

HIGHLIGHTS

- In line with ArcelorMittal South Africa's commitment to transformation objectives as enunciated in the country's empowerment legislation, the finalisation of a transaction providing for equity ownership in respect of 26% of ArcelorMittal South Africa's operating assets through BEE SPV and ESOP Newco, with an aggregate transaction value of R9.075 billion.
- Facilitation by ArcelorMittal South Africa of participation by BEE SPV and ESOP Newco.
- Broadening and transforming ownership base in respect of ArcelorMittal South Africa's operating assets.
- BEE SPV participation through the Ayigobi Consortium led by Sandile Zungu, which includes new entrants, women, youth and strategic groups. ESOP Newco will consist of an employee share ownership plan.
- Contribution to broad-based BEE equity ownership complying beyond the 10 years and 25% target as required by the Broad-Based BEE Codes of Good Practice.

TERMS OF ARCELORMITTAL SOUTH AFRICA BLACK ECONOMIC EMPOWERMENT ("BEE") OWNERSHIP TRANSACTION AND FURTHER CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- Shareholders of ArcelorMittal South Africa ("Shareholders") are referred to the announcement dated 19 September 2008 in which Shareholders were informed that ArcelorMittal South Africa is involved in negotiations to give effect to a BEE transaction. Such announcement was withdrawn on Thursday, 18 December 2008 due to the economic climate and market conditions prevailing at the time. More recently, and on Tuesday, 30 March 2010, ArcelorMittal South Africa announced to Shareholders via the Stock Exchange News Service ("SENS") and in the press that the board of directors of ArcelorMittal South Africa has recommenced discussions pertaining to a 26% broad-based BEE ownership transaction which includes an employee share ownership plan ("ESOP") (the "Transaction").
- These discussions have culminated in the conclusion of a Subscription and Shareholders' Agreement on 9 August 2010 between ArcelorMittal South Africa and Lexshell 771 Investments (Pty) Ltd ("BEE SPV") and Lexshell 769 Investments (Pty) Ltd ("ESOP Newco"), in relation to ArcelorMittal South Africa Operations (Pty) Ltd ("OPCO") (the "Subscription and Shareholders' Agreement"), to give effect to the Transaction. In terms of the Subscription and Shareholders' Agreement and subject to ArcelorMittal South Africa shareholder approval and fulfillment of further conditions precedent set out in paragraph 3.10 below by Monday, 28 February 2011:
 - ArcelorMittal South Africa shall transfer its operating assets to OPCO, a wholly owned subsidiary of ArcelorMittal South Africa which has not previously traded, in return for further OPCO ordinary shares;
 - BEE SPV, a special purpose vehicle through which the BEE participants will hold an indirect equity interest in OPCO, shall subscribe for 210 "A" ordinary shares in the capital of OPCO at a subscription price of R1 per share, constituting 21% of OPCO's entire issued share capital; and
 - ESOP Newco, a special purpose vehicle for facilitating an employee share ownership scheme in respect of OPCO shares, shall subscribe for 50 "B" ordinary shares in the capital of OPCO at a subscription price of R1 per share, constituting 5% of OPCO's entire issued share capital.
 - As a result of the foregoing transactions, the issued ordinary share capital of OPCO will be held as follows:
 - 74% thereof by ArcelorMittal South Africa;
 - 21% thereof by BEE SPV; and
 - 5% thereof by ESOP Newco.
- At the closing price of R 87.00 per ArcelorMittal South Africa ordinary share on Monday, 2 August 2010, the Transaction has a value of R 9.075 billion.

