ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

- **All 10 applications on import duties gazetted**
- **Designation of steel approved on certain products**
- **Significant improvement in net cash position**
- **Continued focus on sustainability**

OVERVIEW

General overview

Global steel markets remain constrained due to the lack of demand. Turbulent financial markets and political instability in many developing countries, combined with a slowdown of the Chinese economy, have led to a global oversupply of steel. Chinese mills are facing overcapacity, which will take a number of years to normalise, and this has led to the export price of Hot Rolled Coils from China dropping below the cost of production. Although global steel prices have increased towards the latter part of the first half of 2016, they were still lower when compared to prices of the first half of 2015.

Due to excess capacity in China, the governments of other primary steel producing countries have provided assistance in the form of import protection to ensure the survival of their local steel industries. ArcelorMittal South Africa Limited acknowledges the support provided by government to ensure a viable steel sector. In particular, the import tariffs at a bound rate of 10% on 10 locally produced products have been implemented and National Treasury has issued instruction notes prescribing minimum local content thresholds on a number of products, including solar water heater components, rail rolling stock, electric cables, conveyance pipes, steel power pylons, photovoltaic systems and components, and working vessels. In addition, in instances where there was a provision deeming all steel as local (including imported steel), this has been removed. However, South Africa’s steel sector remains vulnerable and still needs government support. Other measures such as safeguard duties, a fair pricing mechanism and further designation initiatives on construction materials are still necessary. The swift finalisation and implementation of these initiatives will go a long way to ensuring the sustainability of the South African steel sector.

ArcelorMittal South Africa has acknowledged that it cannot rely solely on government support and needs to ensure that it operates efficiently. The Company has initiated a number of strategic initiatives across the operations aimed at improving efficiencies and optimising costs. The time management system introduced at all ArcelorMittal South Africa Limited operations together with the strategic initiative at Vanderbijlpark Works are expected to yield material savings over the next 18 months. Other initiatives are being investigated on an ongoing basis in order to improve and ensure the sustainability of our operations.

While safety is still our number one priority, we regrettably had two fatal incidents at our operation in Newcastle in this reporting period. This is unacceptable and we are intensifying our efforts to ensure the safety of our employees and contractors and reinforcing our commitment to Zero Harm.

Financial Overview

Liquid steel production for the first six months of the year was 2.5 million tonnes, a decrease of 43 000 tonnes compared to the first six months of 2015, after the closure of Vaal Meltshop at the Vereeniging Works. Capacity utilisation improved from 80% to 83%.

Total sales volumes were up by 10% (210 000 tonnes) against the comparative period in 2015, primarily due to the 10% import duties, market restocking and the closure of Evraz Highveld Steel which increased local sales by 15%, partially offset by a 5% decrease in export sales.

OVERVIEW continue

The headline loss was R458 million, compared to a headline loss of R109 million in the first six months of 2015. EBITDA decreased by R359 million from R641 million to R282 million and the loss before interest and tax decreased by R302 million from a profit of R27 million to a loss of R275 million, primarily due to lower steel prices. The net loss of R450 million is R339 million more than the net loss of R111 million for the six months ended June 2015.

Cash generated from operations was R592 million, compared to utilisation of R727 million in the corresponding period last year, which was primarily driven by better working capital management.

The decrease in the net borrowing position from R2 522 million to a net cash position of R1 010 million was due to the successful Rights Issue, which resulted in a cash injection of R4 500 million in January 2016. This was used to repay the ArcelorMittal Holdings AG loan and for capital expenditure to maintain operations.

