

# ArcelorMittal South Africa Limited

(Formerly Mittal Steel South Africa Limited)

## Unaudited group earnings and physical information for the quarter ended 30 September 2007

### FINANCIAL RESULTS

Headline earnings for the quarter of R1 041 million decreased by 35% compared to the previous quarter and by 29% compared to the corresponding period last year. However, on an operating income level the decreases were only 9,5% and 0,8% respectively.

The decrease in headline earnings from the corresponding period last year was mainly due to lower sales volumes, an increase in cost, a loss on foreign exchange rates and financial instruments and tax of R238 million due to STC on the capital reduction during the previous quarter. This was partially offset by higher steel prices.

### MARKET REVIEW

#### International

Export volumes for the quarter increased by 19% compared to the previous quarter but decreased by 1% compared to the corresponding period last year. Export volumes are mainly a function of production volumes and the quantity of products available after the domestic demand has been satisfied.

Average net export prices realised during the past quarter remained strong and improved marginally (2%) compared to the previous quarter with most international markets moving sideways from the second quarter. However, compared to the corresponding period last year we experienced an increase of 6%.

#### Domestic

Domestic sales volumes during the quarter decreased by 3% compared to the previous quarter and by 12% compared to the corresponding period last year, driven by the impact of the higher interest rates on the demand for durable goods as well as customers reducing inventory to normal levels.

### PRODUCTION

Liquid steel production for the quarter increased by 14% compared to the previous quarter following the relining of one of the Blast Furnaces at Vanderbijlpark Works during quarter two. However, this was still 4% below the corresponding period last year mainly due to the Blast Furnace relining period that was extended to the middle of July, cold conditions experienced for two weeks shortly after the startup as well as a major maintenance shutdown at Saldanha Works.

### COST

Cash cost per ton of hot rolled coil for the quarter increased by 20% compared to the corresponding period last year while the cash cost of billets increased by 12%. The increases were mainly driven by a substantial increase in the cost of domestic coal, scrap, iron ore and alloys. The increase in the cost of hot rolled coil was further aggravated by the increase from quarter two to quarter three as set out below.

Compared to the previous quarter, the cost of hot rolled coil increased by 7% while billets remained almost unchanged. The increase in the cost of hot rolled coil was mainly due to a major planned maintenance shutdown at the Saldanha Works during July 2007. This also resulted in a higher consumption of expensive imported pellets and hot bricketed iron in order to minimise production losses as well as a higher fuel rate required during the startup. At Vanderbijlpark Works costs were also negatively impacted by higher fuel rates during the start-up of the Blast Furnace and during the period it experienced cold conditions. This was partially offset by the impact of higher production volumes at the Vanderbijlpark Works.

### CONTINGENT LIABILITIES

The Alternative Dispute Resolution process followed with SARS regarding the tax deductibility of the payments made in terms of the Business Assistance Agreement is still in progress. The full amount at risk is R403 million of tax plus interest and penalties. In terms of the settlement offer, the 20% provision recognised for the 2006 financial year was maintained.

On 6 September 2007, the Competition Tribunal imposed a R692 million administrative penalty and other remedies in the case brought before it by gold miners, Harmony Gold Mining Company and DRD Gold Limited, alleging excessive pricing. A notice of appeal has been filed by ArcelorMittal South Africa with the Competition Appeals Court against both the merits and the remedies decisions. The appeal hearing is expected after the first quarter of 2008. Critically assessed in terms of the recognition and measurement criteria of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, no provision has been raised and no contingent liability quantified. During the first quarter of 2007, a complaint was referred to the Competition Tribunal involving accusations by Barnes Fencing Industries of price and payment condition discrimination on domestic sales of low carbon wire rod products. ArcelorMittal South Africa filed its answering affidavit on 26 April 2007. Barnes Fencing Industries since applied for intervention in the process by including additional complaints against the company concerning alleged contravention of Section 5 (Prohibited virtual practices) and Section 8 (Abuse of dominance) of the Competitions Act. The intervention hearing is scheduled to be heard in February 2008. No provision has been raised nor any contingent liability quantified in respect of this complaint.

