http://www.arcelormittal.com/southafrica

ArcelorMittal South Africa Limited Annual Report 2009

ArcelorMittal

Safe Sustainable Steel

ArcelorMittal South Africa
Annual Report 2009

Contents

Icon key

- Business issues
- Investing in people
- Making steel more sustainable
- Enriching our communities

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Strategic goals

The following strategic goals have been developed and approved by the board:

Creating industry leading value for our shareholders

- Positive economic value add (EVA) over the steel price cycle.

Improving operating capabilities

- Value-creating throughput increases.
- Substantial reduction in hot rolled coil/billet costs in real terms.

Building on our existing performance culture

- Creating an environment that generates true employee pride and attracts, develops and retains top-performing people.

Be a responsible corporate citizen

Business objectives for ArcelorMittal South Africa	Return on equity	Competitiveness	Cash generation	Shareholder value release
Objectives	At least cost of capital *(currently 14%).*	To be one of the lowest cost producers.	Positive cash flow before major new investments throughout commodity cycle.	Share price to reflect at least underlying net equity value.
Outcome	-2% for the year.	One of the lowest cost producers with an EBITDA margin of 6%.	Cash flow positive.	Average share price of R95.73 was higher than the average net equity value of R58.73.
Future initiatives	To exceed EVA by improving earnings through: • *cost reductions;* • *value added products; and* • *higher throughput.*	To retain our position as one of the lowest cost producers at all operations through cost leadership.	To maintain positive free cash flow through focusing on cost, working capital reduction and improvement of margins.	To maximise shareholder's value through capital productivity and margins, coupled with stability in earnings over the cycle, which will translate into added wealth for our shareholders.

ArcelorMittal South Africa

Vision

To be the preferred supplier of steel solutions for the development of sub-Saharan Africa.

Mission statement

We aim to achieve our vision by:

- Producing safe, sustainable steel.
- Pursuing operational excellence in all business processes.
- Producing innovative steel solutions for our customers.
- Caring for our environment and the communities in which we operate.
- Striving to become an employer of choice.
- Living the brand values of sustainability, quality and leadership.

Brand values

Our goal is to provide the leadership that will transform tomorrow's steel industry.

We have a clear vision of the future, underpinned by a consistent set of values.

Sustainability: We are guiding the evolution of steel to secure the best future for the industry and for generations to come. Our commitment to the world around us extends beyond the bottomline, to include the people in whom we invest, the communities we support and the world in which we operate. This long-term approach is central to our business philosophy.

Quality: We look beyond today to envision the steel of tomorrow. Because quality outcomes depend on quality people, we seek to attract and nurture the best people to deliver superior solutions to our customers.

Leadership: We are visionary thinkers, creating opportunities every day. This entrepreneurial spirit brought us to the forefront of the steel industry. We are moving beyond what the world expects of steel.

Code of conduct

These are the behavioural characteristics that will support our values:

Integrity: All our actions will be guided by good principles and intentions, ensuring that our needs are aligned with our actions. (We walk the talk).

Respect: We will recognise and value the diversity of all people and respect their dignity in our actions.

Fairness: We will treat people in a reasonable, equitable and objective manner and will always strive to be fair and to treat each and every case on merit.

Accountability: We will be held accountable for all our actions both within the business environment and the community in which we operate.

Trust: We trust in our people's ability to act in the best interest of the company and will encourage trust amongst colleagues and across organisational levels.

Global presence

- ArcelorMittal is the world's number one steel company, with **over 281 000 employees in more than 60 countries**. It has led the consolidation of the world steel industry and today ranks as the only truly global steelmaker.
- ArcelorMittal is the **leader in all major global markets**, including automotive, construction, household appliances and packaging. The group leads in research and development and technology, holds sizeable captive supplies of raw materials and operates extensive distribution networks.
- Its industrial presence in Europe, Asia, Africa and America gives the group exposure to all the key steel markets, from emerging to mature. ArcelorMittal will be looking to develop positions in the high-growth Chinese and Indian markets.
- ArcelorMittal key financials for 2009 show **revenues of USD65.1 billion and steel shipments of 71.1 million tonnes**.

Americas

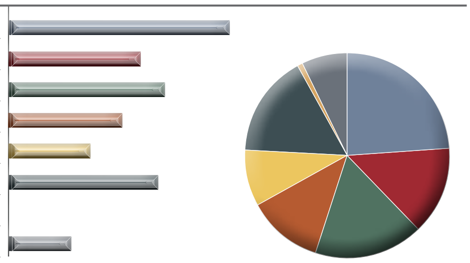
35% of liquid/crude steel production

Americas

Andrade; João Montevade; Timóteo
Barquesimeto; Caracas; La Victoria
Belo Horizonte; Contagem; Sabará; Vespasiano
Brampton; Brantford; Corncord; Hamilton; Stoney Creek
Buenos Aires; La Tablada
Burns Harbor; East Chicago; Gary; Indiana; Chicago; Illinois
Caldera; Escazit; Guspiles; Tibas
Celaya; Guanajuato
Chonshohocken; Pennsylvania
Cleveland; Ohio
Coatesville; Steelton
Contrecoeur; Coteau du Lac; Lachine; La Prairie; Longueuil; Quebec
Córdoba; Veracruz
Feira de Santana
Fire Lake; Mont-Wright, Quebec
Gallatin; Kentucky
Georgetown, South Carolina
Gilbert; Hibbing; Minorca; Virginia, Minnesota
Harriman Tennesse
Itauna
Juiz de Fora
(JV); Ontario
La place Luisiana
Lazaro Gárdenas
London; Woodstock; Ontario;
Marion; Shelby; Ohio; Columbus; Obertz; Ohio
Matanzas
Monessen, Pennsylvania
Monterrey
Montevideo
Mexico City; Pena; Tultitlan;
Estado de México
New Carlisle; Indiana
Parsipanny; New Jersey
Piracicaba; Sumaré
Pine Bluff; Arkansas;
Point Lisas
Port-Cartier; Sept-lies; Quebec
Riverdale; Illinois
São Francisco do Sul
San Nicolás; Villa Consitucion
Serona
Serra; Vitoria
Villa Mercerdes
Vinton;Texas
Wabus; Newfoundland
Warren; Ohio
Weirton, West Virginia
Washington, D.C.
Ribeirao Pires; Sao Paulo
Rosario

Number of employees according to geographic location

1 EU15	68 527	24%
2 Rest of EU	40 923	15%
3 Other European countries	47 997	17%
4 North America	34 809	12%
5 South America	24 803	9%
6 Asia	45 594	16%
7 Middle East	135	
8 Africa	18 915	7%
Total	281 703	100%

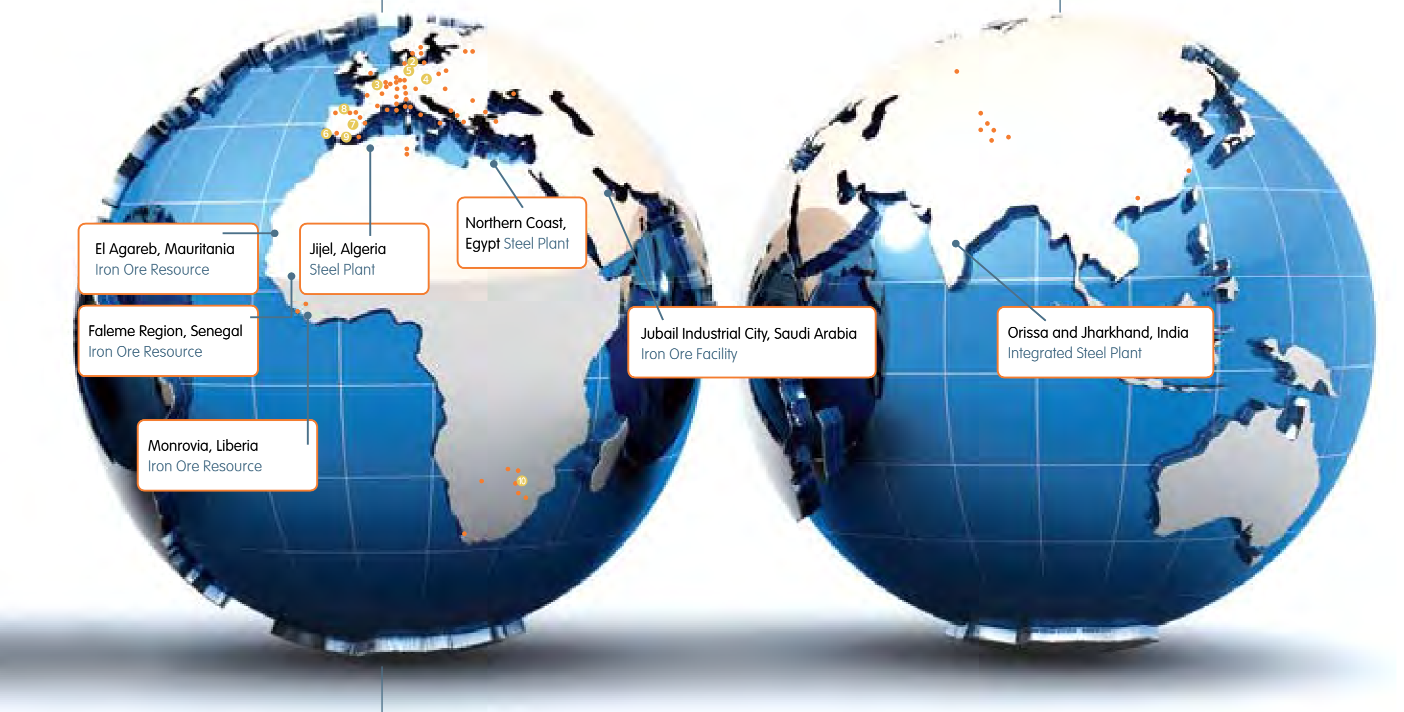


Europe

47% of liquid/crude steel production

Asia

4% of liquid/crude steel production



Africa

14% of liquid/crude steel production

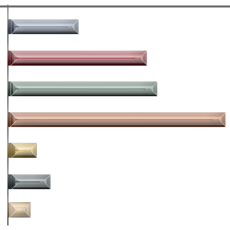
Africa
Annaba
Boukhadra
Buchanan
Jorf; Lasfar
Nador
Newcastle
Ouenza
Pretoria
Saldanha
Thabazimbi
Vanderbjilpark; Vereeniging
Yekepa

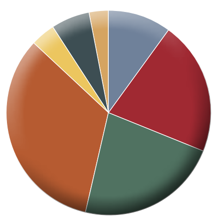
Europe
Asturias (Avilés & Gijon)
Avellino
Basse-Indre
Belval; Bettembourg; Bissen; Differdange;
Bergara; Obaberria; Zumrraga
Bremen
Bourg-en-Bresse; Châteauneuf; Furnminy;
Brussels; Charleroi; Châtelet; Fontaine; La Praye
Chevillion; Manois; Marnaval; Sainte-Colombe
Chorzow;Dabrowa Gornlcza; Krolewska;
Desvres
Dommeldange; Dudelange; Rodange; Schifflange;
Duisburg (Hochfeld & Ruhrort)
Dunkerque; Mardyck
Eisunüttenstadt
Epone;Isbergues
Etxebarri; Sestao
Florange; Gandrange
Fos-sur-Mer
Frydek Mistek; Karvina; Ostrava
Galati
Gardanne
Geel; Genk
Gent; Huy
Gueugnon
Hautmont
Hamburg
Hunedoara
Imphy
Kraków
Kryviy Rih
Le Cruesot
Lasi
Liége
Madrid
Montataire;Vitry le Francios;
Vitry-sur-Seine
Périgueux
Piombini;Verderio
Pont de Roide
Prijedor
Revigny
Roman
Saint-Chamond
Sheffield
Slopje
Świętochłowice; Sosnowiec
Sycow
Szentgotthard
Tallinn
Warsaw
Woiver
Zenica

Asia
Abay; Karaganda;
Saran; Shakhtinsk
Aktau
Atansore
Atasu
Hebei (JV)
Hunan (JV)
Kentobe
Lisakovsk
Rongcheng
Shanghai (JV)
Temartau

Number of employees according to segments

1 Flat Carbon Americas	29 248	10%
2 Flat Carbon Europe	58 965	21%
3 Long Carbon Americas and Europe	63 693	23%
4 Asia, Africa and CIS (AACIS)	92 910	33%
5 Stainless Steel	11 135	4%
6 Steel Solutions and Services	17 409	6%
7 Others	8 343	3%
Total	281 703	100%





Key

Stock Exchange

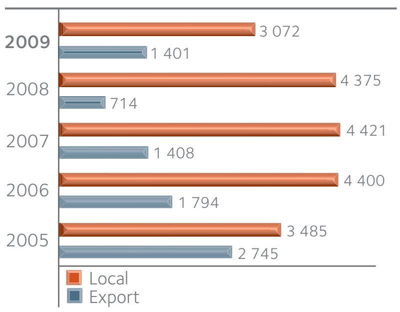
- The New York Stock Exchange
- Euronext Amsterdam
- Euronext Paris
- Luxembourg Stock Exchange
- Euronext Brussels
- Spanish Stock Exchange (Madrid)
- Spanish Stock Exchange (Barcelona)
- Spanish Stock Exchange (Bilbao)
- Spanish Stock Exchange (Valencia)
- JSE Limited

Financial features

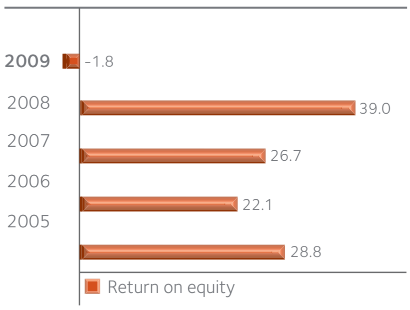
- **Headline** loss of R440 million
- **EBITDA** margin of 6%, down from 34% in 2008
- Adverse impact of strong rand

	Year ended 31 December				
	2009	2008	2007	2006	2005
FINANCIAL SUMMARY					
Physical ('000 tonnes)					
Liquid steel production	**5 307**	5 774	6 375	7 055	7 261
Domestic sales	**3 072**	4 375	4 421	4 400	3 485
Export sales	**1 401**	714	1 408	1 794	2 745
Financials (Rm)					
Revenue	**25 598**	39 914	29 301	25 350	23 984
EBITDA	**1 547**	13 602	8 802	7 178	8 097
(Loss)/profit from operations	**229**	12 159	7 703	6 082	6 894
– Flat Carbon Steel Products	**(614)**	7 007	4 827	3 644	4 518
– Long Carbon Steel Products	**315**	3 672	2 652	2 111	2 109
– Coke and Chemicals	**449**	1 743	727	184	301
– Corporate and other	**79**	(263)	(503)	143	(34)
Headline (loss)/earnings	**(440)**	9 484	5 741	4 730	5 091
Net cash flow before finance activities and repurchase of shares	**346**	3 765	2 871	2 200	1 057
Total assets	**30 784**	37 435	28 205	31 175	26 337
Share information (cents)					
Headline (loss)/earnings per share	**(104)**	2 128	1 288	1 061	1 139
Dividend per share		707	429	347	380
Financial ratios (%)					
Return on shareholders' equity (headline)	**(2)**	39	26	22	29
Net cash to equity	**18**	29	19	33	23

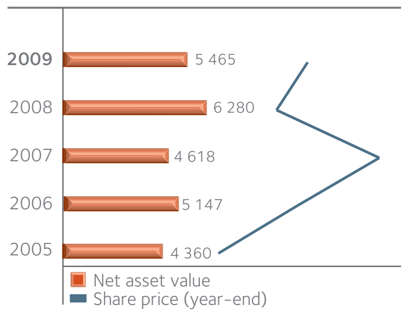
Sales breakdown (tonnes)



Return on equity (%)



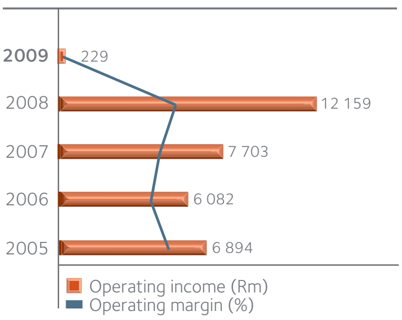
Net asset value versus share price (cents)



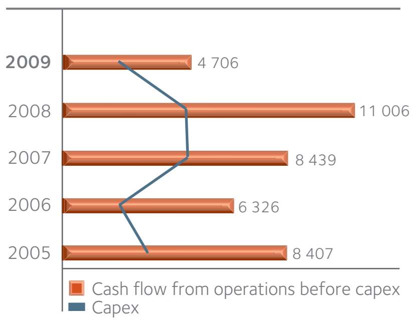
Review at a glance

	Year ended 31 December				
	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
GROUP INCOME STATEMENT					
Revenue	**25 598**	39 914	29 301	25 350	23 984
(Loss)/profit from operations					
Flat Carbon Steel Products	**(614)**	7 007	4 827	3 644	4 518
Long Carbon Steel Products	**315**	3 672	2 652	2 111	2 109
Coke and Chemicals	**449**	1 743	727	184	301
Corporate and other	**79**	(263)	(503)	143	(34)
	229	12 159	7 703	6 082	6 894
(Losses)/gains on changes in foreign exchange rates and financial instruments	**(813)**	637	(131)	301	246
Net financing (cost)/ income	**(77)**	80	325	193	(29)
Income from investments	**3**	3	4	7	5
Income from equity-accounted investments (net of tax)	**206**	331	270	135	277
Income tax expense	**(35)**	(3 865)	(2 455)	(2 022)	(2 327)
Impairment reversal	**9**	36			
Adjustments to attributable income for headline earnings	**38**	103	25	34	25
Headline (loss)/earnings	**(440)**	9 484	5 741	4 730	5 091
Headline (loss)/earnings per share (cents)	**(104)**	2 128	1 288	1 061	1 139
Dividends per share (cents)		707	429	347	380
GROUP STATEMENT OF CASH FLOWS					
Cash flows from operations	**1 693**	5 578	4 623	3 463	2 616
Sale of assets		2	8	9	6
Capital expenditure	**(914)**	(1 832)	(1 852)	(1 446)	(1 608)
Investments	**(524)**		(16)		
Other	**91**	17	108	174	43
Net cash flow before finance activities and repurchase of shares	**346**	3 765	2 871	2 200	1 057

Operating income and operating margin

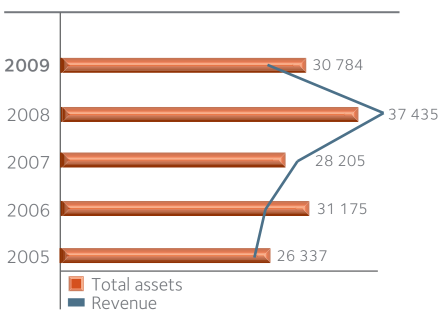


Cash flow from operations and capex (Rm)

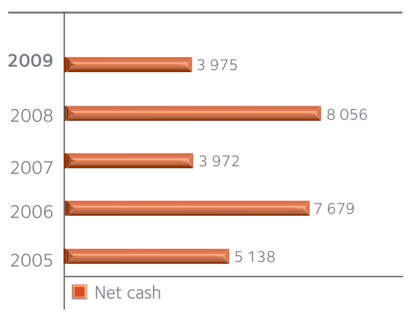


	Year ended 31 December				
	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
GROUP STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Property, plant and equipment	**15 862**	15 917	15 525	14 973	14 260
Intangible assets	**72**	71	58	58	74
Equity-accounted investments	**2 369**	1 968	1 109	953	912
Other financial assets	**187**	203	195	134	61
Current assets					
Cash and cash equivalents	**4 348**	8 429	4 034	7 750	5 219
Other current assets	**7 946**	10 847	7 284	7 307	5 811
Total assets	**30 784**	37 435	28 205	31 175	26 337
EQUITY AND LIABILITIES					
Capital and reserves					
Total shareholders' equity	**21 925**	27 995	20 583	23 260	19 451
Non-current liabilities					
Borrowings and other payables	**220**	273	52	61	71
Non-current provisions	**1 420**	1 661	1 290	1 327	1 288
Finance lease obligations	**557**	314	328	502	596
Deferred income tax liability	**2 435**	2 526	2 603	2 485	2 007
Current liabilities					
Borrowings and other payables	**153**	100	10	10	10
Finance lease obligations	**57**	40	88	93	89
Other current liabilities	**4 017**	4 526	3 251	3 437	2 825
Total equity and liabilities	**30 784**	37 435	28 205	31 175	26 337

Revenue and total assets (Rm)



Net cash (Rm)



Review at a glance continued

	Year ended 31 December				
	2009	2008	2007	2006	2005
RATIOS					
Profitability and asset management					
Return on net assets (%)	**1.5**	43.2	30.3	24.3	33.9
Return on ordinary shareholders' equity (%)					
– Attributable earnings (%)	**(1.9)**	38.6	26.1	22.0	28.7
– Headline earnings (%)	**(1.8)**	39.0	26.2	22.1	28.8
Return on invested capital (%)	**1.9**	56.0	40.0	33.6	43.4
Operating margin (%)	**0.9**	30.5	26.3	24.0	28.7
EBITDA margin (%)	**6.0**	34.1	30.0	28.3	33.8
Net asset turn (times)	**1.0**	1.2	1.2	0.9	1.0
Solvency and liquidity					
Financing cost cover (times)	**3.0**				237.7
Current ratio (times)	**2.9**	4.1	3.4	4.3	3.8
Debt-equity ratio (%)	**18.1**	28.8	19.3	33.0	22.9
Cash realisation rate (%)	**172.9**	50.3	68.3	58.7	40.5
Productivity					
Average number of employees ('000)	**9.2**	9.5	9.1	9.8	10.9
– Steel	**8.0**	8.6	8.2	9.1	10.1
– Corporate	**1.2**	0.9	0.9	0.7	0.8
Revenue per average employee (R'000)	**2 766**	4 293	3 217	2 594	2 195
Cash value added (Rm)	**6 572**	13 739	11 059	8 695	10 627
Prices (actual invoiced) USD/t C&F					
Hot-rolled coil export price	**508**	966	659	531	560
Low-carbon wire rod export price	**510**	909	592	508	490

	Five-year annual compound growth rate	Year ended 31 December				
	%	**2009**	2008	2007	2006	2005
SHARE PERFORMANCE						
Number of shares in issue (million)		**401**	446	446	446	446
Weighted average in issue (million)		**423**	446	446	446	446
(Loss)/earnings per ordinary share:						
– Basic (loss)/earnings basis (cents)		**(113.0)**	2 104.5	1 282.3	1 053.5	1 136.5
– Headline (loss)/earnings basis (cents)		**(104.0)**	2 127.6	1 287.9	1 061.1	1 139.0
Dividend per ordinary share (cents)			707.0	429.0	3 47.0	380.0
Dividend cover (times)			3.0	3.0	3.1	3.0
Net equity per ordinary share (cents)	8.9	**5 465**	6 280	4 618	5 218	4 360

		Five-year annual compound growth rate %	2009	2008	2007	2006	2005
			Year ended 31 December				
LIQUID STEEL PRODUCTION ('000 tonnes)							
Flat Carbon Steel Products		(6.7)	**3 428**	4 084	4 231	4 863	5 067
Long Carbon Steel Products		(2.9)	**1 879**	1 690	2 144	2 192	2 194
Total		(5.5)	**5 307**	5 774	6 375	7 055	7 261
SALES							
Local ('000 tonnes)							
Flat Carbon Steel Products		(5.3)	**2 079**	2 835	2 886	2 968	2 402
Long Carbon Steel Products		(2.9)	**993**	1 540	1 535	1 432	1 083
Total		(4.6)	**3 072**	4 375	4 421	4 400	3 485
South Africa customers (%)	Ave	71.5	**69**	86	76	71	56
Export ('000 tonnes)							
Flat Carbon Steel Products		(13.4)	**779**	577	1 042	1 300	1 881
Long Carbon Steel Products		(3.5)	**622**	137	366	494	864
Total		(9.8)	**1 401**	714	1 408	1 794	2 745
Export (%)	Ave	28.5	**31**	14	24	29	44

	Five-year annual compound growth rate %	2009	2008	2007	2006	2005
		Year ended 31 December				
INTERNATIONAL CRUDE STEEL PRODUCTION (million tonnes)						
Worldwide	3.0	**1 199**	1 304	1 322	1 240	1 129
Asia	9.9	**776**	748	734	666	584
Europe	(2.7)	**168**	229	210	235	218
Northern America	(9.2)	**82**	125	132	131	127
Former USSR	(1.9)	**97**	114	124	120	113
Other	(8.3)	**76**	88	122	88	87

Board of directors

Nonkululeko Nyembezi-Heita *(50)*

Chief Executive Officer

- *BSc (Hons)(Elec Eng), MSc (Elec Eng), MBA*

Appointed as Chief Executive Officer and a member of the board on 1 March 2008. Member of Safety, Health and Environment and Transformation Committees. Non-executive Chairman of Arivia.kom (Proprietary) Limited. Non-executive director of JSE Limited, ACSIS, Kalagadi Manganese and Macsteel International Holdings BV.

Johnson Njeke *(51)*

Independent non-executive Chairman

- *BCom, BCompt (Hons), CA(SA), HDip Tax Law*

Appointed independent non-executive director on 1 January 2002. Appointed Chairman of the Board on 4 February 2010 and Chairman of the Nominations Committee. Chairman of the Audit Committee until 4 February 2010. Chairman of Metropolitan Holdings Limited and Deputy Chairman of Kagiso Media. Director of numerous companies including Resilient Property Income Fund Limited, MTN Group Limited, Barloworld Limited and Sasol Limited.

Malcolm Macdonald *(67)*

Independent non-executive director

- *BCom, CA(SA)*

Appointed independent non-executive director on 4 February 2010. Member of the Audit and Risk Committee and the Safety, Health and Environment Committee. Previously the Financial Director of Iscor Limited between 1997 and 2004. Director and Chairperson of Audit Committees on the Boards of Astral Foods Limited, GijimaAST Limited and Coris Capital Limited.

Eric Diack *(52)*

Independent non-executive director

- *BAcc, CA(SA), AMP (Harvard), AMP (UCT)*

Appointed independent non-executive director on 16 March 2007. Chairperson of the Risk Committee until 31 December 2009.

Appointed Chairman of the Audit and Risk Committee on 4 February 2010. Non-executive director of Adcock Ingram Holdings. Previously Chief Executive Officer of Anglo American Ferrous Metals & Industries division. Previously served on the boards of a number of major listed and unlisted companies.

Thandi Orleyn *(54)*

Independent non-executive director

- *BJuris; BProc LLB*

Appointed independent non-executive director on 1 February 2007. Appointed Chairman of the Transformation Committee on 4 February 2010. Also chairs the Remuneration Committee and is a member of the Nominations Committee. Director of the South African Reserve Bank, Impala Platinum Holdings Limited, Toyota SA, Reunert Limited, FreeWorld Coatings Limited and Ceramic Industries Limited. Director and shareholder of Peotana Group Holdings.

Chris Murray *(65)*

Independent non-executive director

- *BCom, CA(SA), MBL*

Appointed independent non-executive director on 11 May 2007.

Chairman of the Safety, Health and Environment Committee. Previously Chief Managing Director of Haggie Group of Companies.

Since retirement from Haggie in 2004, has acted for the Steel and Engineering Industries Federation of South Africa (SEIFSA – an Employers' association) in a number of capacities. A member of the executive committee of SEIFSA.

Lumkile Mondi *(47)*

Non-executive director

- *BCom (Hons)(Economics), BCom (Advanced Corporate Finance and Value Creation), MA (Economics), Advanced Management Programme (INSEAD)*

Appointed non-executive director on 11 May 2007. Member of the Transformation and Remuneration Committees. Chief economist and executive vice-president of professional services at the Industrial Development Corporation.

Arnaud Poupart-Lafarge *(44)*

Non-executive director

- *Graduate Engineer, MS (Economics)*

Appointed alternate non-executive director on 24 July 2008 and non-executive director on 30 November 2008. Executive Vice-president of ArcelorMittal Group responsible for Africa and Commonwealth of Independent States (ACIS).

Christophe Cornier *(57)*

Non-executive director

- *MS from Ecole Polytechnique and Ecole des Mines*

Appointed non-executive director on 14 May 2008. Senior Executive Vice-president and member of the ArcelorMittal Group Management Board responsible for Asia, Africa and India, steel greenfield projects, execution and technology. ArcelorMittal South Africa's Chief Technology Officer. Previously executive vice-president of FCS Commercial Auto and Chief Executive Officer of Sollac Mediterranee.

Sudhir Maheshwari *(47)*

Non-executive director

- *BCom (Hons), CA CS*

Appointed non-executive director in December 2002. Senior Executive Vice-president of ArcelorMittal Group and member of the ArcelorMittal Group Management Board responsible for corporate finance, business development, mergers and acquisitions and risk managements.

Davinder Chugh *(53)*

Non-executive director

- *BSc, LLB, MBA*

Appointed non-executive director on 15 September 2006. Appointed Senior Executive Vice-president and member of the Group Management Board of ArcelorMittal Group in September 2006. Previously Chief Executive Officer of ArcelorMittal South Africa from September 2004 to September 2006. Previously Executive Director, Commercial, since May 2002. Former Vice President, purchasing of Mittal Steel Europe.

Kobus Verster *(43)*

Chief Financial Officer

- *BCom (Hons), MBL, Executive Management Program (Darden Business School)*

Appointed Chief Financial Officer on 17 February 2006. Previously General Manager, Corporate Treasury, at Mittal Steel NV in Rotterdam. Non-executive director of Macsteel International Holdings BV, Ferrosure (Isle of Man) Insurance Company, Coal of Africa Limited and other ArcelorMittal Group companies. Director of the National Business Initiative.

Resignations

Khotso Mokhele *(54)*

Independent non-executive director since February 1998 and Chairman of the board since 1 January 2007. Dr Mokhele stepped down from his position as an independent non-executive director and Chairman of the board on 4 December 2009.

Luc Bonte *(55)*

Appointed on 1 March 2008 as President, responsible for the operations and a member of the board. Dr Bonte resigned from the board on 30 November 2009.

Chairman and Chief Executive Officer's report

Johnson Njeke
Chairman

Nonkululeko Nyembezi-Heita
Chief Executive Officer

"The past year has tested the ability of the company to withstand the considerable vagaries of the steel market."

Dear Shareholders,

The past year was not only one of the most challenging years since the Iscor unbundling in 2001, but also the most difficult period that many of us will have experienced in our professional careers. What started with problems in the financial sector sparked a chain reaction that spilled over into the global economy, resulting in considerable challenges for our company.

The fundamental issue for ArcelorMittal South Africa was the substantial drop in steel demand and prices, further exacerbated by sharp destocking throughout the steel supply chain. The strong Rand/USD exchange rate also hurt our financial performance on a number of fronts. At the bottom of the cycle, these combined factors resulted in a drop in apparent demand for steel products of almost 50%.

Clearly this impacted the financial results for the year. Revenues dropped by 36% to R26 billion and a headline loss of R440 million was reported.

While these numbers are disappointing – particularly when compared with the record results of 2008 – it is reassuring to the company and our stakeholders that we ended the difficult year with a strong rebound in the fourth quarter. Inventory levels are being rebuilt, customers have gradually resumed buying and prices are starting to inch upwards – albeit from low levels.

Writing to you now, we can say with some conviction that we are through the worst. However, we must not mislead ourselves that there will be a swift return to the buoyant levels of growth that we had become accustomed to in recent years. Although the major economies in sub-Saharan Africa have now formally emerged from recession, the reality is that actual growth and growth forecasts for the coming year remain low. We cannot expect to return to anything like the precrisis levels anytime soon and it remains incumbent upon the company to be flexible in its operational strategies in the year ahead.

Subsequent to the financial year-end on 5 February 2010, we received a letter from Sishen Iron Ore Company Limited (SIOC) informing us that it will no longer supply iron ore to ArcelorMittal South Africa from the Sishen iron ore mine under the terms of the supply agreement entered into in 2001. The letter alleges that since ArcelorMittal South Africa had not applied for the conversion of its 21.4% undivided share of the old order mining rights to the Sishen mine by 30 April 2009, the supply agreement had been wholly or partially terminated. ArcelorMittal South Africa disputes SIOC's assertions in this regard. These matters are addressed in more detail in note 39 in the financial statements.

Icon key

- **Business issues**
- **Investing in people**
- **Making steel more sustainable**
- **Enriching our communities**

> **During the economic downturn of 2009 ArcelorMittal South Africa did not retrench permanent staff nor did it cut back on its skills development and training programmes.**

On receipt of the letter, we immediately sought legal advice and upon receiving that, requested the JSE to halt trading in our shares on 26 February 2010, as the development could potentially have a material effect on the company. Trading was halted with immediate effect and only resumed on 3 March 2010.

We remain of the firm opinion that the supply agreement remains valid and binding. We are taking immediate and strenuous steps to protect our rights in this regard and have embarked on a process to resolve the dispute as stipulated in the supply agreement.

Overview

The past year has tested the ability of the company to withstand the considerable vagaries of the steel market. Overall we are very pleased with the way in which we tackled the crisis and emerged stronger towards the second half of the year.

The benefits of being part of the world's largest steelmaker, the ArcelorMittal Group, were evident over the past few months. Within the first few weeks after the collapse of Lehman Brothers, the group rallied around a crisis strategy that focused on what was termed the three Cs: Cash, Cost and Customers. Our ability to implement this strategy swiftly and decisively was underpinned not only by our global scale, but also by the determination and flexibility of our workforce. Therefore, we had both the scale to optimise production through temporary curtailments and the agility to respond quickly to changing circumstances.

This is what helped us through the first half of last year in particular. With demand from key sectors falling dramatically, the company curtailed output significantly. Liquid steel production fell by 24% year-on-year in the first six months of 2009 and we reduced capacity utilisation levels to 66%. The R844 million interim loss was the first for the company since the unbundling of Iscor in 2001.

Cutting production by almost 40% at the worst point of the crisis was unprecedented and very painful. However, we reduced fixed costs by 25%, resulting in cost savings for the year of R1.8 billion. Additionally, we conserved cash by reducing capital expenditures, temporarily putting growth projects on hold and aggressively reduced working capital.

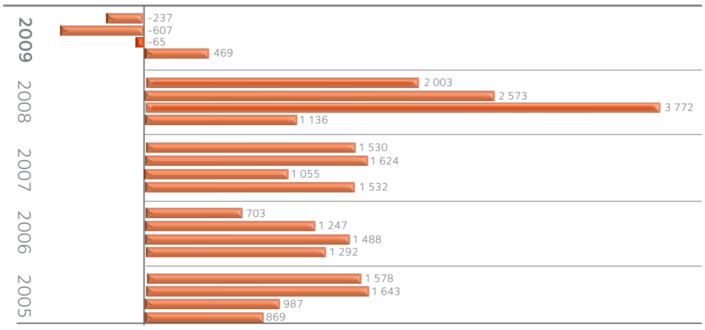
Amid the financial losses, it was encouraging to note that our workforce responded positively to the drastic cost-cutting and cash-preserving strategies we adopted, even though it took a personal toll on each and every one of us. Short-time was introduced, top management took a 10% salary cut, salary increases for package category employees were held back, overtime was limited and workloads increased significantly as we cut-back on the number of temporary workers. There was a general understanding amongst our employees and trade unions of the severity of the situation and they engaged with us in open and frank discussions to find suitable solutions. The human resources linked savings measures were in addition to a wide range of cost-saving initiatives on maintenance and general administrative expenses as well as generally lower raw material prices. Altogether our operating expenses fell by 29% last year.

