ArcelorMittal

TOWARDS THE FUTURE

Integrated Annual Report 2014

About this report

This is our fourth integrated annual report (IAR). With this report we aim to provide all stakeholders with a transparent and balanced appraisal of the material issues that faced our business during the year under review.

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

This year we have elected not to produce a separate online sustainability report, believing that our level of integrated reporting has reached such a point as to make a report on "non-financial" or non-operational issues redundant. We accept, however, that various stakeholders have particular interests in "sustainability" aspects of our company, interests that require a deeper level of disclosure than can be accommodated in this, more concise, report. Such detail, particularly as it relates to our social, human and natural capital, is given in our expanded online integrated report.

Scope and boundary of this report

This IAR covers the period from 1 January 2014 to 31 December 2014. The previous IAR covered the 2013 financial year.

This IAR provides an account of the group's operational, financial, economic, social and environmental performance, as well as governance, during the period reviewed.

It covers the operations of ArcelorMittal South Africa which include Vanderbijlpark Works, Vereeniging Works, Saldanha Works, Newcastle Works, Pretoria Works and our Coke and Chemicals operation.

Although this report is considerably more concise than those of previous years, there has been no material change in the scope and boundary of the IAR compared to the prior year.

Forward looking statements

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

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

Progressing integrated reporting

This report has been prepared in accordance with the recommendations of principle 9.1 of the King Code and the International Integrated Reporting (<IR>) Framework as published in December 2013 by the International Integrated Reporting Council. This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. A G3.1 content index appears on this website. We have self-assessed this report as meeting the GRI 3.1 Level C.

Content and presentation of information in this year's IAR were informed by a third-party analysis of our 2013 report, which was adjudged "excellent" in the 2014 Ernst & Young Excellence in Integrated Reporting Awards, an appraisal that was echoed by the Nkonki Top 100 Integrated Reporting Awards which placed the report in its top 10.

In presenting a shorter printed report we have sought to fulfil the International <IR> Framework's guiding principle of conciseness. We aim to align our systems so that our reporting processes achieve full compliance with the Framework by 2015.

Assurance

To further enhance the integrity of our report we have opted for limited assurance of certain key performance indicators (KPIs). The number of indicators assured this year increased from seven in 2013 to 12. This assurance process will be further improved in future, in line with the refining of our controls and governance around these measures to withstand the same level of scrutiny as financial information. The limited assurance statement is on page 79.

Regarding the summarised consolidated financial statements 2014

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

An independent audit was performed by Deloitte & Touche, expressing an unmodified opinion. The opinion on the summarised consolidated financial statements, included in the IAR, is on page 84.

Board responsibility

The board, together with the audit committee, takes responsibility for this IAR. The report was prepared by a representative team of the company, assisted by outside experts, which reported to the chief executive officer (CEO) and chief financial officer (CFO). All directors were given at least two opportunities to review and comment on the contents and to ensure the report's integrity. In the board's opinion, this report addresses the material issues and accurately presents the integrated performance of the organisation and its impacts. The board authorised this report for release on 10 March 2015.

Signed by the CEO, who has been duly authorised thereto by the board.

P. O'Flaherty

Paul O'Flaherty
Chief executive officer

Our two reports

Integrated annual report (IAR)

This printed IAR (also available online, with additional information, at our company's integrated report website **www.arcelormittalsa.com/integratedreport2014**, is intended to provide readers with an overview of our operations during the year, about our ability to create value over the short, medium and long term, and our performance in managing our most material issues, which are listed as strategic objectives in this report. It includes messages from leadership, operational reviews, corporate governance and risk management reports, summarised financial statements and information for shareholders.

Annual financial statements

The full financial statements, available on the disk that is packaged with this printed IAR as well as at **www.arcelormittalsa.com/integratedreport2014**, provide a comprehensive insight into the financial position of the company for the year under review.

Please provide us with your feedback
We value feedback from our stakeholders and use it to ensure that we are reporting on the issues that are relevant to them. Please take the time to give us your feedback on this report.
Visit the web link: **www.arcelormittalsa.com/investorrelations/emailus.aspx**

Contents

Determining what really matters

Our four key strategic objectives are:

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

Formulating our four key strategic objectives was not done in a vacuum; they were developed by consistently answering the questions: what are the most material issues our company must address if we are to create value into the future while meeting the terms of our mission and subscribing consistently to our values? And: what are the issues that matter most to our stakeholders? Interrogating our material issues is an ongoing process that analyses our many, varied opportunities, risks, strengths, weaknesses, challenges and the concerns and interests of our stakeholders.

Stakeholder inclusiveness is central to determining our most material issues. This engagement happens through formal platforms (pages 6 to 8) which deal directly with stakeholder engagement. Explicit and perceived stakeholder concerns are regularly reported to the executive committee for consideration, while the company's policies and actions are reported to stakeholders for input.

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

This combined approach helps us to develop a comprehensive picture of the various issues facing the company. We determine the relative materiality of these issues according to their importance to our stakeholders and whether they present serious risks and/or material business opportunities.

This year we determined that our material issues were not substantially different to those reported in the integrated report of 2013. These issues are:

- Health and safety of our people
- Focus on our customers
- Being environmentally responsible
- Optimising our industrial footprint
- Eliminating excessive raw material costs
- Improving supplier efficiencies
- Engaging meaningfully with communities
- Engaging with government
- Improving operational efficiencies
- Improving our B-BBEE compliance

Our footprint

At our annual general meeting in May 2014 we released the first ArcelorMittal South Africa factor report. Compiled by independent researchers, the 2014 factor report details our extensive social, environmental and economic impacts and how these affect our many key stakeholders. It also offers a frank assessment of the extent to which our company and its activities underpin achievement of the objectives of the National Development Plan (NDP) – while laying bare areas for improvement.

The 2014 ArcelorMittal South Africa factor report has been widely shared with stakeholders including national, provincial and local government, non-governmental organisations, South African missions abroad, communities, employees, contractors and suppliers. The report is available on our report website.

Here we reproduce excerpts from the 2014 factor report as they relate to targets of the NDP. Where relevant information is available, the figures in the factor report have been updated.

Economic growth engine

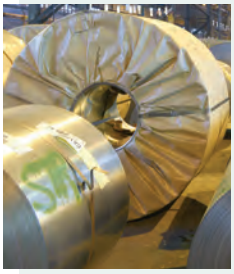
- **R35 billion value addition** representing almost 1% of direct GDP
- **R0.9 billion contribution to the fiscus** in various taxes and rates
- **R2.5 billion in procurement spend** on QSEs and EMEs generated into the domestic economy
- **R8.7 billion export revenue** generated into the domestic economy

Employer, job creator and skills developer

- Over 13 500 people in direct employment
- Over 390 000 hours of training conducted at a cost of R151 million
- R46.8 million invested in technical training.
- R27.8 billion spent on over 3 500 suppliers

Impact on local communities

- 68% of new recruits employed locally
- 15 local community organisations engaged in 2014, with outcomes documented
- Utilised 1 123 vendors located in close proximity to our plants with total spend of R4.8 billion
- R16.3 million invested in local communities in 2014 through CSI programmes



Enabler of South African development through supply of steel

- 4.5 million tonnes of liquid steel produced: supplying just over 60% of South African steel and supporting key domestic industries
- 3.5 formal jobs created economy-wide for every R1 million spent by ArcelorMittal South Africa
- Total export rebates of R209 million paid out in 2014

Catalyst for change in South Africa

- 9 701 employees and contractor staff received health and safety training, and 598 received anti-corruption training
- 11% female employment, 59% HDSA employment and 75% unionisation
- Open disclosure of financial, environmental and social indicators
- Voluntary participant in several debates at national level

Mostly positive Mostly neutral Mostly negative

Note: All figures as at 31 December 2014.
Source: ArcelorMittal South Africa, internal data.

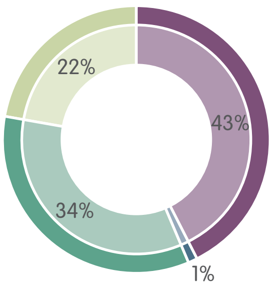
About us

Headquartered in Vanderbijlpark, Gauteng, ArcelorMittal South Africa is Africa's largest steel producer with a production capacity, in a normal year, of 6.5 million tonnes of liquid steel which, after taking into account various yield factors, amounts to approximately 5.5 million tonnes of saleable steel products. This year, with the Newcastle blast furnace reline, we produced some 4.5 million tonnes of saleable steel. Our primary goal is to supply into the local and nearby markets and currently we supply over 60% of the steel used in South Africa and export the rest to sub-Saharan Africa and elsewhere. In 2014, we directly employed 8 825 people, with an estimated economy-wide employment-creating impact of over 100 000 jobs. A proudly South African company, we are part of the ArcelorMittal group, the world's leading steel producer with industrial sites in over 20 countries and a presence in more than 60.

Our steel is produced in flat and long products that are further processed by downstream manufacturers. We also have a Coke and Chemicals operation which produces commercial grade coke for use by the ferro-alloy industry, and processes steelmaking by-products.

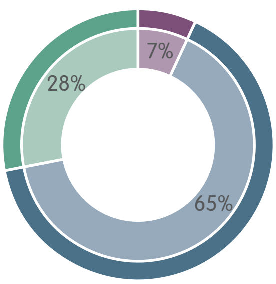
2014 Ebitda contribution

- Flat steel R535 million
- Long steel R16 million
- Coke and Chemicals R428 million
- Corporate R279 million



2013 Ebitda contribution

- Flat steel R135 million
- Long steel R1 198 million
- Coke and Chemicals R514 million



Flat steel products

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

FLAT STEEL

Vanderbijlpark Works

Capacity
3.0 million tonnes
of liquid steel p.a.

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

LTIFR
2014: **0.54**
2013: 0.24
2012: 0.31

Revenue
2014: **R17.7 billion**
2013: R14.9 billion
2012: R15.3 billion

Capacity utilisation
2014: **83%**
2013: 68%
2012: 64%

Liquid steel production
2014: **2.5 million tonnes**
2013: 2.1 million tonnes
2012: 2.4 million tonnes

Saldanha Works

Capacity
1.3 million tonnes
of liquid steel p.a.

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

LTIFR
2014: **0.59**
2013: 1.51
2012: 1.12

Revenue
2014: **R5.3 billion**
2013: R5.8 billion
2012: R5.6 billion

Capacity utilisation
2014: **87%**
2013: 88%
2012: 92%

Liquid steel production
2014: **1.1 million tonnes**
2013: 1.1 million tonnes
2012: 1.2 million tonnes

Long steel products

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

Coke and Chemicals

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

LONG STEEL

Newcastle Works

Capacity
1.9 million tonnes
of liquid steel p.a.

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

LTIFR
2014: **0.60**
2013: 0.64
2012: 0.73

Revenue
2014: **R7.1 billion**
2013: R8.5 billion
2012: R8.3 billion

Capacity utilisation
2014: **32%**
2013: 83%
2012: 92%

Liquid steel production
2014: **0.6 million tonnes**
2013: 1.6 million tonnes
2012: 1.3 million tonnes

Vereeniging Works

Capacity
0.4 million tonnes
of final product p.a.

South Africa's major supplier of speciality steel products and forge products. Output includes material for the manufacture of safety critical components for the automotive industry, seamless tubes and wire rod

LTIFR
2014: **0.61**
2013: 1.61
2012: 0.78

Revenue
2014: **R2.8 billion**
2013: R3.1 billion
2012: R3.2 billion

Capacity utilisation
2014: **78%**
2013: 75%
2012: 69%

Liquid steel production
2014: **323 000 tonnes**
2013: 299 000 tonnes
2012: 276 000 tonnes

COKE AND CHEMICALS

Coke and Chemicals

Capacity
695 000 tonnes
of commercial coke p.a.

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

LTIFR
2014: **0.95**
2013: 0.00
2012: 1.84

Revenue
2014: **R2.0 billion**
2013: R1.9 billion
2012: R1.9 billion

Commercial coke production
2014: **522 000kt**
2013: 391 000kt
2012: 446 000kt

Our stakeholders and how we engage them

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

Stakeholder group	Why they are important
Customers –	• Provide the markets for our products • Provide revenue, without which the business could not function
Employees –	• Integral to delivery on our strategic objectives • Provide skilled labour to produce and market our products • Our most important and valued ambassadors
Government – National, provincial, local and parliamentary portfolio committees –	• Develop legislation and policies that directly impact the environment in which we operate • Have the ability to grant or revoke licences necessary to operate
Shareholders –	• We are ultimately accountable to shareholders who expect returns on their investments • Influence decisions taken by the board
Suppliers and contractors –	• Directly influence raw material and other input costs • Reliable delivery impacts our ability to deliver on customer needs and expectations
Trade unions –	• More than 70% of our workforce belong to unions and more than 80% are covered by collective bargaining agreements • Good relationships with organised labour can avert industrial action and positively influence the outcome of wage negotiations
Local communities –	• Live in the vicinity of our operations, their environment and employment opportunities being directly impacted by our business • Direct beneficiaries of our corporate social investments and economic opportunities presented by our operations
NGOs and special interest groups –	• Represent the social and environmental concerns of local communities and broader society
Small and medium enterprises –	• Provide a range of secondary products and services to our operations • Provide us with the opportunity to improve our preferential procurement and enterprise development score on the dti Codes of Good Practice scorecard
Media –	• Has the potential to influence public perception and brand reputation

Engagement platforms

- Regular, ongoing engagement between sales staff, management and key customers to determine the needs of the market and identify issues as they arise
- Direct ad hoc communication when necessary to inform customers about new developments or the resolution of specific issues
- Customer satisfaction surveys

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

- CEO and officers in charge of specialist functions engage on an individual level with national ministry, provincial and local government representatives

- Quarterly reports, bi-annual and annual results presentations
- Shareholder roadshows and meetings

- Regular meetings between management and key suppliers
- Managers on-site conduct ongoing engagement and management of contractors
- Contractors undergo all safety training

- Union representation on a range of committees including safety, health and environment, training and employment equity
- Shop-floor line managers engage with union representatives on a daily basis
- Formal engagement as part of the wage negotiation process
- Meetings between CEO, senior management and union head-office level
- Other engagement as and when issues arise

- Annual community engagement facilitated by local councillors, municipal representatives, community leaders and NGOs
- Environmental open days
- Arranged meetings with CSI managers
- Regular planned one-on-one meetings
- Advertising

- Attend bi-annual environmental open days in line with Atmospheric Emissions Licence (AEL) conditions, and various community engagement forums
- Responses to NGO requests for meetings and information on a case-by-case basis

- Attend annual community engagement forums
- Invited to attend preferential procurement days that detail our tender processes and opportunities
- Arrange office meetings

- Company spokesperson deals directly with media on a regular basis, responding to queries and requests for information and keeping media informed of key developments at the company
- CEO and officers in charge of specialist areas are interviewed by the media on a regular basis
- Media representatives are invited to interim and full year results presentations as well as important company events such as the launch of corporate social investment (CSI) projects

Our stakeholders and how we engage them continued

Towards the end of 2014 the corporate affairs department commissioned a study to assess the quality of relationships with key stakeholder groups including government, the media, statutory and sectoral bodies, NGOs and communities.

The study produced an "emotional barometer" with relationships being plotted on an index ranging from zero to 100. Scores below 40 were considered dysfunctional, while those 80 and above were deemed "excellent".

We scored highest among industry bodies – a result that was to be expected given the fact that ArcelorMittal South Africa is the largest player in the domestic steel industry. Relationships with communities, NGOs and government were "strong" overall, while those with the media were generally weak.

Stakeholder engagement at ArcelorMittal South Africa is managed by the corporate affairs department reporting to the CEO's office and in charge of the management of the following areas:
- Government affairs and stakeholder engagement
- Reputation and issue management
- Corporate communications
- Internal and external communications
- ArcelorMittal Foundation and CSI projects
- Trade and industry associations

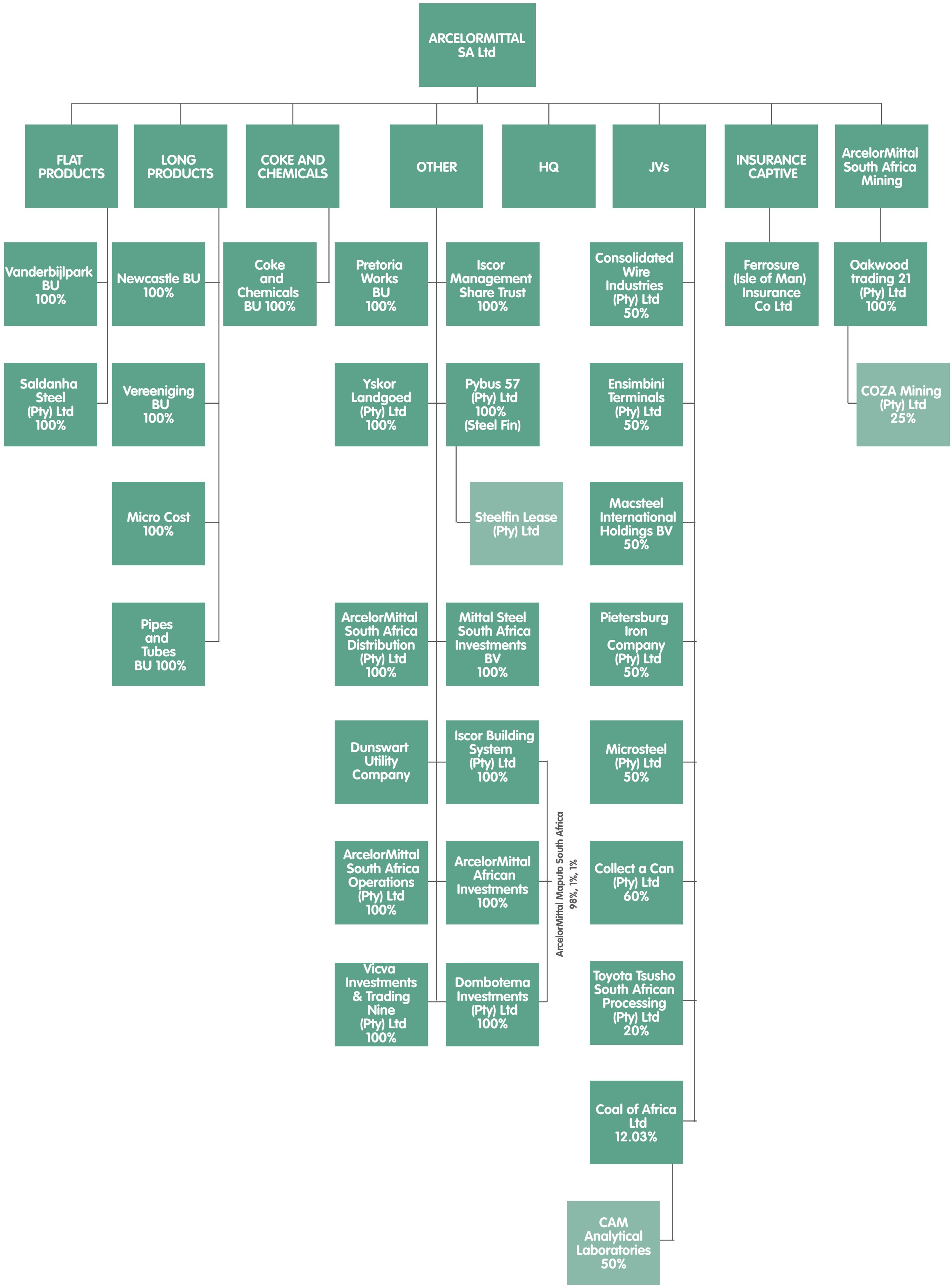
The department has a mandate to work on the consolidation and enhancement of relationships with key stakeholders; managing public affairs; liaising with government at local, provincial and national government level as well as industry bodies, community members and district leaders; and forging open and honest relationships.

The performance of the department is assessed using specific performance indicators such as:
- Positive media profile checked using surveys and qualitative data
- Improved government relations checked using qualitative data such as feedback
- Ranking in sustainability indexes such as JSE-SRI, etc
- Number of awards received
- Employee attraction and retention using internal and external surveys, benchmark, etc
- Face-to-face meetings with local communities.

Performance in these areas, as with regular information about the company's social, environmental and ethical performance, is disclosed regularly:
Internally
- Executive management reports
- Quarterly reports
- Quarterly bar reports
- Annual stakeholder engagement report
- Electronic newsletter

Externally
- Face-to-face feedback meetings
- One-on-one meetings with stakeholders
- Newsletters
- Integrated annual reports
- Forum and community meetings

Company structure



Our value creation model

INPUTS

Natural capital

Raw materials consumed

	2013	2014
Iron ore	6 607kt	6 562kt
Coal	4 461kt	4 700kt
Purchased scrap	973kt	879kt
Fluxes	1 724kt	1 612kt

Energy

	2013	2014
Electricity consumed (TWh)	3.67	3.52

Water intake

	2013	2014
Water intake (Mℓ)	17 515	18 774

Human and intellectual capital

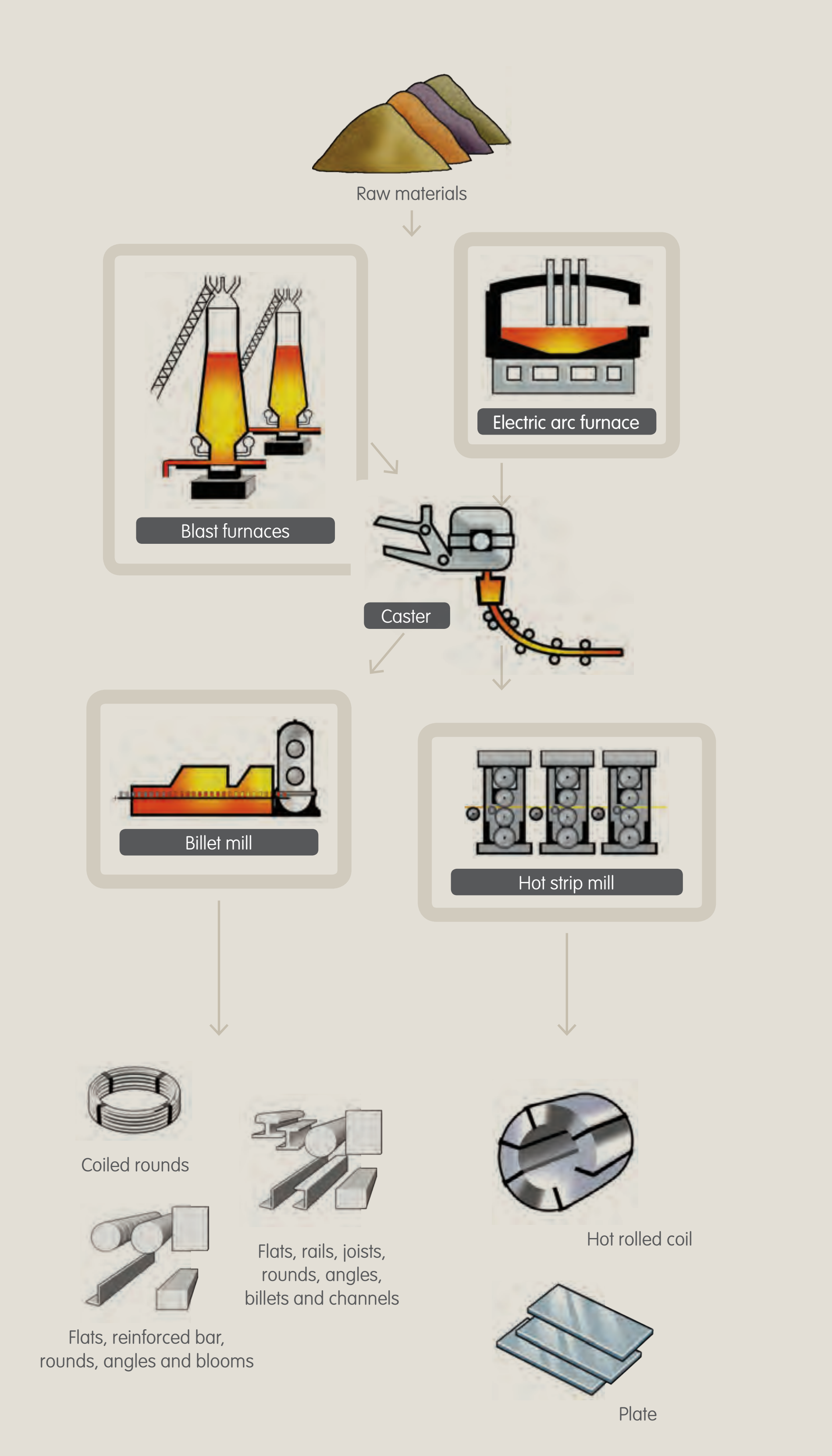
	2013†	2014†
Employees	8 865*	9 029*
Hired labour	1 729	1 411
Service contractors	4 375	3 316
Training spend	R138m	R151m
Salaries and wages	R3 408m	R3 764m

† As at 31 December.
** Includes temporary employees and those dedicated to capital projects.*

Financial capital

	2013	2014
Capital expenditure	R1 569m	R2 798m

Steelmaking process



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

OUTPUTS

Financial capital

Shareholders/ investors/employees	2013	2014
Revenue	R32 421m	R34 852m
Ebitda	R1 768m	R1 258m
Profit from operations	R47m	(R301m)
Ebitda margin	5.5%	3.6%

Manufactured capital

	2013	2014
Flat steel products	2 771kt	2 981kt
Domestic market	2 003kt	1 951kt
Export market	768kt	1 030kt
Long steel products	1 459kt	1 259kt
Domestic market	1 123kt	1 051kt
Export market	336kt	208kt
Coke and Chemicals		
Market coke	545kt	466kt
Tar	109kt	110kt
Other	994kt	1 323kt

Human capital

Employees/ contractors	2013	2014
Safety: LTIFR	0.56	0.58
Safety: Fatalities	0	4

Social capital

Local communities/ suppliers/local business	2013	2014
Socio-economic development	R37.4m	R16.3m
Procurement spend	R25 000m	R26 786m
Direct GDP	1%	1%
Indirect GDP contribution	R11 000m (0.4%)	R11 000m (0.4%)
Economic value contribution	R32 421m	R34 852m
Taxes contributed	R1 500m	R870m
Procurement spend – QSE and EME	R2 000m	R2 500m

Our markets, our customers, our world

Revenue	2013	2014
Domestic	R25 174m	R26 125m
Export	R7 247m	R8 727m

ArcelorMittal South Africa	2013	2014
Total	1 104kt	1 238kt
Sub-Sahara	82%	77%
SADC	29%	25%
East Africa	53%	51%
West Africa	16%	21%
Far East	7%	11%
Middle East	8%	6%
Other	3%	6%

Domestic market	National** 2014 (2013)	AMSA 2014 (2013)
Total	4 900kt (5 400kt)	3 002kt (3 126kt)
Construction	56% (56%)	60% (60%)
Metal products	24% (22%)	20% (20%)
Automotive and assembly	12% (13%)	11% (11%)
Mining and agriculture	8% (9%)	9% (9%)

The real cost of steel** (2014)	Steel content in product weight	Steel input material cost as % of price
Shipping container	98%	65
Beverage can	98%	30
Washing machine	50%	12
VW Polo	48%	3
Isuzu KB DC	51%	2
Ford Ranger DC	49%	2

*** ArcelorMittal South Africa estimates.*

Our sustainable business journey

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.

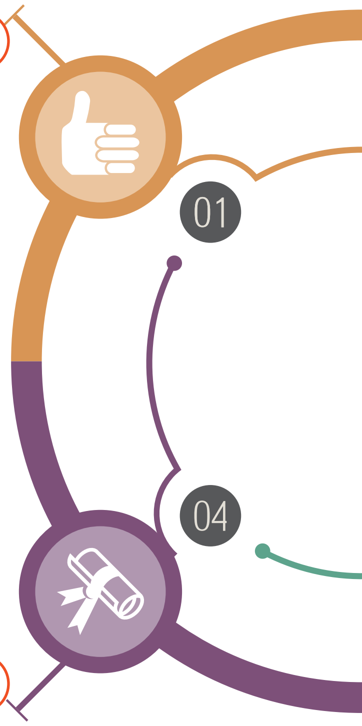
Our key stakeholders

Employees and trade unions	Government	Customers
R/5 R/10	R/1 R/3 R/5 R/6	R/2 R/4 R/8

Strategic

Creating a high-performance culture

R/4 R/6 R/7 R/9



R/1 R/5 R/10

Maintaining our licence to operate

Material issues

What our strategy addresses

- Protecting the health and safety of employees
- Customer focus
- Excessive raw material cost
- Operational efficiencies
- Supplier efficiencies
- Industrial footprint
- Government relationships
- Employee engagement
- Engaging with local communities
- Environmental responsibility
- B-BBEE

See more information.

Key performance indicators

How we measure our performance on achieving our strategic objectives

For 10-year performance see pages 16 and 17.

Protecting the health and safety of our employees:

- KPI/1 Number of fatalities
- KPI/2 Lost time injury frequency rate (LTIFR)

Driving profitability:

- KPI/3 Ebitda per tonne
- KPI/4 Liquid steel production (000 tonne)
- KPI/5 Return on capital employed (ROCE)

Mission

We aim to achieve our vision by:

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

Values

These underpin our strategic objectives and impact our stakeholders

Safety

Caring

Customer focus

Commitment

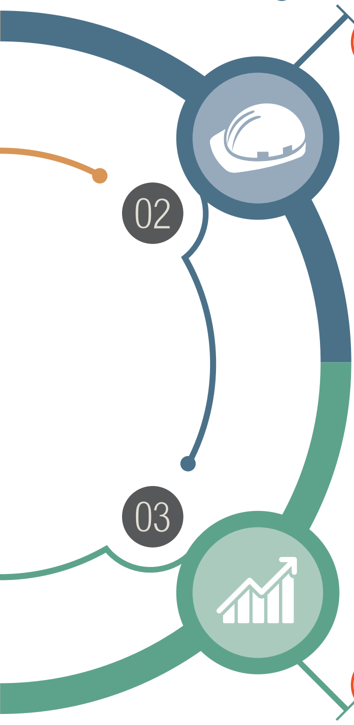
Local communities and NGOs	Suppliers	Shareholders	Contractors
R/5 R/10	R/6 R/7 R/8 R/9	R/1 R/2 R/4 R/6 R/8	R/6 R/7 R/8 R/9

See more information.

objectives

Protecting the health and safety of our people

R/5 R/10



R/2 R/3 R/4 R/6 R/9

Driving profitability

Top 10 risks

Impact our stakeholders and our ability to achieve our strategic objectives

- R/1 Competition Commission issues
- R/2 Demand and price decline
- R/3 Availability of energy
- R/4 Increased competitor activity
- R/5 Environmental and health impacts
- R/6 Increased input costs
- R/7 Insufficient input material
- R/8 Catastrophic plant failure
- R/9 Supplier contract performance
- R/10 Safety performance

See more information.

Maintaining our licence to operate:

- KPI/6 Legal and environmental compliance
- KPI/7 Environmental expenditure
- KPI/8 B-BBEE status level
- KPI/9 Rm invested in local communities

Creating a high-performance culture:

- KPI/10 Productivity – TCOE/HRCe (total cost of employment/tonne of liquid steel)
- KPI/11 Domestic market share

See more information.

Performance on achieving our strategic objectives

ArcelorMittal South Africa is a R35 billion business directly employing 8 825 people and creating value for 3 500 suppliers and their 25 000 employees. We contribute to the betterment of communities and the South African economy (with a direct GDP contribution of almost 1%).

If we are to continue creating value for our investors, employees, customers, other stakeholders and the country over the short and long term, our strategy has to effectively address and mitigate a number of key risks and challenges and exploit definable opportunities. In particular, we have to embrace and devise new, safer and better ways of making and selling steel.

In these pages we unpack what our high-level objectives mean in reality, what material issues and stakeholders they impact (and why these issues are important), how we measure our performance in delivering against these objectives and how we will strive to achieve these objectives in 2015.

Here we list only our performance on these material issues in 2014. For a 10-year performance review (both internally assessed and externally assured), refer to page 17.

Protecting the health and safety of our people

Why this is important

If we cannot keep our people (including employees, contractors and suppliers) safe and healthy, we should not be in the steel business. Health and safety affect our people's lives and their work performance, our reputation, market acceptance, profitability and, potentially, our legal licence to operate.

This year we performed poorly on safety. We suffered four work-related fatalities, while a fifth contractor employee died on our premises and our LTIFR deteriorated from 0.56 to 0.58. To urgently address this deterioration in our safety performance a number of actions were taken and new procedures put in place. These relate to hazard identification, the appointment of process specialists as safety officers and the application of more stringent safety compliance by contractors.

Stakeholders impacted

- Employees
- Contractors

Capitals impacted

- Human
- Social and relationship
- Financial

Material issues

Measures and 2014 performance

Work-related fatalities	4
LTIFR	0.58
Employee attendance at health and safety training	52 954
Number of shop-floor (safety) audits (SFAs) own and contractor management	263 143

2015 target

Fatalities	0
LTIFR	0.49
Employee attendance at health and safety training	49 000
Number of shop-floor (safety) audits (SFAs)	171 000

For more on protecting the health and safety of our people, see pages 40 to 42.

