news release

7 November 2013

ArcelorMittal South Africa Limited

Unaudited group financial results for the quarter ended 30 September 2013

- **Good safety performance continues**
- **Rise in headline earnings to 50c per share**
- **Positive cash position**
- **Conclusion of comprehensive iron ore supply agreement**

Vanderbijlpark, 7 November 2013: ArcelorMittal South Africa's headline earnings for the quarter ended 30 September 2013 increased to R199 million, a substantial improvement on the R168 million headline loss reported a year earlier and 35% higher than the preceding three months.

ArcelorMittal South Africa's Ms Nonkululeko Nyembezi-Heita commented, "Within the context of still fairly weak domestic trading conditions, our financial performance was encouraging. I'm pleased with the stability in our operations this past quarter, during which we've also been able to operate at relatively high levels of capacity utilisation, which were above 80% across all the units".

Commenting on the new agreement with Kumba signed earlier in the week, she added, "This is a very positive development for ArcelorMittal South Africa and Kumba. The scope of the new agreement is broad, incorporating iron ore supply from both Sishen and Thabazimbi. The importance of the new arrangment for us is that it resolves all ongoing disputes with Kumba, results in more favourable prices than we currently enjoy and provides long-term security of supply for a key raw material input."

The agreement announced on Tuesday will come into effect at the beginning of January 2014 and endure for the remaining life of Sishen mine.

Earnings before interest, tax, depreciation and amortisation for the last quarter was R581 million, which is R343 million higher than the same time last year. However, this was R227 million lower than the previous quarter as higher operating costs and an unfavourable regional sales mix affected earnings. The results include a net positive impact from an insurance claim of R179 million for the fire at the Vanderbijlpark facility earlier in the year.

Net cash declined to R575 million from the R1 106 million achieved in the preceding quarter, along with the normalisation of the working capital after the fire.

Plant operations were stable with liquid steel production of 1.3 million tonnes, 41 000 tonnes higher than the prior year's corresponding period. This was however 92 000 tonnes lower than the previous quarter following the closure of the electric arc furnaces at Vanderbijlpark. Capacity utilisation increased from 81% in the preceding three months to 83%.

Steel sales rose 3% year-on-year to 1.13 million tonnes and 9% quarter-on-quarter. Commercial coke sales were up 40% from a year ago to 154 000 tonnes as the ferrochrome industry resumed normal operations at the end of the electricity buyback programme in June. Quarter-on-quarter coke sales rose 23%.

ArcelorMittal South Africa's safety performance was pleasing, ending the quarter at a lost time injury frequency rate of 0.58. This is significantly better than the 0.95 reported in the previous quarter, but slightly down on the frequency rate of 0.52 at the same time last year. Most importantly, August marked two years without a fatality.

Iron Ore Supply Agreement

A new iron ore supply agreement was concluded with Kumba that effectively supersedes both the 2001 Sishen iron ore supply agreement and the 2001 Thabazimbi iron ore supply agreement. The agreement secures the supply of 6.25mt of iron ore per annum at competitive prices for ArcelorMittal South Africa. It will provide significant cost benefits relative to the interim supply arrangement in place since March 2010 and the excessive costs at Thabazimbi. This price is subject to a ceiling equal to the Sishen export parity price at the mine gate. The new agreement will also resolve all our outstanding disputes with Kumba and will take effect from 1 January 2014 until the end of life of Sishen mine, conservatively estimated at 18 years.

Under the present agreement, Thabazimbi mine operates as a captive mine with the costs borne by ArcelorMittal South Africa. Under the new terms, the operational and financial risks will pass to Kumba. Ms Nyembezi-Heita said, "We no longer have any economic interest in the high cost Thabazimbi mine, which is approaching the end of its life in the current asset configuration."

The new supply agreement, which remains subject to various conditions, potentially secures a longer-term future for the Thabazimbi mine as Kumba will assess the technical viability of extending the life of the existing mine by deploying new technology to recover and process low grade material into saleable product. If successful, this will result in the retention of some 1 300 jobs at the mine.

