ArcelorMittal

news release

9 May 2014

ARCELORMITTAL SOUTH AFRICA

RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2014

- **Lost time injury frequency rate improved to 0.52 as compared to full year 2013**
- **Headline earnings of 81cps compared to a loss of 67cps for Q1 2013**
- **EBITDA of R754 million - a R585 million improvement on last year**
- **EBITDA margin increased to 8.2% from 2.2%**
- **Steel sales volume up 5% year-on-year to 1.1 million tonnes**

Johannesburg, 9 May 2014: ArcelorMittal South Africa Limited today announced the financial results for the first of quarter of 2014. The company continued to make excellent progress in its safety journey towards zero harm, recording an improved lost time injury rate of 0.52, compared to the full year rate of 0.56 in 2013. More importantly, this is the 10th consecutive quarter that the business has recorded zero fatalities in its operations.

Headline earnings for the quarter ended 31 March 2014 were R323 million, compared to a headline loss in the corresponding period last year of R270 million. EBITDA improved to R754 million compared to R169 million for the first quarter of 2013.

The improvement reflected a 5% increase in steel sales to 1 134 k'tonnes and a 21% increase in liquid steel production to 1 241 k'tonnes, compared to the same period last year, when production was adversely affected by a fire incident at the Vanderbijlpark facility. The good performance was also supported by a moderate increase in average net realized prices, a weakening rand and the improved competitiveness of the new iron ore contract.

The group generated an operating profit of R395 million, a R603 million turnaround from the corresponding period in 2013.

Trading conditions during the quarter were mixed. Globally, demand for steel has improved but the industry experienced oversupply in the US, while China showed overcapacity and moderate demand. The sub-Saharan region is showing continued growth and strong demand driven by investments in large infrastructure projects such as mining, roads, rail, housing development and the energy sector. Recent investment in the oil and gas sectors in this region also bodes well for the future. However, sentiment in South Africa remains subdued with continued weak steel demand evident in quarter one, affected by low levels of construction activity and increased competition from imports.

When compared to quarter one in 2013: ArcelorMittal South Africa's total revenue increased 18% to R9.2 billion following an 11% increase in average net realised prices. Domestic prices were 14% higher and exports rose 9%. Steel shipments were up 5%, benefiting from a 70% increase in export shipments. Local steel shipments decreased 11% compared to the same quarter in 2013.

Net cash reduced from R1.1 billion to a negative R191 million, when compared to quarter one 2013, following the continuation of the build-up of metal stocks in preparation for the upcoming reline of the Newcastle blast furnace.

When comparing this quarter ended 31 March 2014, to the three months ended 31 December 2013, group revenue increased 18% to R9.2 billion. Reflecting the seasonal trend, local shipments were up 20% and exports increased 10%, culminating in a 17% increase in total steel shipments. Shipments for flat and long steel increased 19% and 13%, respectively. Local prices rose 1% and exports 3%, leading to an overall 2% increase in average steel prices for the quarter. Both flat and long steel prices rose 1%. Revenue from the Coke and Chemicals business of R479 million was 16% lower. EBITDA improved from R211 million to R754 million, while operating profit turned from a loss of R387 million to a profit of R395 million.

Dr. Hans Rosenstock, Acting Chief Executive Officer of ArcelorMittal South Africa said: "The business has shown some resilience as the performance over the past quarter was reasonable despite the tough economic conditions, more especially the weak domestic market. The company is also moving forward on key environmental projects such as the Newcastle zero effluent discharge project, which should be completed by end July 2014 at an estimated cost of R430 million."

Outlook for the next quarter

Dr Rosenstock concluded: "During the second quarter of 2014 the reline of the Newcastle blast furnace will commence. Stocks have been put in place to ensure that domestic demand can be supplied during the project duration, which will be approximately four months. However, production costs will be high and the market is expected to remain subdued overall. We expect this to negatively impact our results."

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