Creating a high-performance culture

Why this is important

In the face of unprecedented competition, declining global steel prices and rising input costs, our survival depends on all plants, units, management and employees performing to their utmost potential. ArcelorMittal South Africa compares unfavourably with peer companies elsewhere in the world in terms of productivity and profit from operations, while this year's unacceptable deterioration in our safety record can mainly be ascribed to a poor performance culture. We also underperform in terms of supplier management and customer focus.

Beginning in 2014, management has devoted considerable time and energy towards defining an employee value proposition that will unite, motivate and empower our people. By the end of 2015 we aim to have transformed our culture into one that values people, productivity performance. We will begin to create a culture that takes pride in being part of ArcelorMittal South Africa.

Stakeholders impacted

- Employees
- Contractors
- Customers

Capitals impacted

- Human
- Manufactured
- Financial

Material issues

Measures and 2014 performance

Tonne of liquid steel to total full-time (job) equivalent (HRCe/FTE (t/annum))	418
Domestic market share (%)	
Flat	65.5
Long	55.1
Total training spend (Rm)	151

2015 targets

Tonne of HRCe/total FTE (t/annum)	556
Domestic market share (%)	
Flat	74.9%
Long	57.2%
Total training spend (Rm)	156

For more on our investment in developing our people's skills, see pages 58 to 60.

Maintaining our licence to operate

Why this is important

Various stakeholders grant us licences to stay in business. These stakeholders include government, organised labour, communities and regulatory authorities. For the past decade our relations with the various levels of government have been clouded by mistrust and misperception, a reality that undermines our desired ability to operate on a level playing field.

Our relations with local communities, particularly in the Vaal Triangle, have historically been characterised by similar levels of mistrust, a situation that is today much improved. Maintaining our licence to operate requires that ArcelorMittal South Africa is perceived as a company that is committed to transformation, social upliftment, economic development, people development and environmental best practice. This year we began working to radically overhaul our B-BBEE compliance and our culture and to transform ArcelorMittal South Africa into a business that is widely recognised as being a model corporate citizen.

Following the Supreme Court of Appeal decision on the so-called Vanderbijlpark environmental risk assessment reports, we initiated a new, more open engagement with the plaintiff organisation and other interested parties. This year we have similarly enhanced our dialogue with government and public-sector organisations with a view towards finding mutually beneficial outcomes.

For further information, see the "*Government and community relations*" section on pages 48 to 51 and "*Being environmentally responsible*" section on page 52.

Stakeholders impacted

- Government
- Local communities
- Non-governmental organisations

Capitals impacted

- Social and relationship
- Natural

Material issues

Measures and 2014 performance

B-BBEE rating (old codes)	Level 7
Environmental expenditure (Rm)	63.0
Socio-economic/CSI spend (Rm)	16.3
Procurement from qualifying small enterprises/exempt micro enterprises (Rb)	2.5

2015 targets

B-BBEE rating (under the new codes)	Level 6
Environmental expenditure	20% of capital expenditure
Socio-economic spend (Rm)	30.5
Procurement from qualifying small enterprises/exempt micro enterprises (Rb)	7.2

Driving profitability

Why this is important

Providers of capital are entitled to expect reasonable returns on their investments. Our ability to create financial value underpins our ability to create other value. By year-end ArcelorMittal South Africa had reported losses for 10 consecutive quarters. Without profits there is no shareholder return and we are unable to adequately incentivise and empower our employees in pursuit of our objective of fostering a high-performance culture. Our current financial underperformance also compromises our ability to invest in our environmental stewardship and social upliftment.

The Newcastle blast furnace rebuild will contribute significantly towards our goal of optimising our industrial footprint as will other structural and operational enhancements implemented this year. As detailed in the "*Driving profitability*" section, in the fourth quarter we implemented a concerted drive to reach and sustain plant design production capacity at all of our plants, while an overhaul of our procurement and logistics systems will translate into material cost savings.

Our drive to achieve sustainable profitability is challenged by expectations that ArcelorMittal South Africa applies "excessive" pricing and by a projected, punitive, carbon tax regime.

See the section "*Driving profitability*" on pages 43 to 47.

Stakeholders impacted

- Shareholders
- Employees
- Suppliers
- Communities
- Government

Capitals impacted

- Financial
- Manufactured
- Human
- Social and relationship

Material issues

Measures and 2014 performance

USD ebitda per tonne (R/t)	27
Return on capital employed (%)	(1.2)
Variable costs (per tonne of liquid steel) (R/t)	4 796
Plant capacity utilisation (%)	69.5
Domestic market share (%)	
Flat	65.5
Long	55.1

2015 targets

USD ebitda per tonne (R/t)	40
Return on capital employed (%)	1.92
Variable costs per tonne of liquid steel (R/t)	5 121
Plant capacity utilisation (%)	94.7
Domestic market share (%)	
Flat	74.9
Long	57.2

2014 highlights and 10-year performance review

		2005	2006	2007
Revenue+	Rm	23 984	25 350	29 301
Ebitda by segment		8 097	7 178	8 802
Flat	Rm	5 518	4 487	5 265
Long	Rm	2 280	2 281	2 847
Coke and Chemicals	Rm	319	220	765
Other	Rm	(20)	190	(75)
Ebitda/tonne+	R/t	1 300	1 159	1 510
Ebitda margin+	%	33.8	28.3	30.0
Headline earnings+	Rm	5 091	4 730	5 741
Production (tonnes of liquid steel)	000 tonnes	7 261	7 055	6 375
Flat	000 tonnes	5 067	4 863	4 231
Long	000 tonnes	2 194	2 192	2 144
Sales by segment		6 230	6 194	5 829
Flat	000 tonnes	4 283	4 268	3 928
Long	000 tonnes	1 947	1 926	1 901
Sales by market				
Domestic	000 tonnes	3 485	4 400	4 421
Africa Overland		12	11	11
Blue water exports		2 733	1 783	1 397
Net cash/borrowings+	Rm	5 138	7 679	3 973
Capacity utilisation (liquid steel)++	%	90.8	88.2	87.6
Productivity – HRCe/total FTE	t/FTE	n/a	n/a	n/a
Fatalities+		4	3	2
LTIFR+		3.4	2.8	2.2
Training expenditure	R	n/a	n/a	n/a
Total environmental spend (as reported)+	Rm	n/a	n/a	121
CSI spend+	Rm	5.3	6.4	10.6

n/a: Information is either not applicable because different measuring methodologies were used or it is not available
+ Externally assured
++ Externally assured by business unit/works

Five-year benchmarking against peers

	2010	2011	2012	2013	**2014**
Ebitda margin %					
ArcelorMittal Global#	10.9	10.8	8.4	8.7	**9.1**
ArcelorMittal South Africa#	11.7	5.5	3.5	5.5	**3.6**
China/Korea*	27.68	18.57	8.11	10.36	**11.07**
Emerging markets*	34.33	27.81	13.74	14.27	**17.03**
Ebitda/tonne production (US$/t)					
ArcelorMittal Global#	100	118	85	82	**85**
ArcelorMittal South Africa#	78.73	34.06	27.49	35.11	**27.37**
China/Korea*	147.14	120.34	83.99	96.56	**116.13**
Emerging markets*	109.90	102.72	70.88	68.78	**69.38**
US$/t cost (revenue less ebitda)*					
ArcelorMittal Global	767.02	912.55	867.43	795.97	**775.21**
ArcelorMittal South Africa	646.97	757.70	745.69	675.84	**671.60**
China/Korea	786.34	1 068.39	979.91	934.58	**937.09**
Emerging markets	376.61	449.25	432.87	398.86	**365.23**

** Source: UBS (2014 estimate)* *# ArcelorMittal's previously published results*

2008	2009	2010	2011	2012	2013	**2014**
39 914	25 598	30 224	31 453	32 291	32 421	**34 852**
13 602	1 547	3 522	1 720	1 121	1 768	**1 258**
8 112	381	1 442	597	(266)	135	**535**
3 993	591	1 090	500	770	1 198	**16**
1 781	556	1 029	870	503	514	**428**
(284)	19	(39)	(247)	114	(79)	**279**
2 673	346	699	365	243	418	**262**
34.1	6.0	11.7	5.5	3.5	5.5	**3.6**
9 484	(440)	1 377	(52)	(518)	(224)	**227**
5 774	5 307	5 674	5 453	5 090	5 096	**4 518**
4 084	3 428	3 814	4 060	3 554	3 229	**3 586**
1 690	1 879	1 860	1 393	1 536	1 867	**932**
5 089	4 473	5 041	4 708	4 622	4 230	**4 240**
3 412	2 858	3 348	3 424	3 138	2 771	**2 981**
1 677	1 615	1 693	1 284	1 484	1 459	**1 259**
4 375	3 072	3 414	3 507	3 336	3 126	**3 002**
10	20	47	75	167	257	**232**
704	1 381	1 580	1 126	1 119	847	**1 006**
8 378	4 307	3 476	419	874	285	**(546)**
79.3	72.9	78.0	75.0	70.0	76.4	**69.5**
428	457	467	427	400	419	**418**
2	5	0	5	0	0	**4**
2.37	2.6	1.64	1.24	0.61	0.56	**0.58**
60.6	92.8	172.6	219.3	218.7	138.1	**151.4**
220	251	293	89	128	350	**63**
22.6	36.6	30.0	44.3	40.4	37.4	**16.3**

Key indicators

Key areas	Key performance indicator	Unit	2014	2013	2012	Definitions
Making steel more sustainable	Percentage of operations certified to the Environmental Management System Standard, ISO 14001	%	100	100	100	ISO 14001 is an international standard for environmental management systems
	Greenhouse gases					
	Direct carbon dioxide (CO_2) – Scope 1+	t/t liquid steel	2.30	2.19	2.23	Direct CO_2 emissions
	Indirect carbon dioxide (CO_2) – Scope 2+	t/t liquid steel	0.79	0.72	0.76	Indirect CO_2 emissions due to electricity consumption
	Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)+	t/t liquid steel	3.09	2.91	2.99	
	Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)+	mt	14.08	14.83	15.30	
	Atmospheric emissions					
	Sulphur dioxides (SO_2)	Tonnes	20 022	23 485	22 219	
	Particulates from point sources	Tonnes	2 304	2 543	3 987	
	By-products					
	By-products generated	mt	4.01	4.28	4.17	
	By-products disposed (% of total)	%	32	39	41	
	Energy use					
	Electricity (consumed)+	TWh	3.52	3.67	3.92	
	Total energy consumption	PJ	124	127	123	
	Material use					
	Iron ore	Tonnes	6 562 183	6 606 649	7 036 088	
	Coal+	Tonnes	4 699 604	4 461 055	4 512 542	
	Dolomite	Tonnes	707 521	576 621	499 226	
	Limestone	Tonnes	869 770	826 106	496 345	
	Scrap (consumed)	Tonnes	879 301	973 023	913 927	Scrap metal excluding by-products that contain Fe
	Water					
	Fresh water intake	kℓ	18 773 893	17 515 297	19 805 402	
Investing in our people	Employee numbers (permanent)+	Number	8 825	9 016	9 013	
	Employee and contractor fatalities+	Number	4	–	–	
	Lost time injury frequency rate (LTIFR)+	(per million hours worked)	0.58	0.56	0.61	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)	1.18	1.06	1.33	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 medical 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)	15.83	13.05	15.60	All injuries (fatalities, DIFR, lost time injuries, medical aid and first aid injuries) per million hours worked

Key areas	Key performance indicator	Unit	2014	2013	2012	Definitions
Investing in our people (continued)	Occupation disease frequency rate (ODFR)	(per million hours worked)	0.08	0.17	0.44	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	78 775	33 296	40 187	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	303 133	196 891	443 942	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	151.4	138.1	136.7	
	Proportion of above focused on black employees	%	75	90	91	
	Investment in bursary scheme	Rm	65.3	80.3	94.6	
	Graduates in training	Number	17	18	22	
	Production learners	Number	374	813	1 126	
	Apprentices	Number	447	574	699	
	Artisan to technician conversion programme	Number	52	62	67	
Enriching our communities	**Value added statement**					
	Revenue+	Rm	34 852	32 421	32 291	
	Purchased materials and services	Rm	(28 881)	(27 509)	(26 883)	
	Finance income+	Rm	12	7	10	
	Investment income+	Rm	67	5	90	
	Value added	Rm	6 050	4 924	5 508	
	Distributed to:					
	Employees	Rm	3 764	3 408	3 356	
	Providers of debt	Rm	389	391	401	
	Government	Rm	84	221	52	
	Community investment+	Rm	16	37	46	
	Reinvested in group	Rm	2 675	1 550	1 239	
Transparent governance	Fines, penalties and settlements	Number	–	–	–	All incidents of and fines for non-compliance with all laws and regulations associated with safety, health and environmental issues
	Fines, penalties and settlements	Rm	–	–	–	Payments include fines due to non-compliance with all laws and regulations and permits. The payments do not include levies or costs for lawyers and product liabilities

+ *Externally assured.*

LEADERSHI

"Our country needs a primary steel producer that is sustainable and strong, one that has a far-reaching multiplier effect on the creation of opportunities and jobs for downstream manufacturers."

Chairman, Mpho Makwana

"We will fill our mills and sell products that are world class and that meet and exceed our customers' expectations. We will operate safely and add value to the lives of our colleagues and our communities. We will capitalise on our many strengths and seize opportunities."

Chief executive officer, Paul O'Flaherty

"This year's ebitda performance was heavily skewed by the rebuild process – its effect being in the order of a loss of potential ebitda of approximately R1.2 billion."

Chief financial officer, Matthias Wellhausen

P REPORTS

Message from the chairman

Our country needs a primary steel producer that is sustainable and strong, one that has a far-reaching multiplier effect on the creation of opportunities and jobs for downstream manufacturers.

Dear Stakeholders

Anyone who is in any doubt about what exactly the International Integrated Reporting Council meant when it referred to how an organisation ". . . interacts with the external environment and the capitals to create value over the short, medium and long term" would be well advised to consider the situation of ArcelorMittal South Africa in 2014.

This report spells out the extent to which our operations and strategy are inextricably integrated with our country's social, human, environmental and financial capitals. It is, I believe, a measure of our growing maturity in terms of integrated reporting (<IR>), and of our growing confidence in the processes to determine materiality that, this year, we are bold to give practical expression to a guiding principle of <IR>: conciseness.

The fact that this year's printed report is shorter than those of previous years does not reflect less disclosure. On the contrary, users of our electronic (online) integrated report will experience an even greater depth of disclosure on areas of our business that are of particular interest to them.

A proudly South African business

In 2014 we released our first ArcelorMittal South Africa Factor Report, a detailed, independently compiled analysis of our social, environmental and economic impacts on South African society. Although not written with reference to the newly released <IR> Framework, the factor report was, in a very real sense, a measure of how embedded our company is in the fabric of South African society and how profoundly symbiotic are the fortunes of ArcelorMittal South Africa, those of our many stakeholders and of the country as a whole.

In this report we integrate information from the factor report that pertains specifically to how our activities support the goals of the National Development Plan (NDP).

If South Africa is to become the kind of prosperous, peaceful society that the NDP envisages us becoming by 2030, our country needs a primary steel producer that is sustainable and strong, one that has a far-reaching multiplier effect on the creation of opportunities and jobs for downstream manufacturers; a primary steel producer that works to underpin the industrialisation goals of the NDP. We are committed to being that primary steel producer, a proudly South African company and a company of which South Africa can be proud.

If, however, we are to be a primary steel producer that is seen to be creating real social, human and financial value, we acknowledge that there is much about ArcelorMittal South Africa that has to change. We acknowledge that we need to engage more openly, more honestly with stakeholders and to always do so in a spirit of partnership.

Transforming our company

We embrace the need to change not only our ways of interacting with communities, civil society and various levels of government but the need to transform ourselves.

This year, the leadership of ArcelorMittal South Africa set this company on an irrevocable process of change; a process that will make our company one that not only subscribes to the principles and spirit of economic and social transformation but that actively embraces and even leads the realisation of these ideals.

While we work to grow and sustain thriving small, medium and expanding enterprises by selling quality, affordable steel, we are committed to rapidly raising our procurement from small, black suppliers to the tune of some R7.2 billion in 2015. We intend doing so not only to improve our B-BBEE compliance but to demonstrate to all stakeholders our more strident commitment to transformation.

We are not seeking a new equity partner at present; instead we will focus on the various pillars of empowerment with priority being given to procurement, enterprise and supplier development, employment equity and skills development. The priority we attach to transformation is born out by the board's appointment this year of a special ad hoc committee focusing on our B-BBEE performance (page 49).

At year-end, just 59% of our employees were black with low representation at management levels. Clearly we need to change this to more accurately reflect the national working demographic. We will do so affirmatively and rapidly as is exemplified by the proposals and targets contained in our new Employment Equity Plan (page 61) but without undermining the employment values that we believe define working at ArcelorMittal South Africa, that enable us to recruit, develop and retain scarce skills: a caring environment that values, rewards and empowers high-performance employees. As we change who we are and how we work, we urge our suppliers and partners to accelerate their own transformation so that, together, our already considerable footprint, as detailed in the factor report, might become a powerful engine not only for growth but for change.

The year in context

It will not have escaped the notice of even the most casual observer of our business that 2014 was an extremely challenging year for ArcelorMittal South Africa.

Minimal economic growth and an influx into our main, domestic, market of subsidised product severely limited our ability to grow revenue while cost pressures continued to mount. The Newcastle blast furnace reline/rebuild was always going to be our single biggest operational challenge of the year and, while project execution disappointed in some respects, at the end of the year we could reflect with great satisfaction on the ultimately successful completion of a difficult but vital undertaking. (Here I must pause to briefly thank those involved, including colleagues, suppliers and contractors as well as the people of Newcastle, for the parts they played in making possible this most important investment in our production capacity.)

Charting a new course

The board and I enthusiastically endorse the turnaround strategy initiated this year by our new chief executive officer, Paul O'Flaherty. We have every confidence that the fundamental changes – in thinking, strategy and culture – that Paul has initiated will transform our company and restore an appreciation of its value in the eyes of all stakeholders.

In creating a high-performance culture, in filling our mills and restoring profitability and, most importantly, in reinstating and then jealously defending our once-proud safety record, Paul will enjoy the unstinting support of your board.

Paul's message in this report makes clear his intention, and that of his management team, to seek partnerships with all levels of civil society and government, to close old chapters and to begin writing new ones.

We are working hard to turn this company around but if our new direction is to create meaningful value it has to be sustainable. And such sustainability means that, after half a decade of losses, we urgently need to return ArcelorMittal South Africa to profitability.

Profitability, the bedrock of our sustainable creation of value, will require state-owned entities to be become facilitators of growth, not obstacles to its achievement. Our sustainability requires an enabling environment in which we are able to get on with the business of growing our business and the economy.

We are seeking to be good, trustworthy partners with all levels of government; with the premiers and provincial governments of the three provinces, Gauteng, KwaZulu-Natal and Western Cape, in which we have such a strong physical and economic footprint, our local governments and those at the helm of our national ship.

Seeking understanding and setting common goals

As much as we commit ourselves to the hard work that will go into creating a more equitable, more prosperous South Africa, we seek a similar willingness from government to actively engage with us on addressing the difficulties that currently hamper our ability to drive manufacturing, infrastructural development and growth.

As is well known, we face particular challenges in terms of competition legislation. These challenges, which have hung over ArcelorMittal South Africa for far too long, relate to legacy issues on which we are today engaging more intensively than before with the authorities to effect resolution. Similarly, we are engaging, with growing frankness and confidence, with the Department of Trade and Industry on

Message from the chairman continued

fundamental issues and policies affecting the South African steel industry.

This year we and others formally applied for tariff protection against a flood of imported flat steel products produced at prices that are sustained by Chinese government subsidy and are undertaken to utilise capacity in that country's enormous primary steel industry. A separate application was also lodged with the authorities for tariff protection against subsidised wire rod and rebar imports. We took these steps in the firm belief that such protection would be in the best interests not only of our company and the more than 35 000 people who work for us and our direct suppliers but also in the best long-term interests of our country.

Achieving profitability will enable us to make the investments necessary to modernise and improve our production processes, to build better communities and contribute towards education and skills development. And it will enable us to invest the hundreds of millions needed to mitigate our environmental impacts while empowering our workforce to keep creating the world-class steel that our country needs to thrive and grow. This year we demonstrated, in no uncertain terms, our confidence in South Africa's future by investing R1.8 billion in the Newcastle reline.

We live in a land of astonishing resources, goodwill and opportunity. Together we can accomplish so much more.

Acknowledgements and appointments

Mr S Maheshwari resigned as a non-executive director effective 31 March 2015 and Mr MJ Wellhausen resigned as chief financial officer on 15 March 2015. Ms N Nyembezi-Heita resigned as director and chief executive officer (CEO) on 18 February 2014. Dr HL Rosenstock, who had been appointed as interim CEO on 19 February 2014, stepped down on 1 July 2014 when Mr PS O'Flaherty was appointed CEO. We thank Mr Maheshwari (who served on our board since November 2005), Dr Rosenstock and Mr Wellhausen for their commitment and service to the company.

Mr G van Zyl was appointed acting CFO following Mr MJ Wellhausen's resignation as chief financial officer.

Invitation to attend the annual general meeting

I hereby extend an invitation to all shareholders to attend the twenty-seventh ArcelorMittal South Africa annual general meeting, to be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on 27 May 2015 at 09:00.

Mpho Makwana
Chairman

Message from the chief executive officer

Paul O'Flaherty

If we as a company, and as a country, are to survive and thrive, we need to make tough choices and collaborate more closely with all stakeholders to achieve mutually beneficial outcomes.

Dear Stakeholders

Recently our employees were asked a number of questions about working at ArcelorMittal South Africa. One of the most revealing findings was that more than half (53%) were unsure about the direction our company was taking.

Since I became CEO in July 2014 I have interacted with a great many stakeholders including colleagues, suppliers, government, communities, media and customers. From these interactions it became abundantly clear that our employees' uncertainty about our future was shared by many other stakeholders.

Allow me to state unequivocally the direction in which ArcelorMittal South Africa is now headed: we are going to transform our business, our culture and the way in which we create value for all stakeholders, including investors and employees.

We will fill our mills and sell products that are world class and that meet and exceed our customers' expectations. We will operate safely and add value to the lives of our colleagues and our communities. We will capitalise on our many strengths and seize opportunities. We will empower our employees and give them greater accountability so that they all have the confidence to drive the future of this company.

We will work proactively and openly with government, regulators and civil society to address legacy issues that inhibit our ability to compete and to create value. We will move forward into an exciting future as a proudly South African company.

Ensuring the health and safety of our people

Our safety performance this year has been profoundly disappointing. ArcelorMittal South Africa is not a company that pays mere lip service to safety. As the section in this report, "*Protecting the health and safety of our people*", makes clear, the company has done a great deal of excellent, hard work in the recent past to protect our people, not just our employees, but everyone who

Message from the chief executive officer continued

interacts directly with us. Yet, this year, we suffered five fatalities at our premises, four of which were work related. Clearly we have become complacent. If we achieve nothing else this year, 2014 must be remembered as the year in which we pledged ourselves to greater, more constant safety vigilance and improvement.

The chairman, board and management join me in expressing our sincere regret to the families, friends and colleagues of those who died in work-related incidents this year: G Jochore, MA Hlongwane, R Dippenaar and KW Mkatshe.

Operating safely is not only about the wellbeing of employees, contractors and suppliers, but also a conscientious custodianship of the environmental capital at our disposal, a responsibility that the current management of ArcelorMittal South Africa takes extremely seriously.

Environmental responsibility

Our current financial constraints inhibit our ability to not only mitigate our environmental impacts immediately, but to meet our objective of being recognised as world-class in terms of how we meet our environmental responsibilities. Nevertheless, it bears stating that this year we managed to spend R63 million on meeting this responsibility (on page 52) and acted decisively and transparently whenever instances of non-legal compliance were detected. Over the past five years we have spent R945 million on environmental issues. Altogether, a commendable performance, I believe, achieved under very straitened financial and economic conditions.

One aspect of our financial – and especially our environmental – performance that should not be overlooked is our taking to account this year the amount of R360 million in so-called 12L tax benefits – granted in terms of the South African Income Tax Act for far-reaching energy efficiency improvements made at our plants in 2013. That ArcelorMittal South Africa would be the first company of any kind or size to be recognised by the Treasury for responsible, environmentally beneficial investments of this kind would represent a considerable achievement.

Driving profitability

Without profits we cannot create sustainable value for stakeholders. Yet we have not been profitable since 2011.
Since 2008 our ability to generate cash has reduced dramatically, to the extent that this year we were cash negative.

This unfortunate reality has many causes but we must accept that chief among these is the fact that our collective and individual performance has simply not been good enough. Our plants have underperformed, productivity has lagged and breakdowns have been tolerated as part of the steelmaking business, the norm rather than the rare exception.

As management we have committed ourselves to act with urgency to improve the performance of those areas under our control. This year we began to implement and commission far-reaching operational changes at our plants. We undertook a rebuild of our Newcastle blast furnace which will increase the capacity of the plant.
We invested in systems, reconfiguration and equipment that will make our furnaces and our mills safer, more reliable and more productive.

Despite many disappointments and, we believe, avoidable setbacks, the Newcastle rebuild, undertaken at a cost of R1.8 billion, gives us a plant that will produce more steel at a lower cost. Also, every indication is that many of the most basic, most costly problems that have beset our underperforming flagship Vanderbijlpark plant in recent years have been addressed. Newcastle is expected to operate at full capacity in 2015.

We have this year succeeded to a limited degree in reining in both fixed and variable cost increases. On cash costs, our most important inputs, iron ore and coal, showed modest increases. The impact of falling international metallurgical coal prices reflected a 9% decline in our cost of this commodity. Our total electricity bill was 2.9% lower than in 2013, due to lower production, related mostly to the Newcastle rebuild. We are confident that the greater discipline and improved oversight now being introduced into our logistics and procurement channels will translate into enhanced value for investors.

Capping and, wherever possible, reducing our costs is essential to our competitiveness in an environment of minimal growth and heightened competition. In this regard business unit managers have been empowered further in decision-making and given explicit new key performance indicators against which they will be precisely measured and rewarded.

In 2015 we aim to exceed 2013's total production figure of 5.1 million tonnes of liquid steel. As hard as we work to produce steel and to produce it safely, we will work equally hard to sell our new expanded range of products in the South African and sub-Saharan African markets.

Despite a significant number of decisive interventions and a stronger, more determined focus on high performance in all operations, our financial performance continued to disappoint.

The Newcastle reline had a profound impact on our 2014 results with an ebitda that reduced from R1 768 million to R1 258 million and an operating loss of R301 million against a profit of R47 million in 2013.

The cost of the rebuild further eroded our financial bottom line with capital expenditure for the year reaching R2.798 million (2013: R1.107 million) and a headline loss that was largely unchanged from the previous year.

In an environment in which ebitda margins were at their lowest for a decade and overall South African steel consumption fell by almost 500 000 tonnes in one year to approximately 4.9 million tonnes, the need to focus on operational excellence and on differentiating ourselves in highly competitive markets are readily apparent.

There were, however, some fundamental, positive developments. This year we increased our share of the domestic markets for both flat and long steel – the latter a remarkable achievement considering the Newcastle shutdown. Excluding Newcastle, our capacity utilisation improved to 86% and our penetration of export markets for flat steel rose by more than a third.

Engaging with stakeholders

In recent years our company has succeeded in forging solid partnerships and trust out of relationships with our local communities and local governments that were previously characterised mostly by enmity and discord. Today the people living near our plants in Vanderbijlpark, Vereeniging, Saldanha and Newcastle for the most part appreciate the value we impart to their lives and societies.

In November of this year, judgment in the Supreme Court of Appeal regarding the Vanderbijlpark environmental risk assessment report was given against ArcelorMittal South Africa. The judgment had the effect of negatively impacting perceptions of our relationships with communities and other stakeholders. Upon receiving the judgment, we decided to not appeal the matter to the Constitutional Court and to hand over the documents in question while engaging in an open and, we trust, constructive dialogue with the plaintiffs and other parties over the issues that lay at the heart of this court action. The major lesson taken to heart was the need for greater engagement and openness with stakeholders.

Whereas, in the past, ArcelorMittal South Africa might have been considered somewhat opaque, starting now we intend to become known for transparency.

This unfortunate legal action and its ramifications stood in stark contrast to the overwhelming majority of our relations with local communities which have improved beyond recognition in recent years. Regrettably, the same cannot be said for our interactions with national government.

Since becoming CEO I have made mending fences with national government a key priority. I believe that we and the authorities are now approaching a new, more considered and better informed understanding of the many challenges each party faces, and that we are slowly beginning to feel our way towards a meeting of minds, in pursuit of our common objective to make South Africa a much better home for all its citizens.

In the second half of the year, we began a process of engaging key government stakeholders and have set up working groups with the Industrial Development Corporation, the Department of Trade and Industry and the Economic Development Department in a bid to clear mistrust and to jointly explore ways to unlock the potential of the domestic steel and beneficiation industry. Once we achieve such an understanding we will be able to start creating jobs – jobs that are sustained by profitability.

Of no less importance to our sustainability – and our ability to achieve this vision of a better, more prosperous South Africa – is the performance of those providing our key bulk services and raw materials, among them Eskom, Transnet, Kumba, various water authorities, coal providers, Sasol and Afrox.

Transnet, which rails approximately 10 million tonnes of raw materials to our plants, disappointed against its own rail delivery projections and undertakings with just 50% of deliveries being on time. This year we intensified our interaction with Transnet management to explore solutions that will meet our rail needs arising from ramped-up production. Similarly, we liaised closely with state-owned electricity utility Eskom on ways to reduce our considerable grid off-take (and costs) and to help address the severe pressures they face during periods of peak demand.

To survive and grow, we rely on many stakeholders including state-owned enterprises, suppliers, government and labour. We are acutely aware of the extent to which we depend on the performance of these many varied stakeholder groups for our sustainability and are working hard to forge new, mutually beneficial, partnerships with them.

High-performance culture

More than ever, ArcelorMittal South Africa needs engaged employees who are motivated to do their utmost for the company. By almost every important metric, our business compares unfavourably with other global primary steelmakers in terms of ebitda, profitability and productivity. Our total headcount has come down recently, but our personnel cost has gone up, along with most other costs, while our output and sales have been stagnant or diminishing.

We simply can no longer afford business as usual. Earlier in the year we implemented freezes on overtime, hired and service-contract labour and non-essential employment. And then, in Q4, we began a difficult, frequently painful, journey: optimising and reorganising the corporate service departments. This process entailed decentralising some functions to give business units more accountability, to move corporate service functions towards a more strategic monitoring function, while reducing our headcount within these departments. To minimise forced retrenchments, we offered voluntary severance and early retirement packages to employees in affected areas.

One of the fundamental strategic objectives formulated in H2 of 2014 was the achievement of a high-performance culture. The spirit with which our employees at all levels have embraced and committed themselves to this objective has been pleasing.

In practice, a high-performance culture means individuals and teams taking responsibility for everyday safety, effective planning, optimal productivity and customer satisfaction. By consistently achieving high performance we will keep our plants safe, we will optimise our operations and our return to profitability will ultimately justify the continued provision of financial capital. In 2015 we will focus on developing and implementing an employee value proposition in order to rebuild morale and focus our employees on common goals.

Outlook

We expect higher production and sales volumes following the completion of the reline of the blast furnace at Newcastle and the seasonal slow-down in the fourth quarter of 2014. Although we expect international steel prices to remain low for the first half of the year, these factors, together with ArcelorMittal producing to full capacity and reducing costs should contribute positively to the results.

These are challenging times for ArcelorMIttal South Africa, for the South African steel industry and for the country as a whole. If we as a company, and as a country, are to survive and thrive, we need to make tough choices and collaborate more closely with all stakeholders to achieve mutually beneficial outcomes. We will and already are transforming ArcelorMittal South Africa to the betterment of all stakeholders.

Paul O'Flaherty
Chief executive officer

Message from the chief financial officer

At year-end our financial position was sound, positioning the company well for the future.

Overview

Global steel trading conditions during 2014 remained challenging in the extreme while South Africa, our key market, struggled to achieve economic growth of 2%.

The slowdown in Chinese demand for steel products prompted a heightened export focus by producers in that country on South Africa and other emerging markets. The result was a flood of Chinese state-subsidised flat and long products into a shrinking domestic market. Despite these conditions, ArcelorMittal South Africa's export markets mostly remained buoyant although without any material improvement in demand.

Our financial performance this year reflected these mostly challenging marketplace realities and the necessarily negative impact of the Newcastle blast furnace reline.

Financial performance

Ebitda of R1 258 million represented a 29% decline on the prior year's R1 768 million with the headline loss of R224 million from the previous year's R227 million.

