

ArcelorMittal South Africa Limited

(Incorporated in the Republic of South Africa)

Registration number: 1989/002164/06

Share code: ACL

ISIN: ZAE000134961

(“AMSA” or “the Company”)

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT AND TERMS ANNOUNCEMENT RELATING TO AMSA’S PROPOSED BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”) TRANSACTION (“B-BBEE TRANSACTION”)

The B-BBEE Transaction highlights include the following:

- The B-BBEE Transaction will introduce a significant and sustainable B-BBEE ownership through:
 - An issue of a 17% shareholding in AMSA using a new class of notionally funded shares (“A1 Ordinary Shares”) to Amandla We Nsimbi Proprietary Limited (“B-BBEE CO”), a special purpose vehicle created solely for the B-BBEE Transaction. The B-BBEE CO ordinary shares (“B-BBEE CO Ordinary Shares”) will be held by Likamva Resources Proprietary Limited (“Likamva”), being AMSA’s strategic black partner. In addition, Likamva has undertaken to introduce broad-based social and community development organisations (“Broad-Based Party”) within a 24 month period post allotment and issuing of the A1 Ordinary Shares to B-BBEE CO.
 - An issue of a 5.1% shareholding in AMSA using a new class of notionally funded shares (“A2 Ordinary Shares”) to the ArcelorMittal South Africa Employee Empowerment Share Trust (“AMSA Employee Empowerment Share Trust”) for the benefit of AMSA employees and AMSA management.
- B-BBEE CO and the AMSA Employee Empowerment Share Trust are to be restricted from disposing of their shareholding in AMSA for a period of 10 years (“Lock-in Period”), thereby promoting long-term sustainable B-BBEE ownership in AMSA.
- The B-BBEE Transaction demonstrates AMSA’s commitment to transformation and to the South African Government’s (“Government”) B-BBEE initiatives.
- AMSA recognises that its management and employees play an important role in the growth of the Company and has therefore included significant employee and management participation, thereby ensuring alignment of interests for all stakeholders.

1 Introduction

The Government and AMSA recognise that the existence of local steel producing capacity and capability will be a significant advantage in contributing to the future economic growth and infrastructure development of South Africa in a cost effective manner, if the current industry challenges are managed effectively.

AMSA and Government have, therefore, engaged in discussions to address what is required in these challenging times to ensure the sustainability of the industry. This holistic approach to engagement between industry and Government has led to a number of key initiatives which have been previously reported to AMSA Shareholders in the Company's Trading Statement and Operating Update released on the Stock Exchange News Service operated by the Johannesburg Stock Exchange ("JSE") ("SENS") on 22 July 2016. These initiatives include:

- Competition Commission settlement;
- import duties;
- safeguard measures;
- fair pricing;
- designation of local steel;
- broadening our participation in the local steel sector; and
- B-BBEE.

The status regarding these initiatives is as follows:

- **Competition Matters:** The legacy issues relating to the pending competition matters have been settled with the Competition Commission, subject to approval of the Competition Tribunal.
- **Import Duties:** All 10 applications for import duties on locally produced steel products have been gazetted at the bound rate of 10%.
- **Safeguards:** Five safeguard applications have been submitted to the International Trade Administration Commission of South Africa ("ITAC") for approval. Public hearings have been held regarding the hot rolled coil application and an investigation in respect of cold rolled coil has been initiated. Applications relating to colour, galvanised and rebar, and wire rod are with ITAC for approval to initiate an investigation.
- **Pricing Principles:** As previously reported, the pricing mechanism for local flat steel products is being finalised with the Department of Trade and Industry and the Economic Development Department.
- **Designation of local steel and broadening participation:** With regards to the proposal for the designation of local primary steel for state procurement and use in Government infrastructure projects, the National Treasury of South Africa 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. AMSA awaits the outcome of the further designation measures requested for construction, renewables, power generation and rail equipment.
- **B-BBEE:** The terms of the B-BBEE Transaction are set out below.

As the largest steel producer in South Africa, AMSA is cognisant of its role in ensuring the long-term sustainability of the local steel sector and the associated industries. Maintaining its license

to operate is vital for the Company's future success and requires AMSA to be a responsible corporate citizen.

