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## Financial results

for the six months ended June 2012



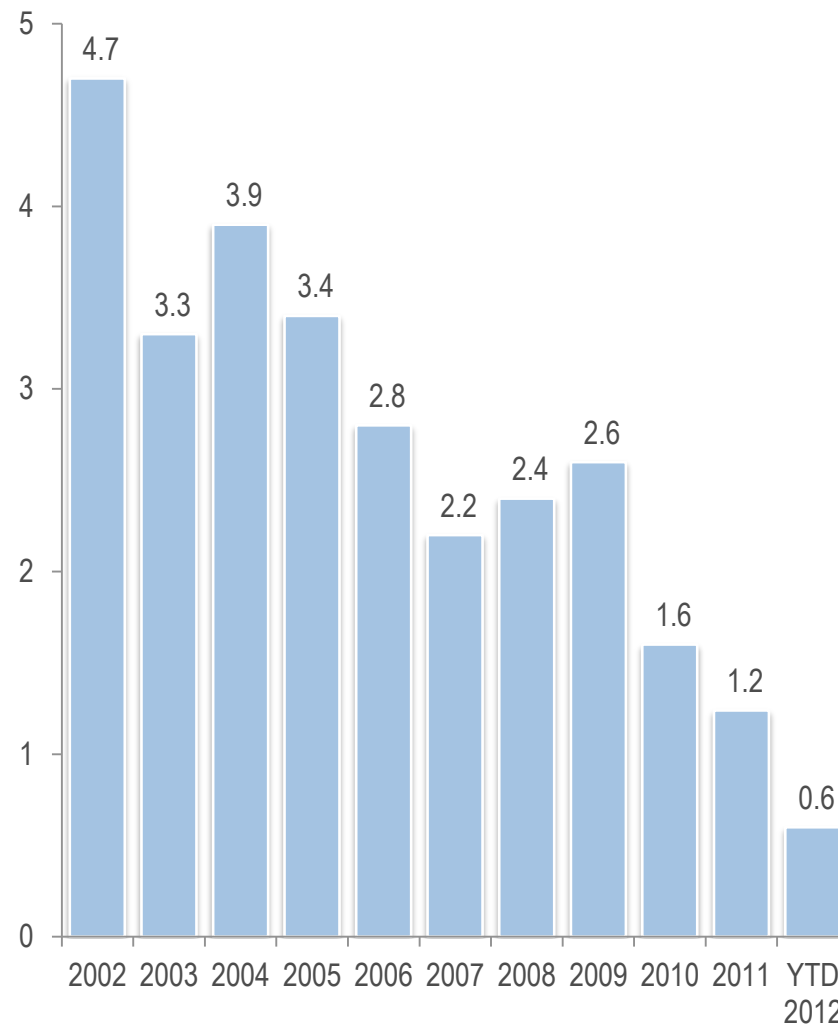
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## Overview

Nonkululeko Nyembezi-Heita, CEO

- No fatalities reported
- Improved LTIFR at 0.6
  - Vanderbijlpark Works completed 65 days while Saldanha Works completed more than a year without lost time injuries
- Fatality Prevention Standards now at level 3 for almost all plants
- Our Journey to Zero programme is predicated on 3 pillars
  - Operational discipline
  - Visual felt leadership
  - Standardisation of procedures



Lost Time Injury Frequency Rate

- Global and local economic uncertainty persists
- Steel market demand in most regions has slowed considerably, including domestic
- Raw material prices and ZAR:US\$ slightly more favourable to local steel producers
- Increasing power costs: latest indication of tariff escalation concerning
- Steel stocks from imports remain high
- Infrastructural development programme has not gained any momentum in South Africa, while certain African regions are showing an escalating growth trend
- Weakness in ferro-chrome output continues to negatively impact market coke dispatches

# Key result drivers

	H1'12 vs H2'11	H1'12 vs H1'11
Flat steel product prices in US\$	-3%	<b>-4%</b>
Long steel product prices in US\$	-1%	<b>4%</b>
Liquid steel production	15%	<b>-11%</b>
Total sales volume	19%	<b>-2%</b>
Export sales volume	30%	<b>6%</b>
Domestic sales volume	16%	<b>-4%</b>
HRC Rand cash cost per tonne	-6%	<b>11%</b>
Billet Rand cash cost per tonne	3%	<b>13%</b>
Labour productivity	15%	<b>-13%</b>
ZAR movement (average rate)	4%	<b>15%</b>

# Key result drivers

	Q2'12 vs Q2'11	Q2'12 vs Q1'12
Flat steel product prices in US\$	-16%	<b>-5%</b>
Long steel product prices in US\$	-6%	<b>-6%</b>
Liquid steel production	-18%	<b>-3%</b>
Total sales volume	3%	<b>-3%</b>
Export sales volume	53%	<b>38%</b>
Domestic sales volume	-18%	<b>-15%</b>
HRC Rand cash cost per tonne	6%	<b>1%</b>
Billet Rand cash cost per tonne	12%	<b>-2%</b>
Labour productivity	-19%	<b>-3%</b>
ZAR movement (average rate)	20%	<b>5%</b>



