SENS Q1 2013 ArcelorMittal txt May 2013

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

Unaudited group earnings results and physical information for the quarter ended 31 March 2013

- Safety record achieved
- Positive EBITDA and strong cash position maintained
- Steel plant restored to full operation after the fire in February
- 15% drop in revenue and headline loss of 67 cents a share

OVERVIEW

There were a few positive indicators of a recovery in global steel demand in the first quarter albeit with varying regional trends. In South Africa, demand was higher compared to the previous quarter mainly driven by re-stocking activities and a modest rise in domestic prices. From a company perspective, the fire at the Vanderbijlpark steel plant in February had a major impact on our results. Steelmaking operations came to a complete halt after molten steel spilled from one of the converters and caused massive damage to the electrical installations. Fortunately no injuries occurred. The company declared a force majeure and took urgent steps to minimise the impact on customers by using existing stocks, re-directing material from Saldanha to the domestic market and importing slabs from sister plants in the group. The repairs have been completed and full operations resumed during the second week of April. An estimated 361 000 tonnes of production volumes were lost through the incident.

The positive safety trend established last year continued through the first quarter, with the lost time injury frequency rate per million man hours worked setting a new record of 0,37 compared to 0,50 achieved in the previous quarter. There were no fatalities.

ArcelorMittal South Africa posted a headline loss of R270 million for the quarter ended 31 March 2013 compared to a headline loss in the preceding quarter of R456 million and a profit in the corresponding period last year of R283 million. EBITDA declined by 79% year-on-year to R169 million. Liquid steel production was down 26% with capacity utilisation at 64% following the fire at Vanderbijlpark.

The cash improvement from R884 million at the end of fourth quarter to R1 114 million reflects the continued management focus on strengthening the balance sheet through structural measures, as well as temporary actions to mitigate the impact of the fire.

KEY STATISTICS

	Quarter ended		
	31 March 2013	31 March 2012	31 December 2012
Revenue (R million)	7 766	9 142	6 885
EBITDA (R million)	169	817	(158)
EBITDA/tonne (R/t)	156	634	(160)
EBITDA margin (%)	2.2	8.9	(2.3)

(Loss)/profit from operations (R million)	(208)	458	(583)
Net (loss)/profit (R million)	(275)	279	(462)
Headline (loss)/earnings (R million)	(270)	283	(456)
Headline(loss)/ earnings per share (cents)	(67)	71	(114)
Liquid steel production (‘000 tonnes)	1 028	1 383	1 043
Steel sales (‘000 tonnes)	1 085	1 288	988
- Local	872	994	696
- Export	213	294	292
Commercial coke sales (‘000 tonnes)	85	143	117
Lost time injury frequency rate	0.37	0.81	0.50

MARKET REVIEW

International

The twin challenges of weak global demand and overcapacity continued to plague the steel industry. Economic recovery remains fragile and varies across regions, but signs of a renewed growth momentum have begun to emerge in recent months.

In China, strong signs of recovery continued after a relatively weak economic performance in most of 2012, as demonstrated by improved industrial output, retail sales and overall decline in consumer inflation, with construction activity providing an impetus for steel demand. The eurozone, however, continues to languish with steel use at historically low levels. With the exception of South Africa, the rest of sub-Saharan Africa continued to offer steel market growth opportunities arising from the widely publicised infrastructure-related projects in energy and rail development, coupled with increased mining investment activities.

Domestic

The impact of the global economic slowdown continued to affect the South African economy, with weakening demand for manufactured exports negatively affecting the country’s trade balance. Nevertheless, there were some positive trends in key data in recent months, mainly in the lower residential segment of the construction sector showing improving building activity. However, the slow pace of infrastructure development continues to hamper domestic steel demand. The positive production trends in a number of manufacturing sub-sectors such as motor vehicles, electrical appliances and machinery were also a catalyst for steel demand as evidenced by a rise in the manufacturing purchasing index from the previous quarter.

FINANCIAL REVIEW

Quarter ended 31 March 2013 compared with quarter ended 31 March 2012

Revenue decreased by 15% to R7.8 billion for the quarter. Total steel shipments were down 16% on the back of a 12% drop in domestic shipments and 28% in export shipments. Flat and long steel shipments declined by 19% and 9% respectively.

