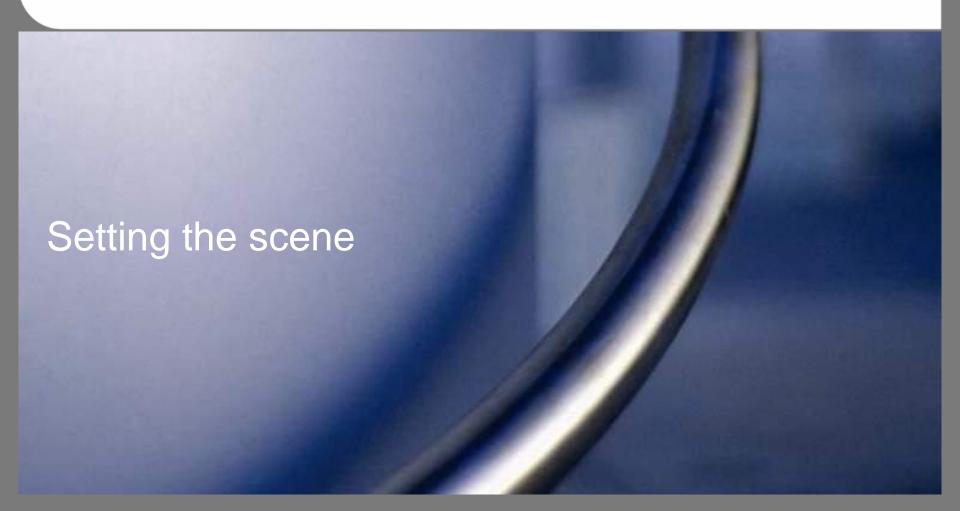


ArcelorMittal South Africa Parliament colloquium on beneficiation 27 August 2014





ArcelorMittal South Africa overview





0.3mt coal (0.2mt) from Tshikondeni

Coke & Chemicals shipped*

- Coke 545kt (460kt)
- Tar 109kt (109kt)

Botswana

0.7mt iron ore (1.2mt) from Thabazimbi

1.3mt coal (1.4mt) from Grootegeluk

HR*

Namibia

Republic of South Africa

Vanderbijlpark Works – 1.8mt (2.1mt)

Vereeniging Works – 0.3mt (0.3mt)

4.0mt iron ore (3.4mt) from Sishen



Newcastle Works - 1.2mt (1.1mt)

2.0mt iron ore (1.2mt) from Beeshoek

Saldanha Works - 1.0mt (1.1mt)

- •Full time employees 9 600 for the year
- •Employees per million tons prod = 1 884
- •Revenue per head R3.4m (US\$0.4m)

^{*12} months to December 2013 (2012)

Our Footprint



Economic growth engine



R27 bn (0.9 %) in direct GDP and R11 bn (0.4 %) in indirect GDP contribution

R47 m in economic value contribution in 2013

R1.5 bn in taxes contributed

R2.0 bn in procurement spend on QSE and EME

Employer, job creator and skills developer



Over 14 800 people in direct employment due to AMSA

Over 120,000 training seats provided with R138 m invested in training

R42 m invested in technical training; Multiple global steel innovations introduced to South Africa

R25 bn spent on over 2000 suppliers, but more emphasis on supplier devt. required

Impact on local communities



70 % of new recruits employed locally; 16 m tonnes of material transported on local road and rail

40 local community org. engaged in 2013, with outcomes documented

24 % spend (R5.9 bn) on local suppliers of which R1.0 bn on QSE & EME

R40 m invested in local communities in 2013

Environmental footprint



125 PJ of energy 17.5 bn litres of water abstracted and 13.4 m tonnes of raw material consumed 48 % improvement in water abstraction since 2005. Continuously improving effluents management

15.2 m tonnes Scope 1 and 2 CO₂ emitted 2.5 kt of dust and 23.5 kt of SO₂ emissions per annum 1.65 m tonnes by-products disposed of ; 290 ha of land under restoration

