Finance lease obligations	54	124
Provisions	1 826	1 872
Borrowings	2 700	–
Other financial liabilities	813	1 023
Other payables	399	311
	<b>5 792</b>	<b>3 330</b>
<b>Current liabilities</b>		
Trade payables	11 300	10 053
Taxation payable	82	–
Other financial liabilities	906	521
Borrowings	3 700	1 950
Finance lease obligations	70	70
Provisions	304	301
Other payables	984	878
	<b>17 346</b>	<b>13 773</b>
<b>Total equity and liabilities</b>	<b>31 196</b>	<b>30 646</b>

# Summarised consolidated statement of cash flows

for the year ended 31 December 2017

	2017 Rm	2016 Rm
Cash (utilised in)/generated from operations	(712)	873
Interest income	65	67
Finance cost	(741)	(525)
Income tax refunded/(paid)	80	(2)
Transaction costs on B-BBEE share transaction	–	(55)
Realised foreign exchange movements	(210)	(268)
<b>Cash flows from operating activities</b>	<b>(1 518)</b>	<b>90</b>
Investment to maintain operations	(1 002)	(1 673)
Investment to expand operations	(322)	(335)
Investment in associates and joint ventures	(11)	(11)
Proceeds on disposal or scrapping of assets	13	67
Interest income from investments	9	7
<b>Cash flows from investing activities</b>	<b>(1 313)</b>	<b>(1 945)</b>
Borrowings raised/(repaid)	4 450	(3 079)
Proceeds from rights issue/issue of share capital	–	4 500
Finance lease obligation repaid	(70)	(62)
Transaction costs on borrowing base facility	(61)	–
Cash settlement on management share trust	(9)	–
<b>Cash flows from financing activities</b>	<b>4 310</b>	<b>1 359</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1 479</b>	<b>(496)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(8)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 660</b>	<b>2 164</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3 138</b>	<b>1 660</b>

# Summarised consolidated statement of changes in equity

for the year ended 31 December 2017

	Reserves							
	Stated capital Rm	Retained income Rm	Treasury share equity reserve Rm	Management share trust reserve Rm	Share-based payment reserve Rm	Attributable reserves of equity-accounted investments Rm	Other reserves Rm	Total equity Rm
<b>Balance at 1 January 2016</b>	37	13 260	(3 918)	(285)	324	1 414	2 640	13 472
Total comprehensive (loss)/ income for year	-	(4 706)	-	-	-	63	(617)	(5 260)
Loss	-	(4 706)	-	-	-	-	-	(4 706)
Other comprehensive income/(loss)	-	-	-	-	-	63	(617)	(554)
Transfer between reserves	-	(129)	-	-	-	129	-	-
<b>Transactions with owners</b>								
Rights issue	4 500	-	-	-	-	-	-	4 500
A1 ordinary shares issued to Amandla*	-	-	-	-	-	-	-	-
A2 ordinary shares issued to Isabelo*	-	-	-	-	-	-	-	-
Share-based payment expense	-	-	-	-	63	-	-	63
B-BBEE charge	-	-	-	-	800	-	-	800
Cash settlement on management share trust/ long-term incentive plan	-	-	-	(32)	-	-	-	(32)
<b>Balance at 31 December 2016</b>	<b>4 537</b>	<b>8 425</b>	<b>(3 918)</b>	<b>(317)</b>	<b>1 187</b>	<b>1 606</b>	<b>2 023</b>	<b>13 543</b>
Total comprehensive (loss)/ income for year	-	(5 128)	-	-	-	2	(417)	(5 543)
Loss	-	(5 128)	-	-	-	-	-	(5 128)
Other comprehensive income/(loss)	-	-	-	-	-	2	(417)	(415)
Transfer between reserves	-	(139)	-	-	-	139	-	-
Share-based payment expense	-	-	-	(1)	68	-	-	67
Cash settlement on management share trust/ long-term incentive plan	-	-	-	-	(9)	-	-	(9)
<b>Balance at 31 December 2017</b>	<b>4 537</b>	<b>3 158</b>	<b>(3 918)</b>	<b>(318)</b>	<b>1 246</b>	<b>1 747</b>	<b>1 606</b>	<b>8 058</b>

\* Value less than R1 million shown as an asterisk.

# Notes to the summarised consolidated financial statements

## for the year ended 31 December 2017

### 1. Segment report

Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the CODM, in order to allocate resources to the segment and to assess its performance.

The group's reportable segments are:

- 】 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 allocated exclusively 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.