There was a marginal increase in average net realised prices on the back of a 2% fall in domestic prices and 14% rise in export prices following a weakening in the average rand/US dollar exchange rate of 15%. Prices for flat steel increased 3%, while long steel prices decreased 2%. Revenue from the Coke and Chemicals business of R380 million was 34% lower following a 41% drop in commercial coke sales volumes and 15% drop in net realised prices.

Cash costs of hot rolled coil and billets were very well contained considering the lower output, dropping 4% amid a
47% fall in the cost of imported coal on a US dollar basis and 34% in rand terms while local coking coal decreased 15%.
Sishen iron ore prices are fixed on a dollar basis but rose 13% in rand terms. Electricity, natural gas and scrap prices
climbed 22%, 12% and 8% respectively.

Primarily due to the fire, liquid steel production was 355 000 tonnes or 26% lower. Capacity utilisation for flat
steel was 54% compared to 69% in the prior year. The equivalent figures for long steel were 81% and 70% respectively.

Operating profit declined by R666 million to a loss of R208 million. The financing cost of R70 million for the quarter
is R35 million lower than the corresponding period due to lower interest paid as a result of a better cash position and
lower net foreign exchange losses.

The company's share of the loss from equity accounted investments after taxation of R82 million compares with a profit
of R9 million a year ago due to a higher loss from Coal of Africa Limited and lower income from Macsteel International
Holdings BV.

Quarter ended 31 March 2013 compared with quarter ended 31 December 2012
Revenue increased by 13% to R7.8 billion for the quarter on the back of a 10% increase in steel shipments. Domestic
shipments were up 25%, while exports were down 27% following the diversion of Saldanha material to the local market. Flat
steel shipments remained in line with the preceding quarter, while long steel shipments rose 34%. Average net realised
prices were 4% higher with local prices up 2% and exports 7%. Flat steel prices climbed 5% and long steel 2%. Revenue
from the Coke and Chemicals business of R380 million was 21% lower following a 27% decline in commercial coke sales volumes
and 10% drop in net realised prices.

Hot rolled coil and billet cash costs were down 12% and 6% respectively, largely due to a 21% drop in hard coking coal
prices on a dollar basis and 18% on a rand basis. Sishen iron ore prices were flat. Local coking coal and scrap
increased by 6% and 4% respectively, while electricity rose marginally. Liquid steel production was 15 000 tonnes lower
following the fire, leading to a drop in capacity utilisation for flat steel to 54% compared to 61% in the previous quarter.
For long steel, utilisation rates were 81% and 56% for the two quarters respectively. The operating loss decreased by R375
million to a loss of R208 million.

Financing costs of R70 million for the quarter are R13 million lower than fourth quarter due to lower interest paid as
a result of a better cash position and lower net foreign exchange losses.

Our share of the loss from equity accounted investments after taxation of R82 million compares to a loss of R53
million in the prior quarter. This relates to a higher loss from Coal of Africa Limited and lower income from Macsteel
International Holdings BV.

ENVIRONMENT
Notwithstanding the tough economic conditions the company operates under, key environmental projects remain a focus
area in order to ensure environmental compliance. The new emission abatement system for Vanderbijlpark's sinter plant
which was completed towards the end of 2012 at a cost of R250 million continues to achieve sustainable operating results.

Projections for the remainder of the year indicate that the particulate emissions from the site as a whole could reduce by over 70% compared to a 2005 baseline.

Another important project that is in progress is the Newcastle zero effluent discharge project which entails the improvement of effluent treatment and recovery with a planned completion date of early 2014 at an estimated cost of over R400 million.

The compliance notice issued to Vanderbijlpark Works on 22 October 2012 by the provincial environmental authority relating to findings of non-compliance with Atmospheric Emission License conditions was withdrawn on 28 February 2013 after demonstrating compliance with all the specified conditions.

The proposed carbon tax announced by the Minister of Finance on 27 February 2013 will have a significant impact on the production cost of steel. The reviewed Carbon Tax Discussion Paper that will be published shortly may offer further opportunities to engage with the National Treasury, especially in light of the limited opportunities that exist to reduce emissions in the steel production process.

CONTINGENT LIABILITIES
The Competition Commission (“the Commission”) has thus far referred the following four cases against the company to the Competition Tribunal (“the Tribunal”) for prosecution. The company rejects the allegations made in each of these cases and is defending itself accordingly.