Financial performance

	2014 Rm	2013 Rm
Revenue	34 852	32 421
Ebitda	1 258	1 768
(Loss)/profit from operations	(301)	47
Finance and investment income	17	108
Finance costs	(605)	(368)
Equity (loss)/earnings	191	(35)
Loss/(profit) on disposal/scrapping of assets	21	(27)
Profit on disposal of assets of an associate	(10)	
Headline loss	(227)	(224)
Headline loss per share (cents)	57	56

This year's ebitda performance was heavily skewed by the reline process – its effect being in the order of a loss of potential ebitda of approximately R1.2 billion. (This figure comprised some R260 million in lost opportunities and approximately R940 million in additional costs incurred by importing billets so as to keep our customers supplied.) Ebitda was, however, hardly impacted by the increase of 7% in average net realised prices due to average cash costs of liquid steel being up by the same percentage. Rand weakness had the effect of eroding what would have been a significantly beneficial impact from lower international raw material prices (primarily coal, international prices of which fell by almost a quarter).

This year, total ebitda per tonne was USD27 per tonne. Management actions represented an improvement of USD41 per tonne. This was ascribable to efforts to eliminate excessive raw material costs and improve supplier efficiencies, improved operational efficiencies and optimisation of our industrial footprint. Market factors reduced potential ebitda per tonne by some USD19 per tonne while the once-off Newcastle N5 reline had an impact in the order of USD26 per tonne.

From a market perspective, long steel shipments reduced by 14% as a result of Newcastle being largely idle for half of the year, while flat steel shipments rose 8%. Domestic prices increased 9% and export prices increased 5% with the higher export mix bringing the net increase in realised prices to 7%. Export shipments rose by 12% while local sales declined by 4%.

Flat and long steel price increases were 6% and 10% respectively. Revenue grew by 8% to R34.9 billion, reflecting the limited price improvement on sales volumes that were almost identical to those of 2013.

Liquid steel production reduced by 578 000 tonnes to 4 518 million tonnes, a reduction of this order having been anticipated given the reline. Production capacity utilisation for flat products, however, showed a positive improvement towards the end of the year.

Revenue from our Coke and Chemicals business of R2.0 billion was 6% higher following a 9% increase in commercial coke prices and production rising by a third. Tar sales volumes remained flat while prices increased by 13%.

The operating loss of R301 million (2013: R47 million profit) included provisions for a restructuring of the company's administrative cost base and the ongoing closure of the captive Tshikondeni coal mine amounting to R149 million. (The provision for Tshikondeni this year included in the R149 million was R50 million (2013: R158 million).)

Equity investments represented a R35 million loss in 2013 with this year, after much improved performances by Macsteel International Holdings BV and Coal of Africa Ltd, contributing an after-tax equity earnings of R191 million.

In 2014, a tax credit of R460 million (2013: R51 million credit) was recorded. This related mostly to a tax credit of R360 million in terms of section 12L of the South African Income Tax Act for energy-efficiency initiatives implemented at our plants. This is believed to be the first claim by an industrial listed company under this new legislation. No impairment costs were accounted for this year (2013: R1 950 million).

Capital expenditure was sharply higher at R2 798 million against R1 569 million of the previous year. Most of this related to the Newcastle blast furnace reline. (Capital expenditure this year was, in fact, the highest in living memory.) Financing costs were inevitably higher for the year: R608 million against R368 million the previous year.

We believe the successful financing of our very large capital funding requirement was a major achievement in 2014. The year-end net borrowing position of R546 million compared with a net cash position of R285 million at the end of 2013 which reflects the impact of the major capital investment funded in 2014. Our credit line facility with the ArcelorMittal group was successfully increased this year, from R2.7 billion to R3.2 billion, a sign of our majority shareholder's continuing commitment to the South African operation.

Net working capital decreased by R1 019 million compared with an increase of R138 million in the corresponding period. This was achieved through decreased inventories, the impact of our ongoing sale of receivables programme and improved payment terms for raw materials imported from ArcelorMittal Sourcing.

Costs

Cash cost per tonne of liquid steel produced increased by 7% year-on-year. Raw materials, consisting of iron ore, coal and scrap, which together account for approximately 48% of costs, increased by 5%. Consumables and auxiliaries, which account for approximately 28% of costs, increased by 15%, while fixed costs per tonne increased by 3% despite being impacted by a volume decrease of 11% on liquid steel production. The new Kumba agreement had resulted in iron ore costs remaining constant in rand terms. Tshikondeni costs increased sharply as the mine neared the end of life, with production stopped at the end of Q3.

Cash costs of hot rolled coil and billets (the primary first-stage product for flat and long steel) increased 7% and 9% respectively. Local coking coal, scrap and electricity rose 3%, 6% and 8% respectively, while zinc and tin climbed 25% and 15%. The relatively modest increase in the cost of electricity was a reflection of reduced consumption related primarily to the Newcastle blast furnace reline.

Total iron ore costs rose 1%. The long-term cost-plus purchase agreement with Kumba Iron Ore, which came into effect on 1 January 2014, resulted in surety of long-term supply. Overall capacity utilisation improved from 76% to 86% if the Newcastle blast furnace reline is excluded. The Q4 ramp-up in production enabled the company to exploit, to a limited extent, continuing rand weakness.

Imported coking coal costs declined 7% and pellets by 4%. On a US dollar FOB basis, imported coking coal and pellets decreased 21% and 6%, the deterioration in the ZAR/USD exchange rate precluding the company from the benefits of sharply reduced coal and other commodity prices.

Message from the chief financial officer continued

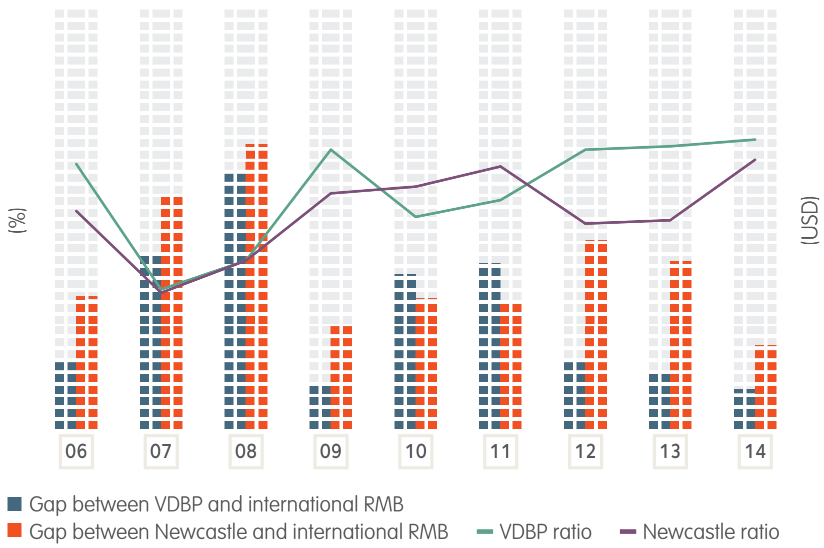
Variable costs increased 7.1% per tonne of liquid steel overall while fixed cost increases were limited to 3.5% in total.

This year, both Vanderbijlpark and Newcastle lost some of their advantage to the international raw material basket – Vanderbijlpark slipping from 84% in 2013 to 86% while Newcastle's advantage declined from 62% the previous year to 80%. These declines were related primarily to the slide in global iron ore prices – which did not benefit ArcelorMittal South Africa due to the cost-plus 20% pricing agreement.

Outlook

In the short term, the capital investments made this year to achieve operational efficiencies, combined with improved controls, specifically, fixed costs, are likely to translate into improved asset utilisation and to underpin our strategies to cement a high-performance culture and drive profitability.

Vanderbijlpark raw material basket (RMB) and Newcastle RMB relative to international RMB



At year-end our financial position was sound, positioning the company well for the future. At the end of 2014 the extremely costly Tshikondeni coal mine was closed with all liabilities accounted for. The implementation of our cost-plus iron ore agreement with Kumba Iron Ore went well.

In particular, our performance on managing fixed costs was exemplary with the company making solid progress – in the order of USD20 million on achieving its short-term target of making operational efficiency improvements of USD70 million. Procurement showed similarly strong improvements.

Our progress towards reaching our target of USD100 per tonne ebitda is expected to be bolstered in the new year by a modest improvement in demand, by moderating cost increases and an improved product offering.

While our performance on profit disappointed, 2014 was a year of very significant financial achievements, achievements which bode well for the future of our company.

Matthias Wellhausen
Chief financial officer

Main steel cost drivers (R/t liquid steel)

	2014	2013	Change on 2013	2014 weight
Iron ore and pellets	1 429	1 370	+4.3%	Raw material basket 48.1%
Scrap/DRI/HBI	304	242	+25.9%	
Coal (imported and domestically sourced)	1 317	1 307	+0.8%	
Electricity	486	434	+12.0%	Auxiliaries and consumables 28.3%
Other energy and utilities	227	206	+10.4%	
Alloys, fluxes and coating materials	688	577	+19.1%	
Refractories, electrodes and consumables	396	342	+15.8%	
Manpower	597	559	+6.7%	Fixed cost 23.6%
Maintenance	352	347	+1.3%	
Other*	552	544	+1.5%	
Total	6 348	5 929	+7.1%	100%
Liquid steel (000t)	4 518	5 097	–11.4%	
Average exchange rate (R)	10.84	9.65	+12.3%	

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

Cash flow (Rm)

	2014	2013
Cash generated from operations before working capital	1 186	1 733
Working capital	1 019	(138)
Capex	(2 713)	(1 569)
Net finance cost	(354)	(157)
Investments	37	(53)
Tax	(84)	(221)
Dividend received	61	–
Proceeds on scrapping of assets	1	72
Realised forex	(17)	(128)
Increase of borrowings and finance lease	77	674
Cash flow	(787)	213
Effect of forex rate change on cash	50	94
Net cash flow	(737)	307
Cash in bank	454	1 191
Short-term loans	(1 000)	(906)
Net cash/(borrowings)	(546)	285

Key indicators

	2014	2013	
Fixed costs (Rm)			
Manpower	597	559	+6.7%
Maintenance	352	347	+1.3%
Other*	552	544	+1.5%
Finance costs	(608)	(368)	
Capital expenditure	2 640	1 569	
Net cash	(546)	285	

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

Ebitda from segments (Rm)

	2014	2013
Flat steel products	535	135
Ebitda margin	2.2%	0.7%
Long steel products	16	1 198
Ebitda margin	0.1%	10.3%
Coke and Chemicals	428	514
Ebitda margin	20.9%	26.5%
Corporate and other	279	(79)
Total ebitda	1 258	1 768
Ebitda margin	3.6%	5.5%



ACHIEVING OU

Overall capacity utilisation

87%
in Q4 2014
2013 full year: 76%

Lost time injury frequency rate

0.58
2013: 0.56

We are working hard to address all of our legacy issues

Environmental capital expenditure since 2004

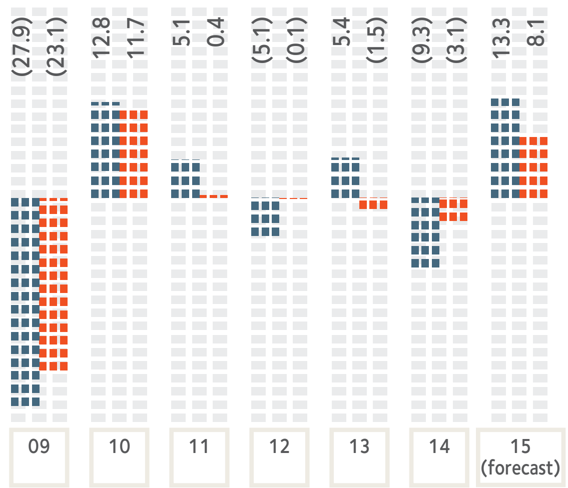
R1.9 billion

UR OBJECTIVES

Our operating context

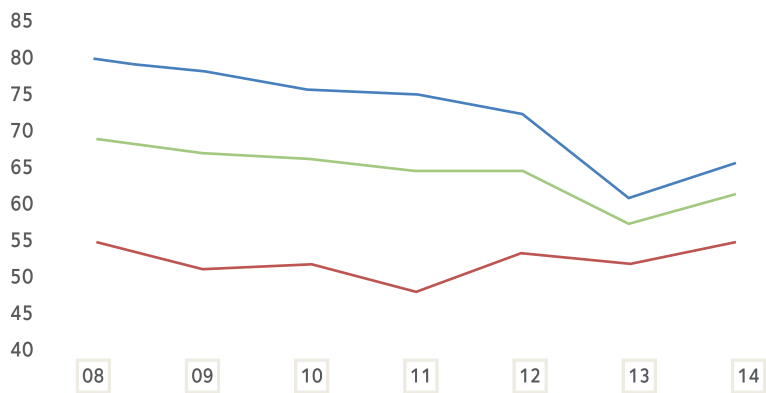
Steel prices are determined globally and are strongly influenced by the prices of raw materials, including energy inputs, and scrap. Steel is transacted in dollars, a fact that exposes ArcelorMittal South Africa to exchange rate fluctuations.

Steel consumption growth South Africa (%)



■ Apparent consumption growth ■ Real consumption growth

ArcelorMittal South Africa market share evolution (%)



– Flat steel products – Long steel products – Company

ArcelorMittal South Africa sells its steel within South Africa (71% of total sales) and overland to southern Africa (7%) with the balance of products being shipped to the rest of sub-Saharan Africa and the Middle East and a negligible percentage to other markets.

Coke and Chemical products are sold domestically.

Market overview

World steel markets were mixed this year with the US holding on to recent gains, manufacturing reaching a four-year high, demand for durable goods increasing and the housing market continuing to gain momentum. In Europe demand improved marginally, low inflation and low interest rates spurring consumer confidence.

Chinese steel consumption slowed but producers maintained output levels, the country this year exporting some 90mt of steel. Indications at year-end were that Indian demand was set to improve.

South Africa

The domestic market remained extremely challenging. Apparent steel consumption slumped by 9.31% and real steel consumption by 3.1%. Infrastructural spend was scant and overall economic activity marked time ahead of the May national election with GDP growth for the year amounting to just 1.4%. Industrial action negatively impacted both the platinum mining and steel fabrication sectors.

Sales in the first half of the year were weak but with some improvement being evident from August and more positive sentiment among customers returning towards the end of the year. Long product sales were negatively impacted by the Newcastle reline, even though we imported billets to roll into products for our long steel customers. However, this segment will enter the new year in a significantly more cost-competitive position.

Three-year wage agreements reached in the steel and mining industries augur well for improved investor sentiment as does the improved outlook for government infrastructural spend.

Market share improved despite the Newcastle reline with imports slowing, due in large part to ArcelorMittal South Africa's efforts to combat subsidised imports. At year-end our share of the flat market stood at 65.5% and 55.1% for long – improvements of 4.5 and 2.9 percentage points respectively.

(Our commitment to our customers extended this year to importing some 350 000 tonnes of billets which translated into an approximate ebitda loss of R940 million – a major contributor to the R1.2 billion loss of ebitda ascribable to the Newcastle reline.)

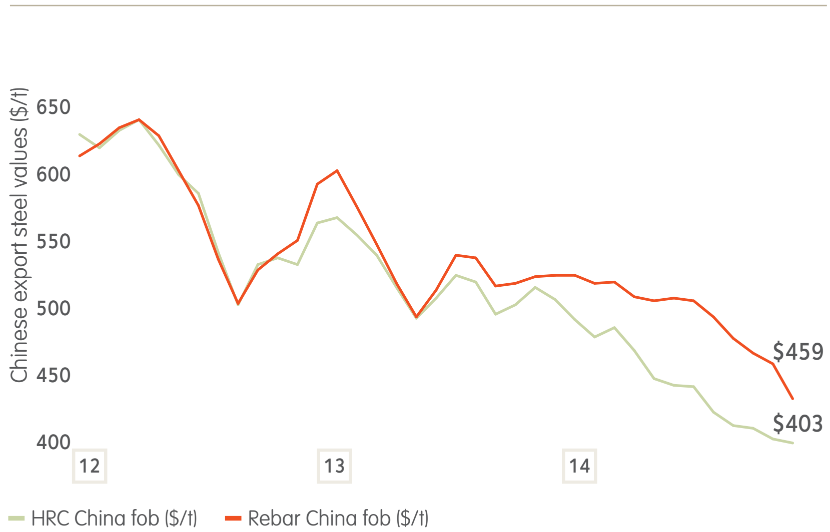
African markets

The sub-Saharan and Africa overland markets performed well this year, all markets recording GDP growth of 5%+ despite resources companies (the main consumers of our products along with infrastructural development) continuing to experience generally weak commodity prices.

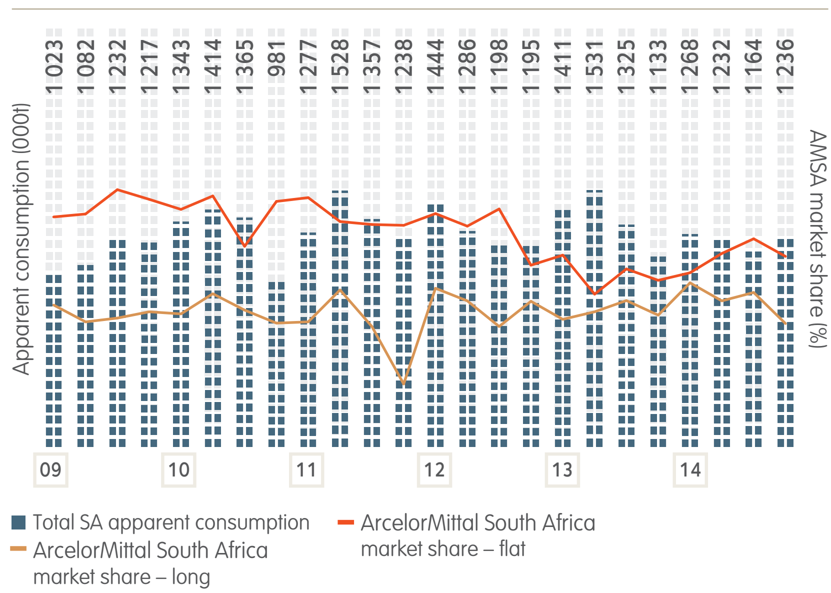
Long product sales to the sub-Saharan region were constrained by the decline in output related to the reline process but in 2015 shares of these markets are projected to return to pre-reline levels.

Global and domestic steel markets

Chinese export steel prices ($/t)

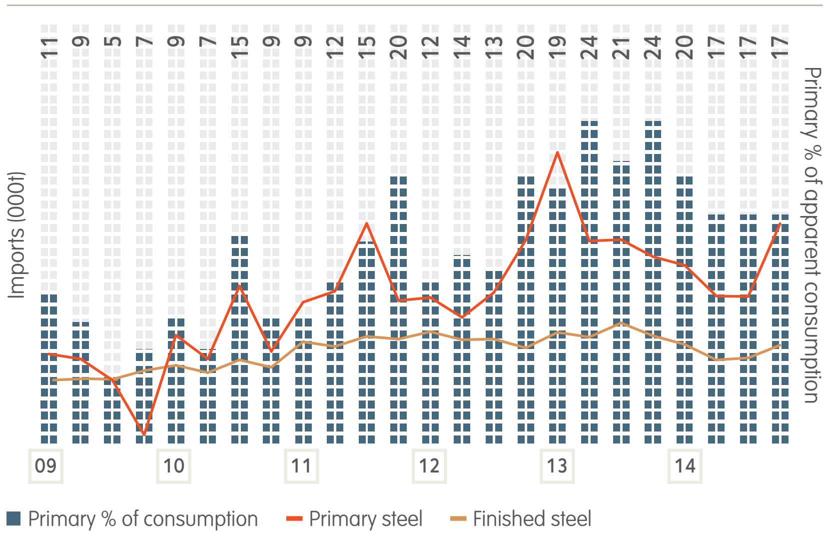


Apparent steel consumption and market share

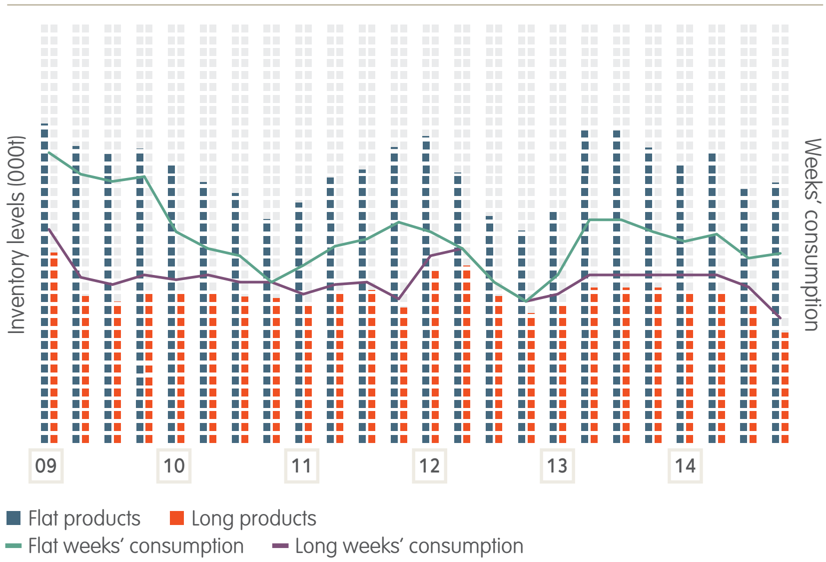


Our operating context continued

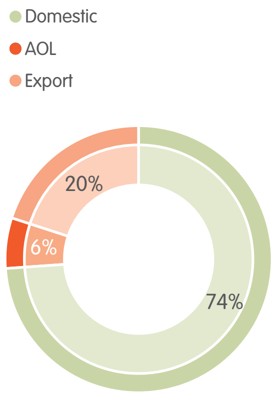
Import of primary and finished steel products



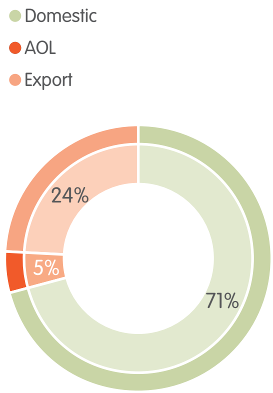
Inventory levels outside the primary steel producers



Sales by market 2013



Sales by market 2014



Internationally, annual steel exports amount to some 370 million tonnes with African demand estimated at just 40 million tonnes. Only South Africa and Egypt have significant capacity – a combined 16 million tonnes.

In 2014 our total export sales, including Asia and "other" markets, amounted to R6 870 million (2013: R4 823 million).

Product development and outlook

From July concerted efforts were made to fill all available production lines so as to secure a more robust order book, to drive profitability and to exploit improved prospects both in South Africa and Africa Overland.

This year we allocated some R75 million to strategic rebates, up 121% on 2013.

Particular prospects for 2015 include rail capital investment programmes previously announced by Transnet and the Passenger Rail Authority of SA, necessary investment in Eskom transmission infrastructure and new investments in alternative energy, notably wind and solar.

Over the medium term the development of Mozambique's prodigious natural gas reserves will represent considerable opportunities in the Africa Overland segment.

The development of new products was accelerated in the second half of 2014. This was done in support of our increased focus on the needs of narrower market segments (understanding and anticipating customer requirements) and the strategic objective of embedding a high-performance culture within the company. In the case of sales and marketing, the high-performance imperative means meeting precise client expectations and improving on pricing, delivery and lead-time performance, all of which will be key performance indicators for 2015.

New and evolving customer requirements that are being proactively addressed include (for long products) more lightweight, high-strength products and lead-free free-cutting steels. In the automotive sector appropriate steel grades are being developed or improved to satisfy the trend from micro-alloy steels back to heat-treatable steels. We are actively anticipating, and addressing, the food and beverage industry's growing requirement for lead-free steels.

Flat steel product innovation encompasses production of heavier plates of up to 11 tonnes for both wind energy and general engineering. Hot-rolled product development is focused on meeting new quality and size demands in the large-bore pipe industry as well as a number of new thin-gauge products. Thinner, stronger steels are being developed in consultation with automotive customers. In 2014, some 800 tonnes were produced for solar storage tanks while wind tower orders are expected to amount to 15 000 tonnes in H2 2015.

New long products developed and launched this year included 16mm rebar, 22mm mining bar and "green rebar".

Coke production will begin to decline in 2015, ahead of the scheduled Newcastle battery repair which will reduce market availability by some 100kt in 2016. It is envisaged that, in 2015, ArcelorMittal South Africa will begin replacing lost metallurgical coke production with imports in order to maintain market share.

Potential demand from new projects in SADC region

New projects (SADC region)	Estimated steel consumption over life of total project	Estimated annual demand		
		2014	2015	2016
Energy	**3 800 000t**	**190 000t**	**240 000t**	**200 000t**
%	40%	46%	28%	25%
Wind	135 000t	45 000t	45 000t	25 000t
Solar	310 000t	100 000t	100 000t	40 000t
Transmission	995 000t	25 000t	80 000t	130 000t
Power generation	250 000t	15 000t	10 000t	0t
Nuclear	2 000 000t	0t	0t	0t
ICT	110 000t	5 000t	5 000t	5 000t
Mining	**60 000t**	**0t**	**5 000t**	**10 000t**
%	1%	0%	0%	1%
Water	**620 000t**	**90 000t**	**135 000t**	**100 000t**
%	6%	22%	16%	13%
Transport	**1 790 000t**	**130 000t**	**200 000t**	**200 000t**
%	19%	32%	24%	25%
Oil and gas	**3 200 000t**	**0t**	**270 000t**	**285 000t**
%	34%	2%	32%	36%
Grand total	**9 470 000t**	**410 000t**	**850 000t**	**795 000t**
%	100%	100%	100%	100%

The 2014 Newcastle blast furnace reline

By far the single biggest event to affect ArcelorMittal South Africa this year was the scheduled reline of Blast Furnace N5 at our Newcastle Works. Here we explain what the reline entailed, why it was necessary and what it means for the future of our company.

What exactly is a blast furnace?

Blast furnaces are at the very heart of the modern integrated steelmaking process (in fact, blast furnaces have been around for hundreds of years). Simply stated, a blast furnace uses solid fuel (coke) to turn iron ore into liquid allowing the separation of iron and gangue (commercially worthless material contained within the ore). Hot metal is further refined in a steel plant and mixed with alloys to produce steel in various shapes, sizes and specifications.

A blast furnace is a giant container into which iron ore, coke and limestone (the latter known as "flux") are fed from the top. As gravity moves the material fed in from the top towards the bottom of the furnace, the material comes into contact with extremely hot air that has been blasted into the furnace through pipes near the bottom. Chemical reactions take place and the ore becomes molten before being tapped off from the furnace.

Why do blast furnaces need to be relined?

Newcastle N5 is a gigantic structure some 20 storeys or 100 metres high. (The "5" part of the furnace's name recalls furnaces 1 to 4 which were located in the old Newcastle South Works but have since been demolished.)

A conveyor belt feeds the raw materials into the blast furnace where hot air (1 100° C) ignites the coke and provides the heat for the ore to be liquefied and reduced. A so-called off-gas system removes the gases and dust given off in the ironmaking process for further use as an energy source and as by-products. Around the blast furnace (which can produce 5 000 tonnes of hot metal per day) are three stoves which produce the extremely hot hair that is fed into the furnace.

Clearly, such intense heat would simply destroy the furnace if it were not properly protected with cooling elements and special refractory material.

Blast furnaces everywhere in the world operate 24 hours a day, 365 days a year. (Allowing them to cool down results in a solidified mass of iron that can only be removed with great difficulty while the process of reheating is a demanding, time-consuming and expensive exercise.) Obviously, such a continuous, intense smelting process causes wear and tear and the lining of refractory bricks and other cooling elements inevitably wear out. Which is why it is necessary to periodically reline a blast furnace.

The Newcastle furnace was last relined in 1993, with a partial reline being performed in 2008 after the end of the lining's design life. Towards the end of the period between relines, a blast furnace's efficiency starts to deteriorate – as began to happen at Newcastle; by 2014 a reline became imperative.

What did the Newcastle reline entail?

Detailed planning for the Newcastle reline began in 2012. This planning process involved senior plant management and multidisciplinary teams including professionals skilled in various engineering disciplines, finance, procurement, project management, construction, operations, health and safety. Experts from the ArcelorMittal group were consulted and shared their experience from literally dozens of similar relines done around the world.

The plant in northern KwaZulu-Natal has only one blast furnace, N5, and so, when the furnace is out of commission, the production of long steel products is seriously affected. Company management realised that it made financial sense for adjacent equipment and plants to undergo necessary repairs and improvements alongside the reline activities. This work included the refurbishment of critical steel plant equipment and also the reheating furnaces at the three secondary rolling mills where the final steel products are manufactured.

In total, the reline was projected to cost R1.8 billion. This amount was to be spent on the blast furnace proper, auxiliary tapping equipment, gas-cleaning plant and a total replacement of the electrical and control systems. The reline started on 12 May 2014 and was meant to last for 125 days. So metal stockpiles were built up over a period of a year to keep customers supplied; eventually a stockpile of some 500 000 tonnes was amassed, enough to

meet demand, which typically runs to 100 000 tonnes per month.

As the days turned into weeks it soon became apparent, however, that the reline project was not going according to plan. Key deadlines began to be missed, insufficient shifts were planned and actually worked, and work packages took longer than expected (the process known as "lancing the bear" – cutting up the solidified very large lump of iron in the furnace – took 12 days against a projected five). Because work is concentrated in a defined, finite space, delays in performing one part of a relining process impact subsequent, other parts of the process.

The delay was due to various factors including poor performance of the main contractors, additional work that was underestimated at the start of the project and to a smaller extent some short bursts of industrial action. This underperformance was a particular disappointment as the contractor concerned had previously done exemplary work for ArcelorMittal South Africa. In particular, the skills of many of the 2 400 people employed to work on the project (at the work peak) were found to be lacking. Safety was another major concern with, tragically, one contractor employee dying on site and two individuals sustaining lost time injuries.

As one cannot peer inside a blast furnace when it is operating, once the reline process started, the project team realised that some work scope changes were necessary – these changes added approximately 25% to the delay. As the reline process dragged on, additional contractor and internal resources were deployed and ArcelorMittal South Africa staff, assisted by group colleagues, worked around the clock to minimise the damage and get N5 restarted.

Restarting the furnace began on 7 November, some seven weeks later than scheduled, at a cost of USD169 million which was within the approved budget.

However, within the first week, a newly installed main gearbox, operating the system that charges raw materials into the furnace, started cutting out. Despite having the supplier's experts on site and intensive fault-finding exercises, this eventually resulted in the process having to be stopped and the furnace recovered from a chilled hearth condition. The source of the problem was subsequently identified and eliminated.

We immediately engaged with our customers to ascertain their needs so that we could put contingency plans in place to ensure delivery to most customers throughout December. Fortunately, the traditional December business slowdown helped to ease pressure on our plants and customer orders for January 2015 were not impacted. The furnace was successfully commissioned on 2 December although ramping-up to full capacity proved to be more difficult and time-consuming given complications relating to the chilled hearth condition.

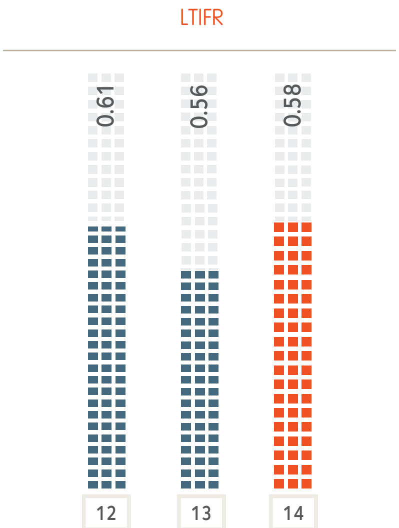
While many painful lessons were learnt during the 2014 reline (chief among them the need for close and continued contractor supervision), the end result was a thoroughly modernised, much more efficient furnace that has an increased capacity – rising from 1.7Mtpa to 1.9Mtpa for approximately 20 years. In addition, the furnace will produce iron at a lower cost – the rebuild translating into an estimated energy saving of approximately R100 million per year.

