



The lifeblood of a developing nation

ArcelorMittal South Africa Limited

Unaudited group earnings results and physical information for the quarter ended 30 September 2009



ArcelorMittal

(Incorporated in the Republic of South Africa)

Registration number: 1989/002164/06

Share code: ACL ISIN: ZAE 000134961

("ArcelorMittal South Africa", "the company" or "the group")

Financial results

ArcelorMittal South Africa has posted a headline loss of R65 million for the third quarter of 2009 which represents a substantial improvement on the R607 million loss of the previous quarter. However, the depressed market conditions that continued to prevail are especially evident when compared to the record headline profit of R3 772 million achieved during the third quarter last year.

The improvement from the previous quarter was driven by a 19% rise in sales volumes, a moderate improvement in steel prices and lower raw material input costs as expensive coal contracts started to run out by the middle of the third quarter. Profit from our Coke and Chemicals business also showed a significant improvement from the previous quarter as demand for market coke from the ferro-alloy industry started to recover. The stronger Rand continued to have a negative impact on our financial performance.

Cash costs per ton of hot rolled coil for the quarter decreased by 8.7% compared to the previous quarter and by 10.9% compared to the corresponding period last year. The cash costs of billets decreased by 12.3% and 17.8% respectively. The reduced costs were mostly the result of lower coal prices and higher production volumes.

The cash flow for the quarter was a positive R684 million and increased the company's cash balance to R3 697 million.

Market review

International market

International demand for steel in almost all regions improved during the third quarter of 2009 but the price of steel products – although showing modest gains over the past few months – remained subdued as steel producers started to bring production capacity back on stream. It is also apparent that inventory de-stocking is essentially completed. ArcelorMittal South Africa's exports increased by 17% from the second quarter to 402 000 tonnes in the third quarter.

Domestic market

Output growth in the South African economy remained weak in the third quarter of 2009. Real gross domestic product contracted at a rate of 6.4% in the first quarter of 2009 and by 3% in the second quarter. Early indications are that economic growth in the third quarter will still be negative, though at a reduced rate.

The uncertain economic outlook, tight credit conditions and the negative impact of the strong Rand on the ability of export orientated industries to compete internationally, continue to depress domestic sales. Notwithstanding the relatively low inventory levels in the domestic market and the slow pace at which buyers are replenishing their inventories in light of the uncertain economic outlook, quarter three sales increased by 20% to 847 000 tonnes compared to the previous quarter. Sales though are still 33% below the levels achieved a year ago.

Operational review

Liquid steel production for the third quarter of 2009 totalled 1 365 000 tonnes, an increase of 12% compared to the previous quarter, but still 26% below the corresponding period last year. Production levels in the first six months of 2009 were at about 60% of total capacity and increased to over 70% in quarter three. We have prepared Blast Furnace C at Vanderbijlpark Works for a restart and will resume production as soon as market conditions justify an increase in volumes. Both Newcastle Works and Saldanha Works are currently running at full production.

Contingent liabilities

The case brought before the Competition Tribunal (the "Tribunal") by gold miners Harmony Gold Mining Company Limited and DRDGold Limited, which was appealed to and subsequently remitted back by the Competition Appeal Court to the Tribunal, has been settled. A formal notice of withdrawal was submitted to the Tribunal.

Another case brought by Barnes Fencing Industries Limited relating to alleged price and payment discrimination on the sale of low carbon wire rod products continues in accordance with Tribunal procedures. A date for the hearing has not been set.

The Competition Commission investigated ArcelorMittal South Africa, together with four other primary steel producers in South Africa in respect of alleged market collusion and price fixing relating to certain long steel products. The Competition Commission has referred the matter to the Tribunal for adjudication and recommended a financial penalty of 10% of the company's 2008 turnover. ArcelorMittal South Africa is in the process of preparing its response to the Competition Commission's complaint referral.

Safety, health and environment

Notwithstanding actions taken to improve safety performance, the third quarter saw a deterioration in the lost time injury frequency rate from 1.8 reported in the second quarter to 3.3 injuries per 1 million man-hours worked. A fatal incident occurred at Vanderbijlpark Works which is regrettable given our quest to achieve zero fatalities and injuries. This strengthens management's commitment to improve safety performance.

Environmental matters feature prominently in the company's priority list, though the severe impact of the global economic crisis has necessitated the postponement of capital spending on some environmental projects.

Nevertheless, we are nearing completion on two crucial projects that will significantly mitigate the company's environmental impact:

- The installation of a dust extraction system at the steelmaking facilities of Vereeniging Works is progressing well and is scheduled for completion by the end of this year.
- The Coke Oven Gas and Water Cleaning project at Vanderbijlpark Works should be operational during the fourth quarter of 2009. The project will achieve an approximate 40% reduction in SO₂ emissions at the plant.

Capital projects

As a result of the adverse economic climate a number of projects that were suspended in the first half of the year have been re-activated. After more than 30 years of continuous operation, the Tinning Line at Vanderbijlpark Works is undergoing structural repairs and is scheduled for completion in the fourth quarter.