2 Rationale for the B-BBEE Transaction

As a South African company, AMSA is committed to providing meaningful opportunities for historically disadvantaged persons to enter and benefit from the South African steel industry and to furthering the objectives of the B-BBEE Act and the B-BBEE Codes of Good Practice as published by the Department of Trade and Industry ("B-BBEE Codes").

On 12 February 2016, following a robust and thorough process administered by independent advisors under the direction of the B-BBEE Committee of the AMSA Board of Directors ("Board"), AMSA shareholders ("AMSA Shareholders") were advised in an announcement released on SENS that AMSA had entered into negotiations to conclude the B-BBEE Transaction with Likamva as part of its efforts to transform the Company and achieve sustainable B-BBEE ownership.

AMSA has started on a path of B-BBEE transformation in all aspects of its business to ensure sustainable growth and to facilitate participation by all of its stakeholders (including communities) in such growth. The B-BBEE Transaction forms one aspect of AMSA's B-BBEE transformation initiatives, which includes other initiatives to achieve broader transformation through the various elements set out in the B-BBEE scorecard.

Through implementation of the B-BBEE Transaction, AMSA aims to:

- issue A1 Ordinary Shares to B-BBEE CO and A2 Ordinary Shares (collectively the "AMSA Empowerment Shares") to B-BBEE CO and the AMSA Employee Empowerment Share Trust, funded through a notional loan structure in order to avoid potential third party financing risk.
- ensure that black people as defined in the B-BBEE Act ("Black People"), have an opportunity to participate in and benefit from the B-BBEE Transaction.
- introduce key long-term strategic B-BBEE shareholders who will actively assist AMSA in pursuing and realising the Company's transformation and growth objectives.
- in addition to AMSA's existing Ikageng Employee Share Ownership Scheme, increase employee shareholding participation in AMSA by 5.1%. Employee shareholding was diluted from 4.7% to the current 1.9% when AMSA implemented a rights offer as approved by the AMSA Shareholders on 11 December 2015.
- within 24 months, allocate an effective interest of 5% shareholding in AMSA to Broad-Based Party as part of the 17% shareholding allocated to B-BBEE CO.
- achieve long term sustainable black ownership of more than 25% for the Company under the B-BBEE Codes at a reasonable economic cost to existing AMSA Shareholders.
- align B-BBEE value creation with AMSA Shareholder value creation over the Lock-in Period.

3 Details of the B-BBEE Transaction

3.1 Establishment of B-BBEE CO

B-BBEE CO has been established as a ring-fenced special purpose vehicle, with the sole purpose of holding an investment in AMSA and whose shareholders will be Likamva and, at a later date will include the Broad-Based Party. The primary beneficiaries of the Broad-Based Party will be the various communities where AMSA has major operations.

Initially Likamva will be the sole shareholder in B-BBEE CO, but has undertaken to introduce Broad-Based Party into B-BBEE CO as shareholders within 24 months post the allotment and issuing of the A1 Ordinary Shares to B-BBEE CO, such that, an indirect effective shareholding of 5% in AMSA by the Broad-Based Party is achieved.

3.2 Establishment of the AMSA Employee Empowerment Share Trust

AMSA has introduced a new B-BBEE employee scheme, the ArcelorMittal South Africa Employee Empowerment Share Scheme (“the New Scheme”) to be operated through the ArcelorMittal South Africa Employee Empowerment Share Trust (“AMSA Employee Empowerment Share Trust”). The AMSA Employee Empowerment Share Trust has been constituted as a “bewind trust” in terms of which the beneficiaries will have an undivided share of the ownership in the assets of the AMSA Employee Empowerment Share Trust determined in accordance with the rules of the New Scheme (“Scheme Rules”) and the trust deed of the AMSA Employee Empowerment Share Trust (“Trust Deed”).

The trustees of the AMSA Employee Empowerment Share Trust (“the Trustees”) will administer the assets of the AMSA Employee Empowerment Share Trust and ownership of such assets will vest in the beneficiaries of the AMSA Employee Empowerment Share Trust. The life span of the New Scheme will correlate with the Lock-in Period (“the Scheme Period”).

The AMSA Employee Empowerment Share Trust has been established in compliance with the B-BBEE Codes.

3.3 Mechanics of the B-BBEE Transaction

In terms of the subscription and relationship agreements entered into between B-BBEE CO and AMSA on 27 September 2016 (“B-BBEE CO Subscription Agreement”), AMSA will issue a total of 243 240 276 A1 Ordinary Shares to B-BBEE CO at a nominal subscription price of R0.000001 per A1 Ordinary Share, as a specific issue for cash.

