ArcelorMittal South Africa Limited

(Incorporated in the Republic of South Africa)

Registration number: 1989/002164/06

Share code: ACL ISIN: ZAE 000134961

(ArcelorMittal South Africa, the company or the group)

Preliminary reviewed condensed consolidated financial statements for the year ended 31 December 2018

Salient features

On the back of a strong global pricing environment, the company's average realised prices rose by 12% on sales which

were 5% higher than those of the previous year while cash costs per tonne increased by an average of just 2%. EBITDA

improved to R3 608 million, from a loss of R315 million in 2017. Similarly, headline profits improved from a

R2 518 million loss to a profit of R968 million. Net debt decreased by R2 787 million.

- Revenue increased by 16% to R45 274 million
- Liquid steel production of 5.1 million tonnes increased by 4%
- Sales volumes increased by 5% despite domestic apparent steel consumption being at a nine-year low
- Buoyant international market with exports up 21%
- Cash cost per tonne of liquid steel produced increased by 2%
- Turnaround in headline earnings from a loss of R2 518 million to a profit of R968 million
- Ebitda improved by R3 923 million from a loss of R315 million to a profit of R3 608 million
- Net borrowings decreased by R2 787 million to R475 million
- Realisation of the group's investment in Macsteel International Holdings BV for R3 221 million

The analysis that follows relates to the 12 months ended 31 December 2018 (current year) compared to the 12 months

ended 31 December 2017 (prior year).

Overview

The group's 2018 results were positively impacted by higher realised steel prices on the back of stronger international

prices and higher sales volume despite the weakness of the South African economy. Encouragingly, the domestic economy

officially emerged from recession following a 2.2% GDP growth in the third quarter of the year. The government's drive

to attract investment should help to bolster capital expenditure, however, Eskom's financial and operational crises could

delay recovery.

Results were negatively affected by weaker demand in the domestic steel markets in which the group principally operates,

constrained by low levels of investment and infrastructure spending and volatility in the rand/US dollar exchange rate.

Local apparent steel consumption decreased by 4% as a result of subdued economic growth and poor investor confidence.

South Africa and key African markets continue to face the threat of steel imports, mainly from China. Although there

was a 20% (190 000 tonnes) decrease in imports, 769 000 tonnes of primary carbon steel were still imported into South

Africa in the year, despite import duties, selective safeguarding and the designation of local steel.

The group's profit from operations turned around from a loss of R1 220 million to a profit of R2 777 million while

headline earnings also improved, from a loss of R2 518 million in 2017 to a profit of R968 million.

As part of its strategy, the group implemented various far-reaching initiatives to return to sustainable profitability

and generate positive cash flows. Further initiatives are being investigated and implemented to address the ongoing

sustainability of the group.

As part of the above, the sale of the group's 50% investment in MIHBV for US$220 million (R3 221 million) was

completed on 1 November 2018.

The group acquired Thabazimbi mine from Sishen Iron Ore Company (Pty) Ltd effective from 1 November 2018. The

conclusion of the transaction allows the group to take full ownership of the mine.

Safety remains the group's number one priority. Notwithstanding the intention to achieve zero fatalities and injuries,

the group regrettably experienced one fatal incident on 3 June 2018 at Saldanha Works. The board and management extend

their deepest condolences to the family and colleagues of the deceased. Encouragingly, the lost time injury frequency

rate (LTIFR) improved from 0.66 to 0.53 while the total injury frequency rate (TIFR) also improved to 6.91 from 7.66.

Markets

In the USA, steel prices were impacted by section 232 (tariff increases on imports) in early 2018, which drove the

price of steel imports higher. US consumers through 2018 continued to pay a higher price but were supported by strong

economic growth.

Europe has seen good steel demand backed by positive growth in the EU area and a stronger euro against the US dollar

through most of 2018. However, the steel prices, after peaking in early 2018, have continued to decrease slightly through

the year in dollar terms.

In Africa, steel markets remained positive due to the drive towards infrastructure investments especially in rail,

roads and energy projects, notably in the West and East sub-Saharan regions.

Domestically, after a technical recession in first half of the year the South African economy grew in the second half

of 2018. Despite GDP growth in the second half of the year, the manufacturing, mining and construction sectors, which

are the major steel consuming sectors, showed no noticeable demand improvement. This market weakness was exacerbated by

the volatility of the rand which fluctuated along with other emerging market currencies against the US dollar. The dollar

volatility was driven by the uncertainties around the established global trade system such as the US/China trade war,

Brexit and the US government shutdown.