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Steel Market Overview



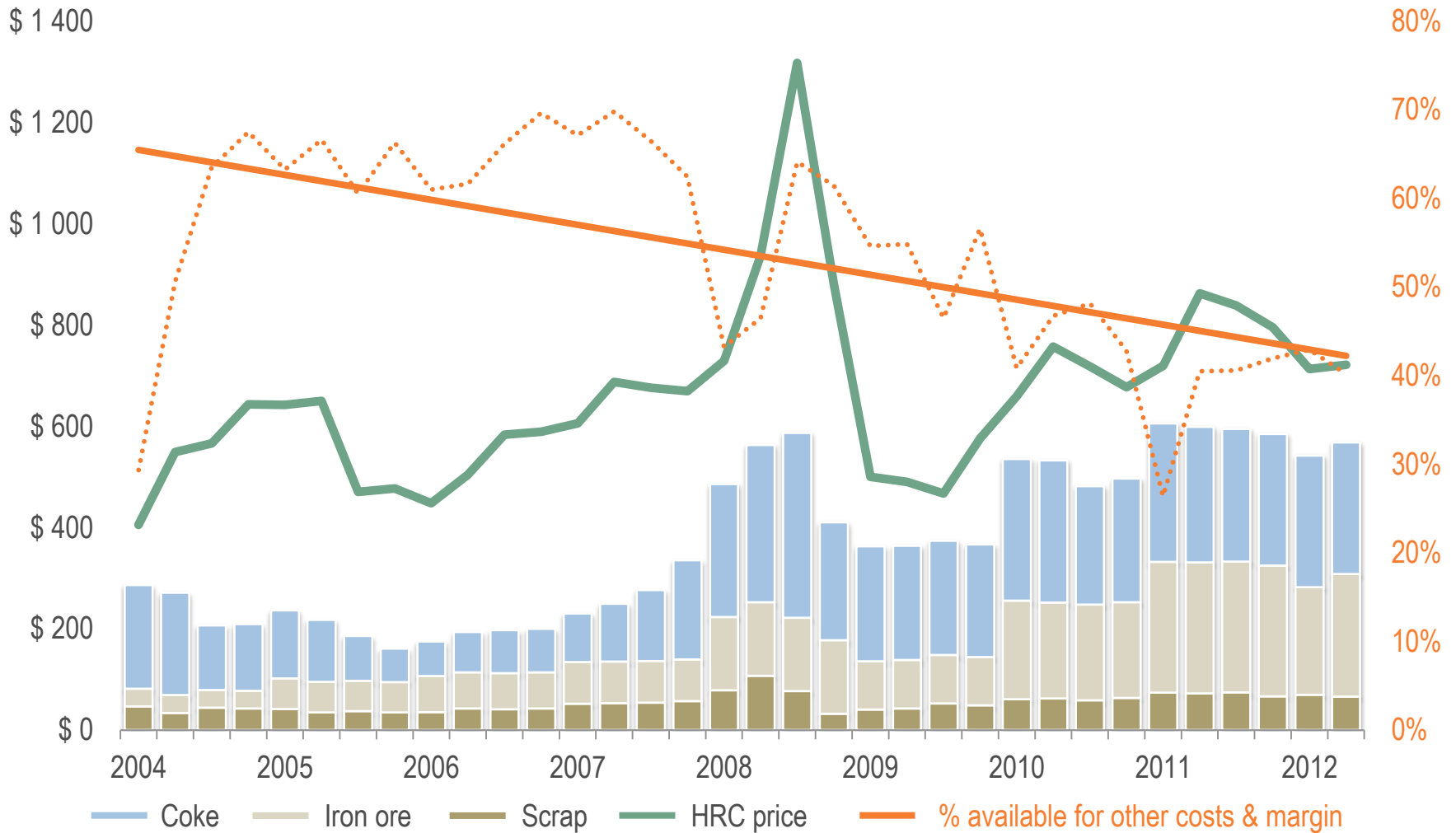
- Global economy remains relatively weak, growing by 3.6% in Q1'12, with advanced economies expanding at an annualised rate of 0.4%
- Most emerging economies are also under pressure with a slowdown being experienced in China, registering annualised economic growth rates of 7.6% in Q1'12 and 5.3% in Q1'12 respectively, with that of SA declining to 2.7% in Q1'12 vs 3.2% in Q4'11
- Total global steel production increased at an estimated 1% to reaching around 735mt compared to H1'11 (730 mt), with consumption growing by an estimated 3.5%
- Production increases of around 8% and 2.5% were registered in North America and China, respectively, with Europe showing a decline of almost -4.5%, with Africa increasing by only 1.5% in H1'12 vs H1'11
- Global capacity utilisation level has been stable at an estimated average of 79.5% in the first half 2012



# Input Cost Trends

Commodity	H1'11	H2'11	H1'12	% change H1 on H1	Current price
Iron ore	\$179/t	\$160/t	\$142/t	-20%	\$127/t
Pellets	\$243/t	\$243/t	\$216/t	-11%	\$216/t
Scrap	\$487/t	\$467/t	\$451/t	-7%	\$400/t
Coking coal	\$302/t	\$266/t	\$218/t	-28%	\$208/t
Local coal	\$121/t	\$112/t	\$100/t	-18%	\$88/t
Brent crude	\$112/brl	\$112/brl	\$114/brl	+2%	\$107/brl