In terms of the Subscription and Relationship Agreements entered into between the AMSA Employee Empowerment Share Trust and AMSA on 27 September 2016 (“AMSA Employee Empowerment Share Trust Subscription Agreement”), AMSA will issue a total of 72 972 083 A2 Ordinary Shares to the AMSA Employee Empowerment Share Trust at a nominal subscription price of R0.000001 per A2 Ordinary Share, as a specific issue for cash.

3.4 Details of Likamva

Likamva is a 100% black owned company, with black women shareholding of 58% and is comprised of a diverse and broad spectrum of business leaders, black industrialists and new

entrants. Likamva's founders and principals include Noluthando Gosa, the founder of the Akhona Group Proprietary Limited invested in the property and energy sector, Jabu Moleketi, the Chairman of the Harith Fund Management Company, Brait SE and the Development Bank of Southern Africa, Leslie Maasdorp, the Vice President of the BRICS New Development Bank, Themba Hlengani, the Chairman of the Xitsavi Group, Tshepo Mahloele, Chief Executive of the Harith Fund Management and Warren Wheatley the Chief Investment Officer of TSS Capital. The other shareholders of Likamva include individuals and companies involved in the engineering, construction, energy, environmental and automotive sectors.

In terms of the subscription and relationship agreements entered into between Likamva, B-BBEE CO and AMSA on 27 September 2016 ("Likamva Subscription Agreement"), Likamva will subscribe for 100% of the B-BBEE CO Ordinary Shares, translating to an indirect effective shareholding of 17% in AMSA. At issue date, Likamva will be the registered and beneficial holder of 100% of the issued share capital of B-BBEE CO.

As detailed in paragraph 3.1 above, Likamva has undertaken to introduce the Broad-Based Party into B-BBEE CO as shareholders within 24 months post the implementation of the B-BBEE transaction, such that an indirect effective shareholding of 5% in AMSA by the Broad-Based Party is achieved.

3.5 Details of the AMSA Employee Empowerment Share Trust

The AMSA Employee Empowerment Share Trust has been set up for full-time permanently employed management and non-management employees of all job grades of AMSA who are not serving their notice periods.

The Trustees, as directed by the Board will create a number of units ("Trust Units") which will be allocated to qualifying employees of the New Scheme. Employees who are on fixed term contracts, expatriate employees, independent contractors, employees who have resigned or have been dismissed will be excluded from participating in the New Scheme at the relevant date at which Trust Units will be allocated.

For the first allocation of Trust Units, the Trustees will create Trust Units equal to the number of A2 Ordinary Shares issued to the AMSA Employee Empowerment Share Trust. Additional Trust Units will be created during the Scheme Period to be allocated to new joiners, employees who are promoted and to Black beneficiaries to meet AMSA's B-BBEE requirements. Therefore, the total number of Trust Units created by the Trustees over the Scheme Period will not equate to the number of A2 Ordinary Shares held by the AMSA Employee Empowerment Share Trust.

The beneficiaries of the AMSA Employee Empowerment Share Trust includes employees who are Black People ("Black Employees") and non-Black Employees. In order to achieve an equitable participation, and to recognise employee value add, half of the first Trust Unit allocation will be based on an equal allocation to all qualifying employees, and the balance allocated according to employment grade. Initially this allocation will result in 60.7% of Trust Units being allocated to Black Employees. In terms of the split, lower level employees will therefore receive a higher proportion of Trust Units. However this allocation is subject to the following caveats:

- during the Scheme Period, if the B-BBEE shareholding in AMSA decreases to below 25.1%, the Trustees will have an obligation to create and allocate additional Trust Units to Black Employees as will be required to restore AMSA's B-BBEE shareholding to 25.1%, in terms of the B-BBEE Codes, subject to the Board having an overriding discretion in the circumstances where such allocation will dilute the non-Black Employees to an unjustifiable level or if it is not possible or feasible to achieve the 25.1% B-BBEE ownership level, and
- in order to demonstrate the commitment of AMSA to B-BBEE and contribute towards the social upliftment of its Black Employees, the Scheme Rules require that a minimum of 60% of the economic benefits attaching to the Trust Units are to accrue to Black Employees at all times.

