Unaudited group earnings results and physical information for the quarter ended 31 March 2012

ArcelorMittal

- Record safety achievement
- Headline earnings rise to R283 million from a loss in Q4 2011
- Steel shipments up 30% to 1.3 million tonnes from 1 million tonnes in Q4 2011
- Revenue up 26% to R9.1 billion from R7.3 billion in the previous quarter

Overview

After the major production outages experienced in the previous two quarters, the company enjoyed a measure of operational stability over the first three months of the year. Steel market demand improved significantly on the back of restocking whilst prices remained relatively stable. In contrast, the commercial coke market was quite challenging due to a dramatic decline in production in the ferrochrome industry.

Headline earnings increased to R283 million for the quarter from a loss of R260 million reported in the preceding quarter and a profit of R195 million reported in the corresponding quarter of last year. Dispatches were strong and in line with the same time last year but up 30% quarter-on-quarter, driven primarily by restocking. Average net realised sales prices were stable at similar levels to the previous quarter, but 23% higher on average compared to first quarter 2011. The production cash cost of hot rolled coil and billets decreased by 3% compared to the previous quarter but increased by 15% when compared to this time last year.

Improved operational performance led to a 15% increase in liquid steel output compared to the previous quarter with capacity utilisation at Newcastle rising to 74% from 26% in the fourth quarter, reflecting the recovery after the structural collapse of the dust catcher in the third quarter. A second insurance payment of R245 million was received during March relating to this incident which is approximately R80 million more than the opportunity loss for the quarter.

A significant drop in market demand for commercial coke resulted in a 9% fall in EBITDA at Coke and Chemicals business to a total of R205 million. The business unit was negatively affected by the unexpected shutdown of a number of smelters in the ferrochrome industry during the period, following an agreement with Eskom to reduce electricity offtake.

The lost time injury frequency rate per million man-hours worked improved to an all time ArcelorMittal South Africa record of 0.81 from 0.88 and 0.99 reported in the preceding and corresponding quarter, respectively. Our journey to zero fatalities and zero injuries in the workplace is on course.

Key statistics

	Quarter ended		
	31 March 2012	31 March 2011	31 December 2011
Revenue (R million)	**9 142**	7 777	7 258
EBITDA (R million)	**817**	648	82
EBITDA/tonne (R/t)	**634**	501	83
EBITDA margin (%)	**8.9**	8.3	1.1
Profit/(loss) from operations (R million)	**458**	298	(285)
Net profit/(loss) (R million)	**279**	184	(184)
Headline earnings/(loss) (R million)	**283**	195	(260)
Headline earnings/(loss) per share (cents)	**71**	49	(65)
Liquid steel production ('000 tonnes)	**1 383**	1 437	1 198
Steel sales ('000 tonnes)	**1 288**	1 293	993
– Local	**994**	896	725
– Export	**294**	397	268
Lost time injury frequency rate	**0.81**	0.99	0.88

Market review

Global steel consumption remained moderate during the period. China remains the dominant steel consumer despite a slowdown in consumption caused by a decline in industrial production and slower GDP growth. With improved economic activity in the US, demand and pricing have been relatively firm in that market over the quarter. While we did see some restocking in Europe, the real demand outlook for the rest of the year remains sluggish.

On the domestic front, 2012 GDP growth is estimated at 2.9%, mainly attributed to an improvement in manufacturing. The construction sector – the primary driver of domestic steel demand – continues to be slow with revival only expected in the latter part of the year. Of concern also is the performance of the mining sector which continues to register a slow-down in fixed asset investment and production levels. There are no clear signs yet of recovery in underlying demand.

Financial review

Quarter ended 31 March 2012 compared with quarter ended 31 March 2011

Revenue of R9.1 billion was 18% higher than the same period last year whilst steel shipments were flat. Domestic steel shipments increased by 11% but were offset by a 26% decrease in export shipments. Shipments for flat steel products declined by 13% while long steel products rose by 40% following the blast furnace conditions experienced in Newcastle during the early part of 2011. Average net realised prices for flat steel were 19% up, while long steel rose by 32%. Revenue from the Coke and Chemicals business was down 16% following a 27% drop in sales volumes, offset by a 7% increase in prices.

