

# ArcelorMittal

## Reviewed group financial results for the year ended 31 December 2009

("ArcelorMittal South Africa", "the company" or "the group") Registration number: 1989/002164/06 Share code: ACL ISIN: ZAE 000134961

#### Financial review

ArcelorMittal South Africa posted a headline loss of R440 million for 2009 compared to a profit of R9 484 million in the previous financial year. This sharp decline in the financial performance was due to the severe impact of the global economic crisis on the steel industry, which was further aggravated by losses on changes in foreign exchange rates due to the strengthening of the Rand against the US Dollar. However, the company's financial performance improved markedly as the year progressed. A headline loss of R844 million during the first half was followed by a profit of R404 million in the second half. This turnaround was even more pronounced in the fourth quarter with headline earnings of R469 million compared to an average quarterly loss of R303 million during the first three quarters. The better performance in the latter part of 2009 was driven by higher sales volumes and improved prices following the slight recovery in the global economy as well as a lower cost base, led by cheaper coal contracts.

Following the headline loss of R440 million for the year, no dividend will be paid. However, our dividend policy of declaring one third of headline

Hot rolled coil cash costs per tonne were up by 0.9% year-on-year due to the use of expensive coal for most of 2009, exacerbated by a 16% decline in flat steel production volumes during the year. The cash costs per tonne of billets decreased by 9% supported by the 11% rise in long steel product volumes in 2009. This trend was reversed in the fourth quarter with the cash cost of hot rolled coil falling by 6%, compared to the third quarter, following the reduction of coal prices and 31% higher production volumes. The cash cost of billets, while also benefiting from lower coal prices, increased by 1% during the fourth quarter, mainly due to a 11% fall in production volumes.

Sales volumes for the year were 12% down compared to 2008 as domestic sales dropped by 30% to 3.1 million tonnes. This was only partially offset by a 95% rise in export sales to 1.4 million tonnes. Average net export prices for hot rolled coil were down by 48% in 2009.

### Quarterly headline earnings/(loss) (unaudited) Quarter to March 2008 June 2008 Average September 2008 December 2008 2 454 June 2009 Average September 2009 December 2009 Average

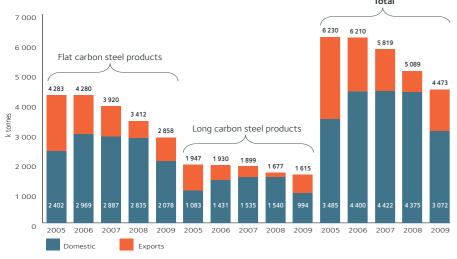
#### Market review International market

There has been a steady recovery in steel demand as the global economy begins its recovery. Inventories are at historically low levels, stimulus plans are having their desired effect and countries around the world are emerging from recession. However, it is expected that the market will remain fragile through 2010. Strong growth is noticeable in developing markets such as India, Fazzil, Africa, the Middle East and especially China where the outlook is particularly strong. In developed markets, on the other hand, prospects are more subdued, especially in the US and Europe, where only a modest recovery is expected in the near future. Stronger steel prices are further supported by rising coal, iron ore and scrap prices. The average capacity utilisation for the global steel industry improved during the year to 71% in December 2009 from 58% a year earlier.

#### Domestic market

After three quarters of negative growth, South Africa's real gross domestic product recorded an annualised increase of 0.9% in the third quarter. Early indications are that the improved conditions continued into the fourth quarter of 2009 led by a gradual recovery in the manufacturing sector. Meaningful month-on-month growth levels are being reported for basic iron and steel products, other fabricated metal products and for the production of vehicles and associated equipment. It thus appears that South Africa has joined other emerging markets in avoiding a widespread and extended economic recession though the recovery this year is likely to be moderate.

#### Shipment volumes (unaudited)



#### Operational review

ArcelorMittal South Africa reported an operating profit of R229 million for 2009, comprising a R614 million loss at our Flat Steel Products business, a profit of R315 million at our Long Steel Products business and a R449 million profit from our Coke and Chemicals division. At an EBITDA level all the business units were positive with profits of R381 million, R591 million and R556 million respectively.

Liquid steel production last year was cut by 8.1% to 5.3 million tonnes to align output to lower demand levels. Demand levels picked up considerably during the fourth quarter and Blast Furnace C was restarted at Vanderbii 80% compared with an average 65% during the first three quarters

#### Safety, health and environment

The company's sustained actions to improve its safety performance were marred by the tragic accident at Newcastle Works on 30 December 2009 in which four workers were killed. The workers died of asphyxiation while involved in maintenance work at a basic oxygen furnace. The four deaths bring the number of fatalities last year to five. We extend our heartfelt cond strengthened our resolve to achieve zero fatalities and injuries at our operations. The lost-time injury frequency rate per million hours worked worsened during 2009 to 2.6 from 2.4 in 2008.