KEY STATISTICS

Six months ended				Year ended
30 June 2016	30 June 2015	31 December 2015		31 December 2015
Reviewed	Reviewed	Unaudited		Audited
17 006	16 443	14 698	Revenue (R million)	31 141
6 845	7 209	6 256	Average net realisable price (R/t)(unaudited)	6 727
282	641	(1 450)	EBITDA (R million)	(809)
126	315	(691)	EBITDA/tonne (R/t) (unaudited)	(196)
1.7	3.9	(9.9)	EBITDA Margin (%)	(2.6)
(275)	27	(9 017)	(Loss)/profit before interest and tax (R million)	(8 990)
(450)	(111)	(8 524)	Net loss (R million)	(8 635)
(44)	(28)	(2 125)	Loss per share (cents)	(2 152)
(458)	(109)	(5 261)	Headline loss (R million)	(5 370)
(45)	(27)	(1 311)	Headline loss per share (cents)	(1 338)
1 010	(2 522)	(2 865)	Net cash/(borrowings)	(2 865)
			Unaudited Information	
2 520	2 563	2 276	Liquid steel production ('000 tonnes)	4 839
2 242	2 032	2 099	Steel sales ('000 tonnes)	4 131
1 795	1 561	1 478	- Local	3 039
447	471	621	- Export	1 092
238	252	199	Commercial coke sales ('000 tonnes)	451
83	80	69	Capacity utilisation (%)	74
0.90	0.43	0.53	Lost time injury frequency rate	0.48

MARKET REVIEW

International

Overcapacity in the Chinese steel market and lower steel prices has negatively affected the global steel market. Although steel prices increased towards the latter part of H1 2016, they remained lower than the corresponding period last year. The slow growth of the Chinese economy and a policy shift towards consumer-driven economic growth, with subdued construction activities, continue to affect steel demand negatively. Despite weak economic growth in sub-Saharan Africa, steel demand remains positive, which is largely due to infrastructure-related investments.

MARKET REVIEW continue

Domestic

Key market segments in South Africa - manufacturing, mining and construction in particular - have registered depressed growth figures into 2016. Limited infrastructure-related investments and reduced housing development have negatively affected the steel industry. High operational costs, coupled with the continued influx of cheap imports, remain a challenge.

FINANCIAL REVIEW

Six months ended 30 June 2016 compared to six months ended 30 June 2015 (reviewed)

Revenue increased 3% to R17 006 million following a 10% increase in sales volumes. Local shipments increased by 15% while exports were down by 5%. Flat steel shipments were up 10% and long steel by 12%. In Rand terms, total net realised prices declined by 5% with domestic prices down 5% and exports down 7%. Revenue from the Coke and Chemicals business decreased by 18% to R811 million as a result of lower prices and volumes. For commercial coke, sales volumes and prices decreased by 6% and 14% respectively. Tar sales volumes decreased by 21% and prices decreased by 3%.

Cash costs per tonne of liquid steel produced decreased by 2% from R6 431 to R6 337. Raw materials, consisting of iron ore, coal and scrap, which together account for approximately 45% of costs, decreased by 7% against the comparative period. Consumables and auxiliaries, which account for approximately 30% of costs, have increased by 3%, while fixed costs per tonne increased by 4%. The EBITDA margin decreased from 3.9% to 1.7%.

Liquid steel production was 43 000 tonnes lower (2%), of which long steel production was down by 8% while flat steel was up by 2%. Capacity utilisation improved from 80% to 83%.

The headline loss increased to R458 million, compared to R109 million at the end of June 2015. This was as a result of the following:

- EBITDA was R282 million compared to R641 million in the previous year, due to lower sales prices;
- Financing costs decreased to R362 million, compared to R418 million in the previous comparative period, primarily due to repayment of borrowings using funds generated from the Rights Issue and the devaluation of the Rand which resulted in higher foreign exchange gains; and
- The company’s share of profit from equity-accounted investments after taxation decreased by R52 million due to reduced profits from the Macsteel International Holding BV joint venture, due to lower shipping freight income.

Six months ended 30 June 2016 compared to six months ended 31 December 2015 (unaudited)

Revenue increased 16% to R17 006 million following a 9% increase in average net realised prices. Domestic and export prices were up 7% and 10% respectively. Prices for flat steel and long steel were up by 7% and 14% respectively. Total steel shipments were up 7%, with local shipments up by 21% while exports were down by 28%. Shipments for flat products increased by 13% while long products decreased by 3%. Revenue from the Coke and Chemicals business was R811 million, which is relatively consistent with the prior period. This is due to the 20% increase in commercial coke sales volumes offset by an 11% decrease in net realised prices. Tar sales volumes were down 24% while prices increased by 3%.