1st wire rod matter - alleged price discrimination conduct
In January 2007, the Commission referred a case against the company to the Tribunal relating to alleged price discrimination on wire rod. The matter is yet to be set down for hearing before the Tribunal.

2nd wire rod matter - alleged price discrimination conduct
In November 2012, the Commission referred another case relating to alleged price discrimination in the wire rod market to the Tribunal. This case is essentially the same as the case referred in January 2007. The parties and the issues are identical save for the fact that the contravention alleged in this case, is alleged to have taken place during a later period being 2004 to 2006. This matter is currently at the pleadings stage of the Tribunal process.

Long steel matter - alleged cartel conduct
In September 2009, the Commission referred a case against the company and three other primary steel manufacturers in South Africa to the Tribunal for alleged price fixing and market division in respect of certain long steel products.

The Commission requested the Tribunal to find the company guilty of the contraventions as alleged and to impose on it an administrative penalty of 10% of 2008 turnover. In December 2009, the company filed an application with the Tribunal for access to the Commission’s investigation record to enable it to answer to the case against it.

In September 2010, the Tribunal handed down judgment refusing the company access to the bulk of the documentation in the Commission’s investigation record. The Tribunal based its judgment on the fact that the documentation in question had been claimed by one of the parties in the matter as confidential. The company subsequently appealed this judgment to the Competition Appeal Court (“the CAC”). In April 2012, the CAC ruled essentially that the matter be referred back to the

Tribunal for a hearing to determine the validity of the confidentiality claims. The Commission appealed this ruling to
the Supreme Court of Appeal. The appeal is expected to be heard some time during 2013.

Flat steel matter – alleged conscious parallelism
On 30 March 2012, the Commission referred a case against the company and Evraz Highveld Steel and Vanadium Limited
("Highveld Steel") to the Tribunal for alleged price fixing and market division in respect of certain flat steel products.
The form of price fixing alleged by the Commission in this instance is one based on the "conscious parallelism"
phenomenon. This mainly relates to Highveld Steel increasing its prices each time the company increases its prices.

The Commission requested the Tribunal to find the company guilty of the contraventions as alleged and to impose on it,
an administrative penalty of 10% of the 2008 turnover.

COMPETITION COMMISSION INVESTIGATIONS
The Commission is formally investigating two complaints against the company. The first involves alleged prohibited
vertical practices in respect of purchases of scrap steel. The second relates to alleged excessive pricing of tinplate and
flat steel in general. Joined to this investigation is an investigation into alleged excessive pricing arising from the
iron ore surcharge introduced by the company for the period May 2010 to July 2010. The company is cooperating fully with
the Commission in all these investigations and continues to deliver all information and documentation as and when
called upon to do so.

DISPUTE WITH SISHEN IRON ORE COMPANY PROPRIETARY LIMITED ("SIOC")
On 28 March 2013, the Supreme Court of Appeal ("SCA") delivered judgment in terms of which the SCA effectively agreed
with the trial court that SIOC was awarded 100% of the mining rights in the Sishen mine and therefore the award by the
Department of Mineral Resources ("DMR") to ICT was invalid. Pursuant to this decision, the parties will start the
arbitration proceedings. However, subsequent to the quarter-end, both ICT and the DMR lodged applications for leave to appeal
to the Constitutional Court against the decision of the SCA. Shareholders will be kept informed of any material
developments.

ACQUISITIONS
The exploration phase of the Northern Cape iron ore mining operations was completed at the end of March 2013. The data
is currently being assessed prior to further work proceeding.

OUTLOOK FOR SECOND QUARTER 2013
We expect a turnaround from the net loss realised in the first quarter to positive earnings in second quarter
underpinned by stable market demand, recovery of production back to normal levels and higher sales volumes. International steel
prices are expected to remain subdued. The movement in the rand/US dollar exchange rate has an important bearing on our
earnings.

BASIS OF PREPARATION
The condensed reviewed consolidated financial statements have been prepared in compliance with the Listings
Requirements of the JSE Limited, the recognition and measurement requirements of International Financial Reporting Standards
("IFRS") as issued by the International Accounting Standards Board ("IASB"), the AC 500 standards as issued by the Accounting
Practices Board and the South African Companies Act. These statements were compiled under the supervision of Mr MJ

Wellhausen, the Chief Financial Officer.

