ArcelorMittal

ArcelorMittal South Africa Limited

Registration number: 1989/002164/06

Share code: ACL ISIN: ZAE 000134961

(“ArcelorMittal South Africa”, “the company” or “the group”)

Reviewed group results for the year ended 31 December 2011

This report is available on the **ArcelorMittal South Africa’s Web site at:**
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- 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%

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 refocus on entrenching 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)	**82**	3	(221)	**1 720**	3 522
EBITDA/tonne (R/t)	**83**	3	(184)	**365**	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 billets by 23%. The increase was due to a rise in prices of imported coking coal (52%), pellets (32%), iron ore (17%), scrap (29%) and 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 81%. 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 from R6.62 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 R1 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 associates and joint 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 with quarter ended 31 December 2010 (unaudited)

Total revenue of R7.3 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.

Income from equity-accounted investments of R120 million increased by R173 million compared to the loss of R53 million recorded in the corresponding quarter. The increase was due to the group's share of losses in Coal of Africa Limited in the corresponding period against the reversal of the impairment recorded during the fourth quarter following the impairment loss recognised during the third quarter 2011. This was offset by lower income from Macsteel International Holdings BV.

Quarter ended 31 December 2011 compared with quarter ended 30 September 2011 (unaudited)

Revenue of R7.3 billion was 5% lower than the previous quarter. Total steel shipments were 12% down, with domestic steel shipments decreasing by 16% and export steel shipments remaining unchanged. Shipments for flat steel products remained static, while long steel products dropped by 44%. Revenue from the Coke and Chemicals business increased by 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 volumes were 77% higher, but this was largely offset by a 5% drop in average net realised prices.

The production cash cost of hot rolled coil produced decreased by 4%, while billets increased by 2%. The prices of imported coal, electricity and pellets decreased by 7%, 30% and 6%, respectively, whereas the prices of scrap increased by 3%.

Total liquid steel production was 1% higher than the previous quarter, however flat steel increased by 8% and long steel decreased by 20%. Flat steel products achieved capacity utilisation of 70% compared to 64% the previous quarter. The equivalent figures for long steel were 36% and 46% respectively.

Income from equity-accounted investments for the quarter was R120 million compared to the loss of R145 million the previous quarter, following the reversal of the group's share of the impairment loss in Coal of Africa Limited recognised in the third quarter.

Environment

The company's environmental focus during 2011 and for the foreseeable future will remain on air and water-related projects to ensure compliance with legislation. The requirements of the Air Quality Act (the Act) remain a top priority and significant expenditure will commence over the next five-year period to improve the performance of coke-making facilities at Vanderbijlpark and Newcastle Works.

The new Sinter Plant Emission Abatement Project at Vanderbijlpark Works was completed during 2011 and commissioning is now anticipated by the end of March 2012. This project will significantly reduce particulate and SO_2 emissions from the Vanderbijlpark facility and ensure compliance with the new Act.

Plans remain on track for Newcastle Works to achieve zero effluent discharge status by end 2013. At Vanderbijlpark Works, significant effluent treatment problems were experienced during 2011. Urgent steps have been taken to ensure that the situation is remedied without undue delay.

During 2011, the carbon tax and climate change debate received significant attention, with additional prominence added by the COP 17 event in Durban, which was fully supported by the group. Constructive debate took place with National Treasury during the year regarding the carbon tax proposal and potential structuring options which, as it stands, would have a severe impact on the viability of steel production in South Africa. This engagement is expected to continue during 2012.

Contingent liabilities

The case brought before the Competition Tribunal (Tribunal) by Barnes Fencing Industries Limited relating to alleged price and exclusionary conduct on the sale of wire rod is continuing in accordance with Tribunal procedures. A date for the hearing has not been set.