Production cash costs continued to rise. Costs for hot rolled coil and billets increased by 16% and 13% respectively, largely due to an increase in the prices of imported hard coking coal (31%), local coking coal (30%), iron ore (12%) and electricity (23%).

Total liquid steel production was 4% down of which flat steel decreased by 7% and long steel increased by 4%. Flat steel products achieved capacity utilisation of 69% compared to 75% a year ago. The equivalent figures for long steel products were 70% and 68% respectively.

Finance costs increased by R14 million to R74 million for the quarter due to overdraft facilities utilised to fund working capital requirements.

Net foreign exchange losses of R17 million were reported as a result of a 6% strengthening of the rand against the US dollar over the quarter. This compares to a R97 million foreign exchange profit for the corresponding quarter following a 3% weakening of the rand/US dollar exchange rate during that period together with higher foreign currency denominated cash balances.

Income from equity accounted investments after taxation was R9 million compared with a loss of R62 million in the previous reporting period. The latter relates mainly to the company's share of the loss recognised by Coal of Africa.

Quarter ended 31 March 2012 compared with quarter ended 31 December 2011

Revenue of R9.1 billion was 26% higher quarter-on-quarter driven by a 295 000 tonne increase in total steel shipments, with domestic steel shipments increasing by 37% and export shipments increasing by 10%. Shipments for flat steel products increased by 7%, while long steel products increased by 126% following the dust catcher failure that affected the previous quarter's sales. Average net realised prices for flat steel products remained unchanged, while long steel products declined marginally. Revenue from the Coke and Chemicals business decreased by 5% following a 12% decline in commercial coke volumes off-set by a marginal increase in net realised prices of 2%.

The production cash cost of hot rolled coil decreased by 4% whilst that of billets increased by 4% due to a combination of input price movements consisting mainly of imported pellets (25% lower), scrap (5% lower), iron ore (5% higher) and local coking coal (8% higher).

Total liquid steel production was 15% higher than the previous quarter of which flat steel remained unchanged and long steel increased by 92%. Over the same period, flat steel products achieved capacity utilisation of 69% compared to 70% whereas long steel products achieved capacity utilisation of 70% compared to 36%.

Finance costs dropped from R106 million to R74 million as a consequence of a higher discount rate used to determine the present value of long-term liabilities such as environmental obligations and onerous contract provisions.

Income from equity accounted investments after taxation was R9 million compared with R120 million in the previous quarter. The latter relates mainly to a partial reversal of the group's share of the impairment loss in Coal of Africa that was recognised in the third quarter of 2011.

Contingent liabilities

Wire rod matter – alleged exclusionary conduct

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.

Long steel matter – alleged cartel conduct

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 as a result of which a notice of appeal has been filed with the Competition Appeal Court (CAC) to review the Tribunal's decision. The appeal was heard on 2 December 2011 and judgment was handed down on 2 April 2012. The matter was referred back to the Tribunal for a hearing to determine the validity of the confidentiality claims placed on the documents in respect of which the company is seeking access. 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 for the hearing of this application.

Flat steel matter – alleged conscious parallelism

On 30 March 2012 the Commission referred a case of restrictive horizontal practice against ArcelorMittal South Africa and Highveld Steel and Vanadium Corporation Limited (Highveld) to the Tribunal for adjudication. This relates to alleged price fixing and market allocation in respect of flat steel products. The form of price fixing alleged by the Commission in this instance is one based on the "conscious parallelism" phenomenon. This mainly relates to Highveld increasing its prices each time ArcelorMittal South Africa increases its prices. ArcelorMittal South Africa strongly rejects the allegations by the Commission and will defend itself. The Commission has recommended to the Tribunal to impose a penalty of 10% of the company's 2008 annual turnover. No amount has been recognised as a liability.

Competition Commission investigations

The Commission is formally investigating four (previously five) complaints against ArcelorMittal South Africa. The first involves alleged excessive pricing of tinplate. The second investigation involves alleged prohibited vertical practices in respect of purchases of scrap steel. The third investigation appears to involve an extension of the Barnes Fencing Industries Limited case described under contingent liabilities, into a later period. The fourth investigation relates to excessive pricing in the flat steel market and the iron ore surcharge introduced, and later cancelled by the company in 2010. The company is co-operating fully with the Commission in these investigations and continues to deliver all information and documentation to the competition authorities as and when called upon to do so.