Environmental matters feature prominently on the company's priority list, though the impact of the global economic crisis necessitated the postponement of capital spending on some environmental projects planned for 2009. Crucial projects were however not postponed and the new dust extraction system at the steelmaking facilities of Vereeniging Works was completed by end December 2009. The Coke Oven Gas and Water Cleaning Project at Vanderbijlpark Works that will reduce SO<sub>2</sub> emissions from the Works by an approximate 40%, has been commissioned in January 2010.

### Capital projects

A number of capital projects that were suspended in the first half of 2009 have been re-activated. In addition, the company has identified a number of growth and savings related projects, which are currently being fast-tracked for implementation.

The refurbishment of the Tin Line at Vanderbijlpark Works after 30 years of service was successfully completed.

#### Contingent liabilities The case brought before the Competition Tribunal (the "Tribunal") by gold miners Harmony Gold Mining Company Limited and DRD Gold Limited, which was

appealed and subsequently referred back by the Competition Appeal Court to the Tribunal, was settled without the admission of guilt. A formal notice of withdrawal was handed to the Tribunal.

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

The Competition Commission investigated ArcelorMittal South Africa and four other primary steel producers in South Africa relating to alleged market collusion and price fixing of certain long steel products. The Competition Commission referred the matter to the Tribunal for adjudication and recommended a financial penalty of 10% of the company's 2008 turnover. In preparing a response to the referral, ArcelorMittal South Africa filed a separate interlocutory application with the Tribunal on 17 December 2009.

### Changes to the board of directors

- Dr KDK Mokhele resigned as Independent Non-executive Director and Chairman of the Board with effect from 4 December 2009.
   MJN Njeke was appointed Acting Chairman of the Board with effect from 4 December 2009 and confirmed as Chairman of the Board with effect from 4 February 2010.
   Dr LGJJ Bonte resigned as President and Executive Director of the Board with effect from 30 November 2009.
- Dir LGJI Bonte resigned as President and Executive Director of the Board with effect from 30 November 2009.
   M MacDonald was appointed as an Independent Non-executive Director of the Board, with effect from 4 February 2010.

### Outlook for quarter one 2010

Financial results for the first quarter of 2010 are expected to improve further on the fourth quarter 2009, boosted by a combination of higher production higher sales volumes and improved international sales prices. This will be partially offset by a rise in coal, scrap, alloy and iron ore input prices. Change in the Rand/US Dollar exchange rate will always have an important impact on earnings.

On behalf of the board	
NMC Nyembezi-Heita	Chief Executive Officer

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HJ Verster Chief Financial Officer

4 February 2010

	Year ended 3	1 December
	2009 Reviewed Rm	200 Audite R
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)		
Profit from operations	229	12 15
Adjusted for:		
- impairment charge	26	12
- depreciation	1 279	1 31
- amortisation of intangible assets	13	1
EBITDA	1 547	13 60
Reconciliation of headline (loss)/earnings		
(Loss)/profit for the year		
Adjusted for:	(478)	9.38
- loss on disposal or scrapping of assets	29	3
- impairment charge	26	12
- impairment reversal	(9)	(3
- tax effect	(8)	(2
Headline (loss)/earnings	(440)	9 48
Headline (loss)/earnings per share (cents)		
- basic	(104)	2 12
- diluted	(104)	2 12
Selected ratios (%)		
EBITDA margin	6.0	34
Return on ordinary shareholders' equity per annum		
- attributable earnings	(1.9)	38
- headline earnings	(1.8)	39
Net cash to equity	18.1	28
Share statistics		
Ordinary shares (thousands)		
- in issue	401 202	445 75
<ul> <li>weighted average number of shares</li> </ul>	423 050	445 75
<ul> <li>diluted weighted average number of shares</li> </ul>	423 684	447 43
Share price (closing) (Rand)	103.00	88.4
Market capitalisation (Rand million)	41 324	39 42
Net asset value per share (Rand)	54.65	62.8
Dividend per share (cents)		
- interim		34
- final		36

