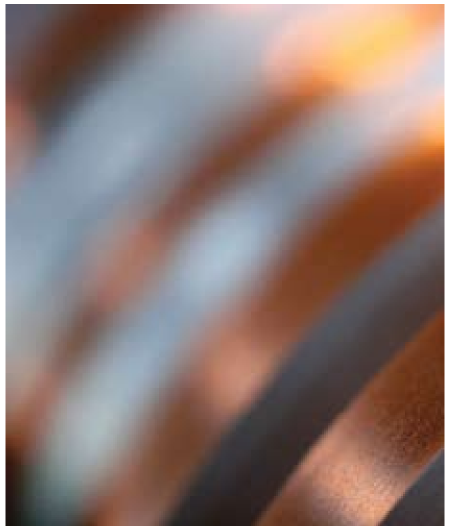

The lifeblood of a developing nation

ArcelorMittal

ArcelorMittal South Africa Limited

Unaudited group earnings and physical information for the quarter ended 31 March 2009

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

Financial review

Amid few signs of an improvement in global steel demand and prices, ArcelorMittal South Africa has reported a headline loss of R237 million for the first quarter of 2009. This compares with a profit of R2 billion during the corresponding period last year and a R1.1 billion profit for the fourth quarter of 2008.

The first quarter loss can be attributed to the sudden and sharp collapse in international demand and prices for steel. On average, realised steel prices were 50% below those reported as recently as six months ago. Costs on the other hand remained high as coking coal supply contracts were concluded at high prices last year and will only lapse during the second quarter. The decline in earnings was further aggravated by lower income from the Coke and Chemicals business amid a slump in demand for market coke from the ferro-alloy industry. The company also made losses on foreign currency transactions, as the Rand strengthened against the US Dollar during the first quarter of this year, whereas it had weakened in both the corresponding period of last year and the fourth quarter of 2008.

Market review

International

The global steel industry has been particularly hard hit by the severity of the economic downturn, with steel export prices falling below the operating cost level of many steel mills and, in some cases, even below their marginal costs. When measured against the peak in the second quarter of 2008, *World Steel Dynamics* expects apparent demand for steel in 2009 to drop by 29% globally, comprising a decline of 40% in advanced countries, 30% in the developing world (excluding China) and 17% in China. Global crude steel production in the first quarter this year was 23% lower than in the corresponding period last year.

All major markets for steel have been affected by the severe economic recession, which was sparked by the banking crisis and subsequent tightening credit conditions. Furthermore weaker currencies in many eastern European countries are enabling producers from these countries to offer steel at significantly reduced prices in US Dollar terms and contributing to fierce price competition.

Internationally there are early signs that the slump in steel demand is flattening out. However we only expect a measure of stability to return to the market by the middle of this year and a marginal up-turn in underlying demand by the end of this year. This will be boosted by the initiative of many companies to downsize their operations so that it matches the more subdued demand outlook.

Domestic market

The company's domestic steel sales for the quarter were 686 000 tonnes, 4% down on the previous quarter and 43% lower than the corresponding period last year. This was mainly due to a 22% quarter-on-quarter decline in manufacturing activities, the negative impact of tight credit conditions on demand, especially from the building and construction industry, and de-stocking by steel merchants concerned about the uncertain outlook for steel demand and prices. On the positive side, the public sector's infrastructure programme continues to underpin domestic demand, with steel sales to Eskom's new power stations starting to take off.

Operational reviews

Liquid steel production for the first quarter of this year was raised by 38% compared to the fourth quarter, though this is still 26% lower than output in the first quarter of 2008. Production levels last year fell from around 80% of capacity to below 50% in the fourth quarter as we aligned the supply of steel to reduced demand levels. Production has picked up to levels of around 60% of capacity in the first quarter of this year as the loss in sales on the domestic market was shifted to financially viable export orders.

