news release

07 February 2014

RESULTS FOR ARCELORMITTAL SOUTH AFRICA LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2013

Key features

- EBITDA increased 58% to R1.8 billion
- Turnaround to positive operating profit
- Excellent safety performance
- Capital expenditure increased by 80% compared to 2012
- New iron ore supply agreement takes effect

Johannesburg, 7 February 2014: In an environment where trading conditions continued to be challenging for steel producers globally, ArcelorMittal South Africa has reported a 58% increase in ebitda to R1.8 billion for the twelve months ended 31 December 2013.

Domestic economic growth was below expectations amid weak fixed investment expenditure and subdued global demand for locally produced goods. A combination of factors including the slow implementation of planned infrastructure development projects, the low level of fixed investment in the mining industry and weakness in 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.

ArcelorMittal South Africa’s revenue increased marginally to R32.4 billion and ebitda improved by R647 million from R1.1 billion in prior year, with the ebitda margin increasing to 5.5% from 3.5%.

Liquid steel production was unchanged at 5 million tonnes. Capacity utilisation increased from 66% to 76%, reflecting the progress made on optimisation of the production footprint and overall improved stability.

Total steel sales for the year were 392 000t lower, a decrease of 9%.

The headline loss narrowed from R518 million to R224 million. This was achieved despite production losses following the fire at the Vanderbijlpark facility in February,
which were limited to 361,000 tonnes of liquid steel, largely as a result of the repair programme being successfully completed ahead of schedule.

The depreciation in the rand exchange rate against major currencies from May onwards improved the company’s competitive position, especially with respect to export sales.

Ms Nonkululeko Nyembezi-Heita, Chief Executive Officer of ArcelorMittal South Africa, said: “We are pleased with the turnaround in operating performance, helped by a more reliable operational environment. Our safety performance continues to improve. We are particularly pleased that we have not recorded a fatality since August 2011”.

Commenting on capital expenditure, she went on: “Capex for the year amounted to nearly R1.6 billion of which some 22% was allocated to environmental projects to ensure continued compliance with the relevant legislation. Capex increased 80% year-on-year, with the bulk going to maintenance which included R158m spent on the steel plant repairs. We expect to spend 48% more in 2014.”

Over 80% of the 2014 capex spend will be allocated to Newcastle for the scheduled blast furnace reline, sinter plant refurbishment and other reline related projects. A stock building exercise was undertaken during the last quarter of 2013 in preparation for the upcoming reline, which will ensure that product supply to the market continues and customers are unaffected during the 4-month shutdown. The key benefits of this reline include enhanced energy efficiency and improved furnace stability.

Commercial coke sales rose 18% to 545,000 tonnes as the ferrochrome industry resumed normal operations at the end of the electricity buy-back programme that the industry had entered into with Eskom.

Net cash declined to R285 million from the R874 million reported at the end of 2012, partially due to the build-up of stocks for the upcoming Newcastle reline.

During the last quarter of 2013, ArcelorMittal concluded a new iron ore agreement with Kumba which regulates the purchase of 6.25 million tonnes of iron ore from Sishen Iron Ore Company (SIOC). A positive outcome of the new agreement is that it potentially extends the life of the Thabazimbi mine. Ms Nyembezi-Heita added: “The new supply agreement is a welcome development as it provides a secure iron ore pricing environment and urgently needed stability to the overall steel industry in South Africa”.

The 2013 operating result includes a write-off of R1.9 billion associated with the transfer of Thabazimbi assets to Kumba, as well as a provision for the closure of Tshikondeni mine later this year.
Outlook

Ms Nyembezi-Heita concluded: “With regard to the first quarter of 2014, we expect higher sales volumes following the seasonal slow-down in the fourth quarter. International prices are expected to improve modestly, resulting in positive first quarter headline earnings”.

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