ArcelorMittal

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

Preliminary summarised reviewed group financial results for the year ended 31 December 2013

Turnaround to positive operating profit

New supply agreement with Kumba

Excellent safety performance

Overview

Trading conditions continued to be challenging for steel producers globally as weak demand continued in the eurozone. In China, the economy in general experienced a slower rate of growth and a degree of softening in steel demand which led to a decline in international steel prices.

In South Africa, economic growth was below expectations amid weak fixed investment expenditure and subdued global demand for locally produced goods. More pertinently for the steel industry, slow implementation of infrastructure development projects and the low level of fixed investment in the mining sector, coupled with weak production activity within the manufacturing sector, continued to hamper demand. Furthermore, a higher-than-usual level of imports added to increased stocks in the market which gradually normalised towards the end of the year. On the positive side, the depreciation in the rand exchange rate against other major currencies from the month of May onwards improved our competitive position, especially with respect to our export sales.

Liquid steel production was flat year-on-year with production losses resulting from the fire in Vanderbijlpark at the beginning of the year limited to 361 000 tonnes due to fast repairs. Aggregate capacity utilisation increased from 66% to 76% reflecting the progress in consolidating our operational footprint and improved reliability. During the last four months of the year we started to build stocks for the upcoming reline of our blast furnace in Newcastle to ensure that the supply to domestic customers is not disrupted. Steel sales were 392 000 tonnes lower, a decrease of 8% compared to the prior year. In contrast, commercial coke sales rose 18% year-on-year as the ferrochrome industry resumed normal operations at the end of the electricity buyback programme in June 2013.

Safety performance was pleasing with zero fatalities for the second year in a row. The lost-time injury frequency rate improved to 0.56, a further reduction from the previous year's record low of 0.61. The excellent result of 0.33 in the last quarter of the year marks a new all-time record for the company.

EBITDA improved by R647 million against the previous year, turning the operating result from a loss of R477 million to a positive of R47 million. The headline loss narrowed from R518 million to R224 million.

As part of the restructuring of our raw material supplies, we relinquished financial responsibility for the Thabazimbi iron ore mine at the end of 2013 as part of the new supply agreement with Kumba concluded in November. Additionally, Tshikondeni coal mine will close in accordance with the mine closure plan in late 2014. Operating profit includes a provision of R158 million associated with the closure of the latter. A write-off of R1.9 billion was taken on the fixed assets of Thabazimbi.

Net cash decreased to R285 million from the R874 million reported at the end of 2012, reflecting the build-up of stocks for the upcoming reline in Newcastle.

Key statistics

Quarter ended (unaudited) 31 December 2013 Unaudited	30 September 2013 Unaudited	31 December 2012 Unaudited		Year ended 31 December 2013 Reviewed	31 December 2012 Audited
7 739	8 792	6 885	Revenue (R million)	32 421	32 291
211	581	(158)	EBITDA (R million)	1 768	1 121
217	512	(160)	EBITDA/tonne (R/t) (unaudited)	418	243
2.7	6.6	(2.3)	EBITDA margin (%)	5.5	3.5
(387)	201	(583)	Profit/(loss) from operations (R million)	47	(477)
(2 256)	248	(462)	Net (loss)/profit (R million)	(2 147)	(508)
(301)	199	(456)	Headline (loss)/earnings (R million)	(224)	(518)
(75)	50	(114)	Headline (loss)/earnings per share (cents)	(56)	(129)
285	575	874	Net cash	285	874
			Unaudited information		
1 254	1 361	1 043	Liquid steel production ('000 tonnes)	5 096	5 090
973	1 134	988	Steel sales ('000 tonnes)	4 230	4 622
643	777	696	– Local	3 126	3 336
330	357	292	– Export	1 104	1 286
182	154	117	Commercial coke sales ('000 tonnes)	545	460
77	83	60	Capacity utilisation (%)	76	66
0.33	0.58	0.50	Lost-time injury frequency rate	0.56	0.61

Market review

International

Global steel demand remained relatively weak despite a slight recovery from the previous year. China's steel use improved slightly in 2013 despite a somewhat weaker economic performance. China's government investment in rail and subway construction, coupled with tax relief and other business incentives, helped boost economic activity, hence benefiting the steel industry. China also experienced marginally improved passenger vehicles sales, especially in the first half of 2013, which boosted production activity in the segment. It is expected that China will continue with its reform programme to rebalance the economy, with the process of infrastructure and urban housing development expected to continue to sustain the relatively higher growth than the global average growth rate.

In the US, stiff competition from cheaper imports and domestic producers with underutilised facilities contributed to the significant oversupply of steel. However, steel demand in the US market was stimulated by a recovery in the economy, with a pick-up in the housing market and improved market conditions in the automotive and energy sectors. The European market continued to suffer from the twin challenges of overcapacity and shrinking markets, with demand dropping by almost 30% on average compared to the precrisis period. This is mainly attributed to the decline in demand from two major steel consumers, namely: construction and the auto industry. The commitment to a strict austerity policy in the eurozone resulted in investment drying up in many regions.

Steel demand within sub-Saharan Africa continued to be stimulated by large infrastructure investments and improved investment activity in the mining sector, especially in countries such as Mozambique.

