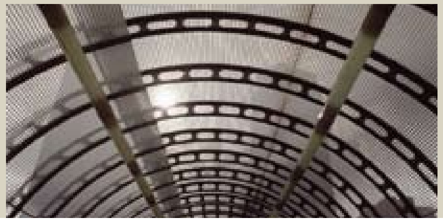
ArcelorMittal South Africa Limited

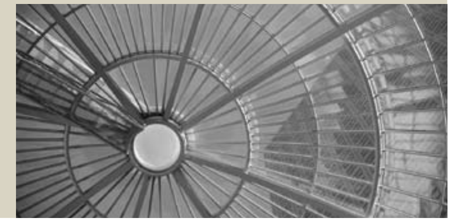
(Formerly Mittal Steel South Africa Limited)

Unaudited Group earnings results and physical information for the quarter ended 30 September 2008

The lifeblood of a developing nation

ArcelorMittal





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

• Record quarterly earnings – but outlook cautious

Financial results

Headline earnings for the quarter of R3 772 million were at record levels with an increase of 47% compared to the previous quarter and 257% compared to the corresponding period last year. At the operating income level the increases were 57% and 160% respectively. The main reasons for the improvements were higher selling prices, improved sales volumes compared to the previous quarter as well as foreign exchange gains compared to losses during the comparative periods. These gains were partly offset by higher input costs. Cash cost per ton of hot rolled coil for the quarter increased by 69% compared to the corresponding period last year, while the cash cost of billets rose by 68%. The increases were mainly driven by a substantial escalation in the cost of coal, scrap and imported pellets and coke.

Compared to the previous quarter, the cost of producing hot rolled coil increased by 16% and the cost of billets by 13%, as a result of sharp rises in the price of coal, scrap as well as imported pellets and coke.

Market review

International

Export volumes for the quarter increased by 34% compared to the previous quarter due to higher production volumes, but declined by 53% compared to the corresponding period last year amid high volumes of domestic demand.

Average net export prices realised during the third quarter were 47% higher than the previous quarter and 93% up on the corresponding period last year. Prices of both flat and long steel products rose during most of the third quarter but started to decline in September as the global financial crisis started to impact on the real economy.

Domestic

Domestic sales volumes during the quarter increased by 6% compared to the previous quarter and by 18% compared to the corresponding period last year, driven largely by high fixed investment spending on capital projects to improve the country's infrastructure. But demand from the durable goods and residential building sectors declined as higher interest rates continued to impact on consumer spending.

Operational review

Liquid steel production for the quarter increased by 20% compared to the previous quarter following the successful completion of the reline of the Corex and Midrex plants at Saldanha Works and the mini reline of Blast Furnace N5 at Newcastle Works during the second quarter.

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, an appeal hearing took place on 23 and 24 October 2008. The ruling is still pending. The administrative penalty imposed by the Competition Tribunal of R692 million remains disclosed as a contingent liability and no amount has been raised as a provision.

In another case brought before the Competition Tribunal by Barnes Fencing Industries (Proprietary) 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 are awaited.

Safety, health and environment

During the third quarter Newcastle and Vanderbijlpark Works achieved 1 million man hours without a lost time injury. This achievement was however overshadowed by the loss of two lives at Saldanha Works. The accident happened on 22 September 2008, when a contractor employee and a Saldanha Works employee lost their lives following exposure to carbon monoxide gas during a maintenance stop at the Midrex facility. A full root cause analysis was conducted and corrective measures to prevent re-occurrence are being implemented.

Safety remains a key priority for management which is committed to achieving zero fatalities throughout the organisation.

Environmental matters are another crucial priority. A number of high level actions were initiated to fast-track the environmental improvement programme and the resolution of issues raised by authorities and other stakeholders.

Key environmental projects are the installation of dust extraction units for the Electric Arc Furnaces at both Vanderbijlpark and Vereeniging Works. Work at the Vereeniging project started during the third quarter, while work at Vanderbijlpark is scheduled to begin early next year. Other environmental projects include the coke, gas and water cleaning project at Vanderbijlpark Works, scheduled for commissioning during the fourth quarter, and the desulphurisation station at Newcastle Works, which is due to be completed early 2009.