On behalf of the Board

N Nyembezi-Heita — Chief Executive Officer

MJ Wellhausen — Chief Financial Officer

2 May 2013

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended			Year ended 31 December
Rm	31 March 2013	31 March 2012	31 December 2012	2012 Audited
Revenue	7 766	9 142	6 885	32 291
Raw materials and consumables used	(4 324)	(5 112)	(3 754)	(18 760)
Employee costs	(802)	(802)	(814)	(3 356)
Energy	(663)	(732)	(684)	(3 156)
Movement in inventories of finished goods and work in progress	(497)	(459)	(335)	(467)
Depreciation	(373)	(355)	(420)	(1 582)
Amortisation of intangible assets	(4)	(4)	(5)	(16)
Other operating expenses	(1 311)	(1 220)	(1 456)	(5 431)
(Loss)/profit from operations	(208)	458	(583)	(477)
Finance and investment income	16	19	108	60
Finance costs	(70)	(105)	(83)	(334)
Income/(loss) from equity accounted investments (net of tax)	(82)	9	(53)	59
(Loss)/profit before tax	(344)	381	(611)	(692)
Income tax credit/(charge)	69	(102)	149	184
(Loss)/profit for the period	(275)	279	(462)	(508)
Other comprehensive income				
Exchange differences on translation of foreign operations	151	(94)	50	62
Losses on available-for-sale investment taken to equity	(6)	(21)		(32)
Share of other comprehensive income of equity accounted investments	38	(7)	44	34
Total comprehensive (loss)/income for the period	(91)	157	(368)	(444)
(Loss)/profit attributable to:				
Owners of the company	(275)	279	(462)	(508)

Total comprehensive (loss)/income attributable to:				
Owners of the company	(91)	157	(368)	(444)
Attributable (loss)/earnings per share (cents)				
- basic	(69)	70	(115)	(127)

ADDITIONAL INFORMATION

Reconciliation of headline (loss)/earnings				
(Loss)/profit for the period	(275)	279	(462)	(508)
Adjusted for:				
- Loss/(profit) on disposal or scrapping of assets	7	5	9	(4)
- Tax effect	(2)	(1)	(3)	(6)
Headline (loss)/earnings	(270)	283	(456)	(518)
Headline (loss)/earnings per share (cents)	(67)	71	(114)	(129)
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)				
(Loss)/profit from operations	(208)	458	(583)	(477)
Adjusted for:				
- Depreciation	373	355	420	1 582
- Amortisation of intangible assets	4	4	5	16
EBITDA	169	817	(158)	1 121

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Rm	As at 31 March 2013	As at 31 March 2012	As at 31 December 2012 Audited
Assets			
Non-current assets	19 520	19 211	19 419
Property, plant and equipment	16 039	16 364	16 068
Intangible assets	118	123	121

Equity accounted investments	3 343	2 687	3 204
Other financial assets	20	37	26
Current assets	12 133	13 339	11 479
Inventories	8 463	9 301	8 761
Trade and other receivables	2 399	3 409	1 669
Taxation	150		154
Other financial assets	8	1	11
Cash and cash equivalents	1 114	628	884
Total assets	31 653	32 550	30 898
Equity and liabilities			
Shareholders’ equity	22 155	22 831	22 242
Stated capital	37	37	37
Non-distributable reserves	(2 072)	(2 339)	(2 178)
Retained income	24 191	25 133	24 383
Non-current liabilities	3 921	4 443	4 091
Borrowings and other payables	243	231	270
Finance lease obligations	453	438	426
Deferred income tax liability	1 849	2 289	2 031
Provision for post-retirement medical costs	9	8	9
Non-current provisions	1 367	1 477	1 355
Current liabilities	5 577	5 276	4 565
Trade and other payables	4 841	4 127	3 922
Borrowings and other payables	151	88	157
Finance lease obligations	63	55	77
Taxation	205	3	97
Current provisions	316	373	312
Cash and bank overdraft		630	
Total equity and liabilities	31 653	32 550	30 898

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Quarter ended		Year ended
	31 March	31 March	31 December
			31 December 2012