On the plus side, we are proud that we were one of the few metals resources companies in South Africa that did not retrench permanent staff during the crisis. Nor did we cut back on our skills development programme, and by the end of the year we had almost 3 050 production learners and Graduates in Training in our training pipeline. Our people remain our most valuable asset.

The hard work has paid off. In the second half of the year, the company's operational and financial performance improved considerably and the headline profit of R469 million for quarter four reversed three successive quarterly losses. Capacity utilisation was boosted significantly and reached 78% in the fourth quarter as demand started picking up in a number of key sectors, albeit cautiously and gradually. We believe that some of the savings we instituted during the crisis can be entrenched and will help boost capacity utilisation without increasing the cost base to the same degree.

Our performance improved in tandem with the recovery in the South African economy, particularly as GDP growth of 3.2% in the fourth quarter was driven strongly by the manufacturing industry, our second largest market. The real demand for steel products was further underpinned by a gradual restocking along the steel industry supply chain. Throughout the economic downturn in South Africa, we drove our export performance particularly hard as the rest of sub-Saharan

Headline earnings per quarter (Rm)



"This economic environment should thus offer us a solid base on which to build improved financial results for 2010."

Africa showed greater economic resilience. As a result exports to Africa almost doubled last year.

While there were very few countries, industries or companies that were not affected by the crisis, global economic demand has started to recover from the fourth quarter of last year onwards led by the performance of emerging markets. South Africa's growth rate this year is unlikely to mirror the 7%-plus expansion of the world's leading emerging markets-China, Brazil or India-, or even the 4%-plus growth that is forecast for sub-Saharan Africa as a whole. But even at forecast growth of 2% to 3%, South Africa's economy should offer sufficient incentive to stimulate real demand as well as further boost the restocking of products amongst traders and merchants. Government's R850 billion infrastructure programme will also continue to underpin demand for steel products.

This economic environment should thus offer us a solid base on which to build improved financial results for 2010. Our operations are geared up for higher demand and we are introducing new flexibility into our shift systems to offer our customers more rapid turnaround times in their orders.

When management has control over costs, we can act. However, there are many areas over which we have little influence and these always have an important bearing on our results. We have learned to adjust to many of these factors, amongst them the strong Rand/USD exchange rate and the price volatility of our input raw materials – coal and scrap. Over the past few years though, we have increasingly been confronted by severe constraints in key state-owned infrastructure.

We depend almost entirely on Transnet Freight Rail to supply our facilities with coal and iron ore, but such is the unreliability of the network that we have increasingly been forced to resort to road transport for the delivery of these materials. It is an untenable situation and one that we are continuously seeking to address in our dialogue with Transnet Freight Rail management.

More recently, electricity pricing and supply have developed into major risks. Since the electricity blackouts in 2007, the company has been operating under a 90% cap on power consumption from Eskom. This has not been a problem while operating at capacity utilisation levels of under 80% as was the case last year. However, now that production is picking up and output capacity is approaching the 90% level, supply restrictions have again become an urgent agenda item in our regular interactions with Eskom.

In February this year, the National Energy Regulator (Nersa) approved Eskom tariff increases of around 25% each year for the next three years. This will see our annual power bill double from R1.3 billion in 2009 to R2.5 billion by 2012 (at capacity levels of around 80%). ArcelorMittal South Africa teamed up with other large industrial electricity users to voice our opposition to large tariff hikes which will do untold damage to industry in South Africa. What is required is a longer-term approach that dovetails with the industry's need for long-term investment planning.

The tariff increases have accelerated our efforts to make our processes more energy efficient. Plans to expand our own power-generation capacities have also been expedited. We are also investigating other projects that could add to our power-generation capacity using surplus gases released during the steelmaking process. These processes have the added advantage of reducing secondary CO_2 emission levels.

Eskom tariff increases of around 25% each over the next three years will see our annual power bill double from R1.3 billion in 2009 to around R2.5 billion by 2012.

We want to conclude this overview with a brief commentary on the company's health and safety performance. It is with great sadness that we had to report that five workers at ArcelorMittal South Africa lost their lives last year while working at our operations, four of them during a single accident at Newcastle Works and one at Vanderbijlpark Works in September 2009. The Newcastle tragedy occurred on 30 December, at the end of a year in which our overall safety performance had worsened. The safety of our employees and contractors is management's foremost priority. The death of five colleagues is a stark reminder that there cannot be any let-up in implementing safety standards and entrenching adherence to them. We have recommitted ourselves and the company to this task going forward.

Group performance

ArcelorMittal South Africa reported steel shipments of 4.5 million tonnes for 2009, 12% lower than sales volumes of 5.1 million tonnes for 2008. Steel shipments and average steel selling prices were lower in all segments, reflecting the reduction in demand but also the relative strength of the Rand against the USD. Average prices for both flat and long steel products showed sharp decreases compared to last year, falling by 23% and 31% respectively. During the fourth quarter, however, prices increased slightly, with both flat and long steel product prices up by 2%.

The 2009 income statement ended up with headline earnings reversing the record profit of R9.5 billion in 2008 to a loss of R440 million. The turnaround during the latter part of 2009 was evident in quarter four though when a headline profit of R469 million was recorded after three successive quarterly losses.

Steel market review

The steel industry has historically been highly cyclical and is affected significantly by general economic conditions. After a period of continuous growth between 2004 and 2008, the sharp fall in demand resulting from the global economic crisis of 2008 to 2009 once again demonstrated the steel market's vulnerability to volatility and sharp corrections.

The last quarter of 2008 and the first half of 2009 were characterised by a deep slump in demand, as consumers cut back on buying steel and reduced their inventories. The steel market began a gradual recovery in the second half of 2009 in line with global economic activity, but real demand for steel products remains below levels prevailing before the crisis and the extent of the recovery remains uncertain.

The impact of the economic downturn on the global steel industry last year was significant. Total world steel output was down 8% to 1.2 billion tonnes, according to the World Steel Association, but this masked vast differences between developed and developing markets. Whereas production in the European Union, North America and Japan fell by over 25% on average, China's production was up 14% to 568 million tonnes. China accounted for 47% of total global steel output last year and while most steel companies were cutting back on capacity, Chinese steel mills raised production and added capacity to cater for the resilient domestic economy.

On a year-on-year basis, global steel output declined until September 2009. Since then, there has been a gradual upturn and in the fourth quarter, production was up by 22% compared with the same quarter in 2008. As a result, global capacity levels were at 74% in the fourth quarter compared with around 60% in the first quarter.

The growing influence of the so-called "BRICs" (Brazil, Russia, India and China) and other emerging economies has been evident for some years now. Nevertheless, their resilience in the face of the financial crisis and the speed at which they have resumed their growth paths took many by surprise – evidence of the significant role they now occupy in the global economy. Whilst per capita GDP in these economies still considerably lags that of their more developed counterparts, the massive populations in countries such as India and China imply that these countries will eventually rank as the world's largest economies. That they still have a long journey to make only further confirms their considerable long-term potential.

South Africa unfortunately did not share in the fortunes of the BRIC countries. The economy shrank by 1.8% in 2009 and almost one million jobs were lost during the crisis. The economic malaise was widespread and certainly had an adverse impact on the two industry sectors that make up almost 80% of steel sales, namely manufacturing and building and construction.

It is therefore not surprising that the South African Iron and Steel Institute (SAISI) estimates that steel consumption in South Africa last year declined by 13% overall to 4.6 million tonnes from 5.3 million tonnes in 2008. The decreases were more pronounced among long steel product sales, which plunged by 28% to 1.8 million tonnes. Flat product volumes slipped by 1% to 2.8 million tonnes.

About a quarter of South African steel sales are to sectors that are exposed to the consumer market. These include the automotive, packaging and residential housing industries. While these sectors were hard hit in the first half of last year, we have seen a measure of stability returning in tandem with a gradual improvement in consumer sentiment.

Another cause for optimism is continued demand growth emanating from the replenishment of stock levels among steel merchants and traders, most of whom completed their destocking programme during quarter three of last year. However, the restocking of their inventories has been cautious and slow. SAISI estimates that at the end of 2009 inventory levels outside the primary steel producers were equivalent to around 8.5 weeks of supply and that end-consumers had only 3 to 4 weeks of inventory on hand. Ten weeks of stock is considered the norm.

Finally, we believe that the public sector's R850 billion infrastructure programme will continue to prove a boon to the South African steel industry. Some of the 2.5 million tonnes of steel that will be used in these projects until 2015, have already been absorbed. While most transport-related infrastructure projects will be completed by 2014, there will be some demand from Eskom, whose projects are scheduled to run through to 2020. Furthermore, the Department of Water Affairs has announced that its dam building programme will run through to 2015.

We therefore are cautiously optimistic that steel demand will be one of the key beneficiaries as economic growth in South Africa slowly starts to pick up pace. Our forecast for 2010 is for GDP growth of around 3%, but this is at the conservative end of expectations given that fourth quarter 2009 GDP figures showed growth of a larger-than-expected 3.2%. The recovery in economic demand was already a significant contributor to the company's 15% year-on-year rise in liquid steel output in quarter four last year.

Imports of primary steel into South Africa fell slightly from 553 000 tonnes in 2008 to 476 000 tonnes last year. The level of imports as a percentage of total steel sales has held steady at around 10% over the past four years as importers mostly supply steel grades not produced locally.

Steel prices for the first half of last year continued on the sharp decline that started in September 2008. Average export prices of both flat and long steel products fell below $400/tonne by June last year, a 60% decline compared with the record prices in September 2008. Since June international prices have recovered only gradually as global economic demand has started to move upwards.

ArcelorMittal South Africa's prices are not only impacted by international price movements but also by the Rand/USD exchange rate. From September 2008 until June 2009 the monthly prices we charged our customers declined by 60% on average. For the next three months – buoyed by rising international prices – we raised our prices gradually each month, but further Rand strengthening offset these gains and local prices remained unchanged from October until March 2010.

Capital expenditure

The investment programme at ArcelorMittal South Africa last year was sharply curtailed as a result of spending cuts to counter the impact of the economic slowdown. The majority of growth-orientated projects were put on hold with the result that at R914 million total capital expenditure for 2009 was half of what the company spent in 2008. Environmental projects dominated what remained of the investment programme:

- In quarter three two new direct-reduction kilns (DRI kilns) were commissioned at Vanderbijlpark Works. The kilns have been equipped with a 40 MW power-generation plant.
- The coke oven gas and water cleaning project, which was commissioned in January 2010, will lead to an estimated 40% reduction in SO_2 emissions at Vanderbijlpark Works.
- At Vereeniging Works the R220 million electric arc furnace dust extraction unit was commissioned in December 2009.

Production-focused investments included a major overhaul of the tin line at Vanderbijlpark Works, which was completed in quarter three of 2009.

This year we are cautiously building up capital investments at our facilities with environmental spending again heading the project list. At Vanderbijlpark Works construction of a new R250 million sinter bag house facility has begun

The accident at Newcastle Works that left four workers dead brought the number of fatalities at our operations for 2009 to five, up from the two fatalities each reported in 2008 and 2007.

and should be completed in quarter one of 2011. Spending on the R207 million zero effluent discharge initiative at Newcastle Works has commenced and is scheduled for completion in the second half of 2011.

The company is confident of the long-term growth potential of the South African and wider sub-Saharan African markets and the infrastructure roll-out that will accompany it. As such it is our firm intention to expand our liquid steel production in line with rising demand.

As yet though the continent is only gradually emerging from the economic downturn and it is too early to talk of reviewing our capital expansion plan to boost liquid steel capacity from its current 8 million tonnes to 10 million tonnes a year as outlined in 2008. The previous configuration of this programme will also have to be reviewed given that different market circumstances are set to prevail in future.

Operations

Our focus going into 2009 was operational flexibility to match the volatile demand levels prevailing since September 2008. This was despite the fact that we entered the year with a significantly improved production platform after the relines of blast furnace D at Vanderbijlpark Works in 2007 and blast furnace N5 at Newcastle Works and the Corex and Midrex plants at Saldanha Works in 2008.

As a result of the low demand levels in the first quarter of 2009, production at one of the blast furnaces at Vanderbijlpark Works was stopped for several months, while the electric arc furnace also produced at a slow rate for four months. Steel inventory levels were scaled back to record lows. At Saldanha Works utilisation levels were reduced to around 60% of total capacity last year.

Long steel demand held up significantly better than flat steel sales in 2009 due to the export market. Newcastle Works operated at 87% of capacity in 2009 compared to 71% in 2008. Operating conditions at the blast furnace were stable during the year although it experienced a few unplanned stoppages as well as occasional shortages of coal and iron ore amid Transnet Freight Rail supply problems. However, Vereeniging Works operated at only 56% of capacity in 2009 compared to 86% in 2008 in an effort to maximise production at Newcastle Works as far as possible.

Overall, production levels have improved markedly since mid-2009. At Vanderbijlpark Works two new DRI kilns were commissioned during quarter three and contributed towards reducing the production cost of the electric arc furnace. Both blast furnaces have been operating since October 2009, when production at blast furnace C was resumed.

In quarter four, the company's overall capacity utilisation reached 78% from their first quarter low of 58%, with both Saldanha and Newcastle Works running at close to full capacity. Utilisation levels have improved further to just over 80% in quarter one of 2010, though we have asked our operational management to retain the flexibility to respond quickly to changes in demand. Similarly we continue to look at various raw material and furnace permutations to optimise the cost of our production processes.

Health and safety

Whatever the economic backdrop, ArcelorMittal South Africa's first priority is to ensure the highest standards of health and safety. However, the company's performance in this area was disappointing during the year under review.

The year witnessed some highlights, such as the world-class safety performance at Saldanha Works and the signing of a comprehensive agreement with the trade unions to co-operate in improving the company's health and safety performance. But it had its tragedies. On 5 September 2009, an explosion in blast furnace D at Vanderbijlpark Works resulted in the death of one of our employees. Investigations conducted in line with group policy revealed flaws in the design of the abort pit and cast house. Appropriate corrections have been implemented at furnaces throughout the ArcelorMittal Group. On 30 December 2009, four workers at our Newcastle Works died of asphyxiation while doing maintenance work on a basic oxygen furnace. As is customary following such accidents, a full investigation into the causes of the accident has been conducted in addition to an official investigation by government. Urgent improvement actions have been initiated to prevent a repeat of this tragedy. This accident brought the number of fatalities for 2009 to five, up from the two fatalities reported in each of 2008 and 2007.

The Newcastle accident came at the end of a year in which our overall safety performance had been poor. Up until 2007, we made significant progress in our efforts to improve the company's safety performance. Since then however, our performance has been deteriorating: our lost-time injury frequency rate, measured over a million hours worked, slipped further to 2.6 last year from 2.4 in 2008 and 2.2 in 2007.

The only positive to emerge from the disappointing performance is that it has strengthened our resolve to achieve zero incidents and fatalities at our operations. A number of concrete measures have been taken to reinforce adherence to safety standards and entrenching a culture of safe working behaviour:

- We are entrenching the implementation of our fatality prevention standards which are aimed at addressing common causes of fatal incidents in the steel industry.
- On 3 February 2010, we stopped all our operations for four hours to retrain employees and contractors on our fatality prevention standards.
- Strict enforcement of safety discipline.
- Continuous performance evaluation through intensified safety audits.
- A strong focus on safety leadership as a basis for any sustainable improvement in health and safety.

These measures continue to be underpinned by our "Journey to Zero", ArcelorMittal South Africa's health and safety improvement process launched in September 2008, which is now the platform for all measures aimed at improving health and safety in the group.

Corporate responsibility

ArcelorMittal South Africa adheres to the strictest principles of corporate responsibility (CR), and takes seriously our duty to ensure that the steel we produce is safe and sustainable. While steel makes an enormous positive contribution to the growth of South Africa's economy, our operations have an impact on the environment, the people who work for us and who live in nearby communities. The following pages provide an outline of the company's CR strategy and performance, but more detailed information and analysis will be available in the company's 2009 Sustainability Report to be released within a month of the publication of this annual report.

The ArcelorMittal Group's CR strategy is structured around four focus areas that reflect the key priorities of our business and our stakeholders:

- **Investing in our people** – It is a core tenet of group policy that each and every person working for ArcelorMittal South Africa feels valued.
- **Making steel more sustainable** – The group is focused on achieving a continuous improvement in environmental performance through the development of cleaner processes and greener products.
- **Enriching our communities** – ArcelorMittal South Africa plays an important role in all the communities where it operates.
- **Transparent governance** – The group's business strategy, operations and everyday practices are underpinned by transparent corporate governance.

Human resources

The people that make up our company are the most valuable resource we have and will be the defining differentiator in our pursuit of excellence. While the global financial crisis and our cut in production highlighted the need to drive productivity, optimise business systems and manage costs, these measures were carried out within the context of an ongoing commitment to attract, grow and retain talent within an inclusive workplace culture.

In spite of a 40% drop in production we did not downsize and there were no forced retrenchments of permanent staff. We did, however, implement several cost-cutting actions that impacted significantly on our staff and tested the robustness of our culture. These include short-time, a reduced four-day work week, less overtime and voluntary cuts in salary and leave. While bargaining agreement employees received a 9.6% salary rise, package category employees did not receive a salary adjustment.

Being called upon to make these significant sacrifices, coupled with the depressing circumstances of the economic downturn, had an inevitable impact on employee morale. However, we can report that ongoing engagement by senior and line management helped to ensure that the process was relatively free of company-employee conflict. We are thankful and proud of the way in which employees embraced the spirit

We retained a strong focus on skills development and training, investing over R60 million in training, bursaries and other skills development programmes during 2009.

of cost cutting, while remaining committed and hardworking.

Our engagement with the three trade unions that represent our bargaining agreement workers, namely NUMSA (National Union of Metal Workers of South Africa), Solidarity and UASA (United Association of South Africa), were also open and fruitful and paved the way for the implementation of a number of agreements on working conditions as well as health and safety measures.

Skills development and training are vital to ensure that the company has a robust pipeline of skilled people to serve its needs, not only when the immediate effects of economic recovery are felt, but into the long term as well. We therefore elected to retain a strong focus on skills development and training during the year, investing over R60 million in training, bursaries and other skills development programmes. At the end of 2009 we had about 3 050 people in the training pipeline. Furthermore, 108 bursars are enrolled at universities in engineering degrees, together with the more than 150 staff studying various degrees.

This investment is vital. While the global economic recession might have temporarily masked the skills shortage facing the engineering and related industries, lack of critical skills remains an ongoing and long-term challenge for companies like ArcelorMittal South Africa.

The company and its three trade unions finalised the agreement to introduce a four-shift system at all our operations. This will replace the current three-team system and have a material impact on operations. We envisage that upwards of 600 jobs will be created once the four-team system is fully implemented. It will also offer significant advantages in terms of skills training and allow for a more intense focus on health, safety and wellness issues.

Environment

The impact our operations has on the environment is one of the most important sustainability issues for our company. Steel is a vital component of the infrastructure of modern life, but steelmaking has an environmental footprint and requires natural resources. Our challenge is to produce steel while minimising our impact on the environment and ensuring that we contribute to efforts to tackle climate change. We do not yet have all the solutions, but we are continually investing in resources to find them.

Our biggest challenge last year came from the effects that the global financial crisis had on our ability to invest in large environmental projects. But while the deadlines of some of our projects have had to be extended, they remain an ongoing priority to which we are fully committed. We continue to roll out projects that have been earmarked as critical and are keeping the environmental authorities fully up to date on our timetable.

The work done in completing the Vereeniging Works dust extraction unit sets out how we are going about cleaning up our environmental footprint. The project – which was commissioned in the fourth quarter of 2009 and cost in the region of R220 million – is already having a major impact on pollution levels in the area. It achieves legal compliance with one of the major directives emanating from the 2007 inspection by the Green Scorpions at Vereeniging Works. The other directive related to the Vaal Waste Disposal site. This site was closed and all the magnetite removed as directed. We are awaiting final approval of the site's rehabilitation plan from the Gauteng provincial government.

ArcelorMittal South Africa is committed to making a progressive reduction in CO_2 emissions over the next decade. In line with our parent group, the company has set a target of reducing specific emissions by 8% per tonne by 2020 with 2007 serving as the base year. The target will be achieved through a combination of process improvements and increased energy efficiency, mainly by utilising process gases which are currently flared into the atmosphere.

As a first measure we are seeking to reduce our dependence on coal-generated power delivered by Eskom, which should improve our secondary CO_2 emissions. At present we have a generating capacity of about 80 MW of power out of a total requirement of around 650 MW. However, only a third of the in-house capacity is currently available to us and we are thus upgrading these power-generation facilities, while at the same time developing plans to build further modular power plants.

We are aware that our CO_2 emission targets fall short of the guidelines laid out by the South African Government following the Copenhagen conference in December, namely a 34% cut in absolute terms by 2020 from a business-as-usual scenario. This is however, an extremely ambitious – some would say impossible – target. Government has not yet released details of its strategy and how industry will be affected by the targets. We will be engaging with them to discuss the key issues surrounding CO_2 emissions.

In our efforts to reduce our carbon footprint we rely heavily on the experiences and the research and development of our parent company. Many of the group's plants in Europe, North America and South America are close to the technical limits of what can be achieved in terms of emissions reduction, and these will act as benchmarks to plants like ours. Detailed action plans that set realistic targets for improved efficiency and reduced energy usage have been drawn up.

Beyond improved energy efficiencies, the ArcelorMittal Group is also working to develop breakthrough technologies that reduce the utilisation of carbon in the steelmaking process. Once again ArcelorMittal South Africa will be one of the beneficiaries once these technologies become commercially viable.

Corporate social investment (CSI)

Considering the crucial role human resources play in the success of our company, our relationship with the communities from which we draw our labour and on which we impact, is a vital concern.

Many of ArcelorMittal South Africa's operations are located in regions that are facing significant economic and social challenges. This makes it even more important to encourage economic growth and foster the development of strong and sustainable local communities. The company does this by working in active partnership with local organisations in an open and transparent manner.

In 2009 the company made significant progress on a number of key initiatives by spending over R40 million on a wide range of projects – aimed at education and skills development, small business development and a variety of issues affecting neighbouring communities. Two initiatives stand out in our CSI programme:

- We officially launched our R250 million, seven-year school building programme in February 2009. Meetse-a-Bophelo Primary School in Mamelodi is the first of the 10 schools we are planning to rebuild using modern steel building technologies. Phase one of the project was completed in February 2010 and around 2 000 pupils are now benefiting from the improved facilities.
- In February 2009 we opened a second Science Centre in Vredenburg near our Saldanha Works. The Science Centres provide additional mathematics, science, IT and English skills to Grade 11 and 12 pupils from local township schools.

The ArcelorMittal South Africa Environmental Policy

The ArcelorMittal South Africa Environmental Policy outlines the following principles:

- Implementation of environmental management systems include ISO 14001 certification for all production facilities.
- Compliance with all relevant environmental laws and regulations, and other company commitments.
- Continuous improvement in environmental performance, taking advantage of systematic monitoring and aiming at pollution prevention.
- Development, improvement and application of low-impact environmental production methods taking advantage of locally available raw materials.
- Development and manufacture of environmentally friendly products focusing on their use and subsequent recycling.
- Efficient use of natural resources, energy and land.
- Management and reduction, where technically and economically feasible, of the CO_2 footprint of steel production.
- Employee commitment and responsibility in environmental performance.
- Supplier and contractor awareness and respect for ArcelorMittal South Africa's environmental policy.
- Open communication and dialogue with all stakeholders affected by ArcelorMittal South Africa's operations.

Corporate governance

ArcelorMittal South Africa's business practice is underpinned by strict adherence to corporate governance standards as reflected in the

> The company has made significant progress on a number of its key corporate social investment initiatives by spending over R40 million on a wide range of projects.

company's Code of Business Conduct. The code aims to engender a culture of adherence and provides guidelines on the principles and practices to which we are committed. The board of directors (the board) takes ultimate responsibility for the company's adherence to sound corporate governance standards and sees to it that all business judgements are made with reasonable care, skill and diligence.

During the year, the composition of the board was changed with the resignations of the Chairman, Dr Khotso Mokhele, and the President, Dr Luc Bonte. Johnson Njeke was appointed as acting Chairman of the board with effect from 4 December 2009 and then as permanent Chairman with effect from 4 February 2010. In February this year, Malcolm Macdonald was appointed as an independent non-executive director. Changes to the composition of the board's various subcommittees are detailed in the corporate governance section of the annual report.

The board is committed to the principles of openness, integrity and accountability and supports the principles contained in King II. The JSE requires that listed companies report on the extent to which they comply with the principles incorporated in King II. An assessment was completed and the board believes that the company has applied the principles of King II.

The board is also taking steps to ensure that the company will be compliant with the King III report.

Appreciation

We would like to take this opportunity to thank all our stakeholders for the loyalty they have shown us during these difficult times. A company can not thrive and grow without the support of its customers, suppliers, shareholders, government and the communities in which it operates. The difficult year just passed has emphasised the crucial importance of stakeholder dialogue.

To our employees, the trade unions and management, we would like to thank you for your valuable contribution and the considerable sacrifices you have had to make over the last year. Without your support, guidance and extensive knowledge of the company and the industry, ArcelorMittal South Africa would not be in the relatively strong shape it is at present.

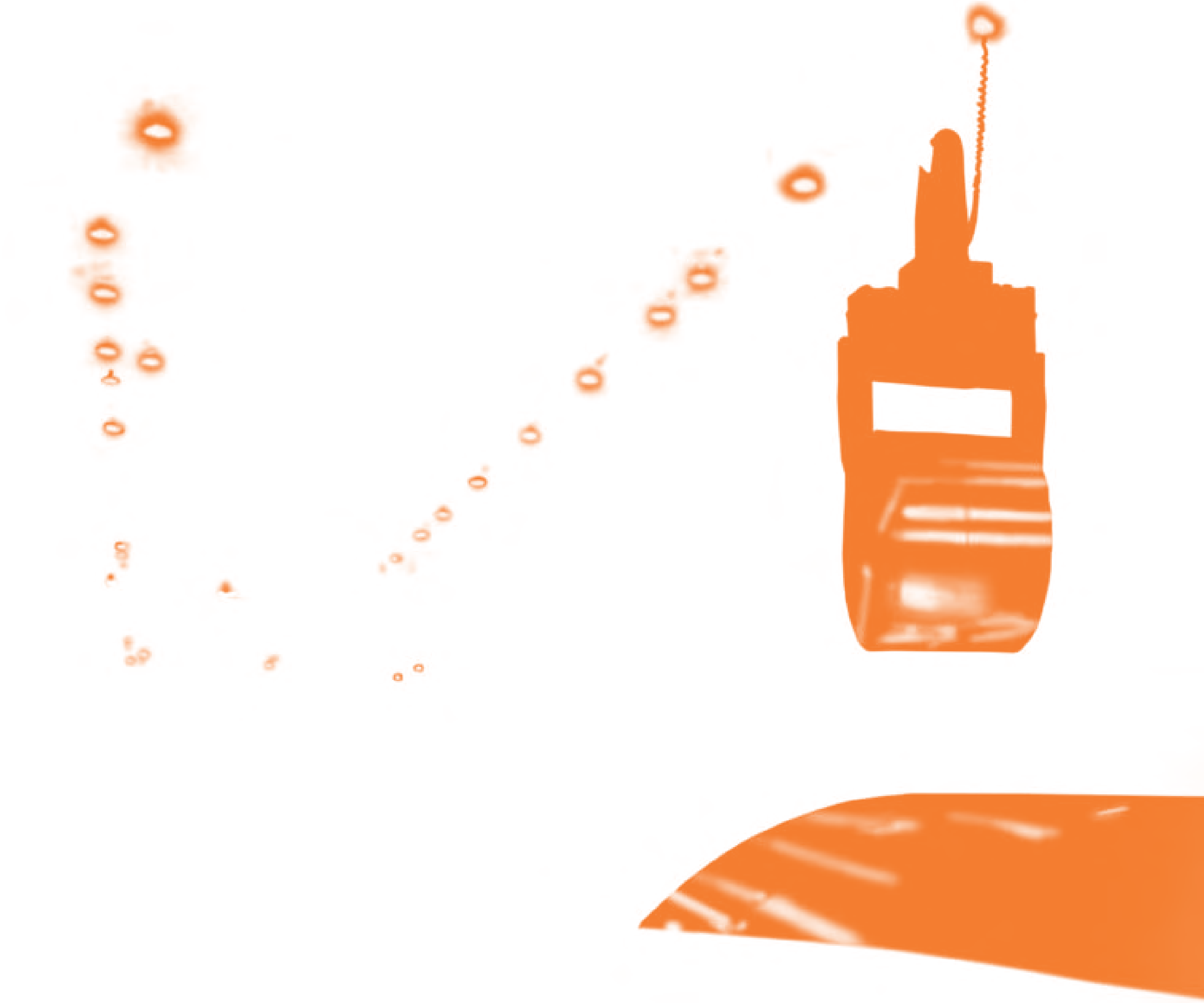
Finally to our fellow board members, we would like to thank you for your strong support as well as ongoing advice and guidance. Our particular gratitude must go to Dr Khotso Mokhele, who served on the ArcelorMittal South Africa board since 1998- the last three years as Chairman. During his tenure, the company experienced its most momentous decade: the unbundling of Iscor in 2001, the introduction of the Mittal Group as a major shareholder, the steel industry boom in 2007 to 2008 and, finally, the sharp downturn in the economic environment last year. His intimate knowledge of the company and the steel industry will be missed. We wish him well in his new role as Chairman of Impala Platinum.

Conclusion

Looking ahead to the remainder of 2010, we are certainly more optimistic than we were 12 months ago. The crisis has been very difficult for all of us, but it has also acted as a catalyst to make many positive and necessary changes that will see us emerge as a stronger, leaner and more robust company.

We have a strong balance sheet and negligible debt. We remain home to some of the best technical skills in the country and have developed a training pipeline that will ensure we have an ample supply of skills on which we can draw for our future expansion.

Our mission statement tasks us to become the leading provider of steel solutions in sub-Saharan Africa. To succeed in this endeavour we must demonstrate two attributes: sustained financial performance through the economic cycle and a willingness to address the environmental, social and wider economic challenges of our time in an open and transparent manner. We are confident that ArcelorMittal South Africa is up to this challenge.



Operational review

Operational review and locations

Vanderbijlpark Works

is the largest steel mill in sub-Saharan Africa, with two blast furnaces, three electric arc furnaces and three basic oxygen furnaces. It has a **capacity of 4.4 million tonnes of liquid steel** per annum, which is converted into a range of steel sheeting and plates. This output constitutes around 80% of the company's flat steel production.

Vanderbijlpark Works employs 4 557 people.

Saldanha Works

has a **capacity of 1.3 million tonnes of liquid steel** per annum, most of which is destined for the export market. It also produces high-quality ultra-thin hot rolled coil. It is the only steel mill in the world to have successfully combined the Corex and Midrex processes into a continuous chain. This replaces the need for coke ovens and blast furnaces and contributes to making Saldanha Works a world leader in emission control and environmental management.

Saldanha Works employs 566 people.

Vereeniging Works
(Including Pipe and Tubes)

is South Africa's major supplier of speciality steel products, seamless tube and forge products. At full capacity it **delivers around 0.4 million tonnes** of final product per annum, of which around 20% was exported last year.

Vereeniging Works employs 863 people.

Newcastle Works

is rated among the world's lowest billet cash-cost producers. With one blast furnace, three basic oxygen furnaces and four rolling mills, this operation has a **capacity of 1.9 million tonnes of liquid steel** annually. Products include low-, medium and high-carbon steels, alloy steels, bar, structural sections and rails.

Newcastle Works employs 1 845 people.

Coke and Chemicals

operations comprise two coke batteries in Newcastle and Pretoria. They produce commercial coke for the ferro-alloy industry, supplying more than half of South Africa's requirements. In addition, Coke and Chemicals processes and markets metallurgical byproducts, including coal tar pitch.

Division	Description
Flat Carbon Steel Products 	**ArcelorMittal South Africa produces flat steel products at its** *Vanderbijlpark* **and** *Saldanha Works. Vanderbijlpark Works* **is the largest supplier of flat steel products in sub-Saharan Africa.**
Long Carbon Steel Products 	**The Long Carbon Steel products segment produces a range of long steel products at the integrated steel works at** *Newcastle Works* **and the electric arc furnace-based facility at** *Vereeniging Works.*
Coke and Chemicals 	**Coke and Chemicals' core business is the production of market coke for the ferro-alloy industry from coke batteries located at** *Pretoria* **and** *Newcastle Works.* **The business also processes and beneficiates metallurgical and steel by-products, including coal tar pitch.**

End products	Operating results

Slabs, heavy plate or coils.

Hot-rolled strip, cold-rolled and coated products such as tinplate and hot-dip galvanised, electro-galvanised and prepainted sheet.

The biggest market is the building and construction industry followed by the welded pipe and tubes industry. Other significant markets are the packaging and automotive industries.

	2009	2008
Revenue (Rm)	**16 292**	25 513
Net operating (loss)/income (Rm)	**(614)**	7 007
Employees	**5 123**	5 280

Bar, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, light, medium and heavy sections and rod.

The biggest market is the building and construction industry.

Other significant markets are the mining, automotive, agricultural, engineering, manufacturing and petro-chemical industries.

	2009	2008
Revenue (Rm)	**8 531**	12 950
Net operating income (Rm)	**315**	3 672
Employees	**2 708**	3 008

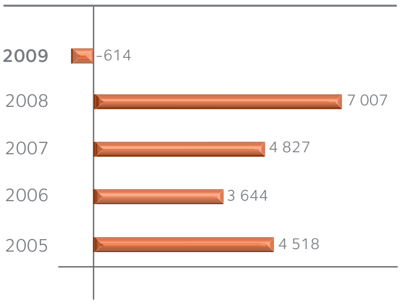
Commercial coke for the ferro-alloy industry and metallurgical and steel by-products, including coal tar.

By-products from the coke and iron-making processes are processed and sold as raw materials to make aggregates for road pavements, cements, fertilisers, plastics, electronics and roofing.

	2009	2008
Revenue (Rm)	**1 653**	3 563
Net operating income (Rm)	**449**	1 743
Employees	**250**	273

Flat Carbon Steel Products

Net operating income – Flat Steel Products (Rm)



Operational results for the year ended 31 December	2009	2008
Revenue (Rm)	**16 292**	25 513
Net operating income (Rm)	**(614)**	7 007
Liquid steel production ('000 t)	**3 428**	4 084
Sales volumes ('000 t)	**2 858**	3 412
– Domestic	**2 079**	2 835
– Export	**779**	577
Domestic sales (%)	**73**	83
Capital expenditure (Rm)	**630**	1 035
Hot-rolled coil (HRC) export price – USD/t (c&f)	**508**	966
Number of employees	**5 123**	5 280
Total HRC cash cost Rand per tonne	**4 070**	4 032
Total HRC cash cost USD per tonne	**482**	488

ArcelorMittal South Africa produces flat steel products at its Vanderbijlpark and Saldanha operations. Vanderbijlpark Works is the largest supplier of flat steel products in sub-Saharan Africa. It has the capacity to produce 4.4 million tonnes of liquid steel each year, which is cast into slabs and hot rolled into heavy plate or coils. These are sold as hot-rolled strip or, through further processing, into cold-rolled and coated products such as tinplate and hot-dip galvanised, electro-galvanised and prepainted sheet. Vanderbijlpark Works meets more than three quarters of South Africa's flat steel product requirements.