Capital projects

As previously reported two additional Direct Reduction kilns at Vanderbijlpark Works will be completed shortly. This will enable the company to become less reliant on expensive scrap as feedstock for the Electric Arc Furnaces as well as adding 220 000 tonnes of liquid steel to our manufacturing capacity.

Outlook

Towards the end of the reporting period the global credit crisis started to filter through to the real economy with a severe knock-on effect on international demand and prices for steel, similar to the impact experienced by most other commodities. South Africa's economy is abiding by its long-term correlation with the international economy with growth expected to slow further over the next few months. The full extent of the impact of the financial meltdown on the SA economy is still hard to predict at this stage. However, the momentum of the South African economy, supported by a substantial investment in infrastructure, should be sufficient in the short to medium term to attain reasonable economic growth next year.

Management is introducing a wide range of short-term interventions to cushion the company from the worst effects of the global financial crisis, focusing on cost reduction initiatives, cash management and, critically, aligning production at our operations with demand levels.

In the light of current economic conditions, the normal seasonal slowdown in domestic activities during the December holiday period and relatively high inventory levels at customers, we expect the earnings for the fourth quarter to decline substantially compared to quarter three, although still relatively strong compared to historic levels.

In line with the company's commitment to Black Economic Empowerment, shareholders have been advised that the company is currently contemplating a Black Economic Empowerment equity transaction. No further details are available at this time.

Group income statement

	Quarter ended			Year ended
	30 September 2008 Rm	30 September 2007 Restated Rm	30 June 2008 Rm	31 December 2007 Audited Rm
Revenue	**13 349**	7 523	10 315	29 301
Flat Carbon Steel Products	**8 448**	4 790	7 083	19 240
Long Carbon Steel Products	**4 120**	2 493	3 016	9 238
Coke and Chemicals	**999**	553	1 025	2 065
Inter Group eliminations	**(218)**	(313)	(809)	(1 242)
Profit from operations	**5 190**	1 996	3 305	7 703
Flat Carbon Steel Products	**3 257**	1 001	2 154	4 827
Long Carbon Steel Products	**1 570**	765	596	2 652
Coke and Chemicals	**525**	208	546	727
Corporate and Other	**(162)**	22	9	(503)
Gains/(losses) on changes in foreign exchange rates and financial instruments	**111**	(174)	(87)	(131)
Interest income	**44**	136	62	442
Finance costs	**(160)**	(1)		(117)
Income from investments	**1**	1	1	4
Income from equity accounted investments (net of tax)	**188**	26	217	270
Profit before tax	**5 374**	1 984	3 498	8 171
Income tax expense	**(1 620)**	(931)	(927)	(2 455)
Profit for the period	**3 754**	1 053	2 571	5 716
Attributable to:				
– Owners of the Company	**3 754**	1 053	2 571	5 716
ADDITIONAL INFORMATION				
Attributable earnings per share (cents)	**842**	236	577	1 282
Reconciliation of headline earnings				
Profit for the period	**3 754**	1 053	2 571	5 716
Adjusted for:				
– Loss on disposal or scrapping of assets	**25**	5	3	31
– Book value of assets held for sale written off				4
– Tax effect	**(7)**	(1)	(1)	(10)
Headline earnings	**3 772**	1 057	2 573	5 741
Headline earnings per share (cents)	**846**	237	577	1 288

Physical information ('000 tonnes)

	Quarter ended			Year ended
	30 September 2008	30 September 2007	30 June 2008	31 December 2007
Flat Carbon Steel Products				
Liquid steel production	**1 283**	1 148	1 212	4 231
Sales	**964**	955	926	3 920
Long Carbon Steel Products				
Liquid steel production	**558**	548	316	2 144
Sales	**480**	495	401	1 899
Total				
Liquid steel production	**1 841**	1 696	1 528	6 375
Sales	**1 444**	1 450	1 327	5 819
– Local	**1 268**	1 078	1 196	4 422
– Export	**176**	372	131	1 397
– Local sales as % of total sales	**88**	74	90	76

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).

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