



ArcelorMittal

# Announcement of a Broad-Based Black Economic Empowerment Transaction

10 August 2010

## Welcome and Introductions

**Johnson Njeke**

Chairman of  
ArcelorMittal South  
Africa

**Nku Nyembeza-Heita**

CEO of  
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Africa

**Sandile Zungu**

Leader of  
Ayigobi Consortium



## Introduction

- The design and structure of ArcelorMittal South Africa's broad-based black economic empowerment ("BEE") transaction has been developed over an extended period
- The BEE transaction introduces new features to South Africa's empowerment landscape
- The transaction:
  - Fulfills one of the key BEE objectives of ArcelorMittal South Africa
  - Makes ArcelorMittal South Africa compliant with legislated empowerment equity ownership requirements
  - Positions ArcelorMittal South Africa for various future opportunities



# Transaction Highlights

## 26% Broad-Based Empowerment Transaction

### Size

- R9,075m BEE ownership initiative<sup>1</sup>
- 26% shareholding in all ArcelorMittal South Africa's operations (not at a listed level)
  - 21% Ayigobi Consortium led by Sandile Zungu
    - Comprising 75% strategic BEE partners and 25% broad-based groupings (women, youth and others – still to be allocated)
  - 5% Employee Share Ownership Programme

### Funding

- Fully funded by ArcelorMittal South Africa
  - Through a notional funding formula
  - No equity contribution or third party funding leakage
  - Upfront loan available at facilitated rate to allow BEE partners early monetisation for a portion of the gain

### Duration

- Long-term transaction structure
  - Up to 14 years for Ayigobi Consortium
  - 5 years for ESOP

<sup>1</sup>Based on AMSA share price of R 87.0 as at 02-Aug-2010, 401.2m shares outstanding (excl. treasury), 26% attributable to BEE



## Designed to Address Challenges in BEE

Structure Increases the Certainty of a Successful Outcome for all Participants

Challenge	Solution
<ul style="list-style-type: none"><li>• Value leakage to banks</li></ul>	<ul style="list-style-type: none"><li>• Entirely vendor funded</li></ul>
<ul style="list-style-type: none"><li>• Scarcity of BEE equity</li></ul>	<ul style="list-style-type: none"><li>• No equity injection</li></ul>
<ul style="list-style-type: none"><li>• Transactions ending underwater</li></ul>	<ul style="list-style-type: none"><li>• Minimum gains secured for BEE</li></ul>
<ul style="list-style-type: none"><li>• Meaningful economic participation only on exit</li></ul>	<ul style="list-style-type: none"><li>• Upfront loan to Ayigobi Consortium secured against minimum gain</li></ul>
<ul style="list-style-type: none"><li>• Short term structures mean BEE credentials of temporary nature</li></ul>	<ul style="list-style-type: none"><li>• Up to 14 years for Ayigobi Consortium</li></ul>
<ul style="list-style-type: none"><li>• Open ended cost to shareholders</li></ul>	<ul style="list-style-type: none"><li>• Maximum gain to ensure transaction at an acceptable cost to shareholders</li></ul>
<ul style="list-style-type: none"><li>• Alignment of interests</li></ul>	<ul style="list-style-type: none"><li>• Participation in AMSA share price growth above R 122 per share</li></ul>

