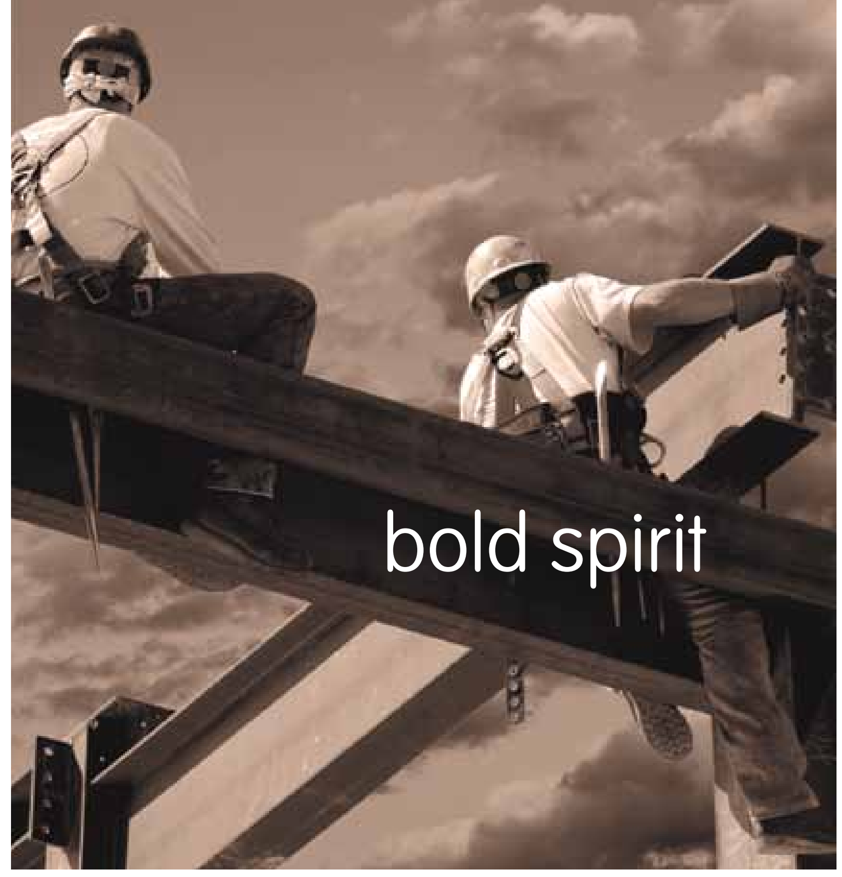
Unaudited group earnings results and physical information for the quarter ended 30 September 2011

Steel shipments down only 1%

Revenue of R7,6 billion

Headline loss of R460 million



Overview

Operating conditions in the steel industry deteriorated markedly during the third quarter. The local economy weakened measurably, with major steel consuming sectors suffering the most reversals in fortunes. All our key business drivers exhibited stable to negative trends. Electricity and raw material prices escalated further while subdued demand put pressure on steel prices, resulting in further margin erosion. The Rand was stable but relatively strong although it did start to weaken in the latter part of the reporting period.

The nationwide industrial action in the steel sector in July also had a negative impact on results, with many of our customers forced to delay product deliveries. In terms of our own wage negotiations, we reached agreement with the representative unions and employees at the end of September with no effect on production.

Our operational performance suffered a major setback when the Newcastle plant experienced a catastrophic failure of its blast furnace's dust catcher in early August. This resulted in a substantial loss of production with a concomitant impact on our quarterly results. To minimise the impact on our customers, a total of 240 000 tonnes of steel was secured locally and from other ArcelorMittal group mills globally and despatched from mid-October onwards. Repairs to the dust catcher are progressing well and indications are that production will start in early December. The total insurance claim is currently estimated at R1.1 billion with a deductible amount of R360 million.

The repair of the corex tap-hole at Saldanha Works was completed on schedule and within budget. Production re-commenced during the last week of September.