The typical good leaver/ bad leaver provisions are included in the Scheme Rules to ensure no undue prejudice for employees whose employment has terminated. The new joiners will be allocated Trust Units pro-rata to what they would have been allocated had they been a participant of the New Scheme at the beginning of the Scheme Period. For example, if an employee joins in year 5, they will be allocated 50% of the Trust Units that they would have been allocated had they been a participant of the New Scheme at the beginning of the Scheme Period.

The Trust Deed makes provision for the appointment of Trustees such that the AMSA Employee Empowerment Share Trust will not be controlled by AMSA, so that the JSE will permit the voting rights exercisable at the meetings of AMSA shareholders on the A2 Ordinary Shares held by the AMSA Employee Empowerment Share Trust to be taken into account during the Scheme Period in respect of all AMSA shareholders resolutions.

3.6 Key Terms of the AMSA Empowerment Shares

3.6.1 Allocation price

The AMSA Empowerment Shares are to be allocated at a notional amount equating to R7.367 per A1 Ordinary Share ("A1 Share Notional Amount") and at a notional amount equating to R7.20 per A2 Ordinary Share ("A2 Share Notional Amount") which will be attached to each A1 Ordinary Share and A2 Ordinary Share ("Notional Amount").

The R7.20 A2 Share Notional Amount is based on the 30 day volume weighted average price ("VWAP") as at the close of business on 26 September 2016, being the date immediately preceding 27 September 2016 (the signature date of the B-BBEE CO Subscription Agreement), discounted by 10%. The A1 Share Notional Amount is calculated on the same basis as the A2 Share Notional Amount, save that it is increased by R40.6 million, being the value of the transaction costs incurred by Likamva and B-BBEE CO but settled by AMSA in respect of the B-BBEE Transaction, calculated on a per share basis.

A rate equal to the prevailing six month Johannesburg Interbank Agreed Rate ("JIBAR") plus 6% ("Notional Rate") will be applied to the A1 Share Notional Amount and the A2 Share Notional Amount to account for the cost of funding.

Any advisor fees incurred by B-BBEE CO in relation to the introduction of a Broad-Based Party as a shareholder in B-BBEE CO, and settled by AMSA, will be added to the A1 Share Notional Amount, and increased at the Notional Rate to account for the cost of funding.

The aggregate notional subscription price for the AMSA Empowerment Shares is approximately R2.3 billion.

3.6.2 Lock-in Period

B-BBEE CO and the AMSA Employee Empowerment Share Trust as the holders of the AMSA Empowerment Shares will be prohibited from trading the AMSA Empowerment Shares during the Lock-in Period.

Likamva and the Broad-Based Party as the holders of the B-BBEE CO Ordinary Shares will be prohibited from trading the B-BBEE CO Ordinary Shares during the Lock-in Period.

3.6.3 Rights attaching to the AMSA Empowerment Shares

The AMSA Empowerment Shares will rank *pari passu* to AMSA ordinary shares in respect of voting at the AMSA shareholders' general meetings i.e. they have full voting rights.

During the period from the issue date to the 7th anniversary of the issue date, the A1 Ordinary Shares and A2 Ordinary Shares are entitled to notional dividends (being an amount that is not paid in cash but applied to reduce the Notional Amount) equal to the dividend declared or the distribution made in respect of each AMSA ordinary share and in addition, from the 7th anniversary of the issue date until the expiry of the Lock-in Period, the A1 Ordinary Shares and A2 Ordinary Shares are entitled to a notional dividend equal to 95% of the dividend declared or the distribution made in respect of each AMSA ordinary share ("the Notional Dividends"). From the 7th anniversary of the issue date until the expiry of the Lock-in Period the remaining 5% will be paid as a cash dividend as detailed in paragraph 3.13.

These Notional Dividends will be notionally applied against the Notional Amount outstanding (both the A1 Share Notional Amount and the A2 Share Notional Amount) for the duration of the Lock-in Period.

3.6.4 Redemption of AMSA Empowerment shares to settle the Notional Amount

The subscription of the AMSA Empowerment Shares (which constitute the A1 Ordinary Shares to be issued to B-BBEE CO and the A2 Ordinary Shares to be issued to the AMSA Employee Empowerment Share Trust) will be funded through a notionally funded structure. The Notional Amount outstanding at the end of the Lock-in Period will be calculated as per the formula below.

$$NO = NA - ND$$

Where:

- NO = the Notional Outstanding;
- NA = the Notional Amount attributable to each AMSA Empowerment Share, increased and accumulated at Notional Rate nominal annual, compounded semi-annually from the issue date to the date of calculation;
- ND = the aggregate Notional Dividends that have been attributable to each AMSA Empowerment Share since the issue date with each Notional Dividend being increased at the Notional Rate nominal annual compounded semi-annually with effect from the date on which such Notional Dividend is attributable to the AMSA Empowerment Share, up until the date of calculation.