Contingent liabilities

In the case brought before the Competition Tribunal by gold miners Harmony Gold Mining Company Limited and DRD Gold Limited alleging excessive pricing, a ruling is still pending on the appeal hearing that took place before the Competition Appeal Court during October 2008. The administrative penalty imposed by the Competition Tribunal of R692 million remains disclosed as a contingent liability and no provision has been made.

In another case brought before the Competition Tribunal by Barnes Fencing Industries Limited, relating to alleged price and payment discrimination on the sale of low carbon wire rod products, a date for the plea hearing and the beginning of the initial proceedings is awaited.

Safety, health and environment

Health and safety remains a key priority. Significant progress has been made in implementing the "Journey to Zero" initiative aimed at achieving zero fatalities and injuries. Achievements during the reporting period include 1.6 million man hours without a lost time injury at Vanderbijlpark Works and 1 million lost time injury free man hours at Vereeniging Works. The lost time injury frequency rate – the key industry safety performance indicator - stood at 2.6 (injuries per 1 million man hours worked) at the end of the first quarter, above the target of 2.0.

Environmental matters feature prominently in the company's priority list and management actions. The severe impact of the global economic crisis has necessitated a reprioritisation and reschedule of capital expenditure on some of these projects. Spending on two crucial environmental projects will continue:

- The installation of a dust extraction system at the steelmaking facilities of the Vereeniging operation is progressing well and scheduled for completion in early 2010.
- The Coke Gas and Water Cleaning Project at Vanderbijlpark has experienced commissioning delays and will be operational during the second quarter of 2009. This project will achieve a cut in SO_2 emission of about 40% at the plant.

The company is also co-operating fully with the Green Scorpions, which have made a number of inspections at our operations over the past two years, the most recent of which was conducted in March 2009 at the Saldanha plant.

Capital projects and investments

The first of the two new direct reduction kilns at the Vanderbijlpark plant went into production in early April with the second scheduled for June. These kilns will enable the operation to become less reliant on scrap as feedstock to the electric arc furnaces, while at the same time adding 220 000 tonnes of liquid steel to its manufacturing capacity.

As announced on 7 April 2009, ArcelorMittal South Africa acquired a 16.31% shareholding in Coal of Africa Limited from its holding company for an amount of R405 million. The purchase consideration was based on the 15 day volume weighted average price at which the shares traded on the JSE to the close of business on 31 March 2009. The transaction will secure part of the company's future coal needs, thus mitigating one of the key input costs. As part of the transaction, the company has an option to enter into an off-take agreement for the supply of 2.5 million tonnes of metallurgical coking coal annually.

Outlook quarter two 2009

Results for the second quarter are expected to improve marginally as the cost of raw materials, particularly coking coal, come down. While prices for steel products are expected to remain weak, domestic sales volumes should increase slightly during the second quarter as the de-stocking process nears its end. A decline in inflation, further likely interest rate cuts and Government's commitment to continue with its infrastructure programme, should also improve consumer and investment spending as the year progresses.

Announcement of share buy-back

ArcelorMittal South Africa currently has excess free cash of more than R5 billion above its operational requirements. The company has resolved to return part of such excess cash to ArcelorMittal South Africa shareholders through a scheme of arrangement in terms of section 311 of the Companies Act. The company proposes to buy, through a wholly owned subsidiary, approximately 10% of issued ArcelorMittal South Africa shares from ArcelorMittal South Africa shareholders on a pro rata basis.

The cash consideration of the share scheme will be based on the 5-day volume weighted average traded price of R87.64 per share at the close of business on 20 April 2009, being the last practical date prior to the finalisation of the scheme circular. Assuming that the company repurchases approximately 10% of its issued share capital, being 44 575 213 shares, the total scheme consideration will be R3.9 billion. The distribution will be funded out of existing free cash resources available to ArcelorMittal South Africa at the time of the scheme.

One of the primary objectives of the company is to ensure that all shareholders are treated equally. After implementation of the scheme, a shareholder's effective percentage holding of ArcelorMittal South Africa shares will not be diluted, as the scheme will be implemented on a pro rata basis, based on the number of ArcelorMittal South Africa shares held by each ArcelorMittal South Africa shareholder.