Domestic

Poor economic conditions continued to exert downward pressure on the domestic steel market. Key steel consuming sectors remained weak, and although the construction sector showed some improvement towards the latter part of the year, its growth performance remains below historical norms. The mining sector made some gains but that was from a low base due to strike disruptions in the sector in 2012. There are a few hopeful signs, albeit tentative at this stage. There was modest growth in new vehicle sales, the number of building plans passed increased and sales of construction and building materials rose to just below 10%. With respect to households, mortgage lending – though positive – is still growing below 3% as disposable income remains depressed. On a positive note, despite domestic cost pressures, the purchasing managers' index averaged around 50 in 2013, demonstrating some level of resilience in the economy. Moreover, the average rand exchange rate for the year of 9.65 to the US dollar was favourable for exporters.

Financial review

Full year ended 31 December 2013 compared to full year ended 31 December 2012

There was a R524 million turnaround in the profit from operations to R47 million from a loss of R477 million the previous year. The headline loss of R224 million, inclusive of a provision for the Tshikondeni mine closure of R158 million, narrowed from an equivalent low of R518 million, a year ago.

Impairment charges of R1 950 million for the year are related to Thabazimbi mine R1 878 million and to the investments in Coal of Africa Limited ("Coal of Africa") and Microsteel (Pty) Limited ("Microsteel") of R72 million.

Revenue was flat year-on-year at R32.4 billion underpinned by a 9% rise in average steel prices. Though the trend in international prices was not favourable, the depreciation of the rand by 18% on average improved our competitive position significantly. Domestic prices were up 7%, while export prices increased 13%. Prices for flat steel rose 11%, while long steel increased 5%. This helped offset a 9% fall in steel shipments, mostly exports which were down 14%, while domestic sales dropped 6%.

Revenue from the Coke and Chemicals business of R1 937 million was 4% higher following an 18% increase in commercial coke sales volumes, partially offset by a 17% drop in net realised prices. Tar volumes remained flat with prices increasing 13%.

Cash costs of hot rolled coil increased 4%, while those of billets were up 1%. Import coal prices decreased by 35% on a dollar basis, while pellets decreased by 1%. In rand terms import coal fell 18% with pellets rising 14%. Sishen iron ore prices were up 23% in rand terms, while ore from Thabazimbi increased further from R883/tonne to R1 317/tonne, a 49% rise. Electricity climbed 13%, natural gas and scrap prices were up 12% and 7% respectively.

Liquid steel production was marginally higher, up 6 000 tonnes. However, capacity utilisation improved for flat steel to 74% compared to 65% the year before, reflecting the positive impact of the idling of the Electric Arc Furnace in Vanderbijlpark. For long steel, the comparable ratios were 81% and 67% respectively.

Net financing costs of R260 million for the year were R14 million lower than the prior year. Our share of the loss from equity-accounted investments after tax of R35 million compares with a profit of R59 million in the previous year. This adverse development was due to lower results from Coal of Africa, Macsteel International Holdings BV and Pietermaritzburg. Our share of the loss from Coal of Africa for the year was R... Ore Company partly offset by income from the sale of assets from Microsteel.

Quarter ended 31 December 2013 compared with quarter ended 31 December 2012 (unaudited)

Revenue increased 12% to R7.7 billion following a 14% increase in average steel prices. Domestic prices were 15% higher, while exports rose 13% with prices for flat and long steel rising 16% and 7% respectively. Steel shipments were down 2% with local shipments declining 8%, while exports increased 13%. Flat shipments dropped 7%, while longs were up 12%. Revenue from Coke and Chemicals of R567 million was 18% higher following a 56% increase in commercial coke sales volumes and 18% drop in average prices. Tar sales volumes decreased 10%, while prices increased 12%.

Cash costs of hot rolled coil and billets increased 2% and 5% respectively. Import coal prices declined 26% in US dollars, while pellets increased 13%. In rand terms import coal dropped 10% and pellets rose 27%. Sishen iron ore prices were fixed on a dollar basis but rose 28% in rand terms. Local coking coal, electricity and natural gas climbed 20%, 11% and 13% respectively. Liquid steel production was 211 000 tonnes higher or 20% resulting in improved capacity utilisation for flat steel at 77% against the 2012 corresponding period of 61%. The equivalent figures for long steel were 76% and 56% respectively.

Operating profit improved by R196 million to a loss of R387 million. Net financing costs of R41 million for the quarter were R66 million higher due to the lower discount rate adjustment on non-current provisions of R76 million. Our share of the profit from equity-accounted investments after tax of R22 million compares with a loss of R53 million in the corresponding quarter the year before.

Quarter ended 31 December 2013 compared with quarter ended 30 September 2013 (unaudited)

Revenue decreased by 12% to R7.7 billion due to a 14% drop in steel shipments. Reflecting the seasonal trend, local shipments fell more steeply – by 17% – while exports declined 8%, with flat and long steel dropping 13% and 16% respectively. Newcastle further increased metal stocks during Q4 by 121 000 tonnes mainly from own production. Local prices rose 2%, while export prices remained flat, leading to an overall 1% increase in average steel prices for the quarter. Flat steel prices rose 2%, while long steel prices were stable. Revenue from Coke and Chemicals of R567 million was 5% higher on the back of an 18% increase in commercial coke sales volumes offset by a 5% drop in average prices. Tar sales volumes decreased 19%, while prices increased 6%.

Cash costs of hot rolled coil rose marginally with billets increasing 5%. The average dollar price of import coal was 5% down, while pellets decreased 1%, translating to a 1% rise for both in rand terms. Sishen ore remained flat on a dollar basis but rose slightly by 1% in rand terms. Local coking coal prices climbed 7%, while electricity was down 22% quarter-on-quarter due to a change in tariff from the higher winter rates. Liquid steel production was 107 000 tonnes lower, or 8% resulting in capacity utilisation for flat steel of 77% against the preceding quarter's 83%. The equivalent figures for long steel were 76% and 83% respectively.