# Global environment – raw material prices

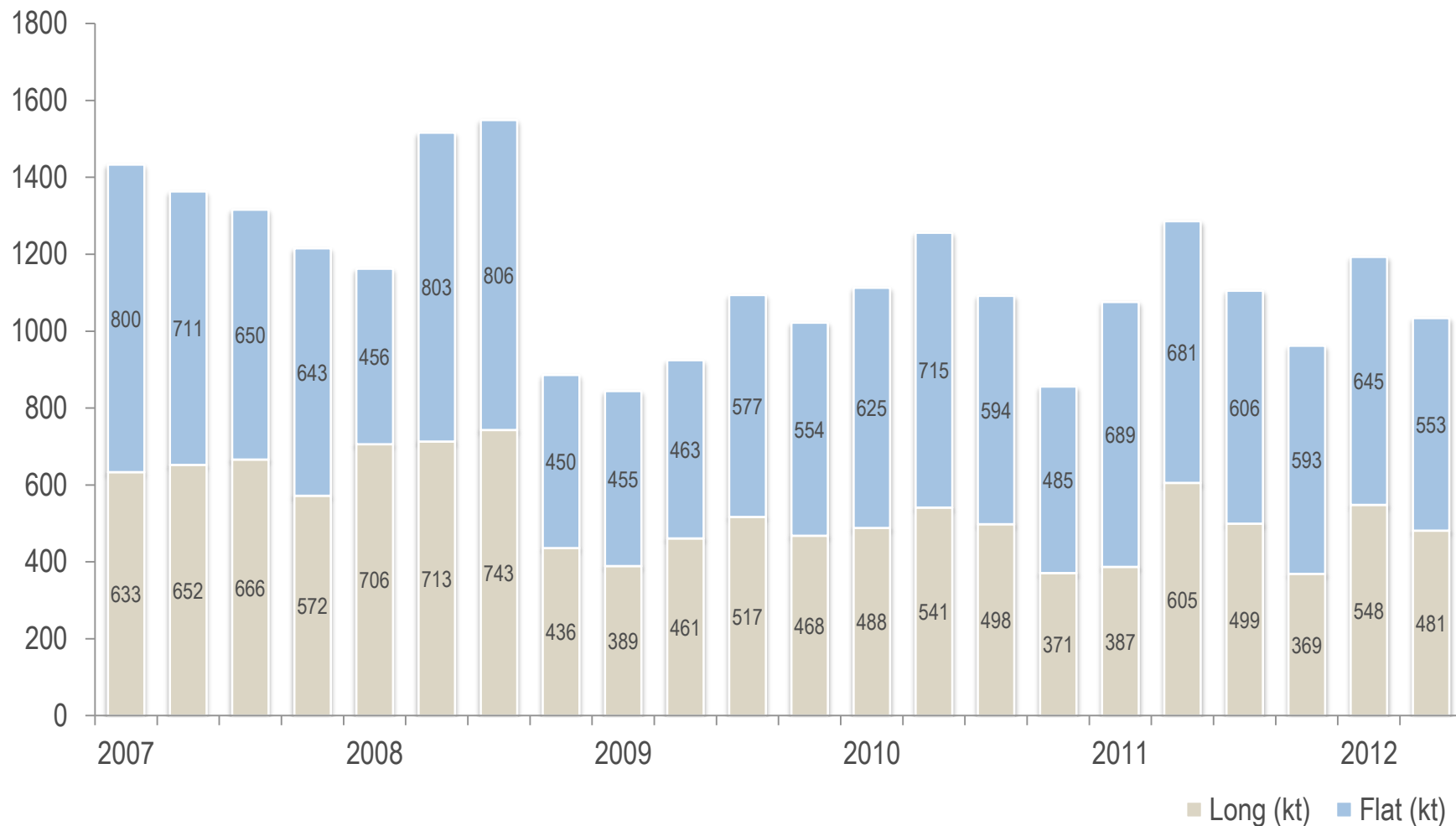


# Input Cost Positioning

H1'12	000t	Backward integrated	Domestic supply	Imported
Iron ore	3 400	80%	20%	0%
Pellets	260	0%	0%	100%
Scrap	400	82%*	18%	0%
Coking coal	1 540	9%	41%	50%
Thermal coal	600	0%	100%	0%
<b>Total</b>	<b>6 200</b>	<b>51%</b>	<b>32%</b>	<b>17%</b>

