ArcelorMittal South Africa Limited:
Unaudited operational information for the quarter ended 31 March 2016

ArcelorMittal South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration Number 1989/002164/06)
Share code: ACL ISIN: ZAE 000134961
("ArcelorMittal South Africa ", "the Company" or "Group")

UNAUDITED OPERATIONAL INFORMATION FOR THE QUARTER ENDED 31 MARCH 2016 AND OPERATING UPDATE

Overview

Steel Industries around the world continue to struggle and the South African steel industry is not immune to the international trend. The Chinese steel industry continues to deal with overcapacity which has led to a global oversupply. For the first quarter of 2016, South Africa continued without duties on Hot Rolled Coil (HRC) resulting in 164kt of steel being imported into the country for January and February 2016 of which 79kt (48%) was HRC. However, there are positive signs. In April 2016, the International Trade Administration Commission (ITAC) recommended the imposition of the tariff duty of 10% on the two outstanding applications, HRC and Other Bars and Rods (OBR), which are being taken through the relevant government process for implementation. The base price of HRC internationally has increased by USD 86/ton from December 2015 to March 2016. At the same time the main elements of the raw material basket, namely Coal, Iron Ore and scrap; have also moved up USD 6/ton, USD 16/ton and USD 26/ton respectively. Safeguard duties still remain critical in the short term to ensure the future sustainability of primary steel production.

Compared against Q1 2015:

- A successful rights issue of R4.5bn was concluded
- The Company announced its intention to do a B-BBEE transaction, with Likamva Resources as the preferred partner
- Capacity utilisation decreased from 84% to 81%
- Steel production was lower by 9% (4% excluding Vaal Melt Shop)
- Steel sales were higher by 3% mainly on exports

Key Initiatives - Update

In its SENS announcement dated 3 February 2016, the Company indicated that the reasonable prospect of returning to profitability in future was based on the expectation that the tariffs and designation measures would be in place at the end of Q1 2016 or shortly thereafter. The status of these key initiatives is as follows:

- ITAC has recommended the imposition of the tariff duty of 10% on the two outstanding applications - HRC and OBR, which are being taken through the relevant Government processes for implementation. All 10 applications for the 10% tariff duty are therefore completed (subject to the final implementation with regard to HRC and OBR).
- The safeguard duty applications previously submitted were reviewed by ITAC. The queries regarding the safeguard applications have been addressed and they have been re-submitted. The investigation in respect of safeguard duties relating to HRC has been initiated. Due to the combination of certain products one further application remains outstanding and will be finalised shortly.

- Significant progress has been made with the Department of Trade and Industry (dti) and the Economic Development Department regarding a pricing mechanism for local flat steel going forward but the process has not been finalised. It is anticipated that it would be finalised shortly.
- The company has been informed that the proposal for the designation of local primary steel for state procurement and use in government infrastructure projects has been submitted to National Treasury for consideration.
- Following the recent increases in international steel prices, and subsequent steel price increases by the Company, it is anticipated that overall liquidity will normalise at acceptable levels.

There has been significant progress with the key initiatives and while implementation of all the initiatives has not been completed by March 2016, indications are that further interventions as mentioned above will be approved in Q2 2016 or soon thereafter. Progress regarding the key initiatives is reviewed on a regular basis. Despite the completion of the 10 % duties as explained, it should be pointed out that the implementation of safeguards remains critical to address the issue of imports and ensure the sustainability of the industry and the Company.

Operating Update

Liquid steel production was 122 000 tonnes (9.0%) lower than Q1 2015. The lower liquid steel production follows the reduced production during the latter part of Q4 2015 when only one blast furnace was operated in Vanderbijlpark. The subsequent restart and ramp up of the blast furnace during January 2016 compounded by negative market conditions, operational requirements and the closure of the Vaal Melt Shop at the end of 2015 contributed to the lower production. On a normalised basis, long steel production increased 15kt. Capacity utilisation was at 81% against 84% in Q1 2015.