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

Judgment in the High Court application to review the award of the rights to Imperial Crown Trading 289 (Pty) Limited (ICT) by the Department of Mineral Resources (DMR) was delivered in December 2011. The judge found, as argued by ArcelorMittal South Africa, that SIOC was awarded 100% of the mining rights in the Sishen mine and therefore the award to ICT was invalid. ICT and DMR have applied for leave to appeal this judgment. The application will be heard on 11 May 2012. The arbitration proceedings between ArcelorMittal and SIOC have been postponed pending the finalisation of the High Court Application.

Acquisitions

In April 2012, ArcelorMittal South Africa acquired an interest of just less than 20% in an iron ore exploration project in the Northern Cape area. The settlement of the purchase price is structured over a period subject to certain conditions precedent. The acquisition of this tranche of shares is not dependent on Ministerial approval in terms of the Minerals and Petroleum Resources Development Act, No 28 of 2002, though subsequent purchases are subject to such approval. Early-stage exploration activities, which are fully funded by the company, commenced in February this year and are expected to extend into early 2013.

Other developments

The matter between the company and the South African Revenue Services relating to the erroneous claiming of customs value added tax previously reported as a contingent liability for the year ended 31 December 2011 has been resolved and settled.

In his budget speech in February 2012, the Minister of Finance outlined further detail regarding the proposed carbon tax. As currently contemplated, this will have a significant financial impact on the company and further engagement will take place with National Treasury to reach a sustainable taxation structure that makes provision for the limitations the steel industry faces due to a lack of alternative technologies.

Dividend policy

The Board approved a revision of the current dividend policy whereby the declaration and payment of any dividend will now be subject to the discretion of the Board of directors. The timing and amount of dividend payments will be dependent upon ArcelorMittal South Africa's earnings, financial condition, cash availability and capital requirements to sustain the business and support future growth. These factors will be considered at the end of the half year and the year end of the calendar year in determining whether or not a dividend should be declared.

Outlook for second quarter 2012

Earnings for the second quarter are expected to be substantially lower than the previous quarter due to a decline in domestic demand, softer steel prices, higher costs such as electricity and transport and a drop in sales of commercial coke due to the usual shutdown by the ferrochrome industry during the winter months.

Basis of preparation

The condensed reviewed consolidated financial statements have been prepared in compliance with the Listings Requirements of the JSE Limited, the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the AC500 standards as issued by the Accounting Practices Board. These statements were 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

2 May 2012

Condensed group statement of comprehensive income

Rm	Quarter ended 31 March 2012	31 March 2011	31 December 2011	Year ended 31 December 2011 Audited
Revenue	**9 142**	7 777	7 258	31 453
Raw materials and consumables used	**(5 112)**	(4 374)	(5 672)	(19 886)
Employee costs	**(802)**	(781)	(758)	(3 164)
Energy	**(732)**	(632)	(653)	(3 177)
Movement in inventories of finished goods and work in progress	**(459)**	(15)	932	1 733
Depreciation	**(355)**	(347)	(363)	(1 409)
Amortisation of intangible assets	**(4)**	(3)	(4)	(14)
Other operating expenses	**(1 220)**	(1 327)	(1 025)	(5 239)
Profit/(loss) from operations	**458**	298	(285)	297
Finance and investment income	**5**	6	5	31
Finance costs	**(74)**	(60)	(106)	(292)
Net foreign exchange (losses)/gains	**(17)**	97		124
Income/(loss) from equity accounted investments (net of tax)	**9**	(62)	120	(34)
Profit/(loss) before tax	**381**	279	(266)	126
Income tax (charge)/credit	**(102)**	(95)	82	(118)
Profit/(loss) for the period	**279**	184	(184)	8
Other comprehensive income				
Exchange differences on translation of foreign operations	**(94)**	45	14	315
(Losses)/gains on available-for-sale investment taken to equity	**(21)**	4	(10)	(12)
Share of other comprehensive income of equity accounted investments	**(7)**	(149)		7
Total comprehensive income/(loss) for the period	**157**	84	(180)	318
Profit/(loss) attributable to:				
Owners of the company	**279**	184	(184)	8
Total comprehensive income/(loss) attributable to:				
Owners of the company	**157**	84	(180)	318
Attributable earnings/(loss) per share (cents)				
– basic	**70**	46	(46)	2

