



Unaudited group earnings and physical information for the quarter ended 31 March 2011

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

Financial review

In a significant turnaround from the R496 million loss reported for quarter four 2010, attributable earnings of R184 million were achieved for the first quarter of 2011.

This came on the back of a 36% increase in domestic sales volumes, a 6% increase in average realised selling prices in Rand terms and a 20% increase in liquid steel production. The Rand/US Dollar exchange rate weakened by 3% over the quarter, resulting in a net foreign exchange gain of R97 million compared to a loss of R75 million for the previous quarter. The cash cost of steel sales on a Rand per tonne basis decreased by 7% compared to the previous quarter as a consequence of a rise in production volumes of both flat and long products.

Attributable earnings for this quarter were 75% lower than those reported for the corresponding period last year. This was due to a 7% decrease in liquid steel production, a 3% decrease in sales volumes and a 20% increase in the cash cost per tonne of steel sales. The higher costs were mainly driven by significant increases in the prices of imported coking coals, iron ore, local metallurgical coals and alloys.

Market review

International
 Apparent global steel consumption rebounded strongly during the quarter amid continued global economic recovery. The steel industry's landscape has changed rapidly, particularly after the international financial crisis, with emerging economies like China, India, Brazil and Russia accounting for an increased share of global consumption while demand in developed economies remained sluggish.

Export sales decreased by 26% compared to the previous quarter, mainly due to higher domestic sales, and by 7% compared to the corresponding period last year due to lower production. The Group's average realised export price in US Dollars was 18% higher compared to the corresponding period last year and 4% higher than the previous quarter.

Domestic

The South African economy registered a growth rate of 3.2% in the first quarter of 2011, with total fixed capital formation remaining weak at 2.4%. The Rand was strong against the US Dollar averaging around R7.00. This had a negative impact on the overall performance potential of key exporting sectors such as manufacturing and mining. The construction sector remains depressed with minimal activity coming through from both commercial and residential segments.

Domestic steel sales increased by 36% compared to the previous quarter, driven by re-stocking activities and, to a lesser extent, modest recovery in underlying demand. Domestic sales remained in line with the same quarter last year.

Segmental review

Flat Carbon Steel Products

Earnings before interest, tax, depreciation and amortisation (EBITDA) of R459 million were 48% lower than the corresponding period last year but materially better than the loss of R400 million for the previous quarter. Sales volumes increased by 15% against the corresponding period last year and 23% compared to the previous quarter whilst average realised prices in Rand terms were 2% down and 6% higher respectively.

The production cash cost of hot rolled coil increased by 25% year-on-year and was down 3% compared to the previous quarter. Liquid steel production of 1 million tonnes remained at the same level as a year ago, and increased by 21% compared to the last quarter.

Long Carbon Steel Products

The R15 million EBITDA loss was materially lower than the R389 million EBITDA reported in the corresponding period last year and a marginal improvement on the R35 million loss for the previous quarter. Sales volumes dropped 36% on this time last year and 23% quarter-on-quarter. Net realised sales prices in Rand terms were on average 14% higher than first quarter 2010 and 6% higher than the previous quarter.

The production cash cost of billets increased by 41% over the corresponding period last year and 8% compared to the previous quarter. The equivalent figures for liquid steel production over the same periods was 23% lower and 15% higher respectively. The cause of the decline was the unstable blast furnace conditions experienced at Newcastle Works following a planned stop in December 2010. Production was stabilised during January and the furnace is now operating normally.

Coke and Chemicals

EBITDA of R222 million was 5% higher year-on-year and 16% lower quarter-on-quarter. Sales volumes were 37% higher than a year ago and 17% over the previous quarter whilst average realised prices in Rand terms were down 2% and 12% respectively.

Dispute with Sishen Iron Ore Company (Proprietary) Limited

The arbitration hearing has been set for May 2012.

Broad-based black economic empowerment transaction ("B-BBEE")

The cautionary announcement relating to the B-BBEE transaction was renewed on SENS on 25 March 2011. The satisfaction of conditions precedent remains outstanding and the parties are in the process of extending the fulfilment period.

Proposed acquisition of ICT

The fulfilment of conditions precedent as part of the agreement to acquire the shares of Imperial Crown Trading 289 (Proprietary) Limited ("ICT") remains outstanding.

Safety

Tragically, a fatal incident occurred at Vanderbijlpark Works in February 2011. The company extends its deepest condolences to the family, friends and colleagues of the deceased.

The lost time injury frequency rate improved to 1.08 compared to 1.76 achieved in first quarter last year and 1.42 achieved in the previous quarter.

Environment

The company has spent R1 032 million over the past five years and further investment is planned in order to stay abreast of changing legislation. The focus will be on air related improvements over the next four to 10 year period in order to comply with the new Air Quality Act. Water related improvements also feature prominently. Of particular note over the first quarter was the completion of the installation of a new emission abatement system at the sinter plant at Vanderbijlpark Works; final commissioning will be completed during second quarter. Particulate emissions from this significant emission source will be reduced by more than 70%.

The Carbon Tax Discussion Paper published on 13 December 2010 remains a concern as the current proposal will have a severe financial impact on ArcelorMittal South Africa. The company is engaging with the relevant state departments to seek a more feasible alternative. At this stage the steel sector has only limited potential to reduce greenhouse gases significantly and this makes the climate change discussion particularly challenging for ArcelorMittal South Africa.