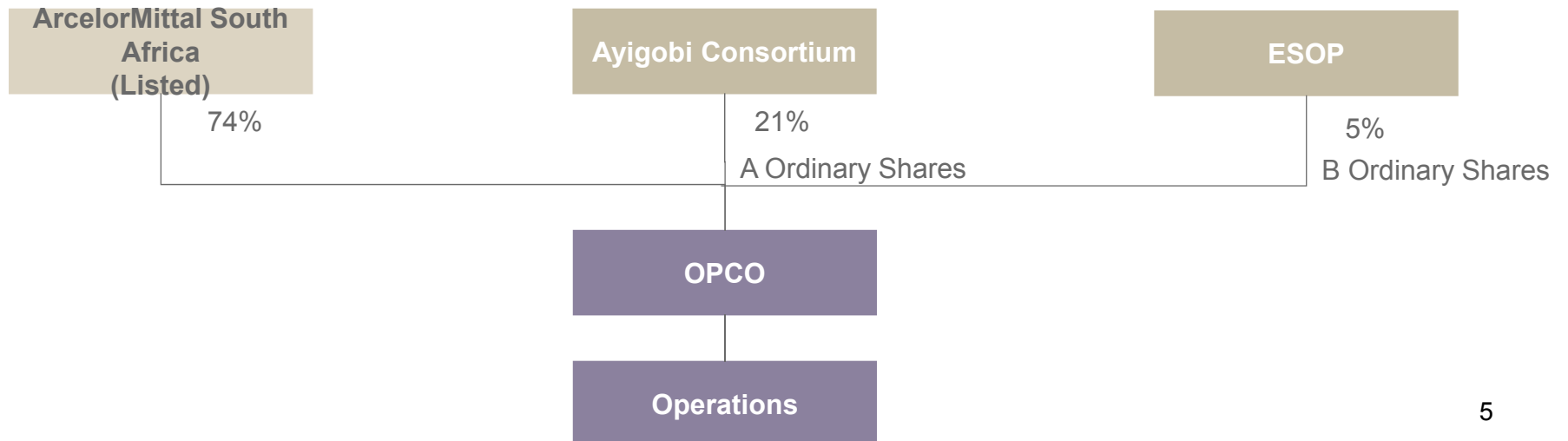
# Transaction Overview

## Introduction of BEE at the Operations Level

### Creation of ArcelorMittal South Africa Operations

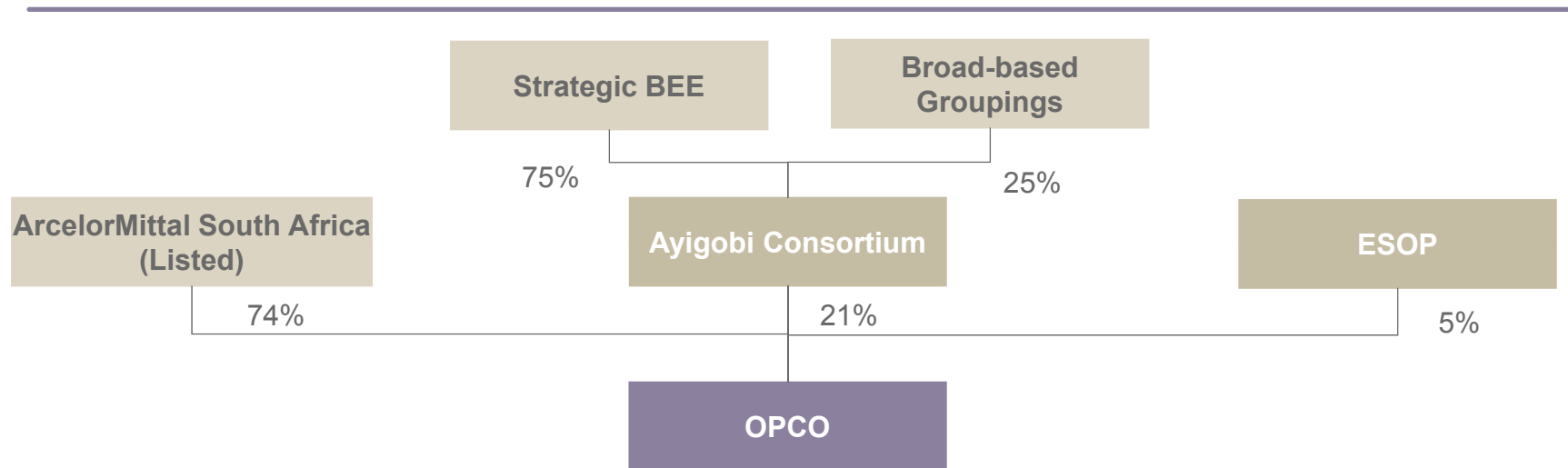
- ArcelorMittal South Africa will transfer all its operations into ArcelorMittal South Africa Operations (Pty) Ltd (“OPCO”) in exchange for shares
- BEE partners will then subscribe for 26% in OPCO on a notional vendor funded basis
- A and B Ordinary shares issued to BEE partners used to achieve notional funding
- Board mirrored at OPCO and listed ArcelorMittal South Africa
  - Ayigobi Consortium to have Board representation

### Structure



# Composition of Beneficiaries

## Structure Diagram



### Ayigobi Consortium: Strategic BEE

- Sandile Zungu led strategic consortium, including:
  - ZICO SPV (led by Sandile Zungu)
  - Mabelindile Archibald Luhlabo
  - Mojalefa Mbete
  - Prudence Zerah Mtshali
  - Phemelo Ohentse Robert Sehunelo
  - Zebo Lesego Edwin Tshethlo
  - Pragat Investments (Jagdish Parekh)
  - Oakbay Investments (Gupta family members)
  - Mabengela Investments (led by Duduzane Zuma)

### Ayigobi Consortium: Broad-based Groupings

- Remains to be allocated to a women-led groups
- Comprising women, youth and other

### ESOP

- Benefits >8,500 ArcelorMittal SA employees
- 10% reserved for future Previously Disadvantaged Individuals (“PDIs”) employees
- 15% skew in favour of PDIs
- Of the beneficiaries, c. 60% of beneficiaries are PDI