Operating profit declined by R588 million to a loss of R387 million. Net financing costs of R41 million for the quarter were R19 million higher due to lower discount rate adjustment on non-current provisions of R27 million. Our share of the profit from equity-accounted investments after tax of R22 million compares with a profit of R91 million in the previous quarter. This relates to lower results from Coal of Africa partly offset by income from assets from Microsteel.

Environment (unaudited)

Notwithstanding the tough economic conditions the company operates under, key environmental projects remain a focus area in order to ensure environmental compliance. The most important project in this regard is the Newcastle zero effluent discharge project which entails the improvement of effluent treatment and the recovery thereof with a planned completion date of April 2014 at an estimated cost of R430 million.

The proposed implementation of a carbon tax by the National Treasury in 2015 remains a huge concern. It is difficult to accurately assess the financial impact of the proposed tax due to a lack of clarity, but current estimations indicate that it could amount to more than R600 million per annum. Very limited opportunities exist to reduce carbon emissions in the steel production process and no feasible low carbon alternatives exist at this stage to produce steel from iron ore. Therefore, the intention of the carbon tax to change behaviour cannot be realised within the iron and steel industry. Further engagement with National Treasury is foreseen in this regard.

Contingent liabilities

The Competition Commission ("the Commission") has thus far referred the five cases detailed below against ArcelorMittal South Africa Limited ("ArcelorMittal") to the Competition Tribunal ("the Tribunal") for prosecution. ArcelorMittal reject the allegations made in each of these cases and is, accordingly, defending itself.

1st wire rod matter – alleged price discrimination

In January 2007, the Commission referred a case to the Tribunal for prosecution in which the Commission alleges that ArcelorMittal engaged in price discrimination on wire rod in contravention of section 9(1) of the Competition Act 89 of 1998 (the "Competition Act"). Pleadings on the matter are closed but it is yet to be set down for a hearing before the Tribunal.

2nd wire rod matter – alleged price discrimination

In November 2012, the Commission referred another case relating to alleged price discrimination on wire rod to the Tribunal for prosecution. This case is essentially the same as the case that was 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 – 2006. Pleadings on this matter have also closed and it is also yet to be set down for a hearing before the Tribunal. The Commission has in the meantime applied to the Tribunal to have this matter consolidated with the 1st wire rod matter for purposes of the hearing. This application is yet to be heard before the Tribunal.

Long steel matter – alleged cartel conduct

In September 2009, the Commission referred a case against ArcelorMittal and other primary steel manufacturers to the Tribunal for prosecution. In the referral papers, the Commission alleges that the respondents fixed prices and allocated markets in respect of certain long steel products, in contravention of section 4(1) of the Competition Act. The Commission requested the Tribunal to find ArcelorMittal guilty of the alleged contraventions and to impose an administrative penalty of 10% of our 2008 turnover.

Soon after the referral, ArcelorMittal wrote to the Commission requesting copies of the documents that make up the Commission's investigation record to enable it to draft and file its answering affidavit. This request was declined by the Commission, prompting ArcelorMittal to file an application with the Tribunal in December 2009 for an order compelling the Commission to provide these documents. In September 2010, the Tribunal handed down judgment refusing us access to the bulk of the requested documents for reasons of privilege and confidentiality. ArcelorMittal subsequently appealed this judgment to the Competition Appeal Court ("CAC"). In April 2012, the CAC ruled essentially that the matter be referred back to the Tribunal for a hearing to properly determine the validity of the privilege and confidentiality claims. The Commission appealed this ruling to the Supreme Court of Appeal ("SCA"). On 31 May 2013, the SCA handed down judgment effectively concurring with the CAC and further ordering the Commission to pay ArcelorMittal's legal costs for the appeal.

In July 2011, ArcelorMittal filed an application before the Competition Tribunal to set aside the above referral based on procedural irregularities. The application is yet to be heard before the Tribunal.

Flat steel matter – alleged conscious parallelism

On 30 March 2012, the Commission referred a case against ArcelorMittal and Evraz Highveld Steel and Vanadium Limited ("Highveld Steel") to the Tribunal for prosecution. In the referral papers, the Commission alleges that Highveld Steel and ArcelorMittal fixed prices and other trading conditions in respect of certain flat steel products in contravention of section 4(1) of the Competition Act. 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 ArcelorMittal increased its prices. The Commission requested the Tribunal to find ArcelorMittal guilty of the alleged contravention and to impose on us an administrative penalty of 10% of our 2008 turnover.

ArcelorMittal has requested further documents from the Commission to enable it to draft and file its answering affidavit. A process to make some of these documents available to both companies' legal representatives, as initially suggested by the Commission, is currently the subject of an ongoing dispute between the Commission and Highveld Steel's legal representatives.

Scrap purchase – alleged cartel conduct

On 8 August 2013, the Commission referred a case against ArcelorMittal and other primary steel manufacturers to the Tribunal for prosecution. In the referral papers, the Commission alleges that the respondents fixed the purchase price and other trading conditions for scrap metal, a secondary input product in steel making, in contravention of section 4(1) of the Competition Act. The Commission requested the Tribunal to find ArcelorMittal guilty of the alleged contravention and to impose an administrative penalty of 10% of our 2008 turnover. ArcelorMittal is currently preparing its answering affidavit which should be filed during the first half of 2014.