The safety of our employees and contractors is our number one priority. It is therefore deeply saddening to report that we experienced five fatalities for the year to date, of which three occurred during the third quarter. The board of directors has extended its deepest condolences to the families, friends and colleagues of the deceased. These tragic fatalities have undermined a safety performance that was, in other respects, starting to look encouraging. Management has taken urgent steps to restore a positive trend in our safety performance. The lost-time injury frequency rate per million man-hours worked for the quarter was 1.8 compared to 1.2 the previous quarter and 2.0 at the same time last year.

Financial results

We are disappointed to report a headline loss of R460 million for the quarter ended 30 September 2011 compared to headline earnings of R473 million achieved in the previous quarter and R68 million for the corresponding quarter last year. The primary contributors are lower sales, significantly higher raw material prices, electricity prices which increased by 25% during the quarter as well as our share of losses in equity accounted investments.

Key statistics

	Quarter ended		
	30 September 2011	30 June 2011	30 September 2010
Revenue (R million)	**7 620**	8 799	7 227
EBITDA (R million)	**3**	987	706
EBITDA/tonne (R/t)	**3**	766	618
EBITDA margin (%)		11	10
(Loss)/profit from operations (R million)	**(347)**	631	365
Net (loss)/profit (R million)	**(462)**	470	64
Headline (loss)/earnings (R million)	**(460)**	473	68
Headline (loss)/earnings per share (cents)	**(115)**	118	17
Liquid steel production ('000 tonnes)	**1 180**	1 639	1 428
Steel sales ('000 tonnes)	**1 133**	1 289	1 142
– Local	**862**	1 024	848
– Export	**271**	265	294
Lost time injury frequency rate	**1.8**	1.2	2.0

Market review

International

Global steel demand remains subdued with the debt crisis facing Europe leading to great economic uncertainty in the region and beyond. In Europe, the manufacturing and construction sectors continue on the weaker side, while the general housing market in the US is still sluggish. China, which so far has been the main engine of growth, started showing signs of a slowdown, with a recent weakening trend in steel demand leading to price erosion in the Chinese domestic market. In the sub-Saharan region, overall demand has been moderate. However, strong growth was experienced in countries such as Kenya, Zambia and particularly Zimbabwe, with increased activities in the construction and mining sectors.

Global steel prices across all products recorded a slight increase in September due to flat product price increases in North America, following raw material price increases. It is expected that global demand will remain sluggish with customers reluctant to place orders as there are significant downside risks to demand and growth in the short term. Spot prices of key raw materials have started falling, therefore we can expect steel prices to decline in the near term.

Domestic

The South African economy is demonstrating signs of weakness, with GDP growing at an annualised rate of 3% in the second quarter and an estimate of 2.6% in the third quarter. Negative growth rates were registered in the mining, manufacturing and agriculture sectors, with the construction sector remaining subdued at a growth rate of 0.5%. Very recently, we have seen an uptick in order intake which indicates a recovery in demand, although the main driver appears to be speculative buying in anticipation of further price increases following the weakening of the Rand.

Financial review

Quarter ended 30 September 2011 compared with quarter ended 30 September 2010

Total revenue increased by 5% on the back of an 11% increase in average net realised prices. Total steel shipments remained flat however shipments from long steel products decreased by 10% and flat steel products increased by 4%. Revenue from the Coke and Chemicals business fell 38% following a 40% decline in commercial coke sales and an 11% decrease in average net realised prices. Sales were hampered by weaker demand from the ferro-alloy industry following the traditional curtailment of their production during winter months as a result of high winter electricity tariffs and the drop in ferro-alloy prices.

Cash costs of hot rolled coil increased by 22% and billets by 18%. This was due to a rise in prices of coking coal, scrap and electricity by 23%, 37% and 25% respectively. The cost of production of commercial coke dropped 14.1%.

Liquid steel production declined by 17% due primarily to the structural dust catcher failure at Newcastle Works. Capacity utilisation at flat steel products remained in line with the corresponding quarter of 2010, but was 46% at long steel products compared to 90% for the corresponding quarter.

The increase in revenue offset by higher operating costs resulted in a decrease in operating profit from R365 million in the corresponding quarter 2010 to an operating loss of R347 million this quarter.

