



# ArcelorMittal

## Reviewed group results for the year ended 31 December 2011

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



- Revenue of R31.5 billion up 4%
- Steel sales volumes of 4.7 million tonnes down 7%
- Profit from operations down 86%
- Lost time injury frequency rate improved by 24%

### Condensed group statement of comprehensive income

Rm	Quarter ended (Unaudited)			Year ended	
	31 December 2011	30 September 2011	31 December 2010	2011	2010
<b>Revenue</b>	<b>7 258</b>	<b>7 620</b>	<b>6 832</b>	<b>31 453</b>	<b>30 224</b>
Raw materials and consumables used	(5 672)	(4 453)	(4 100)	(19 886)	(17 027)
Employee costs	(758)	(813)	(709)	(3 164)	(2 951)
Energy	(653)	(856)	(626)	(3 177)	(2 419)
Movement in inventories of finished goods and work in progress	932	(85)	(472)	1 733	744
Depreciation	(363)	(346)	(339)	(1 409)	(1 360)
Amortisation of intangible assets	(4)	(4)	(3)	(14)	(11)
Other operating expenses	(1 025)	(1 410)	(1 145)	(5 239)	(5 049)
<b>(Loss)/profit from operations</b>	<b>(285)</b>	<b>(347)</b>	<b>(562)</b>	<b>297</b>	<b>2 151</b>
Share of comprehensive income	5	7	31	71	71
Finance costs (Note 4)	(106)	(74)	(158)	(168)	(507)
Income/(loss) from equity accounted investments (net of tax)	120	(145)	(53)	(34)	122
<b>(Loss)/profit before tax</b>	<b>(266)</b>	<b>(559)</b>	<b>(755)</b>	<b>126</b>	<b>1 837</b>
Income tax credit/(charge) (Note 5)	82	97	258	(118)	(492)
<b>(Loss)/profit for the period</b>	<b>(184)</b>	<b>(462)</b>	<b>(497)</b>	<b>8</b>	<b>1 345</b>
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations	14	268	(95)	315	(200)
(Losses)/gains on available-for-sale investment taken to equity	(10)	(2)	41	(12)	29
Movement in gains deferred to equity on cash flow hedges					8
Share of other comprehensive income of equity accounted investments	5	7	31	71	71
Tax effect on amounts taken directly to equity					(2)
<b>Total comprehensive (loss)/income for the period</b>	<b>(180)</b>	<b>(42)</b>	<b>(563)</b>	<b>318</b>	<b>1 255</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the company	(184)	(462)	(497)	8	1 345
<b>Total comprehensive (loss)/income attributable to: Owners of the company</b>	<b>(180)</b>	<b>(42)</b>	<b>(563)</b>	<b>318</b>	<b>1 255</b>
<b>Attributable (loss)/earnings per share (cents)</b>					
- basic	(46)	(115)	(124)	2	335
- diluted	(46)	(115)	(124)	2	335

### Condensed group statement of financial position

Rm	As at 31 December 2011		As at 31 December 2010	
	Reviewed	Unaudited	Reviewed	Audited
<b>Assets</b>				
<b>Non-current assets</b>	<b>19 573</b>	<b>18 998</b>	<b>19 110</b>	
Property, plant and equipment	16 618	16 304	16 432	
Intangible assets	126	81	84	
Equity accounted investments	2 772	2 546	2 86	
Other financial assets	57	67	208	
<b>Current assets</b>	<b>12 849</b>	<b>12 920</b>	<b>12 608</b>	
Inventories	9 935	9 232	7 156	
Trade and other receivables	2 374	2 392	1 816	
Taxation	100	18	18	
Other financial assets	1	20	112	
Cash and cash equivalents	439	1 276	3 506	
<b>Total assets</b>	<b>32 422</b>	<b>31 918</b>	<b>31 718</b>	
<b>Equity and liabilities</b>				
<b>Shareholders' equity</b>	<b>22 669</b>	<b>22 842</b>	<b>22 556</b>	
Stated capital	37	37	37	
Non-distributable reserves	(2 231)	(2 322)	(2 475)	
Retained income	24 863	25 127	24 994	
<b>Non-current liabilities</b>	<b>4 474</b>	<b>4 458</b>	<b>4 592</b>	
Borrowings and other payables (Note 6)	241	227	224	
Finance lease obligations	451	471	515	
Deferred income tax liability	2 310	2 246	2 354	
Provision for post-retirement medical costs	23	7	8	
Non-current provisions	1 465	1 507	1 491	
<b>Current liabilities</b>	<b>5 279</b>	<b>4 618</b>	<b>4 570</b>	
Trade and other payables	4 644	3 957	4 020	
Borrowings and other payables	107	104	88	
Finance lease obligations	57	52	59	
Taxation	471	124	403	
Current provisions		381		
<b>Total equity and liabilities</b>	<b>32 422</b>	<b>31 918</b>	<b>31 718</b>	