Contingent liabilities

The two cases referred by the Competition Commission to the Competition Tribunal, namely the Barnes Fencing Industries Limited case relating to alleged price and exclusionary conduct on the sale of low-carbon wire-rod products and the case of alleged price fixing and market division in respect of certain long steel products, remain disclosed as contingent liabilities. The facts of these two cases remain unchanged to those reported as at the end of December 2010.

Competition Commission investigations

There is no progress to report on the four cases under investigation by the Competition Commission.

Changes to the board of directors

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.

Outlook for quarter two 2011

The financial results for the second quarter of 2011 are expected to show a significant improvement on the first quarter as a result of higher expected sales volumes and prices, partially offset by higher raw material input costs and electricity tariffs. Movements in the Rand/US Dollar exchange rate will have an important bearing on earnings.

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).

Registered office:

ArcelorMittal South Africa Limited, Room N3-5, Main Building, Delfos Boulevard, Vanderbijlpark, 1911

Directors:

Non-executive: MJN Njeke* (Chairman), DK Chugh#, CPD Cornier#, FA du Plessis*, M Macdonald#, S Maheshwari#, LP Mondl, DCG Murray*, ND Orleyn*, AMHO Poupart-Lafarge#

Executive: N Nyembezi-Heita (Chief Executive Officer), RH Torlage (Chief Financial Officer)

Citizen of India #Citizen of France *Independent non-executive

Company Secretary:

Premium Corporate Consulting Services (Proprietary) Limited

Sponsor:

Deutsche Securities (SA) (Proprietary) Limited, 87 Maude Street, Sandton, 2146. Private Bag X9933, Sandton, 2146

Transfer secretaries:

Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001
 PO Box 61051, Marshalltown, Johannesburg, 2107

Group income statement

R million	Quarter ended			Year ended
	31 March 2011	31 March 2010	31 December 2010	31 December 2010
Revenue	7 777	7 507	6 832	30 224
Flat Carbon Steel Products	5 562	4 837	4 404	19 434
Long Carbon Steel Products	1 945	2 415	2 218	9 769
Coke and Chemicals	687	516	621	2 449
Intergroup eliminations	(417)	(261)	(411)	(1 428)
Profit/(loss) before depreciation, amortisation and impairment	648	1 449	(219)	3 522
Flat Carbon Steel Products	459	877	(400)	1 442
Long Carbon Steel Products	(15)	389	(35)	1 090
Coke and Chemicals	222	211	264	1 029
Corporate and other	(18)	(28)	(48)	(39)
Depreciation and amortisation	(350)	(343)	(344)	(1 371)
Flat Carbon Steel Products	(282)	(276)	(273)	(1 095)
Long Carbon Steel Products	(66)	(67)	(66)	(264)
Coke and Chemicals	(10)	(10)	(12)	(44)
Corporate and other	8	10	7	32
Profit/(loss) from operations	298	1 106	(563)	2 151
Flat Carbon Steel Products	177	601	(673)	347
Long Carbon Steel Products	(81)	322	(101)	826
Coke and Chemicals	212	201	252	985
Corporate and other	(10)	(18)	(41)	(7)
Finance and investment income	6	15	19	71
Finance costs	37	(107)	(157)	(507)
Interest expenses on bank overdrafts and loans	(1)	(2)	(6)	(8)
Interest expense on finance lease obligations	(18)	(20)	(15)	(77)
Discounting rate adjustment of the non-current provisions		(28)	(25)	(100)
Net foreign exchange profit/(losses) on financing activities	97	(12)	(75)	(150)
Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	(41)	(45)	(36)	(172)
(Loss)/income after tax from equity accounted investments	(62)	26	(53)	122
Profit/(loss) for the period before tax	279	1 040	(754)	1 837
Income tax expense	(95)	(295)	258	(492)
Profit/(loss) from ordinary activities for the period	184	745	(496)	1 345
Attributable to:				
Owners of company	184	745	(496)	1 345
Attributable earnings/(loss) per share (cents)	46	186	(124)	335

Additional information

R million	Quarter ended			Year ended
	31 March 2011	31 March 2010	31 December 2010	31 December 2010
Reconciliation of headline earnings/(loss)				
Profit/(loss) for the period	184	745	(496)	1 345
Adjusted for:				
- loss on disposal or scrapping of assets	15	4	1	44
- tax effect	(4)	(1)		(12)
Headline earnings/(loss) for the period	195	748	(495)	1 377
Headline earnings/(loss) per share (cents)	49	186	(123)	343

Physical information

'000 tonnes	Quarter ended			Year ended
	31 March 2011	31 March 2010	31 December 2010	31 December 2010
Flat Carbon Steel Products				
Liquid steel production	1 052	1 052	866	3 814
Sales	991	860	808	3 348
Long Carbon Steel Products				
Liquid steel production	385	497	334	1 860
Sales	302	471	391	1 693
Total				
Liquid steel production	1 437	1 549	1 200	5 674
Sales	1 293	1 331	1 199	5 041
- Local	896	904	661	3 414
- Export	397	427	538	1 627
Local sales as % of total sales	69	68	55	68