ArcelorMittal

news release

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Johannesburg, 7 February 2012

Salient features

- **Sales volumes of 4.7 million tonnes down 7% from 2010**
- **Revenue of R31.5 billion up 4% from 2010**
- **Profit from operations dropped 86%**
- **Lost time injury frequency rate improved by 24%**

ArcelorMittal South Africa today announced a R52 million headline loss for the year ended 31 December 2011, which compares to headline earnings of R1.4 billion for the year ended 31 December 2010. EBITDA halved from the year before to R1.7 billion.

For the fourth quarter of 2011, there was an improved headline loss of R260 million when compared with the R460 million loss reported in the preceding quarter and the R497 million loss for the corresponding quarter of 2010.

Overall operating costs were severely affected by significant price escalations for raw materials and electricity, which started in 2010 and continued into 2011. In addition, a major structural failure of the blast furnace dust catcher at Newcastle negatively impacted production, while several other stoppages such as the planned repair to the corex tap hole at Saldanha, as well as chilled hearth conditions, experienced at both Newcastle and Vanderbijlpark, also had an effect.

ArcelorMittal South Africa CEO, Nonkululeko Nyembezi-Heita said, “The operating environment showed a marked deterioration in the second half, negatively affected by European debt related concerns in the macro environment and continued weakness in the key steel consuming sectors of construction, mining and manufacturing. Operational problems had a big impact, in particular the four-month outage due to the dust catcher collapse in Newcastle. We had to contend with unrelenting pressure on operating margins as production costs climbed 19%, while steel prices only rose 12% on average.”

Commercial coke sales and prices were flat year-on-year. Production costs rose 8% resulting in a decrease in EBITDA to R870 million from R1.03 billion in 2010.

The company's safety performance in 2011 was unacceptable with five fatalities. On the other hand, the lost time injury frequency rate averaged 1.24 for the year, which is a 24% improvement on the previous year and a record for the company.

Ms Nyembezi-Heita commented, "The tragic loss of five colleagues during the year has been devastating. We have embarked on a drive to re-emphasise and entrench compliance with the group's fatality prevention standards and safe working behaviour, which are central to our goal to eliminate fatalities and injuries from the workplace."

Global market review
There was moderate improvement in global steel demand in 2011, which is estimated at 5.9%. This took place against a backdrop of negative developments such as the European sovereign debt crisis, political unrest in the Middle East / North Africa region and the earthquake in Japan. Emerging economies also saw a tightening of monetary measures.

The outlook for sustained recovery in steel prices remains uncertain due to sluggish global economic conditions. Towards the latter part of the year, international steel prices began trending downwards from the higher levels seen earlier in the year.

Domestic market review
The South African economy is still demonstrating signs of weakness, with GDP growing at an annualised rate of about 2.6% in the third quarter of 2011, and an estimate of 2.9% in the fourth quarter. Most affected was the main steel consuming sectors of mining, construction and manufacturing. Some sub-sectors within manufacturing such as motor vehicles and electrical appliances stimulated demand to a limited extent. The depreciation of the rand against major currencies in the latter part of the year improved competitiveness of export industries and the ability of domestic manufacturers to compete with imports.

Financial review

Full year ended 31 December 2011 compared to full year ended 31 December 2010
Total revenue for 2011 of R31.4 billion was 4% higher, driven by a 12% increase in average net realised prices. Total steel shipments were down 7%. Flat products were up 2%, while long products dropped 24%, largely due to the dust catcher failure at the Newcastle facility.

Liquid steel production was 4% lower than the previous financial year. Capacity utilisation for flat steel was 71% compared to 67% for the corresponding period; the equivalent figures for long steel were 61% and 81%, respectively.

The slight increase in revenue was offset by higher operating costs. The production cash cost of hot rolled coil increased by 19% and billets by 23%. This was due to a rise in prices of imported coking coal (52%), pellets (32%), iron ore (17%), scrap (29%) and electricity (28%). The net result was an operating profit of R297 million, a decrease of 86% from the previous year.

Revenue from the Coke and Chemicals business of R2.3 billion was 3% lower than 2010 with commercial coke sales flat and net realised prices marginally down.

Included in the results is an interim insurance payment of R489 million received during the last quarter of 2011 relating to the industrial accident at Newcastle. The total claim is estimated at R1.1 billion with a deductible amount of R160 million.

Quarter ended 31 December 2011 compared with quarter ended September 2011

Revenue of R7.3 billion was 5% lower than the previous quarter. Overall liquid steel output was flat; however flat steel increased by 8% whilst long steel decreased by 20%. Flat steel products achieved capacity utilisation of 70% compared to 64% in the previous quarter. The equivalent figures for long steel were 36% and 46%, respectively. The production cash cost of hot rolled coil decreased by 4%, while billets increased by 2%.

Total steel shipments were 12% down with domestic steel shipments falling 16%, while export shipments remained the same. Shipments for flat steel products were also flat while long steel products were down 44%.

Revenue from Coke and Chemicals climbed 55% following the previous weak quarter where demand from the ferro-alloy industry was curtailed due to high electricity prices experienced during the winter months. Commercial coke dispatches were 77% higher, offset by a 5% drop in average net realised prices.

Environmental issues

ArcelorMittal South Africa's environmental focus during the year and for the foreseeable future will remain on air and water related projects to ensure compliance with legislation. In particular, meeting the emission standards laid down in the Air Quality Act will require significant capital expenditure over the next five years to improve the performance of coke making facilities at Vanderbijlpark and Newcastle.

Plans remain on track for Newcastle to achieve zero effluent discharge status by end 2013, while at Vanderbijlpark, significant effluent treatment problems were experienced during 2011. Urgent steps are being taken to remedy the situation without undue delay.

Proposed acquisition

The due diligence on the Northern Cape iron ore mining project is complete barring the final approval of the transaction by the Minister of Mineral Resources in terms of the Minerals and Petroleum Resources Development Act, No 28 of 2002.

SIOC dispute

Following a judgement released on 15 December 2011 by the North Gauteng High Court in the review application brought by Sishen Iron Ore Company (Pty) Limited (SIOC) against the Department of Mineral Resources and Imperial Crown Trading 289 (Pty) Limited of which ArcelorMittal South Africa was joined at the request of SIOC, the arbitration process will continue once the appeal process has been finalised.

Outlook for quarter one 2012

Earnings for the first quarter are expected to improve significantly due to improved production stability and higher sales volumes, offset to some degree by lower international steel prices.

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