Resignation of directors

Dr LGJJ Bonte will resign as President and as Executive Director of the company with effect from 30 November 2009. Dr KDK Mokhele has informed the board of directors ("the board") that he will resign as Independent Non-executive Director and Chairman of the board with effect from 4 December 2009.

Outlook for fourth quarter

Results in the fourth quarter of 2009 are expected to improve further, driven by higher sales and lower costs, with lower coal prices making the largest contribution. The Rand's performance is a critical variable in our outlook for the quarter.

Domestic demand is set to recover further during the fourth quarter on the back of a stronger international economy and a slight easing of credit requirements by the banking sector. However, the seasonal slowdown in domestic activities during the December holiday season will have an influence on the sales volumes.

The recovery in the global economy should continue to boost demand for steel globally. Steel price improvements will depend on the discipline steel producers exercise in aligning production with demand.

On behalf of the board

NMC Nyembezi-Heita (Chief Executive Officer)

HJ Verster (Chief Financial Officer)

27 October 2009

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).

Group income statement

	Quarter ended			Nine months ended	Year ended
	30 September 2009	30 September 2008	30 June 2009	30 September 2009	31 December 2008
	Rm	Rm	Rm	Rm	Audited Rm
Revenue	6 903	13 349	5 783	18 863	39 914
Flat Carbon Steel Products	4 311	8 448	3 606	12 066	25 513
Long Carbon Steel Products	2 292	4 120	2 075	6 355	12 950
Coke and Chemicals	513	999	309	972	3 563
Inter group eliminations	(213)	(218)	(207)	(530)	(2 112)
Profit/(loss) from operations	30	5 190	(177)	(292)	12 159
Flat Carbon Steel Products	(299)	3 257	(301)	(876)	7 007
Long Carbon Steel Products	138	1 570	(4)	126	3 672
Coke and Chemicals	141	525	80	236	1 743
Corporate and Other	50	(162)	48	222	(263)
(Losses)/gains on changes in foreign exchange rates and financial instruments	(147)	111	(681)	(842)	637
Interest income	8	44	65	191	318
Finance costs	(84)	(160)	(44)	(225)	(238)
Income from investments	1	1		2	3
Impairment reversal					36
Income from equity accounted investments (net of tax)	76	188	1	117	331
(Loss)/profit before tax	(116)	5 374	(836)	(1 049)	13 246
Income tax expense	44	(1 620)	227	129	(3 865)
(Loss)/profit for the period	(72)	3 754	(609)	(920)	9 381
Attributable to:					
• Owners of the company	(72)	3 754	(609)	(920)	9 381

Group income statement continued

	Quarter ended			Nine months ended	Year ended
	30 September 2009	30 September 2008	30 June 2009	30 September 2009	31 December 2008
	Rm	Rm	Rm	Rm	Audited Rm
ADDITIONAL INFORMATION					
Attributable (loss)/earnings per share (cents)	(18)	842	(137)	(214)	2 105
Reconciliation of headline (loss)/earnings					
(Loss)/profit for the period	(72)	3 754	(609)	(920)	9 381
Adjusted for:					
- Loss on disposal or scrapping of assets	10	25	2	15	39
- Impairment charge					121
- Impairment reversal					(36)
- Tax effect	(3)	(7)		(4)	(21)
Headline (loss)/earnings	(65)	3 772	(607)	(909)	9 484
Headline (loss)/earnings per share (cents)	(16)	846	(136)	(211)	2 128

Physical information ('000 tonnes)

	Quarter ended			Nine months ended	Year ended
	30 September 2009	30 September 2008	30 June 2009	30 September 2009	31 December 2008
Flat Carbon Steel Products					
Liquid steel production	822	1 283	773	2 348	4 084
Sales	774	964	643	2 121	3 412
Long Carbon Steel Products					
Liquid steel production	543	558	446	1 394	1 690
Sales	475	480	405	1 196	1 677
Total					
Liquid steel production	1 365	1 841	1 219	3 742	5 774
Sales	1 249	1 444	1 048	3 317	5 089
- Local	847	1 268	703	2 236	4 375
- Export	402	176	345	1 081	714
- Local sales as % of total sales	68	88	67	67	86

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Directors: **Non-executive:** Dr KDK Mokhele (Chairman)*, DK Chugh†, CPD Cornier‡, EK Diack*, S Maheshwari†, LP Mondy, DCG Murray*, MJN Njike*, ND Orleyn*, AMHO Poupart-Lafarge‡
Executive: NMC Nyembezi-Heita (Chief Executive Officer), Dr LGJJ Bonte‡ (President), HJ Verster‡ (Chief Financial Officer)

‡ Previously known as Executive Director Finance. No change in responsibilities, only a change in title. *Independent non-executive †Citizen of India ‡Citizen of France ‡Citizen of Belgium

Company Secretary: Premium Corporate Consulting Services (Proprietary) Limited

Sponsor: Deutsche Securities (South Africa) (Proprietary) Limited, 87 Maude Street, Sandton, 2146 Private Bag X9933, Sandton, 2146

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 P.O. Box 61051, Marshalltown, Johannesburg, 2107