Saldanha Works, which produces thin and ultra-thin gauge hot-rolled coil for domestic and select export markets, is the only steel mill in the world to have a continuous production chain that obviates the need for coke ovens and blast furnaces. Together with Vanderbijlpark Works, its 1.3 million tonnes of liquid steel per annum amount to a combined capacity of 5.7 million tonnes.

Markets

Domestic

Sales of flat steel products in 2009 were 27% lower than in 2008. For the first nine months of 2009 real spending on durable goods such as vehicles and household appliances declined by 14.4% as a result of the economic slowdown, low levels of consumer confidence and tight lending conditions by commercial banks. The most significant decrease in domestic sales during 2009 was in the building and construction industry, with flat steel product sales to the sector falling by 47%, followed by the automotive and pipe and tube industries, which both experienced a 44% decline in sales.

International

In comparison with the previous year, exports of flat products in 2009 increased substantially by 35%. Consequently, the share of flat product exports to total sales rose from 17% to 27%. Exports outside the African region remained at 11% of total flat steel product sales, confirming our sales strategy of focusing on the African continent. In 2009 our net realised export prices were on average 47% lower than in 2008, though prices increased by 19% during quarter four compared to the average price for the first three quarters.


ArcelorMittal

Galvanised steel

ArcelorMittal South Africa is one of the country's only two producers of galvanised steel, which has numerous housing and industrial applications.

Vanderbijlpark Works produces more than 500 000 tonnes of hot-dip galvanised and about 50 000 tonnes of electro-galvanised coil per annum.

The properties of galvanised steel are a unique combination that make it ideal for use in interior and exterior applications such as car bodies, appliances, nuts and bolts, roofs and rebar.

The galvanising process

Hot-dip galvanising is the process of coating steel with a thin zinc layer, by passing the metal through a molten bath of zinc at a temperature of around 460°C. Electro-galvanising involves depositing the layer of zinc from an aqueous electrolyte by means of electroplating, which forms a thinner, but much stronger bond.

Advantages of galvanising

Due to its relatively low cost, galvanised steel is gaining popularity as roofing and cladding material. Aside from being economical, galvanised steel is non-combustible, has strong corrosion resistance and a longer life. It does not shrink, warp, crack or swell. Because the process involves dipping the product into molten zinc, every area of the sheet is protected, unlike other products that are treated after they are used. Furthermore, since galvanisation can been seen by the naked eye, inspection can be done through simple and non-destructive methods.

Product profile

ArcelorMittal South Africa is currently supplying galvanised steel roofing sheets and fastening material to re-roof 3 376 houses in the Bophelong and Boipatong townships, adjacent to its Vanderbijlpark Works. The houses, previously council property but now all privately owned, were identified by ward councillors. All the houses are more than 40 years old and some of them have asbestos roofs, which have to be replaced in terms of health regulations. No shacks will be roofed. The estimated project duration is six months (October 2009 to April 2010) and will predominantly make use of labour from the communities involved. The budget for the project is R1 million.

Vanderbijlpark Works

Flat Steel Products are primarily used in consumer-facing industries such as automotive, packaging, roofing and residential building. Flat Steel Products are produced at our operations in Vanderbijlpark and Saldanha.

Markets (%) of total sales	2009	2008
Geographical sales distribution		
South Africa	**73**	83
Africa	**16**	10
Asia	**11**	7
Local market segmentation (%) of total sales		
Building and construction	**36**	37
Pipe and tube (welded)	**23**	24
Packaging	**15**	14
Automotive	**12**	13
Mining, energy, water, chemicals and gas	**7**	5
Furniture and appliances	**3**	3
Machinery and equipment	**2**	2
Agriculture	**1**	1
Transportation	**1**	1

The Flat Carbon Steel Products segment posted a R614 million operating loss during the year compared to a profit of R7 007 million in 2008, mainly owing to lower sales volumes and prices. Furthermore, the high coking coal prices that prevailed for most of the year as a result of more expensive imported coking coal contracts, added to the segment's cost base.

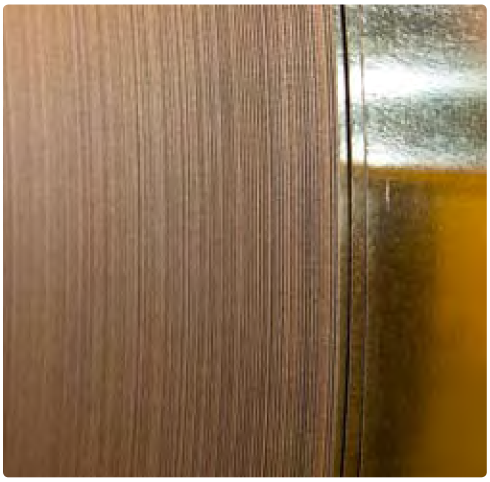
Vanderbijlpark Works

During 2009 production at Vanderbijlpark Works' blast furnaces was stopped for several months. Blast furnace C was stopped for five and a half months and blast furnace D for three months, while the electric arc furnace also produced at a slow rate for four months. Since October 2009, when production was resumed at blast furnace C, both blast furnaces have been operating at high levels.

Various cost-saving and cash-preservation actions were implemented to compensate for the drop in international steel prices. Steel inventory levels were reduced to record lows, while important quality improvements were also implemented at the operation.

Two new direct-reduction iron ore (DRI) kilns were commissioned during quarter three and contributed towards reducing the cost of electric arc furnace production by increasing the percentage of DRI and decreasing expensive scrap in the input mix. The kilns have been

Capital expenditure for the year ended 31 December (Rm)	2009	2008
Value-adding	**107**	287
Replacements	**423**	672
Environmental	**100**	76
Total	**630**	1 035



equipped with a 40 MW power-generation plant. During quarter three we also completed the major overhaul of our tin line.

Saldanha Works

Capacity utilisation at Saldanha Works were reduced to around 60% of total capacity last year, compared with a capacity utilisation of 66% during 2008, following the relines of the Corex and Midrex plants.

The lower capacity levels in 2009 were the result of slowing down output in the wake of lower demand, but also reflected production instability due to cold hearth conditions in February and May. Furthermore, a burn-through on an emergency taphole at the Corex plant on 26 May delayed a return to full production until the end of July. For the remainder of the year the plant performed well with low coke rates and excellent availability.

The frequent stoppages on the Corex plant also negatively influenced production stability on the Midrex plant, while the performance of the melt-shop was adversely affected by the quality and quantity of input materials received.

However, Saldanha Works had a good production year on the hot-strip mill. Several thin-rolling records were broken on gauges with a thickness below 1.2 mm as well as ultra-thin (below 1.09 mm) gauges.

Capital expenditure

Capital expenditure at our flat steel products business was cut back to R630 million in 2009 from R1 035 million in 2008. The majority of the funds (R423 million) were allocated to replacement capital, while R107 million was spent on value-adding capital and R100 million on environmental projects.

The two new DRI kilns at Vanderbijlpark Works were commissioned at an estimated cost of R600 million. They will have a combined capacity of 350 000 tonnes per annum, while at the same time adding 220 000 tonnes of liquid steel to manufacturing capacity.

After more than 30 years of continuous operation, the tinning line at Vanderbijlpark Works underwent structural repairs in the third quarter. The refurbishment of the line was successfully completed within budget and production resumed in October.

Safety, health and environment

The safety performance at the Flat Carbon Steel Products segment, as measured by the lost time injury frequency rate (LTIFR), was a mixed one. Vanderbijlpark Works' LTIFR deteriorated from 2.4 injuries per million hours worked in 2008 to 2.5 in 2009, while Saldanha Works improved from 2.1 in 2008 to 0.8 in 2009, which is a world-class performance. In quarter one Vanderbijlpark Works achieved 1.6 million hours (34 days) worked without a lost-time injury and 1 million hours (21 days) in quarter two. However, a fatal incident occurred at Vanderbijlpark Works in quarter three, when a production learner was fatally injured during an explosion in the abort pit of blast furnace D on 5 September 2009.

The coke oven gas and water cleaning project at Vanderbijlpark Works, which will reduce SO_2 emissions from the Works by about 40%, experienced commissioning delays last year, but was eventually started up in January 2010. Work on the sinter off-gas treatment plant at Vanderbijlpark Works continued last year and should be completed in early 2011. It will more than halve particulate emission concentrations as well as cut sulphur emissions from the sinter plant.

The feedback to the Green Scorpions on environmental issues at Vanderbijlpark Works was finalised in May 2009. An analysis of the findings shows that the environmental risk of the Vanderbijlpark Works can be described as moderate.

A Green Scorpions report following on their environmental inspection of Saldanha Works in March 2009 was received in September 2009. The company has asked for further clarifications from the Enforcement Directorate, but to date the potential impact of the findings on our business can be described as moderate.

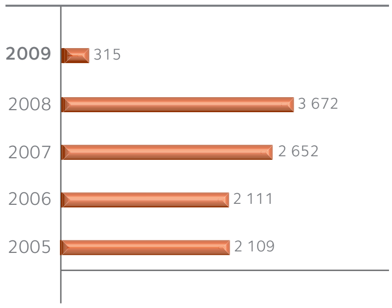
The year ahead

We see a slow, but steady, improvement as the global economy begins its recovery, but the market will remain fragile through 2010 and there will be marked differences between the developing and developed markets. Emerging markets are expected to pick up further steam this year with the World Bank expecting average growth of 6.0% in 2010, led again by China and India. China alone is expected to grow by 10%. In the US and Europe progress will be modest but progressive through 2010.

In South Africa GDP growth in 2010 should average anywhere between 2% to 3% this year. But this will differ between key sectors in the economy. Growth forecasts for our two largest markets, namely manufacturing and building and construction, are promising but come off a very low base. The outlook for spending on durable goods should benefit from the relatively low interest rates and the loosening up of banking lending standards as the economy improves. Against this background, domestic flat steel demand is expected to recover from 2009's low and depressed levels.

Long Carbon Steel Products

Net operating income – Long Steel Products (Rm)



Operational results for the year ended 31 December	2009	2008
Revenue (Rm)	**8 531**	12 950
Net operating income (Rm)	**315**	3 672
Liquid steel production ('000 t)	**1 879**	1 690
Sales volumes ('000 t)	**1 615**	1 677
– Domestic	**993**	1 540
– Export	**622**	137
Domestic sales (%)	**61**	92
Capital expenditure (Rm)	**271**	541
Average low-carbon wire-rod export price – USD/t (c&f)	**510**	909
Number of employees	**2 708**	3 008
Total billet cash cost Rand per tonne	**3 460**	3 822
Total billet cash cost USD per tonne	**410**	463

The Long Carbon Steel Products segment produces a range of long products at the integrated steel works at Newcastle Works and the electric arc furnace at Vereeniging Works. These products include bar, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, rod and light, medium and heavy sections. The biggest market exists in the building and construction industry, which accounted for about half of the sales during the year. Other significant markets are the mining, automotive, agricultural, engineering, manufacturing and petrochemical industries.

The segment's combined annual production output capacity is about 2.3 million tonnes liquid steel, with Vereeniging Works capable of producing 0.4 million tonnes and Newcastle Works 1.9 million tonnes. ArcelorMittal South Africa is committed to meeting domestic sales first but is also a strong competitor in the global market, thanks to its ability to provide high-quality products at competitive prices.

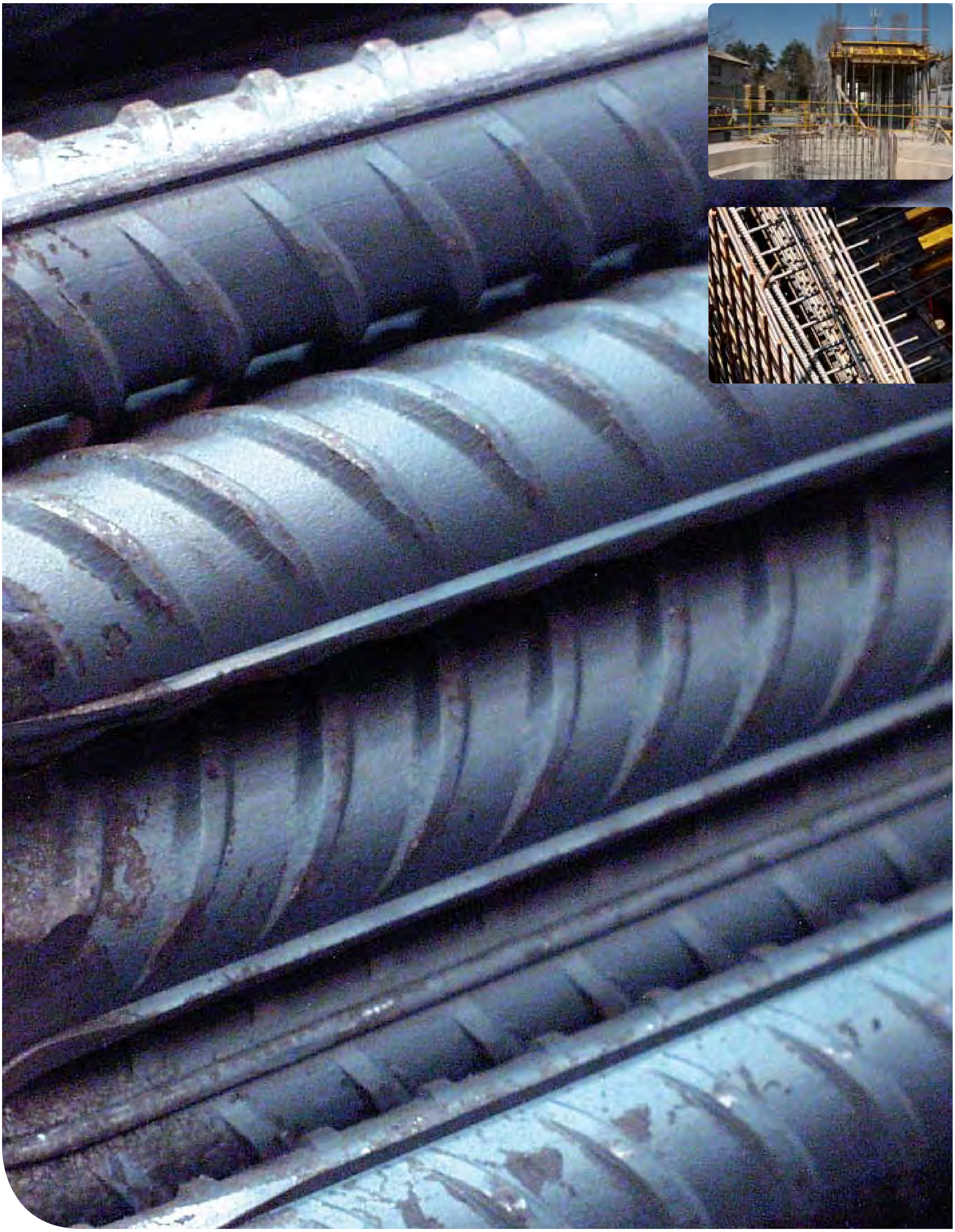
Markets

Domestic

Local shipments of long steel products in 2009 declined by 36% as several private sector investment projects were cancelled. Residential building was subdued due to risk-averse lending policies by commercial banks, while non-residential building activity virtually ground to a halt during 2009. As a result of the depressed market conditions in South Africa, the business focused attention on the export market. Thus only 61% of total long steel product sales were sold on the domestic market as opposed to 92% in 2008. Total sales to the African continent amounted to 91% of total shipments, similar to the percentages in 2007 and 2008.

International

Export sales of long steel products in 2009 were 4.5 times higher than in the previous year as ArcelorMittal South Africa shifted output from the depressed local market. Shipments outside the African region, mainly to Asia, amounted to only 9% of total long steel product sales, compared with 5% in 2008. The average net realised export prices for long steel products plunged by 51% in 2009.



Reinforcing bar

Reinforcing bar, which is commonly abbreviated as rebar, is used in the construction industry to impart tensile strength to concrete structures. Rebar is usually made of carbon steel and is produced in accordance with international and domestic specifications.

In this regard ArcelorMittal South Africa produce rebar in accordance with SANS 920:2005 450MPa, BS4449:1998 460 MPa, BS4449:2005 500 Grades B&C as well as various other international specifications.

Rebar is produced at both Newcastle Works and Vereeniging Works.

The manufacturing process

Rebar is produced in two ways, but only micro-alloyed rebar is currently produced. Micro-alloyed steel is alloyed with elements such as vanadium or niobium, is hot-rolled under normal ambient conditions, i.e. hot-rolled and air cooled.

Rebar is hot-rolled in bar and rod mills. The grooves in the rolling line are precision machined to ensure that the final product complies with the product specification (shape and dimensions) to ensure maximum anchorage in the concrete.

Rebar is produced in diameters ranging from 6mm to 40mm. The product is produced in both lengths and coil format, although coil is only produced up to 32mm diameter. Rebar lengths from 10mm diameter upwards can be produced in line where it is cut to length in ranges from between 6m and 18m lengths.

Rebar in the size range 6mm to 14mm is often produced in coil format and then straightened off line in length ranges from 3m to 13m.

Product profile

The Gautrain Rapid Rail Link, the Gauteng government's R25 billion landmark rail transport project, under construction at the moment, is using vast quantities of reinforcing rebar. This 80 km transport project will link Johannesburg and Sandton with Pretoria and OR Tambo airport via a network of ultra modern railway structures.

The project requires about 50 000 tonnes of steel particularly in the 15 km of route that will be underground. The bulk of the steel used are long steel products, particularly reinforcing bars. ArcelorMittal South Africa's steel is supplied to Murray & Roberts, a 25% member of the Bombela Consortium, which won the bid to build and run the project.

Newcastle Works

Markets (%) of total sales	2009	2008
Geographical sales distribution		
South Africa	**61**	92
Africa	**30**	3
Asia	**8**	3
Europe	**1**	1
Americas		1
Local market segmentation (%) of total sales		
Building and construction	**47**	48
Machinery and equipment	**21**	20
Mining, energy, water, chemicals and gas	**18**	17
Automotive	**7**	8
Agriculture	**5**	5
Furniture and appliances	**2**	2

Long Steel Products are used extensively in the infrastructure industry, comprising products such as rebar, rod and wire rod. Long Steel Products are produced at our operations in Newcastle and Vereeniging.

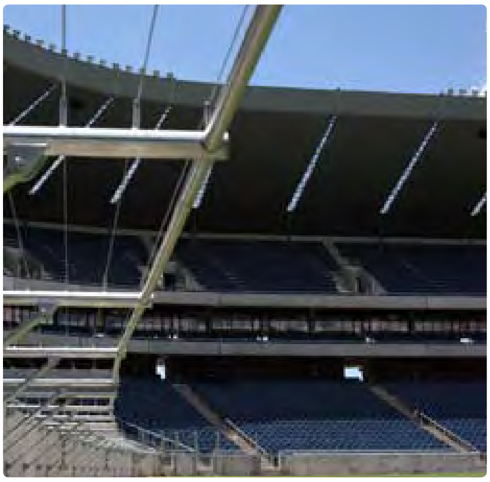
The net operating income of our Long Carbon Steel Products segment fell sharply from R3 672 million to R315 million amid declining selling prices and lower sales. Furthermore, the long products business was also locked into expensive imported coal contracts until the third quarter.

Production rose by 11% last year as 2008 output was affected by the mini-reline of blast furnace N5 at Newcastle Works and deliberate cutbacks during the fourth quarter to match lower demand levels.

The cash cost per tonne of billet produced decreased by 9% year on year mainly due to the higher production volumes, lower-cost coal contracts, a decrease in the price of scrap as well as various actions to reduce fixed costs.

Long Carbon Steel Products continued

Capital expenditure for the year ended 31 December (Rm)	2009	2008
Value-adding	**18**	48
Replacements	**105**	352
Environmental	**148**	141
Total	**271**	541



Newcastle Works

Newcastle Works operated at 87% of capacity in 2009 compared with 71% in 2008. Operating conditions at the blast furnace were stable during the year, although the blast furnace experienced a few unplanned stoppages as well as occasional shortages of coal and iron ore amid Transnet Freight Rail supply problems. The downstream units at Newcastle Works performed well and also set a number of monthly production records in terms of volumes and yields.

Vereeniging Works

Vereeniging Works operated at 55% of capacity in 2009 compared to 84% in 2008. With Newcastle Works being the lower-cost producer, output at Vereeniging Works was cut back as far as possible. Newcastle Works also supplied Vereeniging Works with a third of the billet requirements for its rolling mills.

Capital expenditure

The main focus of our capital expenditure programme was the dust extraction system for the electric arc furnace at Vereeniging Works, which was commissioned in December 2009.

Total capital expenditure at our Long Carbon Steel Products segment was cut by 50% to R271 million during 2009. The bulk of the funds spent on capital projects went towards environmental projects (R148 million) and replacement capital (R105 million), while new value-adding capital investments were limited to R18 million.

The economic downturn has also had a significant impact on the growth strategy at Long Carbon Steel Products. The planned new blast furnace N6 at Newcastle Works together with the new billet caster and new bar/section mill were put on hold and will only be reconsidered when sustainable economic growth in the region has returned.

Safety, health and environment

The safety performance at the Long Carbon Steel Products segment, as measured by the LTIFR, deteriorated year-on-year from 1.9 injuries per million hours worked in 2008 to 2.9 in 2009.

At Newcastle Works four workers died (two employees and two contractors) from asphyxiation at the steel plant on 30 December 2009 while doing maintenance work on a basic oxygen furnace. This incident has strengthened the company's resolve to further entrench its safety adherence. Prior to the accident, Newcastle and Vereeniging Works had both achieved 1 million injury-free hours during 2009.

On the environmental front, the R220 million dust extraction system for the electric arc furnace at Vereeniging Works was commissioned in the fourth quarter of 2009 with compliance testing scheduled for early 2010. This completes one of the major directives emanating from the 2007 inspection by the Green Scorpions at Vereeniging Works. The other directive related to the Vaal Works disposal site, which was closed and all magnetite removed as directed. Final approval of the site's rehabilitation plan, which was submitted to the Gauteng government, is still awaited. At Newcastle Works, the company is moving ahead with major capital expenditure on a range of environmental projects, notably the R135 million zero-effluent discharge initiative which should be completed in the second half of 2011. The R120 million basic oxygen furnace disposal facilities will be commissioned before the end of 2010.

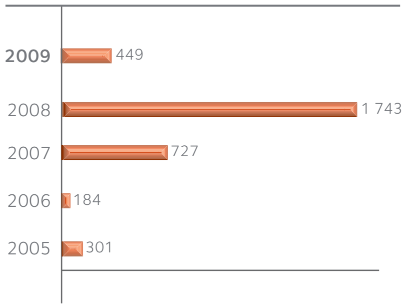
The year ahead

The demand for long steel products is expected to increase slightly from last year's low levels as residential building activities should be boosted by the recent decline in interest rates. The government's commitment towards large-scale infrastructural investment programmes should continue to provide some support for long steel product demand in 2010.

Capacity utilisation levels at Newcastle Works are running at high levels, but capacity utilisation at Vereeniging Works will continue to be curtailed. Vereeniging Works remains geared to quickly adjust output as demand levels increase.

Coke and Chemicals

Net operating income – Coke and Chemicals (Rm)



Operational results for the year ended 31 December	2009	2008
Revenue (Rm)	**1 653**	3 563
Net operating income (Rm)	**449**	1 743
Capital expenditure (Rm)	**9**	23
Sales volumes ('000 t)	**1 385**	2 167
– Coke	**433**	814
– Tar	**111**	140
– Other	**851**	1 213
Number of employees	**250**	273

Coke and Chemicals' core business is the production of commercial coke for the ferro-alloy industry from coke batteries located in Pretoria and Newcastle. We also process and beneficiate metallurgical and steel by-products, including coal tar.

Operational results

A sharp decline in demand from the ferro-alloy industry together with a decrease in international coke prices contributed to the segment's 74% drop in operating profit from R1 743 million to R449 million. Revenue decreased from R3 563 million in 2008 to R1 653 million in 2009.

Market conditions

The market for commercial coke was severely affected by the economic crisis with the ferro-alloy industry cutting back its demand significantly. Coke production was curtailed from November 2008 until the end of the third quarter of 2009. Demand and prices for market coke started a gradual improvement in the second half of 2009 and picked up significantly by the end of the year. We did not reach full coke production levels as there was higher demand for metallurgical coke by the steelmaking operations.

Capital expenditure

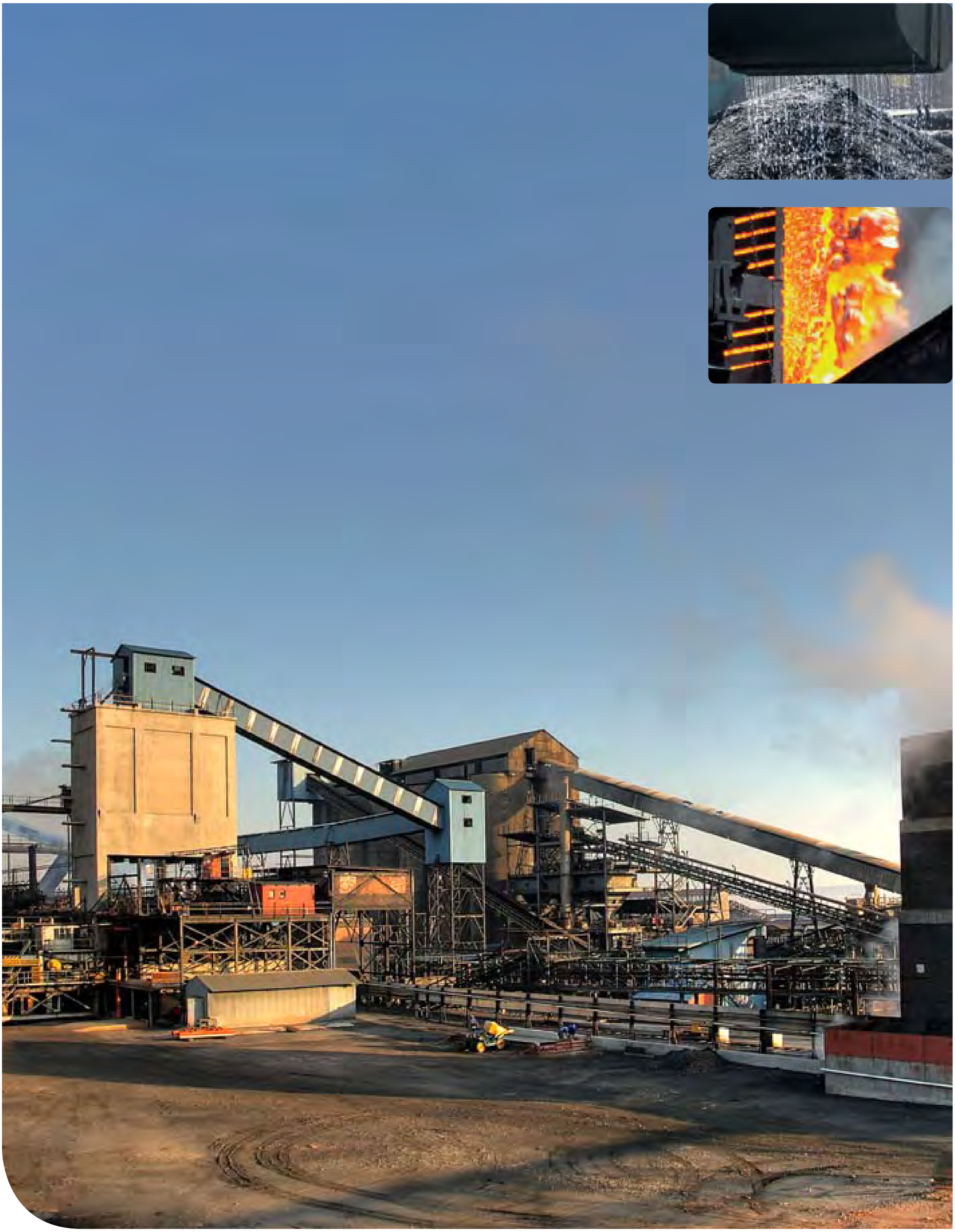
In 2009 Coke and Chemicals spent R9 million mainly on environmental projects.

Safety, health and environment

Safety, health and environmental policies are in line with the ArcelorMittal Group's commitment to provide a safe and healthy workplace for its employees and contractors. The LTIFR improved from 5.4 injuries per million hours worked to 3.8 in 2009. Coke and Chemicals is ISO 14001 and OHSAS 18001 certified.

The year ahead

Coke and Chemicals' financial performance in 2010 is expected to show a significant improvement compared to that of 2009 due to higher demand for market coke from the ferro-alloy industry and higher international coke prices.



Business review

Finance report

This report should be read in conjunction with the financial statements presented on pages 61 to 203 of this annual report.

Basis of preparation

The group financial results 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, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective from 1 January 2009.

The principal accounting policies and methods of calculation are consistent with those applied in 2008, except for the early adoption of new revised and amended standards and interpretations as set out in our accounting policies. The new revised and amended statements and interpretations did not have a significant impact on our financial results.

Headline earnings

The following table provides a comparable view of our earnings for 2009:

	Year ended 31 December	
	2009 **Rm**	2008 Rm
Revenue	**25 598**	39 914
Profit from operations	**229**	12 159
(Losses)/gains on changes in foreign exchange rates and financial instruments	**(813)**	637
Interest received	**199**	318
Finance costs	**(276)**	(238)
Income from investments	**3**	3
Income from equity-accounted investments (net of tax)	**206**	331
Impairment reversal	**9**	36
Income tax expense	**(35)**	(3 865)
(Loss)/profit attributable to owners of the company	**(478)**	9 381
Adjusted for:		
Loss on disposal or scrapping of assets	**29**	39
Impairment charge	**26**	121
Impairment reversal	**(9)**	(36)
Tax effect	**(8)**	(21)
Headline (loss)/earnings	**(440)**	9 484
Headline (loss)/earnings per share (cents)	**(104)**	2 128

A headline loss of R440 million was reported for 2009 as ArcelorMittal South Africa, like most other steel companies, was hit by sharply falling demand and significantly lower prices for its products in the wake of the global economic recession.

Amid lower demand and average realised prices that were down by 26% last year, revenue decreased by 35.9% to R25 598 million compared to 2008. Sales volumes were 12% lower than those achieved in 2008, while domestic sales as a percentage of total sales decreased from 86% in 2008 to 69% in 2009. Export sales increased significantly, especially to East and West Africa.

Profit from operations declined by 98.1% to R229 million, as lower production volumes combined with expensive raw material costs for most of the year prevailed. In particular, expensive coal contracts entered into in 2008 only ran out during the third quarter of 2009. Liquid steel production was 8% lower than in 2008 and our capacity utilisation levels were reduced from 76% to 66%.

The revaluation of the USD-denominated cash, receivables and payables led to a loss of R813 million, of which R529 million was realised. The reason for the loss was the strengthening of the Rand by 21% to R7.40 against the USD during 2009. In 2008 the currency had weakened by 38%, which had led to a profit of R637 million.

Interest received was down by 37.4% due to lower interest rates and a reduced cash balance following our R3 918 million share buy-back transaction in 2009. Income from equity-accounted investments decreased from R331 million to R206 million, mainly due to lower income from our marketing and shipping joint venture, Macsteel International Holdings.

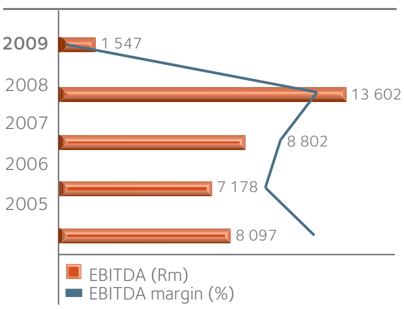
The impairment reversal of R9 million relates to Pietersburg Iron Company (Proprietary) Limited, an equity-accounted investment, following a mining feasibility study underway at that company.

Income tax expense dropped significantly as a result of the sharp losses in 2009. Secondary tax on companies of R158 million was paid in early 2009, after the company declared its final dividend based on 2008 headline earnings.

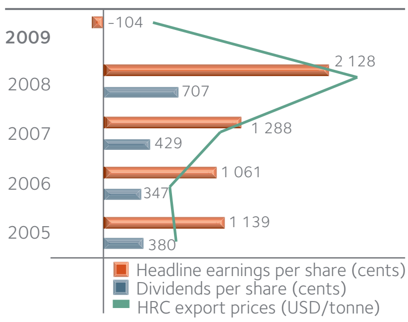
The following quarterly headline earnings table illustrates our recent earnings trend and the impact of price and exchange rate movements on headline earnings:

	HRC sales price CFR USD/t	Headline (loss)/ earnings USDm	Headline (loss)/ earnings Rm	Exchange rate R/USD
2008				
March	729	265	2 003	7.55
June	936	330	2 573	7.79
September	1 317	485	3 772	7.78
December	881	114	1 136	9.93
Average	966	299	2 371	8.26
2009				
March	**500**	**(24)**	**(237)**	**9.96**
June	**490**	**(72)**	**(607)**	**8.48**
September	**467**	**(8)**	**(65)**	**7.81**
December	**576**	**63**	**469**	**7.49**
Average	**508**	**(10)**	**(110)**	**8.44**

EBITDA and EBITDA margin



Headline earnings per share, dividends per share and HRC export prices



Profit from operations

Profit from operations decreased by 98.1% to R229 million. Flat Carbon Steel Products made a loss of R614 million, but the Long Carbon Steel Products segment reported a R315 million profit. The Coke and Chemicals segment made a profit of R449 million and was the only business in ArcelorMittal South Africa to maintain positive quarterly results throughout 2009.

Average flat carbon steel product prices declined by 23%, while average long carbon steel product prices dropped by 31%. Operating results were further impacted by depressed sales volumes and lower capacity utilisation levels.

The (loss)/profit from operations per operating segment are provided below:

	2009 Margin		2008 Margin	
	Rm	%	Rm	%
Flat Carbon Steel Products	**(614)**	**(4)**	7 007	27
Long Carbon Steel Products	**315**	**4**	3 672	28
Coke and Chemicals	**449**	**27**	1 743	49
Corporate and Other	**79**		(263)	
Profit from operations	**229**	**1**	21 159	30

Cost performance

Cash cost per tonne of hot-rolled coil increased by 0.9% due to the use of expensive coal for most of 2009, exacerbated by a 16% decline in flat steel production volumes. Cash cost per tonne of billets fell by 9% amid lower raw material prices and the 11% rise in long steel product volumes. Among raw materials, coking coal prices decreased by 57%, scrap prices were on average 39% down, while the costs of iron ore pellets fell by 33%.

Employee costs rose by 1.6%, but if the provision for the buy-out of the third team is excluded, these costs are down by 1.7%. This was achieved through the reduction of overtime costs, the introduction of short-time working hours and reducing the number of temporary workers on our books.

Energy costs increased by 40% amid large price rises for both gas and electricity. Electricity costs increased by 30% reflecting the high Eskom tariff hikes.