Enabler of S.A. development through supply of steel



5 m tonnes of steel produced with ~60% of South African steel supplied by AMSA supporting key domestic industries

3.5 formal jobs created economywide for every R1 m spent by AMSA Developed local steel processing industries through joint ventures. Export rebates of R213 m paid out to local companies in 2013

Catalyst for change in South Africa



8 819 received health & safety and 1 667 received anticorruption training 11 % female employment, 57 % HDSA employment and 75 % unionisation

AMSA at B-BBEE Level 7

Open disclosure of financial, env. and social indicators

Voluntary participant in several debates at national level

Mostly positive



Positive and negative



Mostly negative

Economic

Social

Environmental

Note: All figures as of 2013 Source: AMSA, internal data, BCG analysis





Our value creation model

= Kilotonnes

= Megalitres

= Terrawatt hour

TWh



Steelmaking Stakeholders Inputs Value outputs impacted process Input materials consumed **Financial outputs** 2012 2013 % change rolled 2012 2013 % change ♠ Plate coil Shareholder Iron ore 6 535kt 6 607kt +1% R32 421m Revenue R32 291m +0% Investors Coal 4 510kt 4 461kt -1% **EBITDA** R1 121m R1 768m +57% **Employees** 162kt 237kt +46% Scrap Profit from operations +110% (R477m) R47m -9% Fluxes (dolomite /lime) 1 548kt 1 403kt EBITDA margin 3.5% 5.5% +57% Hot strip mill **Product outputs** Energy 2012 2013 % change 2012 2013 % change Customers Blast Electricity purch (TWh) 3.91 3.67 -6% Flat steel 3 138kt 2 771kt -12% furnace Automotive Domestic market 2 223kt 2 003kt -10% Basic **Export market** 915kt 768kt -16% oxygen Building and furnace Water intake construction Long steel 1 484kt 1 459kt -2% 2012 2013 % change Caster Beverage Domestic market 1 113kt 1 123kt +1% Water intake (ML) 19 800 17 515 -12% **Export market** 371kt 336kt -9% Infrastructure Coke & chemicals +12% 1 477kt 1 648kt **Human resources** Mkt coke 460kt 545kt +18% 2012 % change 2013 Tar 109kt 109kt 0% Electric arc 9 645 9 0 1 6 -7% furnace Other **Employees** 908kt 994kt +9% Hired labour 1 739 1 869 +7% Service contractors 4 153 3 9 1 8 -6% Safety Billet mill Employee +1% Training spend R137.0m R138.1m 2012 2013 % change Contractors **LTIFR** 0.61 0.56 +9% Investments **Fatalities** Raw materials n/c 2012 2013 % change Socio economic outputs R875m R1 569m +79% Capex Local 2012 2013 % change Key: communities Socio economic = Tonnes

Flats, rails, joists,

rounds, angles,

billets and channels

Flats, reinforced bar.