FINANCIAL REVIEW continue

Cash costs per tonne of liquid steel produced decreased by 3% from R6 502 to R6 337 in the current period. Raw materials, consisting of iron ore, coal and scrap, which together account for approximately 45% of costs, decreased by 3% when compared to the period ended December 2015. Consumables and auxiliaries, which accounted for 30% of costs, remained flat, while fixed costs decreased by 6% on a Rand per tonne basis. EBITDA margin improved from negative 9.9% to positive 1.7%.

The loss before interest and tax was R275 million compared to a loss before interest and tax of R9 017 million in December 2015 as result of improved steel prices and volumes in the six months ended 30 June 2016 as well as the impairment of R4 254 million recognised in December 2015.

Liquid steel production was 244 000 tonnes higher, of which flat steel production was up 294 000 tonnes, while long steel was down 50 000 tonnes. Capacity utilisation for flat steel was higher at 83% compared to 68% in the prior period and long steel improved from 72% to 83%.

ENVIRONMENT

Despite the tough economic conditions under which the company operates, key environmental projects remain a focus area to ensure environmental compliance. After experiencing commissioning delays, the Newcastle zero-effluent discharge facility is now operational. The effluent recovery and treatment systems at the Vanderbijlpark Works are being improved at a cost of R88 million. It is expected that this project will be completed by the end of Q3 2016.

The proposed implementation of a carbon tax bill by the National Treasury remains a concern as the Company’s financial recovery and competitiveness will be affected. The Carbon Tax Bill - as published in November 2015 - forms the basis of further engagement with the National Treasury.

ArcelorMittal South Africa Limited actively participated in the Department of Environmental Affairs’ carbon budget setting process during the second half of 2015, but no final carbon budget has been declared yet. There is some degree of misalignment between these two climate change related instruments and the Company will support any further initiatives to ensure that they are better aligned.

COMPETITION COMMISSION

As previously reported, the negotiations regarding the terms of the draft settlement agreement with the Competition Commission are close to being finalised.

CONTINGENT LIABILITIES

Thabazimbi mine environmental rehabilitation
In terms of the Amended and Restated Settlement and Supply Agreement between Sishen Iron Ore Company (SIOC) and ArcelorMittal South Africa Limited, ArcelorMittal South Africa Limited is liable for the costs relating to the rehabilitation of SIOC's Thabazimbi iron ore mine for the duration that it was a captive mine. The mine ceased to be a captive mine on 31 December 2014. ArcelorMittal South Africa Limited is required to fund its obligation through bank guarantees and/or cash in a trust fund managed by SIOC. ArcelorMittal South Africa Limited received a request from SIOC for additional funding of approximately R300 million based on a revised assessment of the expected rehabilitation costs by their external mining consultants. However, according to a recent assessment performed by ArcelorMittal South Africa's independent consultants, the current environmental rehabilitation provision, together with the cash held in trust, will be adequate to settle the Company’s rehabilitation obligation to SIOC. ArcelorMittal South Africa Limited and SIOC are working towards resolving the matter.

DIVIDENDS

No dividends were declared for the six months ended 30 June 2016.

EVRAZ HIGHVELD STEEL AND VANADIUM LIMITED

ArcelorMittal South Africa Limited and the Industrial Development Corporation (IDC) are investigating options, together with the Business Rescue Practitioner of Evraz Highveld Steel and Vanadium Limited (Highveld), of supplying blooms and slabs to Highveld for processing into heavy structural steel. If successful, this could result in the re-opening of the heavy section mill by the Business Rescue Practitioner, making available the supply of heavy structural products into the South African Market. It is anticipated that the blooms and slabs would be processed by the heavy section mill into heavy structural steel initially in terms of a one-year agreement. The possibility of ArcelorMittal South Africa Limited and the IDC having the option, (at their sole discretion) to acquire the heavy section mill, after a period of one year, is also being considered. If the agreement for the supply of blooms and slabs is implemented, this should have a positive impact on the revenue of ArcelorMittal South Africa Limited due to increased volumes. Shareholders will be advised of further developments.