## 1. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations <sup>1</sup> Rm	Total reconciling to the consolidated amounts Rm
<b>For the year ended 31 December 2017</b>						
Revenue						
– External customers	27 226	10 444	1 352	–	–	39 022
– Intersegment customers	569	1 347	52	–	(1 968)	–
<b>Total revenue</b>	<b>27 795</b>	<b>11 791</b>	<b>1 404</b>	<b>–</b>	<b>(1 968)</b>	<b>39 022</b>
Revenue to external customers distributed as:						
<b>Local</b>	<b>22 246</b>	<b>8 108</b>	<b>1 352</b>	<b>–</b>	<b>–</b>	<b>31 706</b>
<b>Export</b>	<b>4 980</b>	<b>2 336</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7 316</b>
Africa	4 214	1 459	–	–	–	5 673
Asia	733	270	–	–	–	1 003
Other	33	607	–	–	–	640
<b>Total</b>	<b>27 226</b>	<b>10 444</b>	<b>1 352</b>	<b>–</b>	<b>–</b>	<b>39 022</b>
<b>Results</b>						
Earnings before interest, tax, depreciation and amortisation	264	(945)	365	13	(12)	(315)
Depreciation and amortisation	(570)	(383)	(48)	(21)	46	(976)
Thabazimbi mine closure costs	95	44	–	(98)	–	41
Competition Commission settlement	–	–	–	30	–	30
<b>(Loss)/profit from operations</b>	<b>(211)</b>	<b>(1 284)</b>	<b>317</b>	<b>(76)</b>	<b>34</b>	<b>(1 220)</b>
Impairment	(1 587)	(1 007)	–	(10)	–	(2 604)
Finance and investment income	20	40	2	12	–	74
Finance costs	(247)	(185)	(12)	(1 071)	–	(1 515)
Profit after tax from equity-accounted investments	–	–	–	139	–	139
<b>(Loss)/profit before taxation</b>	<b>(2 025)</b>	<b>(2 436)</b>	<b>307</b>	<b>(1 006)</b>	<b>34</b>	<b>(5 126)</b>
Income taxation expense	–	–	–	(2)	–	(2)
<b>(Loss)/profit for the year</b>	<b>(2 025)</b>	<b>(2 436)</b>	<b>307</b>	<b>(1 008)</b>	<b>34</b>	<b>(5 128)</b>
Segment assets (excluding investments in equity-accounted entities)	13 900	7 911	1 266	4 585	(890)	26 772
Investments in equity-accounted entities	–	–	–	4 424	–	4 424
Segment liabilities	5 975	2 686	203	14 272	2	23 138
Cash (utilised in)/generated from operations	(1 159)	(1 118)	364	1 201	–	(712)
Net capital expenditure	858	253	276	(63)	–	1 324
Number of employees at the end of the year	5 084	2 696	254	879	–	8 913

<sup>1</sup>Adjustments and eliminations comprise intergroup eliminations and fair value adjustments on consolidation of subsidiaries.

# Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2017

## 1. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations <sup>1</sup> Rm	Total reconciling to the consolidated amounts Rm
<b>For the year ended 31 December 2016</b>						
Revenue						
– External customers	21 144	10 280	1 313	–	–	32 737
– Intersegment customers	497	329	61	–	(887)	–
<b>Total revenue</b>	<b>21 641</b>	<b>10 609</b>	<b>1 374</b>	<b>–</b>	<b>(887)</b>	<b>32 737</b>
Revenue to external customers distributed as:						
<b>Local</b>	<b>16 988</b>	<b>8 964</b>	<b>1 313</b>	<b>–</b>	<b>–</b>	<b>27 265</b>
<b>Export</b>	<b>4 156</b>	<b>1 316</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 472</b>
– Africa	3 768	925	–	–	–	4 693
– Asia	386	285	–	–	–	671
– Other	2	106	–	–	–	108
<b>Total</b>	<b>21 144</b>	<b>10 280</b>	<b>1 313</b>	<b>–</b>	<b>–</b>	<b>32 737</b>
<b>Results</b>						
Earnings before interest, tax, depreciation and amortisation	(392)	286	172	140	(16)	190
Depreciation and amortisation	(656)	(390)	(35)	(22)	48	(1 055)
Thabazimbi mine closure costs	(194)	(81)	–	–	–	(275)
Derecognised payment in advance	–	–	–	(19)	–	(19)
Competition Commission settlement	–	–	–	30	–	30
Unclaimed dividends	–	–	–	37	–	37
<b>(Loss)/profit from operations</b>	<b>(1 242)</b>	<b>(185)</b>	<b>137</b>	<b>166</b>	<b>32</b>	<b>(1 092)</b>
B-BBEE charges	–	–	–	(870)	–	(870)
Impairment	(2 141)	(2)	–	(11)	–	(2 154)
Finance and investment income	17	40	–	119	–	176
Finance costs	(117)	(146)	(7)	(606)	–	(876)
Profit after tax from equity-accounted investments	–	–	–	129	–	129
<b>(Loss)/profit before taxation</b>	<b>(3 483)</b>	<b>(293)</b>	<b>130</b>	<b>(1 073)</b>	<b>32</b>	<b>(4 687)</b>
Income taxation credit	–	–	–	(19)	–	(19)
<b>(Loss)/profit for the year</b>	<b>(3 483)</b>	<b>(293)</b>	<b>130</b>	<b>(1 092)</b>	<b>32</b>	<b>(4 706)</b>
<b>Segment assets (excluding investments in equity-accounted entities)</b>	<b>13 862</b>	<b>9 123</b>	<b>1 074</b>	<b>2 448</b>	<b>(528)</b>	<b>25 979</b>
<b>Investments in equity-accounted entities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4 667</b>	<b>–</b>	<b>4 667</b>
<b>Segment liabilities</b>	<b>6 028</b>	<b>2 972</b>	<b>231</b>	<b>7 870</b>	<b>2</b>	<b>17 103</b>
<b>Cash (utilised in)/generated from operations</b>	<b>(395)</b>	<b>(371)</b>	<b>402</b>	<b>1 082</b>	<b>155</b>	<b>873</b>
<b>Net capital expenditure</b>	<b>1 278</b>	<b>453</b>	<b>347</b>	<b>(70)</b>	<b>–</b>	<b>2 008</b>
<b>Number of employees at the end of the year</b>	<b>5 290</b>	<b>2 844</b>	<b>259</b>	<b>838</b>	<b>–</b>	<b>9 231</b>

<sup>1</sup>Adjustments and eliminations comprise of intergroup eliminations and fair value adjustments on consolidation of subsidiaries.

	2017 Rm	2016 Rm
<b>2. Loss from operations</b>		
<b>Loss from operations has been arrived at after charging:</b>		
Amortisation of intangible assets	(23)	(25)
Depreciation	(953)	(1 030)
Employee costs	(4 164)	(4 175)
Salaries and wages	(3 579)	(3 620)
Termination benefits	(4)	(14)
Pension and medical costs	(513)	(478)
Share-based payment expense	(68)	(63)
(Loss)/profit on disposal or scrapping of property, plant and equipment	(8)	51
Operating lease rentals	(247)	(50)
Buildings	(5)	(2)
Plant, machinery and equipment	(211)	(18)
Vehicles	(31)	(30)
Railage and transport	(1 269)	(1 069)
Repairs and maintenance	(2 636)	(2 530)
Research and development costs	(140)	(143)
Reversal/(write-down) of inventory to net realisable value	(108)	59
Auditors' remuneration	(13)	(16)
Audit fees	(11)	(15)
Other services and expenses	(2)	(1)
Allowance for doubtful debts recognised on trade receivables	1	(2)
Other allowances on trade receivables	121	(39)
<b>3. Finance cost</b>		
Interest expense on bank overdrafts and loans	(870)	493
Interest expense on finance lease obligations	(24)	32
Net foreign exchange losses on financing activities	(218)	35
Discount rate adjustment of the non-current provisions and financial liabilities	(76)	–
Unwinding of discounting effect on non-current provisions	(327)	316
<b>Total</b>	<b>1 515</b>	<b>876</b>
<b>4. Impairment</b>		

An impairment test was performed on all cash-generating units of the group. In accordance with IAS 36 *Impairment of Assets*, an asset is impaired if the carrying amount of the asset is greater than the recoverable amount of the asset.

In terms of this standard, the spot rate as at 31 December 2017 needs to be used in translating the present value of foreign currency future cash flows as opposed to an average or projected rate. Therefore a significant movement in the exchange rate at a point in time may have a material impact on the impairment assessment and ultimately determine whether impairment is recognised or not. The spot rate as at 31 December 2017 was R12.40 against the US dollar resulting in an additional impairment of R1 994 million. The total impairment for the year is therefore R2 594 million on property, plant and equipment (2016: R2 143 million). The result of the impairment assessment was that the long steel products' and flat steel products' cash-generating units were impaired by R2 594 million.

# Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2017

	2017	2016
<b>5. Loss per share</b>		
– Loss attributable to owners of the company (Rm)	(5 128)	(4 706)
– Weighted average number of shares	1 093 509 570	1 062 364 285
– Basic loss per share (cents)	(469)	(443)
Diluted loss per share is calculated by dividing the loss attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options/long-term incentive plan units representing dilutive potential ordinary shares. Based on the current share price and loss of ArcelorMittal South Africa Limited, the B-BBEE transaction does not have a dilutive impact on the ArcelorMittal SA group shareholding.		
– Loss attributable to owners of the company (Rm)	(5 128)	(4 706)
– Weighted average number of diluted shares	1 093 509 570	1 062 364 285
– Diluted loss per share (cents)	(469)	(443)
The calculation for headline loss per share is based on the basic loss per share calculation, reconciled as follows:		
<b>Headline loss per share</b>		
<b>Gross</b>		
Loss before tax (Rm)	(5 126)	(4 687)
Add: Impairment charges of property, plant and equipment (Rm)	2 594	2 143
Add: Impairment of investments in joint ventures and associates (Rm)	10	11
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	8	–
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	–	(51)
<b>Headline loss before tax (Rm)</b>	<b>(2 514)</b>	<b>(2 584)</b>
<b>Net of tax</b>		
Loss attributable to owners of the company (Rm)	(5 128)	(4 706)
Add: Impairment charges of property, plant and equipment (Rm)	2 594	2 143
Add: Impairment of investments in joint ventures and associates (Rm)	10	11
Add: Loss on disposal or scrapping of property, plant and equipment (Rm)	6	–
Less: Profit on disposal or scrapping of property, plant and equipment (Rm)	–	(37)
<b>Headline loss net of tax (Rm)</b>	<b>(2 518)</b>	<b>(2 589)</b>
<b>Headline loss per share (cents)</b>		
– Basic	(230)	(244)
– Diluted	(230)	(244)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows:		
Shares in issue held by third parties		
– Weighted average number of shares	1 093 509 570	1 062 364 285
<b>Weighted average number of diluted shares</b>	<b>1 093 509 570</b>	<b>1 062 364 285</b>

## 6. Fair value measurements

Certain 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 year end				
Financial assets	31 December 2017 Reviewed Rm	31 December 2016 Audited Rm	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale	55	79	Level 1	Quoted prices in an active market
Held-for-trading assets	428	46	Level 1	Quoted prices in an active market
Held-for-trading liabilities	906	521	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.*

## 7. Related party transactions

The group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2016: 69%) of the group's shares. At 31 December 2017, the outstanding ArcelorMittal Holdings AG loan amounted to R2 700 million (2016: R1 200 million). Interest is payable at the South African prime lending rate and an amount of R281 million (2016: R98 million) was incurred for the year ended 31 December 2017.

For further details refer to note 28 in the annual financial statements for the year ended 31 December 2017.

## 8. Commitments

	2017 Rm	2016 Rm
Capital commitments	3 388	4 116
Operating lease commitments	445	110

## 9. Competition Commission

In 2015 a final settlement agreement was reached with the Competition Commission for an imposed administrative penalty of R1 500 million to be settled over a five-year period, and subsequently accepted by the Tribunal on the outstanding competition matters regarding anti-competitive behaviour.

In addition, ArcelorMittal South Africa is subject to an earnings before interest and tax (EBIT) cap of 10% on flat products as well as spending R4 600 million on qualifying capital expenditure projects, subject to certain conditions. Both commitments will apply for five years.

The CEO hereby confirms in respect of 2017, that ArcelorMittal South Africa has in all material respects complied with the settlement agreement entered into with the Competition Commission.

# Notes to the summarised consolidated financial statements continued

## for the year ended 31 December 2017

### 10. Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group will continue operating as a going concern for the foreseeable future, ie being solvent and liquid.

The financial performance of the group is dependent upon the wider economic environment in which the group operates. Factors which are outside the control of management can have a significant impact on the business, specifically volatility in the rand/US dollar exchange rate as well as commodity and steel prices. Despite the cost-saving initiatives and the initiatives to improve cash flows and operational efficiencies, undertaken by the group over the last 12 months, the tough economic environment has put the group's cash flows and profitability under pressure. The group incurred a net loss of R5 128 million (2016: R4 706 million). The directors have determined that the group needs to take further decisive measures to improve its ability to operate in the current economic environment and to enable the group to benefit from any recovery in steel prices in the medium to long term.