rounds, angles

and blooms

R40.0m

Procurement spend R23 617m

R37.4m

R24 989m

-7%

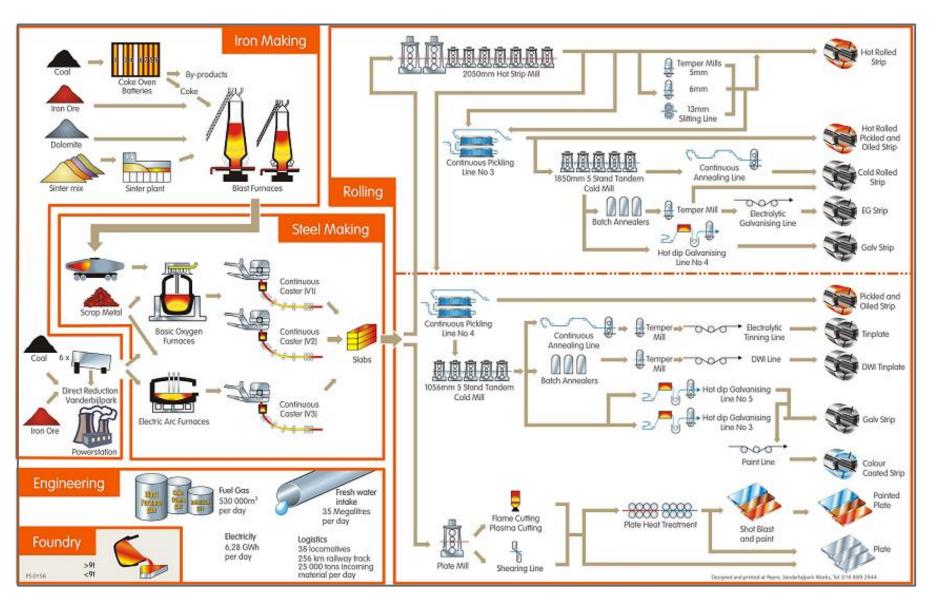
+6%

Suppliers local

business

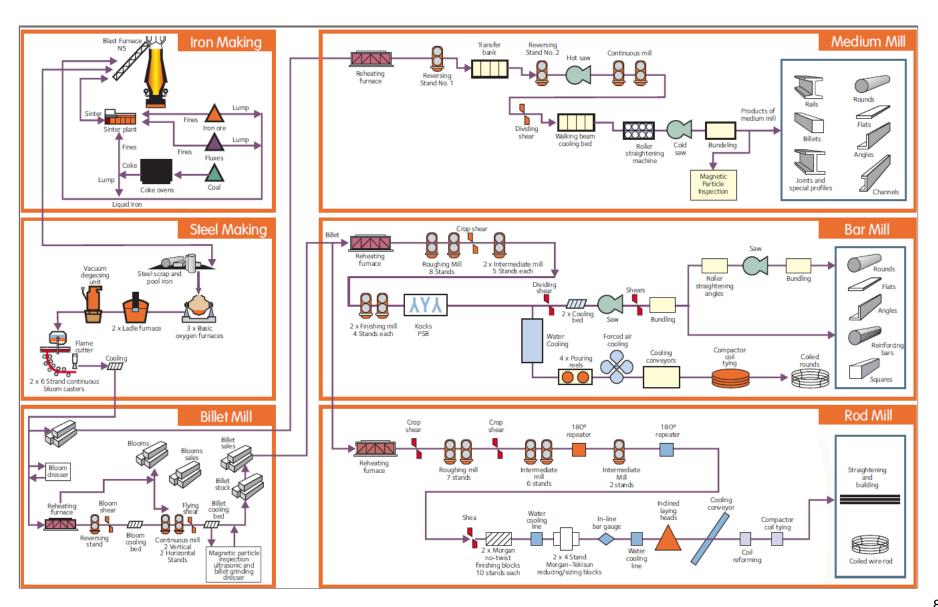
Production flow – flat steel





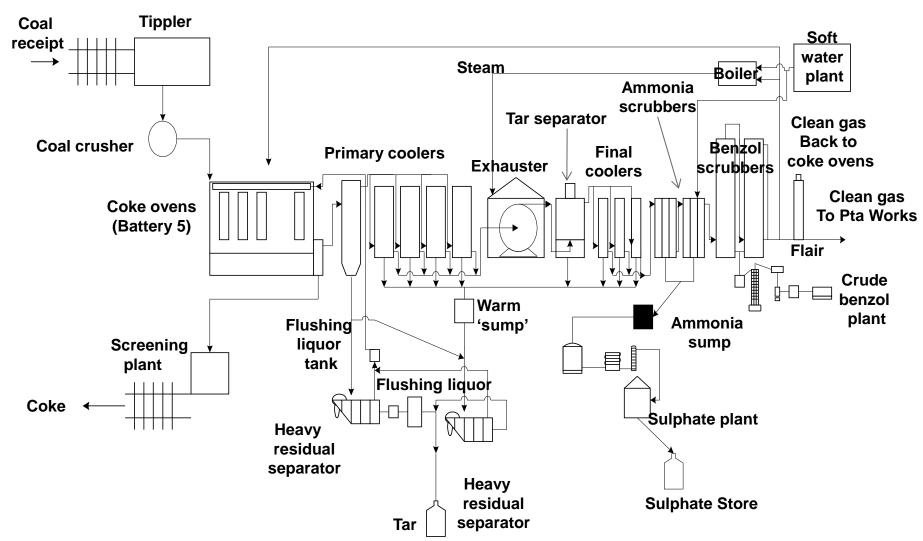
Arcelor/Mittal

Production flow – long steel

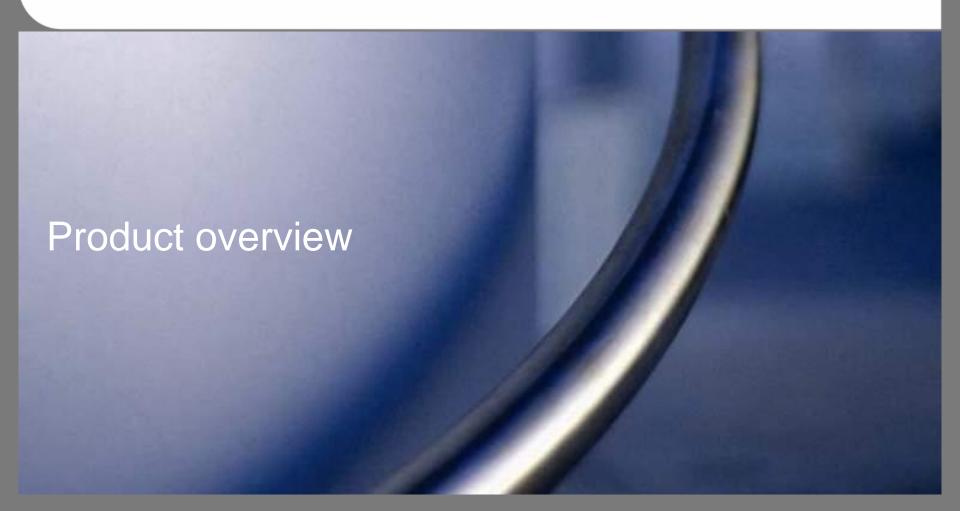


Production flow – coke & chemicals







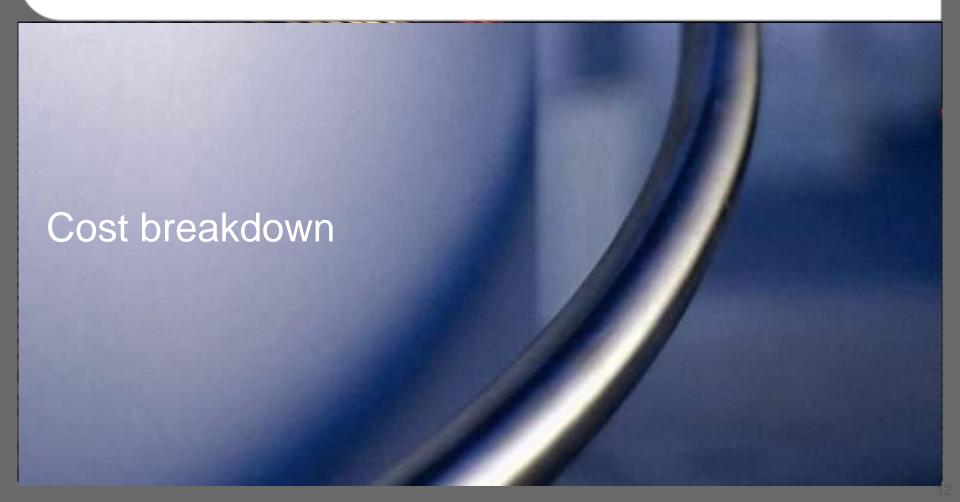


Product overview – total shipments



	<u>2012</u>	<u>Weight</u>	<u>2013</u>	<u>Weight</u>	H1 2014	<u>Weight</u>
Total primary steel products (000t)	4 623	100%	4 227	100%	2 199	100%
Flat steel products (000t)	3 141	68%	2 771	66%	1 507	69%
Hot rolled coil	2 084	66%	1 810	65%	1 001	66%