“AMSA Empowerment Remaining Shares” means the number of AMSA Empowerment Shares to remain after the redemption, calculated in accordance with the following formula:

$$X - Y$$

Where:

- X
CO = the total number of AMSA Empowerment Shares issued to B-BBEE and the AMSA Employee Empowerment Share Trust in terms of the B-BBEE CO Subscription and Relationship Agreement and AMSA Employee Empowerment Share Trust Subscription Agreement;
- Y = On expiry of the Lock-in Period, such number of the AMSA Empowerment Shares to be automatically redeemed at the redemption price of R0,000001 per AMSA Empowerment Share as is determined in accordance with the following formula -

$$(NO \times A) / VPS$$

Where:

- NO = the Notional Outstanding per AMSA Empowerment Share at expiry of the Lock-in Period;
- VPS = the Value Per Share as at expiry of the Lock-in Period;
- A = the number of AMSA Empowerment Shares held by B-BBEE CO on expiry of the Lock-in Period.

“Value Per Share” means if the AMSA ordinary shares remain traded on the JSE, the 30 day VWAP, or in any other case, the value per AMSA ordinary share as determined by the external auditors of AMSA.

At the end of the Lock-in Period the AMSA Empowerment Remaining Shares shall be renamed ‘ordinary shares’ and shall be listed on the JSE and shall rank *pari passu* in all respects with the AMSA ordinary shares.

There will be an appropriate adjustment to the above formula to take into consideration any capitalisation issues by AMSA and any AMSA share repurchase.

AMSA and B-BBEE CO may by mutual agreement extend the date of redemption of the A1 Ordinary Shares to a date beyond the expiry of the Lock-in Period depending on market conditions at the time. However, such date will not be beyond the 11th anniversary of the issue date of the A1 Ordinary Shares.

A worked example of the above formula will be included in the circular to be issued to shareholders.

3.7 Salient undertakings and representations provided by Likamva to AMSA

The following are some of the significant representations and undertakings that have been included in the Likamva Subscription Agreement and will prevail during the Lock-in Period:

- Likamva shall continue to be a black owned company.
- Likamva shall not dispose of or encumber any or all of the B-BBEE CO Ordinary Shares other than in accordance with the Likamva Subscription Agreement and the B-BBEE CO Subscription Agreement.
- Likamva shall take all such reasonable steps within its control to ensure that AMSA achieves and maintains its black ownership.
- If, as a result of any change in B-BBEE Codes or the B-BBEE Act or the interpretation thereof, AMSA fails to achieve the required black ownership to which Likamva and/or B-BBEE CO (as the case may be) has or have committed themselves to, Likamva undertakes to take such steps as may be required in order to effect such changes to the B-BBEE Transaction and to take such other steps as may be required to enable AMSA to achieve such required black ownership, which may include the transfer or issue of shares in B-BBEE CO to other shareholders.
- Likamva shall maintain the effective ownership in Likamva of the key Likamva shareholders.
- Likamva commits to the provision of strategic support to AMSA and to the participation in agreed annual performance measures.

In addition to the undertakings set out above, the Likamva Subscription Agreement also includes such further general and other warranties as are normally applicable to subscription agreements of this nature.

The Broad-Based Party to be introduced by Likamva to B-BBEE CO will be required to enter into a subscription and relationship agreement with B-BBEE CO, Likamva and AMSA, which will

govern the relationship between such Broad-Based Party, Likamva, B-BBEE CO and AMSA on the same or similar terms to the Likamva Subscription Agreement.