The net gain in foreign exchange of R23 million in the quarter compares with a loss of R188 million in the corresponding quarter. The Rand/US Dollar exchange rate weakened over the quarter by 17% and strengthened by 9% over the corresponding quarter. Offshore cash holdings decreased from R2.2 billion at the end of the corresponding quarter to R239 million at the end of this quarter.

Our share of the loss relating to equity accounted investments after taxation of R145 million was mainly due to ArcelorMittal South Africa's 16% share of an impairment loss recognised by CoAL of Africa of USD97.3 million for the year ended 30 June 2011, partially offset by our share of profits from Macsteel International Holdings BV.

The effective tax rate for the quarter was 17% compared to 55% in the corresponding quarter. The main reason for the higher effective tax charge for the corresponding quarter relates to the secondary tax on companies (STC) charge of R67 million. The low 17% effective tax rate for the quarter was due to lower predicted income for the year taking into account the production losses.

Quarter ended 30 September 2011 compared with quarter ended 30 June 2011

Revenue dropped 13% to R7.6 billion for the quarter. Total steel shipments were 12% lower, with domestic steel shipments decreasing by 16% and export steel shipments up 2%. Shipments for flat and long steel products were down 4% and 27% respectively while average net realised prices for flat steel products remained flat, but long steel products were 7% higher. Revenue from the Coke and Chemicals business decreased by 42% due to a 49% decline in commercial coke sales and a 5% drop in average net realised prices.

Cash costs of hot rolled coil increased by 15% and billets by 8%. This was due to price increases of 12% and 18% in coking coal and electricity respectively. The cost of production of commercial coke was 13.8% lower.

Liquid steel production was 28% lower. Flat and long steel products declined by 17% and 51% respectively. The 17% decrease at flat steel products relates to the tap-hole repair at Saldanha Works and chilled hearth conditions experienced on blast furnace D in Vanderbijlpark Works during August. The drop in long steel products is the consequence of the structural failure at Newcastle Works. Vereeniging Works delivered a stable performance. Capacity utilisation declined from 77% to 64% at flat steel products and 93% to 46% at long steel products.

The effect of the decline in revenue, production losses and the increase in production costs was an overall loss from operations of R347 million for the quarter compared to a profit of R631 million reported in the previous quarter.

Finance costs increased from R27 million to R97 million for the quarter mainly due to a decrease in the discount rate used to determine the present value of long-term liabilities such as environmental obligations and onerous contract provisions.

Our share of the loss from equity accounted investments after taxation of R145 million compares with a profit of R52 million in the previous quarter. This quarter's loss relates mainly to ArcelorMittal South Africa's 16% share in the loss recognised by CoAL of Africa.

The income tax credit for the quarter of R97 million translates into an effective tax rate of 17% for the quarter compared to 30% for the previous quarter. The R97 million includes STC and non-deductible expenses.

Cash holdings decreased by R1.4 billion to R1.3 billion over the quarter as a result of R627 million being utilised in operations, a dividend payment of R221 million, capital expenditure of R350 million and the repayment of obligations of R100 million.

Contingent liabilities

The case brought before the Competition Tribunal ("Tribunal") by Barnes Fencing Industries Limited relating to alleged price and exclusionary conduct on the sale of wire rod is continuing in accordance with Tribunal procedures. A date for the hearing has not been set.

The Competition Commission ("Commission") has referred the company and three other primary steel producers in South Africa to the Tribunal for alleged price fixing and market division in respect of certain long steel products. The Commission has recommended the imposition of a financial penalty of 10% of the company's 2008 annual turnover. On 3 September 2010, the Tribunal refused access to the bulk of the documentation requested by the company, the company then filed a notice of appeal with the Competition Appeal Court ("CAC") to review the Tribunal's decision. The company also requested the CAC to suspend the Tribunal's order that the company should file its answering affidavit, pending the outcome of the appeal. An appeal and review hearing date has been set for 2 December 2011. ArcelorMittal South Africa has also filed an application challenging the validity of the referral of this matter to the Tribunal. No date has been set as yet for the hearing of this application.