### 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

· · · · · · · · · · · · · · · · · · ·	rear ended .	3 i December
	2009 Reviewed Rm	2008 Audited Rm
Revenue	25 598	39 914
Raw materials and consumables used	(14 003)	(18 556)
Employee costs	(2 640)	(2 598)
Energy	(2 062)	(1 474)
Movement in inventories of finished goods and work in progress	(1 296)	1 844
Impairment charge (Note 2)	(26)	(121)
Depreciation	(1 279)	(1 310)
Amortisation of intangible assets	(13)	(12)
Other operating expenses	(4 050)	(5 528)
Profit from operations	229	12 159
(Losses)/gains on changes in foreign exchange rates and financial instruments (Note 3)	(813)	637
Interest income	199	318
Finance costs (Note 4)	(276)	(238)
Income from investments	3	3

Condensed group income statement

Impairment reversal (Note 5) (Loss)/profit before tax (Note 6) (3 865) (35) (Loss)/profit for the year 9 381 - diluted

#### Condensed group statement of comprehensive income

	Year ended 31 December		
	2009	2008	
	Reviewed	Audited	
	Rm	Rm	
(Loss)/profit for the year	(478)	9 381	
Other comprehensive income			
Exchange differences on translation of foreign operations	(380)	591	
Gains/(losses) on available-for-sale investments taken to equity	37	(71)	
Movement in losses and gains deferred to equity on cash flow hedges	158	(91)	
Share of other comprehensive income of equity accounted investments	135		
Income tax on (expenses)/income taken directly to equity	(40)	25	
Total comprehensive (loss)/income for the year	(568)	9 835	
Attributable to:			
Owners of the company	(568)	9 835	

#### Condensed group statement of financial position

	As at 31	December
	2009 Reviewed Rm	2008 Audited Rm
Assets	Tun	Kill
Non-current assets	18 490	18 159
Property, plant and equipment	15 862	15 917
Intangible assets	72	71
Equity accounted investments (Note 8)	2 369	1 968
Other financial assets	187	203
Current assets	12 294	19 276
Inventories	5 767	8 642
Trade and other receivables	2 096	2 031
Other financial assets	83	174
Cash and cash equivalents	4 348	8 429
Total assets	30 784	37 435
Equity and liabilities		
Shareholders' equity	21 925	27 995
Stated capital	37	37
Non-distributable reserves	(2 344)	1 503
Retained income	24 232	26 455
Non-current liabilities	4 632	4 774
Borrowings and other payables (Note 9)	220	273
Finance lease obligations	557	314
Deferred income tax liability	2 435	2 5 2 6
Provision for post-retirement medical costs	8	9
Non-current provisions	1 412	1 652
Current liabilities	4 227	4 666
Trade and other payables	3 496	3 384
Borrowings and other payables (Note 9)	153	100
Finance lease obligations	57	40
Taxation	8	780
Other financial liabilities	3	157
Current provisions	510	205
Total equity and liabilities	30 784	37 435

### Segment information

Jegineni revenue	Year ended 31 December			
	2009	2008		
	Reviewed	Audited		
	Rm	Rm		
Flat Carbon Steel Products				
<ul> <li>external sales</li> </ul>	15 889	24 447		
<ul> <li>inter-segment sales</li> </ul>	403	1 066		
Long Carbon Steel Products				
<ul> <li>external sales</li> </ul>	8 112	11 936		
<ul> <li>inter-segment sales</li> </ul>	419	1 014		
Coke and Chemicals				
<ul> <li>external sales</li> </ul>	1 597	3 496		
<ul> <li>inter-segment sales</li> </ul>	56	67		
Adjustments and eliminations	(878)	(2 112)		
Total revenue	25 598	39 914		
Distributed as:				
- Local	20 344	34 931		
- Export				
Africa	3 508	2 752		
Europe	108	323		
Asia	1 554	1 696		
Other	84	212		

#### All of the segment revenue reported above is from external customers. pament profit from operations

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	Year ended 3	1 December
	2009	2008
	Reviewed	Audited
	Rm	Rm
Operating (loss)/profit before depreciation, amortisation and impairment		
– Flat Carbon Steel Products	381	8 112
<ul> <li>Long Carbon Steel Products</li> </ul>	591	3 993
- Coke and Chemicals	556	1 781
- Corporate and Other	19	(284)
Depreciation and amortisation		
- Flat Carbon Steel Products	(995)	(1 105)
- Long Carbon Steel Products	(250)	(200)
- Coke and Chemicals	(107)	(38)
- Corporate and Other	60	21
Impairment charge		
- Long Carbon Steel Products	(26)	(121)
(Loss)/profit from operations		
– Flat Carbon Steel Products	(614)	7 007
– Long Carbon Steel Products	315	3 672
- Coke and Chemicals	449	1 743
- Corporate and Other	79	(263)
Profit from operations	229	12 159