Competition Commission investigations

The Commission is formally investigating one further complaint against ArcelorMittal relating 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 ArcelorMittal for the period May 2010 to July 2010. ArcelorMittal is fully operating with the Commission in this investigation 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")

Pursuant to the dispute between ArcelorMittal and SIOC relating to the validity of the iron ore supply agreement on a cost plus 3% basis, the parties entered into a series of interim pricing agreements between 2010 and 2013 pending the resolution of the SIOC arbitration proceedings. On 5 November 2013, ArcelorMittal and SIOC entered into an agreement (the "2014 Agreement") establishing long-term pricing arrangements for the supply of iron ore by SIOC to ArcelorMittal. In terms of the 2014 Agreement, which became effective on 1 January 2014, ArcelorMittal may purchase from SIOC up to 6.25 million tonnes iron ore per year, complying with agreed specifications and lump-fine ratios. The price of iron ore sold to ArcelorMittal is at cost plus a margin of 20%. While all prices are referenced to Sishen mine costs (plus 20%), the parties agreed to a price for predetermined quantities of iron ore for the first two years of the 2014 Agreement. This volume of 6.25 million tonnes a year of iron ore includes any volumes delivered by SIOC to ArcelorMittal from the Thabazimbi mine, the financial risks of which will pass from ArcelorMittal to SIOC under the terms of the 2014 Agreement. The 2014 Agreement also settles various disputes between the parties, including the SIOC arbitration. The 2014 Agreement is subject to a number of conditions, including that SIOC retains the entire Sishen mining right and is not required to account to any third party (excluding ArcelorMittal) in respect thereof. The 2014 Agreement is not affected by the Constitutional Court's decision of 12 December 2013 (the decision is discussed below).

On 28 March 2013, the Supreme Court of Appeal delivered judgment in terms of which the court effectively agreed with the trial court that SIOC was awarded 100% of the mining rights in the Sishen mine and therefore the award to Imperial Crown Trading 289 Proprietary Limited ("ICT") was invalid. The Department of Mineral Resources and ICT subsequently lodged an application for leave to appeal this decision with the Constitutional Court. The appeal was heard by the Constitutional Court on 3 September 2013 and its judgment was delivered on 12 December 2013. The Constitutional Court ruled that: (a) ArcelorMittal's old-order mining right in respect of 21.4% of the Sishen mine expired upon ArcelorMittal's failure to convert that share; (b) SIOC applied for and was granted conversion of its own old-order mining right which equated to 78.6% of the Sishen mine; (c) SIOC is the only party competent to apply for and be granted the remainder of the mining right (i.e. 21.4%) by the Department of Mineral Resources ("DMR") and has been afforded a period of time from date hereof to make such application to the DMR. ICT's court application was dismissed.

Dividends

No dividends were declared for the year ended 31 December 2013.

Changes to the board of directors

Nonkululeko Nyembezi-Heita resigned as Chief Executive Officer with effect from 18 February 2014. Thandi Orleyn resigned as independent non-executive director with effect from 1 October 2013. Jacob Modise and Nomavuso Patience Mnxasana were appointed as independent non-executive directors with effect from 1 October 2013.

Outlook for quarter one of 2014 (unaudited)

We expect higher sales volumes after the seasonal slow-down in the fourth quarter. International prices are expected to improve modestly resulting in a significant improvement in the first quarter headline earnings.

On behalf of the board

N Nyembezi-Heita (Chief Executive Officer) **MJ Wellhausen** (Chief Financial Officer)

28 January 2014

Condensed group statement of comprehensive income

Quarter ended (unaudited) 31 December 2013	30 September 2013	31 December 2012	In millions of rand	Year ended 31 December 2013 Reviewed	31 December 2012 Audited
7 739	8 792	6 885	**Revenue**	32 421	32 291
(4 805)	(5 342)	(3 754)	Raw materials and consumables used	(19 652)	(18 760)
(842)	(872)	(814)	Employee costs	(3 408)	(3 356)
(732)	(962)	(684)	Energy	(3 288)	(3 156)
267	260	(335)	Movement in inventories of finished goods and work in progress	1 196	(467)
(433)	(376)	(420)	Depreciation	(1 544)	(1 582)
(7)	(4)	(5)	Amortisation of intangible assets	(19)	(16)
(1 574)	(1 295)	(1 456)	Other operating expenses	(5 659)	(5 431)
(387)	201	(583)	**Profit/(loss) from operations**	47	(477)
(1 950)			Impairment charges	(1 950)	
33	59	108	Finance and investment income (note 4)	108	60
(74)	(81)	(83)	Finance costs (note 5)	(368)	(334)
22	91	(53)	(Loss)/income from equity-accounted investments (net of tax)	(35)	59
(2 356)	270	(611)	**(Loss)/profit before tax**	(2 198)	(692)
100	(22)	149	Income tax credit/(expense) (note 6)	51	184
(2 256)	248	(462)	**(Loss)/profit for the period**	(2 147)	(508)
			Other comprehensive income/(loss)		
			Items that may be reclassified subsequently to profit or loss:		
83	199	50	Exchange differences on translation of foreign operations	561	62
(1)	(13)		Losses on available-for-sale investment taken to equity	(9)	(32)
30	(64)	44	Share of other comprehensive income/(loss) of equity-accounted investments	28	34
(2 144)	370	(368)	**Total comprehensive (loss)/income for the period**	(1 567)	(444)
			(Loss)/profit attributable to:		
(2 256)	248	(462)	Owners of the company	(2 147)	(508)
			Total comprehensive (loss)/income attributable to:		
(2 144)	370	(368)	Owners of the company	(1 567)	(444)
			Attributable (loss)/earnings per share (cents)		
(562)	62	(115)	– basic	(535)	(127)
(562)	62	(115)	– diluted	(535)	(127)