CHANGES TO THE BOARD OF DIRECTORS

Wim de Klerk was appointed as chief executive officer (CEO) and executive director of the company with effect from 1 July 2016.

Dean Subramanian, who was acting CEO, will resume his position as chief financial officer (CFO) and Gerhard van Zyl, who was acting CFO, will resume his position as senior manager in the Finance function.

Paul O'Flaherty resigned as a non-executive director on the ArcelorMittal South Africa Board with effect from 20 July 2016. Davinder Chugh and Mark Vereecke both resigned as non-executive directors with effect from 15 July 2016.

Henri Blaffart and David Clarke were appointed as non–executive directors to the ArcelorMittal South Africa Board with effect from 19 July 2016.

OUTLOOK FOR THE SECOND HALF OF 2016

Although the average net realisable steel price is expected to improve, costs are also expected to increase in H2 2016. Under the current trading conditions, shipments are expected to remain consistent with H1 2016. Changes in the exchange rate will also have an important financial impact on the Company's performance.

On behalf of the board of directors

WA de Klerk
Chief executive officer

D Subramanian
Chief financial officer

19 July 2016

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

OTHER INFORMATION

Registered Office
ArcelorMittal South Africa Limited
Room N3-5, Main Building
Delfos Boulevard, Vanderbijlpark, 1911

Non-executive
PM Makwana* (Chairman)
H Blaffart°
L Cele*
D Clarke■
RK Kothari+
NP Mnxasana*
JRD Modise*
LP Mondi
N Nicolau*

■ *Citizen of Australia*
° *Citizen of Belgium*
+ *Citizen of India*
* *Independent non-executive*

Executive
WA de Klerk (Chief executive officer)
D Subramanian (Chief financial officer)

Company secretary
Nomonde Bam

Sponsor
J.P. Morgan Equities South Africa Proprietary Limited
1 Fricker Road, Illovo, 2196
Private Bag X9936, Sandton, 2146

Transfer Secretaries
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, Johannesburg, 2107

Release date
29 July 2016

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended			In millions of Rands	Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited		31 December 2015 Audited
17 006	16 443	14 698	**Revenue**	31 141
(9 519)	(10 954)	(8 229)	Raw materials and consumables used	(19 183)
(1 993)	(1 826)	(2 201)	Employee costs	(4 027)
(1 965)	(1 855)	(1 969)	Energy	(3 824)
(405)	1 597	(2 054)	Movement in inventories of finished goods and work in progress	(457)
(518)	(676)	(670)	Depreciation	(1 346)
(12)	(12)	(11)	Amortisation of intangible assets	(23)
(2 863)	(2 690)	(4 327)	Other operating expenses	(7 017)
(269)	27	(4 763)	**Profit/(loss) from operations**	(4 736)
(6)	-	(310)	Impairment of other assets	(310)
-	-	(3 944)	Impairment of property, plant and equipment and intangible assets	(3 944)
86	66	109	Finance and investment income	175
(362)	(418)	(790)	Finance costs	(1 208)
108	160	35	Income from equity accounted investments (net of tax)	195
(443)	(165)	(9 663)	**Loss before tax**	(9 828)
(7)	54	1 139	Income tax credit/(expense)	1 193
(450)	(111)	(8 524)	**Loss for the period**	(8 635)
			Other comprehensive income/(loss)	
			Items that may be reclassified subsequently to profit or loss:	
(209)	209	1 023	Exchange differences on translation of foreign operations	1 232
43	60	(41)	Gains/(losses) on available-for-sale investment taken to equity	19
39	71	8	Share of other comprehensive income/(loss) of equity accounted investments	79
(577)	229	(7 534)	**Total comprehensive income/(loss) for the period**	(7 305)
			Loss attributable to:	
(450)	(111)	(8 524)	Owners of the company	(8 635)
			Total comprehensive income/(loss) attributable to:	
(577)	229	(7 534)	Owners of the company	(7 305)
			Attributable loss per share (cents)	
(44)	(28)	(2 125)	- basic	(2 152)
(44)	(28)	(2 125)	- diluted	(2 152)