3.8 Salient undertakings and warranties provided by B-BBEE CO to AMSA

The following are some of the significant representations and undertakings that have been included in the B-BBEE CO Subscription Agreement, and will prevail during the Lock-in Period:

- Likamva shall remain the registered and beneficial owners of the B-BBEE CO Ordinary Shares.
- Likamva shall not dispose or encumber any or all of the B-BBEE CO Ordinary Shares, other than in accordance with Likamva Subscription and Relationship Agreement and Likamva Pledge and Cession Agreement other than as contemplated in the transaction agreements.
- No person shall have any right, including the right of pre-emption or other preferential right, in respect of the B-BBEE CO Ordinary Shares.
- B-BBEE CO will not increase, reduce or otherwise alter its authorised or issued share capital in any respect.
- The B-BBEE CO Memorandum of Incorporation (“B-BBEE CO MOI”) may not be amended or replaced without AMSA’s prior written consent and the B-BBEE CO MOI shall include a provision to such effect.
- B-BBEE CO shall be a ring-fenced company and its activities shall be restricted to act in accordance with the powers and limitations set out in the B-BBEE CO MOI.
- B-BBEE CO shall continue to be a black owned company.

In addition to the undertakings set out above, the B-BBEE CO Subscription Agreement also includes such further general and other warranties as are normally applicable to subscription agreements of this nature.

3.9 AMSA’s Breach Call Option

If Likamva breaches any of the material undertakings in terms of the Likamva Subscription Agreement and fails to remedy such breach, AMSA will have a call option to acquire all of the B-BBEE CO Ordinary Shares owned by Likamva at discount to the fair value of the B-BBEE CO Ordinary Shares, which will be determined as follows:

- If the breach occurs prior to the fifth anniversary of the B-BBEE Transaction, the purchase price shall be an amount equal to the nominal B-BBEE CO Ordinary Share subscription price.
- If the breach occurs on or after the fifth anniversary of the B-BBEE Transaction, but prior to the expiry of the Lock-in Period, the purchase price shall be 25% of the fair value of the B-BBEE CO ordinary shares.
- If the breach occurs on or after the expiry of the Lock-in Period, the purchase price shall be 50% of the fair value of the B-BBEE CO Ordinary Shares.

3.10 Pledge and Cession

In terms of the Pledge and Cession Agreement entered into between AMSA and Likamva on 27 September 2016, Likamva pledges, cedes and assigns to AMSA its rights in and to the B-BBEE CO Ordinary Shares as security for the obligations owed by Likamva to AMSA.

In terms of the Pledge and Cession Agreement entered into between AMSA and B-BBEE CO on 27 September 2016, B-BBEE CO pledges, cedes and assigns its rights in and to the A1 Ordinary Shares to AMSA as security for the obligations owed by B-BBEE CO to AMSA.

3.11 B-BBEE CO post Lock-In Period trading restrictions

At the expiry of the Lock-in Period, a portion of the A1 Ordinary Shares will automatically be redeemed by AMSA on the basis as set out in paragraph 3.6.4, and the balance being the AMSA Empowerment Remaining Shares shall be renamed 'ordinary shares', ranking *pari passu* in all respects with other existing AMSA ordinary shares.

In order to retain a meaningful long term B-BBEE shareholder beyond the Lock-in Period, to achieve meaningful value creation to Black People and to align the interests of all parties, B-BBEE CO and AMSA have agreed to a post Lock-in Period trading restriction in relation to the AMSA Empowerment Shares owned by B-BBEE CO.

B-BBEE CO has therefore agreed that subsequent to the Lock-in Period, a portion of its AMSA Empowerment Remaining Shares shall not be sold or encumbered other than to Black People or black owned companies ("Restricted Shares"), subject to such Black People or black owned companies agreeing to be bound by equivalent trading restrictions.

The level of trading restrictions is to be linked to the performance of the B-BBEE Transaction. This is on the basis that there will be trading restrictions on the AMSA Empowerment Remaining Shares should the B-BBEE CO's unencumbered AMSA Empowerment Remaining Shares constitute 40% or more of the A1 Ordinary Shares pre-redemption. This 40% threshold will be adjusted to take account of any B-BBEE share discount prevailing at the time. Should this threshold not be achieved, a sliding scale of AMSA Empowerment Ordinary Shares will be Restricted Shares, based on the unencumbered value achieved. The principle embodied in the above and in the formula below, is that a higher level of value creation will result in a higher proportion of the AMSA Empowerment Remaining Shares being Restricted Shares.