Hot dipped galvanised	290	9%	303	11%	132	9%
Cold rolled coils	266	8%	232	8%	125	8%
Tin plate	203	6%	163	6%	87	6%
Plate	120	4%	115	4%	67	4%
Colour plate	80	3%	82	3%	52	3%
Electro galvanised	83	3%	57	2%	33	2%
Slabs	15	0%	9	0%	10	1%
Long steel products (000t)	1 482	32%	1 456	34%	692	31%
Wire rod	465	31%	553	38%	249	36%
Sections	420	28%	406	28%	193	28%
Bars	208	14%	184	13%	91	13%
Rebar	213	14%	198	14%	95	14%
Forge	43	3%	31	2%	13	2%
Billets & blooms	45	3%	10	1%	4	1%
Tubular	79	5%	66	5%	46	7%
Rails	9	1%	8	1%	1	0%
Total coke & chemical (000t)	1 477	100%	1 648	100%	920	100%
Commercial coke	460	31%	545	33%	208	23%
Tar	109	7%	109	7%	52	6%
Other	908	62%	994	60%	660	71%





Main steel cost drivers (R/t liquid steel)

A
ArcelorMittal

	2012	2013	H1 2014	% change H1 2013	H1 2014 Weight
Iron ore and pellets	1 110	1 370	1 413	2.1%	21.1%
Scrap / DRI / HBI	193	242	301	28.5%	4.5%
Coking coal and other fuels	1 565	1 307	1 578	13.6%	23.5%
Electricity	413	434	457	7.3%	6.8%
Other energy & utilities	199	206	232	11.3%	3.5%
Alloys, fluxes and coating materials	541	559	660	20.5%	9.8%
Refractories, electrodes and consumables	390	347	400	20.0%	6.0%
Manpower	513	577	667	18.2%	9.9%
Maintenance	332	342	380	18.5%	5.7%
General expenses, outside services, expert fees, IS/IT & insurance premiums	573	544	624	7.9%	9.3%
Total Liquid steel (000t) Average exchange rate (ZAR)	5 829 5 090 8.21	5 929 5 097 9.65	6 710 2 385 10.70	12.1% -3.9% 9.2%	100%