Condensed group statement of financial position

In millions of rand	As at 31 December 2013 Reviewed	As at 30 September 2013 Unaudited	As at 31 December 2012 Audited
Assets			
Non-current assets	18 602	19 832	19 419
Property, plant and equipment	14 702	16 021	16 068
Intangible assets	146	122	121
Equity-accounted investments	3 737	3 665	3 204
Other financial assets	17	24	26
Current assets	14 113	13 524	11 479
Inventories	10 553	9 807	8 761
Trade and other receivables	2 194	3 026	1 669
Taxation	51	104	154
Other financial assets	17	12	11
Cash and bank balances	1 298	575	884
Total assets	32 715	33 356	30 898
Equity and liabilities			
Shareholders' equity	20 694	22 833	22 242
Stated capital	37	37	37
Non-distributable reserves	(1 614)	(1 752)	(2 178)
Retained income	22 271	24 548	24 383
Non-current liabilities	4 099	4 056	4 091
Other payables (note 7)	267	274	270
Finance lease obligations	757	536	426
Deferred income tax liability	1 747	1 898	2 031
Non-current provisions	1 328	1 348	1 364
Current liabilities	7 922	6 467	4 565
Trade payables	5 683	5 147	3 420
Borrowings	906		10
Bank overdraft	107		
Finance lease obligations	95	83	77
Taxation	6	107	97
Current provisions	408	322	312
Other payables (note 7)	717	808	649
Total equity and liabilities	32 715	33 356	30 898

Condensed group statement of changes in equity

In millions of rand	Stated capital	Treasury share equity reserve	Other reserves	Retained earnings	Total
Nine months ended 30 September 2012 (unaudited)					
Balance as at 1 January 2012	37	(3 918)	1 687	24 863	22 669
Total comprehensive loss			(30)	(46)	(76)
Share-based payment reserve			12		12
Transfer of equity-accounted earnings			112	(112)	
Balance as at 30 September 2012 (unaudited)	37	(3 918)	1 781	24 705	22 605
Quarter ended 31 December 2012 (unaudited)					
Balance as at 30 September 2012	37	(3 918)	1 781	24 705	22 605
Total comprehensive income/(loss)			94	(462)	(368)
Share-based payment reserve			5		5
Transfer of equity-accounted earnings			(140)	140	
Balance as at 31 December 2012 (audited)	37	(3 918)	1 740	24 383	22 242
Six months ended 30 June 2013 (reviewed)					
Balance as at 31 December 2012	37	(3 918)	1 740	24 838	22 242
Total comprehensive income/(loss)			347	(140)	207
Share-based payment reserve			9		9
Transfer of equity-accounted earnings			(148)	148	
Balance as at 30 June 2013 (reviewed)	37	(3 918)	1 948	24 391	22 458
Quarter ended 30 September 2013 (unaudited)					
Balance as at 30 June 2013 (reviewed)	37	(3 918)	1 948	24 391	22 458
Total comprehensive income			122	248	370
Share-based payment reserve			5		5
Transfer of equity-accounted earnings			91	(91)	
Balance as at 30 September 2013 (unaudited)	37	(3 918)	2 166	24 548	22 833
Quarter ended 31 December 2013 (reviewed)					
Balance as at 30 September 2013	37	(3 918)	2 166	24 548	22 833
Total comprehensive income/(loss)			111	(2 255)	(2 144)
Share-based payment reserve			5		5
Transfer of equity-accounted earnings			22	(22)	
Balance as at 31 December 2013 (reviewed)	**37**	**(3 918)**	**2 304**	**22 271**	**20 694**

Condensed group statement of cash flows

Quarter ended (unaudited) 31 December 2013	30 September 2013	31 December 2012	In millions of rand	Year ended 31 December 2013 Reviewed	31 December 2012 Audited
435	(310)	1 313	**Cash inflows/(outflows) from operating activities**	1 153	1 776
589	(211)	1 379	Cash generated from/(utilised in) operations	1 663	2 022
2	1	1	Interest income	7	10
(56)	(50)	(44)	Finance cost	(169)	(170)
(98)	26	(32)	Income tax (paid)/received	(220)	(52)
(2)	(76)	9	Realised foreign exchange movement	(128)	(34)
(731)	(248)	(432)	**Cash outflows from investing activities**	(1 616)	(1 125)
(693)	(234)	(419)	Investment to maintain operations	(1 501)	(809)
(31)	(10)	(14)	Investment to expand operations	(69)	(66)
(9)	(6)	(88)	Shares acquired in associate and equity-accounted investment	(53)	(369)
1		1	Proceeds from disposal of assets	2	29
1	2	1	Investment income – interest	5	3
		87	Dividend from equity-accounted investments		87
886	(748)	(58)	**Cash inflows/(outflows) from financing activities**	674	(231)
886	(748)	(58)	Increase/(repayment) of borrowings, finance lease obligations and other payables	674	(231)
590	(1 306)	823	**Increase/(decrease) in cash and cash equivalents**	211	420
26	16		Effect of foreign exchange rate changes	96	25
575	1 865	61	**Cash and cash equivalents at beginning of period**	884	439
1 191	575	884	**Cash and cash equivalents at end of period**	1 191	884