Global steel markets continued to improve from 2017 into 2018. This can mainly be attributed to the positive macro-economic

environment in both developed and developing countries for demand of steel, and higher steel prices in key markets

such as China, Europe and the USA. However, the global trend of stronger prices reversed with a decline in the fourth

quarter of the year, due to global trade war fears dampening the positive growth sentiment and China continuing to

produce steel at the same levels, while its domestic demand is slowing.

We produce three types of products:

- Flat steel products

- Long steel products

- Coke and Chemicals

Financial results

Revenue

Revenue increased by 16% to R45 274 million primarily as a result of a 12% increase in average net realised steel prices,

from R8 338 per tonne to R9 301 per tonne and higher sales volumes of 5%, with local sales and exports increasing by

1% and 21% respectively. Revenue from the Coke and Chemicals' business was marginally lower than the previous year.

Commercial coke sales volumes decreased by 23 000 tonnes or 12.7% while tar sales volumes were in line with the same

period the previous year. Commercial coke and tar prices rose by 10.1% and 12.0%, respectively.

Operating expenses

Cash cost per tonne of liquid steel produced increased by 2% to R7 702. Consumables and auxiliaries, which represented

approximately 29% of costs, increased by 5%, and fixed costs per tonne up by 3% while raw materials - iron ore, coal

and scrap - which accounted for 48% of total costs, fell by 1%.

Profit/(loss) from operations

In 2018 the group's profit/(loss) from operations improved by R3 997 million to R2 777 million, given the higher

international steel pricing environment, increased sales and reduced costs. Depreciation decreased following the

impairment of the Vanderbijlpark, Saldanha and long steel products' cash-generating units in 2017.

Profit/(loss) for the year

Profit/(loss) for the year improved by R6 498 million. This was largely attributable to an improvement of profit from

operations of R3 997 million, a profit on the disposal of the Macsteel International Holdings BV (MIHBV) investment of

R415 million, and no impairment on property, plant and equipment, compared to an impairment charge of R2 594 million in

2017.

Financing costs were R885 million higher, derived largely from exchange rate losses resulting from the weakening of

the rand against the US dollar at the end of the year.

Income from equity accounted investments was similar from R139 million in 2017 to R138 million in the current year.

Income from equity-accounted investment in MIHBV of R123 million was recognised for the year before reclassification as

an asset held-for-sale on 31 May 2018.

Cash position

The net borrowing position improved from R3 262 million to R475 million following the sale of MIHBV and a better

operational performance which was somewhat negated by financing costs and capital spend.

Operational

The group's capacity utilisation improved to 84% compared to 81% the previous year. Liquid steel production for the

year was 5.1 million tonnes, an increase of 182 000 tonnes (4% higher).

Flat steel products' liquid steel production increased by 103 000 tonnes and plant utilisation rose to 85% compared to

82% in 2017. This was due to better plant performance at Vanderbijlpark Works of 134 000 tonnes.

Long steel products' liquid steel production increased by 79 000 tonnes and plant utilisation improved to 81% compared

to 76% in 2017.

Sustainability

Various initiatives are aimed at ensuring the group's sustainability and licences to operate. These include:

- A business transformation programme that was initiated to address cost reduction, improve efficiencies, to

  debottleneck steel production at all sites and optimise procurement contracts;

- Restarting of the electric arc furnace at Vereeniging Works during January 2019 to increase capacity;

- A planned stave repair of blast furnace D at Vanderbijlpark Works to increase the furnace life with 10 years;

- Enhancements to the conarc at Saldanha Works to increase capacity of hot rolled coil;

- Additional investments in the coke batteries to maintain production and avoid coke imports; and

- Continued focus on environmental compliance and engagement with the authorities on certain environmental matters.

Regulatory matters

- The Minister of Finance tabled the Carbon Tax Bill in Parliament on 20 November 2018, giving effect to the announcements

  made in 2017 and 2018. The announced implementation date is from 1 June 2019. The group continues to engage regarding

  the implementation of this Bill.

- The group continues to comply with the requirements of the Competition Commission settlement agreement.