The Competition Commission (Commission) has referred the company and three other primary steel producers in South Africa to the Tribunal for alleged price fixing and market division in respect of certain long steel products. The Commission has recommended the imposition of a financial penalty of 10% of the company's 2008 annual turnover. On 3 September 2010, the Tribunal refused access to the bulk of the documentation requested by the company; the company then filed a notice of appeal with the Competition Appeal Court (CAC) to review the Tribunal's decision. The company also requested the CAC to suspend the Tribunal's order that the company should file its answering affidavit, pending the outcome of the appeal. An appeal and review hearing was heard on 2 December 2011. The decision is still outstanding and not expected before the end of the first quarter. ArcelorMittal South Africa has also filed an application challenging the validity of the referral of this matter to the Tribunal. No date has been set for the hearing of this application.

During the fourth quarter of 2011, South Africa Revenue Services (SARS) issued a letter of assessment relating to the erroneous claiming of customs value added tax (VAT) by ArcelorMittal South Africa for the period 2005 to 2008, where it was actually relating to the wholly owned subsidiary Saldanha Steel (Proprietary) Limited, but not claimed by Saldanha. In the letter, the position of SARS is that the principal amount of R249 million should be repaid by the company and that SARS may consider imposing interest and penalties thereon, though no amount was quantified. The company issued a letter of objection to this because, in the same vein, Saldanha did not claim the input VAT, arguing that SARS was not negatively disadvantaged. The company has proposed to SARS that the dispute be advanced to a formal Alternative Dispute Resolution process. No amount has been recognised as a provision.

Competition Commission investigations

The Commission is formally investigating five complaints against ArcelorMittal South Africa. The first involves alleged price fixing in the flat steel market and the second, alleged excessive pricing of tinplate. The third investigation involves alleged prohibited vertical practices in respect of purchases of scrap steel. The fourth investigation appears to involve an extension of the Barnes Fencing Industries Limited case described under contingent liabilities, into a later period. The fifth investigation relates to excessive pricing in the flat steel market and the iron ore surcharge introduced, and later cancelled by the company in 2010. The company is co-operating fully with the Commission in these investigations and delivered all the requested documentation to the authorities.

Dispute with Sishen Iron Ore Company (Proprietary) limited (SIOC)

On 15 December 2011 Judge Zondo, in the North Gauteng High Court review application brought by SIOC against the Department of Mineral Resources (DMR) and Imperial Crown Trading 289 (Proprietary) Limited (ICT) of which ArcelorMittal South Africa was joined at the request of SIOC, ruled that SIOC owned 100% of the rights in the Sishen mine and set aside the grant of the prospecting right to ICT. This ruling supports ArcelorMittal South Africa's argument in the review application and the arbitration proceedings that SIOC was awarded 100% of the mining right in the Sishen mine. SIOC and ArcelorMittal South Africa agreed to postpone the arbitration proceedings, which were scheduled to take place in May 2012, until the appeal process in the High Court review application is finalised. We remain convinced that SIOC erred in cancelling our supply agreement and we have full confidence that the arbitration process will rule in our favour.

Acquisition

The due diligence on the Northern Cape Iron Ore mining project is complete, barring the final approval of the transaction by the Minister in terms of the Minerals and Petroleum Resources Development Act, No 28 of 2002. The proposed transaction outlines terms to acquire certain prospecting rights, which were renewed during the due diligence process, in the Northern Cape area, on which the group will then be able to start early-stage exploration activities. This is our first step in our drive to become more self-sufficient in iron ore.

Changes to the board of directors

The following appointments and resignations occurred during the financial year and to the date of this report:

- Ms FA du Plessis was appointed as an independent non-executive director and member of the Audit and Risk Committee with effect from 4 May 2011;
- Mr AMHO Poupart-Lafarge resigned as non-executive director on 25 May 2011;
- Mr G Urquijo was appointed as a non-executive director with effect from 27 May 2011; and
- Mr CPD Cornier resigned as non-executive director with effect from 24 January 2012.

Outlook for quarter one 2012

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

On behalf of the Board

N Nyembezi-Heita (Chief Executive Officer)
RH Torlage (Chief Financial Officer)
1 February 2012

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, that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results).

