news release

25 July 2012

RESULTS FOR ARCELORMITTAL SOUTH AFRICA LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2012

SALIENT FEATURES

- Record safety achievement
- Weak demand leads to lower earnings compared to 30 June 2011
- Strong earnings recovery from the preceding six months ended 31 December 2012
- Operational stability at all operations

Due to weak domestic steel demand, coupled with higher input costs, ArcelorMittal South Africa reported a decline in headline earnings to R106 million for the six months ended 30 June 2012 from R668 million for the corresponding period in 2011.

The reported headline earnings was however a significant improvement from the R720 million headline loss in the previous six months ended 31 December, which is a turnaround of R826 million.

ArcelorMittal South Africa CEO, Ms Nonkululeko Nyembezi-Heita said: “In the past six months, our safety performance improved further, achieving zero fatalities and an all-time record for lost time injuries. Operational reliability levels were good with gains from our business improvement programme starting to have a tangible impact.”

The EBITDA for the first half of R1 billion represents a decline of R0.6 billion compared to the corresponding six months. This was largely due to lower sales and higher input costs, offset to some degree by higher domestic prices. Liquid steel production was down 11% at 2.7 million tonnes compared to the prior year and up 15% compared to the previous six months. Sales dropped marginally compared to the prior year.

Despite continued raw material and power cost increases, the company’s cost base has been well managed, and the exchange rate was more favorable to steel-makers and manufacturers.

The commercial coke market continues to decline following the slowdown in the ferrochrome industry. The ferrochrome market experienced lacklustre demand, mainly as a result of the debt crisis in Europe as well as competition from Chinese producers. South African ferrochrome producers participated in the Eskom electricity buy-back programme during the first five months of 2012, and only 50% of available capacity was utilised. As commercial coke demand is directly linked to ferrochrome production, sales were severely affected dropping 232 000 tonnes, or 38%, compared to the same period in 2011.

ArcelorMittal

MARKET REVIEW

The debt crisis in Europe and the lower economic growth in China contributed to a decline in steel consumption growth, leading to depressed demand in most of the key markets around the world. However, within the sub-Saharan African region, growth has been favourable due to infrastructure projects in energy generation and housing development, which underpinned demand.

In South Africa, the building and construction sector – the main driver of steel consumption – continues to show no signs of improvement, while only moderate growth was evident from the manufacturing sector. The mining sector continued to register a slowdown in production levels and investment. The exception to the overall negative trend in the domestic market was the automotive sector, which continued to enjoy some buoyancy.

FINANCIAL REVIEW

Six months ended 30 June 2012 compared with six months ended 30 June 2011

Total revenue of R17.8 billion was 7% higher driven by a 13% increase in average net realised rand prices, of which local prices increased by 12% and exports by 19%. This was primarily due to a weakening in the average rand /US dollar exchange rate from R6.90 to R7.94. In US dollar terms, average net realised prices decreased by 2% of which local prices were down 2% and those of exports increased by 3%.

Overall steel shipments were down 2% to 2.5 million tonnes with local shipments decreasing by 4% to 1.8 million tonnes, largely as a result of poor domestic market conditions, and exports increased by 6% to 0.7 million tonnes.

The increase in revenue was offset by higher operating costs, with the production cash cost of hot rolled coil increasing by 11% and billets by 13%. This resulted from a 20% rise in the price of iron ore, 19% for electricity, 12% for local coking and 2% for imported hard coking coal on a US dollar FOB basis, and 15% on a rand delivered basis, resulting in an operating profit of R260 million, which is a decrease of 72% compared to the prior year.

Included in the results is a second payment on the insurance recovery of R245 million received during the first quarter relating to the industrial accident at Newcastle. This brings the total amount received to date to R734 million.

Liquid steel production for the period was 349 000 tonnes, or 11% lower. Capacity utilisation for flat steel was 66% compared to 76% for the corresponding period following the temporary closure of the electric arc furnaces in Vanderbijlpark due to weak demand and high electricity tariffs during the winter months. Capacity utilisation for long steel was 75% compared to 81% in first half last year following high levels of imported steel stocks following the Newcastle incident during the second half 2011.

Quarter ended 30 June 2012 compared with quarter ended 31 March 2012

Total revenue of R8.7 billion was 5% down driven by 3% lower shipments, of which domestic shipments were 15% or 150 000 tonnes down and exports were 111 000 tonnes, or 38% higher. Flat and long product shipments were down 3% and 2%, respectively. Rand Domestic prices were relatively stable, but export prices rose 9%. In US dollar terms, domestic prices decreased by 6% and exports prices were higher by 4%. The Coke and Chemicals business' revenue was 35% lower at R372 million with sales down 38% and average net realised prices 5% lower.

Production costs were unchanged. Liquid steel production was 3%, or 39 000 tonnes, lower. Capacity utilisation for flat steel was 63% compared to 69% for the previous period, while the 78% capacity utilisation for long steel compared favourably to the 70% achieved in the first quarter as elevated stocks levels, due to imports early in the year, started to come down.

The operating loss of R198 million is a decrease of R656 million from the previous quarter on the back of significantly lower domestic demand for steel and commercial coke.

DISPUTE WITH KUMBA IRON ORE

Judgment in the High Court application to review the award of mineral rights to Imperial Crown Trading 289 Proprietary Limited ("ICT") by the Department of Mineral Resources ("DMR") was delivered during December 2011. The judge found, as argued by ArcelorMittal South Africa, that Kumba was awarded 100% of the mining rights in the Sishen mine and therefore the award of ICT was invalid. ICT and the DMR subsequently lodged an application for leave to appeal the decision. Kumba also submitted a conditional cross appeal. The application for leave to appeal was heard on 11 May 2012 and granted, and an indicative date in November 2012 has been set down for the appeal hearing. The separate arbitration case remains adjourned pending the review proceedings referred to above.

OUTLOOK FOR THIRD QUARTER 2012

Ms Nyembezi-Heita concluded: "Due to a further deterioration in market conditions, third quarter financial results are expected to extend the headline loss incurred in the second quarter on the back of lower steel prices and a further decline in domestic demand, partly offset by improved commercial coke sales. We expect raw material prices to remain fairly stable".

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