Dispute with Sishen Iron Ore Company (Proprietary) Limited ("SIOC")

The company was joined as a co-applicant in the review application between SIOC, Imperial Crown Trading 289 (Proprietary) Limited ("ICT") and the Department of Mineral Resources ("DMR") on the issue of the prospecting right granted to ICT by the DMR. The outcome of the hearing that was held in August is still outstanding.

The arbitration hearing on the validity of the supply agreement between SIOC and the company has been set for May 2012.

Competition Commission investigations

The Commission is formally investigating five complaints (previously four complaints) against ArcelorMittal South Africa. The first involves alleged price fixing in the flat steel market and the second, alleged excessive pricing of tinplate. The third investigation involves alleged prohibited vertical practices in respect of purchases of scrap steel. The fourth investigation appears to involve an extension of the Barnes Fencing Industries Limited case described under contingent liabilities, into a later period. The fifth investigation relates to excessive pricing in the flat steel market and the Sishen surcharge introduced, and later cancelled by the company in 2010. The company is co-operating fully with the Commission in these investigations and delivered all the requested documentation to the authorities. None of these have been referred by the Commission to the Tribunal.

Acquisitions

The due diligence on the Northern Cape Iron Ore mining project is continuing; however, the renewal of the prospecting rights remains outstanding.

Outlook for fourth quarter 2011

Earnings for the fourth quarter are expected to improve from the previous quarter due to a modest rise in prices on the back of the weaker exchange rate supported by higher production volumes.

Basis of accounting

The condensed consolidated financial information has been prepared in accordance with IAS 34, *Interim Financial Reporting* and the AC500 standards as issued by the Accounting Practices Board or its successor. This information was compiled under the supervision of Mr RH Torlage, the Chief Financial Officer.

On behalf of the board

N Nyembezi-Heita
Chief Executive Officer

RH Torlage
Chief Financial Officer

26 October 2011

Condensed group statement of comprehensive income

In millions of rand	Quarter ended: **30 September 2011**	Quarter ended: 30 June 2011	Quarter ended: 30 September 2010	Nine months ended 30 September 2011	Year ended 31 December 2010 Audited
Revenue	**7 620**	8 799	7 227	24 195	30 224
Raw materials and consumables used	**(4 453)**	(5 387)	(4 660)	(14 214)	(17 027)
Employee costs	**(813)**	(811)	(755)	(2 406)	(2 951)
Energy	**(856)**	(1 036)	(696)	(2 524)	(2 419)
Movement in inventories of finished goods and work in progress	**(85)**	902	827	801	744
Depreciation	**(346)**	(353)	(338)	(1 046)	(1 360)
Amortisation of intangible assets	**(4)**	(3)	(3)	(10)	(11)
Other operating expenses	**(1 410)**	(1 480)	(1 237)	(4 214)	(5 049)
(Loss)/profit from operations	**(347)**	631	365	582	2 151
Finance and investment income	**7**	13	27	26	71
Finance costs	**(97)**	(27)	(99)	(186)	(357)
Net foreign exchange gains/(losses)	**23**	3	(188)	124	(150)
(Loss)/income from equity accounted investments (net of tax)	**(145)**	52	40	(154)	122
(Loss)/profit before tax	**(559)**	672	145	392	1 837
Income tax credit/(charge)	**97**	(202)	(81)	(200)	(492)
(Loss)/profit for the period	**(462)**	470	64	192	1 345
Other comprehensive income					
Exchange differences on translation of foreign operations	**268**	(1)	(164)	295	(200)
(Losses)/gains on available-for-sale investment taken to equity	**(2)**	(4)		(2)	29
Movement in gains deferred to equity on cash flow hedges					8
Share of other comprehensive income of equity accounted investments	**154**	2	(17)	7	75
Tax effect on amounts taken directly to equity					(2)
Total comprehensive (loss)/income for the period	**(42)**	467	(117)	492	1 255
(Loss)/profit attributable to:					
Owners of the company	**(462)**	470	64	192	1 345
Total comprehensive (loss)/income attributable to:					
Owners of the company	**(42)**	467	(117)	492	1 255
Attributable (loss)/earnings per share (cents)					
– basic	**(115)**	117	16	48	335
Reconciliation of headline (loss)/earnings					
(Loss)/profit for the period	**(462)**	470	64	192	1 345
Adjusted for:					
– Loss on disposal or scrapping of assets	**3**	4	5	22	44
– Tax effect	**(1)**	(1)	(1)	(6)	(12)
Headline (loss)/earnings	**(460)**	473	68	208	1 377
Headline (loss)/earnings per share (cents)	**(115)**	118	17	52	343
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)					
(Loss)/profit from operations	**(347)**	631	365	582	2 151
Adjusted for:					
– Depreciation	**346**	353	338	1 046	1 360
– Amortisation of intangible assets	**4**	3	3	10	11
EBITDA	**3**	987	706	1 638	3 522