Additional information

Rm	Quarter ended 31 March 2012	31 March 2011	31 December 2011	Year ended 31 December 2011 Audited
Audited				
Reconciliation of headline earnings/(loss)				
Profit/(loss) for the period	**279**	184	(184)	8
Adjusted for:				
– Loss/(profit) on disposal or scrapping of assets	**5**	15	(104)	(82)
– Tax effect	**(1)**	(4)	28	22
Headline earnings/(loss)	**283**	195	(260)	(52)
Headline earnings/(loss) per share (cents)	**71**	49	(65)	(13)
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)				
Profit/(loss) from operations	**458**	298	(285)	297
Adjusted for:				
– Depreciation	**355**	347	363	1 409
– Amortisation of intangible assets	**4**	3	4	14
EBITDA	**817**	648	82	1 720

Condensed group statement of financial position

Rm	As at 31 March 2012	As at 31 March 2011	As at 31 December 2011 Audited
Assets			
Non-current assets	**19 211**	18 717	19 573
Property, plant and equipment	**16 364**	16 259	16 618
Intangible assets	**123**	80	126
Equity accounted investments	**2 687**	2 197	2 772
Other financial assets	**37**	181	57
Current assets	**13 339**	12 622	12 849
Inventories	**9 301**	7 380	9 935
Trade and other receivables	**3 409**	2 634	2 374
Taxation			100
Other financial assets	**1**	105	1
Cash and cash equivalents	**628**	2 503	439
Total assets	**32 550**	31 339	32 422
Equity and liabilities			
Shareholders' equity	**22 831**	22 643	22 669
Stated capital	**37**	37	37
Non-distributable reserves	**(2 339)**	(2 641)	(2 231)
Retained income	**25 133**	25 247	24 863
Non-current liabilities	**4 443**	4 546	4 474
Borrowings and other payables	**231**	217	241
Finance lease obligations	**438**	495	451
Deferred income tax liability	**2 289**	2 314	2 310
Provision for post-retirement medical costs	**8**	9	7
Non-current provisions	**1 477**	1 511	1 465
Current liabilities	**5 276**	4 150	5 279
Trade and other payables	**4 127**	3 575	4 644
Borrowings and other payables	**88**	83	107
Finance lease obligations	**55**	58	57
Taxation	**3**	112	
Current provisions	**373**	322	471
Cash and bank overdraft	**630**		
Total equity and liabilities	**32 550**	31 339	32 422

ArcelorMittal South Africa Limited
Registration number: 1989/002164/06
Share code: ACL ISIN: ZAE 000134961
("ArcelorMittal South Africa", "the company" or "the group")

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

Directors
Non-executive:
MJN Njeke* (Chairman), DK Chugh■, FA du Plessis*, M Macdonald*, S Maheshwari■, LP Mondi, DCG Murray*, ND Orleyn*, G Urquijo°
■ *Citizen of India* ° *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

Sponsor
Deutsche Securities (SA) (Proprietary) Limited, 87 Maude Street, Sandton, 2146. Private Bag X9933, Sandton, 2146