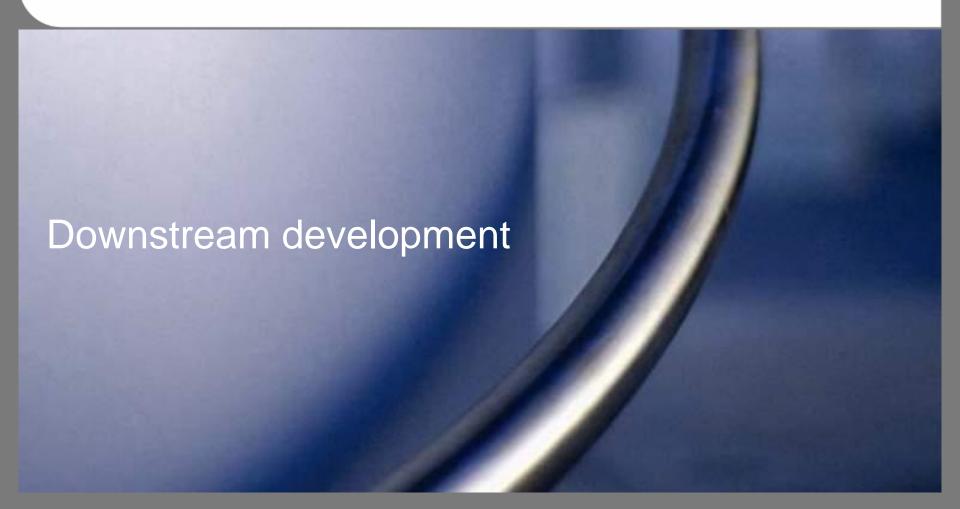
Input cost positioning



2013	000t	Backward integrated	Domestic supply	Imported
Iron ore	6 716	0%	100%	0%
Pellets	432	0%	0%	100%
Scrap	239	100%*	0%	0%
Coking coal	2 610	12%	23%	65%
Other coal	732	0%	100%	0%
Total	10 729	5%	75%	20%

¹⁴





R1,5bn contributed over the last 5 years



ArcelorMittal South Africa has designed and implemented a number of direct and indirect initiatives to support and develop the downstream manufacturing industry over a period of time

Initiative	2009	2010	2011	2012	2013	Comments		
Value Added Export	189	258	293	237	220	Arcolor Mittal chacific additional Value Added Export incontive		
Rebates	103	230	293	257	229	ArcelorMittal-specific additional Value Added Export incentive.		
Strategic Rebates	22	1	2	26	34	Projects in process or as required by industry like, for instance, transport, energy / power transmission, water, oil & gas, etc.		
COSM levy	36	46	55	28	l hh	National Value Added Export Rebate administered by SAISI - ArcelorMittal contribution to national fund.		
Total	247	305	350	291	329	Total contribution to RSA Domestic downstream manufacturing.		

Excluding Steel Association contributions to the value of R5.0m pa.

Support has revitalised local manufacturing



Nails & Staples

- Abracon has increased production about 350tpm to 800tpm (aiming for 1 000tpm)
- CWI transferred nail production to BBBEE enterprise (3 nail and 1 staple machine)
- Fournel installed new staple machine and doubled their capacity
- Hendok acquired new roof screw machine and running their nail machines at full capacity
- Wireforce were able to prevent shutting down its nail manufacturing operation
- AMSA has received enquiries from AFCOM and Bolt-Ahead (traditionally used imports)
- Abracon started to supply to the two largest importers of nails

Barbed wire industry

- Barnes Fencing purchased and commissioned 10 new Moto Machines
- Hendok purchased and commissioned 2 new Moto Machines