ArcelorMittal South Africa Limited

Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at		
In millions of Rands	**30 June 2016 Reviewed**	30 June 2015 Reviewed	31 December 2015 Audited
Assets			
Non-current assets	**17 567**	20 297	17 634
Property, plant and equipment	**12 046**	15 719	11 859
Intangible assets	**115**	122	112
Equity accounted investments	**5 037**	4 037	5 090
Other financial assets	**369**	419	573
Current assets	**15 426**	14 668	13 328
Inventories	**9 436**	11 493	9 385
Trade and other receivables	**3 133**	2 704	1 666
Taxation	**74**	73	75
Other financial assets	**24**	20	38
Cash and bank balances	**2 759**	378	2 164
Non – current asset held for sale	**-**	298	-
Total assets	**32 993**	35 263	30 962
Equity and Liabilities			
Shareholders' equity	**17 416**	20 966	13 472
Stated capital	**4 537**	37	37
Non-distributable reserves	**177**	(899)	175
Retained income	**12 702**	21 828	13 260
Non-current liabilities	**3 463**	3 288	3 324
Other payables	**336**	223	236
Finance lease obligations	**159**	225	193
Deferred income tax liability	**4**	1 142	-
Non-current provisions	**2 964**	1 698	2 895
Current liabilities	**12 114**	11 009	14 166
Trade payables	**9 134**	6 558	7 761
Borrowings	**1 749**	2 900	5 029
Finance lease obligations	**66**	71	63
Current provisions	**249**	282	541
Other payables	**835**	1 192	758
Other financial liabilities	**81**	6	14
Total equity and liabilities	**32 993**	35 263	30 962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited	**In millions of Rands**	31 December 2015 Audited
191	(1 086)	(21)	**Cash inflow/(outflow) from operating activities**	(1 107)
592	(727)	463	Cash generated from/(utilised in) operations	(264)
33	4	5	Interest income	9
(226)	(242)	(312)	Finance cost	(554)
(2)	(35)	(5)	Income tax paid	(40)
(206)	(86)	(172)	Realised foreign exchange movement	(258)
(771)	(835)	(305)	**Cash outflows from investing activities**	(1 140)
(754)	(630)	(534)	Investment to maintain operations	(1 164)
(42)	(26)	(66)	Investment to expand operations	(92)
1	(306)	298	Decrease/(increase) in equity accounted investment	(8)
21	4	(2)	Proceeds from disposal of assets	2
3	3	5	Investment income – interest	8
-	120	(6)	Dividend from equity accounted investments	114
1 189	1 848	2 089	**Cash inflows from financing activities**	3 937
(3 311)	1 848	2 089	(Decrease)/increase in borrowings and finance lease obligations	3 937
4 500			Rights issue	
609	(73)	1 763	**Increase/(decrease) in cash and cash equivalents**	1 690
(14)	(3)	23	Effect of foreign exchange rate changes	20
2 164	454	378	**Cash and cash equivalents at beginning of period**	454
2 759	378	2 164	**Cash and cash equivalents at end of period**	2 164

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

1. Reporting entity

ArcelorMittal South Africa Limited is a public company domiciled in the Republic of South Africa and listed on the JSE Limited. These condensed consolidated financial statements for the six months ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is one of the largest steel producers on the African continent.

2. Basis of preparation

The condensed consolidated financial statements were prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The condensed consolidated financial statements were prepared under the supervision of Mr. D Subramanian CA(SA), the Group's chief financial officer.