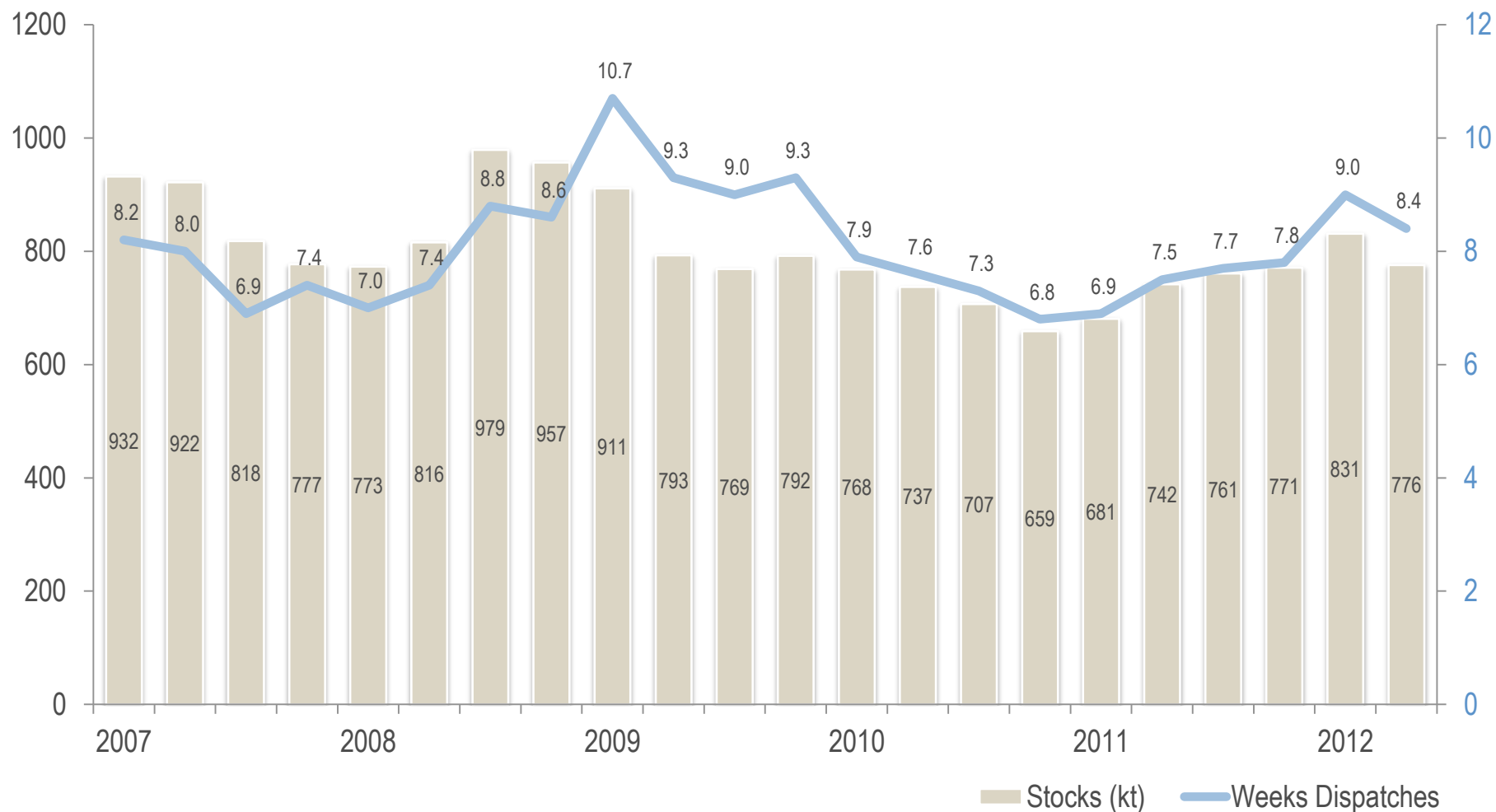
\*Internally generated

# Domestic market – quarterly steel shipments



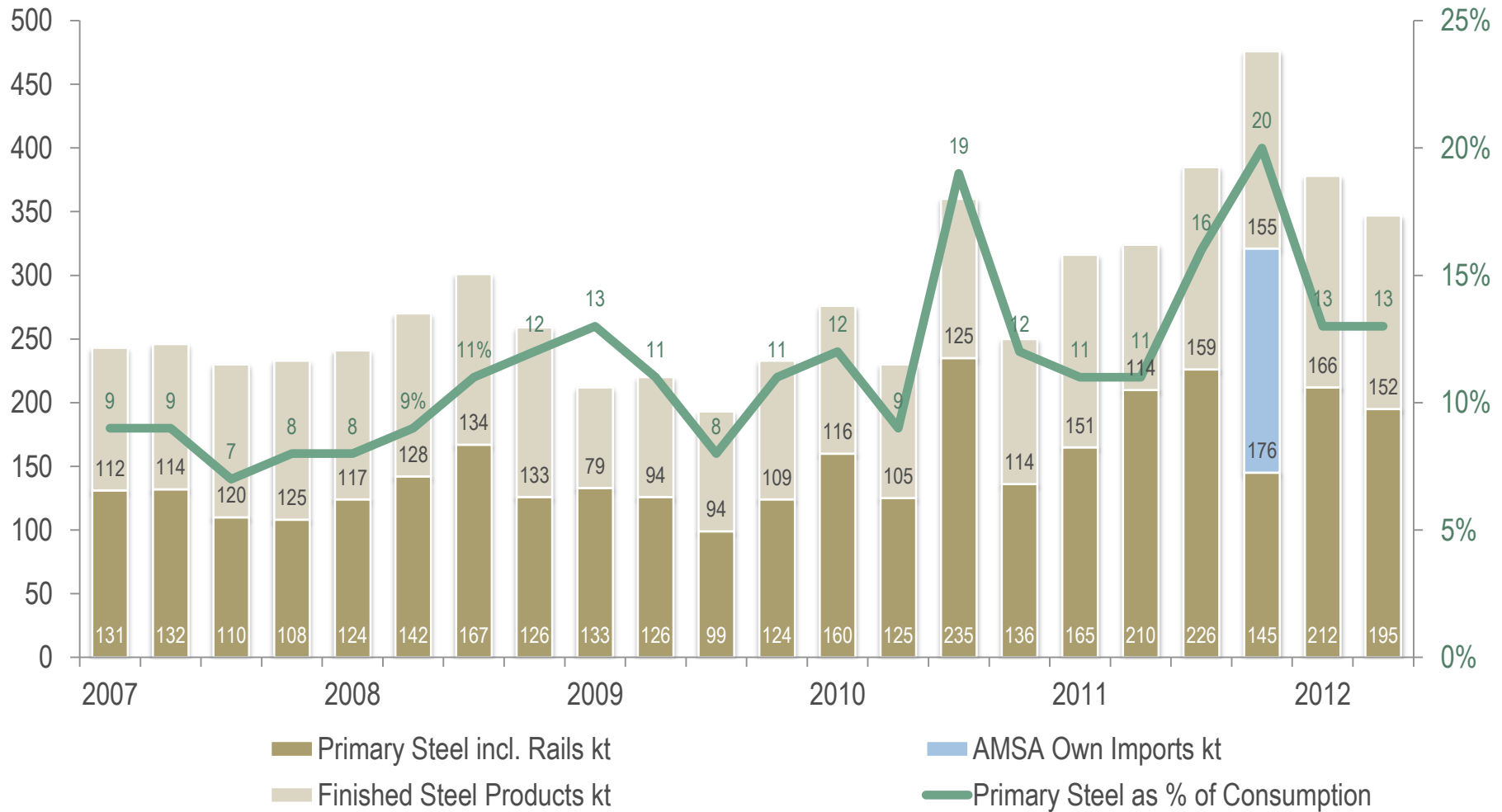
Source : SAISI up to Q3'08, thereafter ArcelorMittal South Africa estimates