In summary, total operating costs were down by 9% amid lower raw material input costs and the company's focus on cost savings and cash preservation.

Cash flow

Cash flows are as follows:

	Year ended 31 December 2009 Rm	2008 Rm
Cash profit from operations	**1 828**	14 330
Working capital	**2 878**	(3 324)
Cash generated from operations	**4 706**	11 006
Interest income	**199**	318
Finance costs	**(122)**	(59)
Investment income and dividend from equity-accounted investments	**91**	17
Realised foreign exchange movement	**(529)**	(202)
Income tax paid	**(934)**	(3 087)
Dividend paid	**(1 627)**	(2 398)
Capital expenditure	**(914)**	(1 832)
Proceeds from disposal of property, plant and equipment		2
Investment in associate	**(524)**	
Repurchase of shares	**(3 918)**	
Repayment of borrowings and finance lease obligations	**(157)**	(188)
(Decrease)/increase in cash	**(3 729)**	3 577

The cash outflow of R3 729 million is mainly attributable to last year's repurchase of around 10% of the company's shares at a cost of R3 918 million. Significant cash flow savings were achieved through a R2 886 million reduction in working capital, as the company reduced its stock levels. The rotation days decreased from 130 days in December 2008 to 89 days in December 2009.

ArcelorMittal South Africa paid R524 million for a 16% stake in Coal of Africa, while capital expenditure for the year at R914 million was around half the levels of 2008.

The dividend payment of R1 627 million relates to the final dividend payment based on the 2008 financial results.

Dividend

The board decided not to pay a dividend for the 2009 financial year, following the headline loss of R440 million. The dividend policy of declaring one third of headline earnings remains.

Share performance

The company's average share price for 2009 was R95.73 with a high of R127.96 in August 2009 and a low of R61.20 in March 2009. In 2008 the average share price was R165.98 with a high of R265.00 in June 2008 and a low of R58.65 in November 2008.

Daily average share trading was valued at R107 million compared to R217 million in 2008. Our average dividend yield of 6.2% over the past five years (excluding the share buy-back arrangement) was 2.2 times higher than the market average of 2.8%.

Management of exchange rate and base metal exposure

The Rand/USD exchange rate significantly affects our revenue, imports of raw material and capital expenditure. During the year the Rand strengthened by 21% against the USD.

The following table shows the quarterly Rand/USD exchange rates:

	2009		2008	
	Average	Closing	Average	Closing
March	**9.96**	**9.48**	7.55	8.10
June	**8.48**	**7.70**	7.79	7.83
September	**7.81**	**7.44**	7.78	8.27
December	**7.49**	**7.40**	9.93	9.39
Year	**8.44**	**7.40**	8.26	9.39

The company's domestic pricing model is derived from a basket of domestic prices in both developing and developed countries taking the movement of the Rand/USD into account. Amid weak demand in the domestic market during 2009, we boosted our export sales, which accounted for 31% of total sales. This further raised our exposure to exchange rate movements.

We manage our exchange rate exposure by matching foreign currency assets with foreign currency liability. It is therefore necessary to retain a significant amount of cash offshore.

In the past an active hedging policy was in place to manage our exposure to base metal price volatility. Since mid-2008, however, no further hedged positions were entered into. However, market trends will continue to be monitored into 2010 in order to determine the most opportune time to resume hedging activities.

Financial risk management

The economic downturn in 2009 forced ArcelorMittal South Africa to focus on key risks and business relationships. These include our relationship with commercial banks, financial counterparty risks as well as liquidity and customer credit risks.

Bank relationship and financial counterparty risks were managed in accordance with board-approved counterparty limits. Positions were only placed with counterparties that have a high quality rating. Our banking business was balanced between a number of commercial banks based on their service performance and competitiveness.

While we ended the year with a cash position of R4 348 million, we carefully assess our liquidity risk and ensure that we have sufficient cash resources as well as availability of funding via a number of credit facilities. The liquidity reserve is managed based on the company's expected cash flow requirements.

Finally, customer credit risks are monitored continuously and mitigated through sufficient collateral and an extensive credit insurance policy.

These risks will be monitored throughout 2010 though we are expecting a slight recovery in the domestic and global economies.

Contingent liabilities

As noted on page 197 of this annual report we have settled the case brought before the Competition Tribunal (the Tribunal) by gold miners Harmony Gold Mining Company Limited and DRDGold Limited, without admission of liability.

The other case currently before the Tribunal brought by Barnes Fencing Industries Limited is still ongoing and a date for the prehearing has not been set.

The latest case referred by the Competition Commission (Commission) to the Tribunal alleging market collusion and price fixing relating to certain long steel products, is ongoing. The Commission has requested that the Tribunal impose an administrative penalty of 10% of the company's 2008 revenue. Litigation of this matter before the Tribunal will probably start in late 2010.

Subsequent events

The Sishen Iron Ore purchase agreement dispute between ArcelorMittal South Africa and Sishen Iron Ore Company (SIOC), a subsidiary of Kumba Iron Ore Limited, as fully disclosed in note 39 on page 199 of this annual report, is ongoing and management is committed to ensure that an outcome will be expedited.

Corporate governance

The board of directors takes ultimate responsibility for the company's adherence to sound corporate governance standards and sees to it that all business judgements are made with reasonable care, skill and diligence.

Introduction

ArcelorMittal South Africa is listed on the JSE Limited (JSE). The company is subject to the JSE Listings Requirements, the guidelines contained in the 2002 King Report on Corporate Governance for South Africa (King), Companies Act No 61 of 1973, as amended (the "Act"), as well as other legislation applicable to companies in South Africa.

The board ensures that conduct of its business is done according to the highest standards of corporate governance. The board strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity.

The board is committed to the principles of openness, integrity and accountability and supports the principles contained in King.

Statement of compliance

The JSE Listings Requirements require that listed companies report on the extent to which they comply with the principles incorporated in King. An assessment was completed and presented to the board. The board, to the best of its knowledge and belief, is of the opinion that throughout the accounting period under review, the company has applied the principles of King.

ArcelorMittal South Africa has further reviewed the rules and regulations of the JSE Listings Requirements and is satisfied that it complied in all material respects with these regulations.

While the board is satisfied with its level of compliance with the governance requirements of the JSE, it recognises that practices and procedures can always be improved.

JSE SRI Index Annual Review 2009

ArcelorMittal South Africa qualified for the 2009 JSE's Socially Responsible Investment (SRI) Index. The JSE identified the 30 best performers as those companies which have met the relevant required environmental threshold, as well as all applicable core indicators in the social and governance areas. ArcelorMittal South Africa was rated as one of the best performers this year in the high environmental impact category.

Changes made during the year and plans for the year ahead

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, King and current legislation. During the period under review, the following changes were made:

- The Human Resources Committee was renamed the Remuneration Committee and Mr LP Mondi was appointed as a member with effect from 4 February 2010.
- The Audit Committee and Risk Committee were combined to form the Audit and Risk Committee. Mr EK Diack was appointed as Chairman and Messrs DCG Murray and M Macdonald as members with effect from 4 February 2010.

- Ms ND Orleyn was appointed as Chairman of the Transformation Committee with effect from 4 February 2010.
- Mr M Macdonald was appointed as a member of the Safety, Health and Environment Committee with effect from 4 February 2010.
- Mr MJN Njeke was appointed as Chairman of the Nomination Committee with effect from 4 February 2010.

ArcelorMittal South Africa will evaluate areas where governance at a corporate and subsidiary level can be strengthened. The implications of the new Companies Act, No 71 of 2008, as well as King III Code will also be analysed and appropriate steps taken to ensure compliance.

The board of directors

Changes to directorate

The following changes in directorate have taken place since the last annual report:

- Dr LGJJ Bonte resigned as President and executive director with effect from 30 November 2009.
- Dr KDK Mokhele resigned as independent non-executive director and Chairman of the board with effect from 4 December 2009.
- Mr MJN Njeke was appointed as acting Chairman of the board with effect from 4 December 2009 and then as permanent Chairman with effect from 4 February 2010.
- Mr M Macdonald was appointed as an independent non-executive director with effect from 4 February 2010.

Membership

At the date of the directors' report, the board consists of 12 members. Five directors are independent non-executive directors (being Messrs MJN Njeke, EK Diack, DCG Murray, M Macdonald and Ms ND Orleyn), five are non-executive directors (being Messrs DK Chugh, S Maheshwari, AMHO Poupart-Lafarge, LP Mondi and CDP Cornier) and two are executive directors, (being Ms NMC Nyembezi-Heita, the Chief Executive Officer (CEO), and Mr HJ Verster, the Chief Financial Officer (CFO)).

The independent non-executive directors are considered by the board to be independent of management and free from any business relationship or other circumstances that could materially interfere with the exercise of their objective, unfettered or independent judgement. The guidelines contained in the JSE Listings Requirements and the Act were used to determine the category most applicable to each director.

Chairman

Dr KDK Mokhele resigned as Chairman on 4 December 2009. Mr MJN Njeke was appointed as permanent Chairman with effect from 4 February 2010.

The Chairman represents the board in external communications in consultation with the CEO. He acts as facilitator at board meetings, gives guidance to the board as a whole and ensures that the board is efficient, focused and operates as a unit.

Chief Executive Officer

Ms NMC Nyembezi-Heita was appointed as the CEO on 1 March 2008. The CEO sets the tone in providing ethical leadership and creating an ethical environment. The CEO plays a critical role in the operations and success of the day-to-day business of the group. Ms Nyembezi-Heita reports to the board and is further responsible for the implementation of policies and strategies adopted by the board. Board authority conferred on management is delegated through the CEO in accordance with approved authority levels.

Directors

The board, through the Nomination Committee, has considered that the executive and non-executive directors together have the range of skills, knowledge and experience necessary to enable them to effectively govern the business. Directors exercise objective judgement on the affairs of the company independently from management, but with sufficient management information to enable proper and objective assessments to be made. An additional candidate will be considered by the Nomination Committee. An announcement will be made as soon as the candidate has been appointed by the board.

The Nomination Committee assists the board in ensuring that the board is comprised of individuals whose backgrounds, skills, experience and characteristics will assist the board in meeting the present and future needs of the company.

The directors understand their fiduciary duty to act in good faith and in a manner that they reasonably believe to be in the best interests of the company. Each decision made is based on all the relevant facts provided to the board at the time.

Roles and responsibilities

The board is governed by a formal Board Charter setting out composition, processes and responsibilities.

The primary responsibilities of the board include the following:

- Retain full and effective control of the company.
- Give strategic direction to the company.
- Monitor management in implementing plans and strategies as approved by the board.
- Appoint the CEO and executive directors.
- Ensure that succession is planned.
- Identify and regularly monitor key risk areas and key performance indicators of the business.
- Ensure that the company complies with relevant laws, regulations and codes of business practice.
- Ensure that the company communicates with shareowners and relevant stakeholders openly and promptly.
- Identify and monitor relevant non-financial matters.
- Establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors.
- Regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management.
- Assess the performance of the board, its committees and its individual members on a regular basis.

Meetings and attendance

The board meets regularly, at least once a quarter, and at any other time it deems necessary. The board held seven meetings during the past financial year. Attendance by directors at board meetings is set out in the table on page 51 of this annual report.

Retirement and re-election of directors

One third of the directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's articles of association ("articles"). Ms ND Orleyn, Messrs EK Diack, MJN Njeke, DK Chugh and M Macdonald retire and, being eligible, have offered themselves for re-election. The biographical details are provided on pages 8 and 9 of this annual report to enable shareholders to make an informed decision in respect of their election.

Appointments

The board has adopted a policy on the procedures for the appointment of directors. The Nomination Committee periodically assesses the skills represented on the board by the non-executive directors and determines whether those skills meet the company's needs. Directors are invited to assist with the identification and nomination of potential candidates. The Nomination Committee proposes suitable candidates for consideration by the board.

Remuneration

Details of the remuneration paid to the executive and non-executive directors are set out in the remuneration report on page 68 of this annual report. Shareholders will be invited to consider and approve the non-executive directors' fees at the forthcoming annual general meeting.

Board committees

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board committees certain functions to assist it to properly discharge its duties. Each committee acts within agreed, written terms of reference under which authority is delegated by the board. The Chairman of each committee reports at each scheduled meeting of the board and minutes of committee meetings are provided to the board.

Audit Committee

The Audit Committee for the financial year ended 31 December 2009 comprised three independent non-executive directors: Messrs MJN Njeke (Chairman), EK Diack and DCG Murray.

For the financial year ending 31 December 2010, the board has combined the Audit Committee and the Risk Committee to form the Audit and Risk Committee. The board appointed the following independent non-executive directors as members of this Committee: Messrs EK Diack (Chair), M Macdonald and DCG Murray.

The committee met five times during the period under review and conducts its work according to an annual plan which is regularly monitored and updated by the Company Secretary to ensure that the committee meets its legal and regulatory obligations.

The Committee is responsible for the following matters:

- Reviews the quarterly and half-yearly financial reports, the annual financial statements as well as accounting policies for the company and all subsidiaries.
- Reviews the effectiveness of the internal audit function.
- Reviews management information and other systems of internal control.
- Reviews the auditor's findings and recommendations.
- Satisfies itself on the independence of the external auditor and meets with the external auditors at least once a year without management being present.
- Considers and makes recommendations to the board on all aspects relating to the appointment, retention, resignation/dismissals of external auditors and ensures that the process complies with all relevant legislation.
- Nomination of the external audit firm and the audit partner.
- Reviews any statements on ethical standards for the company and how these are promoted and enforced.
- Satisfies itself that the CFO is appropriately qualified and experienced.
- Reviews significant cases of unethical activity by employees or by the company itself.

Attendance by the members of committee meetings is set out in the table on page 51 of this annual report.

The Audit Committee report required in terms of section 270A(1)(F) of the Act, is set out on page 63 of this annual report.

Risk Committee

The Audit Committee and Risk Committee were combined with effect from 4 January 2010. Please see previous paragraph on Audit Committee on page 47 of this annual report. During the year under review, the Risk Committee was comprised of two independent non-executive directors, Messrs EK Diack (Chairman) and MJN Njeke; one non-executive director, Mr LP Mondi; and three executive directors, Ms NMC Nyembezi-Heita, Mr HJ Verster and Dr LGJJ Bonte.

This Committee met twice during the year under review. The Committee receives quarterly risk assessment reports from management. Unscheduled "red flag" reports are received from the committee to highlight unusual and significant risks when the need arises.

The Committee receives and reviews reports about the risk management process in the company and assesses the company's exposure to the following risks:

- Operational, non-operational and strategic risks (top 10 risks).
- Human resource and technology risks.
- Business continuity and disaster recovery risks.
- Credit and market risks.
- Compliance risks.

Attendance by the members at committee meetings is set out in the table on page 51 of this annual report

Safety, Health and Environment Committee

The Safety, Health and Environment (SHE) Committee has been mandated to assist the board in ensuring sound management of safety, health and environmental matters.

The Committee is comprised of two independent non-executive directors, Mr DCG Murray (Chairman) and Dr KDK Mokhele; two executive directors, Ms NMC Nyembezi-Heita and Dr LGJJ Bonte; and one trade union representative, Mr J Maake of the National Union of Metalworkers (Numsa). The trade union representation rotates on an annual basis amongst the three recognised unions at ArcelorMittal South Africa.
Mr M Macdonald was subsequently appointed to this Committee on 4 February 2010 in place of Dr KDK Mokhele and Dr LGJJ Bonte.

The Committee met four times during the year under review and rotated its visits between the company's plant sites.

The main duties of the Committee are to:

- ensure that the management of safety, health and the environment in the company is aligned with the overall business strategy of the company;
- consider and approve corporate safety, health and environmental strategies and policies;
- ensure that its members are informed about all significant impacts on the company in the safety, health and environmental field and how these are managed (process and activities);
- monitor the company's safety, health and environmental performance, progress and continual improvement;
- deal with any other matters formally delegated by the board to the committee from time to time; and

- ensure adequate resource provision to comply with SHE policies, standards and regulatory requirements.

Attendance by the members at the committee meetings is set out in the table on page 51 of this annual report.

Remuneration Committee

The Remuneration Committee (previously called the Human Resources Committee) comprises three independent non-executive directors, Ms ND Orleyn (Chairman), Dr KDK Mokhele and Mr DCG Murray; one non-executive director, Mr DK Chugh; and one expert co-opted member, Mr B Fontana, Vice-President Human Resources for the ArcelorMittal Group. This Committee met twice during the year under review. Mr L Mondi was appointed a member of this Committee in place of Dr KDK Mokhele.

The functions of the Remuneration Committee are to:

- determine and agree with the board the framework or broad policy for the remuneration of the company's executive and senior management;
- determine the targets and rules for any performance-related pay schemes operated by the company;
- determine the rules for any share incentive scheme;
- approve general salary increases and mandates for negotiations with trade unions and review and assess any ad hoc remuneration matters;
- oversee any major changes in employee benefit structures throughout the company;
- be involved in and ensure a proper system of succession planning for top management and monitor succession planning in the rest of the organisation;
- confirm appointment to senior management positions;
- approve employment equity plans for implementation; and
- deal with any other human resources matters formally delegated by the board to the committee from time to time.

Attendance by the members at the committee meetings is set out in the table on page 51 of this annual report.

Nomination Committee

The Nomination Committee comprised three independent non-executive directors, Dr KDK Mokhele (Chairman), Ms ND Orleyn and Mr DCG Murray; one non-executive director, Mr DK Chugh; and one expert co-opted member, Mr B Fontana, Vice-President Human Resources of the ArcelorMittal Group. Mr MJN Njeke was appointed as the Chairman of this committee in place of Dr KDK Mokhele.

This Committee met three times during the year under review. Attendance by the members at the committee meetings is set out in the table on page 51 of this annual report.

The functions of the Nomination Committee are to:

- regularly review the board structure, size and composition and make recommendations to the board on the composition of the board in general and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors;
- be responsible for identifying and nominating candidates for the approval of the board to fill board vacancies (executive and non-executive directors) when they arise;
- be responsible for succession planning, in particular for the Chairman and executive directors;

- agree and put in place a performance contract with the CEO;
- formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members;
- in the exercise of its duties have due regard for the principles of governance and code of best practice; and
- deal with any other nomination matter formally delegated by the board to the committee from time to time.

Transformation Committee

The Transformation Committee was established to drive strategy and the achievement of broad-based black economic empowerment (B-BBEE) targets within the company. The Transformation Committee is comprised of two independent non-executive directors, Dr KDK Mokhele (Chairman) and Ms ND Orleyn; two non-executive directors, Messrs DK Chugh and LP Mondi; two executive directors, Ms NMC Nyembezi-Heita and Mr HJ Verster; and the Group Manager, Corporate Responsibility and External Relations, Ms M Green-Thompson. Ms ND Orleyn was appointed as Chairman in place of Dr KDK Mokhele.

The Committee is tasked with overseeing management actions and efforts to comply with B-BBEE legislation, ensuring that the key elements of the Department of Trade and Industry's balanced scorecard (ownership, management control, skills development, employment equity, preferential procurement, enterprise development and socio-economic development) are addressed, approving strategies and plans to achieve B-BBEE compliance status and to consider and recommend major B-BBEE projects.

The Transformation Committee met twice during the year under review. Attendance by the members at the committee meetings is set out in the table below.

Additional committees

Executive Committee

This Committee is chaired by the CEO and comprises the executive directors of the company and General Managers of business units and senior management. It meets formally on a monthly basis. The Executive Committee and its members are individually mandated, empowered and held accountable for implementing the strategies and key policies determined by the board; managing and monitoring the business and affairs of the organisation in accordance with approved business plans and budgets; prioritising the allocation of capital and other resources; ensuring compliance with laws and adherence to good governance principles; and establishing best management and operating practices.

Capital Review Committee

The COO (Chief Operating Officer) chairs this committee, which consists of the CFO and other senior managers. The committee met formally on a monthly basis and is responsible for reviewing all requests for capital expenditure involving amounts exceeding USD5 million and for monitoring the effective functioning of the capital expenditure management process, including the post-implementation review system.

Compliance Forum Committee

This Committee was formed on 1 August 2009. The Group Manager of Internal Assurance chairs this meeting, which consists of the Manager of Internal Audit, Manager of Risk and Insurance, Group Manager of Statutory Reporting, Manager of Internal Audit and Risk Governance, Legal Counsel and the Company Secretary. The CEO attends by invitation. The Committee met twice since its formation and is responsible for highlighting areas of concern and non-compliance and ensuring that the issues are being addressed by means of action plans and target dates. The Committee will meet on a quarterly basis and report any areas of concern to the Chairperson of the Audit and Risk Committee.

Board and committee meeting attendance

The attendance at meetings by directors for the year ended 31 December 2009, including by teleconference, is summarised below:

Director	Board	Audit	Risk	SHE	Trans-formation	Remunera-tion	Nomina-tion
KDK Mokhele[4]	6/7[1]	n/a	n/a	2/4	2/2[1]	2/2	3/3[1]
LGJJ Bonte[3]	6/6[3]	2/5[2]	0/2[2]	2/4	n/a	0/2[2]	0/3[2]
DK Chugh	4/7	n/a	n/a	n/a	2/2	2/2	3/3
CDP Cornier	6/7	1/5[2]	n/a	n/a	2/2[2]	n/a	n/a
EK Diack	7/7	5/5	2/2[1]	n/a	n/a	n/a	n/a
S Maheshwari	4/7	n/a	n/a	n/a	n/a	n/a	n/a
LP Mondi	5/7	n/a	2/2	n/a	1/2	n/a	n/a
DCG Murray	4/7	4/5	n/a	3/4[1]	n/a	2/2	3/3
MJN Njeke	5/7	4/5[1]	1/2	n/a	n/a	n/a	n/a
NMC Nyembezi-Heita	7/7	5/5[2]	2/2[2]	4/4[2]	2/2	2/2[2]	3/3[2]
ND Orleyn	7/7	n/a	n/a	n/a	1/2	2/2[1]	3/3
AMHO Poupart-Lafarge	4/7	2/5[2]	n/a	n/a	1/2	1/2	n/a
HJ Verster	7/7	5/5[2]	2/2	n/a	2/2	n/a	n/a

[1] *Chairman*
[2] *Attended by invitation*
[3] *Resigned from the board on 30 November 2009*
[4] *Resigned from the board on 4 December 2009*

Independent advice

The members of the board and committees may seek advice from independent experts whenever it is considered appropriate. Individual directors may, with the consent of the Chairman, seek independent professional advice at the expense of the company, on any matter connected with the discharge of their responsibilities as directors.

Price-sensitive information

The board acknowledges its responsibility for ensuring the equal treatment of all shareholders. To this end, a disclosure of information policy is in place and sets out the necessary guidelines that have to be adhered to at all times in the external communication of the company's affairs.

Closed periods

A closed period is exercised by the directors from the date of the end of every quarter up to the date of the publication of the quarterly results on SENS. Additional closed periods are enforced as required in terms of any corporate activity or when directors are in possession of price-sensitive information. No director or any employee, who participates in the management share scheme, may trade in ArcelorMittal South Africa shares during the closed periods. The Company Secretary informs the directors of the closed periods.

Director's share dealings

ArcelorMittal South Africa has adopted a share dealing policy requiring all directors, senior executives and the Company Secretary to obtain prior written clearance from the Compliance Officer then, either the Chairman or CEO to deal in ArcelorMittal South Africa shares. The Chairman and CEO may not deal in the company's shares without first advising and obtaining clearance from the appointed Compliance Officer and the board. No director may trade in ArcelorMittal South Africa shares during closed periods as defined in the JSE Listings Requirements. The directors of the company keep the Company Secretary advised of all their dealings in shares.

Interests of directors

The direct and indirect interests of directors and their associates in the company's shares as at 31 December 2009 are set out on page 66 of the annual report. There were no changes to the directors' interests in the share capital of the company between 31 December 2009 and the date of posting of this annual report. A record of dealings and clearance provided in terms of the JSE Listings Requirements is kept by the Company Secretary.

Conflicts of interest

ArcelorMittal South Africa encourages directors to avoid situations where they have, or can have, a direct or indirect interest that conflicts with the company's interests. Directors are required to inform the board timeously of conflicts or potential conflicts of interests they may have in relation to particular items of business. A director who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting, shall not be counted in determining the presence of a quorum for purposes of the vote, may not vote on the contract or transaction, and shall not be present in the meeting room when the vote is taken.

Interests in contracts

No director has a significant interest in any contract or arrangement entered into by the company or its subsidiaries.

The register of interests of directors in contracts in terms of Section 234 of the Act is updated on an annual basis and when relevant.

Remuneration policy

ArcelorMittal South Africa follows a differentiated remuneration approach, based on best practices in the industry. Annual benchmarking within the group and similar companies beyond the world of steel, as well as individual performances, are factored into final remuneration reviews. Accountability for the design and implementation of the reward strategy and practices is vested within the Remuneration Committee.

The remuneration approach is based on guaranteed and variable pay and is also linked to the employee's individual competency and performance. This system is negotiated and agreed with recognised trade unions and is contained within the company's Collective Agreement. A stock option plan is available for senior managers and forms part of ArcelorMittal South Africa's reward and retention strategy, ensuring that the organisation retains the services of key human resources. The need to expand and exchange functional expertise within the ArcelorMittal Group is recognised. International mobility is a key driver to ensure attraction and retention of key skills within the group.

Company Secretary

Ms C Singh resigned as Company Secretary on 30 April 2009. Premium Corporate Consulting Services (Proprietary) Limited was appointed as the acting Company Secretary with effect from 1 May 2009.

The Company Secretary advises the board on the appropriate procedures for the management of meetings and the implementation of governance procedures. The Company Secretary is further responsible for providing the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements applicable to South Africa.

The Company Secretary and Chairman of the board ensure that the affairs of the board are managed effectively. The Company Secretary also ensures that the company and its subsidiaries are fully compliant with statutory, regulatory and best practice requirements. Within the company the Company Secretary oversees matters of business ethics and good corporate governance. Appointment and removal of the Company Secretary are dealt with by the board.

The Company Secretary monitors directors' dealings in shares and ensures adherence to closed periods for share trading.

Annual financial statements

The board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with International Financial Reporting Standards (IFRS) and the responsibility of the external auditors to report on these financial statements. The board is responsible for ensuring the maintenance of adequate accounting records and effective systems of internal control. During the year under review nothing has come to the board's attention to indicate that any breakdown in the functioning of the internal controls and systems has occurred which could have a material impact on the business.

The annual financial statements are prepared from the accounting records on the basis of the consistent use of appropriate accounting policies supported by reasonable and prudent judgements and estimates that fairly present the state of affairs of the company. The financial statements have been prepared on a going-concern basis and there is no reason to believe that the company will not continue as a going concern in the next financial year. ArcelorMittal South Africa places strong emphasis on achieving the highest levels of financial management, accounting and reporting to stakeholders.

Going concern

The annual financial statements set out in this annual report have been prepared in accordance with IFRS. They are based on appropriate accounting policies that have been consistently applied.

The directors report that, after making enquiries, they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the company continues to adopt the going-concern basis in preparing the annual financial statements.

Legal compliance

A legal compliance programme designed to increase awareness of, and improve adherence to, applicable legislation and regulation is in place. This programme involves the delegation of responsibility for compliance to designated managers equipped to deal with the area of legal compliance. A compliance framework document has been prepared by Legal Counsel and was rolled out in 2009. This is aimed at further entrenching a sound compliance culture. A regular review of legislation and its impact is also conducted by Internal Audit. Mr Mlawuli Manjingolo was appointed as Head of Legal Counsel and Company Secretarial Services with effect from 1 February 2010. Mr Manjingolo reports directly to the CEO and provides reports to the Executive Committee.

Sustainable development

Sustainable development is a cornerstone of how we do business as captured in our vision of producing safe, sustainable steel. This retains our focus on our key goal of improving the company's financial viability while ensuring social equity and protecting the environment in which we operate.

Our policies and initiatives aimed at achieving our sustainable development objectives will be covered extensively in the Sustainability Report which will be posted to shareholders on 30 April 2010.

These include:

- social responsibility, including education and community development;
- safety, health and environmental management, policies and practices;
- employee issues such as employment equity, the potential impact of HIV/Aids on our activities and the development of human capital;
- initiatives to support broad-based black economic empowerment; and
- the identification and management of risk.

The Sustainability Report will be prepared in accordance with the Global Reporting Initiative guidelines. ArcelorMittal South Africa supports the strategies adopted by the World Steel Association of which the company is an active member.

Internal assurance

The internal assurance department is integral to ensuring effective corporate governance processes. Its main areas of focus include all aspects concerning internal controls, risk management, control self-assessment, compliance and reliability of the financial records and the safeguarding of assets. The internal assurance team assists the board in ensuring a sound system of risk management, internal control and governance. The internal assurance department is fully mandated by and accountable to the Audit Committee, which approves the internal audit work plan for the year and monitors the department's performance. An internal audit charter defines the purposes, authority and responsibilities of the internal audit function.

Risk management

ArcelorMittal South Africa's enterprise risk management policy (ERM), comprising the standard operating procedures, policy statement and charter, was revised to align the policy with world best practices, King III proposals and the draft ISO 31000 standard. The revised policy is also in line with the code of practice as laid out by the Risk Management Federation of South Africa and the ArcelorMittal Group's risk management policy.

ERM is an integrated approach to risk management, whose key objectives are to:

- effectively identify, assess, monitor and report all the risks and opportunities which the organisation is exposed to;
- implement intervention protocols to adequately mitigate these exposures; and
- ensure that the risk management process is adequately controlled and assessed on a continual basis.

The risk management process at the company is overseen by the Audit and Risk Committee. The Manager of Risk and Insurance prepares a consolidated risk management report that is presented to the Executive Committee, the Audit and Risk Committee and finally to the board.

The company has documented business continuity plans in place which will allow it to continue its critical business processes in the event of a disastrous incident impacting its activities.

Insurance

The company's insurance department undertakes regular loss prevention audits of all the company's plants and operations using recognised international procedures and standards. The company participates in local and international insurance programmes that provide, at competitive costs, insurance cover for losses above agreed deductibles.

Code of business conduct

ArcelorMittal South Africa is committed to the highest standards of ethical and professional conduct which apply to all directors, employees and contractors. The company's core values of honesty, integrity and dignity are firmly entrenched in the company's code of business conduct.

The code covers a range of behaviours, including:

- compliance with laws and regulations;
- prevention of conflicts of interest;
- fair dealings;
- respect for the environment;
- protection of confidential information; and
- respect for the workplace environment.

The company has an anonymous fraud hotline which encourages employees, customers, suppliers and other interested parties to report incidents of unethical and corrupt behaviour. All reported incidents are investigated by internal assurance and outcomes of the investigations are communicated to employees.

The fraud awareness and prevention programme training was rolled out during 2008 and continued to be rolled out in 2009, identifying areas where the risk of fraud is highest, raising awareness of the hotline among managers and highlighting the consequences of being found guilty after committing fraud.

Communication

The board ensures that material matters of interest and concern to shareholders and other stakeholders are addressed in the company's public disclosure and communication. In this regard the board ensures that the group provides adequate transparency on all pertinent matters. The CEO and CFO meet with shareholders, analysts and the media to ensure accurate reporting of company matters.

The board further encourages shareholders to attend its annual general meeting, notice of which is contained in this annual report, where shareholders have the opportunity to put questions to the board and the Chairman of the Audit Committee.

The company's website provides all pertinent company announcements and the latest and historical financial reports.

Employment equity

An affirmative action programme forms part of the company's business plan. The company offers equal opportunities to all employees. It seeks to provide a work environment in which individuals of ability and commitment are able to develop their careers regardless of their background, race, religion or gender.

The company fully supports the government's initiative to achieve greater equity in the workplace and management is fully committed to complying with the Employment Equity Act of 1998 (as amended).

Supplementary information

Definitions

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

Current ratio

Current assets divided by current liabilities. Current liabilities include short-term borrowings and interest-free liabilities other than deferred taxation.

Dividend cover

Headline earnings per ordinary share divided by dividends per ordinary share.

Dividend yield

Dividends per ordinary share divided by the year-end share price at the JSE Limited.

Earnings per ordinary share

- Attributable earnings basis
  Basic earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

- Headline earnings basis
  Earnings attributable to ordinary shareholders adjusted for profits or losses on items of a capital nature recognising the taxation and minority impacts on these adjustments divided by the weighted average number of ordinary shares in issue during the year.

- Diluted earnings basis
  Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

EBITDA margin

Earnings before interest, taxation, depreciation and amortisation as a percentage of revenue.

Financial cost cover

Net operating profit divided by net financing costs.

Financial gearing (debt-equity ratio)

Interest-bearing debt less cash and cash equivalents as a percentage of total shareholders' equity.

Headline earnings yield

Headline earnings per ordinary share divided by the year-end share price at the JSE Limited.

Invested capital

Net equity, borrowings and other payables, finance lease obligations, non-current provisions and deferred taxation less cash and cash equivalents.

Net assets
Sum of non-current assets and current assets less all current interest-free liabilities.

Net asset turn
Revenue divided by closing net assets.

Net equity per ordinary share
Ordinary shareholders' equity divided by the number of ordinary shares in issue at the year-end.

Number of years to repay interest-bearing debt
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

Operating margin
Net operating profit as a percentage of revenue.

Price-earnings ratio
The closing share price on the JSE Limited divided by earnings per ordinary share.

Return on ordinary shareholders' equity
- Attributable earnings

  Basic attributable earnings to ordinary shareholders as a percentage of average ordinary shareholders' equity.
- Headline earnings

  Headline earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

Return on invested capital
Net operating profit plus income from non-equity-accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average invested capital.

Return on net assets
Net operating profit plus income from non-equity-accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average net assets.

Revenue per employee
Revenue divided by the average number of employees during the year.

Stock rotation days
Inventories at year-end multiple with 365 days divided by cost of goods sold for the year.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period which they have participated in the income of the group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

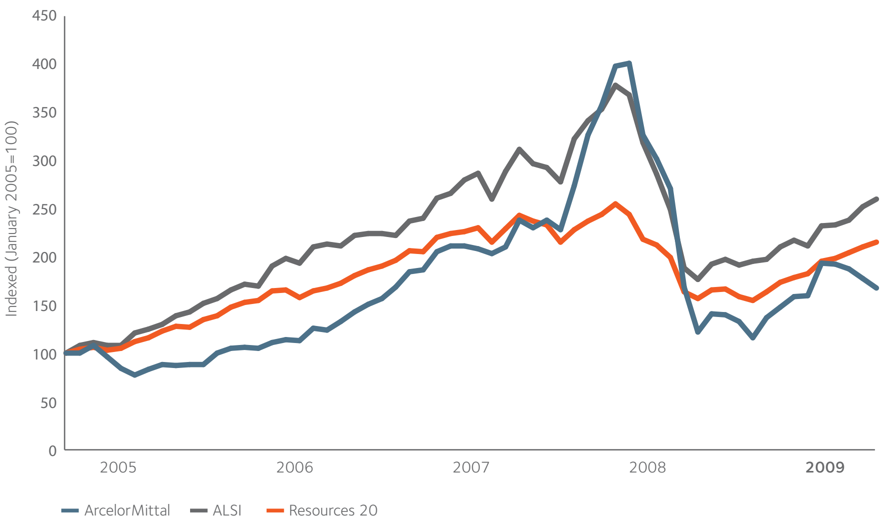
Weighted average price paid per share traded
The total value of shares traded each year divided by the total volume of shares traded for the year on the JSE Limited.