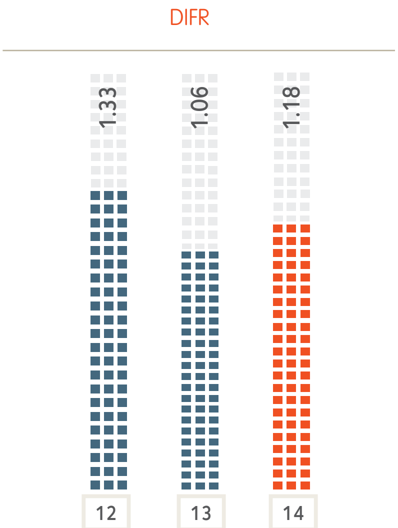
The blast furnace in numbers

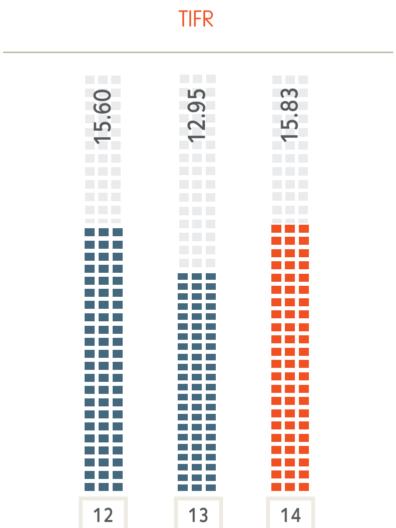
- Project completed on 7 November 2014
- Safety – 151 injuries (one fatality, two LTIs)
- A total of 2.6 million man hours was worked on site (at peak 2 400 people on site – 50% local)
- Project duration of 179 days was 54 days longer than the planned duration of 125 days:
  - Non-performance of contractors responsible for about 57% of the delay
  - Additional work contributed to 40% of the delay
  - Industrial action responsible for 3% of the delay
- Project was completed within the budget of USD169 million
- Furnace did experience some problems during the start-up but is currently at full capacity
- AMSA imported billets and slit slabs at Vanderbijlpark to allow downstream manufacturing of long steel products at Newcastle to alleviate the shortage of steel to domestic customers created by the reline

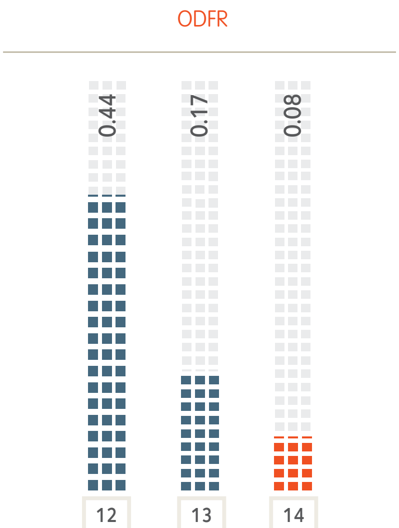
Protecting the health and safety of our people

Occupational safety and health standards and performances have been consistently acknowledged as being among the best in the ArcelorMittal group.









Poor safety performance

ArcelorMittal South Africa endured an extremely disappointing 2014 in terms of employee and contractor safety.

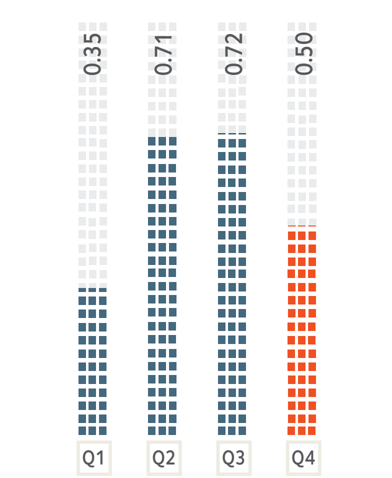
This was due to our poor performance in the third quarter, with three work-related fatalities and a sharply worse safety performance as measured by our key indicators which include fatalities and LTIFR (as well as disabling injury frequency rate) and the total injury frequency rate (TIFR).

Five people died on our premises this year, four of them in work-related tragedies. Four of the five people who lost their lives worked for contractors or subcontractors.

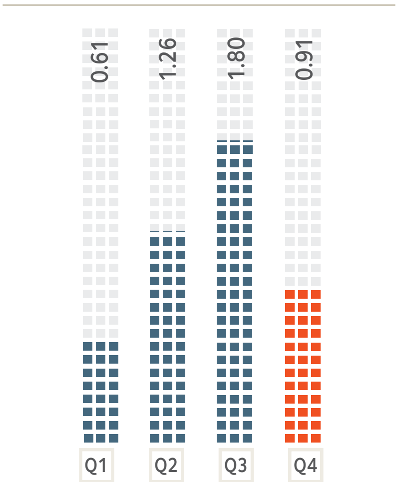
Our lost time injury frequency rate (LTIFR) stood, at year-end, at 0.58, 25 employees sustaining workplace injuries that required them to miss work (2013: 27), a reduction in actual LTIs but a deterioration against our 2013 LTIFR of 0.56.

With the exception of the tragic case of a subcontractor who died when he was trapped behind a reversing truck at a Vanderbijlpark offloading bay, our safety performance in the first half of 2014 indicated that we were making some progress on our journey towards zero harm, our half-year LTIFR standing at 0.54.

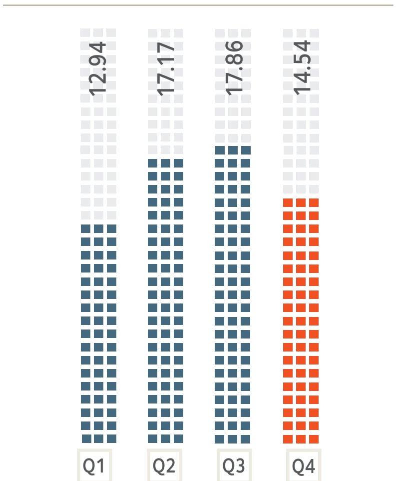
LTIFR



DIFR



TIFR



Until 12 May 2014 we had not suffered a fatality since September 2011. Safety and occupational health standards and performances had been consistently acknowledged as being among the best in the ArcelorMittal group.

In Q4 our safety performance did improve somewhat with our total injury frequency rate declining from 17.86 in Q3 to 14.54.

Monitoring and auditing safety

Since 2012 the number of shop-floor audits (SFAs) increased from 138 239 to 263 143 in 2014. Our commitment to visible felt leadership was further entrenched with management continuing to spend significant amounts of time interacting with shop-floor employees to highlight and discuss safety issues.

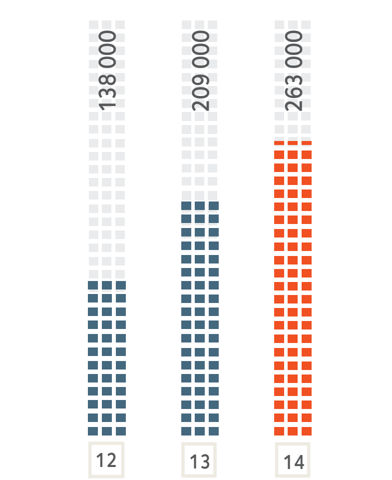
ArcelorMittal South Africa rigorously monitors safety performance across all business units and operations. Near hits, unsafe acts and unsafe conditions are closely monitored and reported to the management committee on a monthly basis. (The decline in near hits and unsafe acts in Q4 bears out the effectiveness of the heightened focus on workplace safety.)

Unless people feel safe working at ArcelorMittal South Africa it will be difficult to cultivate a high performance culture, failure to achieve which will undermine our ability to drive profitability – a key objective which underpins our ability to create value for all stakeholders.

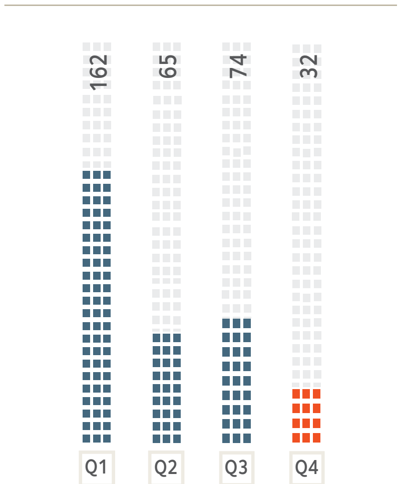
A measure of the weight the company attaches to safety is the fact that this year 387 individuals received formal warnings for tolerating or overlooking potential hazards; 40 were suspended and five dismissed. Those disciplined included one manager and one supervisor.

All plants now implement behaviour-based care (BBC), an internationally practised safety protocol that has proven its efficacy. First piloted at Vanderbijlpark in 2012, all sites now carry out BBC, the principles and practices of which are consistently communicated in four languages.

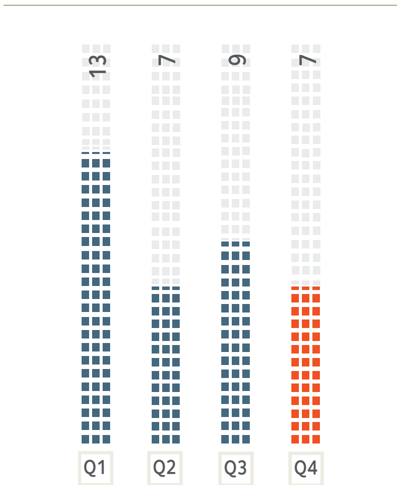
SFAs



Unsafe acts



Near hits



Protecting the health and safety of our people continued

Doing things differently

In executing our new CEO's directive to establish "what we are going to do differently", the safety and health teams prioritised five key areas:

- With immediate effect, all potentially high-risk actions or projects, including those in non-production or remote areas, have to be signed off by the relevant plant general manager.
- Changing shop-floor communications so that employees themselves identify risks and hazards, avoiding instances of "hazard blindness".
- Closing the loops on lessons learnt survey (LLS), dangerous acts, dangerous conditions and near hits.
- A renewed focus on managing the quality of pre-shift, morning and shift-change meetings. Managers have been instructed to attend more of these important points of interaction.
- Rigorously tackling violations of safety codes in terms of our disciplinary protocols.

It was decided, in the third quarter, to appoint process specialists rather than plant specialists as safety officers, to objectively identify potential hazards.

In the second half of 2014 a renewed drive to enforce adherence to Fatality Prevention Standards (FPS) was carried out. A particular emphasis in this regard was on the safety performance and FPS compliance of contractors and subcontractors.

Contractor safety

Four of the five fatalities that occurred on ArcelorMittal South Africa premises in 2014 were suffered by contractor or subcontractor employees. This regrettable fact bore out a concern that has tasked management's minds for some years: that contractor employees typically do not undergo the same rigorous safety induction, training and ongoing supervision as do our own staff. Nor are the same standards of compliance and discipline enforced among contractor and subcontractor employees, supervisors and managers.

In addition, contractor employees often lack the skills sets and education necessary to assimilate and practise safety protocols and behaviour. Another area of ongoing concern is the priority that contractor supervisors attach to SFAs. Despite their staff representing almost a quarter of all FTE (full-time equivalent) work carried out at our sites this year, contractor SFAs and plant audits actually carried out represented just 15% of the total SFAs conducted in 2014.

This year all company sites maintained an FPS Level 3 rating, a widely recognised quality benchmark. As of the third quarter, all new vendors were expected to achieve and maintain the same Level 3, failing which they would not be engaged or their services would be terminated.

A particular area of concern relates to so-called man-vehicle interaction. Two of the four work-related deaths reported in 2014 were caused when individuals on foot (both of whom were employed by contractors or subcontractors) were impacted by moving trucks.

Such was the concern elicited by these fatalities that the ArcelorMittal South Africa health and safety manager undertook extensive interaction and lobbying among a range of authorities, including the national Department of Transport, which interaction has catalysed efforts to the extent that a white paper proposing the mandatory installation of side run-in protection on trucks is expected to be published for comment early in 2015.

In the second quarter, all units initiated "man-vehicle interaction management action teams" tasked with identifying and mitigating particular vehicular hazards at their sites.

Future safety strategy

We have set ourselves the objective of reducing our LTIFR and DIFR to sustained levels below 0.41 and 0.77 by 2019.

These objectives, and our belief that they are achievable, are informed by our past experience as well as that of the ArcelorMittal group, the universally accepted Bird Pyramid principles, an extensive literature and best-practice review and an informed evaluation of what is possible in our particular context.

In particular, disciplinary and incentive measures to achieve our key safety performance indicators will be rigorously enforced. This will apply, particularly, to those sites that failed to maintain an FPS Level 3 rating, which will be subject to additional supervision and re-audit.

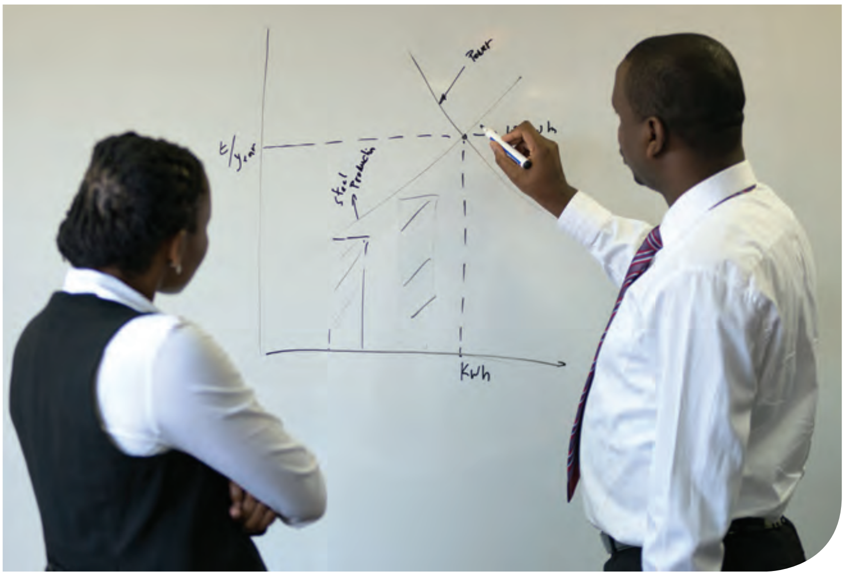
Health and wellness

Our occupational disease frequency rate improved this year (0.08 against 0.17 in 2013). There were three cases of noise induced hearing loss (2013: six). There were no cases reported this year of pneumoconiosis, silicosis and asbestosis – a pleasing result ascribed to increased training and awareness.

In the year reviewed, strenuous efforts were made to bring our employee health standards to a par with ArcelorMittal group and Health Risk Reduction Toolkits were implemented at all sites, while a coke oven health forum was established.

Employee wellness continued to receive considerable attention and resources this year. Interactions under the Workplace Wellness (Wow) programme, carried out by consultants Ndlovu Care Group, far exceeded targets, some 9 122 interactions with employees taking place. (These included outreach activities, chronic disease management and HIV counselling and treatment.)

Driving profitability



Our ability to create financial value has considerable implications for our ability to create other forms of value. The financial value we create is influenced and determined by a number of our most material issues.

Financial and non-financial performance – Flat steel products

	2014	2013
Revenue (Rm)	24 441	20 697
Ebitda (Rm)	535	135
Ebitda/tonne (R/tonne)	179	49
Net operating loss (Rm)	(529)	(1 120)
Liquid steel production ('000 tonnes)	3 586	3 229
Capacity utilisation (%)	85	74
Steel sales ('000 tonnes)	2 981	2 771
– Domestic	1 951	2 003
– Export	1 030	768
Domestic sales as a % of total steel sales (%)	65	72
Capital expenditure		
– Value adding	33	–
– Replacements	391	759
– Environmental	24	76

Operational efficiencies

The flat steel products division this year recorded ebitda of R535 million, a continuing improvement from the R135 million achieved in 2013 and the R266 million ebitda loss sustained in 2012. Net operating loss for flat products was R529 million (2013: R1.2 billion).

Long steel products' financial performance was unavoidably impacted by the Newcastle blast furnace N5 reline project which ran from May to the first week of November 2014, an over-run, relative to plan, of 54 days. As a result, long steel returned ebitda of just R16 million (2013: R1.198 billion) and a net operating loss of R406 million (2013: R331 million profit).

Our Coke and Chemicals division recorded ebitda of R428 million (2013: R514 million), a performance that was negatively impacted by downward pressure on sales prices caused by an oversupply from Australia and subdued demand from China's soft steel market.

Domestic flat steel sales declined 3% for the year, representing 72% of total steel shipments while long steel sales to both the domestic and export markets reduced by 38% relative to the previous year. The decline in long sales, particularly to the Africa Overland segment of the market, was ascribable to the Newcastle reline project, which curtailed the availability of long products and increased penetration of these markets by cheap, government-subsidised Chinese exports. Domestic market share for long products was maintained by buffer billet stocks purchased before and during the reline.

This year we increased our domestic market share for flats by five percentage points and that of longs by three percentage points – a remarkable achievement given the impact of the Newcastle reline.

Domestic apparent steel consumption decreased to 4.9 million tonnes, impacted negatively by industrial action in the mining and steel sectors and the continued slow pace of infrastructural investment.

Such was the impact of subsidised Chinese imports that, in November, ArcelorMittal South Africa formally applied for the imposition of import duties on Chinese flat and long steel products, a move seeking a measure of protection similar to that sanctioned by the governments of other developing markets including Turkey, Egypt and Brazil.

Driving profitability continued

Financial and non-financial performance – Long steel products

	2014	2013
Revenue (Rm)	12 411	11 618
Ebitda (Rm)	16	1 198
Ebitda/tonne (R/tonne)	13	821
Net operating (loss)/profit (Rm)	(326)	897
Liquid steel production ('000 tonnes)	932	1 867
Capacity utilisation (%)	41	81
Steel sales ('000 tonnes)	1 259	1 459
– Domestic	1 051	1 123
– Export	208	336
Domestic sales as a % of total steel sales (%)	83	77
Capital expenditure		
– Value adding	29	55
– Replacements	2 239	351
– Environmental	39	274

Financial and non-financial performance – Coke and Chemical products

	2014	2013
Revenue (Rm)	2 044	1 937
Ebitda (Rm)	428	514
Net operating profit (Rm)	393	479
Commercial coke production ('000 tonnes)	522	391
Sales ('000 tonnes)	1 899	1 648
– Coke	466	545
– Tar	110	109
– Other	1 323	994
Capital expenditure		
– Value adding	13	14
– Replacements	3	–

Industrial footprint

From Q3 a Production First strategy was implemented with the aim of running all plants at maximum capacity. Combined with improved analysis and prediction of plant downtime, this resulted in production capacity utilisation, excluding Newcastle, rising to 87% in Q4 this year.

Total steel production (both flat and long) amounted to 4 518 million tonnes, 11% lower than 2013 and largely the result of the Newcastle reline.

Vanderbijlpark Works

Safety performance at Vanderbijlpark this year was poor with three work-related deaths occurring at the plant, one an employee who was exposed to an unforeseen reaction in the Granulation Tank and two contractor employees, both of whom were involved in man-vehicle interactions. Decisive and far-reaching action has been taken to mitigate safety hazards associated with truck movements at the plant. Plant LTIFR was a disappointing 0.54 (2013: 0.24)

The Works' environmental impact also deteriorated this year with the plant losing its zero effluent discharge (ZED) status following various discharges of process water through the storm water channels, an occurrence occasioned by unusually heavy rains. This status was subsequently reinstated with short-term remedial actions being implemented.

During the year Vanderbijlpark achieved very significant improvements in terms of capacity utilisation as well as reliability: average capacity utilisation increased from 79.9% in H1 to 89% in H2 although first-half performance was negatively impacted by a chilled hearth incident during December 2013 and refractory problems in the iron runners of one of the blast furnaces which resulted in lost production of 143kt.

Vanderbijlpark's hot strip mill has traditionally been a major cause of downstream bottlenecks. Record levels of availability in H2 this year proved, however, that remedial action to improve the sustainable performance of the mill was bearing fruit. Improved root-cause analysis of breakdowns in the mill translated into an unplanned downtime rate of 24.4% for the second six months of the year, compared to recent historical levels (2011) of over 30%. Mean time between failure (MTBF) rates improved at most units, the galvanising lines reducing their MTBF on galvanising line number 4 from 23 hours in 2012 to 65 hours in 2014; galvanising line number 3 reduced its MTBF from nine hours to 26 hours over the same period; and galvanising line number 5 improved from 12 hours to 27 hours. In H2 this year implementation of a bespoke asset reliability programme was entrenched at the Works' blast furnaces with cold rolling and hot rolling achieving considerable maturity in implementing these programmes and the blast furnace reliability programme being successfully bedded down a year after being commissioned.

Liquid steel production for November and December, when the mills operated at full capacity despite the traditional festive season slowdown, averaged 212 000 tonnes per month, vindicating management's projection that Vanderbijlpark will, over the short term, achieve annual production of 2.7Mtpa.

A number of significant plant enhancements were carried out to improve and enlarge our product offering and marketplace competitiveness. These included increasing the maximum width of hot strip mill output from 1.820 metres to 1.930 metres and raising the maximum weight produced by our heavy plate mill (with a particular focus on the wind tower market) from 7.5 tonnes to 11.7 tonnes per piece (an investment of R24.3 million).

Saldanha Works

Production of flat steel products at Saldanha rose 1.4% this year to reach 1.135 million tonnes.

Saldanha recorded pleasing results in terms of cost containment, reducing fixed costs by 1.8% and limiting variable cost increases to just 8.3%, the Works' implementation of the World Class Manufacturing system achieving sustainable, rewarding results.

Capacity utilisation remained high, at 85%, underlining the high level of reliability and operational excellence at Saldanha. Over the past two years Saldanha's results have been supported by the switching of production to that plant following the 2013 Vanderbijlpark blast furnace fire and, this year, by the Newcastle reline. In 2015 production at Saldanha will, it is envisaged, be increasingly driven by export demand. Saldanha Works' iron making equipment is scheduled for a major reline in 2016.

Saldanha continued to improve on safety by successfully reducing its LTIFR from 1.51 to 0.59 in 2013.

Vereeniging Works

Overall performance was positive. Production rose 8% and capacity utilisation reached 81%. Vereeniging downstream plant production reduced relative to 2013 due to weaker market conditions. Excess crude steel production was taken up by Newcastle. Cost management was effectively applied, particularly during H2.

Total crude steel production for the year amounted to 323kt while a targeted increase, in 2015, of the number of heats per day, from 16 to 21, and the development of various new profiles to meet customer requirements and exploit niche markets, will drive output.

Newcastle Works

During the reline process we successfully mitigated the possible negative impacts on our customers' business by importing around 180 000 tonnes of steel and shipping 52 000 tonnes from Vanderbijlpark and 179 000 tonnes from Vereeniging Works to Newcastle for rolling.

The impact of the reline on company ebitda amounted to some R1.2 billion.

Special equipment had to be manufactured to slit the slabs received from Vanderbijlpark into usable blooms at Newcastle. Under the circumstances the rolling mills performed adequately. Coke making also maintained stable operations.

Newcastle suffered a fatal injury during the rebuild process. The LTIFR improved slightly, from 0.64 in 2013 to 0.60, safety performance returning to more acceptable levels after the reline process.

Coke and Chemicals

Revenue from the Coke and Chemicals division amounted to R2.0 billion (2013: R1.9 billion) and ebitda of R428 million. The business was severely impacted this year by imports of extremely cheap Chinese coke and, in Q2, by coal sorting challenges encountered at Newcastle. This year we implemented import parity pricing for market coke, a step that allowed us to achieve more realistic pricing levels. Metallurgical coke prices remained under pressure although other products (including slag and tar) experienced some limited upside.

Top asset risks

The top asset risks ArcelorMittal South Africa was exposed to as at January 2015 (by operation) are as follows (residual risk count ranked per site):

Vanderbijlpark

- Failure of spindle shaft at roughing mill motor at hot strip mill;
- Freelance server equipment on the hot strip mill furnaces is obsolete;
- Fire on blast furnace D top;
- Electrical failure of R2 drive motor at hot strip mill.

Newcastle

- Poor condition of basic oxygen furnace (BOF) filter presses causing sludge to be pumped back into the BOF off-gas water system;
- Failure of blast furnace stoves refractory insulation resulting in two stove operation.

Saldanha

- D01 tube bundles failure;
- Seizing of stacker slew bearing;
- Corex flexowell conveyor failure.

Each risk was evaluated in terms of maximum impact (in monetary terms) and overall risk rating. Various mitigation plans were drawn up for action in 2015.

Site vulnerability indices

Loss surveys, conducted by Axa-Matrix in 2014, disclosed the following vulnerability reductions achieved for the three sites surveyed:

- Newcastle: Improved by 2.1% mainly due to the blast furnace rebuild; sinter plant refurbishment; new electrical room with fire detection and suppression; blast furnace flare stack risk reduction actions and various other items of risk-reduction capital expenditure;
- Vanderbijlpark: Improved by 1.0% mainly due to smaller improvements on fire systems in various areas;
- Coke and Chemicals: Improved by 5.0% mainly due to fire suppression systems installed in various critical rooms; monitor nozzles installed on tanks, distillation towers and truck load facilities; vibration monitoring installed for the exhauster frame; foam fire suppression extended to new tanks at benzoyl loading.

Outlook for business units

In 2015 all plants will continue to strive for maximum capacity utilisation with plant general managers and their reporting structures being held responsible for ensuring that production targets are consistently met. An overall utilisation rate of 90% is projected.

Reliability measures implemented and entrenched during 2014 are expected to underpin performance against the "Production First" strategy with Vanderbijlpark achieving its turnaround targets by mid-2015.

Increased production of flat and long products, coupled with an expanded product line and a keener focus on customer needs and expectations, as well as a sharper focus on on-time delivery, will improve ArcelorMittal South Africa's ability to compete effectively in the domestic, Africa Overland and export markets.

Variable cost targets and new, more robust sourcing and supply arrangements implemented in H2 2014 will, it is anticipated, translate into sub-CPI inflation increases.

Driving profitability continued

Customer focus

Extensive interaction with customers this year disclosed a disconcerting level of dissatisfaction with our service levels. This is now being actively addressed with sales staff receiving more explicit KPIs (key performance indicators), for performance against which they will be measured. In particular, managers and employees will be held accountable for ensuring on-time delivery, an area in which ArcelorMittal South Africa has, in recent years, underperformed. This year just 58% of deliveries to domestic customers were on time against a target of 82.5% while customer complaints for which credits were issued, measured against total sales revenue, declined from 0.55% to 0.39%.

In 2014 our product offering was expanded with the introduction of at least 14 new products for various applications which are not, at present, being adequately supplied by local manufacturers and for which our market analysis indicates considerable future demand. Product enhancement will not only give customers greater choice but will also deliver improved strength, durability and cost. While giving the market greater choice we have also made concrete strides in improving the quality of all of our products, a key competitive strength relative to other domestic producers and cheap, subsidised, imports. ArcelorMittal South Africa ended 2014 better equipped than in several years to compete aggressively against local and foreign competitors in terms of cost, variety of product, service and reliability of supply.

This year independent customer research, conducted by CDResearch, disclosed that 67% of customers considered product quality the most important criteria when deciding from which supplier to source steel (with an average score of 9.3 out of 10). The second most important consideration was product availability (reliability of supply followed by lead time/on time delivery).

According to the survey findings, most customers believed that ArcelorMittal South Africa's product quality was comparable to the best in the world. We also fared well in terms of ordering processes, administration, documentation and packaging, tolerances and test certificates.

Areas for improvement identified included claims handling, on time delivery, handling of backlogs, flexibility, product availability and production lead times.

Raw material costs

The raw material basket for flat steel (which had a 48% weighting in terms of total costs) rose by 6.7% per tonne of liquid steel while fixed costs (a 23% weighting) declined by 3%. For long products, the raw materials basket (50.4% of total costs) increased by 17.4% per tonne and fixed costs increased sharply, by 21%.

Long steel performance was negatively affected by the Newcastle reline. The 2015 cost of production is expected to revert to more acceptable levels

The new Sishen supply agreement with Kumba, which became effective on 1 January 2014, secured certainty of supply of up to 6.25Mtpa of iron ore per year. From 2015 the company will not be exposed to the soaring costs that had come to be associated with the Thabazimbi mine, which ceased production at the end of December 2014.

This year international coke and coking coal prices fell by 26% as Chinese economic growth slowed and production capacity was maintained in that country and Australia. However, this trend had no significant effect on our coke and coal costs as movements in the ZAR/USD exchange rate absorbed much of these commodities' price weakness.

The closure of Exxaro's Tshikondeni coal mine this year will have a materially beneficial impact on our raw material costs from 2015 as the costs of our contracted off-take from the mine rose steeply with it approaching the end of life. The closure did not, however, have any significant impact on coal prices this year, savings being achieved by importing coal largely from Mozambique.

With the closure of Tshikondeni and the group-negotiated arrangement with Mozambican producers, the outlook for coal cost increases is favourable over at least the short term.

Supplier efficiencies

A reorganised, appropriately staffed, procurement and logistics department this year took overall responsibility for ArcelorMittal South Africa's entire supply chain, including raw materials, spares, services and consumables as well as inbound and outbound logistics. A shared services centre, management of which will report to the head of Procurement and Services, will oversee all non-essential procurement excluding raw materials. The effects of the reorganisation will include a greater focus on preferential procurement and the development of emerging suppliers. Tighter management of outbound logistics will, it is envisaged, produce cost savings of R200 million annually while improving customer service.

A newly established tender review committee reviews contracts worth more than R20 million and, this year, specialist committees were appointed to interrogate and approve tender awards below this threshold.

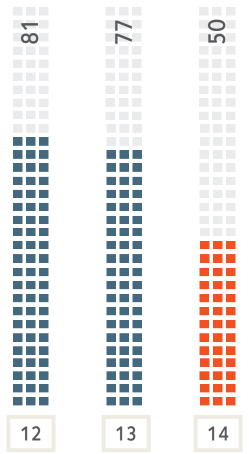
Another organisational enhancement effected this year was the creation of a dedicated high-level team to interrogate supplier efficiencies. In light of the unsatisfactory Newcastle rebuild experience, it was decided this year that essential services, including critical refractory work, would be opened to international contractors.

For more on our enterprise and supplier development strategy, see page 49.

Transnet is contracted to transport approximately 10 million tonnes of our raw material requirements from source or port to our operations.

This year Transnet Freight Rail's performance disappointed. Whereas on-time deliveries reached 81% in 2012 and 77% in 2013, this figure declined to just 50% this year. Our plants are designed to receive raw materials by rail. Materials that arrive by road incur double-handling labour, time and equipment costs and increase our safety risks.

Transnet on-time deliveries (%)



Road transport is considerably more expensive than rail. In 2014 some 1.5mt of raw materials had to be brought to our plants by road, entailing an additional cost of R261 million. In addition to this, almost all of our finished products left our plants by road because of Transnet's persistent inability to deliver reliably timeous rail services.

Transnet's consistently poor service standards – largely the result of its failure to invest in internal rail infrastructure and rolling stock despite annual above-inflation tariff increases averaging 10% – is regrettable, particularly given the size of our business with the rail parastatal (in excess of R4.5 billion pa) and the national imperative to foster job-creating manufacturing.

This year management engaged with Transnet at the highest levels while a joint task team was set up to find solutions to the rail service provider's sub-optimal performance. There is a concern that, as Transnet's payment is executing upon the loading of trains there is no incentive to deliver on time.

The procurement and logistics function has assumed responsibility for enterprise and supplier development, as outlined in the B-BBEE codes. It is strategically important that we quickly and conclusively improve our performance. At the end of 2014, the company had some 3 500 active vendors. In 2015, our intent is that the number of qualifying small enterprises and exempted micro enterprises (QSEs and EMEs) we place business with will double as we actively seek to source work and supplies from businesses that are at least 51% black-owned or 30% black female-owned. Whereas, at present, approximately R2.5 billion of our procurement spend is with qualifying small and exempt micro enterprises, this figure is targeted to increase to R7.2 billion, 27% of total procurement.

Energy costs

Energy costs – a major driver of the cost of steel production – are rising at unprecedented rates.

The incidence of load shedding has a potentially profound impact on our ability to drive profitability and to optimise our operations. Risks associated with load shedding became particularly pronounced when, post year-end, the national utility Eskom began scheduling regular, daily, load shedding, often with minimal forewarning. The cost impact of load shedding on our production facilities is in the order of some R1.5 million per hour.

The external verification this year of our application for 12L tax incentives amounting to R360 million for various energy efficiency improvements achieved in 2013 demonstrated the efficacy of our ongoing commitment to improve on the efficient use of all our energy sources (coal, gas and electricity). Energy efficiency projects to be considered in 2015 include a new boiler at Vanderbijlpark to supply steam to the company's underutilised 40MW power plant. If implemented, this will make a further 12MW available. Alternative funding options for off-gas recovery for generating power at both Vanderbijlpark and Newcastle will also be considered.

Labour productivity

This year considerable progress was made on managing increases in fixed costs, chief amongst which is our cost of employment.

We seek greater output from our employees while keeping a tight control on labour costs. However, management is fully cognisant of the fact that our investments in optimising our operations, fully and reliably utilising our assets and increasing sales at optimal prices will only be achieved if we have a workforce that is fully committed to living a high-performance culture.

Our efforts this year to entrench such a culture throughout our organisation are detailed in *"Managing our people"* on page 58.

In containing costs and improving operational efficiencies, this year we restructured and reduced headcount within some corporate services functions following a rigorous consultation process undertaken in strict accordance with the Labour Relations Act (LRA). Some employees within the corporate services department were identified for transfer to operational units, others chose termination through early retirement or voluntary severance, and there were a minimal number of forced retrenchments.

Also this year we implemented a programme to better manage full-time equivalent positions amongst hired labour and overtime work by implementing electronic clocking systems and enhanced decision-making. Plans were put in place this year to manage, from 2015, the impact of the new LRA amendment relating to the recognition of certain hired personnel as permanent employees.