2. RATIONALE FOR AND PRINCIPLES OF THE TRANSACTION

- In line with the BEE objectives enunciated by the Broad-Based Black Economic Empowerment Act and the Broad-Based BEE Codes of Good Practice ("Codes"), the Transaction, if implemented, will allow a broad-based group of Black People (as defined in the Codes), including women, youth and Black and other employees of ArcelorMittal South Africa and subsidiaries of ArcelorMittal South Africa, to benefit from an aggregate 26% equity ownership in respect of ArcelorMittal South Africa's operating assets.
- In structuring the Transaction, ArcelorMittal South Africa was guided, *inter alia*, by the following principles:
 - the vesting in BEE SPV and ESOP Newco, representing the interests of the BEE participants and employees, from inception, of full voting rights in respect of 26% of the operating assets of ArcelorMittal South Africa;
 - ensuring that a broad-based group of BEE participants acquires the 21% economic interest in ArcelorMittal South Africa's operating assets, by requiring that such group contains the relevant elements of: broad-based, black women and black new entrants participation (having reference to the requirements of the Codes in this regard) ("Minimum Required B-BEE Shareholding Composition");
 - broadening ownership of ArcelorMittal South Africa operating assets amongst Black and other employees of ArcelorMittal South Africa and subsidiaries of ArcelorMittal South Africa, through ESOP Newco's acquisition of a 5% economic interest in OPCO;
 - achieving a sustainable BEE transaction at an acceptable economic cost to Shareholders; and
 - ensuring compliance with the letter and spirit of the Codes.

3. TRANSACTION PARTICULARS

3.1 Ownership Structure

Post implementation of the Transaction, the operating assets of ArcelorMittal South Africa shall be owned by OPCO, and the issued share capital in OPCO shall be held as follows:

- 74% thereof by ArcelorMittal South Africa;
- 21% ("A" Ordinary Shares) by BEE SPV; and
- 5% ("B" Ordinary Shares) by ESOP Newco.

- BEE SPV is to be controlled by Ayigobi Consortium, a consortium led by Sandile Zungu, which consortium provides for the following broad-based elements/categories of empowerment: women, youth and strategic groups. The BEE participants shall include the following entities/individuals:

- ZICO SPV (led by Sandile Zungu);
- Mabelindile Archibald Luhlabo;
- Mojalefa Mbete;
- Pragat Investments (Jagdish Parekh);
- Prudence Zerah Mtshali;
- Phemelo Ohentse Robert Sehunelo;
- Zebo Lesego Edwin Tshethlo;
- Oakbay Investments (Gupta family members); and
- Mabengela Investments (led by Duduzane Zuma).

- Approximately 25% of the shareholding in BEE SPV remains to be allocated to a women-led consortium.

3.2 Transfer to OPCO of ArcelorMittal South Africa Operating Assets

3.2.1 OPCO is a wholly owned subsidiary of ArcelorMittal South Africa which has not previously traded. ArcelorMittal South Africa confirms that the Articles of Association of OPCO will be amended to conform to Schedule 10 of the JSE Listings Requirements. At inception of the Transaction, OPCO's authorised share capital is R1 000 consisting of 1 000 ordinary par value shares of R1 each, of which 1 ordinary share is in issue to ArcelorMittal South Africa. ArcelorMittal South Africa will transfer the ArcelorMittal South Africa operating assets to OPCO in return for the allotment and issue to ArcelorMittal South Africa of a further 739 ordinary shares, credited as shares fully paid up.

3.2.2 The operating assets to be transferred pursuant to giving effect to the Transaction shall be:

- all of the existing operating assets, excluding the following: 100% shareholding in and loan claim against Vivva Investments and Trading Nine (Proprietary) Limited; 100% shareholding in and loan claim against Iscor Landgoed (Proprietary) Limited; 100% shareholding in and loan claim against Pybus Fifty-Seven (Proprietary) Limited and 100% shareholding in ArcelorMittal South Africa Investments and Trading One Limited; and

3.2.2 transferred at the book value thereof, amounting to R21.263 billion, based on the most recent published financial results of ArcelorMittal South Africa (as at 30 June 2010) and the assumption that all of the conditions in relation to the Transaction will be fulfilled.