JSE Limited

Exchange statistics

	Year ended 31 December				
	2009	2008	2007	2006	2005
Number of ordinary shares traded (m)	**291**	348	251	248	294
Number of transactions ('000)	**321**	308	136	90	87
Value of ordinary shares traded (Rm)	**27 740**	54 435	31 887	18 069	15 953
% of issued shares traded (Rm)	**73**	78	56	56	66
Year-end market price/headline earnings ratio (times)	**(99.0)**	4.2	10.6	9.3	5.4
Headline (loss)/earnings yield at year-end (%)	**(1.0)**	24.1	9.4	10.8	18.6
Dividend yield at year-end (%)	**0.0**	8.0	3.1	3.5	6.2
Market price per ordinary share (cents)					
– year-end	**10 300**	8 845	13 650	9 825	6 125
– highest	**12 796**	26 500	15 300	9 900	6 930
– lowest	**6 120**	5 865	9 153	5 640	4 160
– weighted average price per share trade	**9 533**	15 642	12 704	7 286	5 426
Year-end market price/net equity per ordinary share (times)	**1.88**	1.41	2.96	1.88	1.40
Market capitalisation at year-end (Rm)	**41 324**	39 427	60 845	43 795	27 302
ArcelorMittal South Africa share price index (base: 2004=0)	**157**	307	474	341	213
JSE Actuaries Index – Industrial (base: 2004=0)	**221**	246	299	259	188

Share performance



Selected group financial data translated into USD and Euros

for the year ended 31 December 2009

	2009 USD m	2008 USD m	2009 Euro m	2008 Euro m
Income statement				
Revenue	**3 033**	4 832	**2 193**	3 307
Operating expenses	**(3 006)**	(3 360)	**(2 174)**	(2 300)
Profit from operations	**27**	1 472	**20**	1 007
Gains/(losses) on changes in foreign exchange rates and financial instruments designated as held-for-trading as fair value through profit and loss	**(96)**	77	**(70)**	53
Interest received	**24**	38		
Finance costs	**(33)**	(29)	**(24)**	(20)
Income from investments				
Impairment reversal	**1**	4		
Income after tax from equity-accounted investments	**24**	40	**18**	27
Profit before tax	**(52)**	1 604	**(56)**	1 068
Income tax expense	**(4)**	(468)	**(3)**	(320)
Profit for the year	**(57)**	1 136	**(59)**	748
Attributable earnings per share (cents)	**(13)**	255	**(10)**	174
Headline earnings	**(52)**	1 148	**(38)**	786
Headline earnings per share (cents)	**(12)**	258	**(9)**	176
Statement of financial position				
Assets				
Non-current assets	**2 499**	1 934	**1 733**	1 389
Property, plant and equipment	**2 144**	1 695	**1 487**	1 218
Intangible assets	**10**	8	**7**	5
Unlisted equity-accounted investments	**320**	210	**222**	151
Other financial assets	**25**	22	**18**	16
Current assets	**1 661**	2 053	**1 152**	1 475
Inventories	**779**	920	**540**	661
Trade and other receivables	**283**	216	**196**	155
Other financial assets	**11**	19	**8**	13
Cash and cash equivalents	**588**	898	**407**	645
Total assets	**4 160**	3 987	**2 885**	2 864
Equity and liabilities				
Shareholders' equity	**2 963**	2 981	**2 055**	2 142
Stated capital	**5**	4	**3**	3
Non-distributable reserves	**(317)**	160	**(220)**	115
Retained income	**3 275**	2 817	**2 271**	2 024
Non-current liabilities	**626**	508	**434**	365
Borrowings and other payables	**30**	29	**21**	21
Finance lease obligations	**75**	33	**52**	24
Non-current provisions	**192**	177	**133**	127
Deferred income tax liability	**329**	269	**228**	193
Current liabilities	**571**	497	**396**	357
Trade and other payables	**472**	360	**328**	259
Borrowings and other payables	**21**	11	**14**	8
Other financial liability		17		12
Finance lease obligations	**8**	4	**5**	3
Taxation	**1**	83	**1**	60
Current provisions	**69**	22	**48**	16
Total equity and liabilities	**4 160**	3 987	**2 885**	2 864

Selected group financial data translated into USD and Euros continued

for the year ended 31 December 2009

	2009 USD	2008 USD	2009 Euro	2008 Euro
Condensed statement of cash flows				
Cash inflows from operating activities	**201**	675	**145**	462
Cash outflows from investing activities	**(160)**	(219)	**(115)**	(150)
Net cash flow	**41**	456	**30**	312
Cash outflows from financing activities	**(483)**	(23)	**(349)**	(16)
(Decrease)/increase in cash and cash equivalents	**(442)**	433	**(320)**	296
Effect of foreign exchange rate changes	**132**	(358)	**82**	(345)
Cash and cash equivalents at beginning of year	**898**	823	**645**	694
Cash and cash equivalents at end of year	**588**	898	**407**	645
The group statements on these pages have been expressed in USD and Euro for information purposes. The average Rand/USD and Rand/Euro rate for the year has been used to translate the income and statement of cash flows, while the statement of financial position has been translated at the closing rate at the last day of the reporting period.				
Rand = USD at year-end	**7.40**	9.39		
Rand = USD average for the year	**8.44**	8.26		
Rand = Euro at year-end			**10.67**	13.07
Rand = Euro average for the year			**11.67**	12.07

Contents

Directors' responsibility and approval of the group and company annual financial statements

To the members of ArcelorMittal South Africa Limited

The directors are required by the Companies Act 61 of 1973, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the group and company annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flow for the financial year, in conformity with International Financial Reporting Standards, Listings Requirements of the JSE Limited and applicable legislation. The group's external auditors are engaged to express an independent opinion on the group and company annual financial statements.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. The directors, primarily through the Audit Committee, which consists of independent non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the Audit Committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the period under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the group and company annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The directors have reviewed the group's and company's financial budgets for the year to 31 December 2010. In light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements continue to be prepared on the going-concern basis.

The external auditors have audited the annual financial statements of the group and company and their modified report appears on page 64.

The directors of the company accept responsibility for the annual financial statements which were approved by the board of directors on 19 March 2010 and are signed on its behalf by:

NMC Nyembezi-Heita
Chief Executive Officer

HJ Verster
Chief Financial Officer

Certificate by Company Secretary

In terms of section 268 (G) of the Companies Act 61 of 1973 ("the Act"), as amended, I certify that, to the best of my knowledge and belief, the company has, in respect of the financial year reported upon, lodged with Cipro all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.

Premium Corporate Consulting Services (Proprietary) Limited
Company Secretary
19 March 2010

Audit Committee report

The Audit Committee comprised of the following independent non-executive directors during the year and to the date of this report.

Mr EK Diack (Chairman with effect from 4 February 2010)
Mr M Macdonald (member with effect from 4 February 2010)
Mr DCG Murray
Mr MJN Njeke (resigned as Chairman with effect from 4 February 2010)

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee mandate, and has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The Audit Committee considered the matters set out in section 270A(5) of the Companies Act, as amended by the Corporate Laws Amendment Act, and is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and Mr R Duffy, as the designated auditor. The Audit Committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approved any proposed contract with Deloitte & Touche for the provision of non-audit services to the company.

As required by the JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the Chief Financial Officer has the appropriate expertise and experience.

The Audit Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year. This is based on the information and explanations given by management and the group internal assurance function. Subsequent to year-end the company learned that Sishen Iron Ore Company (Proprietary) Limited (SIOC) is disputing that it remains obliged to supply iron ore to the company on a cost-related basis. This dispute is more fully described in note 39.

The Audit Committee has evaluated the financial statements of ArcelorMittal South Africa Limited and the group for the year ended 31 December 2009 and, based on the information provided to the Audit Committee, considers that the group complies, in all material respects, with the requirements of the Companies Act (61 of 1973), as amended, and International Financial Reporting Standards (IFRS).

EK Diack
Audit and Risk Committee Chairman
19 March 2010

Report of the independent auditors

To the shareholders of ArcelorMittal South Africa Limited

We have audited the annual financial statements and group annual financial statements of ArcelorMittal South Africa Limited, which comprise the directors' report and the statement of financial position and the consolidated statement of financial position as at 31 December 2009, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of cash flows and the consolidated statement of cash flows and the statement of changes in equity and the consolidated statement of changes in equity for the year ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 203.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the group and of the company as at 31 December 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Emphasis of matter – subsequent event

Without qualifying our opinion we draw attention to note 39 to the annual financial statements. On 5 February 2010, the group and company received a notice from Sishen Iron Ore Company (Proprietary) Limited that, with effect from 1 March 2010, it is no longer obliged to supply iron ore to the group and company, on a cost plus 3% basis. The company is currently involved in a dispute resolution process with Sishen Iron Ore Company (Proprietary) Limited over this and other matters. The ultimate outcome of the matter cannot presently be determined.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per RM Duffy, Partner
19 March 2010

Deloitte & Touche
Buildings 1 and 2, Deloitte Place
The Woodlands Office Park, Woodlands Drive
Woodmead, Sandton

Docex 10 Johannesburg
Private Bag X6, Gallo Manor 2052
South Africa

National Executive: GG Gelink, Chief Executive; AE Swiegers, Chief Operating Officer; GM Pinnock, Audit; DL Kennedy, Tax & Legal and Risk Advisory; L Geeringh, Consulting; L Bam, Corporate Finance; CR Beukman, Finance; TJ Brown, Clients & Markets; NT Mtoba, Chairman of the Board, CR Qually, Deputy Chairman of the Board.

A full list of partners and directors is available on request.

Directors' report

for the year ended 31 December 2009

The directors have pleasure in submitting their report together with ArcelorMittal South Africa Limited's (ArcelorMittal South Africa) and the group's annual financial statements for the year ended 31 December 2009.

Nature of business

ArcelorMittal South Africa, a company incorporated in South Africa and listed on the Main Board of the JSE Limited (JSE) is the leading steel producer on the African continent, producing long and flat products and beneficiating its by-products.

Financial results and activities

Earnings

	Year ended 2009	Year ended 2008
Basic (loss)/earnings (Rm)	**(478)**	9 381
Headline (loss)/earnings (Rm)	**(440)**	9 484
Basic (loss)/earnings per share (cents)	**(113)**	2 105
Headline (loss)/earnings per share (cents)	**(104)**	2 128
Net asset value (Rm)	**21 925**	27 995
Net asset value per share (cents)	**5 465**	6 280

Detailed reports on the activities and performance of the group and the various divisions of the group are contained on pages 22 to 36 of this annual report.

Dividends

A final dividend of 365 cents per share for the financial year ended 31 December 2008 was declared on 29 January 2009 and paid to shareholders on 16 March 2009. Details of the dividends paid are set out in note 17 of the annual financial statements.

No dividend was paid or declared for the financial year ended 31 December 2009.

Insurance

In accordance with the enterprise-wide risk management policy adopted by the group, all insurable exposures were covered. Insurance cover was obtained in both the local and offshore markets through the group captive insurers. The largest exposure to the group is the potential material damage or business interruption losses from damage to the group assets. The insurance premium for the year amounted to R165 million (2008: R150 million), of which R154 million (2008: R101 million) was for combined assets and business interruption valued at R73 329 million.

Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the group or in the policy regarding their use during the year under review. Capital expenditure amounted to R914 million (2008: R1 832 million).

Shareholders' resolutions

The following special resolutions were passed by the company and its subsidiaries during the year under review:

- ArcelorMittal South Africa: special resolution passed on 12 May 2009 authorising the directors to repurchase the ordinary shares of the company, and/or, any of its subsidiary's ordinary shares.
- Vicva Investments and Trading Nine (Proprietary) Limited (Vicva): special resolution passed on 1 June 2009 to acquire, by way of a scheme of arrangement proposed by Vicva between ArcelorMittal South Africa and its shareholders in terms of Section 311 of the Act, approximately 10% of the number of issued shares from ArcelorMittal South Africa shareholders.
- Change of name of Ferrosure South Africa Insurance Company Limited to ArcelorMittal South Africa Investments and Trading One Limited: special resolution passed on 24 June 2009.
- Ferrosure South Africa Insurance Company Limited: special resolution passed on 24 June 2009 authorising the following changes to the memorandum of association of the company:
  - Articles 2 and 3 were amended by changing the Purpose Describing Main Business and main object from "all short-term insurance for the Iscor group of companies" to "investments as principal and trading."
  - Article 1 was amended by the deletion of article 1.1.9 and the renumbering of articles 1.1.10 and 1.1.11 as 1.1.9 and 1.1.10 respectively.

  - Article 3.2 was amended by the deletion of the proviso reading as follows:
    "provided that no preference shares may be issued by the company without the prior written consent of the Registrar of Insurance and provided further that the prior written consent of the Registrar of Insurance shall have been obtained in relation to any amendment or addition to the terms and conditions of issue of any preference shares."
  - Article 13.2 was amended by the deletion of the proviso reading as follows:
    "provided that the prior written consent of the Registrar of Insurance has first been obtained."
  - Article 34.1 was amended by the deletion of the word "four" and the replacing it with the word "two."
  - Article 44 was amended by the deletion of the words "Subject to the prior written consent of and to the extent permitted by the Registrar of Insurance under the Insurance Act 1943, as amended."
  - Article 60 was deleted.
  - Article 61 was amended by the deletion of the words "Subject to article 60" and the renumbering of the article as article 60.
  - Articles 62; 63; 64; 65; 66; 67; 68; 69; 70; 71 and 72 were amended by the renumbering of the articles as articles 61; 62; 63; 64; 65; 66; 67; 68; 69; 70 and 71 respectively.
  - Article 73 was deleted.
  - Article 74 was amended by the renumbering of the article as article 72.
- ArcelorMittal South Africa Investments and Trading One Ltd: special resolutions passed on 17 September 2009 authorising amendments to the articles of association to enable the acquisition of shares issued by it in terms of Section 85 of the Act and that payments could be made to shareholders subject to the provision of Section 90 of the Act, and authorising the acquisition of 999 shares issued by it from ArcelorMittal South Africa at a total price of R2 999 997 (the acquisition) which includes the premium of R2 998 998 with effect from 17 September 2009 and the reduction of the paid up capital and share premium accounts with the amounts of R999 and R2 998 998 respectively in order to finance the acquisition.

Authorised and issued share capital
Details of the authorised and issued share capital are set out in note 25 of the annual financial statements.

Share repurchase
At a general meeting of shareholders held on 1 June 2009, shareholders passed a special resolution authorising the acquisition of ArcelorMittal South Africa shares, in terms of Section 89 of the Companies Act, by Vicva, a wholly owned subsidiary of ArcelorMittal South Africa, of approximately 10% of the issued ArcelorMittal South Africa shares from ArcelorMittal South Africa shareholders on a pro rata basis for a consideration of R87.64 per share by way of a scheme of arrangement in terms of Section 311 of the Act.

Details of the share repurchase are set out in note 25 of the annual financial statements.

Shareholders
ArcelorMittal Holdings AG, as controlling shareholder, has an effective shareholding of 52.02%. Details of the registered and beneficial shareholders of the company are set out on page 206 of this annual report.

Directors' interest
The details of the direct and indirect beneficial interests of directors (and their associates) in the shares of the company are set below:

	2009			2008		
Director	Direct	Indirect	Total	Direct	Indirect	Total
DCG Murray		1 557	1 557		630	630
HJ Verster		3 420	3 420		3 800	3 800
M Macdonald		5 400	5 400			
Total		10 377	10 377		4 430	4 430

No other director holds any direct or indirect beneficial interests in the shares of the company. No change to the above interests occurring between the end of the financial year ended 31 December 2009 and 19 March 2010.

Investments in joint ventures, associates and subsidiaries
The ArcelorMittal Group's 16.31% interest in Coal of Africa was acquired in May 2009 for an amount of R405 million. The financial information in respect of interests in jointly controlled entities, associates and subsidiaries of the company is disclosed in notes 20 and 21 and Annexures 1 and 2 of the financial statements.

Borrowing powers
In terms of articles 14.1 and 14.2 of the articles of association, the borrowing powers of the company and its subsidiaries are subject to any limitations imposed by the directors on the borrowing powers of the company. The borrowing powers are limited to total equity as detailed in note 32.6 of the annual financial statements.

Directorate
The names of the directors who presently hold office and serving on the various committees of the board are set out on page 8 of this annual report.

The following changes in directorate have taken place since the last annual report:

- Dr LGJJ Bonte — Resigned as President and executive director with effect from 30 November 2009
- Dr KDK Mokhele — Resigned as independent non-executive director and Chairman of the board with effect from 4 December 2009
- Mr MJN Njeke — Appointed as acting Chairman of the board with effect from 4 December 2009 and permanent Chairman of the board with effect from 4 February 2010
- Mr M Macdonald — Appointed as independent non-executive director with effect from 4 February 2010

Retirement by rotation
Both executive and non-executive directors are subject to retirement by rotation.

In terms of article 16.1 of the articles of association, the following non-executive directors are required to retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting:
- Mr DK Chugh
- Mr EK Diack
- Mr MJN Njeke
- Ms ND Orleyn
- Mr M Macdonald

Going concern
The annual financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors have a reasonable expectation that the group has adequate resources to continue as a going concern in the foreseeable future.

Independent auditors
Deloitte & Touche continued in office as auditors of ArcelorMittal South Africa and its subsidiaries. At the forthcoming annual general meeting to be held on Tuesday, 11 May 2010, shareholders will be requested to appoint Deloitte & Touche as auditors of ArcelorMittal South Africa for the 2010 financial year and it will be noted that Mr RM Duffy will be the individual designated auditor who will undertake the audit of the company for the ensuing year.

Subsequent events
Other than the supply agreement dispute with Sishen Iron Ore Company (Proprietary) Limited as more fully described in note 39, the directors are not aware of any other matter or circumstances arising since the end of the financial year.

Litigation
ArcelorMittal South Africa becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of its business.

The directors of the company whose names appear on pages 8 and 9 of the annual report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened that may have or have had in the recent past (being at least the previous 12 months from the date of the annual report) a material effect on the group's financial position, except those listed in note 36 and note 39 of the annual financial statements.

Company Secretary
The registered business and postal addresses appear on page 207 of this report.

Ms C Singh resigned as Company Secretary with effect from 30 April 2009. Premium Corporate Consulting Services (Proprietary) Limited was appointed as acting Company Secretary with effect from 1 May 2009.

Strate
Dematerialisation of the company's issued shares commenced in 2001. Shares still in paper form are no longer good for delivery and will require dematerialisation before participation in any transaction. Shareholders may direct any enquiries in this regard to the company's transfer dematerialisation secretaries on telephone number +27 861 100 950.

Directors' remuneration report

for the year ended 31 December 2009

Remuneration of directors

ArcelorMittal South Africa's remuneration strategy and practice for executive directors is similar to the general reward philosophy we follow for senior managers of the company. Our approach to remuneration is based on market benchmarks and best practice aligned to ArcelorMittal Group's reward philosophy.

Executive directors are paid a base salary as well as a variable performance-based bonus and also participate in the company's share scheme. All remuneration elements are reviewed annually in accordance with our philosophy, which is aimed at rewarding directors appropriately in accordance with market best practice and individual performance. The Remuneration Committee annually reviews every director's pay and benefits, including the bonus structure and performance parameters proposed by the company.

Fee structures for remuneration of board and subcommittee members are recommended to the board by the Remuneration Committee and reviewed annually. These include market norms, practices and benchmarks, inclusive of new legislation, regulations and corporate governance guidelines. Non-executive fee structure comprises an annual fee and in addition a fee for attending and contributing to board meetings. The Chairman receives an annual fee inclusive of all board and board committee attendances. These fees are approved by the shareholders at the annual general meeting of shareholders.

In terms of the company's articles of association one-third of the directors retire at the annual general meeting held each year. Retiring directors are eligible for re-election.

Directors' remuneration for ArcelorMittal South Africa and its subsidiaries

	Notes	Fees R	Basic salary R	Bonuses/ performance-related payments R	Allowances (note 8) R	Other benefits (note 9) R	Retirement contributions R	Loss of office and retention contract (note 10) R	Total R
For the year ended 31 December 2009									
Executive directors									
LGJJ Bonte	1		3 019 124	1 635 500	1 704 071				6 358 695
NMC Nyembezi-Heita			2 784 048	1 580 340	187 632	23 760	293 719		4 869 499
HJ Verster			1 971 935	1 211 945	19 722	23 895	164 144	3 439 087	6 830 628
Sub-total			7 775 007	4 427 785	1 911 425	47 655	457 863	3 439 087	18 058 822
Non-executive directors									
EK Diack		314 000							314 000
KDK Mokhele		700 000							700 000
LP Mondi	2	149 000							149 000
DCG Murray		312 000			4 078				316 078
MJN Njeke	3	277 000							277 000
ND Orleyn		282 000							282 000
Sub-total		2 034 000			4 078				2 038 078
Total		2 034 000	7 775 007	4 427 785	1 915 503	47 655	457 863	3 439 087	2 096 900

Directors' remuneration are not paid to the non-executive directors in the employment of ArcelorMittal Group.

Directors' remuneration for ArcelorMittal South Africa and its subsidiaries continued

	Notes	Fees R	Basic salary R	Bonuses/ perform-ance-related payments R	Allow-ances (note 8) R	Other benefits note 9) R	Retire-ment contri-butions R	Loss of office and retention contract (note 10) R	Total R
For the year ended 31 December 2008									
Executive directors									
LGJJ Bonte	4		2 468 890	231 542	1 324 057				4 024 489
NMC Nyembezi-Heita	5		2 529 951	2 000 000	140 941	18 300	259 709		4 948 901
EM Reato	6		391 407		28 116	14 040	34 641	2 086 526	2 554 730
LL van Niekerk	7							1 312 500	1 312 500
HJ Verster			2 055 094	838 330	33 167	32 094	171 022		3 129 707
Sub-total			7 445 342	3 069 872	1 526 281	64 434	465 372	3 399 026	15 970 327
Non-executive directors									
EK Diack		292 000							292 000
KDK Mokhele		710 000							710 000
LP Mondi	2	262 000							262 000
DCG Murray		322 000			4 328				326 328
MJN Njeke	3	322 000							322 000
ND Orleyn		292 000							292 000
Sub-total		2 190 000			4 328				2 194 328
Total		2 190 000	7 445 342	3 069 872	1 530 609	64 434	465 372	3 399 026	18 164 655

Notes

1. *Resigned as President and director on 30 November 2009.*
2. *Fees paid to Industrial Development Corporation in Mr Mondi's capacity as chief economist and divisional executive of professional services of that company.*
3. *Fees paid to Kagiso Media in Mr Njeke's capacity as deputy chairman of that company.*
4. *Appointed as President and director on 1 March 2008.*
5. *Appointed as Chief Executive Officer on 1 March 2008.*
6. *Resigned 29 February 2008.*
7. *Resigned 12 December 2004. Payment made on 30 March 2008 for restraint of trade.*
8. *Includes travel, entertainment, telephone, computer and relocation allowances, as well as reimbursive travel expenditure for non-executive directors.*
9. *Includes deferred compensation and medical aid.*
10. *Includes restraint of trade payments, the payment of remaining leave benefit and payment of fulfilment of retention contract.*

Directors' share options

ArcelorMittal South Africa equity-settled share option scheme

Options issued to the directors, which form part of the 40.3 million (December 2008: 41.1 million) shares allocated to the Management Share Trust, totalled 400 791 as at 31 December 2009 (December 2008: 202 551), as follows:

	Balance as at 1 January 2009			
	Subscription price R	Number	Date of issue	Period granted (years)
For the year ended 31 December 2009				
Name				
DK Chugh	50.26	22 876	2005/09/28	6
	53.38	48 522	2005/12/12	10
		71 398		
NMC Nyembezi-Heita	186.50	31 660	2008/03/25	10
		31 660		
HJ Verster	83.88	59 523	2006/11/08	10
	82.02	5 950	2006/12/12	10
	133.50	34 020	2007/11/20	10
		99 493		
Total		202 551		

Notes

1. *Offer accepted on 13 January 2009.*
2. *Offer accepted on 6 November 2009.*
3. *Offer accepted on 13 January 2009.*
4. *Offer accepted on 6 November 2009.*

Issues					Sold/forfeited			Balance as at 31 December 2009
Subscription price R	Number of options	Date of issue	Period granted (years)	Notes	Number during the year	Gross gains R	Notes	Number
								22 876
								48 522
								71 398
								31 660
73.75	66 520	2008/11/10	10	1				66 520
105.50	66 520	2009/11/02	10	2				66 520
	133 040							164 700
								59 523
								5 950
								34 020
73.75	34 020	2008/11/10	10	3				34 020
105.50	31 180	2009/11/02	10	4				31 180
	65 200							164 693
	198 240							400 791

Directors' share options continued

ArcelorMittal South Africa equity-settled share option scheme continued

	Balance as at 1 January 2008			
	Subscription price R	Number	Date of issue	Period granted (years)
For the year ended 31 December 2008				
Name				
DK Chugh	50.26	42 876	2005/09/28	6
	53.38	48 522	2005/12/12	10
		91 398		
NMC Nyembezi-Heita				
EM Reato	53.38	40 326	2005/12/12	10
	54.19	10 842	2006/03/01	10
	83.88	62 608	2006/11/08	10
	76.51	28 313	2006/11/20	10
	133.50	46 360	2007/11/20	10
		188 449		
HJ Verster	16.15	32 486	2002/05/07	6
	14.32	7 869	2003/03/18	6
	83.88	59 523	2006/11/08	10
	82.02	5 950	2006/12/12	10
	133.50	34 020	2007/11/20	10
		139 848		
Total		419 695		

Notes

5. Sold on 14 March 2008, 19 426 shares at R209.49 and 574 shares at R209.48.

6. Offer accepted in March 2008.

7. Resigned as Chief Executive Officer on 29 February 2008.

8. Sold on 19 March 2008 at R174.70.

9. Sold on 19 March 2008, 2 163 shares at R174.70 and 5 706 shares at R173.00.

	Issues				Sold/forfeited			Balance as at 31 December 2008
Subscription price R	Number of options	Date of issue	Period granted (years)	Notes	Number during the year	Gross gains R	Notes	Number
					20 000	3 184 594	5	22 876
								48 522
					20 000	3 184 594		71 398
186.50	31 660	2008/03/25	10	6				31 660
					40 326		7	
					10 842		7	
					62 608		7	
					28 313		7	
					46 360		7	
					188 449			
					32 486	5 150 655	8	
					7 869	1 252 330	9	
								59 523
								5 950
								34 020
					40 355	6 402 985		99 493
	31 660				248 804	9 587 579		202 551

Directors' share options continued

Executive international mobility share option plan

Options issued to these directors that qualify for participation in the Global ArcelorMittal Group plan amounted to 8 250 (December 2008: 33 250) ArcelorMittal SA shares.

	Balance as at beginning of year			
	Subscription price USD	Number	Date of issue	Period granted (years)
For the year ended 31 December 2009				
Name				
LGJJ Bonte	**64.30**	**10 000**	**2007/08/02**	**10**
	82.57	**15 000**	**2008/08/05**	**10**
		25 000		
HJ Verster	**28.75**	**8 250**	**2005/08/23**	**10**
Total		**33 250**		
For the year ended 31 December 2008				
LGJJ Bonte	64.30	10 000	2007/08/02	10
		10 000		
HJ Verster	28.75	8 250	2005/08/23	10
Total		18 250		

Notes

1. *Resigned as President and director on 30 November 2009.*
2. *Issued prior to becoming Chief Financial Officer and director on 17 February 2006.*
3. *Issued prior to becoming President and director on 1 March 2008.*

Refer to note 35.3 relating to abovementioned directors' participation in the above plan, specifically with regard to the accounting treatment for the reporting period and the presentation of comparative information.

Issues					Sold/forfeited			Balance as at end of year
Subscription price USD	Number of options	Date of issue	Period granted (years)	Notes	Number during the year	Gross gains USD	Notes	Number
					10 000		**1**	
					15 000		**1**	
38.30	**12 500**	**2009/08/04**	**10**		**12 500**		**1**	
	12 500				**37 500**			
							2	**8 250**
	12 500				**37 500**			**8 250**
							3	10 000
82.57	15 000	2008/08/05	10					15 000
	15 000							25 000
							2	8 250
	15 000							33 250

Financial Statements

Group and company income statements

for the year ended 31 December 2009

		Group		Company	
	Notes	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Revenue		**25 598**	39 914	**23 282**	35 990
Raw materials and consumables used		**(14 003)**	(18 556)	**(12 975)**	(17 699)
Employee costs		**(2 640)**	(2 598)	**(2 635)**	(2 591)
Energy		**(2 062)**	(1 474)	**(1 558)**	(1 075)
Movement in inventories of finished goods and work-in-progress		**(1 296)**	1 844	**(1 139)**	1 942
Impairment charge		**(26)**	(121)		(28)
Depreciation		**(1 279)**	(1 310)	**(909)**	(849)
Amortisation of intangible assets		**(13)**	(12)	**(10)**	(9)
Other operating expenses		**(4 050)**	(5 528)	**(3 358)**	(4 584)
Profit from operations	9	**229**	12 159	**698**	11 097
(Losses)/gains on changes in foreign exchange rates and financial instruments designated as held for trading at fair value through profit or loss	10	**(813)**	637	**(776)**	633
Interest received	11	**199**	318	**197**	296
Finance costs	12	**(276)**	(238)	**(241)**	(201)
Income from investments	13	**3**	3	**9**	341
Impairment reversal/(charge)	14	**9**	36	**(122)**	(45)
Income after tax from equity-accounted investments		**206**	331		
(Loss)/profit before taxation		**(443)**	13 246	**(235)**	12 121
Income tax expense	15	**(35)**	(3 865)	**(183)**	(3 562)
(Loss)/profit for the year		**(478)**	9 381	**(418)**	8 559
Attributable to:					
Owners of the company		**(478)**	9 381		
Attributable (loss)/earnings per share (cents)					
– basic		**(113)**	2 105		
– diluted		**(113)**	2 097		

Group and company statements of comprehensive income

for the year ended 31 December 2009

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
(Loss)/profit for the year	**(478)**	9 381	**(418)**	8 559
Other comprehensive income				
Exchange differences on translation of foreign operations	**(380)**	591		
Gains/(losses) on available-for-sale investment taken to equity	**37**	(71)		
Movement in losses and gains deferred from/(to) equity on cash flow hedges	**158**	(91)	**146**	(78)
Share of other comprehensive income of equity-accounted investments	**135**			
Income tax on amounts taken directly to equity	**(40)**	25	**(41)**	21
Total comprehensive (loss)/income for the year	**(568)**	9 835	**(313)**	8 502
Attributable to:				
Owners of the company	**(568)**	9 835		

Financial Statements

Group and company statements of financial position

as at 31 December 2009

		Group		Company	
	Notes	2009 Rm	2008 Rm	2009 Rm	2008 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	18	**15 862**	15 917	**10 072**	9 781
Intangible assets	19	**72**	71	**51**	48
Equity-accounted investments	20	**2 369**	1 968	**617**	84
Investments in subsidiaries	21			**8 751**	4 825
Other financial assets	22	**187**	203	**150**	203
Total non-current assets		**18 490**	18 159	**19 641**	14 941
Current assets					
Inventories	23	**5 767**	8 642	**5 139**	8 076
Trade and other receivables	24	**2 096**	2 031	**1 644**	1 765
Other financial assets	22	**83**	174	**83**	172
Cash and cash equivalents		**4 348**	8 429	**4 222**	8 121
Total current assets		**12 294**	19 276	**11 088**	18 134
Total assets		**30 784**	37 435	**30 729**	33 075
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	25	**37**	37	**37**	37
Non-distributable reserves		**(2 344)**	1 503	**(53)**	(200)
Retained income		**24 232**	26 455	**24 096**	26 141
Total shareholders' equity		**21 925**	27 995	**24 081**	25 978
Non-current liabilities					
Borrowings and other payables	26	**220**	273	**189**	232
Finance lease obligations	27	**557**	314	**420**	168
Non-current provisions	28	**1 420**	1 661	**1 399**	1 652
Deferred income tax liability	29	**2 435**	2 526	**1 044**	993
Total non-current liabilities		**4 632**	4 774	**3 052**	3 045
Current liabilities					
Trade and other payables	30	**3 496**	3 384	**2 892**	2 893
Borrowings and other payables	26	**153**	100	**143**	90
Other financial liabilities	22	**3**	157	**2**	143
Finance lease obligations	27	**57**	40	**47**	31
Taxation		**8**	780	**11**	690
Current provisions	28	**510**	205	**501**	205
Total current liabilities		**4 227**	4 666	**3 596**	4 052
Total equity and liabilities		**30 784**	37 435	**30 729**	33 075

Group and company statements of cash flows

for the year ended 31 December 2009

		Group		Company	
	Notes	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Cash generated from operations	31.1	**4 706**	11 006	**4 904**	9 324
Interest income		**199**	318	**197**	296
Finance cost		**(122)**	(59)	**(89)**	(22)
Dividends paid	31.2	**(1 627)**	(2 398)	**(1 627)**	(2 398)
Income tax paid	31.3	**(934)**	(3 087)	**(847)**	(2 740)
Realised foreign exchange movements		**(529)**	(202)	**(487)**	(211)
Cash flows from operating activities		**1 693**	5 578	**2 051**	4 249
Investment to maintain operations	31.4	**(784)**	(1 413)	**(733)**	(1 204)
Investment to expand operations	31.5	**(130)**	(419)	**(125)**	(334)
Proceeds from disposal of property, plant and equipment			2		2
Investment in associate		**(524)**		**(524)**	
Dividend from equity-accounted investments		**88**	14		
Income from investments – dividends				**6**	338
Income from investments – interest		**3**	3	**3**	3
Cash flows from investing activities		**(1 347)**	(1 813)	**(1 373)**	(1 195)
Borrowings and other payables repaid		**(58)**	(78)	**(48)**	(68)
Finance lease obligation repaid		**(82)**	(25)	**(74)**	(16)
(Increase)/decrease in loans to subsidiaries				**(4 151)**	809
Increase in contributions to the Management Share Trust and other		**(17)**	(85)	**(19)**	(94)
Repurchase of shares		**(3 918)**			
Cash flows from financing activities		**(4 075)**	(188)	**(4 292)**	631
(Decrease)/increase in cash and cash equivalents		**(3 729)**	3 577	**(3 614)**	3 685
Effect of foreign exchange rate changes on cash and cash equivalents		**(352)**	818	**(285)**	776
Cash and cash equivalents at beginning of year		**8 429**	4 034	**8 121**	3 660
Cash and cash equivalents at end of year		**4 348**	8 429	**4 222**	8 121

Group and company statements of changes in equity

for the year ended 31 December 2009

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

	2009	2008
Dividend per share (cents)		
– interim		342
– final (declared after statement of financial position date)		365
Total		707

**R130 million relates to equity-accounted investments.*
***R5 million relates to equity-accounted investments.*

		Non-distributable reserves					
	Stated capital Rm	Capital redemption reserve Rm	Management share trust reserve Rm	Share-based payment reserve Rm	Cash flow hedge account-ing reserve Rm	Retained income Rm	Total equity Rm
Company							
Balance at 1 January 2008	37	23	(139)	62	(54)	19 980	19 909
Total comprehensive income for year					(57)	8 559	8 502
Management Share Trust: net treasury share purchases (net of income tax)			(68)				(68)
Share-based payment expense				33			33
Dividend						(2 398)	(2 398)
Balance at 31 December 2008	**37**	**23**	**(207)**	**95**	**(111)**	**26 141**	**25 978**
Total comprehensive income for year					**105**	**(418)**	**(313)**
Management Share Trust: net treasury share purchases (net of income tax)			**(12)**				**(12)**
Share-based payment expense				**55**			**55**
Dividend						**(1 627)**	**(1 627)**
Balance at 31 December 2009	**37**	**23**	**(219)**	**150**	**(6)**	**24 096**	**24 081**

In the context of the statement of changes of equity, the following equity reserves are of relevance:

1. **Treasury share equity reserve**
   The company implemented a share buy-back arrangement and acquired 9.995% of the shareholding of each shareholder. The shares acquired remain in issue as treasury shares of the group.