For the purpose of aligning with the objectives of B-BBEE Codes, the threshold at which the AMSA Empowerment Remaining Shares will be fully Restricted Shares, shall be set at a restricted shareholding percentage threshold to be calculated in terms of the following formula:

$$A = 40\% / (1 - B)$$

Where A = the Restricted Shareholding Percentage Threshold

B = an appropriate B-BBEE discount, expressed as a percentage, applicable to B-BBEE securities with similar trading restrictions which will be determined with reference to observable market data.

In the event that the number of the AMSA Empowerment Remaining Shares that are owned by B-BBEE CO, expressed as a percentage of the number of A1 Ordinary Shares prior to redemption, is equal or more than the Restricted Shareholding Percentage Threshold, then all of the AMSA Empowerment Remaining Shares shall be Restricted Shares.

If the number of the AMSA Empowerment Remaining Shares that are held by B-BBEE CO, expressed as a percentage of the number of A1 Ordinary Shares prior to redemption, is less than Restricted Shareholding Percentage Threshold, then the Restricted Shares will be calculated according to the following formula:

$$\text{Restricted Shares} = [(C/D)/A] \times C$$

Where A = the Restricted Shareholding Percentage Threshold

C = Number of AMSA Empowerment Remaining Shares held by B-BBEE CO post redemption

D = Number of A1 Ordinary Shares at the end of Lock-in Period prior to redemption

A worked example of the above formula will be included in the circular to be issued to shareholders.

With respect to the A1 Ordinary Shares, either AMSA or B-BBEE CO can by mutual agreement extend the Lock-in Period for a further 12 months.

3.12 Nomination of individuals as directors of AMSA

For as long as B-BBEE CO in aggregate owns at least 17% of the issued shares of AMSA, B-BBEE CO shall have the right to nominate two individuals for election by the AMSA Shareholders as directors of AMSA, one of whom must be an independent non-executive director. Post the Lock-in Period, B-BBEE CO shall have the right to nominate at least one individual for election by the AMSA shareholders as a director of AMSA for as long as B-BBEE CO in aggregate owns at least 9% of the issued shares of AMSA.

3.13 Trickle dividend

From the first business day following the 7th anniversary of the issue date until the expiry of the Lock-in Period, B-BBEE CO and the AMSA Employee Empowerment Trust are entitled to receive a cash dividend on the AMSA Empowerment Shares amounting to 5% of the ordinary dividend paid on an AMSA ordinary share. This is applicable to the extent that a dividend is declared and shall not create any obligation on AMSA to declare a dividend.

4 Related parties

WA de Klerk and D Subramanian, who are executive directors of the Company and are beneficiaries of the AMSA Employee Empowerment Share Trust.

Accordingly, the executive directors are considered related parties in terms of paragraph 10.1 (b)(ii) of the JSE Listing Requirements. The Board has commissioned BDO Corporate Finance, to act as an Independent Expert and provide a fairness opinion on the B-BBEE Transaction.

5 Unaudited pro forma financial effects for the half year ended 30 June 2016

The unaudited *pro forma* financial effects of AMSA presented below are the responsibility of the directors of AMSA and are based on the most recently published unaudited interim results of AMSA for the 6 months ended 30 June 2016.

The accounting policies of AMSA for the 6 months ended 30 June 2016 have been used in preparing the unaudited *pro forma* financial effects.

The unaudited *pro forma* financial effects were prepared for illustrative purposes only and may, due to the nature thereof, not fairly present AMSA's financial position, changes in equity, and results of its operations or cash flows as at the relevant reporting date.

The unaudited *pro forma* financial effects do not purport to be indicative of what the financial results would have been, or will be, had the B-BBEE Transaction been implemented on a different date.

AMSA wishes to highlight that the earnings and headline earnings per share impacts shown below are magnified as the B-BBEE Transaction related economic cost relating to the issue of the A1 Ordinary Shares to B-BBEE CO will be expensed in full at the date of issue, in line with the requirements of IFRS 2, whilst the A2 Ordinary Shares issued to the AMSA Employee Empowerment Share Trust will be amortised over the Lock-in Period.

AMSA's transaction costs for the B-BBEE Transaction of R28.7 million, and the Likamva transaction costs it has settled, will be expensed.

The once off, non-cash cost of the issue of A1 Ordinary Shares to B-BBEE CO, as at 26 September 2016, calculated in accordance with IFRS 2, is R798 million. The cost will be charged to the Company's income statement in the first year. The economic non-cash cost charge of the issue of A2 Ordinary Shares to the AMSA Employee Empowerment Trust calculated in accordance with IFRS 2 is R242 million and will be amortised over the Lock-in Period.