# Domestic market – quarterly steel inventory levels



Source : SAISI up to Q3'08, thereafter ArcelorMittal South Africa estimates

# Domestic market – quarterly steel imports



Source : SAISI up to Q3'08, thereafter ArcelorMittal South Africa estimates



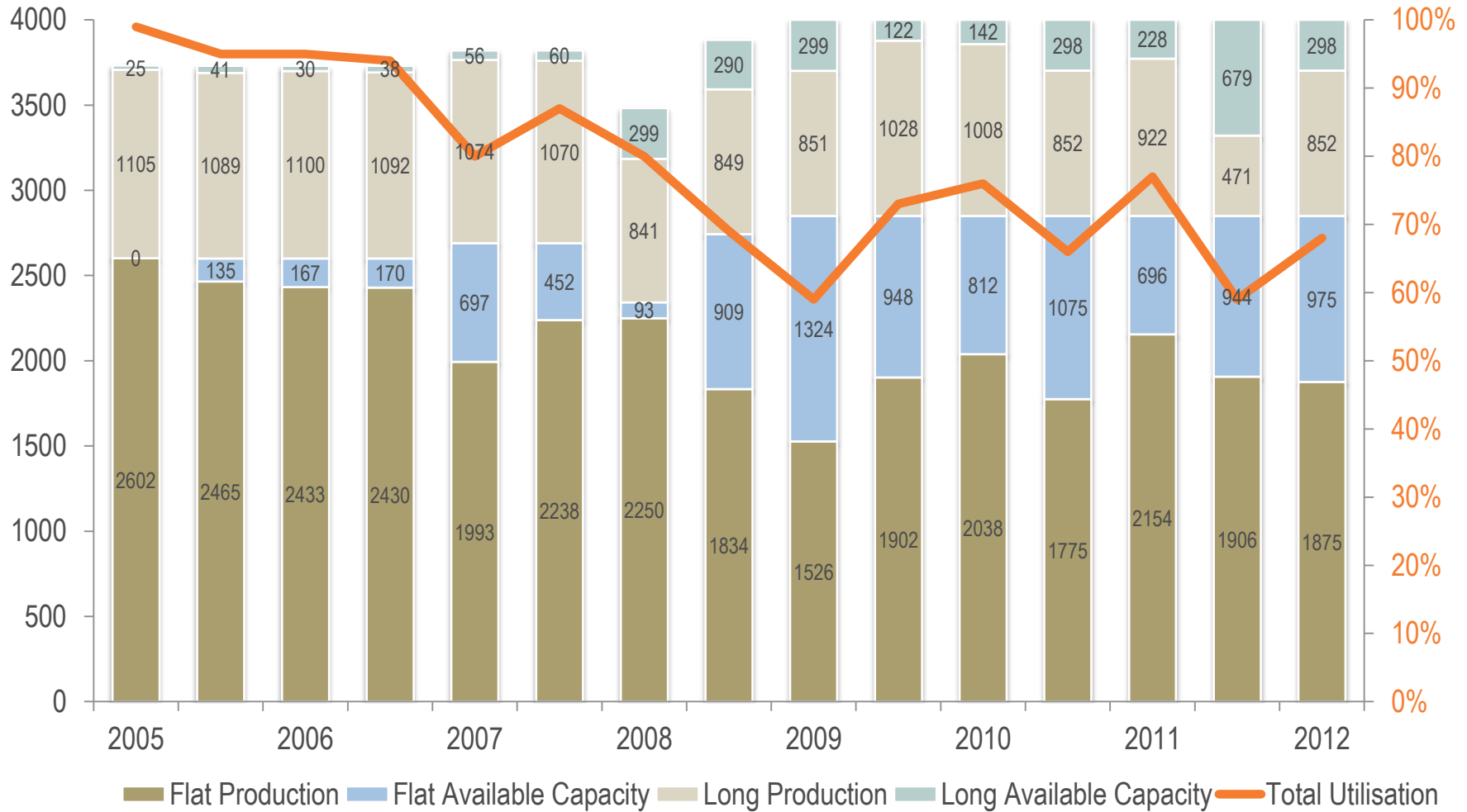
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**Operating Results**