2. **Capital redemption reserve**
   The capital redemption reserve fund was created in terms of Section 98(1) of the South African Companies Act of 1973, following the redemption of odd-lot shares during the year ended 30 June 2000, out of profits that would otherwise be available for distribution to ordinary shareholders.

3. **Management share trust reserve**
   The Management Share Trust reserve represents the net outflow from the purchase of treasury shares in order to meet obligations in terms of the ArcelorMittal South Africa Equity-settled Share Option Plan housed in the Management Share Trust. The trust is consolidated as a controlled special purpose entity in terms of SIC-12 *Consolidation – Special Purpose Entities.*

4. **Share-based payment reserve**
   The share-based payment reserve represents the accumulated charge for share options in terms of IFRS 2. The share option plan is equity-settled.

5. **Available-for-sale investment reserve**
   The equity reserve represents the unrealised fair value gains and losses above and below the initial R9 million cost of the group's investment in Hwange Colliery Company Limited as well as the proportional interest in that of the equity-accounted investments.

6. **Translation of foreign operations reserve**
   The translation of foreign operations reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

7. **Cash flow hedge accounting reserve**
   The cash flow hedge accounting reserve comprises the portion of the cumulative net change in the fair value of derivatives designated in effective cash flow hedging relationships where the hedged item has not yet affected the income statement.

1. GENERAL INFORMATION

ArcelorMittal South Africa Limited (the company) and its subsidiaries (together, the group) manufacture and sell long and flat carbon steel products and beneficiated by-products. The group's operations are primarily concentrated in South Africa with a sales focus domestically and internationally, with specific emphasis on sub-Saharan Africa.

The company is a limited liability company incorporated and domiciled in South Africa. The address of the registered office is detailed on page 207.

The company's functional currency is the South African Rand (ZAR).

The company is listed on the JSE Limited in Johannesburg, South Africa, and is a subsidiary of ArcelorMittal Holdings AG, which is part of the ArcelorMittal Group.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards, Interpretations and Amendments effective in 2009

The following Standards, Amendments thereto and Interpretations as issued by the International Accounting Standards Board (IASB) which are effective for the current reporting period, were early adopted in the previous reporting period:

- IAS I (Revised) *Presentation of Financial Statements*
- IAS 16 (Amendment) *Property, Plant and Equipment* and consequential amendment to IAS 7 *Statement of Cash Flows*;
- IAS 19 (Amendment) *Employee Benefits*;
- IAS 20 (Amendment) *Accounting for Government Grants and Disclosure of Government Assistance;*
- IAS 23 (Amendment) *Borrowing Costs*;
- IAS 27 (Revised) *Consolidated and Separate Financial Statements,* and IFRS 3 (Revised) *Business Combinations;* IFRS 5 (Amendment) *Non-current Assets Held-for-Sale and Discontinued Operations* and consequential amendment to IRFS 1 *First-time Adoption of IFRS*;
- IAS 27 (Amendment) *Consolidated and Separate Financial Statements*;
- IAS 28 (Amendment) *Investments in Associates* and consequential amendments to IAS 32 *Financial Instruments: Presentation*, and IFRS 7 *Financial Instruments: Disclosures*;
- IAS 29 (Amendment) *Financial Reporting in Hyperinflationary Economies*;
- IAS 31 (Amendment) *Interests in Joint Ventures* and consequential amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*;
- IAS 32 (Amendment) *Financial Instruments: Presentation* and IAS 1 (Amendment) *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation;*
- IAS 36 (Amendment) *Impairment of Assets*;
- IAS 38 (Amendment) *Intangible Assets*;
- IAS 39 (Amendment) *Financial Instruments: Recognition and Measurement*;
- IAS 40 (Amendment) *Investment Property* and consequential amendments to IAS 16 *Property, Plant and Equipment*;
- IFRS 2 (Amendment) *Share-Based Payment*;
- IFRS 8 *Operating Segments*;
- IFRIC 15 *Agreements for Construction of Real Estates*; and
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation.*

The following Amendment issued by the IASB is effective for the current reporting period and has been adopted:

- IFRS 7 *Financial Instruments: Disclosures – Improving Disclosure About Financial Instruments.*

  The amendment to IFRS 7 expanded the disclosures in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of the fair value measurements by level of a fair value measurement hierarchy. As the adoption results only in additional disclosures, there is no impact on the financial results, financial position or changes therein for the reporting period. The group and company have elected to provide comparative information for these expanded disclosures in the current year.

2. ADOPTION OF NEW AND REVISED STANDARDS continued

2.2 Early adoption of Amendments and Interpretations with no impact on the group's and company's accounting policies and financial results

The group and company have elected to adopt the following Amendments and Interpretations in advance of their effective dates:

- IAS 24 (Revised) *Related Party Disclosure* (effective for annual periods beginning on or after 1 January 2011). The revised Standard contains a partial exemption for government-related entities under which these entities are only required to disclose information about related party transactions that are individually and collectively significant, and a simplified definition of "related party".
- *Improvements to IFRS (2009)* (effective for annual periods beginning on or after 1 July 2009 and 1 January 2010). The improvements have lead to a number of changes in the detail of the group's and company's accounting policy – some of which are changes in terminology only, and some of which are substantive but have not material effect on the amounts reported.
- 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). The amendment to IFRIC 9 allows for the reassessment of the separation of an embedded derivative after the inception of the contract when there is a reclassification of a financial asset out of the "Fair value through profit or loss" category.
- IFRS 2 (Amendment) *Share-Based Payment* (effective for annual periods beginning on or after 1 January 2010). The amendment clarified the accounting for group cash-settled share-based payment transactions.
- IAS 32 (Amendment) *Financial Instruments: Presentation* (effective for annual periods beginning on or after 1 February 2010). Previous practice was to account for rights issues that are denominated in a currency other than the functional currency of the issuer as derivative liabilities. The amendment requires rights issues to be classified as equity regardless of whether the currency is the reporting entity's functional currency, provided that the rights issues are offered pro rata to all of an entity's existing shareholders, and on the exercise of which the entity will receive a fixed amount of cash for a fixed number of its equity instruments.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009). The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
- IFRIC 18 *Transfers of Assets from Customers* (effective for annual periods beginning on or after 1 July 2009). The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from "customers" (as defined) and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010). The IFRIC concluded that the issue of equity instruments to extinguish all or part of a financial liability can be seen as consisting of two transactions: first, the issue of equity instruments for cash; and second, acceptance by the creditor of that amount of cash to extinguish the financial liability. It concluded, inter alia, that a reporting entity should measure the equity instruments issued as extinguishment of the financial liability at their fair value.

2. ADOPTION OF NEW AND REVISED STANDARDS continued

2.3 Standards and Interpretations in issue not yet adopted

The group and company have not early adopted IFRS 9 *Financial Instruments*, (effective for annual periods beginning on or after 1 January 2013), as it represents the first of a three-phased process that will eventually result in the complete replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 requires, inter alia, that an entity classify a financial asset as either being held at amortised cost or fair value, depending on the business model and the contractual cash flow characteristics of the asset. The future adoption of IFRS 9, as it is presently constituted, is not expected to have a material impact on the financial performance, position (or changes therein), and disclosures of the financial results of the group and company.

There are no Interpretations in issue that have not yet been adopted.

2.4 Authoritative guidance and circulars issued by the South African Institute of Chartered Accountants

In compliance with the JSE Listings Requirements, the following authoritative guidance issued by the South African Institute of Chartered Accountants (SAICA) in 2009, were applied.

- Circular 03/09, *Headline Earnings* (effective for reporting periods ending on or after 31 August 2009). Revisions were required to Circular 8/2007 in response to amendments to IFRS 3, IAS 12, IAS 16, IAS 20, and IFRIC 17. The revisions had no impact on the group's financial performance, position (and changes therein), and disclosures.
- AC 504, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment* (effective for reporting periods commencing on or after 1 April 2009). Guidance is provided on the application of IFRIC 14 in the context of the South African *Pension Funds Act*, 1956. The guidance had no impact on the group's and company's financial performance, position (and changes therein), and disclosures.

3. RECLASSIFICATIONS

3.1 IAS 1 *Presentation of Financial Statements* – Accumulated leave pay benefit accrual

Although IAS 19 *Employee Benefits*, does not specify particular disclosure requirements for short-term employee benefits, including short-term compensated absences such as accumulating leave pay benefit obligations, the group and company have reassessed the hitherto practice of classifying accumulating leave pay benefit accruals as a provision in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Consistent with the greater ArcelorMittal Group policy, the obligation has been reclassified from "Provisions" to "Borrowings and other payables", thereby more accurately reflecting the accrual nature of the balance.

The reclassification has no impact on the financial results of the group or company.

For the year ended 31 December 2008, in the reclassified statement of financial position compared to the previous published statement of the group and company, "Current provisions" and "Non-current provisions" decreased by R67 million and R227 million respectively with a corresponding increase in "Current borrowings and other payables" and "Non-current borrowings and other payables" respectively.

For the year ended 31 December 2009, against the reclassified 2008 statement of financial position of the group and company, "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.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the group's and company's financial statements are set out below. These policies have been consistently applied from the comparative years presented.

4.1 Statement of compliance

The group and company financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations issued respectively by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2009, and those amendments and interpretations early adopted as described in note 2.2.

4.2 Basis of preparation

The group's and company's annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of:

- derivative financial instruments that are designated as effective hedging instruments in cash flow hedge relationships;
- derivative financial instruments that are designated as held-for-trading at fair value through profit and loss (FVTPL);
- embedded derivative financial instruments bifurcated from their host contracts; and
- investments in equity instruments classified as available-for-sale.

The preparation of annual financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes 5 and 6 respectively.

4.3 Investments in subsidiaries, joint ventures and associates by the company

The company accounts for all investments in subsidiaries, jointly controlled entities and associates at cost, and not at fair value in terms of IAS 39 *Financial Instruments, Recognition and Measurement*.

Dividends received from subsidiaries, jointly controlled entities and associates are recognised in profit or loss when the company has the right to receive the dividend. On recognising such dividend income, if evidence is available that:

- the carrying amount of the investment in the company's separate financial statements exceeds the carrying amount in the group's financial statements of the investee's net assets; or
- the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period in which the dividend is declared, an impairment assessment is performed on the carrying amount of the investment.

The accounting for subsidiaries, jointly controlled entities and associates by the group is detailed in the accounting policies contained in notes 4.4 to 4.8.

4.4 Basis of consolidation – subsidiaries

The group financial statements incorporate financial statements of the company and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from the entities' activities. Generally, control is accompanied with a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.5 Business combinations – investments in subsidiaries

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred for the purchase of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, as in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies on subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests in the same way as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.6 Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The assets and liabilities of jointly controlled entities are incorporated in the group's financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*.

The group's share of its jointly control entities' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The post-acquisition profit or losses recognised in retained earnings are subsequently transferred to an equity-accounting reserve, distinct from retained earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Losses of a jointly controlled entity in excess of the group's interest in that entity (which includes any long-term interests that, in substance, form part of the group's net investment in the jointly controlled entity) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a jointly controlled entity of the group, profits and losses are eliminated to the extent of the group's interest in the relevant jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.7 Investments in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The post-acquisition profit or losses recognised in retained earnings are subsequently transferred to an equity-accounting reserve, distinct from retained earnings. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

4.8 Goodwill and net fair value of the identifiable assets, liabilities and contingent liabilities over cost of an acquired interest

Goodwill

Goodwill arising on the acquisition of a subsidiary, a jointly controlled entity or an associate, represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

An investment in a jointly controlled entity or an associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

For the purpose of impairment testing of the group's cash-generating units, goodwill is allocated to each of the units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, a jointly controlled entity or an associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of a jointly controlled entity and an associate is described in notes 4.6 and 4.7 respectively.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.8 Goodwill and net fair value of the identifiable assets, liabilities and contingent liabilities over cost of an acquired interest continued

Net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of an acquired interest

Where such an interest exceeds the cost of the business combination, the identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities, and the measurement of the cost of the combination are reassessed; with any excess remaining after the reassessment being recognised immediately in profit or loss.

4.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (which includes a measure of segment assets). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of ArcelorMittal South Africa.

4.10 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The group's financial statements are presented in ZAR, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as gains or losses in the income statement, except when deferred in equity as qualifying cash flow hedges.

As referred to in note 4.17 in the context of available-for-sale financial assets, changes in the fair value of such monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in equity.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting date presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each reporting date are translated at average exchange rates; for the reporting period; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are disclosed in the income statement of comprehensive income and are taken to shareholders' equity.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.10 Foreign currency translation continued

Group companies continued

The group used the following exchange rates for financial reporting purposes:

	Rate at 31 December	
	2009	2008
ZAR to one USD	**7.404**	9.389
ZAR to one AUSD	**6.663**	

	Average annual rate for the year ended 31 December	
	2009	2008
ZAR to one USD	**8.435**	8.262
ZAR to one AUSD	**6.583**	

4.11 Property, plant and equipment

The net carrying amount, being the capitalised initial and subsequent costs (i.e. gross carrying amount) less subsequent accumulated depreciation and impairment losses against property, plant and equipment is measured and recognised on an historical cost basis.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Initial and subsequently recognised costs are componentised in order to substantially reflect the useful lives of the significant asset components.

All assets are regarded as depreciable assets, other than for freehold land which is reflected at historical cost less accumulated impairment losses.

The gross carrying amount of purchased and self-constructed assets include all initial and subsequent costs necessary to place the assets in a condition necessary to meet their intended use. Of specific note are the following cost elements:

- a fair, pro-rated portion of directly allocable fixed overhead cost is charged to self-constructed assets; and
- the present value of asset retirement costs (on initial recognition and subsequent changes thereto) where these costs are reliably determinable and measurable, as detailed in note 4.28.

Directly attributable costs are recognised in the gross carrying amount of an item of property, plant and equipment during a commissioning period relating to the physical preparation for use, in which it is not possible to operate at normal levels because of the need to run in machinery, test equipment, or to ensure the proper operation of the equipment. Capitalisation of these costs ceases once the asset is capable of being operated at normal levels.

For property, plant and equipment under construction, payments in advance of certified stage-of-completion certificates, are classified as prepayments and are not capitalised to the carrying amount of the asset.

For depreciable assets, depreciation commences once the aforementioned intended usable condition has been reached. Temporary interruptions in the assets' intended use do not result in the cessation of depreciation.

The assets' residual value represents the best estimate of the current recoverable amount of the assets at the end of their useful lives. Residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. For most of the group's and company's property, plant and equipment, other than land, the residual values are nil.

Useful lives and depreciation rates of property, plant and equipment are reassessed on an annual basis.

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.11 Property, plant and equipment continued

In order to achieve comparability with other international steel companies, the following maximum useful lives are applied as guidelines:

• Buildings and infrastructure	50 years
• Plant, machinery and related equipment (including mill rolls and plant-specific reconditionable spares)	25 years
• Mobile equipment, integrated process computers and general reconditionable spares	15 years
• Non-integrated computer hardware	5 years

The above guidelines are reassessed on an annual basis, and revised as appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land and buildings with available spare capacity that are applied to earn incidental rental revenue are not classified as investment properties.

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged to profit or loss for the period.

The ordinary activities of the group and company do not comprise the leasing (renting out) and subsequently selling of such assets. Any rental of property, plant and equipment is incidental in nature. Consequently, incidental rental income is offset against other operation expense and is included in the line item "Other operating expenses" in the income statement. On the sale of such assets, the assets would be classified as held-for-sale.

The investments in property, plant and equipment and proceeds on the disposal of such assets are disclosed as "cash flows from investing activities" in the statement of cash flows.

4.12 Start-up activities

Start-up activities are defined broadly as non-recurring activities related to opening a new facility, introducing a new product, conducting business in a new country, initiating a new process in an existing facility, or commencing some new operation. The costs include pre-opening costs, pre-operating costs and organising costs.

Costs associated with such activities are expensed as incurred.

4.13 Accounting for finance leases as lessee

Finance lease arrangements consist of those transactions that are:

- leases in both economic substance and legal form; and
- those that arise out of commercial arrangements that in economic substance represent leases, though not in legal form.

The group and company lease certain property, plant and equipment. Leases of property, plant and equipment where the group and company have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments of the lease.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the capital balance outstanding, using the effective interest rate method. The corresponding rental obligations, net of finance charges, are shown as finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.13 Accounting for finance leases as lessee continued

Finance lease obligations with settlement tenures greater than 12 months after the statement of financial position date, are classified as non-current finance lease obligations, whilst those to be settled within 12 months of the statement of financial position date are classified as current finance lease obligations.

Leases of land are classified either as finance leases or operating leases using the accounting policies detailed above or in note 4.30.

4.14 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and their fair value less costs to sell.

When the requirements for classification as held for sale are no longer met, the non-current asset or disposal group is reclassified out of the held-for-sale category. Such non-current assets or disposal groups are carried at the lower of (i) their carrying amount before being classified as held for sale, adjusted for any amortisation or revaluations that would have been recognised had it not been classified as held for sale; and (ii) their recoverable amount at the date of the subsequent decision not to sell.

All of a subsidiary's, jointly controlled entity's or an associate's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

4.15 Intangible assets

Internally generated intangible assets – research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs include the cost of material, direct labour and an appropriate portion of overheads and are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Capitalised development expenditure is shown at cost less accumulated amortisation and accumulated impairment losses.

Development assets are tested for impairment annually, in accordance with IAS 36 *Impairment of Assets.*

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.15 Intangible assets continued

Purchased intangible assets other than goodwill

(i) "Right-of-use" operating licences

The costs of acquisition of operating licences, other than those obtained from the government authorities, are capitalised at their historical cost as intangible assets, and amortised over the right-of-use period. This period is reviewed at least annually.

Environmental impact certifications and general operating licences granted by the authorities to operate a facility are not regarded as separable intangible assets. This cost-of-compliance is recognised as an integral component of the specific property, plant and equipment items to which it relates.

(ii) Patents, trademarks and licences

Acquired patents, trademarks and licences are shown at historical cost. Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, typically between 3 to 5 years.

(iii) Non-integrated computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group and company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the direct employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, typically not exceeding seven years.

(iv) Mineral rights

Mineral rights are stated at historical cost less accumulated amortisation and impairment losses.

For intangible assets under development, payments in advance of certified stage-of-completion certificates, are classified as prepayments and are not capitalised to the carrying amount of the asset.

4.16 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date the group and company review the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In order to ensure completeness of the impairment assessment of individual assets, all tangible assets and intangible assets are allocated to the cash-generating unit to which they belong. An impairment assessment is then undertaken on the individual cash-generating units.

Recoverable amount is defined as the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Cash-generating units are defined as the business units of Vanderbijlpark Works, Newcastle Works, Saldanha Works, Vereeniging Works and Coke and Chemicals. Recoverable amount in the context of these cash-generating units is defined as the enterprise value computed using a discounted cash flow methodology based on the latest budgets and forecasts. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.16 Impairment of tangible and intangible assets excluding goodwill continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

4.17 Financial assets

Financial assets are recognised and derecognised on the trade date where the purchase or sale of the asset is under a contract whose terms require delivery within the timeframe established by the market concerned. These assets are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets as at FVTPL;
- "held-to-maturity" investments;
- "Available-For-Sale" (AFS) financial assets; and
- "loans and receivables".

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method for financial assets

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either:

- held for trading; or
- designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the group and company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

When a derivative that was previously designated as an effective hedging instrument no longer qualifies as such or when a derivative becomes a designated and effective hedging instrument within a hedge relationship, such circumstances are not considered to be reclassification into or out of FVTPL in terms of the general prohibition on reclassifications into and out of this category.

A financial asset other than a financial asset held for trading, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance evaluated, on a fair value basis, in accordance with the group's and company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL; or
- it is a bifurcated embedded derivative separately measured at FVTPL where the host contract is not fair valued as detailed in note 4.19.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.17 Financial assets continued

Financial assets at FVTPL continued

Financial assets classified as held-for-trading are classified as current or non-current depending on the maturity profile of the instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 32.3.

Held-to-maturity investments

Securities and similar instruments with fixed or determinable payments and fixed maturity dates that the group and company have the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

AFS financial assets

Listed shares and similar securities held by the group and company that are traded in an active market are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in note 32.3.

Gains or losses arising from changes in fair value are recognised directly in equity in the AFS investments reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains or losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the AFS investments reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the group's and company's right to receive payment is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

The movement in the AFS investment reserve is detailed in the statement of comprehensive income and statement of changes in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Financial guarantee contracts held

IAS 39 *Financial Instruments: Recognition and Measurement*, does not prescribe the accounting for the holder of a financial guarantee contract. The group and company have concluded that it is reasonable to adopt an accounting policy that is symmetrical to that applied for financial guarantee contracts issued.

Such contracts are initially recognised at fair value, and subsequently recognised at the higher of amortisation of the initial fair value, and the amount that can be recorded as a contingent asset under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.17 Financial assets continued

Reclassifications

As noted above, movements into and out of the FVTPL category occur where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

Voluntarily reclassification may be made of a financial asset in the following instances if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

- *Financial assets (other than those that would have met the definition of loans and receivables):* A financial asset may be reclassified from held-for-trading to another financial asset category only in extremely rare circumstances.
- *Loans and receivables:* Assets that were classified as held-for-trading or as AFS that would have met the definition of loans and receivables on initial recognition can be reclassified to the loans and receivables category if the group and company have both the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- *Restrictions on reclassification:* Derivatives and financial assets that were designated at FVTPL upon initial recognition cannot be reclassified. Financial instruments may not be reclassified to either held-for-trading or be designated to be carried at FVTPL after initial recognition or reclassification.
- *Measurement:* All reclassified financial assets are measured at their fair value on the date of reclassification. The fair value of those financial assets becomes the starting fair value or amortised cost for the instrument's new financial instrument category on the date of reclassification. Gains or losses that were already recognised in profit or loss in respect of held-for-trading financial assets are not to be reversed.
- *Subsequent increases in recoverability of cash receipts*: Where a financial asset is reclassified as a loan and receivable as envisaged above and the group and company subsequently increase their estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate, where the impact of discounting is significant.

The carrying amount of all financial assets is reduced directly by any impairment loss with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance for doubtful debts account.

When a trade receivable is uncollectible, it is written off against this allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Other allowances against trade receivables relate to complaints and settlement discount.

Increases or decreases in trade and other receivable allowances that affect profit or loss, are reflected in the income statement line item "other operating expenses".

With the exception of AFS equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, and does not exceed what the amortised cost would have been had the impairment not been recognised.

For AFS equity investments, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.18 Financial liabilities and equity instruments issued by the group and company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. These instruments include:

- puttable instruments that are subordinate to all other classes of instruments and that entitle the holder to a pro rata share of the company's net assets in the event of the issuing company's liquidation; and
- instruments, or components of instruments, that are subordinate to all other classes of instruments and that impose on the company an obligation to deliver to another party a pro rata share of the net assets of the company only on liquidation.

Rights or options issued to acquire a fixed number of the company's own shares for a fixed amount in any currency are classified as equity instruments if the offer is made pro rata to all existing shareholders.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out in note 4.29.

Financial guarantee contracts include financial standby letters of credit but exclude commercial letters of credit. The latter are documents issued by a financial institution on behalf of its client authorising a third party to draw amounts on the institution up to a stipulated amount and with specified terms and conditions.

IAS 39 *Financial Instruments: Recognition and Measurement* does not contain exemptions for financial guarantee contracts issued between parents, subsidiaries or other entities under common control. Therefore, those contracts issued by the company in favour of its subsidiaries are reflected only in the entity-own accounts of company.

4.18 Financial liabilities and equity instruments issued by the group and company continued

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future;
- it is a part of an identified portfolio of financial instruments that the group and company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's and group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL; or
- it is a bifurcated embedded derivative separately measured at FVTPL where the host contract is not fair valued as detailed in note 4.19.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 32.3.

(ii) Other financial liabilities

Other financial liabilities, including borrowings and finance lease obligations, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Liabilities, and more commonly financial liabilities, where the counterparty could require settlement in the form of equity instruments at any time, are classified as either current or non-current notwithstanding the fact that the group and company could be required by the counterparty to settle in shares at any time.

Effective interest method for financial liabilities

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.19 Derivative financial instruments

The group and company enter into a variety of derivative financial instruments to manage exposure to commodity price risk, foreign exchange rate risk, and freight rate risk, including:

- cash-settled over-the-counter base metal forward purchase and option contracts;
- cash-settled over-the-counter foreign exchange forward and option contracts; and
- embedded derivatives featured in highly selective host procurement contracts.

Further details of derivative financial instruments are disclosed in note 22 to the annual financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The group and company designate certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as held-for-trading at FVTPL as detailed in notes 4.17 to 4.18.

Bifurcated embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. Bifurcated embedded derivatives are classified as financial assets or liabilities at FVTPL as detailed in notes 4.17 to 4.18.

Bifurcated embedded derivatives are reassessed after initial recognition only in the following two circumstances:

- when there is a change in the terms of the contract that significantly modified the cash flows that otherwise would be required under the contract; and
- when there is a reclassification of a financial asset out of the FTVPL category.

Hedge accounting

The group and company designate certain stand-alone hedging instruments transacted to economically mitigate commodity price risk and foreign currency risk as either cash flow hedges or fair value hedges.

Generally, hedging hedges of:

- the USD commodity price risk of highly probable forecast base metal purchase transactions; and
- the foreign exchange risk of highly probable forecast export steel sale transactions,
  are accounted for as cash flow hedges.

The forward rate, as opposed to the spot rate, is designated as the hedged risk.

4.19 Derivative financial instruments continued

Hedge accounting continued

At the inception of the hedge relationship the relationship between the hedging instrument and hedged item is documented, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, it is documented whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows or fair values of the hedged item.

When options are designated as hedging instruments, the option in its entirety would be designated as a hedge instrument of a one-sided risk arising from a forecast transaction, resulting in hedge ineffectiveness.

Hedge relationships are designated by the central treasury function between externally transacted hedging instruments and the internal business unit or subsidiary exposed to the hedged risk. The hedges so designated qualify for hedge accounting in the entity-own accounts of the company and subsidiary companies (as applicable), and the group accounts.

Notes 22 and 32 contain details of the fair values of the derivative instruments used for hedging purposes. Movements in the cash flow hedging reserve in equity are detailed in the statement of comprehensive income and the statement of changes in equity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses remain in equity and are not included in the initial measurement of the cost of the asset or liability. The deferred gains or losses are only recycled to the income statement when the forecast transaction, through its recognition as a purchase or sale, is ultimately recognised in profit or loss. The recycled gains or losses are recognised as a component of revenue and cost of sales, as appropriate.

For cash flow hedge relationship designation purposes, the underlying hedge item is modelled using the hypothetical derivative method on a one-to-one (one hedging instrument to one hedged item) basis.

Cash flow hedge effectiveness is assessed using the hypothetical derivative method, as follows:

- USD base metal hedging relationships: regression analysis using the parameters:
  - Coefficient of determination: $R^2 > 0.8$;
  - Slope: 0.8 – 1.25; and
  - Statistical significance: F-test > 0.95.
- Foreign exchange hedging relationship contracts: dollar offset method in the 0.8 to 1.25 ranges.

Ineffectiveness is measured as the absolute amount by which the change in the fair value of the hedging instrument exceeded the change in the fair value of the hedged item, modelled as a hypothetical derivative.

Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Inflation is hedged in the instance where changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.19 Derivative financial instruments continued

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

The effectiveness of fair value hedging relationships is assessed using the USD offset method in the 0.8 to 1.25 range.

For fair value hedging, the hedged item may be a single asset or liability or a portfolio of similar assets or liabilities.

If similar assets or similar liabilities are aggregated and hedged as a portfolio, the individual assets or individual liabilities must share the risk exposure for which they are designated as being hedged. The change in fair value attributable to the hedged risk for each individual item in a hedged portfolio must be expected to respond in a generally proportionate manner to the overall change in fair value of the aggregate portfolio attributable to the hedged risk. The group's and company's interpretation of "approximately proportional" is that fair value changes in the amounts of individual items composing the portfolio must be within 90% to 110% of the fair value changes in average portfolio.

4.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Raw material inventories are measured using the standard cost measurement formula, which approximates actual cost. Consumable stores inventory are measured using a moving average cost formula.

Raw materials and consumable store inventory are carried at cost inclusive of freight, shipping and handling costs.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity incurred in bringing the inventories to their present location and condition. It excludes borrowing costs.

For finished goods inventory destined for overseas export sale, the distribution and handling costs to the port of sale are capitalised as inventorial cost. Distribution and handling costs incurred after the risks and reward of ownership have passed, are not capitalised as inventorial costs.

Costs of inventories exclude the transfer from equity of any gains/losses on qualifying cash flow hedges for the purchase of base metals.

For finished steel inventory, net realisable value (NRV) is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. NRV calculations are rolled back from finished goods inventories to further encompass work in progress and raw material inventories. Spare parts and consumable store items are assessed for obsolescence.

4.21 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment for trade and other receivables is established when there is objective evidence that the group and company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, where significant.

The impairment of trade and other receivables is described in note 4.17.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.22 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

4.23 Stated capital

Equity instruments issued by the group and company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company and group after deducting all liabilities.

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax effects, from the proceeds.

Where any group company (including the Management Share Trust) purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised in an equity reserve attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

When a third-party financial institution is used to buy back shares of the company in the market, whether that party is acting as principal or agent, has the following impact on the accounting treatment of such a purchase:

- If acting as agent, only when shares are acquired by the third party will the acquiring group company recognise (i) a financial liability to pay the third party, and (ii) a debit to equity for the shares to delivered, being treasury shares.
- If acting as principal, the acquiring group company will recognise on contracting with the third party (i) the gross obligation being the present value of the maximum amount the group company could be required to pay the third party; and (ii) a debit to equity. Changes in the present value (due to the unwinding of the discount rate or changes in the share price (unless capped)) will be recognised in profit or loss. As purchases are made resulting in payments to the third party, the liability will be reduced. At the end of the programme any remaining liability will be derecognised, with a credit to equity, assuming the full obligation initially recognised is not utilised.

Capital distributions to shareholders through capital reduction programmes are credited against stated capital. Income tax consequences of such and similar transactions are charged to profit or loss and not stated capital.

4.24 Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

4.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group and company have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

4.26 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the group financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.26 Deferred income tax continued

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxes on movements in exchange differences on translation of foreign operations transferred to equity, are correspondingly transferred to equity to the extent that such transactions represent temporary differences.

Deferred taxes on movements in gains and losses deferred in equity on cash flow hedges are correspondingly transferred to equity, without affecting the tax charge in the income statement.

4.27 Employee benefits

Short-term employee benefits

Services rendered by employees during an accounting period are recognised as the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability, after deducting any amount already paid; and as an expense, unless included in the cost of inventory or property, plant and equipment. Therefore, the cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised during the period in which the employee renders the related service.

Bonus plans

The group and company recognise a liability and an expense for bonuses, based on a formula that takes into consideration cost, profit, cash generation, employment equity and safety targets.

Short-term compensated absences

The expected cost of short-term employee benefits in the form of compensated absences are recognised (i) in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and (ii) in the case of non-accumulating compensated absences, when the absences occur. The leave pay benefits of the group and company are accumulative in nature and entail automatic encashment of the benefits once the entitlements reach an accumulation limit, as more fully described in note 26.

Short-term and long-term distinction

Short-term employee benefits are employee benefits which are due to be settled within 12 months after the end of the period in which the employees render the related service. The remaining employee benefits are classified as long-term.

Retirement benefits

Contributions to defined contribution plans are recognised as an expense when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.27 **Employee benefits** continued

Retirement benefits continued

For defined benefit plans:

- the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each statement of financial position date;
- actuarial gains and losses that exceed 10% of the greater of the present value of the group's and company's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees;
- past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested;
- a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation;
- administration costs are included in full in measuring the defined benefit obligation; and
- the group's and company's obligation to make good funding shortfalls in the plans is disclosed in note 34.

Obligations recognised in the statement of financial position represent the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Unconditional rights to a refund are recognised as an asset and measured as the amount of the surplus at the statement of financial position date. This amount is the fair value of the plan assets less the present value of the defined benefit obligation, less any associated costs, such as taxes.

In the absence of a minimum funding requirement, the economic benefits available as a reduction in future contributions are the present value of the future service cost (excluding costs borne by employees) over (i) the shorter of the expected life of the plan; and (ii) the expected life of the entity determined using assumptions consistent with those used to determine the defined benefit obligation (including the discount rate); and based on conditions that exist at the statement of financial position date.

The above policies are contextualised in the South African retirement funding legislative landscape as follows:

- Section 15A of the Pension Funds Act of 1956 states that all statutory surpluses in the retirement plan belong to the plan. The employer entity, however, acquires certain rights to the statutory surplus that has been allocated to the legislative Employer Surplus Account (such as contribution holidays, transfers to other plans, enhancement to benefits, cash-back on windup or liquidation of the plan). These economic benefits are only available to the employer when the trustees of the plan have approved the unconditional allocation to the employer. This has not occurred, and is not expected to occur, in the case of the group's and company's defined benefit plans. Consequently, for those plans with a surplus, no asset has been recognised by the group and company in terms of IAS 19 and IFRIC 14. This is consistent with guidance of SAICA's AC 504, IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Environment.*

Medical benefits

No contributions are made to the medical aid of retired employees, except for a closed group of early retirees in respect of whom contributions are made. The present value of the post-retirement medical aid obligation (as detailed in note 28) for such early retirements is actuarially determined annually on the projected unit credit method and any deficit or surplus is immediately recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.27 Employee benefits continued

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group and company recognise termination benefits when it is demonstrably committed to either:

- terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal; or
- provide termination benefits as a result of an accepted offer made to encourage voluntary redundancy in exchange for these benefits.

Share-based compensation benefits

Refer to the share-based payments, note 4.32.

4.28 Provisions, contingent assets and contingent liabilities

Provisions

Provisions for asset retirement obligations, environmental remediation obligations, onerous contracts, restructuring costs, legal claims and similar obligations are recognised when:

- a present legal or constructive obligation exists as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

The nature, background and treatment of asset retirement obligations and environmental remediation provisions is detailed in note 28.

Onerous contract provisions comprise primarily operating lease termination penalties.

Restructuring provisions comprise employee termination payments and other directly related expenditure not associated with ongoing activities.