Forward-looking statements

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 risks and uncertainties whose impact could cause actual results and company's plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results). Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

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Directors: *Non-executive:* PM Makwana* (Chairman), DK Chugh†, FA du Plessis*, S Maheshwari†, J Modise*, LP Mondi, NP Mnxasana*, DCG Murray*, G Urquijo°

†Citizen of India °Citizen of Spain *Independent non-executive

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

#Citizen of Germany

Company Secretary: Premium Corporate Consulting Services Proprietary Limited

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Notes to the reviewed condensed consolidated financial statements

1. **Basis of preparation**
The preliminary summarised reviewed group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

2. **Significant accounting policies**
These preliminary summarised reviewed group financial statements for the year ended 31 December 2013 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 2012, except for the following new or revised standards, amendments thereto and interpretations as issued by the International Accountng Standards Board, which are effective for the current reporting period that were adopted:
   - IAS 1 (*amendment) Presentation of Financial statements: Presentation of Items of Other Comprehensive Income*
   - IFRS 10 *Consolidated Financial Statements*
   - IFRS 11 *Joint Arrangements*
   - IFRS 13 *Fair Value Measurement*
   - IAS 28 *Investments in Associates and Joint Ventures (2011)*
   - IAS 34 *Interim Financial Reporting*

   The adoption of these new and revised accounting standards did not have a material impact on the group results and as such there is no change to comparative information resulting from the adoption of these standards.

   The results for the year ended 31 December 2013 included the results from Coal of Africa for the period 1 October 2012 to 30 September 2013.

3. **Review by the auditors**
The preliminary summarised reviewed group financial statements for the year ended 31 December 2013 have been reviewed by the company's auditors, Deloitte & Touche, in accordance with International Standards on Review Engagements 2410. They expressed an unmodified review conclusion on the final financial information. A copy of their report is available for inspection at the company's registered office. Any reference to future financial performance and expectations included in this announcement, has not been reviewed or reported on by the company's auditors.

Quarter ended (unaudited) 31 December 2013	30 September 2013	31 December 2012	In millions of rand	Year ended 31 December 2013 Reviewed	31 December 2012 Audited
33	59	108	**4. Finance and investment income**	108	60
2	1	2	Interest received from banks	7	10
1	1	1	Interest received from joint ventures	5	3
30	57	105	Discounting rate adjustment of the non-current provisions	96	47
(74)	(81)	(83)	**5. Finance costs**	(368)	(334)
(41)	(35)	(27)	Interest expense on bank overdrafts and loans	(109)	(103)
(15)	(15)	(17)	Interest expense on finance lease obligations	(60)	(67)
25	7	(1)	Net foreign exchange (gains)/losses on financing activities	(44)	(9)
(43)	(38)	(38)	Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	(155)	(155)
100	(22)	149	**6. Income tax credit/(expense)**	51	184
108	(36)	149	Current normal and deferred tax credit/(expense)	61	184
			Withholding tax	(6)	
(8)	14		Interest and penalties	(4)	
			7. Other payables		
372	369	356	Leave pay	372	356
529	613	469	Accruals	529	469
83	100	94	Sundry	83	94
984	1 082	919	**Total**	984	919
			Disclosed as:		
267	274	270	– non-current	267	270
717	808	649	– current	717	649
			8. Capital expenditure		
724	244	433	Incurred	1 570	875
1 170	1 088	687	Contracted	1 170	687
1 258	1 590	1 027	Authorised but not contracted	1 258	1 027
			9. Contingent liabilities		
1	1	1	Guarantees	1	1

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 (unaudited)**
The group subscribes to and substantially complies with the King Code on Corporate Governance for South Africa.

12. **Reclassification**
Certain balances in the comparative financial period were reclassified within the statement of financial position in order to conform to current financial year's presentation. The line items reclassified on the statement of financial position are borrowings and other payables and trade and other payables. The items previously disclosed were separated out into the following line items, borrowings, trade payables and other payables. There has been no impact to the net liabilities of the group.

13. **Fair value measurements**
Some of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined particularly the valuation techniques and inputs used.

Financial assets	Fair values as at period ended			Fair value hierarchy	Valuation techniques and key inputs
In millions of rand	31 December 2013 Reviewed	30 September 2013 Unaudited	31 December 2012 Audited		
Available-for-sale	17	18	25	Level 1	Quoted prices in an active market
Held for trading assets	17	18	12	Level 1	Quoted prices in an active market

Level 1: Fair value measurement are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Segment information