Maintaining our licence to operate

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

Engaging with government and local communities

Our board and management are acutely mindful of our company's place in the South African economy and society.

We are committed to doing everything within our power and ambit to bring to reality the objectives of the National Development Plan of 2011 and to realise the inclusive, prosperous society which that plan envisages.

In discharging these responsibilities, we interact consistently and proactively with a broad range of stakeholders. These stakeholders include many individuals as well as the elected representatives of the communities in which we make, transport and sell our steel.

In the government sphere we communicate constantly with the executives of local and district municipalities, provincial and national government as well as the organs of these spheres of government.

Government at all levels enforces compliance with environmental and other legislation and grants us the permits and licences we need to operate. Policies, including those relating to issues such as energy tariffs, carbon tax, environment, the regulation of imports and exports, and broad-based black economic empowerment, have a direct impact on our business.

Government leaders take a keen interest in the pricing of steel products, the role ArcelorMittal South Africa plays in the beneficiation of iron ore and the development of the downstream steel industries and manufacturing sectors that consume steel. We are equally committed to fostering a vibrant, growing, job-creating downstream industry as is government; without domestic sales of steel products we have no ability to create sustainable value.

Addressing government's interests in our company and its economic impact is a key management priority. The head of corporate affairs is a member of the executive committee and regularly communicates issues raised by, and interactions with, government representatives with the company executive and the board, notably through the social and ethics committee. This committee is regularly appraised of material issues of concern to communities in proximity to our plants.

This year a dedicated task team, headed by the CEO, was set up to improve government relations. Four working groups were established and meetings held with the departments of Economic Development and Trade and Industry as well as the Industrial Development Corporation and the Competition Commission. Topics discussed included pricing solutions, enterprise development, government's infrastructure programme, anti-trust issues and local competition, and imports and potential tariff protection.

Through ongoing dialogue with government, we aim to shape outcomes on a range of issues that will secure our licence to operate and ensure our ability to contribute towards meeting the goals of the National Development Plan. These issues include:

Iron ore beneficiation, steel supply and pricing

The long-term cost-plus supply agreement reached with Kumba Iron Ore in November 2013 appears to have reinforced a belief within the departments of Trade and Industry and Economic Development that ArcelorMittal South Africa should be compelled to sell its products domestically at so-called developmental prices. We remain extremely receptive to any suggested intervention that may increase the competitiveness of South African manufacturing as our sustainability is inextricably tied to that of our customers: steel-consuming manufacturers and fabricators.

We agree that it is now necessary to have in place a more sustainable steel pricing mechanism, one that can be used throughout the cyclical periods of steel demand, that ensures our company is sustainable and able to invest and that we can foster downstream beneficiation. We are continuing to engage government on this key issue and hope to reach agreement in 2015.

Our company has not returned positive value to shareholders for ten successive quarters and has not declared a dividend since 2011. Until such time as we are able to create sustainable financial value, sub-economic pricing levels would threaten our business's viability in its present form.

This year we continued to engage government on the issue of subsidised imports from, in particular, China. (In the year to end-November, global Chinese steel exports climbed 47% to a record 83.6 million tonnes.) Steel products exported by Chinese manufacturers are subsidised by that country's government and, without attracting import tariffs, are sold in the domestic market at what we believe are unfair prices and are generally of inferior quality.

We and other parties, all members of the South African Coil Coaters' Association, this year jointly filed an application for the introduction of a 10% import duty on galvanised and colour-coated products. These applications, which were supported by detailed import information provided by the South African Iron and Steel Institute, were submitted to the International Trade Administration Commission of South Africa for evaluation and initial approval before the next level of endorsement, which is from the Department of Trade and Industry.

At year-end a similar application relating to wire rod, made earlier in the year, was in the final stages of being resubmitted. These applications, which are aimed at facilitating further investment by domestic industry, demonstrate the extent to which our ability to create financial capital is directly related to our social capital, especially the strength of our social capital in the public sector.

ArcelorMittal South Africa's sustainability, we continue to argue, is essential to employment-enhancing economic growth and to the successful implementation of the National Development Plan. The rollout of government's infrastructural spending programme is a key opportunity not only for our business but for many of our customers. A more concerted infrastructural investment drive will be critical to alleviating the profitability challenges experienced not only by ourselves but by other South African steelmakers. While we await greater investment in domestic infrastructure, we are actively engaging with various authorities on finding ways in which we can support and benefit from the Programme for Infrastructure Development for Africa (PIDA), recently announced by the African Union Commission, NEPAD and others.

Competition Commission and Tribunal

Five cases have been before the competition authorities for several years. These all relate to legacy issues. This year we sought to engage openly and proactively with the competition authorities to expedite the resolution of these issues which continue to divert management attention from issues of more pressing impact on our business's sustainability. This interaction will continue in 2015 in the hope of a speedy resolution of the issues.

Broad-based black economic empowerment (B-BBEE)

Our commitment to meaningful transformation is not reflected in our B-BBEE rating which this year stood at Level 7+ under the old codes. Towards the end of 2014 we began implementing a far-reaching, concerted programme to improve all aspects of our B-BBEE score, under the new codes, that are under local management's control.

We aim to align our employment profile with that of the national economically active population. A new Employment Equity Plan, submitted to the Department of Labour in Q1 2015, makes clear our commitment to employment equity.

+ *Externally assured.*

Focusing on preferential procurement and supplier development, in 2015 we aim to purchase goods and services to the value of approximately R7.2 billion from qualifying enterprises – more than doubling current levels.

We will also invest extensively in enterprise development (in 2014 ArcelorMittal South Africa earned no B-BBEE points for enterprise development) and put in place policies and recruitment procedures to overhaul our performance on employment equity.

Combined, these measures will, under the recently gazetted new codes of good practice, give us a Level 5 compliance rating, dropping to Level 6 because of our current challenges in terms of the ownership component of the codes. The issue of ownership will be addressed subsequent to our making substantial progress on other pillars of the codes.

While we underperformed on enterprise development, in 2014 the company obtained 19.5 out of a possible 20 points on the B-BBEE Codes of Best Practice for preferential procurement – exceeding the year's target of 17.63.

In 2014 a far-reaching enterprise and supplier development strategy was formulated and approved by management. The strategy consists of four key elements. The first of these elements is a restructuring of our enterprise development policies and procedures and the conversion and restructuring of certain ArcelorMittal South Africa assets to assist the enterprise development drive.

Beginning in 2015 workshops explaining business opportunities will be held in our affected local communities in a bid to restore trust and to facilitate meaningful communication. An enterprise development hub and a technical hub as well as SMME warehousing are some of the undertakings that will be pursued in 2015, all in local communities and affecting local businesses.

Various projects, including an initial six areas of opportunity, have been identified for outsourcing while enterprise development will target qualifying enterprises offering non-core services in eight identified areas. An additional eight core supplier areas have been identified for supplier development. These include fuel, raw materials, line spares and equipment and maintenance.

"Local" suppliers are those within a 50km radius of an ArcelorMittal South Africa business unit.

Maintaining our licence to operate continued

A breakdown of our spend by significant locations of operations in 2014 appears in the following table:

(Note: As Vanderbijlpark and Vereeniging are located within the same geographical area they are grouped together. Procurement spend reported is for the company as a whole and not just by business unit. So, for instance, a supplier based in Vanderbijlpark may supply goods and services to the Vanderbijlpark and Vereeniging as well as the Saldanha and Newcastle units. In such a case the procurement is allocated to "Vanderbijlpark and Vereeniging".

Business unit	2014 procurement spend (R)	Number of vendors
Vanderbijlpark and Vereeniging	3 480 826 547,67	838
Newcastle	811 426 267,53	125
Saldanha	502 031 961,54	92
Pretoria	45 174 657,64	68
Total	4 839 459 434	1 123

Execution against our B-BBEE and social investment strategies and targets is managed by dedicated teams, including professionals located at each of our operations and head office. The general manager: corporate affairs, who has overall responsibility for monitoring B-BBEE and CSI, is a member of both the management and executive committees.

The remuneration, social and ethics committee receives regular reports from the executive committee and those tasked with B-BBEE, enterprise and supplier development. An interim B-BBEE subcommittee of the board was established in 2014 to monitor and drive B-BBEE initiatives.

Socio-economic development

We have traditionally achieved a full five points under the B-BBEE codes of good practice for our investments in local communities and economies. This will continue to be the case in future.

In 2014 the JSE Securities Exchange confirmed that ArcelorMittal South Africa again met its criteria for inclusion in the exchange's Socially Responsible Investment (SRI) Index.

Enriching local communities through social investment initiatives is a key pillar of our corporate responsibility ethos. Four of the 12 policy areas covered by the ArcelorMittal Human Rights policy relate to communities and include topics that range from resettlement to access to land and water. The majority of our corporate social investment projects are channelled through the ArcelorMittal South Africa Foundation. We work in close collaboration with the ArcelorMittal Foundation at a group level and are guided by group policy.

In developing a relationship of transparency and trust with our local communities, we are guided by the ArcelorMittal external stakeholder engagement procedure that outlines the minimum community engagement requirements. The ArcelorMittal South Africa Foundation is dedicated to encouraging long-term economic growth and entrepreneurship in local communities. We do this through investment in projects that will make the most meaningful and sustainable difference to the lives of our community. Investment is targeted at the areas immediately surrounding our operations. These include the communities of Sharpeville, Bophelong, Boipatong, Vanderbijlpark, Vereeniging, Atteridgeville and Mamelodi in Gauteng; Vredenburg and Langebaan near our Saldanha Works; and Newcastle, Madadeni, Osizweni and Blaauwbosch close to our Newcastle plant in KwaZulu-Natal.

While each of our communities has unique social development needs, they face the common challenges of poverty, unemployment, HIV/Aids and its associated social impacts, and lack of access to education, healthcare and housing facilities. Our social development projects are directly informed by these needs, and are aligned to our three focus areas of education, health and social upliftment.

All of our major business units have implemented local community engagement programmes and corporate social investment strategies. These programmes and strategies are overseen and implemented by dedicated resources based at these business units, a reflection of our appreciation of the extent to which ArcelorMittal South Africa, as a major employer and industrial operation in these communities, can have both positive and negative impacts on communities living in proximity to our plants. Potentially negative impacts include pollution and the consumption of limited local natural resources including water. Our operations can positively impact local communities through employment and procurement opportunities, support for education and health and wellness and the provision of infrastructure.

As in previous years, in 2014 we worked closely with the departments of Education, and Science and Technology to ensure the ongoing success and impact of three science centres for high-school learners in Sebokeng, Newcastle and Saldanha, R11.2 million being spent this year on the running and staffing costs of these centres. This year three mobile libraries, costing R150 000 each, were donated for use by schools and learners in Sharpeville. A library was also donated to a deserving school in Newcastle, at a cost of R110 000.

This year we partnered with the North West University to train 22 individuals representing 10 non-governmental organisations in our communities to offer them practical training in sustainable business practices so that they can create and maintain viable employment opportunities. At the end of the six-month Sustainability Accelerator Programme training attendees are expected to obtain a Level 5 NQF qualification.

Between March and December 2014 the NGO GetOn trained 574 previously disadvantaged people in courses and workshops which aim to give them skills that are valued in the workplace. Operating out of a building which our Pretoria Works operation made available to GetOn, the initiative has enjoyed conspicuous success: of the 574 trained in 2024, 320 underwent job-specific training. Of this latter number, 62% were economically active in February 2015. According to GetOn research, 86% of students placed in employment between March 2013 and December 2013 had been economically active for a 12-month period.

In 2015 ArcelorMittal Pretoria Works intends to make another space available to GetOn, for training students in furniture manufacturing.

Liaising closely with the Gauteng Department of Health, in 2014 ArcelorMittal South Africa facilitated the donation of five 40-foot container with state-of-the-art medical equipment and consumables, each worth in excess of USD400 000 and donated by the international Project C.U.R.E charity. The containers will be used to treat patients at five clinics in the Sedibeng District Municipality and build on our donation, in 2013, of a R13 million wellness centre at the Sebokeng Hospital.

This year we made some R800 000 (2013: R18 million) available to 28 deserving NGOs and projects through the ArcelorMittal South Africa Foundation's Impilo Social Grants programme.

In Bophelong and Boipatong we have, to date, re-roofed over 3 000 houses with corrugated steel roofs. This year 282 houses were re-roofed at a cost of R2.4 million.

In Newcastle, 11 international and 40 local employees volunteered to build six "Protea" houses. Six local employees volunteered their leave time to undertake social work in six countries.

While we continue to focus on projects that will have maximum social and economic impact, particularly in our local communities, our recent financial performance has limited our ability to fund deserving projects. This year our corporate social investment spend amounted to R16.3 million whereas the previous year it was R37.4 million. This was the direct result of our ongoing failure to generate profits, our ability to create social capital being largely determined by our performance on enhancing our financial capital. An indication of our cautious optimism for the company's financial outlook is the fact that in 2015 an amount of R30.5 million has been budgeted for CSI projects.

The manager of the ArcelorMittal South Africa Foundation reports to the head of corporate affairs who serves on the executive committee. All business units have dedicated corporate social investment officers.

ArcelorMittal South Africa has a considerable social impact through employment. In 2014 68% of new recruits were from communities surrounding our operations. Some 70% of all employees live in local communities.

Awards

In 2014 ArcelorMittal South Africa received the following awards:

- Best contributor to local content in the wind energy sector by the SA Wind Energy Association
- PMR Golden Arrow Award: Companies, institutions or NGOs during the past 12 months doing the most to enhance and promote the production and manufacturing of local goods and products in Sedibeng; doing business in the most ethical way – First overall
- PMR Golden Arrow Award: Companies/institutions doing the most to fight HIV/Aids – First overall
- PMR Golden Arrow Award: Companies/institutions doing the most to clean the environment/doing the most to promote sustainable development – First overall
- PMR Golden Arrow Award: Companies/institutions demonstrating exceptional managerial and corporate governance qualities – First overall
- PMR Golden Arrow Award: Companies/institutions doing the most to enhance the interests of women – First overall

Maintaining our licence to operate continued

Being environmentally responsible

The very nature of the steelmaking process, anywhere in the world, implies a material environmental impact. ArcelorMittal South Africa is committed to minimising this impact while fulfilling the requirements of increasingly stringent legislation.

Steel remains, and is certain to remain, a mainstay of economic development and social upliftment. It is a product that is essential to housing, transport and infrastructural development. The production of this core input for social upliftment necessarily entails an environmental impact in terms of raw materials and energy consumed as well as direct and indirect emissions, a fact that is mitigated, to a material extent, by recycled steel constituting as much as 19% of steel produced in ArcelorMittal South Africa's production processes.

Our environmental policy

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

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

Our ISO 14001 certified environmental management systems are based on these core principles. This year all of our operations succeeded in retaining their ISO 14001 environmental management systems certification.

We are also bound by environmental legislation including the National Environmental Management; Air Quality Act 39 of 2004; the National Water Act, the National Environmental Management Waste Act 59 of 2008; and the National Environmental Management Act 107 of 1998.

Our key environmental risks

Strategic environmental risk	• Major environmental plant-specific risks
Effluent discharges	• Contamination of effluent water – fluoride and boron (Vereeniging/Tubular products) • Losing ZED status (Vanderbijlpark)
Fugitive emissions	• Coke oven battery emissions (Vanderbijlpark/Newcastle/Coke and Chemicals) • Tar plant emissions – organic vapours escaping to air (Coke and Chemicals) • Blast furnace cast house emissions (Vanderbijlpark/Newcastle/Saldanha)
Legacy areas	• Dams 1 to 4 and other areas (Vanderbijlpark) • Irrigation dams and other areas (Newcastle) • Mooiplaats disposal site (Pretoria)
Ground water contamination	• Ground water pollution – legacy dams and active sources (Vanderbijlpark/Newcastle/Vereeniging/Pretoria)

The group manager: environment is responsible for overall environmental management and compliance and is a member of the ArcelorMittal South Africa management committee. The group manager and the corporate energy manager share responsibility for carbon and climate change issues. Both positions report to the chief operating officer; until 2014 the group manager: environment reported to the CEO. The corporate: environment department reports to the company's SHE committee on environmental activities, targets, policies and outlook. The committee raises material environmental issues with the board.

In 2014 we incurred capital expenditure of R63 million (2013: R350 million) on mitigating our environmental impact. In recent years our poor financial performance has limited our ability to do more to positively mitigate our negative environmental impacts. Despite this limitation, we continue to make substantial strides to address various legacy environmental concerns. Since 2004 we have spent R1.9 billion on environmental capital, the bulk of it (over 90%) on air emissions compliance and water management. Some 20% of the company's R1.6 billion capex budget for 2015 is targeted to be spent on environmental enhancements.

Our most material environmental issues in 2014 were:

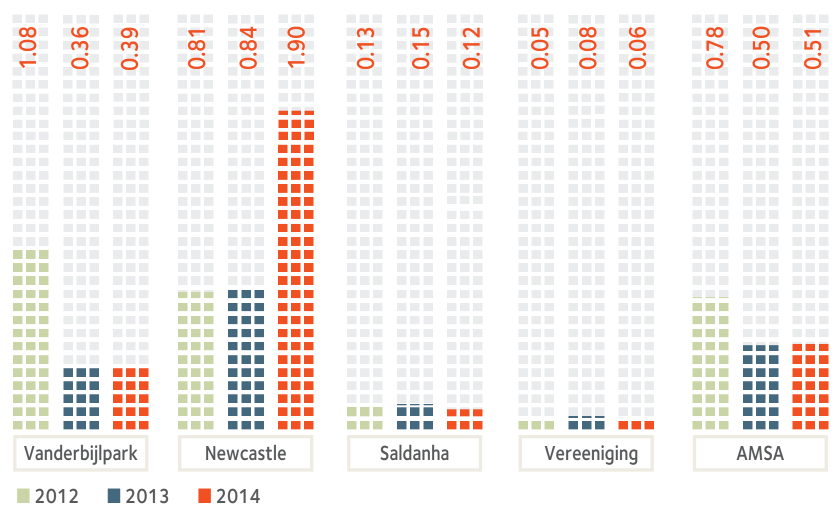
- Proposed carbon tax and climate change
- Emissions to air
- Water management
- By-product utilisation
- Rehabilitation of legacy sites
- Handover of environmental risk assessment as per the PAIA court appeal ruling
- Energy efficiency

Carbon tax and climate change

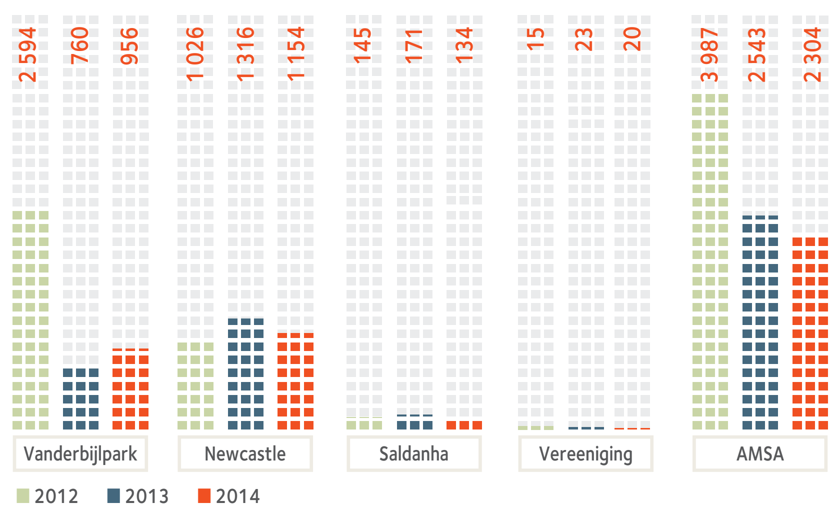
An updated carbon tax policy paper, published by National Treasury in 2013, proposed a carbon tax of R120 per tonne of CO_2 emitted above a certain threshold. This year it was announced that the implementation of the tax had been postponed from 2015 to 2016.

Based on our 2013 steel production of 5.1 million tonnes, estimated Scope 1 carbon emissions of approximately two tonnes per tonne of steel, and an assumed 75% exemption, a carbon tax would add at least R525 million to our annual costs. This cost burden, which would be additional to the approximately R200 million spent annually over the past decade by ArcelorMittal South Africa on environmental

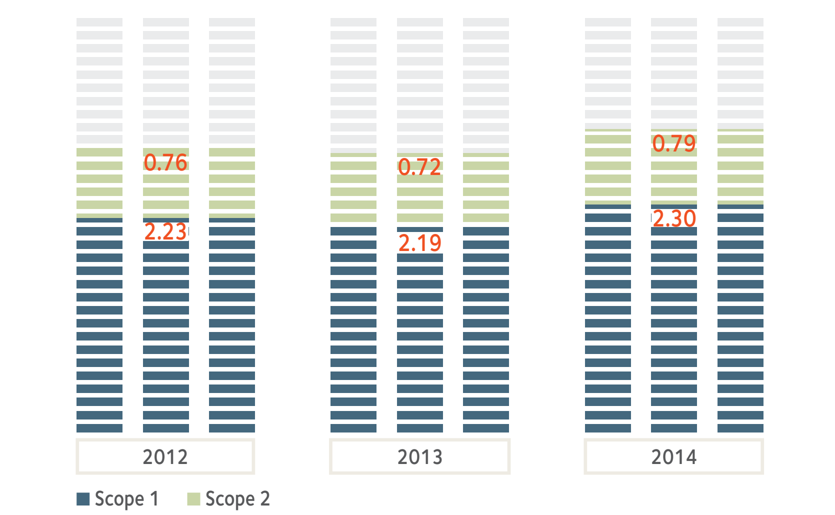
Particulate emissions by plant (kg/tonne of liquid steel)



Particulate emissions by plant (tonne/annum)



CO_2 emissions (tonne CO_2/tonne of liquid steel)



A further slight increase in Scope 2 emissions occurred due to a factor of 1.07tCO_2/MWh being used compared with a factor of 1.03tCO_2/MWh used previously.

Maintaining our licence to operate continued

impact mitigation, would make our business, in its present form, unsustainable unless the tax was passed on to customers. One major factor is that our international competitors do not operate in regimes where such taxes are applied. Cleaner methods of producing steel that would materially reduce carbon emissions by the percentages called for by climatologists simply do not exist at present, a fact that has been proactively and repeatedly communicated to various government departments and agencies.

It is now hoped that efforts to reconcile the terms of the envisaged tax and the Department of Environmental Affairs' proposed Desired Emission Reduction Outcomes framework could potentially result in more realistic, more sustainable outcomes.

Emissions to air

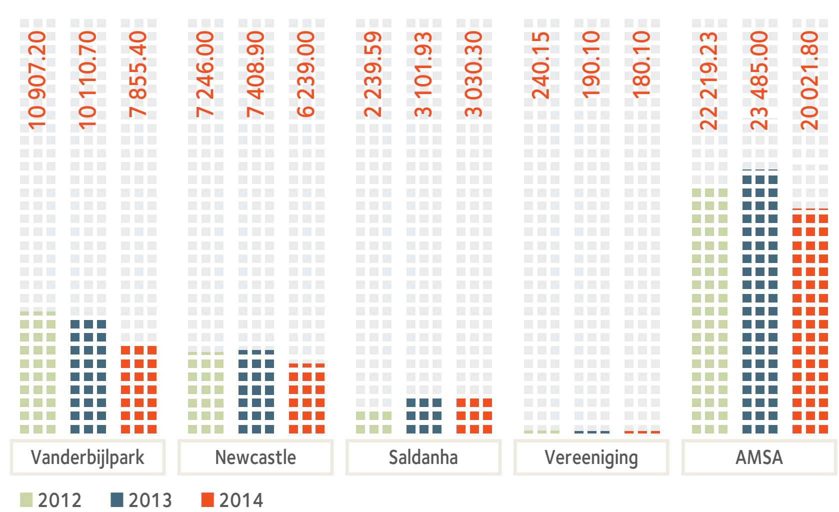
Our most significant air emissions are particulates. Overall point source particulate emissions remained unchanged this year at 0.51kg/tonne of liquid steel (2013: 0.50kg/tonne of liquid steel) – a reduction of 239 tonnes in absolute terms. This year SO_2 emissions reduced from the previous year's levels by 14.75%. Scope 1 CO_2 increased from 2013 to 2.30 tonnes per tonne of liquid steel (2013: 2.19 tonnes of CO_2 per tonne of liquid steel) while Scope 2 CO_2 intensity rose from 0.72 tonnes per tonne of liquid steel to 0.79. These increases were ascribable to reduced steel output relating to the Newcastle blast furnace reline.

This year a comprehensive desulphurisation plant, together with a dust abatement system, was completed at the Newcastle steel plant, at a cost of R120 million, which had the effect of capturing particulates escaping from the steel plant. Also commissioned this year was an R88 million system to capture fugitive emissions at Vanderbijlpark's Blast Furnace D stock house bag house.

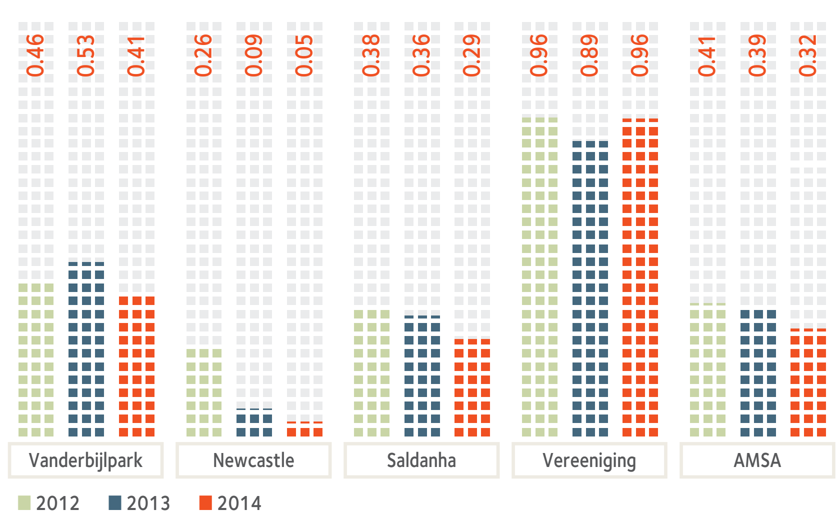
By August all facilities had received atmospheric emissions licences. In that month, however, Newcastle Works received a pre-compliance notice from the Department of Environmental Affairs (DEA). This notice relates not only to atmospheric emissions but also to water and stormwater management as well as waste management and alleged soil and groundwater pollution.

Vereeniging Works received a Green Scorpions inspection report from the DEA relating to similar issues. In addition, a pre-compliance notice was issued to Vereeniging Works by the Gauteng

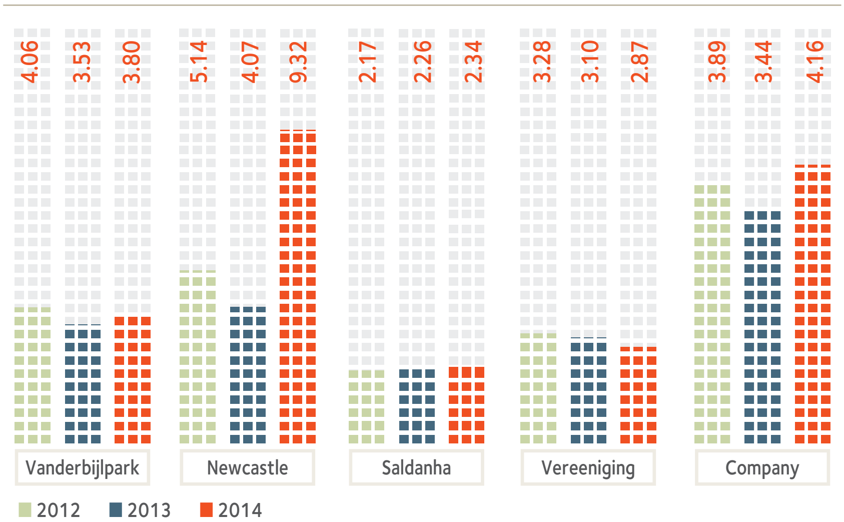
SO_2 emissions (tonnes CO_2/tonne of liquid steel)



By-products disposed of (% of total) 2012 to 2014



Fresh water intake 2012 to 2014 (kℓ/tonne liquid steel)



Department of Agriculture and Rural Development in November 2014, which report related mostly to minor dust and spillage issues.

In later 2014 the company received notification from the South African Human Rights Commission that an investigation had been launched regarding the "gross violation of environmental laws and human rights by ArcelorMittal's operations in Vanderbijlpark". This investigation was launched following the submission of a report, "Steel at any cost" by the Bench Marks Foundation to the commission. A response was submitted in December. Discussions with the commission on their investigation were ongoing in early 2015.

Water management

In November a zero-effluent discharge (ZED) project at Newcastle Works was completed after a lengthy R430 million project with full commissioning to be completed by the end of Q1 2015. This amount was in addition to considerable investments which had previously resulted in the achievement of ZED status at Saldanha and Vanderbijlpark. The Newcastle ZED project entailed the implementation of the most advanced ZED technologies and processes available.

Regrettably, Vanderbijlpark lost its ZED status after repeated discharges of process water into the stormwater collection system and water treatment capacity constraints during the year. This status was subsequently reinstated. An amount of R90 million was approved for effecting remedies with preliminary projections indicating that Vanderbijlpark's ZED status could be sustained during 2015.

In February 2014 a leak of hydrochloric acid into the Leeuwspruit was detected at our Vanderbijlpark Works. The incident was promptly and fully reported to the authorities, all water discharges being immediately blocked and the affected stream thoroughly flushed with clarified Vaal Dam water. This incident was also investigated by the Green Scorpions, who made no further findings relating to the incident.

Fresh water intake per tonne of liquid steel rose this year at Vanderbijlpark because of a lessened water-recycling capability caused by technical problems. The Newcastle reline resulted in a higher water-usage figure per tonne of steel because, while long steel production declined, many water systems remained operational. Newcastle's water usage per tonne of steel also increased because water systems were refilled following the resumption of full operations. Compliance with the National Water Act remains an ongoing challenge given the nature of our operations and current capital constraints.

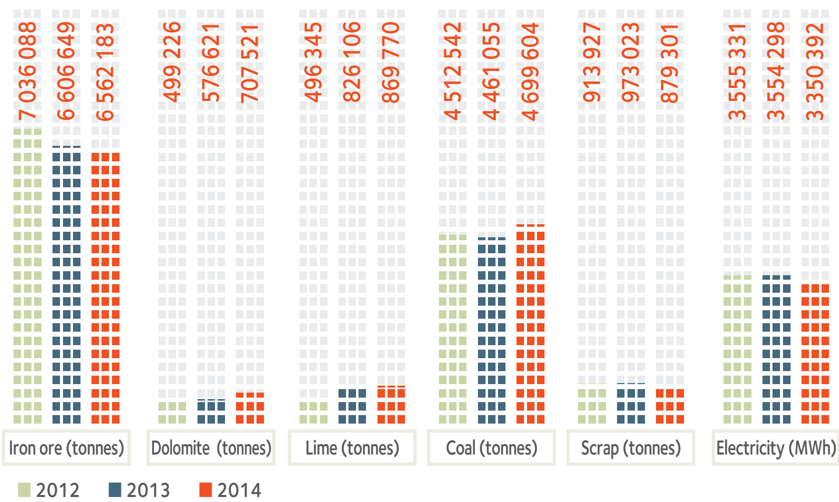
By-product utilisation

An internal review of the measures and expenditure required to comply with the newly published Waste Classification and Management Regulations indicated that it would take the company three years to reach full compliance within the timeframes provided for in the legislation. At year-end, processes to achieve such compliance were all being implemented according to projections.

The company remains committed to reducing its waste disposal quantities and monitors the percentage of by-products produced that are landfilled. By-product utilisation has been stagnant in recent years as a result of subdued activity in the construction industry. At year-end the company was actively pursuing new applications for its by-products, some of which were considered to hold significant potential.

Our most established by-product, granulated blast furnace slag maintained its position as a sought-after raw material within the cement industry where it is mainly used as a cement extender. Competing materials such as fly ash are, however, also making inroads in this application. Steelmaking slag is used for road construction purposes and the company, together with a service provider, is currently developing a new concrete-based application for road surfacing in which steelmaking slag will be the major aggregate. Superior strength qualities can be attained and the first trial roads will be constructed within Vanderbijlpark Works in 2015. Costs relating to the new road construction material will be significantly lower than those for normal concrete.

Input usage 2012 to 2014



Rehabilitation of legacy sites

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

Good progress was made at our Vanderbijlpark Works on rehabilitation; over 400 hectares of disturbed land (including legacy sites) have been rehabilitated and/or remediated to date. This rehabilitation process significantly reduces fugitive dust emissions.

Remediation of Maturation Pond number 2 was completed in 2014 and the plan is to address the last remaining pond in this old storage system (Maturation Pond number 1) during 2015. These ponds were previously used for the storage of coke making effluent. Phase 3 of the capping of the old disposal site is earmarked for completion in 2015; the only uncapped area that will then remain is an area of 47ha from which slag is being recovered and sold as an aggregate.