Provisions are not recognised for future operating losses or for capital expenditure of an environmental nature relating to an operational facility.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as accretion expenses within finance charges. Changes in the discount rate are recognised as finance charges, except for asset retirement obligations which are capitalised to property, plant and equipment.

Contingent liabilities

(i) Legal claims

Legal claims are assessed using a cumulative probability methodology in order to:

- determine if a present obligation exists (recognition); and
- measure the obligation.

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors. Loss estimates and individual probabilities of occurring are attached to the identified possible outcomes. A cumulative probability of occurring is determined, being the cumulative sum of individual probabilities, where the loss estimates of each possible outcome are sorted in descending order.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.28 Provisions, contingent assets and contingent liabilities continued

Contingent liabilities continued

A present obligation, classified as a provision, is recognised as probable and is measured as the estimated loss of that outcome that is more than 50% likely when measured using a cumulative probability methodology.

For claims that are regarded as reasonably possible, being between 20% and 50% when measured using a cumulative probability methodology, the facts and circumstances of the possible loss and an estimate of the amount, if determinable, are disclosed.

Remote claims, being less than 20% using a cumulative probability methodology, are not disclosed or provided for.

(ii) Financial guarantees

Financial guarantee contract liabilities are accounted for as detailed in note 4.18. For those guarantees not recognised, the financial position of the beneficiary entity is assessed using the cumulative probability methodology described above in order to assess how the guarantee should be treated.

Contingent assets

Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

4.29 Revenue recognition

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's and company's activities. Revenue is shown net of value-added tax, returns, rebates, discounts and, in the case of the group accounts, after eliminating sales within the group.

All amounts invoiced to a customer in a sale transaction related to distribution and handling costs are classified as revenue, with the costs related thereto shown as distribution and handling costs within sales, general and administrative expenses.

The group and company recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's and company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group and company base such estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods are recognised based on the relevant delivery terms at which point the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, or the group and company have objective evidence that all criteria for acceptance have been satisfied.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group and company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.30 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred and are not straight-lined.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of the rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.31 Borrowing costs

Incurred borrowing costs calculated in accordance with the effective interest rate method and directly attributable to the acquisition, construction or production of qualifying assets, for those assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.32 Share-based payments

Equity-settled share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Fair value determination of equity-settled share-based transactions is measured using the Binomial Matrix pricing model. The key assumptions for staff turnover per annum, the early-exercise multiple, risk-free rate, share price volatility and dividend yield are based on management's best estimates at the date of valuation. The reasonability of the pricing estimate is simultaneously assessed against the Black-Scholes-Merton pricing model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's and company's estimate of equity instruments that will eventually vest. At each statement of financial position date, the group and company revise their estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002, that vested after 1 January 2005.

Cash-settled share-based payments
For cash-settled share-based payments, a liability equal to the portion of goods or services received, is recognised as the current fair value at each statement of financial position date.

Share-based payment arrangements involving equity instruments of the parent granted to employees of the subsidiary
Such arrangements are manifest through:

- share-based payment right issues by a parent to an employee of the parent entity, following the transfer of the employee to another group company (i.e. a group secondment arrangement); and
- employee share purchase plans involving equity instruments of the parent company offered to employees of a subsidiary company.

4.32 Share-based payments continued

Share-based payment arrangements involving equity instruments of the parent granted to employees of the subsidiary continued

The parent recognised the transaction as an equity-settled share-based payment as the awards granted are its own equity instruments.

The subsidiary, being the entity receiving the goods or services, recognises the transaction as an equity-settled share-based payment as it has no obligation to settle the transaction.

In the entity-own accounts of the parent, it recognises an increase in the investment in its subsidiary and an increase in its own equity. In the entity-own accounts of the subsidiary, it recognises a share-based payment charge and an increase in its own equity. In the consolidated accounts, the group recognises a share-based payment charge and an increase in its own equity.

In the case of a group secondment arrangement, the charges in the subsidiary are not reversed.

Equity-settled share-based payments involving equity instruments of the parent granted to employees of the subsidiary are accounted for in the group financial statements. The subsidiary measures the services received from its employees in accordance with the accounting policy applicable to equity-settled share-based payment transactions, with a corresponding increase recognised in equity as a contribution from the parent.

Vesting conditions

Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Features of a share-based payment that are not vesting conditions are included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

Cancellations

All cancellations, whether by the group, company, or by other parties such as employee participants, receive the same accounting treatment. A cancellation of equity instruments is accounted for as an acceleration of the vesting period. Any amount unrecognised that would otherwise have been charged is recognised immediately. Any payments made with the cancellation are accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognised as an expense in profit or loss.

4.33 Government or parastatal grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group and company will comply with all required conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the proceeds received. The benefit is recognised in the income statement.

Government grants that take the form of benefits that are available in determining taxable income or are determined or limited on the basis of income tax liability (such as special infrastructural project allowances, income tax holidays, investment tax credits, accelerated depreciation allowances and reduced income tax rates) are recognised as a reduction in tax charge and the corresponding liability.

4. SIGNIFICANT ACCOUNTING POLICIES continued

4.34 Taxation

Income tax expense represents the sum of the tax currently payable (being South African normal tax), deferred tax, and secondary tax on companies (being a South African tax on dividends).

Normal tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax

Refer to note 4.26.

Secondary tax on companies (STC) – South Africa

STC is treated as part of the income tax expense in the income statement for the period. It is recognised as an expense in the same period as the related dividend is accrued as a liability. As the level of dividends may vary between reporting periods, the resulting tax charge in the income statement may be disproportionate to pre-tax earnings.

Withholding tax on dividends

Dividends received subject to withholding tax are shown inclusive of any withholding tax, as to show only the net amount of the income received, which is subject to withholding tax, fails to reflect the full amount taxable in the hands of the receiving entity. The withholding tax amount is included in the tax charge for the reporting period.

4.35 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's board of directors.

Any dividends involving distribution of non-cash assets are measured at the fair value of the asset distributed, and any difference between this amount and the previous carrying amount of the assets distributed should be recognised in profit or loss when the dividend payable is settled.

4.36 Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

4.37 Comparative figures

When necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

5. CRITICAL JUDGEMENTS

In the process of applying the group's and company's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimation, which are dealt with in note 6).

5.1 Impairment indicator assessment for the carrying amount of the cash-generating units

IAS 36 *Impairment of Assets* states that an entity shall assess at each reporting date whether there is any indication that an asset (or cash-generating unit, (CGU)) may be impaired. If any such indication exists, the entity is required to estimate the recoverable amount of the asset (or CGU). As a minimum, internal and external sources of information, as detailed in the Standard, need to be considered. The assessment requires that significant judgement be applied.

Towards the end of 2009, many of the leading developed and developing nations' economies had begun to emerge from recession following the wash-over impact of the financial crisis into the world's real economies. Although "worst case scenario" appears to have been avoided through fiscal easing and government stimulus packages, the recovery process is expected to be protracted. While market conditions for steel have improved both domestically and internationally, there remain high levels of uncertainty regarding future profitability levels and cash flows, particularly if international capacity is resuscitated at a rate greater than the improvement in demand. In South Africa the situation is aggravated by a strong domestic currency making exports into especially those emerging economies that are rapidly recovering from recession, very challenging.

An impairment indicator review was performed on all operating CGUs of the group including subsidiaries and equity-accounted investments. However, it was necessary only to perform an impairment assessment on the export-focused Saldanha Works.

Judgement has been applied in determining the drivers of the future cash flows used in computing the recoverable amount of the Saldanha CGU. Independent third-party sources such as consensus views of sell-side analysts and investment houses were used as much as possible in order to improve the objectivity and verifiability of the valuation. From the valuation exercise, the carrying amount of the CGU is not impaired. The carrying amounts consist primarily of property, plant and equipment.

The principal valuation assumptions utilised in the valuation of the Saldanha CGU at 31 December 2009 are detailed in note 6.4.

An impairment charge was however recognised for R26 million (2008: R93 million) on the formal cessation of operations at the Maputo Works.

5.2 Contingent liabilities at 31 December 2009 on alleged contravention of the Competition Act

Two actions have been brought against the company that are unresolved at 31 December 2009:

- the Barnes Fencing complaint lodged with the competition authorities; and
- the Competition Commission's referral to the Competition Tribunal alleging prohibited practices in long steel products include reinforcing rebar, wire rod and sections.

In both instances, the litigation processes have not progressed far enough to allow for an assessment to be performed of the amount at risk, if any, and the probability of its realisation. The status and assessment process pertaining to the two actions are more completely described in note 36.

5. CRITICAL JUDGEMENTS continued

5.3 Equity accounting in the group's accounts of the investment in Coal of Africa Limited (CoAL)

The group and company acquired the ArcelorMittal Group's 16.31% interest in CoAL in May 2009. In October 2009, the group and company participated in a rights issue.

This company is listed on the Australian, Johannesburg and London (Alternative Investment Market) Stock Exchanges. At 31 December 2009, the fair market value based on quoted market prices was R932 million.

As ArcelorMittal South Africa has representation on the board of directors and exercise significant influence, equity accounting has been applied in the consolidated accounts of the group. The equity-accounted carrying amount of CoAL at 31 December 2009 amounted to R522 million.

5.4 Carrying amount of the investment in Hwange Colliery Company Limited (HCCL)

The group's available-for-sale investment in HCCL represents a 10% interest in the shareholding of that company. HCCL operates in and is listed in Zimbabwe. Prior to the dollarisation of the economy in February 2009, Zimbabwe was hyperinflationary and applied foreign currency restrictions. Furthermore, in November 2008, the Zimbabwe Stock Exchange ceased trading and means of realising the investment were very limited, and effectively lost.

Following the guidance of IAS 39 *Financial Instruments: Recognition and Measurement*, the loss of trading on an active market is not of itself an impairment indicator. However, with the cessation of trading, the company was effectively akin to an unlisted investment. The group deemed it appropriate to apply a marketability discount that would reduce the fair value gains deferred to equity to Rnil for the reporting period ended 31 December 2008.

In early 2009, following the dollarisation of the Zimbabwe Stock Exchange, trade in HCCL commenced. With effect from 1 March 2009, Zimbabwean banks were no longer required to apply to the Reserve Bank of Zimbabwe for authority to effect payments in foreign currency and remit disinvestment proceed; these funds (dividend and capital realisation remittances) are freely remittable.

Consequently, for 2009, based on the fact pattern surrounding the investment, the carrying amount in HCCL was increased to its fair value of R37 million, based, inter alia, on the closing quoted market price per share at 31 December 2009.

5.5 Carrying amount of the group's and company's investment in jointly controlled entity, Microsteel (Proprietary) Limited (Microsteel)

Following the cessation of steelmaking activities at Microsteel in 2000, the carrying amount of the group's and company's investment had been fully impaired to nil.

In 2008, based on revised estimates of the fair value less cost to sell of Microsteel's property, plant and equipment, Microsteel has been able to fully reverse an impairment allowance against the carrying amount of its property, plant and equity. As a consequence, the carrying amount of the group's and company's investment was increased to R36 million at 31 December 2008.

Based on independent market valuations undertaken in late 2009, the reversal of the impairment allowance remains appropriate.

The group and company has recognised, based on best estimates, a funding commitment obligation to Microsteel of R2 million at 31 December 2009 (December 2008: R3 million).

5. CRITICAL JUDGEMENTS continued

5.6 Carrying amount of the group's and company's investment in jointly controlled entity, Pietersburg Iron Company (Proprietary) Limited (PIC)

A R9 million impairment allowance against the group's and company's investment in PIC has been reversed at 31 December 2009. The reversal was based on mining feasibility studies underway within that company. There exist no indications to suggest that the investment is not recoverable. The impairment of a permanent loan (forming part of the investment in PIC) that originated in 2007 was premature.

The group and company are committed to funding PIC with its mining development activities, however, the feasibility studies have not advanced sufficiently to allow a reliable estimate to be made of the quantum of such a commitment.

5.7 Consolidation of special purpose entities

In assessing all its major procurement, sales and investment relationships, management has applied its judgement in the assessment of whether the commercial and economic relationship is tantamount to de facto control. Based on the fact patterns, materiality and qualitative relevance considerations and management's judgement, if such control exists, the relationship of control is recognised in terms of IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities.*

Certain non-core services and corporate social development activities of the company are managed via two associations not for gain, namely, the Vesco Group and Vesco Community Enterprises. While the company has *de facto* control over both entities, due to the materiality consideration, these entities are not consolidated within the group accounts.

For reasons comparable to those described above, the results of the ArcelorMittal Foundation, a public benefit organisation, are not included in the consolidated accounts of the group.

Iscor Management Share Trust is, however, a special purpose entity that is consolidated into the group results, with the cost of open market share purchases being included as a debit to the group's equity.

5.8 Derivative and embedded derivative instruments

The group and company follow the guidance of IAS 39 *Financial Instruments: Recognition and Measurement*, in identifying derivative contracts and contracts containing embedded derivatives. Other than for over-the-counter, stand-alone derivative contracts, most of the group's and company's contracts encompass non-financial items. Consequently, the determination as to whether a contract is a derivative or hosts an embedded derivative requires significant judgement.

In assessing if an embedded derivative requires separate identification and measurement from the host contract, management assesses the available fact patterns with regard to the impact the embedded derivative instrument has on the underlying value of the host contract. Judgement was applied as to whether the correlation between the host contract and derivative instrument could be regarded as closely related. Where the correlation relationship was judged to be weak, the embedded derivative instrument is separately identified (i.e. bifurcated).

In synthesising the value of a bifurcated embedded derivative, judgement is applied as to how best to model the derivative, for example, as a forward, an option, etc.

For the period under review no new contracts were identified that met the derivation of a derivative, nor were any new embedded derivatives identified requiring bifurcation.

5. CRITICAL JUDGEMENTS continued

5.9 Asset retirement and environmental remediation obligations

Upon decommissioning of a facility or business operation, the group and company have a legal obligation with regard to the retirement of the facility and the related environmental remediation. The plant removal and housekeeping costs that are not of a legal nature, are not provided for, unless a definitive constructive obligation exists that can be subject to objective measurement and recognition criteria. Management applied its judgement and the advice received from its external environmental experts in recognising such obligations as liabilities in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

In particular, judgement is required in distinguishing between asset retirement obligations (AROs) and environmental remediation obligations (EROs).

5.10 Distinguishing between finance and operating leases in commercial arrangements containing leases

Once a lease is identified as being embedded within a commercial arrangement, the indicators in IAS 17 *Leases,* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* are assessed as to whether the lease is either a finance- or an operating lease. When the assessment yields mixed results, management applied its judgement in making the classification by further considering, inter alia:

- location of the asset;
- availability of an alternative asset;
- cost of installation of an alternative asset;
- interruption to customer service as a result of an asset replacement;
- future use of a replaced asset; and
- asset replacement patterns.

5.11 Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. Determination of income taxes involves interpretation of tax law, assessment of interpretations and guidelines issued by tax authorities, interactions with the tax authorities and advice received from external tax experts. All of this information, some of which may indicate tax uncertain positions, is assimilated by management in determining the extent of the tax accrual, both normal and deferred, for the year under review.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES

The key assumptions and estimations that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The nature of these estimation assumptions is inherently long term and future experience may result in actual amounts differing from these estimates as applied in the reported financial results.

The key estimates used for measurement purposes represent management's best estimates thereof.

6.1 Cancellation of the Sasol Gas contract containing an embedded derivative

In late 2009, Sasol Gas gave notice to the company that it intends to invoke the cancellation clause of the natural gas supply contract, effective from 1 January 2010. The contract contains an embedded derivative asset valued at R233 million at 31 December 2009 (December 2008: R365 million).

The cancellation invokes a four-year claw-out mechanism that limits offtake volumes to actual levels in the year (the *reference year*) preceding the invocation. In the first year of the claw-out period, volumes are limited to 100% of those of the reference year, reducing to 75%, 50% and 25% respectively for the subsequent three years.

The group and company have historically valued the embedded derivative asset over a four-year period on the presumption that the cancellation invocation had been invocated on the day after the reporting date. Consequently, the invocation has not had specific impact on the valuation at 31 December 2009.

However, a number of important extra-contractual matters remain that require clarification with Sasol Gas as to the exact practical application of the claw-out mechanism. The group and company have continued to apply its valuation estimation for the bifurcated embedded derivative in a manner consistent with prior years. These may, however, be impacted once the contractual clarification is finalised.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES continued

6.2 Three-to-four-shift team buy-out provision

At 31 December 2009, the group and company were in the process of negotiating with affected employees and their representatives the conversion from a three-shift team work pattern to a four-shift team work pattern. As an inducement, the affected employees have been offered a non-recurring buy-out of the overtime and similar allowances that would be eliminated when replacing the three-shift team system. Amongst other factors, the amount of time (in months) that the buy-out amount will encompass is subject to ongoing negotiations. The best estimate of the amount to be settled in 2010, at 31 December 2009, is R86 million. This amount is included within the line item "current provisions" for both the group and company.

6.3 Useful lives and residual values of property, plant and equipment and intangible assets

The estimates of depreciation and amortisation rates and the residual lives of the assets are reviewed annually, taking cognisance of:

- forecast commercial and economic realities;
- benchmarking within the greater ArcelorMittal Group; and
- guidance received from expert international valuers.

6.4 Recoverable amount determination for cash-generating units

The principal assumptions applied in the determination of the recoverable amount of the Saldanha CGU (as defined in note 5.1) are as follows:

- Discount rate: 14.36%.
- USD1/ZAR average rate of exchange for 2010: R7.75.
- Average annual risk-free interest rate differential between South Africa and the United States of America: 3.98%.
- Average annual sales volumes: 1.2 million tonnes.
- Cumulative nominal growth rate in USD/tonne steel prices over coming five years: 32%.

The sensitivity of the recoverable amount of the Saldanha CGU at 31 December 2009 in response to changes in key inputs is as follows:

	Impact on recoverable amount
Sensitivity	Rm
1% increase/decrease in the discount rate at year-end	-948; +948
10% increase/decrease in base year (2010) steel prices at year-end	+5 012; -5 012
10% increase/decrease in base year (2010) raw material prices at year-end	-183; +183

6.5 Valuation of share-based payments

The critical estimates as used in the Binomial Matrix valuation models for the ArcelorMittal South Africa Equity-settled Share Option Plan and the models applied to the Cash-Settled Share Participation Rights are detailed in note 35.1 and 35.2.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES continued

6.6 Valuation of financial instruments

The significant application of estimates is made in the valuation of the bifurcated embedded derivative instrument and in the determination of the disclosed valuation of unlisted equity-accounted investments.

The principal valuation assumptions utilised in the valuation of the embedded derivative in the Sasol Gas contract at 31 December are as follows:

Assumption	2009	2008
Market price for natural gas at valuation date (R/GJ)	**82.98**	109.05
Contracted base prices at valuation date (R/GJ)		
– Newcastle Works	**34.95**	29.72
– Vanderbijlpark Works	**42.66**	34.38
– Vereeniging Works	**43.57**	37.05
Capped oil price inflation (% pa[1])	**0.62**	8.9
SEIFSA inflation (% pa[1])	**3.75**	7.54
Market price inflation for natural gas (% pa[1])	**8.41**	2.65
Natural gas volumes purchased (million GJ[1])	**16.3**	17.3
Bulk-user price discount to normal market prices for industrial gas (%[1])	**40.06**	41.74

[1] *Over a four-year valuation period simulating four-year claw-out mechanism described in note 6.1.*

The fair value carrying amount of the embedded derivative asset is R233 million at 31 December 2009 against R365 million at 31 December 2008, as detailed in note 22.

Valuation inputs utilised in determining the valuation of unlisted equity investments is detailed in note 32.3.

Relevant sensitivities for the financial assets and financial liabilities are described in the following notes:
- Stand-alone base metal derivatives: note 32.10.
- Embedded derivatives: note 32.12.
- Available-for-sale financial asset: note 32.15.
- Foreign currency exposures: note 32.11.
- Interest rate exposures: note 32.14.

6.7 Asset retirement obligations (AROs) and their related assets, environmental remediation obligations (EROs) and onerous contract obligations

6.7.1 AROs and EROs

Estimating the future cash flows associated with these obligations recognised in terms of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and the related asset components recognised in terms of IAS 16 *Property, Plant and Equipment* (as applicable to AROs), is complex.

Existing laws and guidelines are not always clear as to the required end-state situation. The provisions are also affected by changing technologies and political, environmental, safety, business and legal considerations.

Management assesses long-term operational plans, technological and legislative developments, guidelines issued by the authorities, advice from external environmental experts and computations provided by quantity surveyors in order to derive an estimated future cash flow profile to serve as basis for the computation of the obligations and related assets.

For the majority of operational sites, with long-term operating horizons, it is not possible to reliably measure the associated costs of asset retirement and environmental remediation. This is separately disclosed as a contingent liability.

6.7.2 Onerous contracts

Since 1997 the group and company have recognised an onerous operating lease contract embedded in a long- term gas supply contract with Afrox as described in note 28. The counterparty has not been willing to settle this contract and consequently it continues to be carried as an onerous contract obligation. The contract expires in 2019.

An additional onerous contract obligation was recognised in the first half of 2009 relating to a take-or-pay penalty within the Pretoria Portland Cement (PPC) contract at Saldanha Works. The liability relates to a take-or-pay clause for burnt dolomite and coal fines sourced from PPC under a long-term contract. The amount on initial recognition was R29 million. The carrying amount at 31 December 2009 equalled R20 million. The contract expires on 30 April 2013.

The discount rates used to present the value of provisions are detailed in note 28.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES continued

6.7 Asset retirement obligations (AROs) and their related assets, environmental remediation obligations (EROs) and onerous contract obligations continued

6.7.2 Onerous contracts continued

The sensitivity of the carrying amount of the obligations at 31 December 2009 in response to changes in key inputs is as follows:

	Asset retirement obligations Rm	Environmental remediation obligations Rm	Onerous contracts Rm
Carrying amount at 31 December 2009			
% change in all cash flows			
+10%; -10%	**+20; -20**	**+115; -115**	**+33; -33**
% change in cash flows in first five years			
+10%; -10%	**+15; -15**	**+34;-34**	**+24;-24**
Basis point change in discount rate			
+100 bps; -100 bps	**-8;+8**	**-47; +47**	**-13; +13**
Basis point change in discount rate in first five years			
+100 bps; -100 bps	**-4; +4**	**-22; +22**	**-6; +6**

6.8 Deferred taxation assets

Deferred tax assets are recognised to the extent that it is probable that the taxable income will be available in future against which they can be utilised. Future taxable profits are estimates based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

6.9 Commercial arrangements containing financial leases

A number of commercial supply arrangements have been determined by management to contain embedded finance leases. For the purpose of applying the requirements of IAS 17 *Leases*, payments and other considerations required by the arrangement are separated at the inception of the arrangement into those for the lease and those for other elements on the basis of their relative fair values. The minimum lease payments include only payments for the lease (i.e. the right to use the asset) and exclude payments for other elements in the arrangement (e.g. for goods and services supplied).

Separating the payments for the lease from payments for other elements in the arrangement requires management to use estimation techniques. The techniques used include:

- estimating the lease payments by reference to a lease agreement for a comparable asset that contains no other elements; or
- where impracticable to separate the payments reliably, management recognised the leased asset and the finance lease obligation measured as the sum of the lease payments over the tenure of the arrangement, reduced by an imputed finance charge based on management's best estimate of the applicable incremental borrowing rate at inception (or reassessment) of the arrangement.

The leased assets are depreciated over the lesser of their useful lives or the tenure of the arrangement. The former is based upon management's best estimate taking cognisance of the available information. As for all property, plant and equipment, useful lives are assessed annually.

A new embedded lease arrangement was recognised in quarter one of 2009 relating to a gas utility contract at Newcastle Works, being primarily a replacement for a supply contract that had expired. The initial carrying amount of the leased asset and financial lease obligation amounted to R343 million. The carrying amount of the lease commitment at 31 December 2009 was R315 million. The contract expires on 14 January 2019.

The fair values of all finance lease obligations if they were to be hypothetically refinanced at current borrowing rates, keeping the cash instalments constant, are described in note 32.16.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES continued

6.10 Defined benefit pension plans

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group and company determine the appropriate discount rate at the end of each year in consultation with the fund administrators and independent actuaries. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The principal valuation assumptions used for the purposes of the actuarial valuations were:

Assumption	2009 %	2008 %
Discount rate	**9.2**	9.0
Expected return on plan assets	**9.9**	9.7
General inflation rates	**5.9**	5.9
Salary inflation	**6.9 + merit increases**	6.9 + merit increases

The sensitivity of the defined benefit obligations, plan assets and experience adjustments in response to changes in the principal assumptions at 31 December 2009 is as follows:

Mittal Steel South Africa Pension Fund	Present value of defined benefit obligation Rm	(Fair value of plan assets) Rm	(Surplus)/ deficit Rm	Experience adjustments on plan liabilities – gains/ (losses)[1] Rm	Experience adjustments on plan assets – losses/ (gains)[1] Rm
Valuation at 31 December 2009	**6 592**	**(7 295)**	**(703)**	**(198)**	**73**
Discount rate decreased by 100 basis points	6 600	(7 295)	(695)	(206)	73
Discount rate increased by 100 basis points	6 585	(7 295)	(710)	(191)	73
Salary inflation decreased by 1%	6 585	(7 295)	(710)	(191)	73
Salary inflation increased by 1%	6 599	(7 295)	(696)	(205)	73
Previous years' expected return on plan assets decreased by 1%	6 592	(7 295)	(703)	(198)	143
Previous years' expected return on plan assets increased by 1%	6 592	(7 295)	(703)	(198)	4

[1] *Non-cumulative, only for the reporting period ended 31 December 2009.*

6. KEY SOURCES OF ESTIMATION UNCERTAINTY AND ASSOCIATED SENSITIVITIES continued

6.10 Defined benefit pension plans continued

Iscor Retirement Fund	Present value of defined benefit obligation Rm	(Fair value of plan assets) Rm	(Surplus)/ deficit Rm	Experience adjustments on plan liabilities – gains/ (losses)[1] Rm	Experience adjustments on plan assets – gains/ (losses)[1] Rm
Valuation at 31 December 2009	**387**	**(448)**	**(61)**	**18**	**(37)**
Discount rate decreased by 100 basis points	393	(448)	(55)	12	(36)
Discount rate increased by 100 basis points	381	(448)	(67)	24	(36)
Salary inflation decreased by 1%	386	(448)	(62)	19	(36)
Salary inflation increased by 1%	388	(448)	(60)	17	(36)
Previous years' expected return on plan assets decreased by 1%	387	(448)	(61)	18	(31)
Previous years' return on plan assets expected increase by 1%	387	(448)	(61)	18	(40)

[1] *Non-cumulative, only for the reporting period ended 31 December 2009.*

As none of the sensitivities result in a funding deficit, and due to the asset recognition restriction, the sensitivities have no impact on the financial results of the group and company.

7. SEGMENTAL REPORT

Segment information is presented only at a group level where it is most meaningful. Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

The group's reportable segments are as follows:

- Flat Carbon Steel Products consisting of the Vanderbijlpark Works; Saldanha Works and ArcelorMittal South Africa Distribution;
- Long Carbon Steel Products consisting of the Newcastle Works; Vereeniging Works and decommissioned Maputo Works;
- Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial-grade coke; and
- Corporate and Other, housing sales and marketing functions, procurement and logistics activities, shared services, centres of excellence, the decommissioned Pretoria Works site, available-for-sale investments and the results of the consolidated subsidiaries and special purpose entities.

Flat and Long Carbon Steel Products and Coke and Chemicals represent the group's operating segments in which production capacity is concentrated.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 4.9. Segment profit from operations represents the profit earned by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

All assets and liabilities are allocated to the operating segments, other than for the following items that are exclusively housed in the Corporate and Other segment, reflecting the manner in which resource allocation is measured:

Assets not allocated to operating segments:

- results of consolidated subsidiaries and special purpose entities, other than for Saldanha Works which is a subsidiary housed within the Flat Carbon Steel Products segment;
- investments in equity-accounted entities;
- available-for-sale investments;
- cash and cash equivalents; and
- income tax, capital gains tax and value-added tax related assets, as applicable.

Liabilities not allocated to operating segments are income tax, capital gains tax and value-added tax-related liabilities, as applicable.

	Flat Carbon Steel Products		Long Carbon Steel Products	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
7. SEGMENTAL REPORT continued				
Revenue				
– external customers	**15 889**	24 447	**8 112**	11 936
– intersegment customers	**403**	1 066	**419**	1 014
Total revenue	**16 292**	25 513	**8 531**	12 950
Distributed as:				
– Local	**13 053**	20 635	**5 695**	10 861
– Export				
Africa	**1 782**	2 428	**1 725**	240
Europe	**3**	76	**105**	245
Asia	**1 051**	1 303	**503**	384
Other		5	**84**	206
Results				
Operating profit/(loss) before depreciation, amortisation and impairments	**381**[1]	8 112	**591**[1]	3 993
Depreciation and amortisation	**(995)**	(1 105)	**(250)**	(200)
Impairment charge against property, plant and equipment			**(26)**	(121)
Segment (loss)/profit from operations	**(614)**	7 007	**315**	3 672
(Loss)/gains on changes in foreign exchange rate and financial instruments designated as held-for-trading at fair value through profit and loss	**(34)**	(112)	**(28)**	(57)
Interest received				
Finance costs				
Income from investments				
Impairment reversal against investments in equity-accounted investments				
Income after tax from equity-accounted investments				
(Loss)/profit before tax	**(648)**	6 895	**287**	3 615
Income tax expense				
(Loss)/profit after tax				
Segment assets	**18 430**	20 198	**4 530**	5 097
Investments in equity-accounted entities				
Capital expenditure	**630**	1 035	**271**	541
Segment liabilities	**7 997**	7 935	**3 810**	3 162
Cash inflow/(outflow) from operations	**2 260**	5 616	**1 726**	3 021
Number of employees at year-end	**5 123**	5 280	**2 708**	3 008

[1] *Included in these amounts are expenses incurred in respect of inventory written down to net realisable value of which aggregate amounts are disclosed in note 9. The following amounts were written off per segment:*
- *Flat Carbon Steel Products: R1 835 million*
- *Long Carbon Steel Products: R681million*

Coke and Chemicals		Corporate and Other		Adjustments and eliminations		Total reconciling to the consolidated amounts	
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
1 597	3 496				35	**25 598**	39 914
56	67			**(878)**	(2 147)		
1 653	3 563			**(878)**	(2 112)	**25 598**	39 914
1 596	3 427				8	**20 344**	34 931
1	69				15	**3 508**	2 752
					2	**108**	323
					9	**1 554**	1 696
					1	**84**	212
556	1 781	**21**	(278)	**(2)**	(6)	**1 547**	13 602
(107)	(38)	**(6)**	(23)	**66**	44	**(1 292)**	(1 322)
						(26)	(121)
449	1 743	**15**	(301)	**64**	38	**229**	12 159
		(751)	806			**(813)**	637
		199	318			**199**	318
		(276)	(238)			**(276)**	(238)
		3	3			**3**	3
		9	(45)		81	**9**	36
		206	331			**206**	331
449	1 743	**(595)**	874	**64**	119	**(443)**	13 246
						(35)	(3 865)
						(478)	9 381
887	1 130	**9 854**	10 244	**(5 286)**	(1 202)	**28 415**	35 467
		2 369	1 972		(4)	**2 369**	1 968
9	23	**4**	233			**914**	1 832
897	796	**(3 511)**	(2 194)	**(334)**	(259)	**8 859**	9 440
678	1 751	**43**	561	**(2)**	(10)	**4 705**	10 939
250	273	**952**	915			**9 033**	9 476

7. SEGMENTAL continued

7.1 Revenue from major products and services

The group's revenue from its major products sold to external customers was as follows:

	2009 Rm	2008 Rm
Flat Carbon Steel Products	15 889	24 447
– Plate	913	1 859
– Hot-rolled coil	7 231	12 740
– Cold-rolled coil	1 453	2 296
– Galvanised sheet	2 924	4 477
– Coated sheet	824	1 095
– Tin plate	2 289	1 777
– Other	255	203
Long Carbon Steel Products	8 112	11 936
– Billets and blooms	595	241
– Bars and rebars	1 850	2 502
– Wirerod	2 220	3 088
– Sections	2 180	3 990
– Rails	91	61
– Seamless tubular products	541	1 045
– Forged	617	994
– Other	18	15
Coke and Chemicals	1 597	3 496
– Coke	1 210	2 930
– Tar	293	444
– Other	94	122
Consolidation		35
Total consolidated revenue	25 598	39 914

7.2 Geographical information

The group operates principally in South Africa. Export sales are primarily sold into sub-Saharan Africa and Asia, with the remainder routed to Europe and the Americas. The segmental allocation of the geographical revenue is described in note 7 above.

The group's operations are based in South Africa, other than for a 35 000 tonne per annum bar mill in Mozambique, that was mothballed in 2009.

7.3 Information about major customers

Segmentation of the group's top three customers, as measured on total revenue, is as follows:

	2009 Rm	2008 Rm
Flat Carbon Steel Products	4 868	7 438
Long Carbon Steel Products	1 525	3 131
Total revenue attributable to top three customers	6 393	10 569
Expressed as a % of total consolidated revenue	25%	26%
Of these top three customers, one customer contributes more than 10% to total revenue	2 942	5 792
Expressed as a % of total consolidated revenue	11%	15%

Further details relating to credit risk concentrations are described in note 32.17.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
8. IMPAIRMENT CHARGE				
Impairment charge against property, plant and equipment	(26)	(121)		(28)
Total	(26)	(121)		(28)

An additional impairment charge of R26 million (2008: R93 million) has been recognised against the carrying amount of the Maputo Works, at 31 December 2009.

All operations were formally ceased at the Maputo Works in mid-2009 resulting in the impairment of the residual property, plant and equipment not previously impaired in 2008. The residual assets impaired in 2009 were not directly related to production activities.

The property, plant and equipment continue to remain the property of the group and do not meet either the definition of a disposal group or of a discontinued operation in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

The Maputo Works is housed within the subsidiary, ArcelorMittal Maputo SA.