Quarter ended (unaudited) 31 December 2013	30 September 2013	31 December 2012		Year ended 31 December 2013 Reviewed	31 December 2012 Audited
			Flat Steel Products		
5 036	5 617	4 708	Revenue (R million)	20 697	20 991
4 856	5 483	4 456	– External	19 922	20 192
180	134	252	– Internal	775	799
(156)	316	(306)	EBITDA (R million)	135	(266)
(354)	(303)	(346)	Depreciation and amortisation (R million)	(1 255)	(1 294)
(510)	13	(652)	(Loss)/profit from operations (R million)	(1 120)	(1 560)
19 698	20 902	19 173	Assets (R million)	19 698	19 713
(8 280)	(8 586)	(7 662)	Liabilities (R million)	(8 280)	(7 662)
			Unaudited information		
815	879	720	Liquid steel production ('000 tonnes)	3 229	3 554
654	756	702	Steel sales ('000 tonnes)	2 771	3 138
409	499	475	– Local	2 003	2 223
245	257	227	– Export	768	915
77	83	61	Capacity utilisation (%)	74	65
			Long Steel Products		
2 545	3 104	2 343	Revenue (R million)	11 618	11 474
2 332	2 781	1 968	– External	10 616	10 289
213	323	375	– Internal	1 002	1 185
193	311	(8)	EBITDA (R million)	1 198	770
(84)	(75)	(79)	Depreciation and amortisation (R million)	(301)	(299)
109	236	(87)	(Profit)/loss from operations (R million)	897	471
7 555	7 518	6 142	Assets (R million)	7 555	6 142
(5 136)	(5 191)	(4 390)	Liabilities (R million)	(5 136)	(4 390)
			Unaudited information		
439	482	323	Liquid steel production ('000 tonnes)	1 867	1 536
319	378	286	Steel sales ('000 tonnes)	1 459	1 484
234	278	221	– Local	1 123	1 113
85	100	65	– Export	336	371
76	83	56	Capacity utilisation (%)	81	67
			Coke and Chemicals		
567	542	479	Revenue (R million)	1 937	1 856
551	528	461	– External	1 883	1 810
16	14	18	– Internal	54	46
132	115	143	EBITDA (R million)	514	503
(9)	(9)	(4)	Depreciation and amortisation (R million)	(35)	(32)
123	106	139	Profit from operations (R million)	479	471
903	1 023	1 003	Assets (R million)	903	1 003
(1 710)	(1 720)	(1 580)	Liabilities (R million)	(1 710)	(1 580)
			Unaudited information		
72	109	125	Commercial coke produced ('000 tonnes)	391	446
182	154	117	Commercial coke sales ('000 tonnes)	545	460
25	32	29	Tar sales ('000 tonnes)	109	109
			Corporate and other		
42	(161)	13	EBITDA (R million)	(79)	114
(158)			Tshikondeni mine closure costs	(158)	
7	7	4	Depreciation and amortisation credit (R million)	28	27
(109)	(154)	17	(Loss)/profit from operations (R million)	(209)	141
4 559	3 913	4 040	Assets (R million)	4 559	4 040
3 105	4 974	4 976	Liabilities (R million)	3 105	4 976

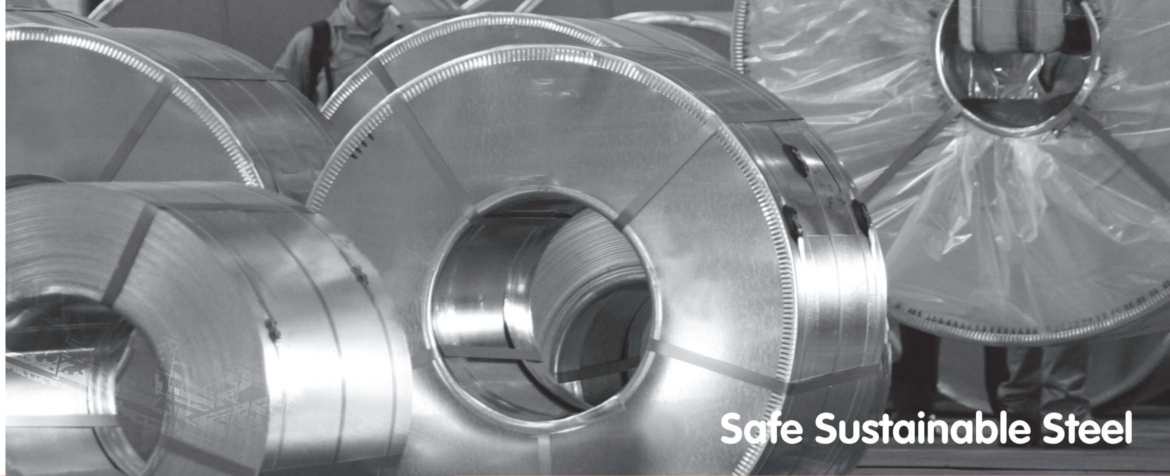
Salient features

Quarter ended (unaudited) 31 December 2013	30 September 2013	31 December 2012	In millions of rand	Year ended 31 December 2013 Reviewed	31 December 2012 Audited
			Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)		
(387)	201	(583)	(Profit)/loss from operations	47	(477)
			Adjusted for:		
433	376	420	– Depreciation	1 544	1 582
7	4	5	– Amortisation of intangible assets	19	16
158			– Tshikondeni mine closure costs	158	
211	581	(158)	**EBITDA for the period**	1 768	1 121
			Reconciliation of headline (loss)/earnings		
(2 256)	248	(462)	(Loss)/profit for the period	(2 147)	
			Adjusted for:		
1 950			– Impairment charges	1 950	
7	(68)	9	– (Profit)/loss on disposal or scrapping of assets	(37)	(4)
(2)	19	(3)	– Tax effect	10	(6)
(301)	199	(456)	**Headline (loss)/earnings for the period**	(224)	(518)
			Headline (loss)/earnings per share (cents)		
(75)	50	(114)	– basic	(56)	(129)
(75)	50	(114)	– diluted	(56)	(129)
			Return on ordinary shareholders' equity per annum		
(41.5)	4.4	(8.2)	– Attributable earnings (%)	(10.0)	(2.3)
(5.5)	3.5	(8.1)	– Headline earnings (%)	(1.0)	(2.3)
1.4	2.5	3.9	– Net cash to equity (%)	1.4	3.9
			Share statistics		
			Ordinary shares ('000)		
401 202	401 202	401 202	– 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	401 202	401 202
37.30	35.35	36.00	Share price (closing) (rand)	37.30	36.00
14 965	14 182	14 443	Market capitalisation (R million)	14 965	14 443
51.58	56.91	55.44	Net asset value per share (rand)	51.58	55.44