- The group has been informed that there is an intention to institute criminal proceedings against the group on account of three alleged transgressions of its atmospheric admission licence at its Vanderbijlpark operations. The

prosecution has agreed that the group would first be afforded an opportunity to meet and to make representations before

proceeding with the prosecution. This process has not been concluded. In the event that the matter proceeds, and if there

is an adverse finding regarding all these transgressions, insofar as the financial exposure in terms of a fine is

concerned, the maximum fine payable is up to R15 million in terms of the legislation.

- The group remains firmly committed to minimising its impact on the environment and, to this end, has invested and

continues to invest in various initiatives and projects to improve the group's environmental performance and standards.

Changes to the board of directors and company secretary

- Mr HJ Verster was appointed as chief executive officer and executive director with effect from 1 February 2018;

- Mr WA de Klerk retired as chief executive officer and executive director with effect from 31 January 2018;

- Mr HMA Blaffart retired as non-executive director with effect from 31 March 2018;

- Mr BE Aranha was appointed as non-executive director with effect from 31 March 2018;

- Mr D Subramanian resigned as chief financial officer and executive director with effect from 31 July 2018;

- Mr AD Maharaj was appointed as chief financial officer and executive director with effect from 1 October 2018;

- Mr RK Kothari resigned as non-executive director with effect from 30 November 2018;

- Mr R Karol was appointed as non-executive director with effect from 1 December 2018; and

- Ms NB Bam was appointed as company secretary with effect from 1 November 2018, replacing Premium Corporate

Consulting (Pty) Ltd that was appointed as interim company secretary on 26 January 2018.

Dividends

No dividends were declared for the year ended 31 December 2018 (2017: nil).

Outlook

ArcelorMittal South Africa has implemented various far-reaching initiatives to return the group to profitability and

to sustainably generate positive cash flows. The group will continue to drive the implementation of interventions to

address the challenges it faces.

In the first half of the year domestic steel demand and exports are likely to remain stable with volatility in the

rand/US dollar exchange rate continuing to have an impact on the group's results.

On behalf of the board of directors

HJ Verster AD Maharaj

Chief executive officer Chief financial officer

7 February 2019

Key statistics

	Year ended 31 December 2018	Year ended 31 December 2017
Unreviewed/unaudited information		
Operational		
Liquid steel production	5 092	4 910
Total steel sales (000 tonnes)	4 491	4 257

Local steel sales (000 tonnes)	3 337	3 302
Export steel sales (000 tonnes)	1 154	955
Capacity utilisation (%)	84	81
Commercial coke sales (000 tonnes)	158	181
Average net realised price (R/t)	9 301	8 338
Safety		
Lost time injury frequency rate	0.53	0.66
Reviewed/audited information		
Financial		
Revenue (R million)	45 274	39 022
Profit/(loss) from operations (R million)	2 777	(1 220)
Net profit/(loss) (R million)	1 370	(5 128)
Profit/(loss) per share (cents)	125	(469)
Headline earnings/(loss) (R million)	968	(2 518)
Headline earnings/(loss) per share (cents)	89	(230)
Net borrowings (R million)	(475)	(3 262)
Ratios		
Return on ordinary shareholders' equity per annum:		
- Attributable earnings/(loss) (%)	17.1	(47.5)
- Headline earnings/(loss) (%)	12.1	(23.3)
Net borrowings to equity (%)	(6.0)	(40.5)
Share statistics		
Ordinary shares (thousands):		
- in issue	1 138 060	1 138 060
- outstanding	1 093 510	1 093 510
- weighted average number of shares	1 093 510	1 093 510
- diluted weighted average number of shares	1 093 510	1 093 510

Share price (closing) (Rand)	3.39	3.87
Market capitalisation (R million)	3 858	4 404
Net asset value per share (Rand)	7.28	7.37

Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)

	Year ended 31 December 2018	Year ended 31 December 2017
In millions of rand	Reviewed	Audited
Profit/(loss) from operations	2 777	(1 220)
Adjusted for:		
- Depreciation	817	953
- Amortisation of intangible assets	14	23
- Thabazimbi mine closure costs	-	(41)
- Competition Commission settlement	-	(30)
EBITDA	3 608	(315)

Independent auditor's review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF ARCELORMITTAL SOUTH AFRICA LIMITED

We have reviewed the condensed consolidated financial statements of ArcelorMittal South Africa Limited, contained in

the accompanying preliminary report, which comprise the condensed consolidated statement of financial position as at

31 December 2018 and the condensed consolidated statements of comprehensive income and other comprehensive income,

changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements

in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note

2 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control

as the directors determine is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error.