3. Significant accounting policies

These condensed consolidated financial statements were prepared using accounting policies that comply with International Financial Reporting Standards. The accounting policies in the condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The accounting policies and methods of computation applied in the presentation of the financial results of the Group are consistent with those applied for the year ended 31 December 2015.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016 continue

There were no new or revised accounting standards adopted that could have a material impact on the condensed consolidated financial statements.

4. Capital expenditure commitments

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited	**In millions of Rands**	31 December 2015 Audited
1 162	607	992	Contracted	992
1 070	530	745	Authorised but not contracted	745

5. Related party transactions

The Group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (Dec 2015: 52%) (treasury shares held by Vicva Investments and Trading Nine (Pty) Ltd (Vicva) are excluded from the number of shares outstanding and the Ikageng Broad Based Employee Share Trust (Ikageng) are also excluded until such time that the shares can vote) of the Group's shares. During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions are concluded at arm's length. At 30 June 2016, the outstanding ArcelorMittal Holdings AG loan amounted to nil (Dec 2015 R3 200 million). Interest is payable at three months Jibar plus 2.125% and an amount of R37 million (2015 R126 million) was incurred for the six months ended 30 June 2016.

6. Fair value measurements

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, particularly the valuation techniques and inputs used.

Financial assets	Fair values as at period ended			Fair value hierarchy	Valuation techniques and key inputs
In millions of Rands	**30 June 2016 Reviewed**	30 June 2015 Reviewed	31 December 2015 Audited		
Available for sale	**120**	119	78	Level 1	Quoted prices in an active market
Held for trading assets	**24**	20	38	Level 1	Quoted prices in an active market
Held for trading liabilities	**81**	6	14	Level 1	Quoted prices is an active market

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

7. Effective tax rate

The effective tax rate of 2% (compared to the statutory tax rate of 28%) for the six months ended 30 June 2016 is primarily as a result of not recognising the deferred tax asset on the available income tax losses. This reduces the effective tax rate by approximately 41%. Management believes that the turnaround initiatives will result in the Group returning to profitability at some point in the future. However, based on considerations presented, management believes it is premature to conclude at this stage that it is more likely than not for sufficient future taxable profits to be available against which the full proposed deferred tax asset can be used.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016 (continued)

8. Competition Commission

As previously reported, the negotiations regarding the terms of the draft settlement agreement with the Competition Commission are close to being finalised.

9. Contingent liabilities

Thabazimbi mine rehabilitation provision

In terms of the Amended and Restated Settlement and Supply Agreement between Sishen Iron Ore Company (SIOC) and ArcelorMittal South Africa Limited, ArcelorMittal South Africa Limited is liable for the costs relating to the rehabilitation of SIOC's Thabazimbi iron ore mine for the duration that it was a captive mine. The mine ceased to be a captive mine on 31 December 2014. ArcelorMittal South Africa Limited is required to fund its obligation through bank guarantees and/or cash in a trust fund maintained by SIOC. ArcelorMittal South Africa Limited received a request from SIOC for additional funding of approximately R300 million, based on a revised assessment of the expected rehabilitation costs by their external mining consultants. However, according to a recent assessment performed by ArcelorMittal South Africa's independent consultants, the current environmental rehabilitation provision, together with the cash held in trust, will be adequate to settle the Group's rehabilitation obligation to SIOC. ArcelorMittal South Africa Limited and SIOC are working together to resolve the matter.

10. Going concern

Due to the recently implemented import duties and the weak Rand/US dollar exchange rate, ArcelorMittal South Africa Limited expects improved sales volumes for the next 12 months. ArcelorMittal South Africa Limited is also intending to convert its short-term borrowing facilities to medium-term debt and is exploring various alternatives in this regard. The Group also continues to benefit from the full support of ArcelorMittal Holdings AG.