### Condensed group statement of changes in equity

Rm	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
<b>Balance as at 1 January 2010 (Unaudited)</b>					
Balance as at 1 January 2010	37	(3 918)	1 574	24 232	21 925
Total comprehensive income			(24)	1 842	1 818
Management share trust: net of treasury share purchases			(12)		(12)
Share-based payment reserve			23		23
Transfer of equity accounted earnings			118	(118)	
Dividend paid			(602)		(602)
<b>Balance as at 30 September 2010 (unaudited)</b>	<b>37</b>	<b>(3 918)</b>	<b>1 679</b>	<b>25 354</b>	<b>23 152</b>
<b>Quarter ended 31 December 2010 (unaudited)</b>					
Balance as at 30 September 2010	37	(3 918)	1 679	25 354	23 152
Total comprehensive income			(66)	(497)	(563)
Management share trust: net of treasury share purchases			(42)		(42)
Share-based payment reserve			12		12
Transfer of equity accounted earnings			(137)	137	
<b>Balance as at 31 December 2010 (audited)</b>	<b>37</b>	<b>(3 918)</b>	<b>1 443</b>	<b>24 994</b>	<b>22 556</b>
<b>Six months ended 30 June 2011 (reviewed)</b>					
Balance as at 31 December 2010	37	(3 918)	1 443	24 994	22 556
Total comprehensive income			(114)	654	540
Management share trust: net of treasury share purchases			(6)		(6)
Share-based payment reserve			11		11
Transfer of equity accounted earnings			(17)	17	
<b>Balance as at 30 June 2011 (reviewed)</b>	<b>37</b>	<b>(3 918)</b>	<b>1 317</b>	<b>25 665</b>	<b>23 101</b>
<b>Quarter ended 30 September 2011 (unaudited)</b>					
Balance as at 30 June 2011 (reviewed)	37	(3 918)	1 317	25 665	23 101
Total comprehensive income			(42)	(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)
<b>Balance as at 30 September 2011 (unaudited)</b>	<b>37</b>	<b>(3 918)</b>	<b>1 596</b>	<b>25 127</b>	<b>22 842</b>
<b>Quarter ended 31 December 2011 (unaudited)</b>					
Balance as at 30 September 2011 (unaudited)	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)	
<b>Balance as at 31 December 2011 (reviewed)</b>	<b>37</b>	<b>(3 918)</b>	<b>1 687</b>	<b>24 863</b>	<b>22 669</b>

Registered Office: ArcelorMittal South Africa Limited, Room N3-5, Main Building Delfos Boulevard, Vanderbijlpark, 1911  
Directors: MJN Njikeri\* (Chairman), DK Chugh\*  
Non-executive Directors: R du Plessis\*, M Macdonald\*, S Maheshwari\*, LP Mondl, DCG Murray\*, ND Orleyn\*, G Urujojo\*  
\* 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, 2196, Private Bag X9933, Sandton, 2146  
Transfer Secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107

### Overview

Significant escalations in electricity and raw material prices experienced during 2010 continued throughout 2011. This, together with pressures on global steel prices and various operational problems placed enormous pressures on operating margins, resulting in a headline loss of R52 million for the year ended 31 December 2011. No dividend has been declared.  
There was a reduced headline loss of R260 million for the fourth quarter of 2011 compared with the R460 million loss reported in the preceding quarter and R497 million loss for the corresponding quarter of 2010.  
EBITDA halved to R1.7 billion with the main contributors being lower sales and significantly higher input costs.  
Production was severely impacted by four significant production interruptions during the year; the structural failure of the blast furnace dust catcher at Newcastle Works and a 43 day stop to repair the corex tap-hole at Saldanha Works, both in August, and chilled hearth conditions experienced at the blast furnaces in Newcastle and Vanderbijlpark Works during the beginning of the year.  
Safety is a major focus throughout the group and our Lost Time Injury Frequency Rate (LTIFR) for the year dropped 24% to a new record of 1.24, with all business units showing improvement. Despite this there were five unfortunate fatalities during the year, as a result of which a major focus on enhancing compliance with the group's fatality prevention standards and safe behavior code was initiated as part of the group's Journey to Zero programme for the elimination of all injuries and fatalities from the workplace.