The Listings Requirements require condensed consolidated financial statements contained in a preliminary report to be

prepared in accordance with the framework concepts and the measurement and recognition requirements of International

Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee

and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the

information required by International Accounting Standard (IAS) 34 Interim Financial Reporting.

Auditor's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with

International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical information performed

by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention

that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures,

primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying

analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance

with International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated

financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2018 are not prepared, in all

material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports,

as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Registered Auditor

Per: SI Rajcoomar

Partner

7 February 2019

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

Condensed consolidated statement of comprehensive income

		Year ended 31 December 2018	Year ended 31 December 2017
In millions of rand	Notes	Reviewed	Audited
Revenue		45 274	39 022
Raw materials and consumables used		(25 965)	(24 763)
Employee costs		(4 493)	(4 164)

Energy (4 262) (4 233)

Movement in inventories of finished goods and work in progress 574 346

Depreciation (817) (953)

Amortisation of intangible assets (14) (23)

Impairment of trade and other receivables (25) 1

Other operating expenses (7 495) (6 453)

Profit/(loss) from operations 2 777 (1 220)

Impairment of other assets (10) (10)

Impairment of property, plant and equipment and intangible assets - (2 594)

Profit on disposal of investment 12 415 -

Fair value adjustment on investment held-for-sale (1 652) -

Reclassification of foreign currency differences on sale of foreign investment 2 067 -

Finance and investment income 5 387 74

Finance costs 6 (2 400) (1 515)

Income from equity accounted investments (net of tax) 138 139

Profit/(loss) before tax 1 307 (5 126)

Income tax credit/(expense) 9 63 (2)

Profit/(loss) for the year 1 370 (5 128)

Other comprehensive profit/(loss)

Items that will not be reclassified to profit or loss:

Equity investments at FVOCI - net change in fair value 11 -

Items that may be reclassified subsequently to profit or loss:

Exchange differences on translation of foreign operations 513 (392)

Reclassification of foreign currency differences on sale of foreign investment (2 067) -

Cash flow hedge - effective portion of changes in fair value 92 -

Cash flow hedges - reclassified to profit or loss	(49)	-
Gains on available-for-sale investment taken to equity	-	(25)
Share of other comprehensive income of equity accounted investments	2	25
Other comprehensive loss for the year	(1 475)	(415)
Total comprehensive loss for the year	(105)	(5 543)
Profit/(loss) attributable to:		
Owners of the company	1 370	(5 128)
Total comprehensive loss attributable to:		
Owners of the company	(105)	(5 543)
Attributable profit/(loss) per share (cents)		
- basic	125	(469)
- diluted	125	(469)

Condensed consolidated statement of financial position

	Notes	As at 31 December 2018	As at 31 December 2017
In millions of rand		Reviewed	Audited
Assets			
Non-current assets		9 696	13 065
Property, plant and equipment		8 995	8 474
Intangible assets		73	82
Equity accounted investments	12	220	4 424
Investment held by environmental trust	11	332	-
Non-current receivable		10	30
Other financial assets		66	55

Current assets		18 864	18 131
Inventories		12 179	11 519
Trade and other receivables		3 972	2 988
Taxation asset		132	58
Other financial assets		56	428
Cash and bank balances	10	2 525	3 138
Total assets		28 560	31 196
Equity and liabilities			
Shareholders' equity		7 961	8 058
Stated capital		4 537	4 537
Non-distributable reserves		(3 659)	363
Retained income		7 083	3 158
Non-current liabilities		5 636	5 792
Borrowings		2 700	2 700
Other payables		572	399
Finance lease obligations		46	54
Provisions		1 774	1 826
Other financial liabilities		544	813
Current liabilities		14 963	17 346
Trade payables		12 304	11 300
Borrowings		300	3 700
Finance lease obligations		15	70
Current provisions		406	304
Other payables		1 475	984
Taxation payable		91	82
Other financial liabilities		372	906
Total equity and liabilities		28 560	31 196