Domestic sales increased by 12 000 tonnes (1.4%) with long products higher by 23 000 tonnes and flat products lower by 11 000 tonnes compared to Q1 2015. The domestic market remains impacted by a continuation of cheap imports from primarily China. Export sales increased by 21 000 tonnes (10.2%) when compared to Q1 2015. Commercial coke sales were 16 000 tonnes (14.4%) higher than in 2015 due to higher availability of commercial coke.

As announced, ArcelorMittal South Africa has been able to increase prices in Q1 2016.

Vanderbijlpark Works

Consistent with the findings of the footprint review conducted in 2015, Vanderbijlpark Works is viable only to the extent that the assets run at their optimal capacity, thus leaving little opportunity to terminate non-profitable revenue streams. Compared to Q1 2015, HRC cost decreased 4% in rand terms and 29% in dollar terms following various programmes focused at reducing cost.

While progress has been made it is still the case that without the requisite safeguards as applied for, and without the initiatives committed by government regarding the use of local steel for government infrastructure projects, the steel industry and the Company remains vulnerable and will need to undertake significant structural change should international prices remain volatile on the back of cheap Chinese steel being dumped globally.

Saldanha Works

As announced before, and as was the case with the Vanderbijlpark Works, a review of the Saldanha Works was also initiated. At this stage and based on the current prices (and the increase in international prices) the Saldanha Works remains viable. The price of electricity is critical to the Saldanha Works input costs as the production process relies heavily on electricity. Therefore, in the long term, Saldanha Works needs alternative energy solutions such as access to affordable electricity which is vital to ensure its long-term sustainability. The company is at an advanced state of exploring various options in this regard including an independent gas-to-power producer located in Saldanha. Such a project relies strongly on government support for the importation of Liquefied Natural Gas, and other regulatory approvals.

Competition Commission

As reported in the previous SENS announcements, the settlement discussion with the Competition Commission is ongoing, and is subject to the final approval of the terms of the draft settlement agreement by the Company as well as the Commission and the Tribunal.

Outlook for Q2

Market conditions are expected to remain difficult although sales and prices are expected to increase. Shareholders are reminded that the future sustainability of the Company is highly dependent on resolving all outstanding matters including localisation of steel for government infrastructure projects, tariff protection (which has been completed subject to final implementation of HRC and OBR) , as well as the implementation of safeguards and a fair pricing mechanism.

Operational information

		Quarter ended					Year
		31-Mar 2016	31-Dec 2015	% change	31-Mar 2015	% change	31-Dec 2015
Liquid Steel production		1 227	1 094	12.2%	1 349	-9.0%	4 839
- Flat Steel Products	000 tons	827	666	24.2%	896	-7.7%	3 145
- Long Steel Products	000 tons	400	428	-6.5%	453	-11.7%	1 694
Capacity utilisation		81	67	20.9%	84	-3.6%	74
- Flat Steel Products	%	79	63	25.4%	87	-9.2%	75
- Long Steel Products	%	85	74	14.9%	80	6.3%	73
Steel sales							
- Local	000 tons	885	684	29.4%	873	1.4%	3 039
- Flat Steel Products	000 tons	560	429	30.5%	571	-1.9%	1 915
- Long Steel Products	000 tons	325	255	27.5%	302	7.6%	1 124
- Export	000 tons	227	241	-5.8%	206	10.2%	1 092
- Flat Steel Products	000 tons	166	143	16.1%	157	5.7%	763
- Long Steel Products	000 tons	61	98	-37.8%	49	24.5%	329
- Total	000 tons	1 112	925	20.2%	1 079	3.1%	4 131
- Flat Steel Products	000 tons	726	572	26.9%	728	-0.3%	2 678
- Long Steel Products	000 tons	386	353	9.3%	351	10.0%	1 453
Coke and Chemicals							
- Commercial coke produced	000 tons	86	93	-7.5%	108	-20.4%	406
- Commercial coke sales	000 tons	127	110	15.5%	111	14.4%	451
- Tar sales	000 tons	20	25	-20.0%	24	-16.7%	96

By order of the board

6 May 2016

Sponsor to ArcelorMittal South Africa Limited: JP Morgan Equities South Africa Proprietary Limited

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