Rm	2013	2012	2012	Audited
Cash outflows from operating activities	592	(308)	1 313	1 776
Cash generated from/(utilised in) operations	594	(221)	1 379	2 022
Interest income	2	4	1	10
Finance cost	(29)	(50)	(44)	(170)
Income tax paid	(1)	(20)	(32)	(52)
Realised foreign exchange movement	26	(21)	9	(34)
Cash outflows from investing activities	(271)	(99)	(432)	(1 125)
Investment to maintain operations	(221)	(79)	(419)	(809)
Investment to expand operations	(18)	(15)	(14)	(66)
Proceeds on scrapping of assets	1		1	29
Shares acquired in associate and equity accounted investment	(34)	(5)	(88)	(369)
Investment income - interest	1		1	3
Dividend from equity accounted investments			87	87
Cash outflows from financing activities	(103)	(38)	(58)	(231)
Repayment of borrowings, finance lease obligations and other payables	(103)	(38)	(58)	(231)
Increase/(decrease) in cash and cash equivalents	218	(445)	823	420
Effect of foreign exchange rate changes	12	4		25
Cash and cash equivalents at beginning of period	884	439	61	439
Cash and cash equivalents at end of period	1 114	(2)	884	884

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Rm	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Quarter ended 31 March 2012					
Balance as at 31 December 2011	37	(3 918)	1 687	24 863	22 669
Total comprehensive income			(122)	279	157
Share-based payment reserve			5		5
Transfer of equity accounted earnings			9	(9)	
Balance as at 31 March 2012	37	(3 918)	1 579	25 133	22 831
Quarter ended 31 December 2012					

Balance as at 30 September 2012 37 (3 918) 1
781 24 705 22 605
Total comprehensive loss
94 (462) (368)
Management share trust: net of treasury

share purchases
5 5
Transfer of equity accounted earnings
(140) 140
Balance as at 31 December 2012 37 (3 918) 1
740 24 383 22 242
Quarter ended 31 March 2013

Balance as at 31 December 2012 37 (3 918) 1
740 24 383 22 242
Total comprehensive loss
183 (275) (91)
Share-based payment reserve
5 5
Transfer of equity accounted earnings
(82) 82
Balance as at 31 March 2013 37 (3 918) 1
846 24 190 22 155

SEGMENT INFORMATION

	Quarter ended		
	31 March 2013	31 March 2012	31 December 2012
Flat Steel Products			
Revenue (R million)	4 929	5 670	4 708
- External	4 735	5 595	4 456
- Internal	193	75	252
EBITDA (R million)	(315)	81	(306)
Depreciation and amortisation (R million)	(306)	(285)	(346)
(Loss) from operations (R million)	(621)	(204)	(652)
Liquid steel production ('000 tonnes)	565	981	720
Steel sales ('000 tonnes)	702	866	702
- Local	557	645	475
- Export	145	221	227
Capacity utilisation (%)	54	69	61
Long Steel Products			
Revenue (R million)	2 885	3 274	2 343
- External	2 665	2 993	1 968
- Internal	220	281	375
EBITDA (R million)	315	521	

(8)

Depreciation and amortisation (R million)	(70)	(72)	(79)
Profit/(loss) from operations (R million)	245	449	(87)
Liquid steel production ('000 tonnes)	463	402	323
Steel sales ('000 tonnes)	383	422	286
- Local	315	349	221
- Export	68	73	65
Capacity utilisation (%)	81	70	56

Coke and Chemicals

Revenue (R million)	380	576	479
- External	366	554	461
- Internal	14	22	18
EBITDA (R million)	147	205	143
Depreciation and amortisation (R million)	(9)	(9)	(4)
Profit from operations (R million)	138	196	139
Commercial coke produced ('000 tonnes)	91	134	125
Commercial coke sales ('000 tonnes)	85	143	117
Tar sales ('000 tonnes)	28	30	29

Corporate and Other

EBITDA (R million)	22	10	13
Depreciation and amortisation (R million)	8	7	4
Profit from operations (R million)	30	17	17

FORWARD-LOOKING STATEMENTS

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors, which could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements.

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Executive: N Nyembezi-Heita (Chief Executive Officer), MJ Wellhausen (Chief Financial Officer)#

#Citizen of Germany

10 May 2013
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