Based on the Group's 12-month funding plan and the initiatives as detailed above, the Board believes that the Group will have sufficient funds to pay its debts as they become due over the next 12 months, and therefore remains a going concern. The Group would like to re-emphasise that the local steel industry continues to be threatened by imports entering the market, primarily from China, despite the positive progress made on duties and designation initiatives to date. Shareholders are cautioned that the safeguard duties, fair pricing mechanism and other designation initiatives that the South African Government have committed to regarding the use of local steel for Government infrastructure projects, are essential to ensure the sustainability of the Group. Should these Government interventions not materialise in the next 12 months, there remains a material uncertainty regarding the ability of ArcelorMittal South Africa Limited and the local steel industry to continue operating without significant structural changes.

11. Subsequent events

The directors are not aware of any matter or circumstances arising since the end of June 2016 to the date of this report that would significantly affect the operations, the results or financial position of the group.

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of Rands	Stated Capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Six months ended 30 June 2015 (Reviewed)					
Balance as at 31 December 2014	37	(3 918)	2 624	21 979	20 722
Total comprehensive income/(loss)	-	-	340	(111)	229
Share-based payment reserve	-	-	15	-	15
Transfer of equity accounted earnings	-	-	40	(40)	-
Balance as at 30 June 2015 (Reviewed)	37	(3 918)	3 019	21 828	20 966
Six months ended 31 December 2015					
Balance as at 30 June 2015	37	(3 918)	3 019	21 828	20 966
Total comprehensive income/(loss)	-	-	990	(8 524)	(7 534)
Share-based payment reserve	-	-	40	-	40
Transfer of equity accounted earnings	-	-	44	(44)	-
Balance as at 31 December 2015 (Audited)	37	(3 918)	4 093	13 260	13 472
Six months ended 30 June 2016 (Reviewed)					
Balance as at 31 December 2015	37	(3 918)	4 093	13 260	13 472
Total comprehensive income/(loss)	-	-	(127)	(450)	(577)
Rights issue	4 500	-	-	-	4 500
Share-based payment reserve	-	-	21	-	21
Transfer of equity accounted earnings	-	-	108	(108)	-
Balance as at 30 June 2016 (Reviewed)	**4 537**	**(3 918)***	**4 095**	**12 702**	**17 416**

*Shares issued to Ikageng and Vicva are held as treasury shares

SEGMENT INFORMATION

Flat Steel Products

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited		31 December 2015 Audited
11 127	10 678	9 229	Revenue (R million)	19 907
10 797	10 466	9 017	- External	19 483
330	212	212	- Internal	424
(118)	155	(1 424)	EBITDA (R million) (unaudited)	(1 269)
(1.1)	1.5	(15.4)	EBITDA margin (%)(unaudited)	(6.4)
6 889	7 289	6 458	Average net realisable price (R/t) (unaudited)	6 891
(339)	(488)	(485)	Depreciation and amortisation (R million)	(973)
(406)	(333)	(2 758)	(Loss) from operations (R million)	(3 091)
(406)	(333)	(6 332)	(Loss) before interest and tax (R million)	(6 665)
			Unaudited information	
1 732	1 707	1 438	Liquid steel production ('000 tonnes)	3 145
1 489	1 358	1 320	Steel sales ('000 tonnes)	2 678
1 146	983	932	- Local	1 915
343	375	388	- Export	763
83	82	68	Capacity utilisation (%)	75

ArcelorMittal South Africa Limited
Reviewed condensed consolidated financial statements for the six months ended 30 June 2016

Long Steel Products

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited		31 December 2015 Audited
5 593	5 719	5 153	Revenue (R million)	10 872
5 425	5 020	4 929	- External	9 949
168	699	224	- Internal	923
152	18	(366)	EBITDA (R million) (unaudited)	(348)
2.7	0.3	(7.1)	EBITDA margin (%) (unaudited)	(3.2)
6 758	7 048	5 919	Average net realisable price (R/t) (unaudited)	6 423
(188)	(197)	(194)	Depreciation and amortisation (R million)	(391)
(12)	(179)	(1 047)	(Loss) from operations (R million)	(1 226)
(12)	(179)	(1 417)	(Loss) before interest and tax (R million)	(1 596)
			Unaudited information	
788	856	838	Liquid steel production ('000 tonnes)	1 694
753	674	779	Steel sales ('000 tonnes)	1 453
649	578	546	- Local	1 124
104	96	233	- Export	329
83	75	72	Capacity utilisation (%)	73