### Segment assets

	Year ended :	31 December
	2009	2008
	Reviewed	Audited
	Rm	Rm
lat Carbon Steel Products	18 430	20 198
ong Carbon Steel Products	4 530	5 097
oke and Chemicals	887	1 130
orporate and Other	6 937	11 010
otal assets	30 784	37 435

### Unaudited supplementary physical information (1000 tonnes)

chacanca copplementary priyer	in joicar in ion manor ( too formes)				
	Year ended 3	Year ended 31 December			
	2009	2008			
Flat Carbon Steel Products					
Liquid steel production	3 428	4 084			
Sales	2 858	3 412			
Long Carbon Steel Products					
Liquid steel production	1 879	1 690			
Sales	1 615	1 677			
Total					
Liquid steel production	5 307	5 774			
Sales	4 473	5 089			
- local	3 072	4 375			
- export	1 401	714			
Local sales as percentage of total sales	69	86			

#### Condensed group statement of cash flows

safe sustainable steel

	Year ended 3	1 December
	2009	2008
	Reviewed	Audited
	Rm	Rm
Cash inflow from operating activities	1 693	5 511
Cash generated from operations	4 705	10 939
Interest income	199	318
Finance costs	(121)	(59)
Dividend paid	(1 627)	(2 398)
Income tax paid	(934)	(3 087)
Realised foreign exchange movement	(529)	(202)
Cash outflow from investing activities	(1 346)	(1 813)
Investment to maintain operations	(784)	(1 413)
Investment to expand operations	(130)	(419)
Proceeds from disposals of property, plant and equipment		2
Investment in associate	(524)	
Investment income – interest	3	3
Dividend from equity accounted investments	89	14
Cash outflow from financing activities	(4 067)	(121)
Repurchase of shares	(3 918)	
Repayment of borrowings and finance lease obligations	(149)	(121)
(Decrease)/increase in cash and cash equivalents	(3 720)	3 577
Effect of foreign exchange rate changes	(361)	818
Cash and cash equivalents at beginning of year	8 429	4 034
Cash and cash equivalents at end of year	4 348	8 429

#### Notes to the reviewed financial statements

The condensed reviewed consolidated financial statements have been prepared in compliance with the Listing Requirements of the JSE Limited, International Financial Reporting Standards (IFRS) in particular International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the IASB and Schedule 4 of the South African Companies Act, 1973, as amended.

These condensed reviewed group financial results for the year ended 31 December 2009 have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on

The accounting policies and methods of computation applied in the presentation of the financial results of the group are consistent with those applied for the year ended 31 December 2008, except for the following:

— IFRS7, Financial Instruments: Disclosures – Improving disclosure about financial instruments (effective from annual periods beginning on

to a tier 1 Jahuary 2009). Reclassification of leave payment accrual previously disclosed as "provisions" to "borrowings and other payables" following the alignment with ArcelorMittal group. For the year ended 31 December 2008, in the reclassified statement of financial position compared to the previous published statement of the group "current provisions" and "non-current provisions" decreased by R67 million and R227 million respectively with a corresponding increase in "current borrowings and other payables" respectively. For the year ended 31 December 2009 "current borrowings and other payables" increased by R44 million to R111 million, and "non-current borrowings and other payables" decreased by R38 million to R189 million.

In addition to the above, the following amendments and interpretations have been adopted in advance of their effective date with no impact on the group's financial results or disclosures

- IAS 24 (Revised), Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011);

IFRIC 9 (Amendment), Reassessment of Embedded Derivatives and consequential amendments to IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods ending on or after 30 June 2009);

IFRS 2 (Amendment), Share-based Payment (effective for annual periods beginning on or after 1 January 2010);
 IAS3 2 (Amendment), Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010);

· IFRIC 17, Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009); - IFRIC 18, Transfer of Assets from Customers (effective for annual periods beginning on or after 1 July 2009);

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010).