### Key statistics

	Quarter ended (unaudited)			Year ended 31 December	
	31 December 2011	30 September 2011	31 December 2010	2011	2010
Revenue (R million)	7 258	7 620	6 832	31 453	30 224
EBITDA (R million)	83	3	(221)	1 720	3 522
EBITDA (t/m) (R/c)	83	3	(184)	3 65	699
EBITDA margin (%)	1.1		(3.2)	5.5	11.7
(Loss)/profit from operations (R million)	(285)	(347)	(563)	297	2 151
Net (loss)/profit (R million)	(184)	(462)	(496)	8	1 345
Headline (loss)/earnings (R million)	(260)	(460)	(497)	(52)	1 377
Headline (loss)/earnings per share (cents)	(65)	(115)	(124)	(13)	343
Unaudited information					
Liquid steel production ('000 tonnes)	1 196	1 180	1 199	5 453	5 674
Steel sales ('000 tonnes)	993	1 133	1 199	4 708	5 041
- Local	725	862	661	3 507	3 414
- Export	268	271	538	1 201	1 627
Lost time injury frequency rate	0.88	1.79	1.41	1.24	1.64

### Market review

Global steel demand improved moderately, growing at an estimated 5.9% in 2011, despite a series of expected and unanticipated negative developments, such as the European sovereign debt crisis, political unrest in the Middle East and North Africa region, and the earthquake in Japan, coupled with tighter monetary measures in emerging economies.  
A sustained recovery in international steel prices remains uncertain on the back of sluggish global economic activity. Global steel prices were on a downward trend towards the latter part of 2011 from higher levels earlier in the year.  
Economic growth in South Africa was relatively modest, with domestic GDP growth rates registering a declining trend on a quarterly basis, reaching an estimated 2.9% in the fourth quarter of 2011 from a high of 3.3% in the first quarter. This effect was magnified in the main steel-consuming sectors of mining, construction and manufacturing, although some sub-sectors within the manufacturing sector such as vehicles and electrical appliances stimulated steel demand to some degree.  
The recent weakening in the South African rand against major currencies improved the competitiveness of the country's export industries and the ability of domestic manufacturers to compete with imports. However, the South African economy has not been spared from the global economic slowdown.

### Financial review

Full year ended 31 December 2011 compared to full year ended 31 December 2010  
Total revenue of R31.4 billion was 4% higher driven by a 12% increase in average net realised prices. Total steel shipments were down 7%, of which flat products were up 2% while long products dropped 24%, due to the dust catcher failure at Newcastle Works. Export sales decreased by 26% following an increase of 3% in domestic sales and lower production volumes. Revenue from our Coke and Chemicals business of R2.3 billion was 3% lower with commercial coke sales flat at 631 000 tonnes, tar sales down 6% and average net realised prices down by 1%.  
The increase in revenue was offset by higher operating costs, with the production cash cost of hot rolled coil increasing by 19% and those of electricity (28%), resulting in an operating profit of R297 million, a decrease of 86% from the previous year.  
Included in the results is an interim insurance recovery of R489 million received during the fourth quarter, relating to the industrial accident at Newcastle, of which R384 million was to compensate for loss of income. The total claim is estimated at R1.1 billion with a deductible amount of R160 million.  
Liquid steel production was lower by 221 000 tonnes or 4% compared to the previous financial year. Unplanned liquid steel production losses of 880 000 tonnes occurred during the year. Capacity utilisation for flat steel was at 71% compared to 67% for the corresponding period and for long steel at 61%, compared to 61%. On 29 December 2011, blast furnace D at Vanderbijlpark experienced a burn-through, resulting in a four-week stop to repair the damage. An increase in steel production from the electric arc furnaces compensated for the lost production during the repairs.

Finance costs of R168 million for the year were significantly lower than the R507 million reported for the previous year. Included in finance costs are net foreign exchange gains of R124 million for the year compared to the net foreign exchange loss of R150 million of last year. This was mainly due to the weakening of the rand against the US dollar at the end of December 2010 to R8.18 at December 2011.