Given the current share price levels, a buy-back in terms of section 89 of the Act is believed to be an appropriate mechanism to return the excess equity to shareholders without diluting the interests of any individual shareholder. Moreover, given the reduction of the number of consolidated ArcelorMittal South Africa shares in issue, it is anticipated that the transaction will be earnings per share enhancing.

It is anticipated that, subject to receiving approval from the JSE Limited, an announcement containing the details of the scheme, including the salient dates, will be released on the Securities Exchange News Service of the JSE and published in newspapers on or about 5 May 2009. The scheme circular will be posted to shareholders on or about 6 May 2009. Subject to receiving leave from the High Court to convene a scheme meeting, it is anticipated that the meeting to approve the scheme will be held on 1 June 2009.

Forward-looking statements

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 risks and uncertainties whose impact 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).

Directors: **Non-executive:** Dr KDK Mokhele (Chairman)*, DK Chugh†, CPD Cornier#, EK Diack*, S Maheshwari†, LP Mondi, DCG Murray*, MJN Njeke*, ND Orleyn*, AMHO Poupart-Lafarge#

Executive: N Nyembezi-Heita (Chief Executive Officer), Dr LGJJ Bonte‡ (President), HJ Verster (Executive Director Finance)

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* Independent non-executive

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87 Maude Street, Sandton, 2146
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Group income statement

	Quarter ended			Year ended
Rm	**31 March 09**	31 March 08	31 December 08	31 December 08
Revenue	**6 177**	8 088	8 162	39 914
Flat Carbon Steel Products	**4 149**	4 959	5 023	25 513
Long Carbon Steel Products	**1 988**	2 739	3 075	12 950
Coke and Chemicals	**150**	834	705	3 563
Intergroup eliminations	**(110)**	(444)	(641)	(2 112)
(Loss)/profit from operations	**(145)**	2 050	1 614	12 159
Flat Carbon Steel Products	**(276)**	745	851	7 007
Long Carbon Steel Products	**(8)**	884	622	3 672
Coke and Chemicals	**15**	381	291	1 743
Corporate and Other	**124**	40	(150)	(263)
(Losses)/gains on changes in foreign exchange rates and financial instruments	**(14)**	464	149	637
Net interest income	**21**	52	82	80
Income from investments	**1**	1		3
Income/(loss) from equity accounted investments (net of tax)	**40**	175	(249)	331
Impairment reversal			36	36
Income tax expense	**(142)**	(742)	(576)	(3 865)
(Loss)/profit from ordinary activities	**(239)**	2 000	1 056	9 381
(Loss)/profit attributable to:				
• Ordinary shareholders	**(239)**	2 000	1 056	9 381
ADDITIONAL INFORMATION				
Attributable (loss)/earnings per share (cents)	**(54)**	449	237	2 105
Reconciliation of headline (loss)/earnings				
(Loss)/profit for the period	**(239)**	2 000	1 056	9 381
Adjusted for:				
– loss on disposal or scrapping of assets	**3**	4	7	39
– impairment charge			121	121
– impairment reversal			(36)	(36)
– tax effect	**(1)**	(1)	(11)	(21)
Headline (loss)/earnings	**(237)**	2 003	1 137	9 484
Headline (loss)/earnings per share (cents)	**(53)**	449	255	2 128

Physical information

	Quarter ended			Year ended
	31 March 09 '000 tonnes	31 March 08 '000 tonnes	31 December 08 '000 tonnes	31 December 08 '000 tonnes
Flat Carbon Steel Products				
Liquid steel production	**753**	1 038	551	4 084
Sales	**704**	906	616	3 412
Long Carbon Steel Products				
Liquid steel production	**405**	525	291	1 690
Sales	**316**	497	299	1 677
Total				
Liquid steel production	**1 158**	1 563	842	5 774
Sales	**1 020**	1 403	915	5 089
– Local	**686**	1 195	716	4 375
– Export	**334**	208	199	714
– Local sales as percentage of total sales	**67**	85	78	86