Coke and Chemicals

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited		31 December 2015 Audited
811	990	809	Revenue (R million)	1 799
784	957	752	- External	1 709
27	33	57	- Internal	90
97	229	198	EBITDA (R million) (unaudited)	427
12,0	23.1	24.5	EBITDA margin (%) (unaudited)	23.7
(16)	(18)	(17)	Depreciation and amortisation (R million)	(35)
81	211	181	Profit from operations (R million)	392
81	211	181	Profit before interest and tax (R million)	392
			Unaudited information	
157	228	178	Commercial coke produced ('000 tonnes)	406
238	252	199	Commercial coke sales ('000 tonnes)	451
37	47	49	Tar sales ('000 tonnes)	96

Corporate and other

Six months ended				Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited		31 December 2015 Audited
151	239	142	EBITDA (R million)	381
13	15	15	Depreciation and amortisation credit (R million)	30
(96)	74	(1 296)	Once – off items	(1 222)
164	254	157	Profit/(loss) from operations excluding once – off items (R million)	411
62	328	(1 449)	(Loss)/profit before interest and tax (R million)	1 121

ADDITIONAL INFORMATION

	Six months ended			Year ended
30 June 2016 Reviewed	30 June 2015 Reviewed	31 December 2015 Unaudited	**In millions of Rands**	31 December 2015 Audited
			Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)	
(269)	27	(4 763)	Profit/(loss) from operations	(4 736)
			Adjusted for:	
518	676	670	- Depreciation	1 346
12	12	11	- Amortisation of intangible assets	23
(75)	-	682	- Thabazimbi mine closure costs	682
-	(74)	51	- Tshikondeni mine closure costs	(23)
114	-	1 245	- Competition Commission settlement	1 245
(37)	-	-	- Unclaimed dividends	-
-	-	86	- Vereeniging closure cost	86
19	-	568	- Derecognised payment in advance	568
282	641	(1 450)	**EBITDA for the period**	(809)
			Reconciliation of headline (loss)/earnings	
(450)	(111)	(8 524)	Loss for the period	(8 635)
			Adjusted for:	
6	-	4 254	- Impairment charge	4 254
(17)	2	3	- Loss/(profit) on disposal or scrapping of assets	5
3	-	(994)	- Tax effect	(994)
(458)	(109)	(5 261)	**Headline loss for the period**	(5 370)
			Headline loss per share (cents)	
(45)	(27)	(1 311)	- basic	(1 338)
(45)	(27)	(1 311)	- diluted	(1 338)
			Return on ordinary shareholders' equity per annum	
(5.8)	(1.1)	(99.0)	- Attributable earnings (%)	(50.5)
(5.9)	(1.0)	(61.2)	- Headline earnings (%)	(31.4)
5.8	(12.0)	(21.3)	- Net cash to equity (%)	(21.3)
			Share Statistics	
			Ordinary shares (thousands)	
1 138 060	445 752	445 752	- in issue	445 752
1 093 510	401 202	401 202	- outstanding	401 202
1 025 040	401 202	401 202	- weighted average number of shares	401 202
1 025 040	401 202	401 202	- diluted weighted average number of shares	401 202
8.39	12.15	4.50	Share price (closing) (Rand)	4.50
9 175	4 875	1 805	Market capitalisation (R million)	1 805
15.30	52.26	33.58	Net asset value per share (Rand)	33.58

FORWARD-LOOKING STATEMENTS

Statements in this announcement that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to risks and uncertainties whose impact could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

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("ArcelorMittal South Africa", "the Company" or "the Group")