Condensed consolidated statement of cash flows

		Year ended 31 December 2018	Year ended 31 December 2017
In millions of rand	Notes	Reviewed	Audited
Cash flows from operating activities		887	(1 518)
Cash generated from/(utilised in) operations	14	2 282	(712)
Interest income		93	65
Finance cost		(574)	(741)
Income tax (paid)/received		(2)	80
Realised foreign exchange movement		(912)	(210)
Cash flows from investing activities		1 984	(1 313)
Investment to maintain and expand operations		(1 256)	(1 324)
Investment in associates and joint ventures		-	(11)
Proceeds on disposal on joint ventures	12	3 221	-
Proceeds on disposal or scrapping of assets		12	13
Interest income from investments		-	9
Dividend income from investment		7	-
Cash flows from financing activities		(3 487)	4 310
Borrowings (repaid)/raised		(3 400)	4 450
Finance lease obligation repaid		(85)	(70)
Cash settlement on management share trust		(2)	(9)
Transaction costs on borrowing base facility		-	(61)
(Decrease)/increase in cash and cash equivalents		(616)	1 479
Effect of foreign exchange rate changes on cash and cash equivalents		3	(1)

Cash and cash equivalents at beginning of the year	3 138	1 660
Cash and cash equivalents at end of the year	2 525	3 138

Condensed consolidated statement of changes in equity

In millions of rand	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Balance as at 31 December 2016 (Audited)	4 537	(3 918)	4 499	8 425	13 543
Balance as at 1 January 2017	4 537	(3 918)	4 499	8 425	13 543
Total comprehensive loss	-	-	(415)	(5 128)	(5 543)
Cash settlement on management share trust/long-term incentive plan	-	-	(9)	-	(9)
Share-based payment expense	-	-	67	-	67
Transfer between reserves	-	-	139	(139)	-
Balance as at 31 December 2017 (Audited)	4 537	(3 918)	4 281	3 158	8 058
Balance as at 1 January 2018	4 537	(3 918)	4 281	3 158	8 058
Total comprehensive (loss)/profit	-	-	(1 475)	1 370	(105)
Cash settlement on management share trust/long-term incentive plan	-	-	(2)	-	(2)
Share-based payment expense	-	-	10	-	10
Transfer between reserves	-	(1)	(2 554)	2 555	-
Balance as at 31 December 2018 (Reviewed)	4 537	(3 919)	260	7 083	7 961

Notes to the preliminary reviewed condensed consolidated financial statements

1. Corporate information

ArcelorMittal South Africa Limited is a public company domiciled in the Republic of South Africa and listed on the JSE Limited. These condensed consolidated financial statements for the year ended 31 December 2018 comprise the company and its subsidiaries (together referred to as the group). The group is one of the largest steel producers on the African continent.

2. Basis of preparation

The condensed consolidated financial statements were prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports as well as the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. It also contains, at a minimum, the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated financial statements were prepared under the supervision of Mr AD Maharaj CA(SA), the chief financial officer.

3. Accounting policies

The accounting policies and methods of computation applied in the presentation of the condensed consolidated financial statements of the group are consistent with those applied for the year ended 31 December 2017, apart from IFRS 9 Financial Instruments (replaced IAS 39 Financial Instruments: Recognition and Measurement) and IFRS 15 Revenue from Contracts with Customers (replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations) that were initially applied from 1 January 2018. Due to the transition methods chosen by the group in applying these standards, comparative information has not been restated to reflect the requirements of the new standards. The effect of initially applying these standards did not have a significant impact on the group's condensed consolidated financial statements.

4. Segment report

Flat steel products

	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Revenue (R million)	31 919	27 795
- External	31 012	27 226
- Internal	907	569
EBITDA (R million) (unreviewed/unaudited)	2 670	264
EBITDA margin (%) (unreviewed/unaudited)	8.4	0.9
Average net realised price (R/t) (unreviewed/unaudited)	9 514	8 581

Depreciation and amortisation (R million)	(393)	(570)
Profit/(loss) from operations (R million)	2 277	(211)
Unreviewed/unaudited information		
Liquid steel production (000 tonnes)	3 561	3 458
Steel sales (000 tonnes)	3 098	2 995
- Local	2 242	2 352
- Export	856	643
Capacity utilisation (%)	85	82