Condensed group statement of comprehensive income

Rm	Quarter ended (Unaudited) 31 December 2011	30 September 2011	31 December 2010	Year ended 31 December 2011 Reviewed	31 December 2010 Audited
Revenue	**7 258**	7 620	6 832	**31 453**	30 224
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)
(Loss)/profit from operations	**(285)**	(347)	(562)	**297**	2 151
Finance and investment income	**5**	7	18	**31**	71
Finance costs (Note 4)	**(106)**	(74)	(158)	**(168)**	(507)
Income/(loss) from equity accounted investments (net of tax)	**120**	(145)	(53)	**(34)**	122
(Loss)/profit before tax	**(266)**	(559)	(755)	**126**	1 837
Income tax credit/(charge) (Note 5)	**82**	97	258	**(118)**	(492)
(Loss)/profit for the period	**(184)**	(462)	(497)	**8**	1 345
Other comprehensive income					
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		154	(12)	7	75
Tax effect on amounts taken directly to equity					(2)
Total comprehensive (loss)/income for the period	**(180)**	(42)	(563)	**318**	1 255
(Loss)/profit attributable to:					
Owners of the company	**(184)**	(462)	(497)	**8**	1 345
Total comprehensive (loss)/income attributable to:					
Owners of the company	**(180)**	(42)	(563)	**318**	1 255
Attributable (loss)/earnings per share (cents)					
– basic	**(46)**	(115)	(124)	**2**	335
– diluted	**(46)**	(115)	(124)	**2**	335

Condensed group statement of financial position

Rm	As at 31 December 2011 Reviewed	As at 30 September 2011 Unaudited	As at 31 December 2010 Audited
Assets			
Non-current assets	**19 573**	18 998	19 110
Property, plant and equipment	**16 618**	16 304	16 432
Intangible assets	**126**	81	84
Equity accounted investments	**2 772**	2 546	2 386
Other financial assets	**57**	67	208
Current assets	**12 849**	12 920	12 608
Inventories	**9 935**	9 232	7 156
Trade and other receivables	**2 374**	2 392	1 816
Taxation	**100**		18
Other financial assets	**1**	20	112
Cash and cash equivalents	**439**	1 276	3 506
Total assets	**32 422**	31 918	31 718
Equity and liabilities			
Shareholders' equity	**22 669**	22 842	22 556
Stated capital	**37**	37	37
Non-distributable reserves	**(2 231)**	(2 322)	(2 475)
Retained income	**24 863**	25 127	24 994
Non-current liabilities	**4 474**	4 458	4 592
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	**7**	7	8
Non-current provisions	**1 465**	1 507	1 491
Current liabilities	**5 279**	4 618	4 570
Trade and other payables	**4 644**	3 957	4 020
Borrowings and other payables	**107**	104	88
Finance lease obligations	**57**	52	59
Taxation		124	
Current provisions	**471**	381	403
Total equity and liabilities	**32 422**	31 918	31 718

Condensed group statement of cash flows

Rm	Quarter ended (Unaudited)			Year ended 31 December	
	31 December 2011	30 September 2011	31 December 2010	**2011 Reviewed**	2010 Audited
Cash in/(out) flows from operating activities	**35**	(909)	947	**(1 368)**	1 337
Cash generated from/(utilised in) operations	**169**	(627)	1 163	**(836)**	2 666
Interest income	**4**	7	17	**29**	69
Finance costs	**(41)**	(23)	(22)	**(102)**	(85)
Dividend paid		(221)		**(221)**	(602)
Income tax paid	**(81)**		(265)	**(243)**	(653)
Realised foreign exchange movement	**(16)**	(45)	54	**5**	(58)
Cash outflows from investing activities	**(619)**	(350)	(913)	**(1 318)**	(1 706)
Investment to maintain operations	**(450)**	(244)	(599)	**(924)**	(1 259)
Investment to expand operations	**(75)**	(85)	(363)	**(266)**	(455)
Shares acquired in associate and equity accounted investment	**(137)**	(21)	(21)	**(180)**	(120)
Investment income – interest			1	**2**	2
Dividend from equity accounted investments	**43**		69	**50**	126
Cash outflows from financing activities	**(232)**	(189)	(110)	**(529)**	(374)
Repayment of borrowings, finance lease obligations and other payables	**(232)**	(189)	(110)	**(529)**	(374)
Decrease in cash and cash equivalents	**(816)**	(1 448)	(76)	**(3 215)**	(743)
Effect of foreign exchange rate changes	**(21)**	101	(132)	**148**	(99)
Cash and cash equivalents at beginning of period	**1 276**	2 623	3 714	**3 506**	4 348
Cash and cash equivalents at end of period	**439**	1 276	3 506	**439**	3 506