Condensed group statement of financial position

In millions of rand	**As at 30 September 2011**	As at 30 June 2011 Reviewed	As at 30 September 2010	As at 31 December 2010 Audited
Assets				
Non-current assets	**18 998**	18 574	18 566	19 110
Property, plant and equipment	**16 304**	16 159	15 706	16 432
Intangible assets	**81**	83	72	84
Equity accounted investments	**2 546**	2 262	2 574	2 386
Other financial assets	**67**	70	214	208
Current assets	**12 920**	13 865	13 693	12 608
Inventories	**9 232**	8 175	7 234	7 156
Trade and other receivables	**2 392**	3 065	2 625	1 816
Taxation				18
Other financial assets	**20**	2	120	112
Cash and cash equivalents	**1 276**	2 623	3 714	3 506
Total assets	**31 918**	32 439	32 259	31 718
Equity and liabilities				
Shareholders' equity	**22 842**	23 101	23 152	22 556
Stated capital	**37**	37	37	37
Non-distributable reserves	**(2 322)**	(2 601)	(2 239)	(2 475)
Retained income	**25 127**	25 665	25 354	24 994
Non-current liabilities	**4 458**	4 484	4 632	4 592
Borrowings and other payables	**227**	222	226	224
Finance lease obligations	**471**	483	547	515
Deferred income tax liability	**2 246**	2 287	2 331	2 354
Provision for post-retirement medical costs	**7**	7	8	8
Non-current provisions	**1 507**	1 485	1 520	1 491
Current liabilities	**4 618**	4 854	4 475	4 570
Trade and other payables	**3 957**	4 127	3 467	4 020
Borrowings and other payables	**104**	102	93	88
Finance lease obligations	**52**	55	40	59
Taxation	**124**	180	481	
Current provisions	**381**	390	394	403
Total equity and liabilities	**31 918**	32 439	32 259	31 718

Condensed group statement of cash flows

In millions of rand	Quarter ended: **30 September 2011**	Quarter ended: 30 June 2011	Quarter ended: 30 September 2010	Nine months ended 30 September 2011	Year ended 31 December 2010 Audited
Cash (out)/inflows from operating activities	**(909)**	419	(959)	(1 351)	1 462
Cash (utilised) in/generated from operations	**(627)**	577	(229)	(952)	2 791
Interest income	**7**	13	27	25	69
Finance cost	**(23)**	(19)	(20)	(61)	(85)
Dividend paid	**(221)**		(602)	(221)	(602)
Income tax paid		(162)		(162)	(653)
Realised foreign exchange movement	**(45)**	10	(135)	20	(58)
Cash outflows from investing activities	**(350)**	(202)	(341)	(699)	(1 706)
Investment to maintain operations	**(244)**	(120)	(359)	(474)	(1 259)
Investment to expand operations	**(85)**	(61)	(39)	(191)	(455)
Shares acquired in associate and equity accounted investment	**(21)**	(22)		(36)	(120)
Investment income – interest		1		2	2
Dividend from equity accounted investments			57		126
Net cash (out)/inflow	**(1 259)**	217	(1 300)	(2 050)	(244)
Cash outflows from financing activities	**(189)**	(99)	(93)	(349)	(499)
Repayment of borrowings, finance lease obligations and other payables	**(189)**	(99)	(93)	(349)	(499)
(Decrease)/increase in cash and cash equivalents	**(1 448)**	118	(1 393)	(2 399)	(743)
Effect of foreign exchange rate changes	**101**	2	(71)	169	(99)
Cash and cash equivalents at beginning of period	**2 623**	2 503	5 178	3 506	4 348
Cash and cash equivalents at end of period	**1 276**	2 623	3 714	1 276	3 506