3.5 Introduction of BEE SPV and ESOP Newco

Subscription for "A" and "B" Ordinary Shares

- 210 "A" ordinary shares (constituting 21% of OPCO's share capital) will be created in the share capital of OPCO, by converting 210 authorised, unissued ordinary shares into "A" ordinary shares, having the rights and privileges set out in paragraph 3.7 below.
- 50 "B" ordinary shares (constituting 5% of OPCO's share capital), will be created in the share capital of OPCO, by converting 50 authorised, unissued ordinary shares into "B" ordinary shares, having the rights and privileges set out in paragraph 3.8 below.

3.5.3 BEE SPV (a company newly established to hold the BEE participants' indirect shareholding in OPCO) will subscribe for the "A" ordinary shares and ESOP Newco (a special purpose vehicle for facilitating an employee share ownership plan in relation to OPCO shares) for the "B" ordinary shares, in both instances at par value. The entities and individuals referred to in paragraph 3.2 above, will be included as the recipients of dividends paid by BEE SPV from the income it receives in respect of dividends on the "A" ordinary shares paid by OPCO from time to time, subject to the limitation detailed in paragraph 3.6.2.1.1 below.

3.5.4 Employees of ArcelorMittal South Africa and subsidiaries of ArcelorMittal South Africa, will be the recipients of dividends paid by ESOP Newco from income it receives in respect of dividends on the "B" ordinary shares, subject to the limitation detailed in paragraph 3.8.1 below.

3.6 Exit by BEE SPV and ESOP Newco at the end of the Transaction

3.6.1 BEE Put Option

3.6.1.1 ArcelorMittal South Africa shall grant the shareholders of BEE SPV ("SEPs") the right and option ("Put Option"), to require that ArcelorMittal South Africa purchases from the SEPs collectively, all of the shares held by the SEPs in the capital of BEE SPV ("Put Shares"), *inter alia*, on the following terms and conditions:

3.6.1.1.1 the Put Option shall be exercisable by the SEPs at any time after the later of four years from the effective date of the Transaction ("Effective Date") and ArcelorMittal South Africa receiving confirmation from the Department of Trade and Industry and the Department of Mineral Resources, that OPCO shall be permitted to continue to recognise the BEE rating afforded to it through the Transaction, notwithstanding the exit of the SEPs ("Confirmation"), provided that if the Confirmation is not received by the fourteenth anniversary of the Effective Date, the Put Option shall be exercisable regardless;

3.6.1.1.2 the purchase price payable by ArcelorMittal South Africa for the Put Shares ("Put Price"), shall be calculated in accordance with a pre-determined formula which considers, *inter alia*, the inherent value of shares in BEE SPV, determined by reference to the 30-day volume weighted average price ("VWAP") of an ArcelorMittal South Africa ordinary share; and

3.6.1.1.3 subject to satisfaction of any applicable regulatory requirements, the aggregate Put Price, at the election of ArcelorMittal South Africa, shall either be paid in cash or discharged through the allotment and issue by ArcelorMittal South Africa to the SEPs of fully-paid ArcelorMittal South Africa ordinary shares.

3.6.2 OPCO's Repurchase Right in respect of "A" Ordinary Shares

3.6.2.1 The "A" ordinary shares will be issued by OPCO to BEE SPV, subject to the following conditions:

3.6.2.1.1 the right to receive only 5% of the ordinary dividends and none of the extraordinary dividends declared in respect of the "A" ordinary shares ("Trickle Dividend"), during the period commencing on the date of issue of such shares ("Issue Date") and ending on the date of their repurchase as detailed in paragraph 3.6.2.1.2 below ("Transaction Term"); and

3.6.2.1.2 provided that at such time the SEPs have not yet exercised the Put Option referred to in paragraph 3.6.1 above, OPCO will have the right ("A" Repurchase Right") at any time during years 5 to 20 from the Effective Date, to repurchase from BEE SPV, a certain number of the "A" ordinary shares at their par value (the "A" Repurchase Shares). The "A" Repurchase Right will be automatically exercised at the end of year 20. The number of the "A" Repurchase Shares will be calculated in accordance with a pre-determined notional funding formula which considers the following:

3.6.2.1.2.1 the 30-day VWAP of an ArcelorMittal South Africa ordinary share at the end of the Transaction Term; and

3.6.2.1.2.2 the dividends not paid to BEE SPV due to the suspension of dividend rights attaching to the "A" ordinary shares during the Transaction Term as described in paragraph 3.6.2.1.1 above.