Condensed group statement of changes in equity

Rm	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Nine months ended 30 September 2010 (Unaudited)					
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)
Balance as at 30 September 2010 (unaudited)	37	(3 918)	1 679	25 354	23 152
Quarter ended 31 December 2010 (unaudited)					
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			9		9
Transfer of equity accounted earnings			(137)	137	
Balance as at 31 December 2010 (audited)	37	(3 918)	1 443	24 994	22 556

Condensed group statement of changes in equity continued

Rm	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Six months ended 30 June 2011 (reviewed)					
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	
Balance as at 30 June 2011 (reviewed)	37	(3 918)	1 317	25 665	23 101
Quarter ended 30 September 2011 (unaudited)					
Balance as at 30 June 2011 (reviewed)	37	(3 918)	1 317	25 665	23 101
Total comprehensive income			420	(462)	(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)
Balance as at 30 September 2011 (unaudited)	37	(3 918)	1 596	25 127	22 842
Quarter ended 31 December 2011 (unaudited)					
Balance as at 30 September 2011	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)	
Balance as at 31 December 2011 (reviewed)	**37**	**(3 918)**	**1 687**	**24 863**	**22 669**

Notes to the reviewed condensed consolidated financial statements

1. 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 AC500 standards as issued by the Accounting Practices Board and the South African Companies Act. These statements were compiled under the supervision of Mr RH Torlage, the Chief Financial Officer.

2. Significant accounting policies

These condensed reviewed group financial results for the year ended 31 December 2011 have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The accounting policies and methods of computation applied in the presentation of the financial results of the group are consistent with those applied for the year ended 31 December 2010, except for the adoption of the following Amendments and Interpretations in advance of their effective date with no impact on the group's financial results or disclosures:

- *IAS 12 (Amendment): Deferred Tax – recovery of underlying assets;*
- *IFRS 1 (Amendment): First Time Adoption of IFRS – severe hyperinflation and removal of fixed dates for first-time adopters;*
- *IFRS 7 (Amendment): Financial Instruments: Disclosure – offsetting financial assets and financial liabilities;*
- *IAS 32 (Amendment): Financial Instruments: Presentation – offsetting financial assets and financial liabilities.*

The results for the year ended 31 December 2011 included the results from Coal of Africa Limited for the period 1 October 2010 to 30 September 2011.

3. Independent review by the auditors

The condensed consolidated financial results have been reviewed by the company's auditors, Deloitte & Touche, in accordance with International Standards on Review Engagements 2410. They expressed an unmodified review opinion on the financial information for the 12 month period ended 31 December 2011. No opinion is expressed on the quarterly information disclosed herein. A copy of their report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