# Steel products

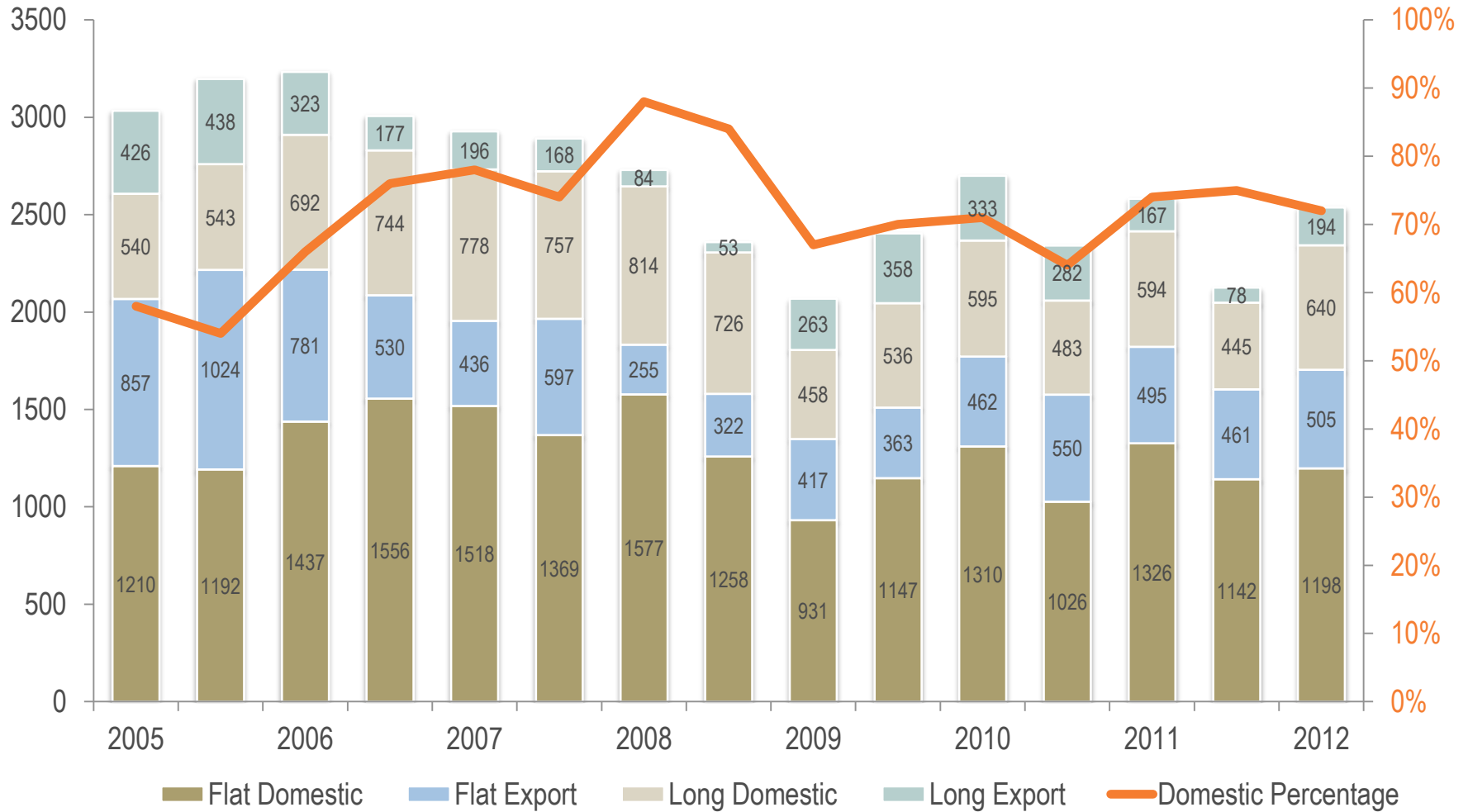
## Production (000t) and capacity utilisation