Condensed group statement of changes in equity

In millions of rand	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Quarter ended 30 September 2010					
Balance as at 30 June 2010	37	(3 918)	1 867	25 874	23 860
Total comprehensive income			(181)	64	(117)
Management share trust: net of treasury share purchases					
Share-based payment reserve			11		11
Transfer of equity accounted earnings			(18)	18	
Dividend paid				(602)	(602)
Balance as at 30 September 2010	37	(3 918)	1 679	25 354	23 152
Quarter ended 30 June 2011					
Balance as at 31 March 2011	37	(3 918)	1 266	25 247	22 632
Total comprehensive income			(3)	470	467
Management share trust: net of treasury share purchases			(3)		(3)
Share-based payment reserve			5		5
Transfer of equity accounted earnings			52	(52)	
Balance as at 30 June 2011	37	(3 918)	1 317	25 665	23 101
Quarter ended 30 September 2011					
Balance as at 30 June 2011	**37**	**(3 918)**	**1 317**	**25 665**	**23 101**
Total comprehensive income			**420**	**(462)**	**(42)**
Management share trust: net of treasury share purchases			**(1)**		**(1)**
Share-based payment reserve			**5**		**5**
Transfer of equity accounted earnings			**(145)**	**145**	
Dividend paid				**(221)**	**(221)**
Balance as at 30 September 2011	**37**	**(3 918)**	**1 596**	**25 127**	**22 842**

Segment information

	Quarter ended		
	30 September 2011	30 June 2011	30 September 2010
Flat Steel Products			
Revenue (R million)*	**5 281**	5 403	4 574
Operating (loss)/profit before depreciation and amortisation (R million)	**(232)**	548	136
Depreciation and amortisation (R million)	**276**	283	273
(Loss)/profit from operations (R million)	**(508)**	265	(137)
Liquid steel production ('000 tonnes)	**918**	1 102	910
Steel sales ('000 tonnes)	**798**	829	768
– Local	**588**	642	563
– Export	**210**	187	205
Capacity utilisation (%)	**64**	77	64
Long Steel Products			
Revenue (R million)*	**2 322**	3 031	2 389
Operating profit before depreciation and amortisation (R million)	**65**	384	281
Depreciation and amortisation (R million)	**66**	71	66
(Loss)/profit from operations (R million)	**(1)**	313	215
Liquid steel production ('000 tonnes)	**262**	537	518
Steel sales ('000 tonnes)	**335**	460	374
– Local	**274**	382	285
– Export	**61**	78	89
Capacity utilisation (%)	**46**	93	90
Coke and Chemicals			
Revenue (R million)*	**400**	686	641
Operating profit before depreciation and amortisation (R million)	**160**	264	262
Depreciation and amortisation (R million)	**14**	12	10
Profit from operations (R million)	**146**	252	252
Commercial coke produced ('000 tonnes)	**162**	139	200
Commercial coke sales ('000 tonnes)	**92**	180	153
Tar sales ('000 tonnes)	**27**	28	29

**Revenue includes intersegmental sales*

Forward-looking statements

Certain statements in this release 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 known and unknown risks and uncertainties and can be affected by other factors, that 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).

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■ Citizen of India # Citizen of France ° Citizen of Spain * Independent non-executive
Executive: N Nyembezi-Heita (Chief Executive Officer), RH Torlage (Chief Financial Officer)

Company Secretary: Premium Corporate Consulting Services (Proprietary) Limited

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