3.6.2.2 Immediately after the repurchase by OPCO of the "A" Repurchase Shares, the suspension on dividend rights in respect of the remaining "A" ordinary shares not repurchased by OPCO will cease, to the effect that the "A" ordinary shares will automatically become ordinary shares and carry identical rights and benefits to the OPCO ordinary shares held by ArcelorMittal South Africa. At this stage, OPCO will be entitled to repurchase the remaining "A" ordinary shares at market value, with the purchase consideration to be settled, at the election of ArcelorMittal South Africa and subject to any applicable regulatory requirements, in cash or through the issue by ArcelorMittal South Africa of fully-paid ArcelorMittal South Africa ordinary shares.

3.6.3 OPCO's Repurchase Right in respect of "B" Ordinary Shares

3.6.3.1 The "B" ordinary shares will be issued by OPCO to ESOP Newco, substantially on the same conditions as those applying to the "A" ordinary shares, save that:

3.6.3.1.1 the 5% Trickle Dividend will be paid until the fifth anniversary of the Issue Date; and

3.6.3.1.2 OPCO will have the right to repurchase, after the fifth anniversary of the Issue Date, a certain number of the "B" ordinary shares (the "B" Repurchase Shares") at their par value, with the number of the "B" Repurchase Shares being calculated in accordance with an agreed notional funding formula.

3.6.3.2 After repurchase by OPCO of the "B" Repurchase Shares, the suspension on dividend rights in respect of the "B" ordinary shares not repurchased by OPCO will cease and at this time, OPCO will be entitled to repurchase the remaining "B" ordinary shares at market value, with the purchase consideration to be settled by ArcelorMittal South Africa, on the same basis as in paragraph 3.6.2.2 above.

3.7 Rights and Privileges attaching to Class "A" Ordinary Shares in OPCO

The 210 "A" ordinary shares in the capital of OPCO will have the following rights and privileges:

3.7.1 from the Issue Date until exercise by OPCO of the "A" Repurchase Right (the "Suspension Period"), the right of the holder thereof (BEE SPV) to receive ordinary dividends and/or extraordinary dividends, will be limited to 5% of the amount of annual dividends declared in respect of the "A" ordinary shares;

3.7.2 BEE SPV's right to receive the balance of dividends accrued but not received in respect of the "A" ordinary shares during the Suspension Period, will be taken into account in the formula referred to in paragraph 3.6.2.1.2 above; and

3.7.3 apart from the suspension of dividend rights (which shall cease at the end of the Suspension Period), the "A" ordinary shares will have exactly the same rights (including voting rights) as, and in all respects rank *pari passu* with, the 740 OPCO ordinary shares held by ArcelorMittal South Africa.

3.8 Rights and privileges attaching to Class "B" Ordinary Shares in OPCO

The 50 "B" ordinary shares in the capital of OPCO will have the following rights and privileges:

3.8.1 for a period of five years from the date of their issue, the right of the holder thereof (ESOP Newco) to receive ordinary dividends and/or extraordinary dividends will be limited to 5% of the amount of annual dividends declared in respect of the "B" ordinary shares;

3.8.2 ESOP Newco's right to receive the balance of dividends accrued in respect of the "B" ordinary shares during the five-year suspension period, will be taken into account in the formula referred to in paragraph 3.6.3.1 above; and

3.8.3 apart from the suspension of dividend rights, the "B" ordinary shares will have exactly the same rights (including voting rights) as, and in all respects rank *pari passu* with, the 740 OPCO ordinary shares held by ArcelorMittal South Africa.

3.9 Governance of Future Relationship between ArcelorMittal South Africa, BEE SPV and ESOP Newco

3.9.1 From the Effective Date, the Subscription and Shareholders' Agreement shall govern the relationship between ArcelorMittal South Africa, BEE SPV and ESOP Newco as co-shareholders in OPCO.