Year ended 31 December

2 783

300

373

914

4

2 001

373

100

1 832

930 1 227

692

	2009 Reviewed Rm	2008 Audited Rm
Impairment charge     An impairment charge has been recognised against the carrying amount of the Maputo Works following the closure of the plant.     In 2008 an impairment charge of R93 million and R28 million was recognised against the carrying amounts of the Maputo Works and the Dunswart Direct Reduction facility at the Vereeniging Works respectively.	26	121
3. (Losses)/gains on changes in foreign exchange rates and financial instruments	(813)	637
Gains on changes in foreign exchange rates	103	901
Losses on changes in foreign exchange rates	(900)	(256)
Fair value (losses)/gains transferred from equity on ineffective derivative instruments designated as cash flow hedges Gains on changes in the fair value of derivative instruments designated as	(16)	(10)
held for trading at fair value through profit or loss		2
4. Finance costs	(276)	(238)
Interest expense on bank overdrafts and loans	(43)	(13)
Interest expense on finance lease obligations	(78)	(46)
Discounting rate adjustment of the non-current provisions	48	(8)
Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	(203)	(171)

An impairment against the investment in jointly controlled entity, Pietersburg Iron Company (Proprietary) Limited, has been reversed, based on mining feasibility studies being conducted within that company Following an impairment reversal in 2008 against property, plant and equipment by

jointly controlled entity, Microsteel (Proprietary) Limited, a corresponding reversal of R36 million impairment against the investment has been made 6. Profit before taxation is arrived at after

# non-executive

7. Income tax expense Current normal and deferred tax expense Normal and deferred tax expense recognised in relation to tax of prior years Effect of change in corporate tax rate

Withholding tax on foreign income Directors' valuation of equity accounted investments 9. Borrowings and other payables

Cash-settled share-based payment Leave pay

current

10. Capital expenditure Contracted Authorised but not contracted 11. Contingent liabilities

Guarantees Amount in legal trust

12. Operating lease commitments Less than one year

14. Directors' share option benefits

51 35 More than one year and less than five years 13. Related party transactions The group is controlled by ArcelorMittal Holdings AG which owns 52.02% of the company's shares. During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

Rights to options and shares held by Executive Directors in terms of the Management Share Scheme totalled 400 791 at 31 December 2009 (December 2008: 202 551), representing 0.1% (December 2008: 0.05%) of the issued shares. As part of the ArcelorMittal group exchange programme certain Executive Directors received the rights to options and shares in the ArcelorMittal AG Share Scheme. At 31 December 2009 the number totalled 8 250 (December 2008: 33 250).

The group subscribes to the Code on Corporate Practices and Conduct as contained in the second King Report on corporate governance. 16. Review by external auditors
The group financial results have been reviewed by Deloitte & Touche whose unmodified review opinion is available for inspection at the company's registered office.

Registered Office: ArcelorMittal South Africa Limited, Room N3-5, Main Building, Delfos Boulevard, Vanderbijlpark, 1911

Directors: Non-executive: MJN Njeke\* (Chairman), DK Chugh<sup>†</sup>, CPD Cornier<sup>#</sup>, EK Diack\*, M MacDonald\*, S Maheshwari<sup>†</sup>, LP Mondi, DCG Murray\*, ND Orleyn\*, AMHO Poupart-Lafarge<sup>‡</sup>, Executive: NMC Nyembezi-Heita (Chief Executive Officer), HJ Verster (Chief Financial Officer)

†Citizen of India \*Citizen of France \*Independent non-executive

Company Secretary: Premium Corporate Consulting Services (Proprietary) Limited Sponsor: Deutsche Securities (SA) (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

### Condensed group statement of changes in equity

condended group statement of cha	11900 111	equily			Non-distrib	utable reserves					
	Stated capital	Treasury share equity reserve Rm	Capital redemption reserve Rm	Management share trust Rm	Share-based payment reserve Rm	Attributable reserves of equity accounted investments Rm	Financial assets available- for-sale Rm	Translation of foreign operations Rm	Cash flow hedge accounting Rm	Retained income Rm	Total shareholders' equity Rm
Balance at 1 January 2008 (audited)	37		23	(149)	62	820	62	(7)	(54)	19 789	20 583
Total comprehensive income for the year (net of income tax) Management share trust: net treasury share purchases Share-based payment expense				(58)	33		(71)	591	(66)	9 381	9 835 (58) 33
Dividend Transfer of equity accounted earnings						317				(2 398) (317)	(2 398)
Balance at 31 December 2008 (audited) Total comprehensive income for the year (net of income tax)	37		23	(207)	95	1 137	(9) *171	584 **(375)	(120) 114	26 455 (478)	27 995 (568)
Management share trust: net treasury share purchases Share-based payment expense Repurchase of shares Dividend		(3 918)		(12)	55					(1 627)	(12) 55 (3 918) (1 627)
Transfer of equity accounted earnings						118				(118)	
Balance at 31 December 2009 (reviewed)	37	(3 918)	23	(219)	150	1 255	162	209	(6)	24 232	21 925