Promotion of Access to Information Act court action

In 2012 the Vaal Environmental Justice Alliance (VEJA) and the Centre for Environmental Rights (CER) sought access to

Maintaining our licence to operate continued

the Vanderbijlpark environmental risk assessment report and Green Scorpions documentation relating to the closure of the Vaal Waste Disposal Site. The application was made in terms of the Promotion of Access to Information Act.

The assessment, which dates from 2002, had been researched and written for internal risk identification purposes. We took the view that the detailed results of an audit of this kind were a confidential matter. Furthermore, our view at the time was that significant legislative changes since had led to more stringent environmental controls, thus rendering the risk assessment outdated and irrelevant. For these and other reasons, ArcelorMittal South Africa refused VEJA's request.

In response, VEJA resorted to the South Gauteng High Court which, in 2013, ruled against ArcelorMittal South Africa. Leave to appeal was granted and, in November 2014, the Supreme Court of Appeal ruled in favour of VEJA. As was widely reported, the company decided not to appeal the matter further, agreeing to hand over the documentation in question within the stipulated timeline. On 17 December 2014 all documents sought by the plaintiffs were handed over.

In line with its commitment to open, frank and more forthright engagement with environmental and other local stakeholders, the company subsequently reached out to VEJA and other NGOs, requesting the establishment of formal communication channels through which legitimate stakeholder concerns might be more openly and expeditiously addressed.

In November 2014 the South African Parliament's Portfolio Committee on Environmental Affairs conducted an oversight visit to "air quality pollution hotspots" in Gauteng and Mpumalanga. ArcelorMittal South Africa presented to the committee, explaining the nature of the company's business and its efforts to achieve compliance with relevant air quality management legislation. Details on a number of initiatives, undertaken at considerable cost, were shared with the committee.

In its subsequent report, the committee described the company's input as "well presented", adding that the committee appreciated "the frankness of the company in its presentation".

Energy efficiency

Energy costs – a major driver of the cost of steel production – are rising at unprecedented rates. Our cost of electricity per tonne of liquid steel rose by 12% this year. Tariffs charged for piped natural gas increased by 13% following the implementation of the newly regulated pipeline gas regime.

As is reported elsewhere, the company became the first to apply for a 12L tax incentive in terms of a programme announced by the Department of Energy in 2013 that was aimed at encouraging businesses to improve their energy efficiency.

The Industrial Development Corporation, which is owned by the South African government under the supervision of the Department of Economic Development, held 7.91% of the company's shares in issue at year end.

An energy management tool developed for the Eskom Demand Side Management programme was adapted to accurately capture data for coal, gas and electricity at invoice level. This data measurement tool allowed the company to obtain a certified baseline for Vanderbijlpark and Newcastle for 2012, against which certified 2013 data was compared, a requirement for our application for the 12L tax incentive.

In 2014 R41 million was invested in repairing existing plant and equipment to maintain and improve our energy performance.

The risks associated with our business's exposure to electricity supplies from the national grid is reflected in the fact that uncertain access to energy is our third highest-ranking strategic risk. Negotiations to support the development of an 800MW natural-gas power plant in Saldanha continued this year. It is envisaged that, if negotiations are successful, Saldanha will be entirely powered by this plant, at costs that are comparable to current electricity tariffs but that will be subject to considerably lower, more predictable, increases than those that would be incurred through continued reliance on the national grid.

Creating a high-performance culture

Our survival depends on the company's ability to create a culture in which every employee performs to his or her potential and maximum productivity, a culture that values safety, teamwork, innovation and quality.

The culture of a company is sometimes considered a "soft" issue, one that is not material to the achievement of the business's strategic objective.

In 2014 ArcelorMittal South Africa's workplace culture moved to centre stage, to the extent that creating a high-performance culture is now one of just four key strategic objectives.

Management has clearly articulated its belief that our survival depends on the company's ability to create a culture in which every employee performs to his or her potential and maximum productivity, a culture that values safety, teamwork, innovation and quality.

This year our board flagged its concern that the company was steadily losing scarce technical skills because the prevailing culture was not one in which individuals felt valued. As much as we seek to achieve a high-performance culture, we also aim to create a culture in which employees feel valued and rewarded, a culture in which people take pride in working for ArcelorMittal South Africa. Our new CEO has clearly communicated to management, employees, unions and government his commitment to transformation and to changing the ArcelorMittal South Africa culture.

Our culture is not a soft issue but a key strategic imperative.

Creating a high-performance culture in which all employees feel motivated and empowered will be achieved by addressing these most material issues:

1. Defining and communicating a compelling employee value proposition (EVP);
2. Developing our people so that they can work productively and safely;
3. Retaining and growing scarce skills; and
4. Rapidly improving our performance on employment equity.

The general manager: human resources is a member of the ArcelorMittal South Africa executive committee and regularly briefs fellow executives on employment, recruitment and skills development issues. The board's remuneration, social and ethics committee is briefed at its quarterly meetings on such issues – or as the occasion may require.

The general manager: human resources, reporting to the CEO, holds ultimate responsibility for driving the human resources agenda. Through it we are committed to the fair, equitable and non-discriminatory treatment of all employees including equal remuneration for men and women, and to building an inclusive and diverse workforce. We align our people management strategy with our business goals, to drive cost competitiveness and sustainable productivity, and develop and sustain a skilled and capable organisation.

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

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

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

Our culture

In 2013 we conducted a Barrett Culture Transformation Journey survey among employees. The response was extremely heartening; 63% of employees responded, including those who have limited literacy or computer-illiteracy skills.

Creating a high-performance culture continued

The survey probed the alignment between individuals' personal values and desired corporate values. Survey results and the values emanating from it were shared with employees throughout the company with 27 focus groups examining the results and discussing practical ways of committing individuals and teams to living the ArcelorMittal South Africa values. The executive committee took a pledge to live the desired values and to communicate clearly and consistently a "winning" message of filling our plants, selling products and containing costs. The CEO communicated a compelling values message to all staff.

Relations with organised labour were mostly cordial this year, the company not suffering any significant labour disruption as a new one-year wage agreement was successfully negotiated in Q2. (Regrettably, other parts of the steel and metalworking sector endured four weeks of industrial action which had a significant impact on our South African customers and on markets for our products.)

In 2014 voluntary staff turnover amounted to 4%, the same percentage recorded in the previous two years.

ArcelorMittal South Africa – Voluntary turnover – 2011 to 2014

Job category	2014	2013	2012	2011
Senior management	13	9	19	14
Artisans	86	114	176	84
Engineer & technical	59	67	86	59
Finance & account	9	5	11	2
Human resources	9	12	5	6
Info technology	10	8	4	1
Logistics & transport	4	9	1	3
Manufacturing & ops	22	11	9	11
Marketing & sales	6	7	3	1
Prod & Maint (BU)	83	94	86	84
Supply chain	3	1	5	6
Support services	24	27	33	17
Total	328	364	438	288

Labour productivity

We are closely monitoring overall productivity improvements with specific targets to be achieved by 2016. This year our total cost of employment (TCOE) was within budget and total Full Time Equivalent (FTE) employment decreased by almost 5%.

A key priority in 2015 will be to reduce overtime, hired labour and contractor costs by filling vacancies. This process is essential to improving our TCOE/HRCe from USD67 in 2013 to the planned USD49 by 2016. (The figure for 2014 was an encouraging USD56.)

Developing our people

We are committed to world-class production, safety and customer service. Only our people can deliver these outcomes.

Despite our strained financial circumstances and a reduction this year in the amount of skills development expenditure that can be claimed back, in 2014 we continued to invest heavily in skills development – conducting 381 908 hours of training at a cost of R151 million.

Cost	2014	2013	2012	2011	2010
Training expenditure (Rm)	151.4	138.1	136.7	154.2	172.5
Training hours – bargaining-unit employees	231 732	196 890	443 942	358 279	278 520
Training hours – package employees	78 775	33 296	40 187	30 676	27 473
Individuals directly impacted by skills development					
Apprentices	447	574	699	943	1 027
Learner technicians	24	58	48	67	22
Production learners	374	813	1 126	1 232	1 517
University and technikon bursars	107	137	151	148	122
Candidate engineers	43	61	69	54	43
Candidate technicians	52	66	103	67	28
Candidate artisans	84	95	167	206	171
Graduate in training	17	18	22	25	24
Total development pipeline	1 148	1 822	2 385	2 742	2 954

In partnership with ArcelorMittal University, a leadership academy has been developed with Duke University that will be rolled out in 2015. This academy is aimed at developing rising stars, emerging talent and leaders of the future.

As part of our focus on future leadership, we have localised a number of extremely successful group leadership development training programmes. These include Explore, which focuses on managers who will lead a major project or a substantial team within the next two years, and the Challenge career development programme which is for individuals who will move up to "manager of manager" level, also within the next one or two years.

The *Pioneer* programme is a top-of-the-range career development programme for those who have the potential to occupy business leader or general manager positions. Those taking part in Pioneer will develop a global mindset, acting as ambassadors who will leave a lasting legacy at ArcelorMittal.

In addition to the above, ArcelorMittal University functional academies are focused on specific functional disciplines including temporary exchange programmes to apply functional knowledge. For Human Resources, three exchange programmes were completed in 2014.

These academies have been set up to contribute to the implementation of best practices and to engender an in-depth knowledge of group values and best business practices.

Academies are:
- Steel Academy
- Finance Academy
- Internal Assurance Academy
- Human Resources Academy
- IT Academy
- Purchasing Academy
- Sales and Marketing Academy
- Legal Academy
- Risk Management Academy

In December 2014, the first "talent meets management and management meets talent" session was held when a member of the ArcelorMittal group management committee, Henri Blaffart, met with 21 ArcelorMittal South Africa emerging talents. Held in line with the group's "lunch and learn" initiative, the session identified opportunities to motivate and engage employees.

In 2014, 4.2% of total payroll, an amount of R151 million (2013: 4% and R138.1 million), was spent on fostering the high-performance culture that is essential to our sustainability. Some 91% of all candidates within our skills development pipeline are from historically disadvantaged South African (HDSA) groups.

The focus of our skills development efforts continued to be on engineering and technical. There was a decrease in the technical pipeline from 1 822 in 2013 to 1 148 in 2014. The main reasons for this decline were budget constraints, changes relating to grant regulation and alignment with our five-year workforce plan.

Over the past five years our training pipeline declined from 3 097 to 1 148 in the year reported.

In previous years a major portion of the pipeline was aimed at rejuvenating our operational workforce, the pipeline being managed on a six-year workforce planning cycle that is aligned with ArcelorMittal South Africa's needs. The 1 148 individuals registered this year remained more than sufficient to meet our needs for competent, qualified people.

ArcelorMittal South Africa's policy is to train more skilled candidates than the business itself requires as a contribution to the steel and engineering industry. ArcelorMittal South Africa was instrumental in efforts aimed at increasing the number of artisans in our industry. In fact, it was largely thanks to our efforts that the national artisan pipeline, which had reached an all-time low of just 1 800 apprentices in 2013, improved to 22 000 apprentices in 2014. During the year 472 pipeline candidates were absorbed either by the company or industry as they were declared competent.

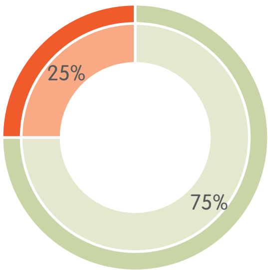
Recently ArcelorMittal South Africa was accorded platinum training status by the Manufacturing, Engineering and Related Services Seta (merSETA). This was largely in recognition of the role the company had played in dramatically increasing the number of apprentices, a national achievement that was largely based on adaptations of programmes implemented by ArcelorMittal South Africa.

Leadership development

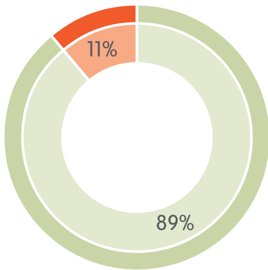
ArcelorMittal University and Leadership learning interventions in 2014	Number of employees
Junior management	359
Future Finance Leadership programme	7
Pioneer	4
Challenge	16
Explore	29
Women in Leadership	15
Core Leadership and Management Skills programme	146
Development centres	13
AMU training	140
Metallurgy for professionals	11
Cold rolling processes	6
Cold rolling and annealing	13
Coke making	140
Total number of employees	899

Creating a high-performance culture continued

Employee training investment EE breakdown



Pipeline training investment EE breakdown



Training expenditure (Rm)

Employee training investment: employment equity breakdown

	Pipeline and pipeline employment equity											
		African		Coloured		Indian		White		Total		% EE
Pipeline	Total	Male	Female	Male	Female	Male	Female	Male	Female	**Male**	**Female**	
Apprentice	447	328	48	24	1	12		32	2	**396**	**51**	92
Candidate artisans	84	58	14	2				10		**70**	**14**	88
Candidate engineers	43	12	2			4	2	17	6	**33**	**10**	47
Candidate technicians	52	36	14		1				1	**36**	**16**	98
Graduates in training	17	4	8				1		4	**4**	**13**	76
Learner technicians	24	11	11		1			1		**12**	**12**	96
Production learners	374	280	31	46	5	1		10	1	**337**	**37**	97
University bursars	100	27	12	2		11	3	32	13	**72**	**28**	55
Technician bursars	7	3	2	1				1		**5**	**2**	86
Total	1 148+	759	142	75	8	28	6	103	27	**965**	**183**	89

+ *Externally.*

Employment equity

Integral to executing our commitment to transforming our culture will be our efforts to address the demographic imbalances in our employee and management profile.

We aim to align our employment profile with that of the national economically active population. The scale of the challenge we face in meeting this objective was borne out by advice recently received from the Department of Labour that, as we compile a new Employment Equity Plan (the previous three-year plan expired in September 2013) we should adopt a five-year plan. This plan will be submitted to the authorities in Q1 2015.

The new Employment Equity Plan makes clear our commitment to fundamental, far-reaching and transformative change in the make-up of our employee complement. In terms of the plan, we undertake, by 2018, to not only have transformed the demographic composition of our top and senior management but to have fundamentally changed and improved the numbers of AIC (African, Indian and Coloured) employees in the mid-ranking employment categories.

In 2014 there was only one AIC individual in the "top management" category. By 2018 the plan envisages this there being seven such designated members of the top leadership of our company.

Whereas the plan envisages that total overall permanent employment will be little changed in just three years' time, the numbers of AIC employees in the categories "professionally qualified and experienced specialists and mid-management", "skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents" and "semi-skilled and discretionary decision-making" will increase by 31.8%, 9.2% and 16.8% respectively.

Five employment equity committees were established this year and training implemented for committee members. Improving our employment equity performance is vital to achieving our objective of a Level 5 B-BBEE rating in the new year. For detail on our B-BBEE objectives, see the "Engaging with government and local communities" section on page 48.

The employment equity profile of our workforce including temporary employees (2014)

	Male				Female				Foreign nationals		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	1			5				1	3		**10**
Senior management	14	3	6	90	4			10	4		**131**
Professionally qualified and experienced specialists and mid-management	128	27	47	455	49	10	23	134	48	9	**935**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1 945	211	206	2 245	166	39	19	254	69	4	**5 158**
Semi-skilled and discretionary decision-making	1 085	65	27	171	110	17	3	70	1	1	**1 550**
Unskilled and defined decision-making	930	12	8	49	35	1		5	1		**1 041**
Total permanent	4 103	318	294	3 015	364	67	45	479	126	14	**8 825**
Temporary employees	118	6		25	17			1	26		**193**
Grand total	4 221	324	294	3 040	381	67	45	480	152	14	**9 018**

** Excluded from this number are 11 employees dedicated to capital projects.*

Numerical 2018 goals in terms of our new Employment Equity Plan

In pursuing an improvement in our management control rating, clear policies have been implemented to promote and recruit 80% ACIs (Africans, Coloureds and Indians) to management levels A to G. ACI candidates will be given preference for all new vacancies at these levels as well as vacancies arising from retirement or resignation. In order to address "equal pay, equal work" legislation, in 2015 the remuneration, social and ethics committee approved a pay adjustment as a first step towards our market gap closure strategy.

This year amendments to the Labour Relations Act stipulated that the employees of labour brokers should enjoy the same rights and conditions of employment as full-time employees if they earn under a specified threshold and have been in employment for more than three months. We have completed an impact study and implemented measures to effectively manage this change in legislation.

Company leadership

Mr PM Makwana (Mpho) (44)

Independent non-executive chairman

6/6[1] 3/3[1] 1/1[1]

Appointed board chairman on 5 February 2013

BA Admin (Hons)

Value added to the board: governance, stakeholder relations and transformation best practice

The board held six meetings during the past financial year which included a board strategy session. Attendance by directors at board and committee meetings is set out on this page.

- Board
- Audit and risk
- SHE
- Remuneration, social and ethics
- Nominations
- B-BBEE

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

Mr DCG Murray (Chris) (70)

Independent non-executive director

6/6 5/5[1] 3/3 3/3 3/3 1/1

Appointed to the board on 11 May 2007

BCom, CA, MBL

Value added to the board: financial understanding and risk management

Mr PS O'Flaherty (Paul) (52)

Chief executive officer (CEO)

4/4 2/2[2] 2/2 2/2[2] 2/2[2] 1/1

Appointed on 1 July 2014

BCom, BAcc, CA(SA)

Value added to the board: strategic leadership and financial insight

Mr MJ Wellhausen (Matthias) (57)

Chief financial officer (CFO)

6/6 4/4[2]

Appointed CFO on 2 March 2013

Resigned with effect from 15 March 2015

MA Economics

Value added to the board: global markets and financial management expertise

Mr DK Chugh (Davinder) (58)

Non-executive director

6/6 3/3 2/3[2] 1/1

Appointed to the board on 1 May 2002

BA, LLB, BSc (Hons), MBA

Value added to the board: in-depth knowledge of group strategy and marketing

Mr JRD Modise (Jacob) (48)

Independent non-executive director

6/6 2/2[2] 1/1[2] 3/3[1] 3/3 1/1

Appointed on 1 October 2013

BCom, BAcc, CA, MBA, AMP

Value added to the board: governance and sustainability best practice

Adv FA du Plessis (Fran) (59)

Independent non-executive director

6/6 5/5 3/3[1]

Appointed on 4 May 2011

BCom, LLB, CA(SA), BCom (Hons)

Value added to the board: legal and financial expertise

Mr LP Mondi (Lumkile) (52)

Non-executive director

5/6 | 1/1[2] | 3/3

Appointed on 11 May 2007

MA Economics, BCom (Hons) Economics

Value added to the board: macro-economic insight and governance

Mr S Maheshwari (Sudhir) (50)

Non-executive director

0/6

Appointed to the board on 25 November 2005

Resigned with effect 31 March 2015

BCom (Hons) CA, CS

Value added to the board: understanding of group strategy and financial management

Mr GP Urquijo (Gonzalo) (53)

Non-executive director

5/6 | 0/3 | 0/3[2]

Appointed on 27 May 2011

Economics and Political Science, MBA

Value added to the board: group strategy and global markets insight

Ms NP Mnxasana (Nomavuso) (58)

Independent non-executive director

6/6 | 4/5 | 2/3

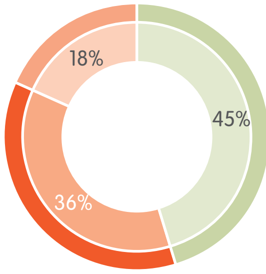
Appointed on 1 October 2013

BCom, BCompt (Hons), CA(SA)

Value added to the board: sustainability best practice and risk management expertise

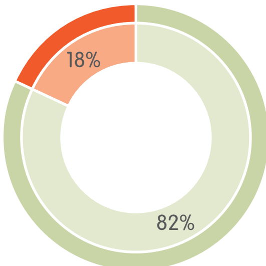
Board membership

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



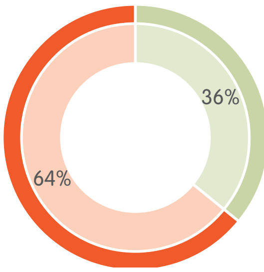
Board gender representation

- Male
- Female



Board diversity including international directors

- Black
- White



Corporate governance

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, the Companies Act as well as other legislation applicable to companies in South Africa.

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

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

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, King III and current legislation. This year the board approved revised board and committee terms and references. Key board activities, changes and achievements this year were the following:

- An independent service provider conducted a board effectiveness review. In addition, board and committee self-assessments were undertaken;
- An interim board sub-committee, the B-BBEE committee, was established;
- The board approved comprehensive board and committee work plans;
- The board changed the frequency of financial reporting to shareholders from quarterly reporting to six-monthly reporting in accordance with the Companies Act and the JSE Listings Requirements with effect from 10 September 2014.

The board of directors

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

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

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

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

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

Membership

For the year under review, the board consisted of 11 members: five independent non-executive directors (Messrs PM Makwana, DCG Murray, JRD Modise, Ms NP Mnxasana and Ms FA du Plessis), four non-executive directors (Messrs DK Chugh, S Maheshwari, GP Urquijo and LP Mondi) and two executive directors (Mr PS O'Flaherty and Mr MJ Wellhausen).

Changes to directorate

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

- Mr PS O'Flaherty was appointed CEO and executive director on 1 July 2014 following Ms N Nyembezi-Heita's resignation as CEO and executive director on 18 February 2014.
- Following Mr O'Flaherty's appointment as CEO, Dr HL Rosenstock (who was appointed as interim CEO on 19 February 2014) stepped down from the board as interim CEO and executive director on 1 July 2014.
- Mr G van Zyl was appointed acting CFO following Mr MJ Wellhausen's resignation as CFO on 15 March 2015.
- Mr S Maheshwari resigned as non-executive director with effect from 31 March 2015

Independence of directors

King III provides that assessment of the independence and performance of directors who have been serving on the board for more than nine consecutive years should be more rigorous than for those who have been appointed more recently. As at 31 December 2014 none of the company's independent directors had served for that length of time.

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

Board of directors

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

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

The chairman

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

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

Chief executive officer

The CEO is an executive director on the board and sets the tone in providing ethical leadership and creating an ethical environment. The CEO plays a critical role in the operations and success of the day-to-day business of the group. Board authority conferred on management is delegated through the CEO, in accordance with approved authority levels. The CEO's role and functions are formalised, and include:

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

Retirement and re-election of directors

One-third of directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's memorandum of incorporation. Messrs PM Makwana, DCG Murray and LP Mondi retire and, being eligible, have offered themselves for re-election.

In accordance with the company's memorandum of incorporation the appointment of Mr PS O'Flaherty as a director of the board will be confirmed by shareholders at the forthcoming annual general meeting.

Company secretary

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

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

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

Board committees

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

Audit and risk committee

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, is set out on page 82 of this integrated report.

Safety, health and environment committee (SHE)

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

The committee comprised Adv FA du Plessis (chairman), Mr DCG Murray, Ms NP Mnxasana and the CEO. Representatives of both the Numsa and Solidarity unions attend meetings as permanent invitees. The general managers of all business units, the chief operating officer, the group manager: health, safety and wellness as well as the group manager: environment are permanent invitees of the committee.

The committee met three times during the year under review. It rotates its visits between plants to ensure site visits by committee members. The main duties of the committee are to:

- Ensure that the management of safety, health and the environment in the company is aligned with the overall business strategy of the company;
- Consider and approve corporate safety, health and environmental strategies and policies;
- Ensure that committee members are informed about all significant impacts on the company in the safety, health and environmental field and how these are managed (process and activities);
- Monitor the company's safety, health and environmental performance, progress and improvement; and
- Ensure adequate resources are provided to comply with SHE policies, standards and regulatory requirements.

Remuneration, social and ethics committee

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

Nominations committee

The nominations committee is chaired by the chairman of the board and consists only of independent directors: Messrs PM Makwana (chairman), DCG Murray and JRD Modise. The CEO, Messrs DK Chugh and GP Urquijo, the general manager: human resources and the vice president: human resources of the global ArcelorMittal group attend the meetings by invitation.

The functions of the nominations committee are to:

- Ensure that the procedures for appointments to the board are formal, transparent and in accordance with the JSE Listings Requirements, the memorandum of incorporation and the Companies Act;

Corporate governance continued

- Regularly review the board structure, size and composition and make recommendations to the board on the composition of the board in general, and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors;
- Identify and nominate candidates for the approval of the board to fill board vacancies (executive and non-executive directors) as and when they arise;
- Be responsible for succession planning, in particular for the chairman and executive directors;
- Agree, and put in place, a performance contract with the chief executive officer;
- Formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members;
- In the exercising of its duties, have due regard for the principles of governance and code of best practice; and
- Deal with any other nominations matters formally delegated by the board to the committee from time to time.

Interim committee: B-BBEE committee

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

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

Share dealings by directors and management

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

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

Ethics

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

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

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

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

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

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

- promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
- record of sponsorship, donations and charitable giving.

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

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

- To annually review the Ethics Code and note training done by management on the Code.

Over the past year, 47 ethics-related incidents were reported to Forensic Services (2013:50). Of these, 39 were found to have been unsubstantiated or were referred back. Eight allegations were substantiated.

Corrective action taken this year resulted in four dismissals, five final warnings, one written warning and one case of corrective counselling. Two employees resigned as a result of forensic investigations. Action taken by the internal forensic services team resulted in recoveries or savings of R28 million.

A formal process is in place to track and report incidents, while also ensuring that recommendations are fully implemented by management. We have zero tolerance for performing or concealing fraudulent and/or illegal acts, as defined in the company's anti-fraud policy.

Since 2013, 1 859 employees and vendors have received training in fraud awareness and prevention. A fraud awareness week was held in November and publicised across the company.

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

Further detail on our ethics, human rights and anti-fraud policies, including the ArcelorMittal South Africa Code of Business Conduct, is available here.

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

In the new three-year cycle, which started on 1 January 2013, 1 859 AMSA employees underwent fraud awareness training. Nine anti-fraud awareness training sessions for various employees of all levels were held during the fraud awareness week in November 2014, which covered 282 employees in total. Various posters with the whistleblower hotline number, email address and website are visible within our buildings. An email was sent to all users of company and 8 300 flyers were distributed across all plants, two weeks prior to the fraud awareness week, with information regarding the week.

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

Human rights

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

One allegation concerning human rights at Vanderbijlpark Works was made during the year.

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

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

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

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

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

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

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

Statement of King III compliance

The board, through the audit and risk committee, has satisfied itself with the extent of the company's compliance with King III for the financial year ended 31 December 2014.

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

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

Risk management report

We recognise that effective risk management is critical to our continued profitability and the long-term sustainability of our business. Our Enterprise Risk Management (ERM) policy is aligned with the ArcelorMittal group risk management policy, world best practices, the King III Codes and the ISO 31000 standard. In May 2014 the board reviewed and approved a revised ERM policy.

The revised policy accommodates the continuous improvement processes and principles which the company implemented during the past year, including:

- control effectiveness audits to verify current controls;
- implementation of inherent and desired risk ratings on operational risks;
- revision of training documentation and the scheduling of structured training and risk identification sessions; and
- changes to our internally developed risk database to accommodate the changes implemented.

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

In addition to the continuous risk management improvement process, the following actions were implemented:

Industrial audit on asset risks

An industrial audit was conducted to identify the top asset risks per operational centre that could have a significant impact on the availability of plants. Ten out of 62 risks identified in 2013 as priorities were mitigated with 19 risks in the process of being mitigated in 2014. Thus, 47% of top risks had been wholly or partially mitigated in the 2013/2014 period. New asset risks identified in 2014 were assessed and included in the risk registers. Risks identified as being part of the company's top exposures will be highlighted and addressed accordingly.

Outcomes from these audits were shared and discussed with relevant segment and group managers. The information shared clearly highlighted the capital requirements needed to address the top exposures per operational centre. Risks identified were also shared among our sister companies in the group's Asia, Africa and CIS (ACIS) segment for benchmarking purposes.

Interlock investigation

The Vanderbijlpark BOF fire in 2013 initiated an interlock investigation into areas handling liquid steel. The investigation entails a cross-site assessment of all software and programmable logic controller interlocks to confirm that interlocks are correctly designed to prevent emergency situations.

Actions resulting from the investigation are implemented to address process safety with emergency procedures being adapted accordingly. Progress on the implementation of corrective actions is discussed at quarterly chief operating officer risk meetings.

Best practice procedures

Experts from ArcelorMittal group drafted best practice procedures based on lessons learned from incidents such as the BOF fire. Areas where these procedures are applicable are assessed and improvements implemented.

Baseline (process flow) risk identification and assessment

Jobs will change and hazards will change with them. New machinery, incidents, changes in legislation, relocations to new environments, procedural changes, speed of production, organisational changes and even the capabilities of operators are all variables that require re-study. A formal baseline risk review process was initiated in 2014 as a supplement to the continuous risk identification and assessment process adopted by the company.

Structured risk management awareness training

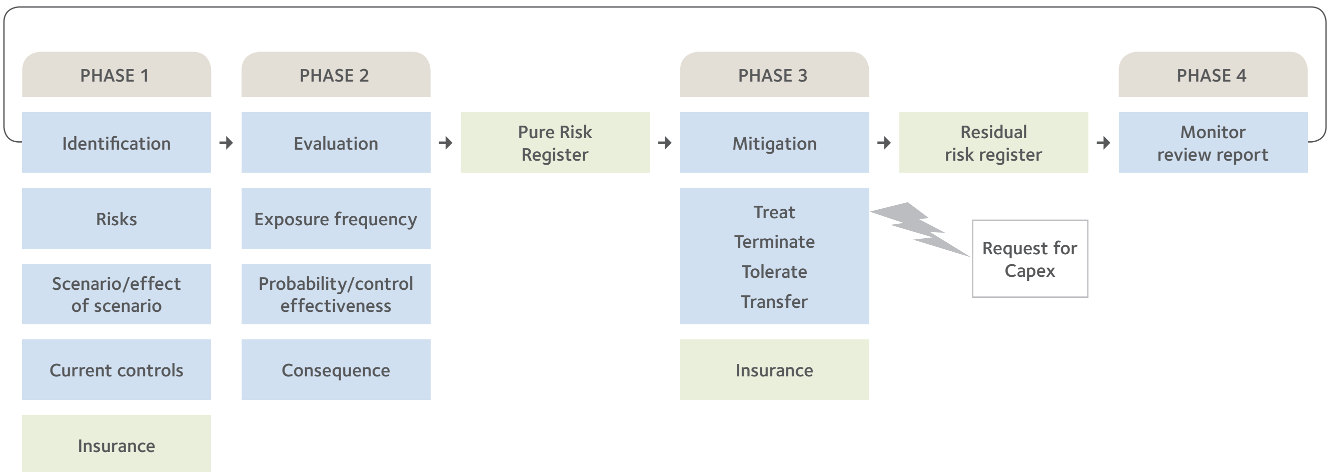
A structured process was followed to train/re-train all applicable employees in the basic principles of risk management as well as on the enterprise risk application database. Training focused on changes adopted by the company as part of the continuous improvement process and on the importance of ensuring the integrity and detail of information in the risk database.

2014 risk highlights

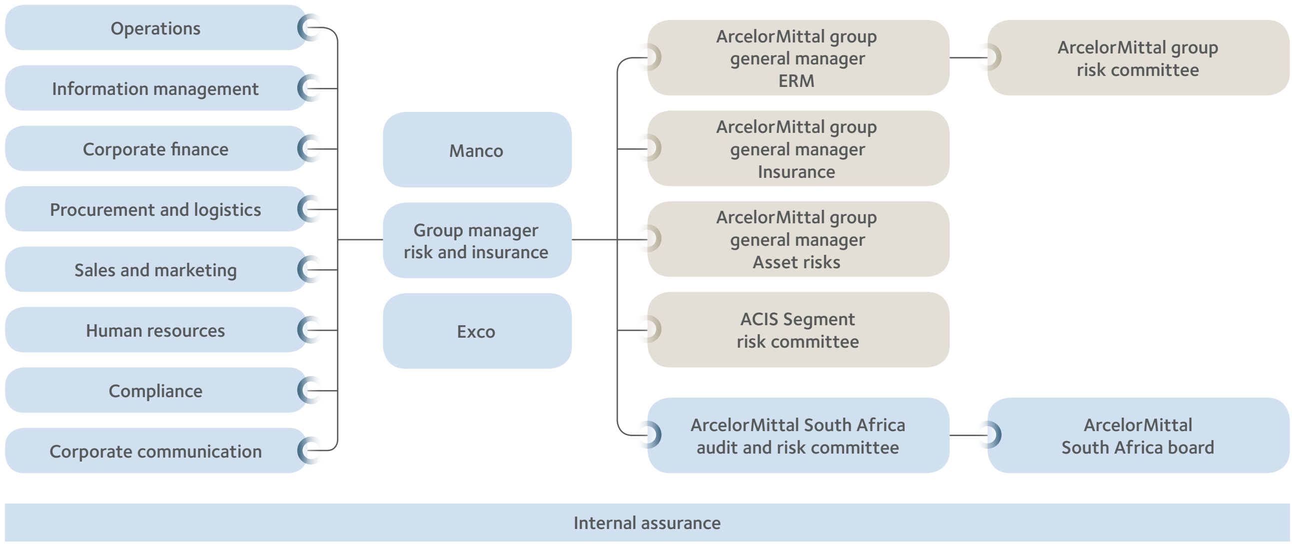
Board accountability

Our board is ultimately responsible for risk management and has an audit and risk management committee which oversees risk policies and strategies. Risks reported to the board are also reported to the segment audit, risk and governance committees and to the group risk committee. IT forms an integral part of risk management, the board bearing responsibility for IT governance while delegating to management the implementation of the IT governance framework.