Notes to the reviewed condensed consolidated financial statements continued

	Quarter ended (Unaudited)			Year ended 31 December	
Rm	**31 December 2011**	30 September 2011	31 December 2010	**2011 Reviewed**	2010 Audited
4. Finance costs	**106**	74	158	**168**	507
Interest expense on bank overdrafts and loans	**24**	5	3	**32**	8
Interest expense on finance lease obligations	**17**	17	19	**71**	77
Discounting rate adjustment of the non-current provisions	**25**	31	24	**22**	100
Net foreign exchange (gains)/losses on financing activities		(23)	76	**(124)**	150
Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	**40**	44	36	**167**	172
5. Income tax (credit)/expense	**(82)**	(97)	(258)	**118**	492
Current normal and deferred tax (credit)/expense	**(82)**	(119)	(210)	**101**	476
Normal and deferred tax expense recognised in relation to tax of prior years			(41)	**(5)**	(44)
Secondary tax on companies		22	(7)	**22**	60
6. Borrowings and other payables					
Leave pay	**328**	311	282	**328**	282
Loan	**20**	20	30	**20**	30
Total	**348**	331	312	**348**	312
Disclosed as:					
– non-current	**241**	227	224	**241**	224
– current	**107**	104	88	**107**	88

Notes to the reviewed condensed consolidated financial statements continued

Rm	Quarter ended (Unaudited) 31 December 2011	30 September 2011	31 December 2010	Year ended 31 December 2011 Reviewed	2010 Audited
7. Capital expenditure					
Incurred	**525**	329	962	**1 190**	1 714
Contracted	**887**	621	641	**887**	641
Authorised but not contracted	**728**	877	1 045	**728**	1 045
8. Contingent liabilities					
Guarantees	**1**	1	1	**1**	1
9. Operating lease commitments	**278**	270	313	**278**	313
Less than one year	**83**	88	148	**83**	148
More than one year and less than five years	**190**	175	161	**190**	161
More than five years	**5**	7	4	**5**	4

10. Related party transactions

The group is controlled by ArcelorMittal Holdings AG which effectively owns 52.02% of the company's shares. During the year, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

11. Corporate governance

The group subscribes to the Code on Corporate Practices and Conduct as contained in the third King Report on corporate governance.

Segment information

	Quarter ended (Unaudited)			Year ended 31 December	
	31 December 2011	30 September 2011	31 December 2010	**2011 Reviewed**	2010 Audited
Flat steel products					
Revenue (R million)					
– External	**5 284**	5 034	4 216	**21 092**	18 848
– 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	344	**956**	1 012
Capacity utilisation (%)	**70**	64	60	**71**	67
Assets	**21 322**	20 818	19 177	**21 322**	19 177
Long steel products					
Revenue (R million)					
– External	**1 384**	2 199	2 005	**8 044**	8 976
– Internal	**832**	123	212	**1 470**	793
EBITDA (R million)	**74**	65	(36)	**500**	1 090
Depreciation and amortisation (R million)	**(67)**	(66)	(65)	**(269)**	(264)
(Loss)/profit from operations (R million)	**7**	(1)	(101)	**231**	826
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
– Export	**16**	61	194	**245**	615
Capacity utilisation (%)	**36**	46	58	**61**	81
Assets	**6 965**	5 950	5 277	**6 965**	5 277

Segment information continued

	Quarter ended (Unaudited)			Year ended 31 December	
	31 December 2011	30 September 2011	31 December 2010	**2011 Reviewed**	2010 Audited
Coke and chemicals					
Revenue (R million)					
– External	**590**	387	611	**2 317**	2 400
– Internal	**14**	13	10	**61**	49
EBITDA (R million)	**225**	161	265	**870**	1 029
Depreciation and amortisation (R million)	**(15)**	(14)	(12)	**(52)**	(44)
Profit from operations (R million)	**210**	147	253	**818**	985
Unaudited information					
Commercial coke produced ('000 tonnes)	**154**	162	232	**633**	745
Commercial coke sales ('000 tonnes)	**163**	92	168	**631**	629
Tar sales	**30**	27	33	**117**	125
Assets	**1 082**	1 068	1 079	**1 082**	1 079
Corporate and other					
Operating (loss)/profit before depreciation and amortisation (R million)	**(65)**	9	(50)	**(247)**	(39)
Depreciation and amortisation credit (R million)	**7**	6	7	**31**	32
(Loss)/profit from operations (R million)	**(58)**	15	(43)	**(216)**	(7)
Assets	**3 053**	4 082	6 185	**3 053**	6 185