Long steel products

	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Revenue (R million)	14 905	11 791
- External	12 919	10 444
- Internal	1 986	1 347
EBITDA (R million) (unreviewed/unaudited)	808	(945)
EBITDA margin (%) (unreviewed/unaudited)	5.4	(8.0)
Average net realised price (R/t) (unreviewed/unaudited)	8 828	7 760
Depreciation and amortisation (R million)	(334)	(383)
Profit/(loss) from operations (R million)	474	(1 284)
Unreviewed/unaudited information		
Liquid steel production (000 tonnes)	1 531	1 452
Steel sales (000 tonnes)	1 393	1 262
- Local	1 095	950
- Export	298	312

Capacity utilisation (%)	81	76

Coke and Chemicals

	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Revenue (R million)	1 376	1 404
- External	1 343	1 352
- Internal	33	52
EBITDA (R million) (unreviewed/unaudited)	370	365
EBITDA margin (%) (unreviewed/unaudited)	26.9	26.0
Depreciation and amortisation (R million)	(82)	(48)
Profit from operations (R million)	288	317
Unreviewed/unaudited information		
Commercial coke produced (000 tonnes)	184	190
Commercial coke sales (000 tonnes)	158	181
Tar sales (000 tonnes)	81	82

Corporate and other (including eliminations)

	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
EBITDA (R million) (unreviewed/unaudited)	(240)	1
Depreciation and amortisation (R million) (expense)/credit	(22)	25
Loss from operations (R million)	(262)	(42)

5. Finance and investment income

In millions of rand	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Finance income		
Bank deposits and other interest income	93	65
Discount rate adjustment of the provisions	285	-
Investment income		
Interest received from jointly controlled entities	9	9
Total	387	74

6. Finance cost

In millions of rand	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Interest expense on loans	976	870
Interest expense on finance lease obligations	15	24
Net foreign exchange losses on financing activities	1 112	218
Discount rate adjustment of the provisions	-	215
Unwinding of discounting effect on provisions and financial liabilities	297	188
Total	2 400	1 515

7. Related party transactions

The group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2017: 69%) of the group's shares. At 31 December 2018, the outstanding ArcelorMittal Holdings AG loan amounted to R2 700 million (2017: R2 700 million). Interest is payable at the South African prime lending rate with an interest expense for the year of R272 million (2017: R281 million).

The company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business. These transactions were concluded at arm' s length.

8. 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.

Financial instruments			Fair values as at year ended		Fair value hierarchy
			31 December	31 December	
	New classification	Original classification	2018	2017	
In millions of rand	under IFRS 9	under IAS 39	Reviewed	Audited	
Financial assets					
Equity securities	Equity instruments - FVTPL*	Designated as at FVTPL	332	-	Level 1
Equity securities	Equity instruments - FVTOCI**	Available-for-sale	66	55	Level 1
Forward exchange	Fair value - hedging	Fair value - hedging	53	-	Level 2

contracts used for hedging	instrument	instrument			
Other forward exchange contracts	Mandatorily at FVTPL	Held-for-trading assets	3	4	Level 2
Financial liabilities					
Forward exchange contracts used for hedging	Fair value - hedging instrument	Fair value - hedging instrument	10	-	Level 2
Other forward exchange contracts	Mandatorily at FVTPL	Held-for-trading liabilities	6	384	Level 2

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

Level 2: Fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the

asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

* FVTPL - Fair value through profit or loss.

** FVTOCI - Fair value through other comprehensive income.

9. Taxation

Although the corporate tax rate is 28%, the actual average tax rate for the group was negative 5% (2017: 0%). The negative tax rate was as a result of an income tax receivable due to a settlement with the South African Revenue

Services during 2018 as well as utilising previously accumulated assessed losses.

10. Restricted cash, ceded cash and security

At 31 December 2018, the group had restricted cash of R1 485 million (2017: R1 386 million). This consists of

R883 million (2017: R794 million) regarding the True Sales Receivables (TSR) facility and R602 million

(2017: R592 million) for the environmental rehabilitation obligations.

Eligible inventories and receivables are provided as securities for the borrowing base facility to the extent of the

draw down. At 31 December 2018, the balance of the borrowing based facility was R300 million (2017: R3 700 million)

with R4 200 million (2017: R800 million) still available.

Bank accounts of R282 million (2017: R 715 million) were ceded in favour of the borrowing base facility and TSR

facilities.

