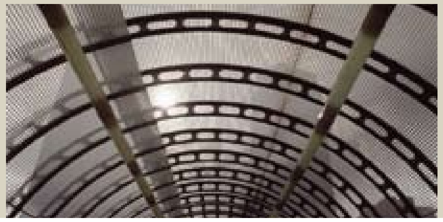
ArcelorMittal South Africa Limited

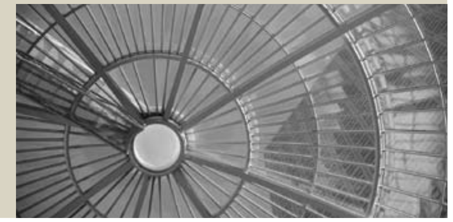
(Formerly Mittal Steel South Africa Limited)

Unaudited group earnings and physical information for the quarter ended 31 March 2008

The lifeblood of a developing nation

ArcelorMittal



ArcelorMittal South Africa Limited
Registration number: 1989/002164/06
Share code: ACL **ISIN:** ZAE 000103453
("ArcelorMittal South Africa", "the Company" or "the Group")

- Headline earnings increased by 31%
- Domestic sales volumes increased from 79% to 85% of total sales

Financial results

Headline earnings for the quarter were significantly higher at R2 003 million which represents an increase of 31% compared to both the previous quarter and the corresponding period last year.

These increases were to a large extent driven by a substantial gain on foreign exchange compared to a loss during the previous quarter and a small gain during the corresponding quarter last year, higher equity accounted earnings from our marketing and shipping joint venture as well as an improvement in operating income, especially when compared to the previous quarter.

Operating income increased by 26% compared to the previous quarter and 5% compared to the same period last year, driven by a substantial increase in international steel prices, a weaker average Rand/US Dollar exchange rate, and a substantial increase in the prices of market coke sales by our Coke and Chemicals business. This was partially offset by lower steel sales volumes and a significant increase in costs mainly due to higher input material prices.

The cash cost of hot rolled coil increased by 21% compared to the previous quarter and by 34% compared to the corresponding quarter last year, while the cash cost of billets increased by 20% and 31% respectively. These increases were primarily driven by higher prices of coke, iron ore, coal, scrap and alloys, as well as lower production volumes.

Market review

International

Global steel prices have increased substantially following a surge in raw material prices, rising demand in almost all regions together with supply constraints due to mills running close to full capacity.

ArcelorMittal South Africa's exports declined by 47% compared to the previous quarter and by 35% compared to the corresponding period last year due to higher domestic sales and lower production volumes.

Domestic

Steel demand from South African steel-consuming sectors is exceeding supply, notwithstanding higher interest rates and electricity constraints as a result of higher demand from the manufacturing and building, and construction industries.

Local sales for the quarter increased by 14% compared to the previous quarter and 1% compared to the corresponding period last year and now represent 85% of total sales compared to 73% last quarter and 79% during the same period last year.

Production

Liquid steel production for the quarter decreased by 3% compared to the previous quarter and by 1% compared to the corresponding period last year. This was mainly due to unstable production conditions at the blast furnaces at Vanderbijlpark Works, electricity constraints and the Corex and Midrex relines at Saldanha Works.

Contingent liabilities

During the quarter, the Alternative Dispute Resolution (ADR) process with the South African Revenue Services was finalised with settlement being reached on the dispute pertaining to the tax deductibility of payments made in terms of the Business Assistance Agreement. Full and final settlement was reached for an amount of R100 million. For the financial year ended December 2006, a provisional obligation of R80 million was recognised in terms of the settlement offer made during the ADR hearing. A further R20 million was recognised as an expense in the quarter under review, bringing the total obligation settled to R100 million.

In the case brought before the Competition Tribunal by gold miners, Harmony Gold Mining Company Limited and DRDGold Limited alleging excessive pricing, an appeal hearing is expected to take place during the latter part of 2008. Management and the directors have critically assessed the facts of the case against the recognition and measurement criteria of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and concluded that no provision needs to be raised regarding the administrative penalty of R692 million or other remedies imposed.

In the case brought before the Competition Tribunal by Barnes Fencing Industries (Pty) Limited of price and payment condition discrimination on the sale of low carbon wire rod products, no date for the main hearing has been set. An intervention application hearing was heard on 29 February 2008 after which the Competition Tribunal granted leave to intervene by including additional complaints, namely: prohibited virtual practices and abuse of dominance. However, the request for a 10% administrative penalty was disallowed. Management and the directors have concluded that no provision needs to be raised or contingent liability quantified at this time.

Outlook

International steel prices are expected to increase further during the next quarter underpinned by high demand, supply constraints and continued cost pressures. In South Africa, although spending on durable goods is expected to decline as a result of high interest and inflation rates, demand is expected to remain strong primarily due to high fixed investment spending on capital projects aimed at improving the country's infrastructure.

The results for quarter two are expected to show a significant improvement from quarter one, driven by higher sales prices and an improvement in production stability, despite further increases in the cost of raw materials, mainly coal and scrap.

Group income statement

	Quarter ended			Year ended
	31 March 2008 Rm	31 March 2007 Restated Rm	31 December 2007 Restated Rm	31 December 2007 Restated Rm
Revenue	8 088	7 274	7 199	29 301
Flat Products	4 959	4 831	4 880	19 240
Long Products	2 739	2 260	2 119	9 238
Coke and Chemicals	834	432	578	2 065
Inter group eliminations	(444)	(249)	(378)	(1 242)
Operating profit	2 050	1 958	1 632	7 703
Flat Products	745	1 208	815	4 338
Long Products	884	646	541	2 652
Coke and Chemicals	381	119	226	727
Corporate and Other	40	(15)	50	(14)
Gains/(losses) on changes in foreign exchange rates and financial instruments	464	199	(121)	(131)
Net interest income	52	74	27	325
Income from investments	1	1	1	4
Income after tax from equity accounted investments	175	27	125	270
Income tax expense	(742)	(743)	(142)	(2 455)
Profit from ordinary activities	2 000	1 516	1 522	5 716
Profit attributable to:				
– Ordinary shareholders	2 000	1 516	1 522	5 716
ADDITIONAL INFORMATION				
Attributable earnings per share (cents)	449	340	341	1 282
Reconciliation of headline earnings				
Profit for the period	2 000	1 516	1 522	5 716
Adjusted for:				
– loss on disposal or scrapping of assets	4	21	8	31
– book value of assets held for sale written off			4	4
– tax effect	(1)	(7)	(2)	(10)
Headline earnings	2 003	1 530	1 532	5 741
Headline earnings per share (cents)	449	343	344	1 288

Physical information

	Quarter ended			Year ended
	31 March 2008 '000 tonnes	31 March 2007 '000 tonnes	31 December 2007 '000 tonnes	31 December 2007 '000 tonnes
Flat Products				
Liquid steel production	1 038	1 053	1 090	4 231
Sales	906	1 021	1 012	3 920
Long Products				
Liquid steel production	525	526	522	2 144
Sales	497	488	428	1 899
Total				
Liquid steel production	1 563	1 579	1 612	6 375
Sales	1 403	1 509	1 440	5 819
– Local	1 195	1 187	1 048	4 422
– Export	208	322	392	1 397
– Local sales as % of total sales	85	79	73	76

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).

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