



ArcelorMittal

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

Short-form announcement: Consolidated financial results for the six months period ended 30 June 2015

→ Focus on sustainability

Overview

The global demand for steel deteriorated further in 2015 due to the deceleration of the Chinese economy. China, the world's largest consumer of steel, continues to experience negative growth and with major structural adjustments in most economies, the prospects for growth in the global steel market are likely to remain low. Commodity prices declined significantly as a consequence of slower growth in developing countries. As a consequence, the steel industry is now focused on increasing margins through operational efficiencies and demonstrating the value that steel products generate for the customer and society. The weaker demand for steel also contributed to significantly lower iron ore prices.

Locally, the economy is nearly at a standstill due to electricity supply constraints, infrastructure development delays and the low spending in the mining sector. The private consumer is also under pressure due to rising fuel and electricity prices coupled with high unemployment rates. South African companies have now opted to focus on investments that increase productivity to compensate for salary increases rather than invest in growth projects.

Our liquid steel production was 2.6 million tonnes, an increase of 177 000 tonnes compared to the comparative period. The completion of the blast furnace reline at Newcastle contributed to this improvement. Capacity utilisation improved from 74% to 80%.

Total sales volumes were down by 7% (163 000 tonnes) compared to the comparative period driven by a 29% decrease in export sales due to unfavourable export prices. This was offset by an increase of 2% in domestic sales.

Safety is still our number one priority. Notwithstanding our quest to achieve zero fatalities and injuries, one fatal incident occurred on 29 June 2015. We continue to emphasise and reinforce our efforts in ensuring the safety of our employees and contractors.

Headline loss was R109 million compared to a headline loss of R6 million in the comparative period. EBITDA was R715 million, a decrease of R95 million. The net loss of R111 million is R96 million more when compared to the prior comparative period's net loss of R15 million which was driven by lower sales volumes.

The increase in the net borrowing position to R2 522 million reflects the difficult trading conditions in the steel industry.

As stakeholders are aware, management has been working very closely with government to ensure that the South African steel industry is sustainable in the medium and long term. The company's view is that excess global steel capacity, low global iron ore prices and low steel prices are the new reality and the company needs to change the way it operates in that environment.

Import tariffs and designation of primary steel for localisation are key elements that need to be addressed by government in the short term to ensure the sustainability of the domestic steel industry.

On the company's side, it is critical that it continues to focus on low-cost, efficient production. It has made strides in this regard in the first six months of 2015, but is not there yet.

The company currently operates in an environment where it does not benefit from low seaborne/global iron ore prices due to its current agreement with Kumba; this needs to be addressed urgently. Transnet's performance has improved significantly in the six months, but continual, virtual daily load shedding by Eskom continues to hamper the company's performance.

H2 2015 will see a fundamental change in South Africa and without import tariffs and steel localisation, the steel industry and the company will need to undertake significant structural change.

Outlook for the second half of 2015 (unaudited)

We expect international prices for steel to remain low and, with the slowdown in the economy, our results are likely to remain depressed.

On behalf of the board of directors

PS O'Flaherty
 Chief executive officer

22 July 2015

Release date: 31 July 2015

Short-form announcement

This short-form announcement is the responsibility of the board of directors of ArcelorMittal South Africa and is a summarised version of the group's full announcement and as such, it does not contain full or complete details pertaining to the group's results. Any investment decisions by investors and/or shareholders should be made after taking into consideration the full announcement. The full announcement has been released on the JSE Stock Exchange News Service (SENS) and is available for viewing on the group's website (www.arcelormittal.com/southafrica). The full announcement is available for inspection, at no charge, at the registered office (ArcelorMittal South Africa Limited, Room N3-5, Main Building, Delfos Boulevard, Vanderbijlpark) and the offices of the sponsor (J.P. Morgan Equities South Africa Proprietary Limited, 1 Fricker Road, Illovo), from 09:00 to 16:00 on business days. Copies of a full announcement can be requested from the registered office by contacting +27 16 889 9111.



Key statistics

Six months ended				Year ended
30 June 2015	30 June 2014	% change	31 December 2014	31 December 2014
Financials (R millions)				
16 443	17 927	(8.3)	16 925	Revenue 34 852
715	810	(11.7)	448	EBITDA 1 258
27	159	(83.0)	(460)	Profit/(loss) from operations (301)
(111)	(15)	-	(143)	Net loss (158)
(109)	(6)	-	(221)	Headline loss (227)
(2 522)	(594)	-	(546)	Net borrowings (546)
20 966	20 723	1.2	20 722	Net asset value 20 722
Financial ratios (%)				
4.3	4.5	-	2.6	EBITDA margin 3.6
(1.0)	(0.1)	-	(2.1)	Return on ordinary shareholders' equity (1.1)
12.0	2.9	-	2.6	Net borrowing to equity 2.6
Share statistics (cents)				
(28)	(4)	-	(36)	Loss per share (39)
(27)	(2)	-	(55)	Headline loss per share (57)
-	-	-	-	Dividends per share -
52.26	51.65	1.2	51.65	Net asset value per share 51.65
Safety				
0.43	0.54	20.4	0.62	Lost time injury frequency rate 0.58
Operational statistics ('000 tonnes)				
2 563	2 386	7.4	2 132	Liquid steel production 4 518
2 032	2 195	(7.4)	2 045	Steel sales 4 240
1 561	1 534	(1.8)	1 468	- Local 3 002
471	661	(28.7)	577	- Export 1 238
252	208	21.2	258	Commercial coke sales 466
Segmental performance (R millions)				
Flat steel products				
10 678	12 180	(12.3)	12 261	- Revenue 24 441
155	184	(15.8)	351	- EBITDA 535
Long steel products				
5 718	6 556	(12.8)	5 855	- Revenue 12 411
18	178	(89.9)	(162)	- EBITDA 16
Coke and chemicals				
990	1 019	(2.8)	1 025	- Revenue 2 044
229	205	11.7	223	- EBITDA 428
Corporate and other				
313	243	28.8	36	- Ebitda 279

Share queries: Please call the ArcelorMittal South Africa share care toll free on 0800 006 960 or +27 11 370 7850