The directors have prepared cash flow forecasts for a period of 12 months post the year-end date. Various scenarios have been considered to test the group's resilience to changes such as the movement in the rand against the US dollar, commodity prices and steel prices.

For the next 12 months, due to the implementation of safeguards on hot rolled coil and plate, import duties and designation of local steel, ArcelorMittal South Africa expects local sales volumes to increase. The export market, however, is expected to remain flat over the same period. International steel prices increased in the fourth quarter of 2017 and they are expected to remain at those levels for the next 12 months.

The borrowing-based facility (BBF) available to the group is subject to financial covenants which include a minimum level of the consolidated tangible net worth of the group being R12 108 million. Subsequent to year-end, a covenant holiday was agreed with the lenders that the testing and satisfaction of the consolidated tangible net worth covenant will not be performed until May 2018. We have now determined that as a result of the impairment the group would not have been able to satisfy the consolidated tangible net worth covenant, had it been tested.

The next testing of the covenant will be at 30 June 2018. During this period, we intend to renegotiate the levels of the covenant with the lenders.

In the event that the renegotiations do not yield a positive result, the group has sufficient initiatives in place, and in particular, a letter of support by ArcelorMittal AG, subject to a maximum of R1 500 million, to make good the current shortfall in satisfying the covenant.

It is, however, important to highlight that the impairment recognised does not have a cash flow impact. In fact, the performance in the last quarter of 2017 is in line with management's forecast. This reflects a turnaround of R1 billion from Q3 2017 to Q4 2017. In addition, additional cost savings have been identified and the budget and forecasts for 2018 show an improvement relative to past trends. These cash-generating initiatives comprise procurement savings, inventory liquidation, increased operational reliability and efficiency initiatives through best practice benchmarking and sale of non-core assets.

Based on the group's 12-month funding plan, continued support from the holding company ArcelorMittal Holdings AG as set out above and cash-generating initiatives, the board believes that the group will have sufficient funds to pay its debts as they become due over the next 12 months, and therefore will remain a going concern. Shareholders are advised that the ability of the group to generate positive cash flows will be impacted by the exchange rate, steel prices and the success of the identified cost savings. Should the cash flows be negatively impacted by the above, there remains a material uncertainty regarding the ability of ArcelorMittal South Africa Ltd to continue as a going concern, without appropriate intervention.

### 11. Subsequent events

Apart from the covenant holiday obtained as detailed in note 10, the directors are not aware of any matter or circumstances arising since the end of December 2017 to the date of this report that would significantly affect the operations, the results or financial position of the group.

It should be noted that the rand/US dollar exchange rate remains volatile and that the rand has strengthened further post-year-end.

# Analysis of ordinary shareholders

as at 31 December 2017

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 100 shares	6 991	31.06	315 200	0.03
101 – 1 000 shares	13 633	60.58	2 656 174	0.23
1 001 – 50 000 shares	1 713	7.61	12 172 947	1.07
50 001 – 100 000 shares	65	0.29	4 942 599	0.43
100 001 – 10 000 000 shares	95	0.42	93 583 130	8.22
10 000 001 and more shares	8	0.04	1 024 389 775	90.01
<b>Total</b>	<b>22 505</b>	<b>100.00</b>	<b>1 138 059 825</b>	<b>100.00</b>

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Corporate holdings	4	0.02	772 284 103	67.86
Retirement benefit funds	32	0.14	90 349 764	7.94
Collective investment schemes and hedge funds	34	0.15	53 012 329	4.66
Retail shareholders, trusts and private companies	407	1.81	51 339 009	4.51
Employee share schemes	1	0.00	21 103 219	1.85
Other managed funds	19	0.08	94 140 122	8.27
Custodians, brokers and nominees	51	0.23	44 812 221	3.94
Unclassified holders (less than 10 000 shares)	21 948	97.52	7 277 128	0.64
Assurance and insurance companies	9	0.04	3 741 930	0.33
<b>Total</b>	<b>22 505</b>	<b>100.00</b>	<b>1 138 059 825</b>	<b>100.00</b>

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Switzerland	4	0.02	771 610 797	67.80
South Africa	22 338	99.26	324 565 983	28.52
United Kingdom	36	0.16	23 318 654	2.05
United States	26	0.12	17 087 781	1.50
Belgium	4	0.02	639 325	0.06
Luxembourg	3	0.01	572 419	0.05
Namibia	57	0.25	100 763	0.01
Balance	37	0.16	164 103	0.01
<b>Total</b>	<b>22 505</b>	<b>100.00</b>	<b>1 138 059 825</b>	<b>100.00</b>