The unaudited *pro forma* financial effects of the B-BBEE Transaction are as follows:

Pro forma financial effects				
Rand				
For the half year ended 30 June 2016	As reported	After the B-BBEE Transaction	Net Impact	% change
Net asset value ("NAV") per share	15.30	15.24	(0.06)	(0.40%)
Tangible net asset value ("TNAV") per share	15.20	15.14	(0.06)	(0.40%)
Loss per share	(0.44)	(1.30)	(0.86)	(195.58%)
Diluted loss per share	(0.44)	(1.30)	(0.86)	(195.58%)
Headline loss per share	(0.45)	(1.30)	(0.86)	(192.16%)

Diluted headline loss per share	(0.45)	(1.30)	(0.86)	(192.16%)
Weighted average number of ordinary shares outstanding – EPS and HEPS	1 025 039 578	1 025 039 578		
Outstanding ordinary shares – NAV and TNAV	1 138 059 825	1 138 059 825		

6 Conditions precedent

The B-BBEE Transaction is subject to, amongst others, the following conditions precedent:

- The passing by the AMSA Shareholders of special resolutions, in terms of section 16 of the Companies Act, approving the necessary amendments to AMSA’s MOI to increase the number of authorised shares and to create the AMSA Empowerment Shares and the filing of such special resolutions with Companies and Intellectual Property Commission (“CIPC”).
- The passing by the AMSA Shareholders of special resolutions, in terms of section 44 and 45 of the Companies Act, authorising the granting of financial assistance to be provided by AMSA to Likamva, B-BBEE CO and the AMSA Empowerment Employee Share Trust by way of funding the transaction costs and by providing administrative services for no consideration and making a contribution to the annual costs of B-BBEE CO and the AMSA Employee Empowerment Share Trust.
- The passing by the AMSA Shareholders of special resolutions as a specific authority in terms of the Listings Requirements of the JSE Limited and section 41(1) of the Companies Act (where applicable having regard to the fact that Wim de Klerk and Dean Subramanian being directors will be beneficiaries of the AMSA Employee Empowerment Share Trust) and section 41(3) of the Companies Act to issue AMSA Empowerment Shares to B-BBEE CO and the AMSA Employee Empowerment Share Trust respectively.
- The passing by the AMSA Shareholders of an ordinary resolution approving the B-BBEE Transaction.

The above conditions precedent will be fulfilled on approval of the resolutions with the requisite majority, as set out in the notice of general meeting to be annexed to a circular to be posted on or about 17 October 2016 to AMSA Shareholders, and the filing of such resolutions with CIPC to the extent required.

7 Board opinion and fairness opinion

The Board has considered the terms and conditions of the B-BBEE Transaction and is of the opinion that the B-BBEE Transaction is in the best interests of all of the AMSA Shareholders and, accordingly, recommends that AMSA Shareholders vote in favour of the resolutions required to implement the B-BBEE Transaction.

BDO Corporate Finance Proprietary Limited has been appointed by AMSA to prepare an independent fairness opinion, as required in terms of the JSE Listings Requirements, due to the B-BBEE Transaction involving related parties as defined in the JSE Listings Requirements. BDO are completing their assignment and details of the opinion will be provided in the circular.

8 Irrevocable undertakings

AMSA has received an irrevocable undertaking from ArcelorMittal Holdings AG to vote in favour of the resolutions to be proposed at the general meeting to be convened. As at the date of this announcement, this undertaking amounts to a total of 69.2% of the AMSA ordinary shares in issue, net of treasury shares.

AMSA has further engaged a limited number of other major shareholders and will announce details of further shareholder support when such undertakings or letters of support are received.

9 Withdrawal of cautionary

AMSA Shareholders are advised that caution is no longer required to be exercised when dealing with the Company's securities.

Vanderbijlpark

28 September 2016

Corporate Advisor, Transaction Sponsor and Legal Advisor to ArcelorMittal South Africa Limited

KPMG Services Proprietary Limited

Transaction Advisor to Likamva Resources Proprietary Limited

Investec Bank Limited

Legal Advisor to Likamva Resources Proprietary Limited

Norton Rose Fulbright South Africa Inc

Sponsor to ArcelorMittal South Africa Limited

J.P. Morgan Equities South Africa Pty Ltd