11. Thabazimbi mine acquisition

On 1 November 2018, the Thabazimbi mine was acquired from Sishen Iron Ore Company (Pty) Ltd at a price of R1, enabling

the group to control the environmental rehabilitation process. In terms of the sales agreement, the group is liable for

all environmental remediation obligations. The acquisition did not have a significant impact on the environmental

obligations of the group as the group has always been contractually responsible for the majority of the rehabilitation

cost relating to the Thabazimbi mine. As part of the acquisition the group acquired an asset in the form of an environmental trust which holds investments to the value of R332 million. These investments will be used for

rehabilitation purposes. Other liabilities assumed by the group include employee obligations of R4 million.

12. Sale of Macsteel

The group sold its 50% interest in MIHBV to Macsteel Holdings Luxembourg SARL (MacHold) for US$220 million

(R3 221 million).

MIHBV was a long-standing joint venture between MacHold and ArcelorMittal South Africa which is largely focused on

international steel trading and shipping. While it remains an important source of steel products, ArcelorMittal South

Africa supplies less than 20% of the total tonnage traded and less than 2% of volumes shipped by MIHBV.

The commercial relationship between MIHBV and ArcelorMittal South Africa will continue through a new, four-year

marketing agreement. The Sale of Shares and Marketing agreements were effective on 1 November 2018 when all the

conditions precedent were fulfilled.

The proceeds of this sale significantly strengthened the statement of financial position and cash flow position. This

is an important achievement as part of the group' s strategy to improve the sustainability of the business.

Accounting impact of this transaction

Year ended

31 December

	2018
In millions of rand	Reviewed
Fair value of investment when recognised as an asset held-for-sale on 31 May 2018	2 752
Equity-accounted investment	(4 404)
Fair value adjustment on asset held-for-sale	(1 652)
Foreign currency translation reserve (FCTR)	2 067
Profit on disposal of investment	415

On 31 May 2018, the group reclassified the investment in MIHBV as an asset held-for-sale. The group recognised a fair value adjustment in profit and loss on this reclassification amounting to R1 652 million. The disposal was finalised during November 2018 and FCTR of R2 067 million was released as a profit in profit or loss, resulting in a net profit on disposal of R415 million.

	Year ended 31 December 2018
In millions of rand	Reviewed
Fair value of investment when recognised as an asset held-for-sale on 31 May 2018#	2 752
Revaluation of fair value to effective date*	469
Proceeds on effective day	3 221
Derecognition of equity accounted investment#	(4 404)
Realised foreign exchange gains on investment at 31 May 2018*	1 598
Profit on disposal of investment at effective date	415

* Total foreign exchange translation reserve of R2 067 million was released as a profit in the statement of comprehensive income.

The fair value adjustment on asset held-for-sale was R1 652 million.

13. Headline earnings/(loss)

In millions of rand	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Profit/(loss) for the year	1 370	(5 128)
Adjusted for:		
- Impairment charge	10	2 604
- Loss on disposal or scrapping of assets	4	8
- Fair value adjustment on investment held-for-sale	1 652	-
- Reclassification of foreign currency differences on sale of foreign investment	(2 067)	-
- Tax effect	(1)	(2)
Headline earnings/(loss) for the year	968	(2 518)
Headline earnings/(loss) per share (cents)		
- basic	89	(230)
- diluted	89	(230)

14. Cash generated from/(utilised in) operations

In millions of rand	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Profit/(loss) from operations	2 777	(1 220)
Adjusted for:		
- Depreciation	831	976

- Unrealised profit on sales to joint ventures	(3)	-
- Share option and participation costs	10	68
- Non-cash movement in provisions and financial liabilities	(125)	(279)
- (Reversal of write-down)/write-down of inventory to net realisable value	(140)	108
- Movement in trade and other receivable allowances	46	(1)
- Reconditionable spares usage	5	1
- Loss on disposal or scrapping of property	4	8
- Other cash movements		
- Increase in inventories	(520)	(353)
- Increase in trade and other receivables	(1 005)	(1 207)
- Increase in trade and other payables	497	1 373
- Utilisation of provisions	(35)	(54)
- Changes in financial liabilities or assets	(142)	(252)
- Other payables raised, released and utilised relating to employees	82	120
Cash generated from/(utilised in) operations	2 282	(712)

15. Commitments

In millions of rand	Year ended 31 December 2018 Reviewed	Year ended 31 December 2017 Audited
Capital expenditure commitments on property, plant and equipment		
Capital expenditure authorised and contracted for	655	754
Capital expenditure authorised but not contracted for	2 459	2 634

Included in the capital expenditure above is an amount of R677 million to address emissions at Vanderbijlpark operations over the next three years.