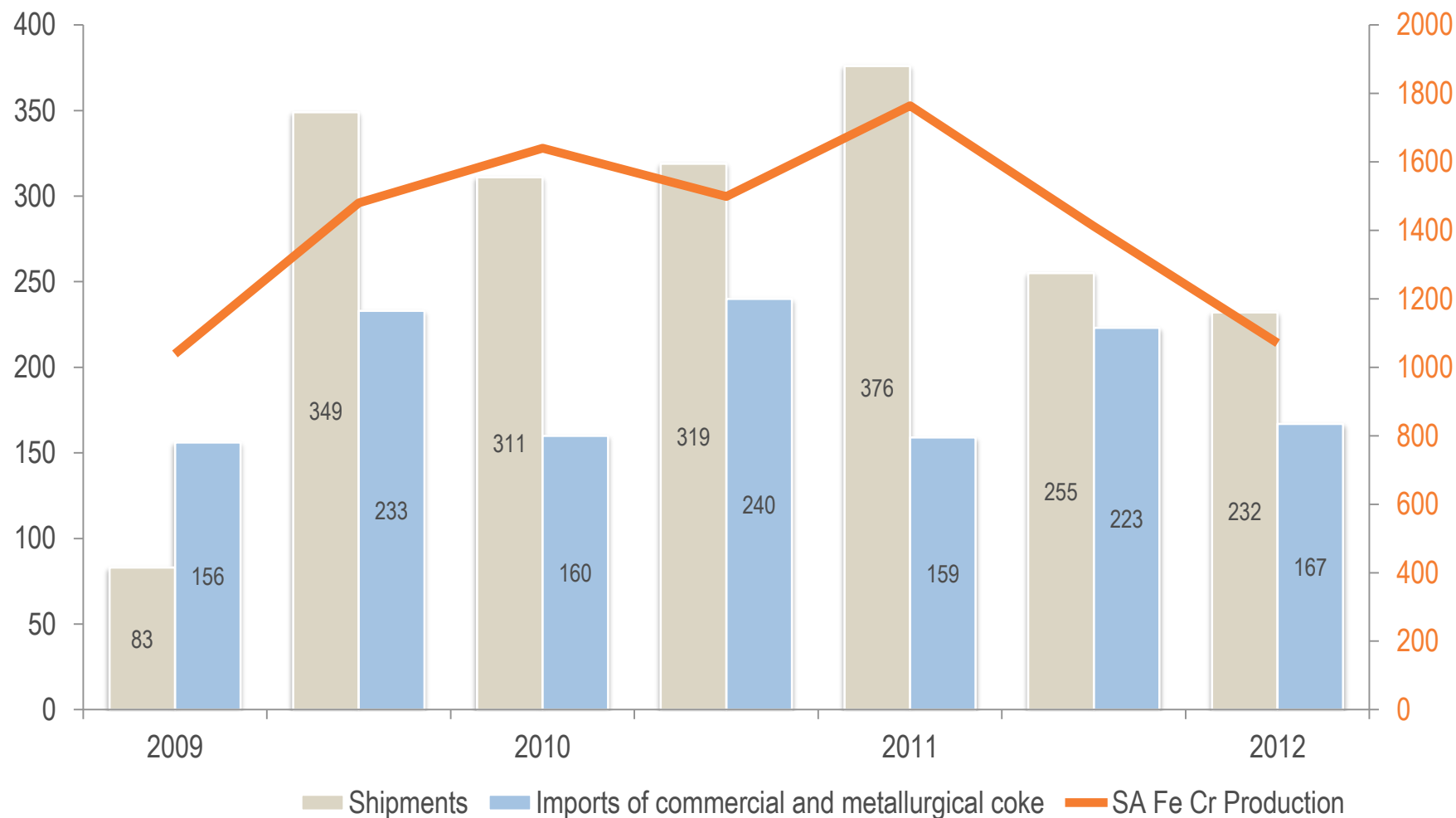
# Steel products

## Shipment volume (000t)



# Commercial coke

Shipment and import volumes compared to South African FeCr production (000t)



# Capital expenditure (Rm)

	H1'11	H2'11	H1'12
Safety	33	64	21
Growth	107	13	2
Environment	42	40	14
Sustainable maintenance	154	737	190
Total expenditure	336	854	227

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Blast furnace "C" repair at Vdb at a cost of R19m

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Blast furnace N5 long lead items for 2014 at Newcastle

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Zero Effluent Discharge programme at Newcastle for R9m

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Finance

Rudolph Torlage

CFO



# Headline Earnings (Rm)

	H1'11	H2'11	H1'12
Revenue	16 576	14 877	<b>17 792</b>
Profit (loss) from operations	929	-632	<b>260</b>
Finance and investment income	19	12	<b>7</b>
Gains (losses) on forex and financial instruments	100	24	<b>-25</b>
Finance costs	-87	-205	<b>-176</b>
Tax	-297	179	<b>-15</b>
Equity Earnings	-10	-24	<b>51</b>
Net deficit on disposal / scrapping of assets*	14	-74	<b>4</b>
Headline earnings / (loss)	668	-720	<b>106</b>
- In US\$m	97	-94	<b>13</b>

\*After tax

# EBITDA from Segments (Rm)

	H1'11	H2'11	H1'12
Flat steel products	1 007	-410	30
Long steel products	369	131	724
Coke and Chemicals	486	384	250
Corporate and other	-227	-20	37
Total EBITDA	1 635	85	1 041
EBITDA margin	10%	1%	6%

# Main Cost Drivers (R/t)

	H1'11	H2'11	H1'12	% change H1'11	% change H2'11
Iron ore and pellets	994	1 146	<b>1 177</b>	19%	3%
Scrap / DRI / HBI	333	408	<b>177</b>	-47%	-57%
Coking coal and other fuels	1 598	2 099	<b>1 846</b>	16%	-12%
Energy	448	580	<b>481</b>	7%	-17%
Manpower	643	757	<b>713</b>	11%	-6%
Maintenance	343	437	<b>369</b>	8%	-15%
Alloys, fluxes and coating materials	604	603	<b>589</b>	-3%	-2%
Refractories, electrodes and consumables	352	404	<b>347</b>	-2%	-14%
General expenses, outside services, professional fees, IS/IT and insurance premiums	527	520	<b>479</b>	-9%	-8%
<b>Total</b>	<b>5 842</b>	<b>6 954</b>	<b>6 178</b>	<b>6%</b>	<b>-11%</b>

# Cash Flow (Rm)

	H1'11	H2'11	H1'12
Cash generated from operations	2 005	-65	<b>1 141</b>
Working capital	-2 230	-584	<b>-409</b>
Capex	-336	-854	<b>-227</b>
Net finance income (cost)	-12	-10	<b>-84</b>
Investments	-22	-158	<b>-207</b>
Tax	-161	-82	<b>-20</b>
Dividends	0	-221	<b>0</b>
Proceeds on scrapping of assets	0	106	<b>3</b>
Repayment of borrowings and finance lease	-195	-421	<b>-93</b>
Cash flow	-951	-2 289	<b>104</b>
Effect of forex rate changes on cash	68	105	<b>7</b>
Net cash flow	-883	-2 184	<b>111</b>
Cash	2 623	439	<b>550</b>