# Analysis of ordinary shareholders continued

as at 31 December 2017

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
<b>Beneficial shareholders</b>		
ArcelorMittal Holdings AG	771 489 400	53.05
Amandla we Nsimbi (Pty) Ltd	243 240 276	16.73
Industrial Development Corporation (IDC)	93 044 068	6.40
Investec Asset Management	72 767 587	5.00
Isabelo Employee Share Trust	72 972 083	5.02
<b>Total</b>	<b>1 253 513 414</b>	<b>86.20</b>

Public and non-public shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
ArcelorMittal Holdings AG	2	0.00	771 489 400	67.79
Directors and associates	2	0.00	19 984	0.00
<b>Non-public shareholders</b>	<b>4</b>	<b>0.00</b>	<b>771 509 384</b>	<b>67.79</b>
<b>Public shareholders</b>	<b>23 038</b>	<b>100.00</b>	<b>366 550 441</b>	<b>32.21</b>
<b>Total</b>	<b>23 042</b>	<b>100.00</b>	<b>1 138 059 825</b>	<b>100.00</b>
<b>Total number of shareholdings</b>	<b>23 042</b>			
<b>Total number of shares in issue</b>		<b>1 138 059 825</b>		

Share price performance	
Opening price 30 December 2016	R11.50
Closing price 29 December 2017	R3.87
Closing high for period	R14.50
Closing low for period	R3.62
Number of shares in issue	1 138 059 825
Volume traded during period	112 056 676
Ratio of volume traded to shares issued (%)	9.85
Rand value traded during the period	821 975 907

## 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 32 of the annual financial statements.

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

Director	Direct	2017 Indirect	Total	Direct	2016 Indirect	Total
DCG Murray*	–	–	–	–	14 667	14 667
JRD Modise	5 025	–	5 025	5 025	–	5 025
GS Gouws	–	292	292	–	–	–
NP Gosa**	–	97 296 110	97 296 110	–	97 296 110	97 296 110
<b>Total</b>	<b>5 025</b>	<b>97 296 402</b>	<b>97 301 427</b>	<b>5 025</b>	<b>97 310 777</b>	<b>97 315 802</b>

\* DCG Murray has retired as a director.

\*\* Interest via Likamva Resources.

The following changes occurred since the financial year ended 31 December 2017:

(a) NF Nicolau purchased 8 313 and 91 867 ordinary shares on 1 February 2018 and 2 February 2018, respectively.

(b) JRD Modise purchased an additional 60 000 and 20 000 ordinary shares on 5 February 2018 and 6 February 2018, respectively.



# 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  
1911

## Postal address

PO Box 2  
Vanderbijlpark, 1900  
Telephone: +27 (0) 16 889 9111  
Facsimile: +27 (0) 16 889 2079

## Internet address

<https://southafrica.arcelormittal.com>  
<https://southafrica.arcelormittal.com/InvestorRelations/IntegratedAnnualReports.aspx>

## Interim company secretary

Premium Corporate Consulting Services  
Proprietary Limited  
33 Kingfisher Road, Fourways, 2191  
PO Box 2424, Fourways, 2191  
Telephone: +27 (0) 11 465 4142/3  
Email: [sw@premcop.co.za](mailto:sw@premcop.co.za)

## Sponsor

ABSA Bank Limited (acting through its corporate and investment banking division)  
Alice Lane North  
15 Alice Lane, Sandton, 2196  
Telephone: +27 (0) 11 895 6843  
Email: [cib.barclaysafrica.com](mailto:cib.barclaysafrica.com)

## Auditors

Deloitte & Touche  
Deloitte Place, Building 1, The Woodlands  
20 Woodlands Drive, Woodmead, 2052, South Africa  
Telephone: +27 (0) 11 806 5000  
Facsimile: +27 (0) 11 806 5118

## Transfer secretaries

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank  
PO Box 61051, Marshalltown, 2107  
Telephone: +27 0861 100 950  
Facsimile: +27 (0) 11 688 5217  
Email: [web.queries@computershare.co.za](mailto:web.queries@computershare.co.za)

## United States ADR depository

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](http://www.bnymellon.com)



## ArcelorMittal

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<https://southafrica.arcelormittal.com/InvestorRelations/IntegratedAnnualReports.aspx>



<http://www.youtube.com//arcelormittal>



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