The net loss from equity accounted investments of R34 million for the year was mainly due to our share of losses incurred by Coal of Africa Limited offset by the equity income from Macsteel International Holdings BV.

The effective tax rate (ETR) for the year of 94% was disproportionate to the previous year (27%) due to the drop in pre-tax profit from R 837 million to R126 million. Factors contributing to the increase in ETR are:  
• secondary tax on companies on dividends declared during the third quarter of the year (17%);  
• non-deductible legal and other expenditure not decreasing in comparison with the decrease in profit (16%);  
• losses incurred by offshore subsidiaries not tax deductible in South Africa (11%);  
• non-recoverable withholding tax on dividends received from foreign subsidiary (10%);  
• effect of consolidated loss from ventures (7%);  
• income of controlled foreign companies taxable in South Africa (6%).

Available cash decreased by R3.2 billion as a consequence of an increase in working capital of R2.8 billion, capital projects of R1.2 billion, further investment of R180 million in associates and joint ventures of which R135 million related to Coal of Africa Limited, as well as a dividend payment of R221 million.

Quarter ended 31 December 2011 compared to quarter ended 31 December 2010 (unaudited)  
Total revenue of R7.2 billion was 6% higher than the corresponding quarter of 2010. Total steel shipments were 17% down, with domestic steel shipments increasing by 10% and export steel shipments decreasing by 50% following a significant drop in demand and the production problems mentioned earlier. Average net realised prices for flat steel products increased by 26%, while long steel products rose by 43%. Shipments for flat steel products remained at the same level, whereas long steel products were down 52%. Revenue from our Coke and Chemicals business decreased by 3% following an 11% decline in commercial coke average net realised prices offset by a 7% increase in volumes.  
The production cash cost of hot rolled coil increased by 17% and that of billets by 18%, largely due to increases in the prices of imported coking coal (30%), local coking coal (20%), scrap (40%) and electricity (26%).  
Total liquid steel production was in line with the corresponding period. However, flat steel increased by 14% and long steel decreased by 37%. Capacity utilisation for flat steel was at 70% compared to 60% and for long steel at 36% compared to 58%.  
The operating loss of R285 million reduced from the loss of R563 million reported in the corresponding period on the back of improved net realised prices.

Finance costs decreased by R52 million to R106 million for this quarter, mainly due to net foreign exchange losses of R76 million incurred during the fourth quarter of 2010, following a 5% strengthening of the rand against the US dollar over that quarter. Although the rand weakened against the US dollar during quarter four of 2011, foreign-denominated cash and receivables were low and resulted in an insignificant gain.

### Segment information

	Quarter ended (Unaudited)			Year ended 31 December	
	31 December 2011	30 September 2011	31 December 2010	2011	2010
<b>Flat steel products</b>					
Revenue (R million)	5 284	5 034	4 216	21 092	18 848
- External	1 956	1 875	1 594	7 711	6 848
- Internal	265	247	186	701	586
EBITDA (R million)	(152)	(232)	(400)	597	1 442
Depreciation and amortisation (R million)	(292)	(276)	(272)	(1 133)	(1 095)
(Loss)/profit from operations (R million)	(444)	(508)	(672)	(536)	347
Unaudited information					
Liquid steel production ('000 tonnes)	989	918	865	4 060	3 814
Steel sales ('000 tonnes)	806	798	807	3 424	3 348
- Local	554	588	463	2 468	2 336
- Export	252	210	434	956	1 012
Capacity utilisation (%)	70	64	60	71	67
Assets	21 322	20 818	19 177	21 322	19 177
<b>Long steel products</b>					
Revenue (R million)	1 384	2 199	2 005	8 044	8 976
- External	832	123	212	1 470	793
- Internal	74	65	(36)	500	1 090
EBITDA (R million)	(67)	(66)	(65)	(269)	(264)
Depreciation and amortisation (R million)	7	(1)	(101)	231	826
(Loss)/profit from operations (R million)	(70)	(67)	(166)	(438)	(442)
Unaudited information					
Liquid steel production ('000 tonnes)	209	262	334	1 393	1 860
Steel sales ('000 tonnes)	187	335	392	1 284	1 693
- Local	171	274	198	1 039	1 078