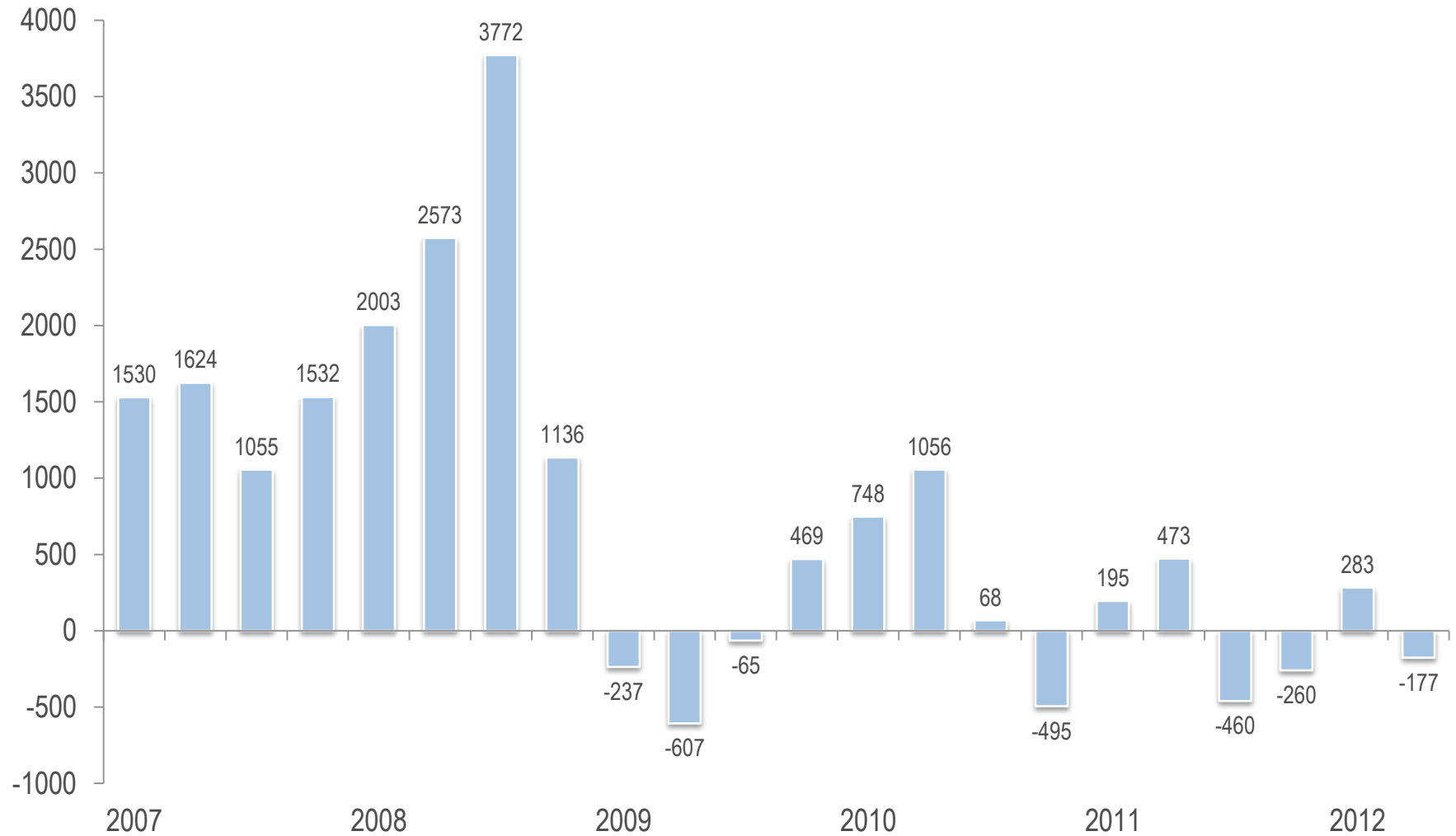


# Working Capital Movement (Rm)

	H1'11	H2'11	H1'12
Inventories	-949	-1 675	<b>1 153</b>
Finished products	112	-224	<b>202</b>
Work-in-progress	-718	-994	<b>630</b>
Raw materials	-333	-422	<b>356</b>
Plant spares and stores	-10	-35	<b>-35</b>
Receivables	-1 389	832	<b>-947</b>
Payables	191	464	<b>-523</b>
Utilisation of provisions	-83	-205	<b>-92</b>
Working capital movement	-2 230	-584	<b>-409</b>

	H1'11	H2'11	<b>H1'12</b>
Operating margin	6%	-4%	<b>1%</b>
EBITDA margin	10%	1%	<b>6%</b>
Revenue / invested capital (times)	1.4	1.1	<b>1.3</b>
Return on equity	6.0%	-6.0%	<b>0.9%</b>
Net cash / equity	10.0%	0.4%	<b>0.6%</b>

# Quarterly Headline Earnings Trend (Rm)



- Dividend policy - at the discretion of the Board of directors depending on:
  - Earnings
  - Financial condition
  - Cash availability
  - Capital requirements to sustain the business and support future growth
- Will be considered at the interim stage and year end



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## Other developments

Nonkululeko Nyembezi-Heita

- 1 000 pupils attend the science centres in Vaal Triangle, Saldanha and Newcastle
- Mamelodi school was completed in 2010 for 1 200 learners. Currently building the second school, Mandela Primary school in Mthatha
- Impilo and Mini Social Grants reaching approximately 10 000 beneficiaries
- Support five NOAH Foundation Arks In Newcastle and Gauteng nurturing 1 500 children
- TBV/ARV health centre is under construction at Sebokeng Hospital
- Total CSR spend in the last three years is R119 million

	Dec 2011	Jun 2012
Apprentices	943	<b>924</b>
Candidate Artisans (completed their apprenticeship and are undergoing 1 year internship)	206	<b>238</b>
Engineering bursars studying Engineering at University	115	<b>101</b>
Candidate Engineers (completed their university studies and are undergoing 2 year internship)	64	<b>67</b>
Learner Technicians (completed their academic studies and are undergoing practical year to get diploma)	67	<b>61</b>
Candidate Technicians (completed 1 year practical and achieved diploma – undergoing 18 months internship)	87	<b>89</b>
Graduates in training for staff divisions (completed their academic studies and undergoing 2 year internship)	26	<b>24</b>
Production learners trained to take up positions in 4 <sup>th</sup> team to address ageing workforce	1 232	<b>1 221</b>
Artisan to Technician Conversion Programme (6 year Artisan to Technician Conversion)	108	<b>67</b>
Artisan to Artisan Conversion Programme (Multi-Skilling and Up-Skilling Programme)	40	<b>45</b>



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Outlook



- Business environment

- Overall market demand expected to decrease further
- Production stability to improve further
- Raw material basket expected to be unchanged with lower international steel prices
- Coke sales expected to improve

- Earnings

- Headline earnings expected to be in line with Q2'12
- Impacted by Rand/US Dollar exchange rate movements



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**Thank you**

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