Organisational structures and reporting framework



The risk management reporting process is:



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

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

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

Project risk management

A project risk management process undertaken ahead of the Newcastle blast furnace reline identified 25 risks that it was considered might have had material impacts on the project. Risks such as working at heights during installation work, salamander not done fully and a shortage of specialised contractors were identified through a detailed risk identification and assessment process undertaken with the reline team. Detailed mitigation actions were drafted where the risks were fully or partly under the control of the project team.

With the significant time and cost overruns experienced, it became apparent that mitigation measures, particularly as they related to the contractors' access to specialist skills, were materially deficient. A follow-up investigation was undertaken to learn and share experiences so as to prevent similar risks materialising during future relines.

Business continuity management (BCM)

The business continuity management policy we have implemented is aligned with world best practices, the King III Codes and the ISO 22301 standard. This policy outlines our approach to the implementation and management of business continuity. The purpose of this policy is to provide a basis for understanding and implementing business continuity within ArcelorMittal South Africa and to provide confidence in the organisation's dealings with stakeholders.

Business continuity plans are implemented according to the risk profile of the company. This year operational business continuity plans were implemented and tested at Saldanha following the implementation of such a plan at Newcastle in 2013. Similar plans will be implemented at the other operating sites in 2015.

Insurance

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

Operational risk exposure is measured by risk consultants using a vulnerability index. Loss surveyors evaluate the three main categories: management, fire protection and process safety (with 39 subcategories) to determine the company's vulnerability index. Our vulnerability index has reduced by a significant 19.5% over the past five years. Action plans are drafted and are part of the risk management process.

We have an insurance programme in place which is underpinned by an approved insurance policy that provides insurance cover for losses above agreed deductibles at competitive costs (measured and determined both locally and abroad). Insurance cover is, in principle, risk-based as is outlined in the policy. As a result of our claims history, we have seen significant increases in our asset cover deductibles, above our risk-bearing capacity. We continuously investigate different vehicles to reduce the impact on the company and our customers. These include the structuring of the captive cell, deductible buy-down, spread loss facilities, etc.

Continuous improvement

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

Risk management report continued

The following actions to improve the maturity of our risk management process are being pursued:

- Scheduling of baseline risk identification sessions to supplement existing continuous identification and assessment processes.
- The development of a risk dashboard for risk reporting purposes.
- Analysis of group technical benchmark information to determine unplanned reliability as an input to risk identification.
- Analysis of group technical audit information as an input to the risk assessment process.
- Embedding of the current control audit process.
- Benchmarking of risk management processes.

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

Outlook

We recognise that effective risk management requires ERM processes, principles and objectives to be aligned and embedded across the organisation. We have made substantial progress in aligning the methodology and reporting process. Expanding the risk database contributed to streamlining the alignment and reporting process.

In the year ahead we will focus attention on improving the robustness of the process by, among other measures, continuing baseline risk identification sessions, improving the risk control effectiveness approach and expanding on the combined assurance process.

The effectiveness of the improved risk management process will be subject to a formal internal assessment and risk maturity audit in 2015.

Most significant risk exposures

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

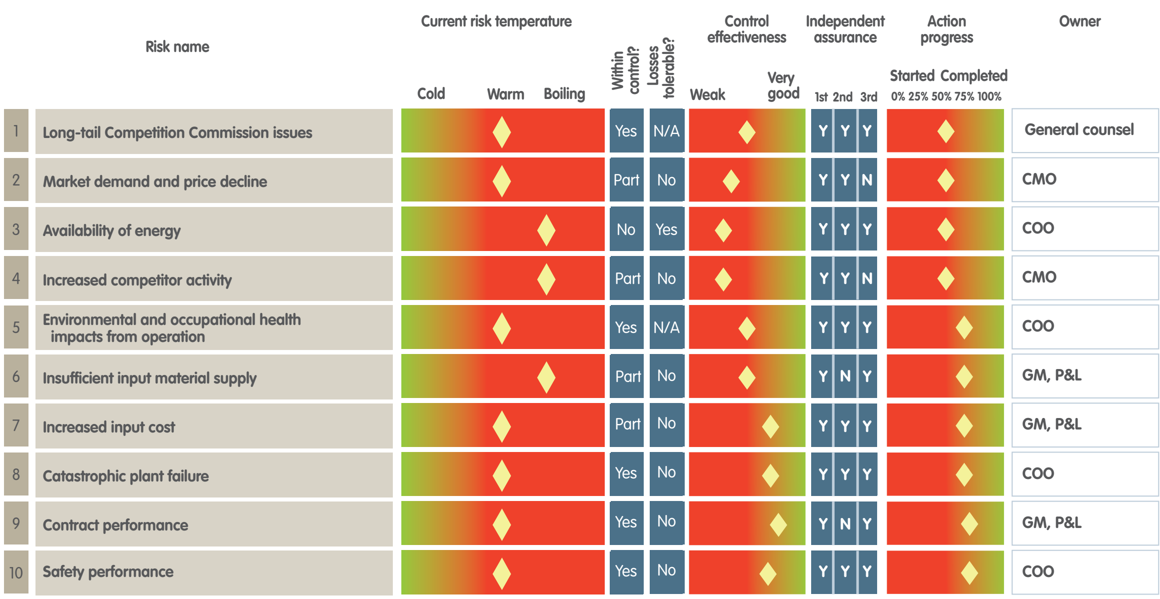
2014 risk management highlights included:

- There were no catastrophic operational incidents in the year;
- Nineteen of the top asset risks where capital was required were mitigated in 2014; almost 50% of these were in Newcastle;
- The vulnerability rating improved on average by 2.7% on sites surveyed in 2014. At year-end the steel vulnerability rating stood at 42.2% against a 2015 target of 40%;
- The risk management maturity level, as assessed by internal audit, improved from 2.4 to 2.54. This rating is defined (in terms of ISO 31000) as "managed" with a target of becoming "sustainable".

2015 risk focus areas

- Continuation of the drive to reduce top asset risks. Ten out of 62 risks identified in 2013 as priority were mitigated with a further 19 risks mitigated in 2014. It is planned to mitigate the remaining 33 in 2015/16;
- New asset risks identified in 2014 will be assessed and included in the risk registers. Risks identified as being among the company's top exposures will be highlighted and addressed accordingly;
- Business continuity management: Completion of the operational business continuity plans will be driven in 2015. Newcastle (pilot) and Saldanha have been completed with the other operational units to be done in 2015;
- Risk identification and assessment with a focus on the identification of training techniques. Training in specific risk identification and assessment techniques such as SWIFT and HAZOP will be done in 2015. The intent is to strengthen and align the risk identification process. Training in management of change (MOC) principles will also be a focus area for 2015. (The biggest gap found during audits related to MOC.)

ArcelorMittal South Africa risk dashboard: January 2015



Measures taken to mitigate our top strategic measures:

Control details (Controls currently implemented)	Action details (Additional actions to reduce the risk)
• Group compliance training on ArcelorMittal policies, anti-trust, anti-corruption, and economic sanctions	• Appropriate legal defences being adopted • Relationship building
• Adequate market intelligence, including: – Monitoring of imports – Strategy discussions with customers – Arbitration meetings – Consumption modelling with customers – Monitor leading market indicators	• Target market approach • Further development on an ongoing basis in Africa over land market • Target projects (e.g. infrastructure) • Strategic sessions with customers • Further improvement of service KPIs (OTD, pricing) • Investment into working capital
• Optimise electricity consumption within ArcelorMittal South Africa • Monthly discussion between industry and Eskom • Standard NRS048 "Emergency energy supply for South Africa" implemented • Emergency electricity network exists in Newcastle • Change in Vanderbijlpark works footprint	• Energy business improvement wave to explore energy efficiency improvements requiring no or low capital
• Monitoring of market activities and review of strategies accordingly • Improved customer service and reliability • Feedback from customers and developing account plans accordingly (target market approach)	• Implementation of target market approach and industry plans • Shorten lead times and improve on-time delivery • Supply stability by continued focus on improvements, maintenance and operational expenditure requirements • Improve B-BBEE status by implementing identified actions
• Projects implemented, e.g. waste disposal site (Vanderbijlpark), sinter clean gas (Vanderbijlpark), coke oven clean gas and water (Vanderbijlpark), EAF dust extraction system (Vereeniging) • Emission measurement • Closure of EAF and Battery 3 in Vanderbijlpark • Improved PPE at coke ovens	• Individual action plans to partially remediate but are behind with capex programmes due to lack of available funds – major projects include: – Newcastle zero effluent discharge (ZED) project – Vanderbijlpark coke battery projects (eg coal water treatment and battery tightness) • Ongoing shop floor audits for incorrect use of PPE and violations of standard operating procedures • Periodic medical surveillance
• Internal logistics improvement plan to address turnaround times • Road transport as alternative • Monthly forum between TFR and ArcelorMittal South Africa • Inventory management • Daily weekly and monthly planning meetings • Integrated transport plan • Logistics operations centre (LOC) with TFR on site • Alternative supply of critical input material	• Joint optimisation project between management of ArcelorMittal and Transnet Freight Rail to improve service delivery • Review and maintain safety stock levels to serve as contingency
• Weekly stock planning meetings • Target stock days • Optimise internally generated material (e.g. scrap)	• Base volume to be negotiated (rail and road) – thus focus should be sustainable logistics performance • Strategic partnership • Increase Africa supply • Leakage prevention initiatives
• Asset risk management process to mitigate risks • Preventative maintenance	• Monitoring of operational drivers during monthly reviews • Business improvement process • Implementation of actions to reduce asset risks through prioritised capex plan • Increased focus on process safety and passive plant protection (industrial audit) • Increased focus on current controls
• Dedicated resource to manage contracts • Identification of long-term, high-value and high-risk contracts using a rule-based approach • Comprehensive contracting guideline drafted • Spent matrix control in place for key commodities. SAP controls implemented • Software solution in SAP (contract lifecycle management) to effectively manage contracts • Management of contract register, deployment of Qlikview • Contract management process with contract owners implemented	• Draft contract manual • Renegotiate all logistics road contracts • Contract management audit
• Driving the adherence to fatality prevention standards • Close out of IRCA and cross site audit findings • Visual felt leadership • Improved focus on leading indicators • Management presence on the shop floor	Journey to zero incidents by: • Driving FPS standards – Level 3 at all sites in 2015 • Implementing more practical training with focus on the behaviour of employees and language medium

Remuneration report

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

The remuneration context in 2014

Sluggish steel demand, lack of recovery in the domestic market, cheap imports and the effects of the global economic recession, coupled with the impact of the Newcastle Works blast furnace rebuild, contributed to another year of poor financial performance.

Our company faces many daunting challenges. These we are resolved to confront and overcome (as outlined in the CEO's message on page 25 and the "Driving profitability" section on page 44). Remuneration plays an important role in rewarding executives and staff for delivery on strategic business objectives and in the creation of a high-performance culture (see page 52), which is essential to our survival and growth. In the context in which we find ourselves at present, while keenly aware of the need to retain and incentivise talent, we are equally mindful of the need to cut costs in our drive to create sustainable value.

Remuneration philosophy

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

This philosophy is underpinned by the following principles:

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

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

Remuneration, social and ethics committee

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

The committee monitors the company's activities in respect of the environment, health and safety (including employee and public) and does so while having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. The committee has recommended certain improvements in these processes to be implemented in the forthcoming year.

At each of its meetings, the committee received reports from management, and in turn reports on relevant matters within its mandate to the board.

The roles, responsibilities and the work plan for the committee are set out in a comprehensive terms of reference approved by the board.

As part of the board appraisal conducted, the committee assessed its effectiveness through the completion of a self-assessment process. The board and committee discussed the results of the self-assessment process and actions were taken and processes put in place to improve the areas identified.

The objectives and responsibilities are aligned with the committee's statutory functions as set out in the Companies Regulations 2011 and form the basis of an annual work plan. In summary the committee has a duty to:

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

The committee has adopted appropriate formal terms of reference as its mandate, has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The committee was mandated by the board to develop and approve the remuneration policy for the company.

In addition to executing its social and ethics responsibilities, RSEC's key activities and achievements during the year included reviewing and acting on:

- The framework for the remuneration of executive and senior management;
- Targets and rules for performance-related pay schemes;
- General salary increases and mandates for negotiations with trade unions;
- Ensuring a proper system of succession planning for top management, and monitoring the succession planning in the rest of the organisation;
- Confirming appointments to senior management positions;
- Employment equity plans for implementation; and
- Matters relating to corporate culture and management performance in terms of retention and talent development.

Remuneration design structure

Our remuneration structures are designed to align the value, significance and contribution of the job with the remuneration mix.

A job evaluation system is used to assess each job's relative worth to the organisation. This is then aligned with the pay structure.

This system means that the proportion of fixed pay to variable pay differs between lower-level and higher-level job categories. Employees in lower-level categories receive higher fixed pay and lower variable pay while for top-level jobs a greater emphasis is attached to variable remuneration. This ensures that we incentivise and reward high performance while shifting a greater proportion of risk to top-level, higher-paid employees.

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

- The payment of industry-competitive annual packages (fixed salary and company benefits);

- Variable annual, bi-annual or monthly performance reward programmes; and
- Long-term cash-based equity schemes for senior management.

The remuneration mix

Guaranteed pay

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

As detailed above, straitened economic conditions this year continued to impact our profitability. These challenges were exacerbated by the delay in completing the Newcastle reline. The underperformance of the business this year led us to implement an across-the-board pay increase of 3% in April 2014, including a targeted pay adjustment for critical skills and glaring pay anomalies within the package pay categories. This pay increase was below market pay adjustments, which averaged 6%. We continue to conduct market pay benchmarks and review changes in legislation to inform our pay strategy.

We have analysed the recently promulgated Employment Equity Act regulation on equal pay for equal work and are implementing corrective pay measures to maintain compliance with this new legislative requirement, effective from 1 February 2015.

The guaranteed remuneration of bargaining-unit employees is negotiated with the National Union of Metalworkers of South Africa (Numsa) and Solidarity. During the year we successfully concluded an overall one-year wage agreement of 7.4% with unions, which was within budget and backdated to 1 April 2014. Given that the duration of the agreement is one year, we will begin the process of negotiating a new wage agreement with unions in Q2 2015. Unionised employees' pay progression is governed by competency-based remuneration, allowing for pay adjustments up to three times per annum in accordance with the individual's assessed competency level. This pay progression model for the bargaining unit has been implemented since 2003.

Variable pay

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

The performance bonus plan – package employees

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

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

Our aim is to align our objectives and key performance for all areas, including cascading and measuring annual, monthly and daily performance, in driving our high-performance culture.

Specific business measures for 2014 were cascaded to all departments which consisted of:
- Domestic market share;
- Achieving imperative elements of the B-BBEE codes;
- Management gains;
- Cost optimisation;
- Working capital efficiency; and
- Prudent allocation of capex.

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

The current management bonus plan will remain in place for the duration of 2015 other than business specific measures.

Productivity bonus scheme – bargaining-unit employees

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

The extent to which individual employee performance is measured against these three targets is determined by employees' ability to influence safety and productivity in their areas.

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

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

Remuneration report continued

Production and maintenance bonus – production employees

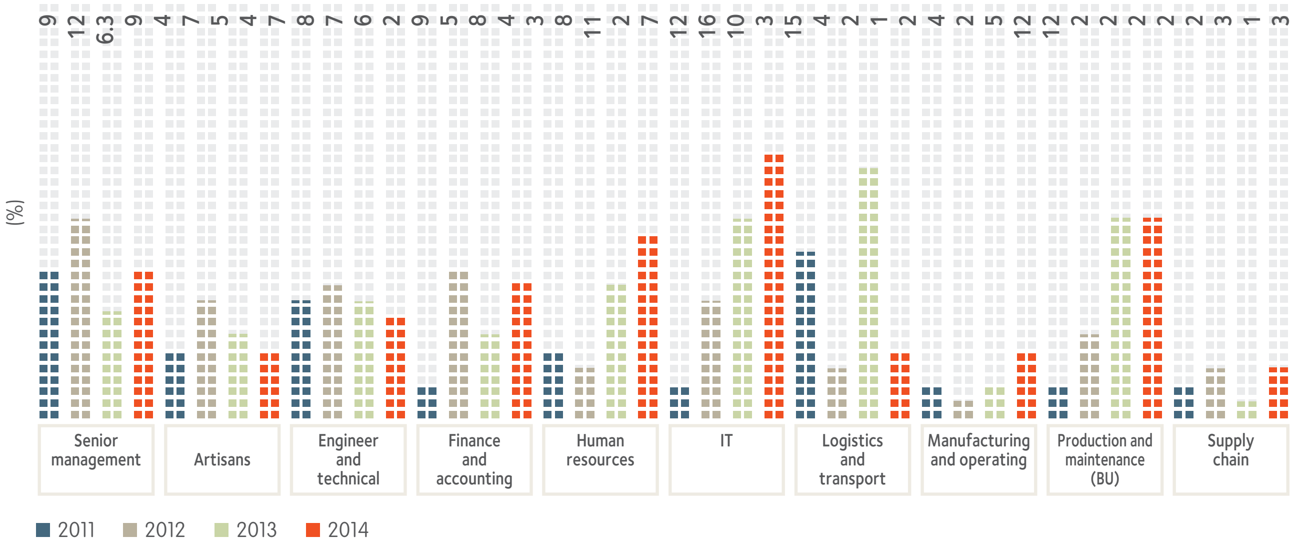
In order to further enhance our reward offering and drive our performance culture, an additional element was added to the productivity bonus. Middle managers linked directly to the production of steel are measured in the same way as their staff members and incentivised in driving safety, quality and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

The medium-term incentive scheme

The medium-term incentive scheme is aimed at retaining critical scarce skills in various key specialist positions below senior management. Participants need to have been in employment for three years from the date of the first payment and, where necessary, are required to participate in a formal mentorship and coaching programme to develop successors. The scheme has been successful in retaining key skills in engineering and technical areas with a reduced labour turnover of 2% when compared with an 8% labour turnover in 2009. The scheme comes to an end in May 2015 and no major impact is expected on current employee turnover. We have also expanded this offering to retain our government-certificated engineers; it will be implemented in early 2015.

The average overall voluntary labour turnover remains at 4% as reflected below:

Voluntary turnover – 2011 to December 2014



2011 – 3%	2012 – 4%	2013 – 4%	2014 – 4%

The long-term incentive plan – local employees

The long-term incentive plan (LTIP) which has been in operation since 2012, is a conditional share scheme that awards participating employees shares in ArcelorMittal South Africa. This supports the closer alignment of management and shareholder interests.

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

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

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

The potential annual share allocation to senior managers and designated executives varies between 20% and 100% of guaranteed pay. The remuneration, social and ethics committee also approved performance targets for ROCE and TCOE/t for the conditional shares issued to designated executives, namely the CEO and general managers; these shares vest at the end of 2017. The achievement of these targets over the three-year period entitles designated executives to 100% of the LTIP allocation.

LTIP shares allocated to senior management during 2014 are shown on page 77 of this report. The international executives participate in the ArcelorMittal group share scheme according to international mobility policy.

The current LTIP plan will remain in place for additional awards in 2015 with the following changes that RSEC approved:

- Revise the TCOE/t current performance threshold from 80% to 95%; capped at 115%, and reduce the performance interval from 20% to 5%; capped at 115%.
- Cascade ROCE and TCOE/t performance conditions to manager roles by linking 50% of LTIPs allocated to performance conditions.

Average of three years will change to annual performance determination, yet three-year vesting condition will remain.

The following table shows the performance conditions and vesting scale for LTIP issued in 2015:

	TCOE						ROCE					
Intervals			95%	100%	105%	115%		80%	100%	120%	140%
Eligibility	Allocation	Weight	Payout % TCOE				Weight	Payout % ROCE			
CEO	100%	50%	12.50%	25%	37.50%	50%	50%	12.50%	25%	37.50%	50%
General managers	80%	50%	12.50%	25%	37.50%	50%	50%	12.50%	25%	37.50%	50%
Group managers*	30%	25%	6.25%	12.50%	18.75%	25%	25%	6.25%	12.50%	18.75%	25%
Managers	20%	25%	6.25%	12.50%	18.75%	25%	25%	6.25%	12.50%	18.75%	25%

** 50% of share allocations based on performance conditions.*

Executive retention

A once-off executive retention payment potentially costing R3.8 million was implemented in September 2013. This once-off cash equivalent will be payable to qualifying executives in August 2016.

ArcelorMittal South Africa share option plan

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

This scheme was effective from 12 December 2005 to present. Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4%, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

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

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

The administration of participant transactions of both the share option and the long-term incentive plans are outsourced to EOH Human Capital Solutions (Pty) Ltd, an external service provider.

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

International executive share plans

International executive mobility share plan

The ArcelorMittal group issued equity-settled share options over its own shares, denominated in USD, to its executive employees seconded to ArcelorMittal South Africa.

Restricted/performance stock unit plan

The ArcelorMittal group commenced with the restricted/performance stock unit plan in 2011. The stock units are issued for the benefit of senior executives of the group seconded to ArcelorMittal South Africa. The restricted stock unit entitles the holder of the unit to receive one ArcelorMittal group share on or after the vesting date of the restricted stock unit, subject to the vesting conditions being met. Restricted stock units vest after three years of continued employment within the group. Performance stock units vest upon continued employment as well as specific performance conditions being met. This plan replaces the Executive International Mobility Share Option Plan. Please refer to note 33 of the annual financial statements for additional information.

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.

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

Non-executive directors

Non-executive directors do not receive short-term or long-term incentives. They are appointed based on proposals submitted by the nominations committee to the board and shareholders for approval and their term of office is three years. One-third of all directors retire at the annual general meeting, but they are eligible for re-election.

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

A resolution proposing an increase in non-executive directors' fees was approved by shareholders on 29 May 2014. RSEC is currently reviewing non-executive directors' fees for 2015 and a proposal will be put to the board in May 2015.

Remuneration report continued

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 R	Retirement funding R	Short-term incentives[1] R	Equity incentives[2] R	Other[3] R	**Total remuneration 2014 R**	Total remuneration 2013 R
Executive directors								
PS O'Flaherty	4	1 722 691	142 985	–	116 683	5 279	**1 998 733**	–
MJ Wellhausen	5	3 218 672	–	1 260 000	518 841	713 547	**5 711 060**	3 321 796
N Nyembezi-Heita	4	540 147	44 833	–	–	5 651 237	**6 240 365**	5 539 396
Sub-total		5 481 510	157 818	1 260 000	635 524	6 370 063	**13 950 158**	8 861 192
Prescribed officers and highest paid employees								
WA Nel		2 155 676	178 924	1 318 167	431 680	149 582	**4 260 222**	2 967 940
TG Nkosi		2 084 048	172 978	589 500	314 457	27 514	**3 214 690**	2 701 206
RH Torlage		2 018 469	171 444	1 001 167	200 065	257 253	**3 721 679**	2 678 238
HL Rosenstock		2 373 804	–	675 000	425 562	447 126	**3 921 492**	2 660 894
KS Kumar		2 051 037	–	572 000	312 385	101 192	**3 084 995**	2 491 044
JM Lotter		1 621 610	134 596	446 000	251 150	134 035	**2 587 391**	1 854 257
Sub-total		12 304 644	657 942	4 601 834	1 935 299	1 116 702	**20 790 469**	15 353 579
Total		17 786 154	845 760	5 861 834	2 570 823	7 486 765	**34 740 627**	24 214 771

1 The short-term incentives relate to benefits for the December 2013 financial year, paid in April 2014.
2 Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.
3 Other includes medical benefits, separation payments, leave encashments, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance. Included in Other is a separation payment of R4 653 838 and leave entitlement of R992 490 paid to N Nyembezi-Heita.
4 N Nyembezi-Heita resigned as chief executive officer effective 18 February 2014. PS O'Flaherty was appointed chief executive officer with effect from 1 July 2014.
5 MJ Wellhausen resigned as an executive director and chief financial officer of the company with effect from 15 March 2015. Gerhard van Zyl has been appointed as acting chief financial officer with effect from 15 March 2015.

Remuneration of directors and prescribed officers

	Notes	Directors' fees R	Committee fees R	Other R	**Total remuneration 2014 R**	Total remuneration 2013 R
Non-executive directors						
DCG Murray		153 912	332 010	1 985	**487 907**	452 046
FA du Plessis		153 912	223 872	97 165	**474 949**	381 914
LP Mondi	6	153 912	115 434	–	**269 346**	264 998
NP Mnxasana	7	153 912	158 576	–	**312 488**	90 948
PM Makwana	8	1 113 654	76 956	–	**1 190 610**	880 000
JRD Modise	7	153 912	233 200	–	**387 112**	128 260
ND Orleyn	9	–	–	–	**–**	247 651
M Macdonald	10	–	–	–	**–**	164 792
MJN Njeke	8	–	–	–	**–**	85 556
Total		1 883 214	1 140 048	99 150	**3 122 412**	2 696 165

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

6 LP Mondi's remuneration is paid directly to the Industrial Development Corporation.
7 Appointed on 1 October 2013.
8 MJN Njeke retired as non-executive director and chairman of the board on 4 February 2013. PM Makwana joined the board as independent non-executive director and chairman with effect from 5 February 2013.
9 Resigned on 1 October 2013.
10 Retired on 29 May 2013.

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

Options issued to directors, prescribed officers and the highest-paid senior employees (who are not directors), which form part of the 15,9 million (2013: 38,4 million) shares allocated to the Management Share Trust, are as follows:

The following table reflects the status of unexercised options held by executive directors, prescribed officers and the highest-paid senior employees, the gains and as a result of past awards during the year ended 31 December 2014.

Name of executive	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (R)	Present value of unvested share units at the end of the year (R)
PS O'Flaherty	LTIP	05/08/2014	–	53 473	53 473	–	35.80	1 412 222
			–	53 473	53 473	–	–	1 412 222
WA Nel	Share options	10/02/2011	14 010	–	14 010	14 010	87.20	–
		07/11/2011	17 310	–	17 310	17 310	67.00	–
	LTIP	14/11/2013	94 096	–	94 096	–	40.47	2 485 075
		27/05/2014	–	81 263	81 263	–	34.89	2 146 156
			125 416	81 263	206 679	31 320	–	4 631 231
TG Nkosi	Share options	10/02/2011	18 650	–	18 650	18 650	87.20	–
		07/11/2011	13 840	–	13 840	13 840	67.00	–
	LTIP	14/11/2013	84 728	–	84 728	–	40.47	2 237 666
		27/05/2014	–	52 131	52 131	–	34.89	1 376 780
			117 218	52 131	169 349	32 490	–	3 614 446
RH Torlage	Share options	08/11/2006	29 563	–	29 563	29 563	83.88	–
		12/12/2006	2 946	–	2 946	2 946	82.02	–
		20/11/2007	16 770	–	16 770	16 770	133.50	–
		10/11/2008	16 770	–	16 770	16 770	73.75	–
		02/11/2009	15 250	–	15 250	15 250	106.50	–
		29/09/2011	53 500	–	53 500	53 500	59.00	–
		07/11/2011	35 153	–	35 153	35 153	67.00	–
	LTIP	14/11/2013	31 304	–	31 304	–	40.47	826 739
		27/05/2014	–	51 669	51 669	–	34.89	1 364 578
			201 256	51 669	252 925	169 952	–	2 191 317
JM Lotter	LTIP	14/11/2013	70 452	–	70 452	–	40.47	1 860 637
		27/05/2014	–	40 938	40 938	–	34.89	1 081 173
			70 452	40 938	111 390	–	–	2 941 810

Notes:
1. *Share options vest within three years and are exercisable within 10 years from the date of issue.*
2. *Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed in this note.*
3. *No options were exercised during the year.*
4. *All share options have vested at the end of the period. All share options are "out of the money", therefore the present value is nil at 31 December 2014.*

Remuneration report continued

International executives restricted stock unit (RSU)/performance stock unit (PSU) plans

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

Name of executive	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 (USD)	Present value of unvested share units at the end of the year (USD)
MJ Wellhausen	RSU	29/03/2013	2 500	–	2 500	–	13	27 800
		27/09/2013	2 500	–	2 500	–	14	27 800
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	29/03/2013	1 500	–	1 500	–	13	16 680
		27/09/2013	2 750	–	2 750	–	14	30 580
		17/12/2014	–	4 000	4 000	–	11	44 480
			9 250	8 000	17 250	–	–	191 820
HL Rosenstock	RSU	29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	4 000	4 000	–	11	44 480
			4 800	8 000	12 800	–	–	142 336
KS Kumar	RSU	01/09/2011	2 000	–	2 000	–	21	22 240
		29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	2 000	2 000	–	11	22 240
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	2 000	2 000	–	11	22 240
			6 800	4 000	10 800	–	–	120 096

Limited assurance report

Limited assurance report of the independent auditor, Deloitte & Touche, to the directors of ArcelorMittal South Africa Ltd on their sustainability performance indicator disclosures as presented in the integrated annual report for the year ended 31 December 2014.

Scope of our work

We have undertaken a limited assurance engagement on selected ArcelorMittal South Africa Limited (AMSA) sustainability indicators presented in the integrated report for the year ended 31 December 2014 (the report).

The selected sustainability performance indicators are as follows:

Social

- Lost-time injury frequency rate;
- Total number of work-related fatalities;
- Total number of permanent employees;
- Demographics of permanent employees based in South Africa, by race;
- Group corporate social investment (CSI) spend; and
- Total number of employees within the AMSA development pipeline.

Environmental

- Total direct energy consumption (tonnes);
- Total indirect energy consumption (TWh);
- Total greenhouse gas emission (Scope 1 and Scope 2) (tCO_2e); and
- Carbon emission intensity per tonne of liquid steel.

Economic

- Externally verified broad based black economic empowerment (B-BBEE) scorecard.

Production performance

- Liquid steel capacity utilisation.

Directors' responsibility

The directors are responsible for the preparation of the integrated annual report for the year ended 31 December 2014. This responsibility includes the identification of stakeholders, stakeholder requirements, and material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express our limited assurance conclusion on the above sustainability performance indicators for the year ended 31 December 2014 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 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000). This standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected key performance indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability, in the circumstances, of AMSA's use of internally developed methodologies as the basis of preparation for the selected key 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 performance indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. 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. Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Reviewed the process that AMSA has in place for determining material selected key performance indicators to be included in the report;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators;
- Performed a controls walkthrough;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the key performance indicators;
- Undertook site visits; and
- Evaluated whether the selected key performance indicators presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at AMSA.

This engagement was conducted by a multidisciplinary team including health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

We do not express a reasonable assurance opinion about AMSA's selected key performance indicators.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with International Standard on Quality Control 1, Deloitte maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that for the year ended 31 December 2014 the selected key performance indicators set out above are not prepared, in all material respects, in accordance with the Global Reporting Initiative (GRI) guidelines, supported by AMSA's internally developed guidelines.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the directors of ArcelorMittal South Africa 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 AMSA for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per – AN le Riche
Partner

10 March 2015

National Executive: *LL Bam Chief Executive, *AE Swiegers Chief Operating Officer, *GM Pinnock Audit, DL Kennedy Risk Advisory, *NB Kader Tax, TP Pillay Consulting, *K Black Clients & Industries , *JK Mazzocco Talent & Transformation, *MJ Jarvis Finance, *M Jordan Strategy, S Gwala Managed Services, *TJ Brown Chairman of the Board, *MJ Comber Deputy Chairman of the Board

A full list of partners is available on request

*Partner and Registered Auditor

REPORTS AND FIN

"Our financial performance this year reflected the challenging market realities and the necessarily negative impact of the Newcastle blast furnace reline."

Chief financial officer, Matthias Wellhausen

"We will capitalise on our many strengths and seize opportunities and we will empower our employees and give them greater accountability so that they all have the confidence to drive the future of this company."

Chief executive officer, Paul O'Flaherty

NANCIAL RESULTS

Audit and risk committee report

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

Membership

The committee comprised the following members at the date of this report:
- DCG Murray (chairman),
- FA du Plessis, and
- NP Mnxasana.

Each member is an independent director and has the adequate relevant knowledge, the financial expertise and experience to equip the committee to properly execute its duties and responsibilities. Members' qualifications are set out on pages 62 and 63.

During the year under review, five meetings were held. Details of attendance by members at the meetings are set out on pages 62 and 63. [click here].