3.9.2 The Subscription and Shareholders' Agreement, *inter alia*, provides for:

3.9.2.1 ArcelorMittal South Africa and OPCO to have a common board of directors and BEE SPV being entitled to appoint 1 OPCO board member which must be a Black Person (as defined in the Codes);

3.9.2.2 a BEE lock-in binding BEE SPV, until the permitted exits described in paragraph 3.6 above and an obligation on BEE SPV to procure that the constitutional documents of its direct and indirect shareholders, contain appropriate lock-in provisions which mirror those binding BEE SPV;

3.9.2.3 a forced sale to ArcelorMittal South Africa at fair value of the "A" ordinary shares upon the insolvency of BEE SPV; and

3.9.2.4 the terms of the Put Option and "A" and "B" Repurchase Rights.

3.10 Conditions Precedent

The Subscription and Shareholders' Agreement and the Transaction are subject to the fulfillment, by no later than Monday, 28 February 2011, of the following conditions precedent:

3.10.1 approval of the Transaction by the respective boards of directors of ArcelorMittal South Africa, BEE SPV and ESOP Newco and by Shareholders;

3.10.2 the circular and any other documentation to be sent to Shareholders pursuant to the JSE Limited Listings Requirements ("Listings Requirements"), having been approved by the JSE Limited ("JSE") and OPCO's articles of association having been amended to the extent necessary to comply with the requirements of Schedule 10 of the Listings Requirements;

3.10.3 to the extent required, obtaining approval of and/or necessary rulings in relation to the Transaction from all applicable regulatory authorities, including the JSE and the Securities Regulation Panel;

3.10.4 ArcelorMittal South Africa notifying BEE SPV in writing, that ArcelorMittal South Africa is satisfied with the identity of the shareholders introduced into BEE SPV, the direct and indirect ownership structure which had been established in respect of BEE SPV and that such ownership structure achieves the Minimum Required B-BEE Shareholding Composition prescribed by ArcelorMittal South Africa;

3.10.5 OPCO in general meeting having adopted special resolutions to create the "A" and "B" ordinary shares and such resolutions having been registered with the Registrar of Companies; and

3.10.6 the transfer by ArcelorMittal South Africa to OPCO of the ArcelorMittal South Africa operating assets having been completed and a shareholders' agreement in relation to BEE SPV being entered into between the shareholders of BEE SPV and ArcelorMittal South Africa.

4. SALIENT DATES AND TIMES

2010

Circular and notice of general meeting posted to Shareholders on or about	Monday, 6 September
Last day for receipt of forms of proxy for the general meeting by 09h00 on or about	Friday, 24 September
General meeting to be held at 09h00 at the address stipulated in paragraph 5 below on or about	Tuesday, 28 September
Results of the general meeting released on SENS on or about	Tuesday, 28 September
Results of the general meeting published in the South African press on or about	Wednesday, 29 September

All times shown in this announcement are South African times. These salient dates and times are subject to amendment. Any such relevant amendments will be released on SENS and published in the South African press.

5. GENERAL MEETING

A general meeting of Shareholders ("General Meeting") will be held at 09h00 on or about Tuesday, 28 September 2010, at Kwena Suite, Hilton Sandton, 138 Rivonia Road, Sandton, South Africa, to consider and, if deemed fit, pass, with or without modification, the necessary resolutions to implement the Transaction.

6. FURTHER DOCUMENTATION

A circular setting out the full terms of the Transaction and convening the General Meeting will be posted to Shareholders on or about Monday, 6 September 2010.

7. FURTHER CAUTIONARY ANNOUNCEMENT

The *pro forma* financial effects of the Transaction were not yet available at the time of the publication of this announcement. Such detail will be announced by no later than Monday, 30 August 2010. Accordingly, Shareholders are advised to continue exercising caution when dealing in ArcelorMittal South Africa securities, until a further announcement is made in this regard.

Vanderbijlpark
Tuesday, 10 August 2010

For further information please contact:
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Financial Advisors



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