BASTION GRAPHICS

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
Preliminary summarised reviewed group financial results for the year ended 31 December 2013

Turnaround to positive operating profit

New supply agreement with Kumba

Excellent safety performance

Key statistics

Year ended 31 December 2013 Reviewed	31 December 2012 Reviewed	% change		Quarter ended 31 December 2013 Unaudited	31 December 2012 Unaudited	% change
			Financials (R millions)			
32 421	32 291		Revenue	**7 739**	6 885	12
1 768	1 121	58	EBITDA	**211**	(158)	234
47	(477)	110	Profit/(loss) from operations	**(387)**	(583)	34
(2 147)	(508)	(323)	Net loss	**(2 256)**	(462)	(388)
(224)	(518)	57	Headline loss	**(301)**	(456)	34
285	874	(67)	Net cash	**285**	874	(67)
20 694	22 242	(7)	Net asset value	**20 694**	22 242	(7)
			Financial ratios (%)			
5.5	3.5		EBITDA margin	**2.7**	(2.3)	
(1.0)	(2.3)		Return on ordinary shareholders' equity	**(5.5)**	(8.1)	
1.4	3.9		Net cash to equity	**1.4**	3.9	
			Share statistics (cents)			
(535)	(127)	(321)	Loss per share	**(562)**	(115)	(389)
(56)	(129)	57	Headline loss per share	**(75)**	(114)	34
			Dividends per share			
51.58	55.44	(7)	Net asset value per share	**51.58**	55.44	(7)
			Safety (unaudited)			
0.56	0.61	8	Lost-time injury frequency rate	**0.33**	0.50	34
			Operational statistics ('000 tonnes) (unaudited)			
5 096	5 090		Liquid steel production	**1 254**	1 043	20
4 230	4 622	(9)	Steel sales	**973**	988	(2)
3 126	3 336	(6)	– Local	**643**	696	(8)
1 104	1 286	(14)	– Export	**330**	292	13
545	460	18	Commercial coke sales	**182**	117	56
			Segmental performance (R millions)			
			Flat steel products			
20 697	20 991	(1)	– Revenue	**5 036**	4 708	7
135	(266)	151	– EBITDA	**(156)**	(306)	49
			Long steel products			
11 618	11 474	1	– Revenue	**2 545**	2 343	9
1 198	770	56	– EBITDA	**193**	(8)	2 513
			Coke and chemicals			
1 937	1 856	4	– Revenue	**567**	479	18
514	503	2	– EBITDA	**132**	143	(8)
			Corporate and other			
(79)	114	(169)	– EBITDA	**42**	13	223

Overview

Trading conditions continued to be challenging for steel producers globally as weak demand continued in the eurozone. In China, the economy in general experienced a slower rate of growth and a degree of softening in steel demand which led to a decline in international steel prices.

In South Africa, economic growth was below expectations amid weak fixed investment expenditure and subdued global demand for locally produced goods. More pertinently for the steel industry, slow implementation of infrastructure development projects and the low level of fixed investment in the mining sector, coupled with weak production activity within the manufacturing sector, continued to hamper demand. Furthermore, a higher-than-usual level of imports added to increased stocks in the market which gradually normalised towards the end of the year. On the positive side, the depreciation in the rand exchange rate against other major currencies, from the month of May onwards improved our competitive position, especially with respect to our export sales.

Liquid steel production was flat year-on-year with production losses resulting from the fire in Vanderbijlpark at the beginning of the year, limited to 361 000 tonnes due to fast repairs. Aggregate capacity utilisation increased from 66% to 76% reflecting the progress in consolidating our operational footprint and improved reliability. During the last four months of the year we started to build stocks for the upcoming reline of our blast furnace in Newcastle to ensure that the supply to domestic customers is not disrupted. Total steel sales were 392 000 tonnes lower, a decrease of 9% compared to the prior year. In contrast, commercial coke sales rose 18% year-on-year as the ferrochrome industry resumed normal operations at the end of the electricity buyback programme in June 2013.

Safety performance was pleasing with zero fatalities for the second year in a row. The lost-time injury frequency rate improved to 0.56, a further reduction from the previous year's record low of 0.61. The excellent result of 0.33 in the last quarter of the year marks a new all-time record for the company.

EBITDA improved by R647 million against the previous year, turning the operating result from a loss of R477 million to a positive of R47 million. The headline loss narrowed from R518 million to R224 million.

As part of the restructuring of our raw material supplies, we relinquished financial responsibility for the Thabazimbi iron ore mine at the end of 2013 as part of the new supply agreement with Kumba, concluded in November. Additionally, Tshikondeni coal mine will close in accordance with the mine closure plan in late 2014. Operating profit includes a provision of R158 million associated with the closure of the latter. A write-off of R1.9 billion was taken on the fixed assets of Thabazimbi.

Net cash decreased to R285 million from the R874 million reported at the end of 2012, reflecting the build-up of stocks for the upcoming reline in Newcastle.

Outlook for quarter one of 2014

We expect higher sales volumes after the seasonal slow-down in the fourth quarter. International prices are expected to improve modestly resulting in a significant improvement in the first quarter headline earnings.

On behalf of the board of directors

N Nyembezi-Heita
Chief Executive Officer

MJ Wellhausen
Chief Financial Officer

28 January 2014

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 Securities 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 of 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 (016) 889 9111.