Functions of the committee

The committee reports that it has adopted appropriate formal terms of reference as its mandate, and has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein. During the financial year under review, it reviewed the following matters:
- the quarterly and half-yearly financial reports, the integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries;
- the effectiveness of the combined assurance model;
- the reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection;
- the effectiveness of the internal audit function;
- the auditor's findings and recommendations;
- statements on ethical standards for the company and considered how they are promoted and enforced;
- significant cases of unethical activity by employees or by the company itself; and
- reports on the risk management process in the company and assessed the company's exposure to the following risks:
  - top strategic risks (including credit and market risks, human resources risks and compliance risks);
  - operational risks; and
  - information technology risks.

Independence of auditor

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

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Ltd and the group for the year ended 31 December 2014 and, based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation.

Internal financial controls

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

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

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

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

The committee has satisfied itself that the chief financial officer has the appropriate expertise and experience as does the incoming acting chief financial officer. Mr MJ Wellhausen resigned as CFO on 15 March 2015 with Mr G van Zyl being appointed as acting CFO on the same date.

The committee has assessed the competency, skills and resourcing of the group's finance function, and has satisfied itself as to the overall adequacy and appropriateness of the finance function.

Expertise and experience of the company secretary

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

Recommendation of the annual financial statements and integrated annual report

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

Directors' report

The directors' report has been included as part of the annual financial statements.

DCG Murray
Chairman

10 March 2015

Independent auditor's report on summarised consolidated financial statements

To the shareholders of ArcelorMittal South Africa Ltd

The accompanying summarised consolidated financial statements which comprise the summary consolidated statement of financial position as at 31 December 2014, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of ArcelorMittal South Africa Ltd for the year ended 31 December 2014.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 10 March 2015. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "other reports required by the Companies Act" (included below). Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those consolidated financial statements.

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

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with IFRS and Interpretations issued respectively by the Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, in particular International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of ArcelorMittal South Africa Ltd for the year ended 31 December 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with IFRS and Interpretations issued respectively by the IASB and the IFRIC of the IASB, in particular IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 3 March 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2014, we have read the directors' report, the audit and risk committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements.

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per – DA Steyn
Partner

10 March 2015

National Executive: *LL Bam Chief Executive, *AE Swiegers Chief Operating Officer, *GM Pinnock Audit, DL Kennedy Risk Advisory, *NB Kader Tax, TP Pillay Consulting, *K Black Clients & Industries , *JK Mazzocco Talent & Transformation, *MJ Jarvis Finance, *M Jordan Strategy, S Gwala Managed Services, *TJ Brown Chairman of the Board, *MJ Comber Deputy Chairman of the Board

A full list of partners is available on request

*Partner and Registered Auditor

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

Member of Deloitte Touche Tohmatsu LimitedMember of Deloitte Touche Tohmatsu Limited

Summarised consolidated financial statements

for the year ended 31 December 2014

Basis of preparation

The summarised consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS) and interpretations issued respectively by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB in particular International Accounting Standard 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2014, and the South African Companies Act 2008.

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

The accounting policies applied in the preparation of the summarised consolidated financial statements are consistent with those applied for the comparative year, except for the following new or revised standards and amendments thereto, and interpretations as issued by the IASB, which are effective for the current reporting period that were adopted:

- IFRIC 21 *Levies*
- IAS 36 *Impairment of Assets*

The adoption of these new and revised accounting standards did not have a material impact on the consolidated financial statements and as such there is no change to comparative information resulting from the adoption of these standards.

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

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

- The assumptions used in impairment tests of carrying values of cash-generating units and intangible assets;
- Estimates of useful lives and residual values for intangible assets and property, plant and equipment; and
- Valuation of available-for-sale investment.

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

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2014

	Group	
	2014 Rm	2013 Rm
Revenue	34 852	32 421
Raw materials and consumables used	(21 339)	(19 652)
Employee costs	(3 764)	(3 408)
Energy	(3 466)	(3 288)
Movement in inventories of finished goods and work-in-progress	292	1 196
Depreciation	(1 386)	(1 544)
Amortisation of intangible assets	(24)	(19)
Other operating expenses	(5 466)	(5 659)
(Loss)/profit from operations	(301)	47
Finance and investment income	17	108
Finance costs	(605)	(368)
Impairment of financial assets	–	(72)
Impairment of property, plant and equipment	–	(1 878)
Gain recognised on loss of interest over former associate	80	–
Income/(loss) from equity-accounted investments (net of tax)	191	(35)
Loss before taxation	(618)	(2 198)
Income tax credit	460	51
Loss for the year	(158)	(2 147)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	445	561
Losses on available-for-sale investment taken to equity	(29)	(9)
Share of other comprehensive (loss)/income of equity-accounted investments	(253)	28
Total comprehensive income/(loss) for the year	5	(1 567)
Loss attributable to:		
Owners of the company	(158)	(2 147)
Total comprehensive income/(loss) attributable to:		
Owners of the company	5	(1 567)
Attributable loss per share (cents)		
– Basic	(39)	(535)
– Diluted	(39)	(535)

Summarised consolidated statement of financial position

as at 31 December 2014

	Group 2014 Rm	Group 2013 Rm
Assets		
Non-current assets		
Property, plant and equipment	16 001	14 702
Intangible assets	135	146
Equity-accounted investments	4 031	3 737
Other financial assets	58	17
Total non-current assets	20 225	18 602
Current assets		
Inventories	10 684	10 553
Trade and other receivables	1 562	2 194
Taxation	64	51
Other financial assets	37	17
Cash and bank balances	454	1 298
Total current assets	12 801	14 113
Total assets	33 026	32 715
Equity and liabilities		
Shareholders' equity		
Stated capital	37	37
Non-distributable reserves	(1 294)	(1 614)
Retained income	21 979	22 271
Total shareholders' equity	20 722	20 694
Non-current liabilities		
Finance lease obligations	256	757
Non-current provisions	1 720	1 328
Deferred income tax liability	1 204	1 747
Other payables	261	267
Total non-current liabilities	3 441	4 099
Current liabilities		
Trade payables	6 400	5 720
Taxation	18	6
Bank overdraft	–	107
Borrowings	1 000	906
Finance lease obligations	92	95
Current provisions	573	408
Other financial liabilities	11	–
Other payables	769	680
Total current liabilities	8 863	7 922
Total equity and liabilities	33 026	32 715

Summarised consolidated statement of cash flows

for the year ended 31 December 2014

	Group 2014 Rm	Group 2013 Rm
Cash generated from operations	2 205	1 595
Interest income	12	7
Finance cost	(372)	(169)
Income tax paid	(84)	(221)
Realised foreign exchange movement	(17)	(128)
Cash flows from operating activities	1 744	1 084
Investment to maintain operations	(2 640)	(1 500)
Investment to expand operations	(73)	(69)
Decrease/(increase) in equity-accounted investments	37	(53)
Proceeds from disposal of assets	1	72
Dividend from equity-accounted investments	61	–
Investment income – interest	6	5
Cash flows from investing activities	(2 608)	(1 545)
Increase in borrowings and finance leases	77	674
Cash flows from financing activities	77	674
(Decrease)/increase in cash and cash equivalents	(787)	213
Effect of foreign exchange rate changes	50	94
Cash and cash equivalents at the beginning of the year	1 191	884
Cash and cash equivalents at the end of the year	454	1 191

Summarised consolidated statement of changes in equity

for the year ended 31 December 2014

		Reserves						
Group	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 reserve Rm	Total equity Rm
Balance at 1 January 2013	37	24 383	(3 918)	(285)	227	1 377	421	22 242
Total comprehensive loss for the year	–	(2 147)	–	–	–	28	552	(1 567)
Share-based payment expense	–	–	–	–	19	–	–	19
Transfer between reserves	–	35	–	–	–	(35)	–	–
Balance at 31 December 2013	37	22 271	(3 918)	(285)	246	1 370	973	20 694
Total comprehensive income for the year	–	(158)	–	–		(253)	416	5
Share-based payment expense	–	–	–	–	23	–	–	23
Transfer between reserves	–	(134)	–	–	–	134	–	–
Balance at 31 December 2014	37	21 979	(3 918)	(285)	269	1 251	1 389	20 722

Notes to the summarised consolidated financial statements

for the year ended 31 December 2014

1. Segmental report

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

The group's reportable segments are as follows:

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

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

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

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2014

1. Segmental report *continued*

	Flat steel products		Long steel products	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Revenue				
– External customers	**22 957**	19 922	**9 911**	10 616
– Intersegment customers	**1 484**	775	**2 500**	1 002
Total revenue	**24 441**	20 697	**12 411**	11 618
Revenue to external customers distributed as:				
Local	**16 087**	15 099	**8 054**	8 194
Export	**6 870**	4 823	**1 857**	–
– Africa	**5 512**	4 317	**1 031**	1 792
– Europe	**–**	3	**–**	62
– Asia	**1 013**	341	**800**	438
– Other	**345**	162	**26**	130
Total	**22 957**	19 922	**9 911**	10 616
Results	**–**	–	**–**	–
Earnings before interest, tax, depreciation and amortisation	**535**	135	**16**	1 198
Provision for Tshikondeni mine closure costs	**–**	–	**–**	–
Provision for restructuring cost	**–**	–	**–**	–
Provision for onerous contract	**–**	–	**–**	–
Depreciation and amortisation	**(1 064)**	(1 255)	**(342)**	(301)
(Loss)/profit from operations	**(529)**	(1 120)	**(326)**	897
Impairment of financial assets	**–**	–	**–**	–
Impairment of property, plant and equipment	**–**	(1 269)	**–**	(551)
Finance and investment income	**4**	3	**3**	1
Finance costs	**(102)**	(82)	**(83)**	(16)
Gain recognised on loss of interest over former associate	**–**	–	**–**	–
Income/(loss) from equity-accounted investments (net of tax)	**–**	–	**–**	–
(Loss)/profit before tax	**(627)**	(2 468)	**(406)**	331
Income tax credit	**–**	–	**–**	–
Loss for the year	**607**	(2 468)	**406**	331
Segment assets	**19 038**	19 698	**9 318**	7 555
Investments in equity-accounted entities	**–**	–	**–**	–
Segment liabilities	**5 895**	4 659	**2 741**	2 483
Cash generated from operations	**444**	202	**230**	377
Capital expenditure	**501**	835	**2 103**	680
Number of employees at the end of the year*	**5 044**	4 961	**2 534**	2 186

* *Includes 11 employees on capital projects.*

Coke and Chemicals		Corporate and Other		Adjustments and eliminations		Total reconciling to the consolidated amounts	
2014 Rm	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
1 984	1 883	**–**	–	**–**	–	**34 852**	32 421
60	54	**–**	–	**(4 044)**	(1 831)	**–**	–
2 044	1 937	**–**	–	**(4 044)**	(1 831)	**34 852**	32 421
1 984	1 881	**–**	–	**–**	–	**26 125**	25 174
–	2	**–**	–	**–**	–	**8 727**	7 247
–	1	**–**	–	**–**	–	**6 543**	6 110
–	1	**–**	–	**–**	–	**–**	66
–	–	**–**	–	**–**	–	**1 813**	779
–	–	**–**	–	**–**	–	**371**	292
1 984	1 883	**–**	–	**–**	–	**34 852**	32 421
–	–	**–**	–	**–**	–	**–**	–
428	514	**289**	(76)	**(10)**	(3)	**1 258**	1 768
–	–	**(50)**	(158)	**–**	–	**(50)**	(158)
–	–	**(90)**	–	**–**	–	**(90)**	–
–	–	**(9)**	–	**–**	–	**(9)**	–
(35)	(35)	**(20)**	(18)	**51**	46	**(1 410)**	(1 563)
393	479	**120**	(252)	**41**	43	**(301)**	47
–	–	**–**	(72)	**–**	–	**–**	(72)
–	–	**–**	(58)	**–**	–	**–**	(1 878)
1	1	**9**	103	**–**	–	**17**	108
(4)	(3)	**(416)**	(267)	**–**	–	**(605)**	(368)
–	–	**80**	–	**–**	–	**80**	–
–	–	**191**	(35)	**–**	–	**191**	(35)
390	477	**(16)**	(581)	**41**	43	**(618)**	(2 198)
–	–	**–**	51	**–**	–	**460**	51
390	477	**444**	(530)	**41**	43	**(158)**	(2 147)
1 072	903	**1 648**	2 891	**(2 081)**	(2 069)	**28 995**	28 978
–	–	**4 031**	3 737	**–**	–	**4 031**	3 737
189	174	**3 680**	4 934	**(201)**	229	**12 304**	12 021
254	590	**1 277**	426	**–**	–	**2 205**	1 595
20	14	**89**	40	**–**	–	**2 713**	1 569
226	235	**1 225**	1 483	**–**	–	**9 029**	8 865

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2014

2. Loss per share

	Group 2014	Group 2013
Basic loss per share is calculated by dividing the loss attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties.		
Loss attributable to owners of the company (Rm)	(158)	(2 147)
Weighted average number of ordinary shares in issue (thousands)	401 202	401 202
Basic loss per share (cents)	(39)	(535)
Diluted earnings per share is calculated by dividing the loss attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options representing dilutive potential ordinary shares.		
Loss attributable to owners of the company (Rm)	(158)	(2 147)
Weighted average number of diluted shares (thousands)	401 202	401 202
Diluted loss per share (cents)	(39)	(535)

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

	2014 Gross Rm	2014 Net of tax Rm	2013 Gross Rm	2013 Net of tax Rm
Loss attributable to owners of the company	(618)	(158)	(2 198)	(2 147)
Impairment charges	–	–	1 950	1 950
Gain recognised on loss of interest over former associate	(80)	(80)	–	–
Less profit on disposal of assets of an associate	(16)	(10)	–	–
Loss/(profit) on disposal or scrapping of property, plant and equipment	29	21	(37)	(27)
Headline loss	(685)	(227)	(285)	(224)

	Group 2014 Rm	Group 2013 Rm
Headline loss per share (cents)		
– Basic	(57)	(56)
– Diluted	(57)	(56)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows (thousands):		
– Shares in issue held by third parties	401 202	401 202
– Weighted average number of shares	401 202	401 202
Adjustments for dilutive impact of the Management Share Trust		
– Shares under option	–	–
Weighted average number of diluted shares (thousands)	401 202	401 202

3. Commitments

	Group 2014 Rm	Group 2013 Rm
Capital commitments		
Capital expenditure contracted for property, plant and equipment	377	1 170
Capital expenditure authorised but not contracted for property, plant and equipment	798	1 258
Total	1 175	2 428

4. Change in accounting estimates

The useful lives of certain items of property, plant and equipment were reassessed and revised to reflect the current estimated life over which the group has the ability and intention to use such assets. The effect of these changes on the actual depreciation expense for the year ended 31 December 2014 is a reduction of approximately R109 million, of which R53 million relates to the first six months ended 30 June 2014. In addition, the company revised the method of estimation of net realisable value relating to general spare parts from that based on age to that based on the actual observed condition of the spares. This change resulted in the reversal of the previous write-down of inventory of R120 million.

5. Fair value measurements

Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, particularly the valuation techniques and inputs used.

Financial assets/liabilities (R million)	Fair values as at period ended: 31 December 2014	Fair values as at period ended: 31 December 2013	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale	58	17	Level 1	Quoted prices in an active market
Held-for-trading assets	37	17	Level 1	Quoted prices in an active market
Held-for-trading liabilities	11	–	Level 1	Quoted prices in an active market

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

6. Contingent liabilities

As reported in prior periods, and dating back to 2007, the Competition Commission (the Commission) has referred five cases against ArcelorMittal South Africa Ltd (ArcelorMittal South Africa) to the Competition Tribunal for prosecution. ArcelorMittal South Africa rejects the allegations made in each of these cases and is accordingly defending itself.

In addition, the Commission is formally investigating one further complaint against ArcelorMittal South Africa relating to alleged excessive pricing of tinplate and flat steel in general. Joined to this investigation is an investigation into alleged excessive pricing arising from the iron ore surcharge introduced by ArcelorMittal South Africa for the period May 2010 to July 2010. ArcelorMittal South Africa is cooperating fully with the Commission in this investigation and continues to deliver all information and documentation as and when called upon to do so.

7. Subsequent events

The directors are not aware of any matters or circumstances arising since the end of December 2014 to the date of this report that would significantly affect the operations, the results and the financial position of the group.

Analysis of ordinary shareholders

as at 31 December 2014

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
1 – 100 shares	7 802	32.28	345 997	0.08
101 – 1 000 shares	14 846	61.42	2 883 302	0.65
1 001 – 50 000 shares	1 271	5.26	9 017 464	2.02
50 001 – 100 000 shares	73	0.30	5 198 752	1.17
100 001 – 10 000 000 shares	175	0.72	115 814 274	25.98
10 000 001 and more shares	5	0.02	312 492 343	70.10
Total	**24 172**	**100.00**	**445 752 132**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Corporate holdings	2	0.01	208 700 402	46.82
Retirement benefit funds	179	0.74	71 126 872	15.96
Collective investment schemes and hedge funds	114	0.47	48 812 119	10.95
Retail shareholders, trusts and private companies	82	0.34	46 540 816	10.44
Other managed funds	41	0.17	39 416 758	8.84
Custodians, brokers and nominees	66	0.27	21 904 857	4.91
Unclassified holders (less than 10 000 shares)	23 665	97.90	6 216 358	1.39
Assurance and insurance companies	23	0.10	3 033 950	0.69
Total	**24 172**	**100.00**	**445 752 132**	**100.00**

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
South Africa	23 778	98.37	215 341 626	48.31
Switzerland	10	0.04	208 741 332	46.83
United States	36	0.15	11 083 935	2.49
United Kingdom	67	0.28	7 225 755	1.62
Belgium	8	0.03	1 485 822	0.33
Namibia	183	0.76	1 240 918	0.28
Swaziland	16	0.06	173 901	0.04
Balance	74	0.31	458 843	0.10
Total	**24 172**	**100.00**	**445 752 132**	**100.00**

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
ArcelorMittal Holdings AG	2	0.01	208 700 402	46.82
VICVA Investments and Trading Nine (Pty) Ltd	1	0.00	44 550 255	9.99
Investec Asset Management*	46	0.19	40 893 046	9.17
Industrial Development Corporation	1	0.00	35 252 586	7.91
Government Employees Pension Fund (GEPF)	7	0.03	28 859 547	6.47
Coronation Fund Managers*	153	0.63	23 018 305	5.16
Total	**210**	**0.86**	**381 274 141**	**85.52**

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

Public and non-public shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
ArcelorMittal Holdings AG	2	0.01	208 700 402	46.82
VICVA Investments and Trading Nine (Pty) Ltd	1	0.00	44 550 255	9.99
Directors and associates of the company or its subsidiaries	2	0.01	6 582*	0.00
	5	**0.02**	**253 257 239**	**56.82**
Non-public shareholders	5	0.02	253 305 687	56.82
Public shareholders	24 167	99.98	192 444 893	43.18
Total	**24 172**	**100.00**	**445 752 132**	**100.00**

Share price performance	
Opening price 2 January 2014	R37.30
Closing price 31 December 2014	R26.41
Intra-day high for the period (12 February 2014)	R48.50
Intra-day low for the period (17 December 2014)	R22.35
Number of shares in issue	445 752 132
Volume traded during period	137 135 739
Rand value of shares traded	R4 860 496 662
Ratio of volume traded to shares issued (%)	30.77

** The only change to the above interests occurred by DCG Murray following an indirect beneficial purchase of 4 000 company shares on 6 March 2015.*

Notice of annual general meeting

Important information regarding attendance at the annual general meeting.

Notice of annual general meeting

Notice is hereby given that the twenty-seventh annual general meeting of the company will be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 27 May 2015 at 09:00 to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out below and to deal with such other business as may be lawfully dealt with at the meeting.

Electronic participation

Shareholders or their proxies may participate in the meeting by way of a conference call and, if they wish to do so:
- must contact the company secretary (by email at the address sw@premcorp.co.za) by no later than 09:00 on Monday, 25 May 2015 in order to obtain a PIN and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Attendance and voting

The date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend, participate in and vote at the meeting is Friday, 22 May 2015 (meeting record date). Therefore the last day to trade to be registered as a shareholder in the company's register is Friday, 15 May 2015.

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

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

Attendance and representation at the annual general meeting

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

Identification

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

Notice of percentage of voting rights

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

Purpose of the annual general meeting

The purpose of this annual general meeting is to:
- present the directors' report and the audited annual financial statements of the group for the year ended 31 December 2014;
- present the audit and risk committee report;
- present the remuneration, social, ethics and audit and risk committee report; and
- consider any matters raised by shareholders.

This notice of meeting includes the attached proxy form.

Directions for obtaining a copy of the complete annual financial statements

The complete annual financial statements for the year ended 31 December 2014 may be obtained from the website http://www.arcelormittalsa.com or a request may be sent to the company secretary (by email at the address sw@premcorp.co.za).

1. Presentation to shareholders of:

1.1 The consolidated annual financial statements of the company and its subsidiaries.
1.2 The directors' report.
1.3 The independent auditors' report.
1.4 The audit and risk committee chairman's report.
1.5 The remuneration, social and ethics committee chairman's report.

2. Ordinary resolution number 1: Reappointment of auditors

"Resolved, as an ordinary resolution, that Deloitte & Touche be and is hereby appointed as the independent registered auditor of the company, and that Mr Mandisi Mantyi be noted as the individual determined by Deloitte & Touche to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing year."

3. Ordinary resolution number 2: Re-election of Mr PM Makwana

"Resolved, as an ordinary resolution, that Mr PM Makwana, who was appointed by the board and retires in terms of the Memorandum of Incorporation (MoI) of the company and is eligible and available for election, be and is hereby elected as a director of the company."

Mr Mpho Makwana (BAdmin (Hons)) was appointed as independent board chairman on 5 February 2013 and chairs the nominations committee. Immediate past chairman of Eskom Holdings, Mr Makwana is a management strategist with 20 years' executive experience in both the private and public sectors; director of companies including Adcock Ingram Holdings Ltd, Sephaku Holdings Ltd, Nedbank Group Ltd and Nedbank Ltd.

4. Ordinary resolution number 3: Re-election of Mr DCG Murray

"Resolved, as an ordinary resolution, that Mr DCG Murray, who was appointed by the board and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company."

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

5. Ordinary resolution number 4: Re-election of Mr LP Mondi

"Resolved, as an ordinary resolution, that Mr LP Mondi, who was appointed by the board and retires in terms of MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company."

Mr Lumkile Mondi (MA Economics (Eastern Illinois University), BCom (Hons) Economics (Wits University)), appointed non-executive director on 11 May 2007, is a member of the remuneration, social and ethics committee. Previously appointed as the chief economist of the Industrial Development Corporation. Director of companies, including Yard Capital (Pty) Ltd and Thelo Rolling Stock.

6. Ordinary resolution number 5: Reappointment of Mr PS O'Flaherty

"Resolved, as an ordinary resolution, that Mr PS O'Flaherty, who was appointed by the board on 1 July 2014 and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company."

Mr Paul O'Flaherty (BAcc, BCom, CA(SA)) was appointed as the chief executive officer and executive director on 1 July 2014. He was previously the financial director and group executive of Eskom Holdings. Prior to this, he was the chief financial officer and deputy CEO at Group Five Ltd.

7. Ordinary resolution number 6: Election of Mr DCG Murray as audit and risk committee member

"Resolved, as an ordinary resolution, that Mr DCG Murray be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Mr Chris Murray is suitably skilled and an experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his audit and risk committee obligations as set out in section 95 of the Companies Act, 71 of 2008 (the Act).

A brief curriculum vitae of Mr Murray is set out in ordinary resolution number 3.

8. Ordinary resolution number 7: Election of Adv FA du Plessis as audit and risk committee member

"Resolved, as an ordinary resolution, that Adv FA du Plessis be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Adv Fran du Plessis is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 95 of the Act.

Adv Fran du Plessis is an advocate of the High Court of South Africa and holds a number of board positions, namely Naspers and Life Healthcare. She is a director of the auditing firm LDP Incorporated in Stellenbosch and an ad hoc lecturer in the department of accounting at the University of Stellenbosch, where she lectures the Master's Degree in Taxation. She was appointed to the board on 4 May 2011 and chairs the safety, health and environment committee and is a member of the audit and risk committee.

9. Ordinary resolution number 8: Election of Ms NP Mnxasana as audit and risk committee member

"Resolved, as an ordinary resolution, that Ms NP Mnxasana be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the annual general meeting at which this resolution is passed until the conclusion of the next annual general meeting of the company."

The board is satisfied that Ms Nomavuso Mnxasana is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 95 of the Act.

Notice of annual general meeting continued

Ms Nomavuso Mnxasana (BCom, BCompt (Hons), CA(SA)) was appointed independent non-executive director on 1 October 2013. She is a member of the safety, health and environment committee and member of the audit and risk committee. She served as group audit and risk head at Imperial Holdings Ltd and currently serves on the following JSE-listed boards: Nedbank and JSE.

10. Non-binding advisory endorsement: Remuneration policy

"Resolved, as an ordinary resolution, that the company's remuneration policy (excluding the non-executive directors), as set out in the remuneration report on page 72 be endorsed by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa, 2009."

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

"Resolved, by way of separate special resolutions, that the annual fees payable to the non-executive directors of the company with effect from 1 May 2015 and until otherwise determined by ArcelorMittal South Africa in general meeting be approved on the basis set out below:

	Annual retainer	Attendance fee per meeting
Chairman (all-in annual fee)	R1 279 200	None
Director	R160 068	R13 339
Audit and risk committee chairman	–	R28 999
Audit and risk committee member	–	R14 552
Nominations committee chairman	–	R26 678
Nominations committee member	–	R13 339
Safety, health and environment committee chairman	–	R26 678
Safety, health and environment committee member	–	R13 339
Remuneration, social and ethics committee chairman	–	R26 678
Remuneration, social and ethics committee member	–	R13 339
Share trust committee chairman	–	R26 678
Share trust member	–	R13 339
Any ad hoc board committee appointed by the board (chairman)*	–	R26 678
Any ad hoc board committee appointed by the board (member)*	–	R13 339

** Fees to be payable to the non-executive directors of the company with effect from 1 December 2014."*

Reason for and effect of this resolution

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

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

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

Reason for and effect of this special resolution

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

13. Ordinary resolution number 9: Authority to implement resolutions passed at the annual general meeting

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

By order of the board
Premium Corporate Consulting Services (Pty) Ltd
Company secretary

10 March 2015

Proxy form

ARCELORMITTAL SOUTH AFRICA LIMITED

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

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

For use in respect of the twenty-seventh annual general meeting of the company to be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 27 May 2015 at 09:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting, or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters)

of (address)

Telephone (work) (home)

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

hereby appoint or failing him/her

or failing him/her

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

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

	Number of votes		
	For*	Against*	Abstain*
2. Ordinary resolution number 1: Reappointment of auditors			
3. Ordinary resolution number 2: Re-election of Mr PM Makwana			
4. Ordinary resolution number 3: Re-election of Mr DCG Murray			
5. Ordinary resolution number 4: Re-election of Mr LP Mondi			
6. Ordinary resolution number 5: Reappointment of Mr PS O'Flaherty			
7. Ordinary resolution number 6: Election of Mr DCG Murray as audit and risk committee member			
8. Ordinary resolution number 7: Election of Adv FA du Plessis as audit and risk committee member			
9. Ordinary resolution number 8: Election of Ms NP Mnxasana as audit and risk committee member			
10. Non-binding advisory endorsement: Remuneration policy			
11. Special resolution number 1: Approval of non-executive directors' fees			
11.1 Chairman			
11.2 Director			
11.3 Audit and risk committee chairman			
11.4 Audit and risk committee member			
11.5 Nominations committee chairman			
11.6 Nominations committee member			
11.7 Safety, health and environment committee chairman			
11.8 Safety, health and environment committee member			
11.9 Remuneration, social and ethics committee chairman			
11.10 Remuneration, social and ethics committee member			
11.11 Share trust committee chairman			
11.12 Share trust committee member			
11.13 Any ad hoc committee appointed by the board (chairman)			
11.14 Any ad hoc committee appointed by the board (member)			
12. Special resolution number 2: Financial assistance to related or inter-related company			
13. Ordinary resolution number 9: Authority to implement resolutions passed at the annual general meeting			

Signed this day of 2015

Signature:

Assisted by (if applicable):

Instructions and notes to the form of proxy

1. This form of proxy will not be effective at the meeting unless received at the company's transfer secretaries' office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by no later than 09:00 on Monday, 25 May 2015. If a shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with point 12 below. Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date, unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may delegate the authority given to him in this form of proxy by delivering to the company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
6. If:

   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the meeting; or
   6.4 any resolution listed in the form of proxy is modified or amended,

   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective, unless:

   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the company has already received a certified copy of that authority.
8. The chairman of the meeting may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alternations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
   10.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 09:00 on 25 May 2015; or
   10.2 subsequently appoints another proxy for the meeting; or
   10.3 attends the meeting himself in person.
11. All notices which a shareholder is entitled to receive in relation to the company shall continue to be sent to that shareholder and shall not be sent to the proxy.
12. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer secretaries' office, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, by not later than 09:00 on 25 May 2015. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
14. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Corporate information

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

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

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

Internet address
http://www.arcelormittalsa.com

Company secretary
Premium Corporate Consulting Services (Pty) Ltd
Registration number 2003/09512/07
Attention: Solete Wilke
33 Kingfisher Drive, Fourways, 2191
PO Box 2424, Fourways, 2055
Telephone: +27 (0) 465 5142/3
Facsimile: +27 (0) 86 511 6189
Email: sw@premcorp.co.za

Sponsor
JP Morgan Equities South Africa Proprietary Limited
1 Fricker Road, Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone: +27 (0) 11 507 0300
Facsimile: +27 (0) 11 507 0502

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
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
Telephone: +27 0861 100 950
Facsimile: +27 (0) 11 688 5217
Email: web.queries@computershare.co.za

United States ADR depositary
The Bank of New York Mellon
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Internet: www.bnymellon.com

BASTION GRAPHICS

How to use this report

We appreciate that recalling the meaning of several icons can be difficult for the first-time reader of a report such as this, hence the introduction this year of this flap which we believe will help readers reference what a particular icon refers to while aiding navigation of the printed report.

These icons relate to our four key strategic objectives:

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

The following icons relate to our material issues:

- Driving profitability
- Health and safety of our people
- Customer focus
- Excessive raw material costs
- Operational efficiencies
- Supplier efficiencies
- Industrial footprint
- Government relations
- Engaging with local communities
- Environmental responsibility
- B-BBEE performance

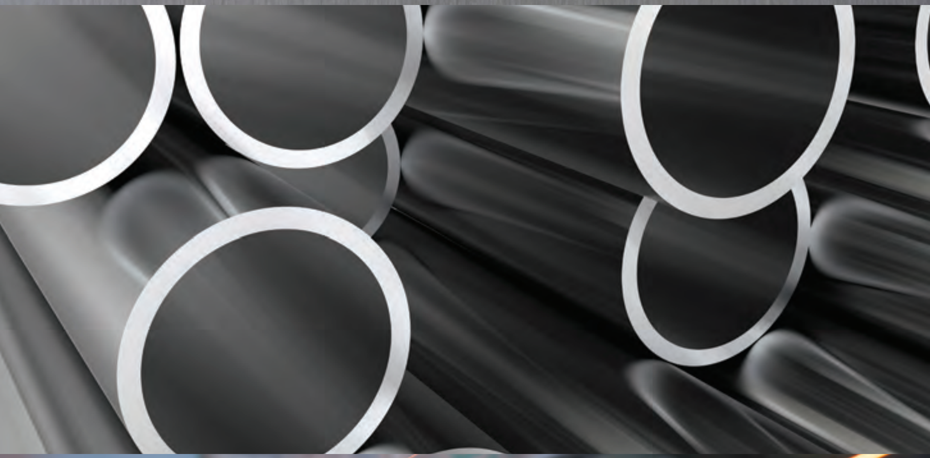
These icons refer to our top 10 risks:

- R/1 Competition Commission issues
- R/2 Demand and price decline
- R/3 Availability of energy
- R/4 Increased competitor activity
- R/5 Environmental and health impacts
- R/6 Increased input costs
- R/7 Insufficient input material
- R/8 Catastrophic plant failure
- R/9 Contract performance
- R/10 Safety performance

An overview of our business

Headquartered in Vanderbijlpark, Gauteng, ArcelorMittal South Africa is Africa's largest steel producer with a production capacity of 6.5 million tonnes of liquid steel per year. We supply over 60% of the steel used in South Africa and export to sub-Saharan Africa and elsewhere. In 2014 we employed over 13 500 people either directly, as hired labour, or as subcontractors, with an estimated economy-wide employment-creating impact of over 100 000 jobs.

A proudly South African company, we are part of the ArcelorMittal group, the world's leading steel producer with industrial sites in over 20 countries and a presence in more than 60.



ArcelorMittal South Africa Corporate Office
Delfos Boulevard
Vanderbijlpark
Phone: +27 (0) 16 889 9111
Fax: +27 (0) 16 889 4318
GPS coordinates: E 27° 48' 19.6" S 26° 40' 22.3"

www.arcelormittalsa.com