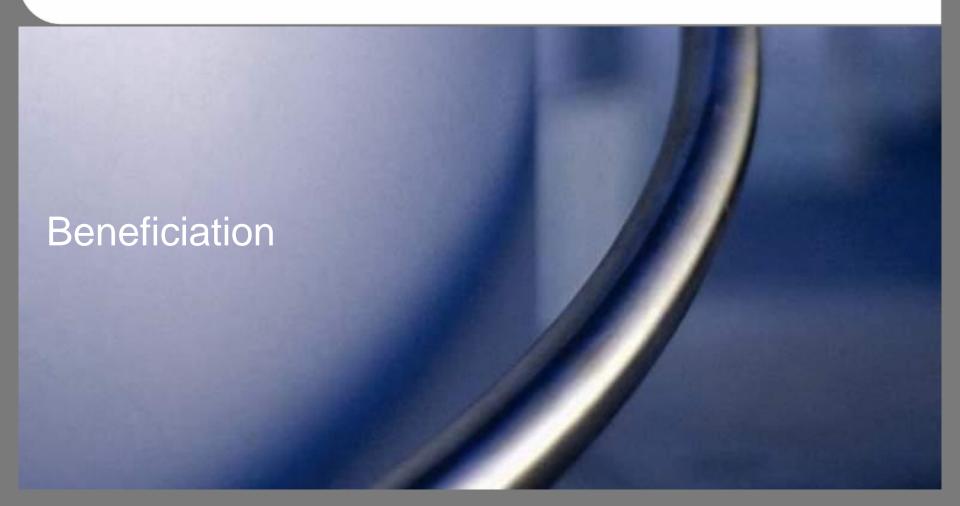
Galv wire industry

Allens Meshco installed a wire galvanising plant in Cape Town

Rewewable energy

- AMSA supplied 60kt of steel to and support the development of local industry (solar/wind energy)
- AMSA to upgrade plate mill to be able to supply the local wind tower manufacturing





Major customers (2013)



Customer	Macsteel	Aveng	Robor	BSI	Nampak	Allied Steelrode	Clotan
Steel activity							
Steel distribution	X	X	X	X		X	X
Bulk trading	X	X		X		X	X
General merchandising	X			X	n y	X	X
Steel processing such as Coil slitting, Cut to length, Blanking, Shear cutting, Plate cutting,	X	X	X	X	can industry only	X	X
Pressing/Roll forming Typical products Bright bar, Reinforcing bar, Flanges, Roof sheeting, Tubes & pipes	X	X	X	X	beverage	X	Х
Target industry Automotive Building & construction Water Energy Transport	X X X X	X X	X X	X	Packaging and I	X	Χ
Mining	X			Χ		Χ	X

Critical factors for beneficiation



Cost

- Labour cost vs productivity
- High electricity cost
- High transport cost
- High port costs
- Inflated electricity cost to finance inefficiencies of local municipalities

Other

- No trade protection for primary steel products (limited support for finished products)
- Limited co-operation between big business, Government and Labour
- Unreliable electricity supply and major skills shortages
- High cost of doing business in SA (security, controls vs crime, safety etc)
- Non co-operation of collective industry forums to promote steel consumption, investment etc. in fear of the Competition Commission
- Lack of proper incentives to support local beneficiation of raw materials (current infrastructure investments favour exports of raw materials)
- Limited value added export incentives
- High cost of capital industry doesn't keep up with latest international technology

Designation and localisation



Designation - products used by Government (eg locomotives, roofs) which are specified and must contain a specified minimum local content such as buses 80%

Localisation - used, et al, when assessing tenders for Government Projects (5 main areas of conformance of which local content is one)

The concept works well - however, problems encountered include the following;

- Irregular awarding of contracts/projects by SOE's lead to unsustainable downstream capacity
 which could not handle surges (two power stations in one go) while there were periods of no
 orders (ie transmission lines, railway axles)
- Use of incorrect tariff codes to circumvent import duties
- World bank funding does not make provision for designation & localisation (Eskom, for example, has applied for exemption from designation & localisation)
- Lack of transparency regarding SOE targets and local content definitions.

The recent announcement to include steel and other downstream products in the designated list is definitely positive, however much would depend on implementation of the localisation program.

Steel manufacturing supports the NDP and Government industry policy on beneficiation



National Development Plan (NDP) include GDP growth, new jobs and skills development

SA's NDP targets by 2013

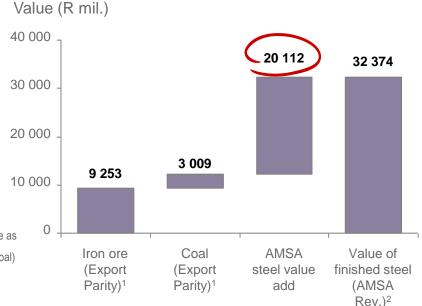
- Grow GDP by 2.7 times at rate of 5.4% pa
 - Increase capital expenditure to 30% of GDP from current 17%
 - Increase public infrastructure spend from 8% to 10% of GDP
- Create 11m new jobs
 - Encourage training and skills development
 - Expand innovation output through research and development