16. Going concern

The condensed consolidated financial statements have been prepared on a going concern basis. Based on the group's

12-month funding plan, together with available banking facilities, the directors believe that the group will be

able to comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly

have concluded that the group remains a going concern.

The group recognised a net profit after tax of R1 370 million (2017: loss of R5 128 million) for the year ended

31 December 2018 and, as at that date, current assets exceed current liabilities by R3 901 million

(2017: R785 million).

During 2018, the group returned to profitability on the back of higher international steel prices, lower costs and

higher sale volumes. The group embarked upon a business transformation programme towards the end of 2017. This

programme has been initiated to address cost reduction, improve efficiencies and debottleneck steel production at

all sites. The success of some of these initiatives is visible in the results for the year ended 31 December 2018,

noticeable the capacity utilisation improvement from 81% to 84% as a result of this programme. The group continues

to drive these initiatives to further improve on the performance of the plants in the coming year.

As detailed in note 12, the group realised proceeds on the sale of the investment in MIHBV at R3 221 million. This

further strengthened the statement of financial position and cash flow of the group by reducing net debt from

R3 262 million to R475 million. The group generated sufficient cash from operating activities to cover capital expenditure and interest during 2018.

As previously reported (in the financial results for the six month ended 30 June 2018), the group has completed the renegotiations and the resetting of the level of the tangible net worth covenant on the borrowing based facility. As at 31 December 2018, the group is in compliance with all covenants. At 31 December 2018 the balance of the borrowing based facility was R300 million (2017: R3 700 million) with R4 200 million (2017: R800 million) remaining undrawn.

The group continues to work closely with all lenders to ensure the required facilities remain in place.

The directors are not aware of any other matters or circumstances that the group faces and concluded that there are no other material matters that may impact the group' s ability to continue as a going concern.

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 an impact on the business, specifically volatility in the rand/US dollar exchange rate as well as commodity and steel prices. The directors and management continue to monitor, develop and improve business plans and liquidity models in order to effectively deal with the effects of these factors.

17. Subsequent events

The directors are not aware of any matter or circumstances arising since the end of December 2018 to the date of this report that would significantly affect the operations, the results or financial position of the group.

During January 2019 the group has been informed that there is an intention to institute criminal proceedings against

the group on account of three alleged transgressions of its atmospheric emission licence at its Vanderbijlpark operations.

The prosecution has agreed that the group would first be afforded an opportunity to meet and to make representations

before proceeding with the prosecution. This process has not been concluded. In the event that the matter proceeds,

and if there is an adverse finding regarding all these transgressions, insofar as the financial exposure in terms of

a fine is concerned, the maximum fine payable is up to R15 million in terms of the legislation. The group remains firmly

committed to minimising its impact on the environment and, to this end, has invested and continues to invest in various

initiatives and projects to improve the group's environmental performance and standards.

Forward looking statements

Statements in this announcement that are neither reported financial results nor other historical information, are

forward looking statements, including but not limited to statements that are predictions of or indicate future earnings,

savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because,

by their nature, they are subject to risks and uncertainties which could cause actual results and company plans and

objectives to differ materially from those expressed or implied in the forward looking statements (or from past results).

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the

group's auditors.

Corporate information

Registered office: ArcelorMittal South Africa Limited, Room N3-5, Main Building, Delfos Boulevard,

Vanderbijlpark, 1911

Directors

Non-executive directors

PM Makwana* (chairman), BE Aranha#, LC Cele*, GS Gouws, NP Gosa, R Karol+, NP Mnxasana*, JRD Modise*, KMM Musonda*^,

NF Nicolau*

#Citizen of Canada +Citizen of India ^Citizen of Zambia *Independent non-executive

Executive directors

HJ Verster (chief executive officer), AD Maharaj (chief financial officer)

Company secretary

Ms NB Bam

Sponsor

Absa Bank Limited (acting through its corporate and investment banking division) 15 Alice Lane, Sandton, 2196. Private

Bag X10056, Sandton, 2146

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

Release date: 7 February 2019

www.southafrica.arcelormittal.com