### OUTLOOK

The earnings for quarter four are expected to improve compared to quarter three, driven by higher production and sales volumes. The international prices for steel are expected to remain strong during quarter four, supported by higher demand in the Euro-zone after their holiday season and indications of an increase in Chinese export taxes which will lead to higher export prices. The government's multi-billion infrastructure development programme and inventory levels which are currently more in equilibrium with demand are expected to support domestic steel demand during quarter four. However, the movement in the Rand/US Dollar exchange rate will always have an important impact.

In line with the company's intention to implement Black Economic Empowerment, shareholders are advised that the company is currently contemplating a Black Economic Empowerment transaction. Since this initiative is still at the conceptual stage no further detail is available at this time.

### GROUP INCOME STATEMENT

	Quarter ended 30 September 2007	30 September 2006
	Rm	
<b>Revenue</b>	<b>7 532</b>	<b>7 532</b>
Flat Products	4 790	5 000
Long Products	2 493	2 532
Coke and Chemicals	553	553
Inter Group eliminations	(304)	(304)
<b>Operating profit</b>	<b>1 938</b>	<b>1 938</b>
Flat Products	997	1 000
Long Products	767	767
Coke and Chemicals	208	208
Corporate and Other	(34)	(34)
<b>(Losses)/gains on changes in foreign exchange rates and financial instruments</b>	<b>(133)</b>	<b>(133)</b>
<b>Net interest income</b>	<b>135</b>	<b>135</b>
<b>Income from investments</b>	<b>1</b>	<b>1</b>
<b>Income/(loss) from equity accounted investments</b>	<b>35</b>	<b>35</b>
<b>Income tax expense</b>	<b>(935)</b>	<b>(935)</b>
<b>Profit from ordinary activities</b>	<b>1 041</b>	<b>1 041</b>
<b>Profit attributable to:</b>		
- Ordinary shareholders	1 041	1 041
<b>Additional Information</b>		
<b>Headline earnings</b>	<b>1 041</b>	<b>1 041</b>
Performance per ordinary share		
Attributable earnings per share (cents)	234	234
Headline earnings per share (cents)	234	234

This report is available on the ArcelorMittal South Africa Web site at: <http://www.mittalsteelsa.com>. Share queries: Please call the ArcelorMittal South Africa Share Centre on 0800 00 00 00.



# ArcelorMittal

## Information

Quarter ended	Year ended		
	30 September	31 December	
2007	2006	2006	
Rm	Rm	Rm	
532	7 106	7 312	25 363
790	5 020	4 739	17 350
493	2 022	2 366	7 691
553	264	502	1 033
(304)	(200)	(295)	(711)
938	1 953	2 141	5 833
997	1 378	1 284	3 550
767	568	699	2 100
208	47	174	184
(34)	(40)	(16)	(1)
(133)	314	(76)	480
135	35	89	193
1	1	1	7
35	(38)	108	195
(935)	(795)	(650)	(2 062)
041	1 470	1 613	4 646
041	1 470	1 613	4 646
041	1 470	1 613	4 646
234	330	362	1 042
234	330	362	1 042

## PHYSICAL INFORMATION

	Quarter ended		Year ended	
	30 September	30 September	30 June	31 December
'000 tonnes	2007	2006	2007	2006
<b>Flat Products</b>				
Liquid steel production	1 148	1 217	942	4 863
Sales	957	1 108	935	4 268
<b>Long Products</b>				
Liquid steel production	548	546	549	2 192
Sales	495	488	487	1 926
<b>Total</b>				
Liquid steel production	1 696	1 763	1 491	7 055
Sales	1 452	1 596	1 422	6 194
• Local	1 078	1 219	1 109	4 400
• Export	374	377	313	1 794
• Local sales as % of total sales	74	76	78	71

### Registered Office

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

### Transfer Secretaries

Computershare Investor Services  
2004 (Pty) Limited  
70 Marshall Street, Johannesburg, 2001  
PO Box 61051, Marshalltown, 2107

### Directors:

**Non-executive:** Dr KDK Mokhele (Chairman), DK Chugh\*, EK Diack, S Maheshwari\*, LP Mondli, M Mukherjee\*, DCG Murray, MJN Njeke, ND Orleyn, M Wurth†  
\* Citizen of India † Citizen of Luxembourg.

### Executive:

EM Reato (Chief Executive Officer)  
HJ Verster  
JJA Mashaba (resigned with effect 1 October 2007)

### Acting Company Secretary:

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

### 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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