AMSA will be a key enabler of NDP targets by creating value add through conversion of raw material to steel

- Raw materials considered are iron ore and coking coal (excl limestone/dolomite), export parity price as per 2013 average estimates as reported by IMF (Iron Ore) and World Bank (South African export coal)
- 2. AMSA Annual Report

AMSA will enable NDP by creating value through converting raw material to steel

- AMSA inputs of iron ore & coal, if exported, would be worth R13bn at EPP
- By converting it to steel, AMSA adds a further R20bn of value by creating direct & indirect local jobs; operating expenditure on electricity, logistics, capital expenditure & profit

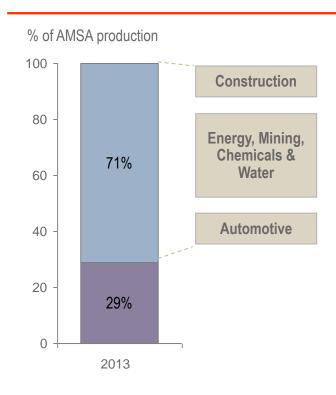


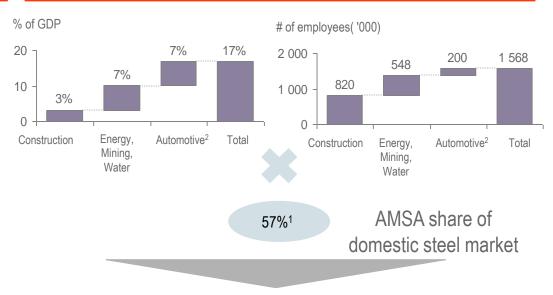
Source: Steel Index at IMF, World Bank, AMSA, BCG analysis

AMSA supports 10% of SA GDP and 1m jobs Arcelor Mittal

71% of AMSA steel used in 3 key industrial sectors...







...meaning AMSA indirectly accounts for nearly 10% of SA GDP and 900 000 jobs

 Estimated at average 57% of domestic market share using estimated consumption data from World Steel Association Year Book 2013

2. Estimated by the Automotive Industry Export Council, figures for 2012

9.7% of GDP

~900 000 formal jobs

Source: StatsSA, Automotive Industry Export Council, World Steel Association Year Book 2013, AMSA, BCG analysis

AMSA could provide additional steel required ArcelorMittal

Potential 2030 South African steel supply-demand scenario

Steel (kilotons) 20 000 Demand Supply AMSA capacity **AMSA** Remaining gap 15 000 reserve 3 126 capacity 792 10 000 8 314 1 582 2 704 13 814 5 000 8 314 5 500 5 610 Remaining Current Additional NDP AMSA Other local Additional gap Current demand by 2030 domestic ⁶vlagus producers⁴ imports 2030¹ demand target supply $(2013)^3$

- 1. Based on NDP target of fixed capital formation at 30% of GDP, BCG Steel Demand model
- 2. Quantec Research multipliers for Iron and steel industry
- 3. 2013 Annual Financial report
- 4. Calculated by subtracting AMSA production and imports from current steel demand
- 5. Current imports from SA Customs and Excise (Jan Nov 2013) extrapolated for 12 months
- 6. Reserve capacity estimated based on current capacity utilisation of 76%
- Source: National Development plan, AMSA, SA Customs and Excise data on primary steel imports, Quantec, BCG analysis

AMSA and other local steel companies could help meet added demand

- Additional 8.3mtpa¹ required by 2030 to support NDP could be supplied locally led by AMSA
- AMSA with capacity to supply 33% or 2.7mtpa of added demand
- Current production below full capacity due to low domestic demand and competition from cheap imports e.g. India, China
- 5.6mt could be supplied by imports or increased local production resulting in local jobs and skills
- Eventual supply scenario will depend on choices made by the SA government