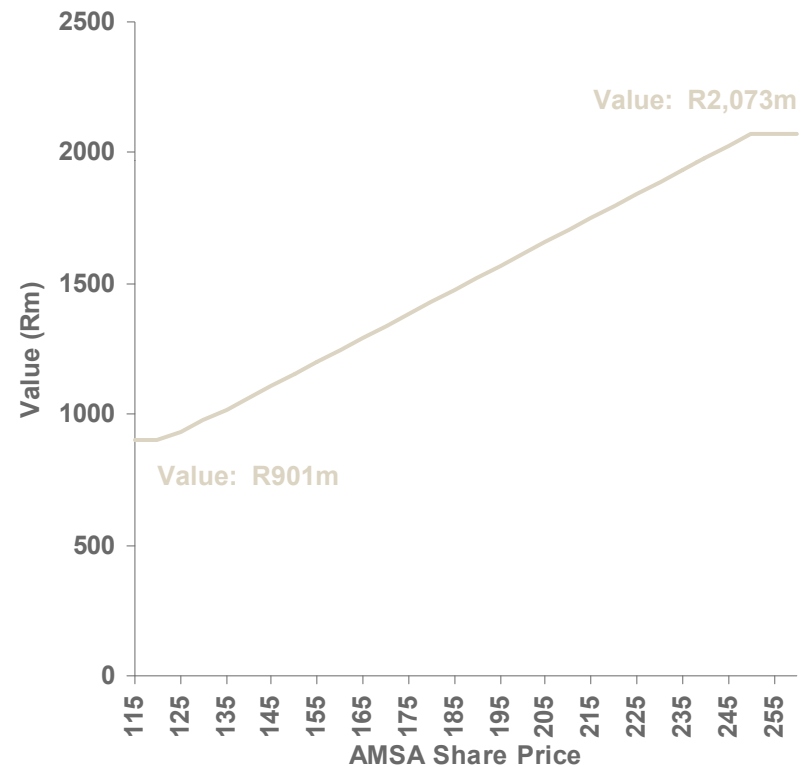
# Returns to BEE

## BEE To Receive Minimum and Maximum Gains

### Gains to BEE Partners

- Notional funding mechanism has been designed to secure minimum gains and maximum gains for the Ayigobi Consortium and ESOP:
  - Minimum of R901m at an ArcelorMittal South Africa share price of R122 or below
  - Maximum of R2,073m at an ArcelorMittal South Africa share price of R250 or above
  - A linear participation between share prices of R122 and R250
- The minimum gain will allow ArcelorMittal South Africa to provide the Ayigobi Consortium with a loan secured against this gain at an attractive funding rate

### Graphical Representation of Gains to BEE





# Employee Share Ownership Programme

## 5% of ArcelorMittal Operations Reserved for Employees

### Beneficiaries

- ESOP to benefit ArcelorMittal South Africa employees not currently part of an existing ArcelorMittal South Africa share scheme
  - 15% skew in favour of PDI employees
  - 10% allocation for future PDI employees
- Participation
  - No capital injection required by employees
  - Equal participation regardless of pay grade
  - Employees receive ArcelorMittal Operations dividends as well as capital gain on exit
  - >8,500 ArcelorMittal South Africa employees

### Structure

- 5 Year structure
- Structured in compliance with S8B of the Income Tax Act
  - Dividends are tax free
  - Gain taxed in terms of CGT and not income tax
  - Participation through a company to be created

### Governance

- Directors on the board of ESOP company will be appointed by the employees
  - Must be predominantly PDI
  - Directors will vote on behalf of the ESOP participants



## In Summary

### Transaction Objectives

- ✓ Demonstrate ArcelorMittal South Africa and ArcelorMittal Group's commitment to empowerment and transformation
- ✓ Aligns the interests of the BEE partners with ArcelorMittal South Africa
- ✓ Meaningful and sustainable wealth creation and black empowerment
- ✓ Ensures high probability of BEE partners' financial returns
- ✓ Minimal dilution and cost to shareholders while strengthening BEE credentials
- ✓ Intention is for broad-based participation
- ✓ Places ArcelorMittal South Africa in a position to apply for new order mining rights in future based on its own empowerment credentials
- ✓ Long-term mutual value creation for all stakeholders

# QUESTIONS



## Next Steps

- Publication of financial effects of the transaction (by 30-Aug)
- Circular to shareholders (on 06-Sep)
- Extraordinary general meeting (on 28-Sep)
- Fulfillment of conditions precedent
  - Regulatory approvals (SRP and JSE rulings)
  - Shareholder approvals (50%+1) of the proposed transaction and the restructuring and transfer of AMSA Operations
- Closing and Implementation