Salient features

Rm	Quarter ended (Unaudited) **31 December 2011**	30 September 2011	31 December 2010	Year ended 31 December **2011 Reviewed**	2010 Audited
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)					
(Loss)/profit from operations	**(285)**	(347)	(563)	**297**	2 151
Adjusted for:					
– Depreciation	**363**	346	339	**1 409**	1 360
– Amortisation of intangible assets	**4**	4	3	**14**	11
EBITDA for the period	**82**	3	(221)	**1 720**	3 522
Reconciliation of headline (loss)/earnings					
(Loss)/profit for the period	**(184)**	(462)	(497)	**8**	1 345
Adjusted for:					
– (Profit)/loss on disposal or scrapping of assets	**(104)**	3		**(82)**	44
– Tax effect	**28**	(1)		**22**	(12)
Headline (loss)/earnings for the period	**(260)**	(460)	(497)	**(52)**	1 377
Headline (loss)/earnings per share (cents)					
– basic	**(65)**	(115)	(124)	**(13)**	343
– diluted	**(65)**	(115)	(124)	**(13)**	343

Salient features continued

Rm	Quarter ended (Unaudited) 31 December 2011	30 September 2011	31 December 2010	Year ended 31 December 2011 Reviewed	2010 Audited
Return on ordinary shareholders' equity per annum					
– Attributable earnings (%)	**(3.2)**	(8.0)	(8.7)	**0.0**	6.1
– Headline earnings (%)	**(4.6)**	(8.0)	(8.7)	**(0.2)**	6.2
Net cash to equity (%)	**0.4**	4.1	14.2	**0.4**	14.2
Share Statistics					
Ordinary shares (thousands)					
– in issue	**401 202**	401 202	401 202	**401 202**	401 202
– weighted average number of shares	**401 202**	401 202	401 202	**401 202**	401 202
– diluted weighted average number of shares	**401 271**	401 259	401 433	**401 444**	401 532
Share price (closing) (rand)	**68.58**	59.39	79.22	**68.58**	79.22
Market capitalisation (R million)	**27 514**	23 827	31 783	**27 514**	31 783
Net asset value per share (rand)	**56.50**	56.93	56.22	**56.50**	56.22
Dividend per share (cents)					
– interim				**55**	150

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Non-executive: FA du Plessis*, M Macdonald*, S Maheshwari†, LP Mondi, DCG Murray*,
ND Orleyn*, G Urquijoº
*†Citizen of India º 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
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ArcelorMittal

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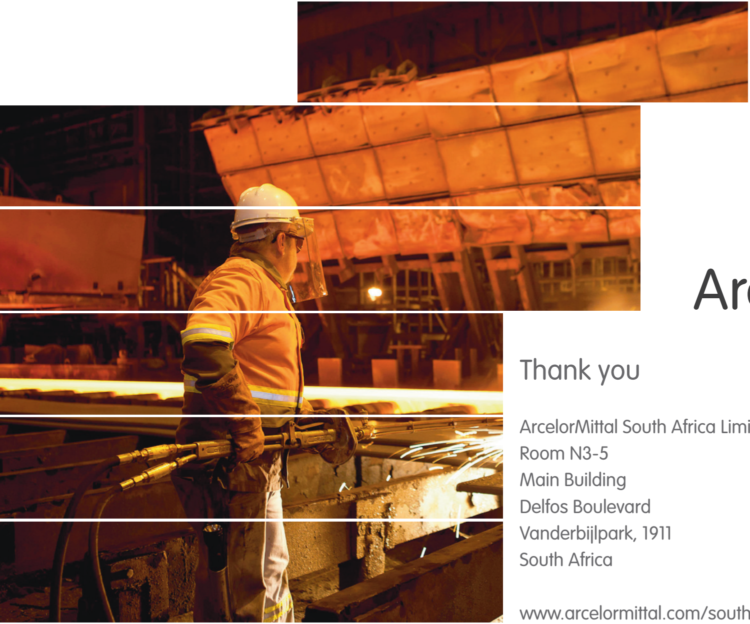

ArcelorMittal

Thank you

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