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

Condensed group statement of cash flows

Rm	Quarter ended 31 March 2012	31 March 2011	31 December 2011	Year ended 31 December 2011 Audited
Cash outflows from operating activities	**(308)**	(861)	(61)	(1 412)
Cash (utilised in)/generated from operations	**(221)**	(902)	73	(879)
Interest income	**4**	6	4	29
Finance cost	**(50)**	(19)	(41)	(103)
Dividend paid				(221)
Income tax paid	**(20)**		(81)	(243)
Realised foreign exchange movement	**(21)**	54	(16)	5
Cash outflows from investing activities	**(99)**	(149)	(513)	(1 212)
Investment to maintain operations	**(79)**	(109)	(450)	(924)
Investment to expand operations	**(15)**	(46)	(75)	(266)
Proceeds on scrapping of assets			106	106
Investment in associate and equity accounted investment	**(5)**	(2)	(144)	(180)
Investment income – interest		1		2
Dividend from equity accounted investments		7	50	50
Cash outflows from financing activities	**(38)**	(58)	(267)	(616)
Repayment of borrowings, finance lease obligations and other payables	**(38)**	(58)	(267)	(616)
Decrease in cash and cash equivalents	**(445)**	(1 068)	(841)	(3 240)
Effect of foreign exchange rate changes	**4**	65	4	173
Cash and cash equivalents at beginning of period	**439**	3 506	1 276	3 506
Cash and cash equivalents at end of period	**(2)**	2 503	439	439

Condensed group statement of changes in equity

Rm	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Quarter ended 31 March 2011					
Balance as at 31 December 2010	37	(3 918)	1 443	24 994	22 556
Total comprehensive income			(100)	184	84
Management share trust: net of treasury share purchases			(3)		(3)
Share-based payment reserve			6		6
Transfer of equity accounted earnings			(69)	69	
Balance as at 31 March 2011	37	(3 918)	1 277	25 247	22 643
Quarter ended 31 December 2011					
Balance as at 30 September 2011	37	(3 918)	1 596	25 127	22 842
Total comprehensive income			4	(184)	(180)
Management share trust: net of treasury share purchases			(5)		(5)
Share-based payment reserve			12		12
Transfer of equity accounted earnings			80	(80)	
Balance as at 31 December 2011	37	(3 918)	1 687	24 863	22 669
Quarter ended 31 March 2012					
Balance as at 31 December 2011	**37**	**(3 918)**	**1 687**	**24 863**	**22 669**
Total comprehensive income			**(122)**	**279**	**157**
Share-based payment reserve			**5**		**5**
Transfer of equity accounted earnings			**9**	**(9)**	
Balance as at 31 March 2012	**37**	**(3 918)**	**1 579**	**25 133**	**22 831**

Segmental information

	Quarter ended 31 March 2012	31 March 2011	31 December 2011
Flat Steel Products			
Revenue (R million)	**5 670**	5 562	5 549
– External	**5 595**	5 486	5 284
– Internal	**75**	76	265
EBITDA (R million)	**81**	459	(152)
Depreciation and amortisation (R million)	**(285)**	(282)	(292)
(Loss)/profit from operations (R million)	**(204)**	177	(444)
Liquid steel production ('000 tonnes)	**981**	1 052	989
Steel sales ('000 tonnes)	**866**	991	806
– Local	**645**	683	554
– Export	**221**	308	252
Capacity utilisation (%)	**69**	75	70
Long Steel Products			
Revenue (R million)	**3 274**	1 945	2 216
– External	**2 993**	1 625	1 384
– Internal	**281**	320	832
EBITDA (R million)	**521**	(15)	74
Depreciation and amortisation (R million)	**(72)**	(66)	(67)
Profit/(loss) from operations (R million)	**449**	(81)	7
Liquid steel production ('000 tonnes)	**402**	385	209
Steel sales ('000 tonnes)	**422**	302	187
– Local	**349**	213	171
– Export	**73**	89	16
Capacity utilisation (%)	**70**	68	36
Coke and Chemicals			
Revenue (R million)	**576**	687	604
– External	**554**	666	590
– Internal	**22**	21	14
EBITDA (R million)	**205**	222	225
Depreciation and amortisation (R million)	**(9)**	(10)	(15)
Profit from operations (R million)	**196**	212	210
Commercial coke produced ('000 tonnes)	**134**	177	154
Commercial coke sales ('000 tonnes)	**143**	196	163
Tar sales ('000 tonnes)	**30**	33	30
Corporate and Other			
EBITDA (R million)	**10**	(18)	(65)
Depreciation and amortisation (R million)	**7**	8	7
Profit/(loss) from operations (R million)	**17**	(10)	(58)

Forward-looking statements

This report is available on ArcelorMittal South Africa's Web site at:
http://www.arcelormittal.com/southafrica/

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BASTION GRAPHICS