Ms Nyembezi-Heita added, "The agreement makes provision for sourcing additional volumes of up to five million tonnes a year albeit at a different price. Moreover, we still have an off-take agreement with Assore from their Beeshoek mine and work is ongoing at the Northern Cape iron ore project which should see us submit an application for a mining right in the latter part of next year".

Market review

Trading conditions continued to be challenging for steel producers globally. Although there was no firm trend emerging over the past quarter, there were hopeful signs of some stabilisation in Europe. China managed to achieve a soft landing, which bodes well for the

global economy. International steel prices improved somewhat, tracking the upward trend in raw material prices.

South African economic growth is tracking below expectations with the trade balance remaining unfavourable despite the weaker rand. More pertinently for the steel sector, slow implementation of infrastructure development projects and the low level of fixed investment in the mining sector continued to hamper growth. Apparent steel demand was further impacted by the high level of steel inventories from imported goods due to the major disruption at our largest production unit in the first half. On the positive side, the softening in the rand exchange rate provided a strong underpin to our export sales.

Financial review

Quarter ended 30 September 2013 compared with quarter ended 30 September 2012 (unaudited)
Revenue increased by 15% to R8.8 billion as a result of an 11% rise in average steel prices. Domestic prices increased by 12% while exports rose 13% although this affected flat and long steel prices differently, rising 12% and 9%, respectively. Total steel shipments were up 3% on the back of a 21% increase in export shipments while domestic shipments dropped 3%. Flat and long steel shipments increased by 3% and 4%, respectively. Revenue from the Coke and Chemicals business of R542 million was 26% higher following an increase in commercial coke sales of 40% from 110 000 tonnes to 154 000 tonnes. Net realised prices dropped 14%.

Cash costs of hot rolled coil and billets increased by 8% and 2%, respectively, largely driven by a rise in energy costs and captive iron ore. Electricity and natural gas were up 6% and 12%, respectively, with local coking coal rising 16% whereas imported hard coking coal fell 17% on a rand basis.

The operating profit increased by R356 million to a profit of R201 million.

Quarter ended 30 September 2013 compared with quarter ended 30 June 2013 (unaudited)
The 8% quarter-on-quarter rise in revenue was attributable to a 9% increase in total shipments. Flat product shipments were up 15% while long products remained flat. Compared to the previous quarter, a significantly higher share of products went to export markets, with exports up 75% while domestic dispatches decreased by 7%, reflecting sustained demand weakness in the domestic market. Average net realised prices dropped 1% resulting from a 4% rise in domestic prices offset by a 9% decline in export prices. Domestic prices for both flat and long steel declined marginally. Revenue from the Coke and Chemicals business of R542 million was 21% higher following an increase in commercial coke sales of 32% from 125 000 tonnes to 154 000 tonnes. Net realised prices dropped 14%.

Cash costs of hot rolled coil were 6% higher with billets increasing 2%. The prime contributing factors were the steep rise in iron ore costs from Thabazimbi mine and the winter electricity tariffs, which had a larger impact on flat product plants. There was a 4% drop in imported hard coking coal costs and 14% rise in local coking coals.

Operating profit declined by R240 million to a profit of R201 million.

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Environment
The Vaal Environment and Justice Alliance (VEJA) approached the South Gauteng High Court with a request to gain access to ArcelorMittal South Africa's documentation pertaining to environmental matters at some of the facilities. On 10 September 2013, the South Gauteng High Court ruled in favour of VEJA. We believe strongly in our legal argument not to disclose this documentation and have therefore lodged an application for leave to appeal.

Competition issues
There is no progress to report on any of the three formal investigations nor referrals by the competition authorities. 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.

Outlook
Domestic sales are expected to be significantly lower, largely due to the normal seasonal slowdown and general weakness in the domestic market. Accordingly, earnings are expected to be lower than the preceding quarter.

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