Additional to the R93 million Maputo Works impairment charge in 2008, was a R28 million impairment charge against the Dunswart Direct Reduction facility. That facility remains mothballed in 2009.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
9. PROFIT FROM OPERATIONS				
Profit from operations has been arrived at after charging:				
Amortisation of intangible assets	13	12	10	9
Depreciation	1 279	1 310	909	849
– Buildings and infrastructure	68	40	42	34
– Machinery, plant and equipment	1 110	1 155	776	708
– Site preparation, mining development and exploration	3	4	3	4
– Asset retirement obligation assets	25	41	23	41
– Leased assets under finance leases	73	70	65	62
Consultancy fees	27	24	26	22
Employee costs	2 640	2 598	2 635	2 591
– Salaries and wages	2 334	2 356	2 329	2 349
– Termination benefits	3	2	3	2
– Pension and medical costs	249	207	249	207
– Share-based payment expense	54	33	54	33
Loss on disposal or scrapping of property, plant and equipment	29	39	29	38
Operating lease rentals	96	137	91	134
– Property	4	4	3	3
– Equipment and vehicles	92	133	88	131
Railage and transport	993	1 159	942	1 076
Repairs and maintenance	1 786	2 084	1 428	1 606
Research and development costs	248	63	248	63

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
9. PROFIT FROM OPERATIONS continued				
Reconditionable spares usage	**9**	12	**7**	9
Net write-down of inventory to net realisable value:	**(28)[1]**	215	**(5)[1]**	182
– Finished goods	**(33)**	133	**(17)**	109
– Work in progress	**39**	35	**38**	35
– Raw materials	**(34)**	47	**(26)**	38
Auditors' remuneration	**11**	12	**9**	10
– Audit fees	**9**	11	**8**	9
– Other services and expenses	**2**	1	**1**	1
Management fees	**18**	135	**(147)**	(41)
Directors' remuneration			**20**	18
Fair value losses transferred from equity on effective derivative instruments designated as cash flow hedges (note 32), included in:				
– Raw materials and consumables used	**144**	138	**136**	138
– Ineffectiveness arising from effective cash flow hedges	**0[2]**	0[2]	**0[2]**	0[2]
Fair value losses transferred from equity on ineffective derivative investments designed as cash flow hedges, included in:				
– Raw materials and consumables used		3[3]		2[3]
Impairment losses on financial assets				
– Allowance for doubtful debts recognised on trade and other receivables	**15**	12	**15**	12
– Other allowances reversed on trade and other receivables	**(62)**	(22)	**(47)**	(37)
(Gains)/losses on derivative financial instruments designated at fair value through profit or loss, not held for trading:				
– Losses/(gains) on changes in the fair value of embedded derivative instruments	**133**	(141)	**133**	(141)

[1] *An amount of R2 516 million for the group and R2 332 million for the company have been expensed through the year.*
[2] *Rounding to zero due to the use of numeric reporting scale format of one million.*
[3] *As detailed in note 32.10 (note (i) and note (ii) of reserve movement for 2009 and 2008 respectively).*

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
10. LOSSES AND GAINS ON CHANGES IN FOREIGN EXCHANGE RATES AND FINANCIAL INSTRUMENTS DESIGNATED AS HELD-FOR-TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS				
(Losses)/gains on changes in foreign exchange rates				
Gains on changes in foreign exchange rates	**103**	901	**93**	882
Losses on changes in foreign exchange rates	**(900)**	(256)	**(851)**	(244)
Total, arising on:	**(797)**	645	**(758)**	638
– Trade and other receivables	**(95)**	52	**(65)**	18
– Trade and other payables	**38**	(148)	**27**	(128)
– Cash and cash equivalents	**(740)**	741	**(720)**	748
of which:				
– Realised in cash	**(508)**	(46)	**(469)**	(59)
– Unrealised	**(289)**	691	**(289)**	697
Fair value losses transferred from equity on ineffective derivative instruments designated as cash flow hedges	**(16)**	(10)	**(13)**	(10)
Gains/(losses) on changes in the fair value of derivative instruments designated as held-for-trading at fair value through profit or loss		2	**(5)**	5
Total	**(813)**	637	**(776)**	633
11. INTEREST RECEIVED				
Bank deposit and other interest income excluding interest income from subsidiaries and equity-accounted investments (note 13)	**199**	318	**197**	296
Total	**199**	318	**197**	296

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
12. FINANCE COSTS				
Interest expense on bank overdrafts and loans	**(43)**	(13)	**(34)**	(3)
Interest expense on finance lease obligations[1]	**(79)**	(46)	**(55)**	(19)
Discounting rate adjustment of the non-current provisions[2]	**49**	(8)	**48**	(8)
Unwinding of the discounting effect in the present valued carrying amount of the non-current provisions	**(203)**	(171)	**(200)**	(171)
Total	**(276)**	(238)	**(241)**	(201)

[1] *Interest expense arising from the application of* IAS 17 *Leases, and* IFRIC 4 *Determining whether an Arrangement Contains a Lease.*
[2] *The credit-adjusted discount rate was increased from an average rate of 10.75% to 11.93% (2008: 11.25% to 10.75%) in line with changes in the South African zero swap rates.*

No borrowing costs qualified for capitalisation during the current or comparative year.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
13. INCOME FROM INVESTMENTS				
Dividends received			**6**	338
Interest received	**3**	3	**3**	3
Total	**3**	3	**9**	341
14. IMPAIRMENT REVERSAL/(CHARGE)				
Impairment reversal against investments in jointly controlled entity	**9**	36	**9**	36
Impairment charge against investments in subsidiaries			**(131)**	(81)
Total	**9**	36	**(122)**	(45)

Impairment reversal against investments in jointly controlled entity
A R9 million impairment against the group's investment in its jointly controlled entity, Pietersburg Iron Company (Proprietary) Limited, has been reversed. The reversal was based on mining feasibility studies underway within that company (refer to note 5.6).

For the group, the increase in the equity-accounted carrying amount of the investments is reflected in note 20.

For the year ended 31 December 2008, a jointly controlled entity, Microsteel (Proprietary) Limited reversed an impairment against property, plant and equipment, thus a corresponding impairment reversal of R36 million against the investment was made by the company (refer to note 5.5).

Impairment charge against investments in subsidiaries
An impairment charge of R131 million was recognised against non-permanent loan accounts between the company and various loss-making or dormant subsidiaries, primarily, ArcelorMittal Maputo SA. These amounts are reversed for consolidation purposes, on elimination of the loan accounts.

For the year ended 31 December 2008, a permanent loan account with ArcelorMittal Maputo SA was impaired for R81 million.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
15. INCOME TAX EXPENSE				
Income tax recognised in profit or loss				
Tax expense comprises:				
Current tax expense		3 661		3 311
Adjustments recognised in the current year in relation to the current tax of prior years	**3**	5	**12**	(3)
	3	3 666	**12**	3 308
Deferred tax (income)/expense relating to the origination and reversal of temporary differences	**(131)**	24	**13**	26
Deferred tax expense recognised in the current year in relation to the deferred tax of prior years	**5**	7	**2**	11
Effect of changes in corporate tax rate		(89)		(35)
	(126)	(58)	**15**	2
Secondary tax on companies	**158**	244	**156**	239
Withholding tax on foreign income		13		13
Total tax expense	**35**	3 865	**183**	3 562
The total charge for the year can be reconciled to the accounting profit as follows:				
(Loss)/profit before tax	**(443)**	13 246	**(235)**	12 121
Income tax (income)/expense calculated at 28%	**(124)**	3 709	**(66)**	3 394
Effect of income that is non-taxable/exempt	**(4)**	(2)	**(6)**	(97)
Effect of expenses that are not deductible	**51**	6	**48**	8
Effect of assessed loss not recognised	**12**	6		
Effect of change in corporate tax rate		(89)		(35)
Effect of impairment reversal/(charge)	**(2)**	24	**34**	13
Effect of (i) equity-accounted investments disclosed net of tax on the face of the income statement, and (ii) the effect of different tax rates of subsidiaries operating in other jurisdictions	**(66)**	(77)		
Effect of taxable income imputed from controlled foreign companies	**2**	21	**2**	21
Tax rebate on foreign dividends		(2)		(2)
Adjustments recognised in the current year in relation to the current tax and deferred tax of prior years	**8**	12	**15**	8
Secondary tax on companies	**158**	244	**156**	239
Withholding tax on foreign income		13		13
	35	3 865	**183**	3 562
Taxation as a percentage of (loss)/profit before taxation	**(7.9%)**	29.2%	**(77.9%)**	29.4%
Income tax recognised in equity				
Current and deferred tax expense/(income)				
Taxation effect on:				
• gains and losses realised but not yet released to the income statement on cash flow hedges	**10**	(6)	**10**	(5)
• contribution to the Management Share Trust	**(5)**	(26)	**(5)**	(26)
• unrealised losses on cash flow hedges	**30**	(19)	**31**	(16)
Total current and deferred tax recognised in equity	**35**	(51)	**36**	(47)

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit attributable to the owners of the company by the weighted average number of ordinary shares, after taking the 2009 share buy-back arrangements into account.

The weighted average number of shares is calculated taking into account the shares issued as disclosed in the directors' report and note 25.

	Group	
	2009 Rm	2008 Rm
(Loss)/profit attributable to owners of the company (Rm)	**(478)**	9 381
Weighted average number of ordinary shares in issue (thousands)	**423 050**	445 752
Basic (loss)/earnings per share (cents)	**(113)**	2 105
Diluted earnings per share is calculated by dividing the profit attributable to the owners of the company by the weighted average number of ordinary shares, after taking the 2009 share buy-back arrangement into account increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options representing dilutive potential ordinary shares.		
(Loss)/profit attributable to owners of the company (Rm)	**(478)**	9 381
Weighted average number of diluted shares (thousands)	**423 684**	447 433
Diluted (loss)/earnings per share (cents)	**(113)**	2 097

The calculation for headline (loss)/earnings per share is based on the basic earnings per share calculation, reconciled as follows:

	2009 Gross Rm	2009 Net of tax Rm	2008 Gross Rm	2008 Net of tax Rm
(Loss)/profit attributable to owners of the company		**(478)**		9 381
Plus IAS16 *Loss on Disposal or Scrapping of Property, Plant and Equipment*	**29**	**21**	39	28
Plus impairment charge against property, plant and equipment	**26**	**26**	121	111
Less impairment reversal on equity-accounted investments	**(9)**	**(9)**	(36)	(36)
Headline (loss)/earnings		**(440)**		9 484

	Group	
	2009 Rm	2008 Rm
Headline (loss)/earnings per share (cents)		
– Basic	**(104)**	2 128
– Diluted	**(104)**	2 120

	Group 2009 Rm	Group 2008 Rm
16. EARNINGS PER SHARE continued		
The weighted average number of shares used in the computation of diluted earnings per share were determined as follows (thousands):		
– Shares in issue held by third parties[1]	**401 202**	445 752
– Weighted average number of shares	**423 050**	445 752
Adjustments for dilutive impact of the Management Share Trust:		
– Shares under option	**634**	1 681
Weighted average number of diluted shares (thousands)	**423 684**	447 433

[1] *Although the bought-back shares have not been cancelled and continue to be held by a wholly owned subsidiary of the group, these shares are not held by third parties extraneous from the group. This is reflected in the reduced number of weighted average shares in issue.*

17. DIVIDEND PER SHARE

The dividend distribution for 2009 consists of the following:

- On 29 January 2009, a final dividend of 365 cents per share (R1 627 million) for the 2008 financial year was declared and paid to stakeholders on 16 March 2009. This dividend preceded the 2009 share buy-back arrangement and was based on a weighted average number of 445 752 000 shares.
- Consistent with the group's dividend policy, no interim dividend was declared in 2009.

The dividend distribution for 2008 consists of the following:

- On 8 February 2008, a final dividend of 196 cents per share (R874 million) for the 2007 financial year was declared and paid to shareholders on 17 March 2008.
- On 24 July 2008, an interim dividend of 342 cents per share (R1 524 million) for the 2008 financial year was declared and paid to shareholders on 1 September 2008.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm
GROUP			
For the year ended 31 December 2009			
Gross carrying amount			
At beginning of year	**59**	**1 826**	**23 606**
Additions		**16**	**480**
Disposals		**(13)**	**(225)**
Other movements	**8**	**204**	**702**
At end of year	**67**	**2 033**	**24 563**
Accumulated depreciation and impairment losses			
At beginning of year	**2**	**1 110**	**10 743**
Depreciation charges		**68**	**1 110**
Impairment charge			**26**
Accumulated depreciation on disposals		**(13)**	**(187)**
Other movements		**(26)**	**9**
At end of year	**2**	**1 139**	**11 701**
Net carrying amount at end of year	**65**	**894**	**12 862**
GROUP			
For the year ended 31 December 2008			
Gross carrying amount			
At beginning of year	59	1 782	22 500
Additions		10	863
Disposals		(2)	(368)
Other movements		36	611
At end of year	59	1 826	23 606
Accumulated depreciation and impairment losses			
At beginning of year	2	1 071	9 783
Depreciation charges		40	1 155
Impairment charge			121
Accumulated depreciation on disposals		(1)	(316)
Other movements			
At end of year	2	1 110	10 743
Net carrying amount at end of year	57	716	12 863

[1] *Including the assets of the two captive mines for an amount of R754 million (December 2008: R575 million).*

	Site preparation Rm	Asset retirement obligation component asset at present value Rm	Leased assets[1] Rm	Extensions under construction Rm	Total Rm
	103	**231**	**2 340**	**1 320**	**29 485**
				404	**900**
					(238)
		(50)	**324**	**(942)**	**246**
	103	**181**	**2 664**	**782**	**30 393**
	62	**170**	**1 481**		**13 568**
	3	**(25)**	**73**		**1 279**
					26
					(200)
		(40)	**(85)**		**(142)**
	65	**155**	**1 469**		**14 531**
	38	**26**	**1 195**	**782**	**15 862**
	98	154	2 177	1 140	27 910
			136	797	1 806
	(1)				(371)
	6	77	27	(617)	140
	103	231	2 340	1 320	29 485
	59	129	1 341		12 385
	4	41	70		1 310
					121
	(1)				(318)
			70		70
	62	170	1 481		13 568
	41	61	859	1 320	15 917

18. PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm
COMPANY			
For the year ended 31 December 2009			
Gross carrying amount			
At beginning of year	53	1 450	13 997
Additions		16	463
Disposals		(13)	(222)
Other movements		179	650
At end of year	53	1 632	14 888
Accumulated depreciation and impairment losses			
At beginning of year		959	6 824
Depreciation charges		42	776
Accumulated depreciation on disposals		(13)	(186)
Other movements		2	(3)
At end of year		990	7 411
Net carrying amount at end of year	53	642	7 477
COMPANY			
For the year ended 31 December 2008			
Gross carrying amount			
At beginning of year	53	1 414	13 201
Additions		10	662
Disposals		(2)	(224)
Other movements		28	358
At end of year	53	1 450	13 997
Accumulated depreciation and impairment losses			
At beginning of year		926	6 264
Depreciation charges		34	708
Impairment			28
Accumulated depreciation on disposals		(1)	(176)
Other movements			
At end of year		959	6 824
Net carrying amount at end of year	53	491	7 173

[1] *Including the assets of the two captive mines for an amount of R754 million (December 2008: R575 million).*

Site preparation Rm	Asset retirement obligation component asset at present value Rm	Leased assets[1] Rm	Extensions under construction Rm	Total Rm
103	**231**	**2 145**	**1 201**	**19 180**
			366	**845**
				(235)
	(58)	**324**	**(830)**	**265**
103	**173**	**2 469**	**737**	**20 055**
62	**170**	**1 384**		**9 399**
3	**23**	**65**		**909**
				(199)
	(40)	**(85)**		**(126)**
65	**153**	**1 364**		**9 983**
38	**20**	**1 105**	**737**	**10 072**
98	154	1 982	889	17 791
		136	705	1 513
(1)				(227)
6	77	27	(393)	103
103	231	2 145	1 201	19 180
59	129	1 252		8 630
4	41	62		849
				28
(1)				(178)
		70		70
62	170	1 384		9 399
41	61	761	1 201	9 781

18. PROPERTY, PLANT AND EQUIPMENT continued

All property, plant and equipment is carried at historical cost other than for the asset retirement obligation assets that are carried at present value.

Land register and asset pledges

A register of land is available for inspection at the registered office of the company.

The group and company have not pledged property, plant and equipment to secure banking facilities granted.

Impairment

The impairment assessment is described in notes 5.1 and 6.4.

19. INTANGIBLE ASSETS

	Patents and trademarks Rm	Non-integrated software Rm	Total Rm
GROUP			
For the year ended 31 December 2009			
Gross carrying amount			
At beginning of year	**41**	**246**	**287**
Additions		**14**	**14**
At end of year	**41**	**260**	**301**
Amortisation			
At beginning of year	**19**	**197**	**216**
Amortisation charge	**2**	**11**	**13**
At end of year	**21**	**208**	**229**
Net carrying amount at end of year	**20**	**52**	**72**
GROUP			
For the year ended 31 December 2008			
Gross carrying amount			
At beginning of year	41	224	265
Additions		25	25
Disposals		(3)	(3)
At end of year	41	246	287
Amortisation			
At beginning of year	17	190	207
Amortisation charge	2	10	12
Accumulated amortisation charge on disposals		(3)	(3)
At end of year	19	197	216
Net carrying amount at end of year	22	49	71

19. INTANGIBLE ASSETS continued

	Patents and trademarks Rm	Non-integrated software Rm	Total Rm
COMPANY			
For the year ended 31 December 2009			
Gross carrying amount			
At beginning of year		**244**	**244**
Additions		**13**	**13**
At end of year		**257**	**257**
Amortisation			
At beginning of year		**196**	**196**
Amortisation charge		**10**	**10**
At end of year		**206**	**206**
Net carrying amount at end of year		**51**	**51**
COMPANY			
For the year ended 31 December 2008			
Gross carrying amount			
At beginning of year		222	222
Additions		25	25
Disposals		(3)	(3)
At end of year		244	244
Amortisation			
At beginning of year		190	190
Amortisation charge		9	9
Accumulated amortisation charge on disposals		(3)	(3)
At end of year		196	196
Net carrying amount at end of year		48	48

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
20. EQUITY-ACCOUNTED INVESTMENTS				
The investment represents interest in incorporated jointly controlled entities and associates				
At beginning of year	**1 968**	1 109	**84**	48
Net after-tax share of results as per the income statement	**206**	331		
Dividends received	**(88)**	(14)		
Currency translation differences	**(391)**	502		
Unrealised profit on sales	**6**	4		
Share of other comprehensive income	**135**			
Acquisition of interest in associate	**524**		**524**	
Impairment reversal	**9**	36	**9**	36
At end of year (Annexure 1)	**2 369**	1 968	**617**	84
Aggregate post-acquisition reserves	**1 254**	1 137		
Equity-accounted investments at 31 December 2009 include no goodwill (December 2008: Rnil).				
The group has no unrecognised losses for any individual equity-accounted investment.				
21. INVESTMENTS IN SUBSIDIARIES				
Indebtedness				
– By subsidiaries			**8 645**	4 663
– To subsidiaries			**(94)**	(94)
Total indebtedness			**8 551**	4 569
Less: Provision for attributable losses			**53**	
Net indebtedness after provision			**8 498**	4 569
Shares at cost (Annexure 2)			**253**	256
Total			**8 751**	4 825
Aggregate attributable after-tax (losses)/profits			**(398)**	731

The majority of the carrying value of the company's investment in subsidiaries consists of its investment in Saldanha Steel (Proprietary) Limited being the cost of shares and indebtedness, at the initial and subsequent acquisition dates.

	Group				Company			
	Non-current		Current		Non-current		Current	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
22. OTHER FINANCIAL ASSETS/(LIABILITIES)								
Derivatives designated as hedging instruments carried at fair value								
Base metal forward purchase contracts								
• Unmatured				(129)				(117)
• Matured not settled			**(3)**	(28)			**(2)**	(26)
Financial assets/(liabilities) carried at fair value through profit or loss (FVTPL)								
Embedded derivatives at FVTPL	**150**	203	**83**	163	**150**	203	**83**	163
Held-for-trading derivatives that are not designated in hedge accounting relationships								
Base metal forward purchase contracts unmatured				9				9
Foreign currency forward purchase contracts unmatured				2				0[1]
Available-for-sale (AFS) investments carried at fair value								
Equity instruments[2]	**37**							
Total	**187**	203	**80**	17	**150**	203	**81**	29
Included in the financial statements as:								
Other financial assets	**187**	203	**83**	174	**150**	203	**83**	172
Other financial liabilities			**(3)**	(157)			**(2)**	(143)
Total	**187**	203	**80**	17	**150**	203	**81**	29

[1] Rounding to zero due to the use of numeric reporting scale format of one million.
[2] The group holds 10% of the ordinary share capital of Hwange Colliery Company Limited (HCCL), a coal, coke and by-products producer in Zimbabwe.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
23. INVENTORIES				
Finished products	**1 281**	1 207	**1 104**	1 140
Work-in-progress	**2 018**	3 140	**1 908**	3 003
Raw materials	**1 891**	3 710	**1 676**	3 431
Plant spares and consumable stores	**577**	585	**452**	502
Total	**5 767**	8 642	**5 140**	8 076

Included in the above are finished products of R215 million (December 2008: R258 million), work-in-progress of R154 million (December 2008: R128 million) and raw materials of R639 million (December 2008: R348 million) carried at net realisable value.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
24. TRADE AND OTHER RECEIVABLES				
Trade receivables				
– Local sectors				
Manufacturing	**493**	491	**385**	407
Merchants	**607**	681	**607**	681
Structural metal	**214**	323	**214**	323
Food and beverage	**165**	150	**165**	150
Other	**238**	124	**238**	124
– Exports	**177**	244	**118**	145
Total gross trade receivables	**1 894**	2 013	**1 727**	1 830
Less allowances				
Allowance for doubtful debts				
– Local sectors				
Manufacturing	**(8)**	(5)	**(8)**	(5)
Merchants	**(5)**		**(5)**	
Structural metal	**(2)**	(1)	**(2)**	(1)
Other	**(1)**	(1)	**(1)**	(1)
– Exports	**(1)**	(2)	**(1)**	(2)
Total allowances for doubtful debts	**(17)**	(9)	**(17)**	(9)
Other allowances				
– Local sectors				
Manufacturing	**(113)**	(134)	**(113)**	(134)
Merchants	**(30)**	(46)	**(30)**	(46)
Structural metal	**(14)**	(33)	**(14)**	(33)
Food and beverage	**(12)**	(5)	**(12)**	(5)
Other	**(2)**	(1)	**(2)**	(1)
– Exports	**(1)**	(15)	**(1)**	
Total other allowances	**(172)**	(234)	**(172)**	(219)
Net trade receivables				
– Local sectors				
Manufacturing	**372**	352	**264**	268
Merchants	**572**	635	**572**	635
Structural metal	**198**	289	**198**	289
Food and beverage	**153**	145	**153**	145
Other	**235**	122	**235**	122
– Exports	**175**	227	**116**	143
Total net trade receivables	**1 705**	1 770	**1 538**	1 602
Other receivables	**328**	257	**89**	179
– *Less*: Allowance for doubtful debts	**(28)**	(21)	**(28)**	(21)
	300	236	**61**	158
VAT recoverable	**91**	25	**45**	5
Net other receivables	**391**	261	**106**	163
Total	**2 096**	2 031	**1 644**	1 765

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
24. TRADE AND OTHER RECEIVABLES continued				
The sectoral split of the average credit period on sales of goods is as follows:				
Average credit period for trade receivables				
– Local sectors[1]				
Manufacturing	**35**	36	**34**	37
Merchants	**33**	33	**33**	33
Structural metal	**36**	34	**36**	34
Food and beverage	**31**	30	**31**	30
Other	**31**	30	**31**	30
– Exports[2]	**9**	9	**9**	9

[1] Local sectors credit period measured from date of statement.
[2] Exports credit period measured from bill-of-lading date.

No interest is charged on trade receivables for the first 30 days from date of statement. Thereafter, interest is charged at prime + 3% per annum on the outstanding balance.

Included in the group's and company's trade receivable balance are debtors with a carrying amount of R109 million (December 2008: R220 million), which are past due at the reporting date which have not been provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The sectoral split is as follows:

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Trade receivables past due				
– Local sectors				
Manufacturing	**48**	113	**48**	113
Merchants	**24**	43	**24**	43
Structural metal	**24**	16	**24**	16
Food and beverage	**1**		**1**	
Other	**7**	42	**7**	42
– Exports	**5**	6	**5**	6
Total	**109**	220	**109**	220

	Group		Company	
	2009	2008	2009	2008
24. TRADE AND OTHER RECEIVABLES continued				
The ageing of the past due amounts is detailed below.				
Ageing of past due trade receivable balances				
Up to three months				
– Local sectors				
Manufacturing	**24**	112	**24**	112
Merchants	**23**	43	**23**	43
Structural metal	**16**	13	**16**	13
Food and beverage	**1**	0	**1**	0
Other	**6**	41	**6**	41
– Exports	**6**	3	**6**	3
Total	**76**	212	**76**	212
Three to six months				
– Local sectors				
Manufacturing	**2**	1	**2**	1
Total	**2**	1	**2**	1
Beyond six months				
– Local sectors				
Manufacturing	**23**	1	**23**	1
Structural metal	**7**	2	**7**	2
Other	**1**	1	**1**	1
– Export		3		3
Total	**31**	7	**31**	7
Total	**109**	220	**109**	220

Other receivables relate primarily to by-product sales, site rental due, prepayments and staff education and bursary loans.

In determining the recoverability of trade and other receivables, the group and company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The following allowances exist:

- *Allowance for doubtful debts*, which is based on the specific risk profile, ageing of a given receivable and historical experience. Other than for amounts which are past due, though recoverable, as there has not been a significant change in credit quality, the amount provided for is 25% for receivables that are regarded as marginal and doubtful, and 100% for amounts >120 days, less the participation percentage of the insurer. The impairment recognised represents the difference between the carrying amount of the specific trade receivable and the present value of the expected liquidation proceeds, were time value is regarded as significant.
- *Other allowances*, which relate to settlement discounts, price, quality, dispatch and related claims are based on the exact amounts as withheld from payment by customers, for which credit notes still have to be issued.

	Group		Company	
	2009	2008	2009	2008
24. TRADE AND OTHER RECEIVABLES continued				
The movement in the trade and other receivables allowance balance is detailed below.				
Movement in trade receivable allowances				
Allowance for doubtful debt				
Balance at beginning of year	**(9)**	(3)	**(9)**	(3)
Amounts written off during year		1		1
Increase in allowance recognised in profit or loss	**(8)**	(7)	**(8)**	(7)
Balance at end of year	**(17)**	(9)	**(17)**	(9)
Other allowances				
Balance at beginning of year	**(234)**	(256)	**(219)**	(256)
Decrease in allowance recognised in profit or loss	**62**	22	**47**	37
Balance at end of year	**(172)**	(234)	**(172)**	(219)
Movement in other receivable allowances				
Balance at beginning of year	**(21)**	(18)	**(21)**	(18)
Amounts written off during year		2		2
Increase in allowance recognised in profit or loss	**(7)**	(5)	**(7)**	(5)
Balance at end of year	**(28)**	(21)	**(28)**	(21)

The group and company did not transfer any receivables to related or unrelated entities during the current or comparative years. No factoring or securitisation arrangements were transacted.

The currency denomination of trade and other receivables for the group and company is described fully in note 32.11.

Credit risk concentrations are described in note 32.17.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
25. STATED CAPITAL				
Authorised				
1 200 000 000 ordinary shares at no par value (December 2008: 1 200 000 000)				
2 357 584 C redeemable preference shares at R10 each (December 2008: 2 357 584)				
Issued				
445 752 132 ordinary shares at no par value (December 2008: 445 752 132)	**37**	37	**37**	37
Total	**37**	37	**37**	37

25. STATED CAPITAL continued

On 29 June 2009, the company implemented a share buy-back arrangement with the objective to return excess cash to shareholders.

In terms of the arrangement, Vicva Investments and Trading Nine (Proprietary) Limited, a wholly owned subsidiary of the company, acquired 9.995% of the shareholding of each shareholder. At an average share price of R87.64, 44 550 255 shares were acquired for a gross consideration of R3 904 million.

The shares acquired remain in issue as treasury shares of the group. Such shares can possibly be used by the company for future transactions, including, inter alia, a possible future black empowerment transaction and/or for purposes of settlement of the group's and company's equity-settled share incentive plan obligations.

In the group's accounts, the treasury shares are recognised within a treasury share equity reserve with a carrying amount of R3 918 million, as detailed in the Group Statement of Changes in Equity. The associated direct transactional cost of implementing the arrangement was charged to the treasury share equity reserve in terms of IAS 32 *Financial Instruments: Presentation*.

In computing earnings and dividends per share for the group (as detailed in notes 16 and 17 respectively), the treasury shares held by its wholly owned subsidiary are deducted from the issued share capital of the company in order to reflect equity instruments in the hands of third-party shareholders.

The group's capital risk management policy is described in note 32.18.

The unissued ordinary shares are not under the control of the directors.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
26. BORROWINGS AND OTHER PAYABLES				
Borrowings				
Unsecured – at amortised cost				
Loan from Pretoria Portland Cement	**41**	51		
Other payables				
Leave pay benefits accrual	**300**	294	**300**	294
Cash-settled share-based payments[1]	**32**	28	**32**	28
	373	373	**332**	322
Included in the financial statements as:				
Non-current borrowings and other payables	**220**	273	**189**	232
Current borrowings and other payables	**153**	100	**143**	90
Total	**373**	373	**332**	322

[1] *Representing share participation rights. Refer to note 35.1 for the relevant terms and conditions.*

Loan from Pretoria Portland Cement

The ZAR-denominated loan is unsecured and bears interest at a fixed rate of 16.00% and is repayable annually with the final payment due in 2013.

There were no loan breaches or defaults during the current or comparative period.

The fair value of the borrowings and thus exposure to refinancing risk is detailed in note 32.3.

Leave pay benefits accrual

The leave pay benefits accrual has been reclassified from provisions to borrowings and other payables as a component of borrowings and other payables as detailed in note 3.1.

In terms of the group and company policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

In 2008, the group and company announced that all leave above 50 days on 1 September 2008 would be ring-fenced. To the extent that such leave pay benefits remain outstanding in 2010, the amount would be automatically encashed. The carrying amount of such benefits is disclosed as a current accrual.

For the remaining benefits, the distinction between current and non-current nature of the accrual, is based on when the benefits are due to be settled, that is, taken as leave or settled in cash.

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm

27. FINANCE LEASE OBLIGATIONS

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
Secured – at amortised cost for the following supplies:	**614**	354	**467**	199
Raw materials	**64**	98	**64**	98
Gases	**399**	95	**399**	95
Electricity and transport utilities	**142**	147		
Steel processing and foundry services	**9**	14	**4**	6
Included in the financial statements as:				
Non-current finance lease obligations	**557**	314	**420**	168
Current finance lease obligations	**57**	40	**47**	31
Total	**614**	354	**467**	199

The finance leases are embedded within supply arrangements with suppliers and have been assessed in terms of IFRIC 4 *Determining Whether an Arrangement Contains a Lease.*

The lease liabilities are effectively secured as the rights to the leased assets as embedded in the supply agreements, would generally revert to the lessor supplier in the event of default.

Functional category	Term expiry date	Fixed effective interest rate
Raw materials	2013 – 2014	0%
Gases	2015 – 2019	10.97% – 22.00%
Electricity and transport utilities	2018 – 2022	15.28% – 17.13%
Steel processing and foundry services	2012	6.46% – 6.90%

There were no loan breaches or defaults during the current or comparative period.

The fair value of the borrowings and thus exposure to refinancing risk, should supply contracts be retendered, is detailed in note 32.3.

Finance lease by obligation by function

	Minimum lease payments: Not later than 1 year Rm	Minimum lease payments: Later than 1 year and not later than 5 years Rm	Minimum lease payments: Later than 5 years Rm	Total Rm	Less future finance charges Rm	Present value of minimum lease payments Rm
GROUP						
For the year ended 31 December 2009						
Raw materials	**15**	**49**		**64**		**64**
Gases	**81**	**324**	**254**	**659**	**260**	**399**
Electricity and transport utilities	**28**	**112**	**175**	**315**	**173**	**142**
Steel processing and foundry services	**7**	**3**		**10**	**1**	**9**
Total	**131**	**488**	**429**	**1 048**	**434**	**614**

27. FINANCE LEASE OBLIGATIONS continued

Finance lease by obligation by function continued

	Minimum lease payments Not later than 1 year Rm	Later than 1 year and not later than 5 years Rm	Later than 5 years Rm	Total Rm	Less future finance charges Rm	Present value of minimum lease payments Rm
GROUP						
For the year ended 31 December 2008						
Raw materials	19	74	5	98		98
Gases	29	97	50	176	81	95
Electricity and transport utilities	28	113	203	344	197	147
Steel processing and foundry services	7	9		16	2	14
Total	83	293	258	634	280	354
COMPANY						
For the year ended 31 December 2009						
Raw materials	**15**	**49**		**64**		**64**
Gases	**81**	**324**	**254**	**659**	**260**	**399**
Steel processing and foundry services	**2**	**3**		**5**	**1**	**4**
Total	**98**	**376**	**254**	**728**	**261**	**467**
COMPANY						
For the year ended 31 December 2008						
Raw materials	19	74	5	98		98
Gases	28	97	51	176	81	95
Steel processing and foundry services	2	5		7	1	6
Total	49	176	56	281	82	199

28. PROVISIONS

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Post-retirement medical aid benefits	Other Rm	Total Rm
GROUP						
For the year ended 31 December 2009						
At beginning of year	**240**	**1 338**	**278**	**10**		**1 866**
Charge to income statement	**29**	**(174)**	**104**	**1**	**273**	**233**
Additions/(releases)		**(276)**	**81**	**1**	**273**	**79**
Discount rate change	**(2)**	**(37)**	**(10)**			**(49)**
Unwinding of the discount effect	**31**	**139**	**33**			**203**
Utilised during year	**(16)**	**(48)**	**(54)**	**(1)**		**(119)**
Capitalisation to asset	**(50)**					**(50)**
At end of year	**203**	**1 116**	**328**	**10**	**273**	**1 930**
Included in the financial statements as:						
Non-current provisions	**170**	**977**	**264**	**9**		**1 420**
Current provision	**33**	**139**	**64**	**1**	**273**	**510**
Total	**203**	**1 116**	**328**	**10**	**273**	**1 930**

28. PROVISIONS continued

	Asset retirement obligation Rm	Environ-mental remediation Rm	Onerous contracts Rm	Post-retirement medical aid benefits Rm	Other Rm	Total Rm
GROUP						
For the year ended 31 December 2008						
At beginning of year	158	833	253	9	80	1 333
Charge to income statement	22	561	68	2		653
Additions/(releases)		425	47	2		474
Discount rate change		16	(8)			8
Unwinding of the discount effect	22	120	29			171
Utilised during year	(17)	(56)	(43)	(1)	(80)	(197)
Capitalisation to asset	77					77
At end of year	240	1 338	278	10		1 866
Included in the financial statements as:						
Non-current provisions	217	1 201	234	9		1 661
Current provision	23	137	44	1		205
Total	240	1 338	278	10		1 866
COMPANY						
For the year ended 31 December 2009						
At beginning of year	**240**	**1 330**	**278**	**9**		**1 857**
Charge to income statement	**28**	**(166)**	**76**	**1**	**273**	**212**
Additions/(releases)		**(267)**	**53**	**1**	**273**	**60**
Discount rate change	**(2)**	**(37)**	**(9)**			**(48)**
Unwinding of the discount effect	**30**	**138**	**32**			**200**
Utilised during year	**(16)**	**(48)**	**(46)**	**(1)**		**(111)**
Capitalisation to asset	**(58)**					**(58)**
At end of year	**194**	**1 116**	**308**	**9**	**273**	**1 900**
Included in the financial statements as:						
Non-current provisions	**161**	**977**	**253**	**8**		**1 399**
Current provisions	**33**	**139**	**55**	**1**	**273**	**501**
Total	**194**	**1 116**	**308**	**9**	**273**	**1 900**
COMPANY						
For the year ended 31 December 2008						
At beginning of year	158	826	253	8	65	1 310
Charge to income statement	22	560	68	2		652
Additions/(releases)		424	47	2		473
Discount rate change		16	(8)			8
Unwinding of the discount effect	22	120	29			171
Utilised during year	(17)	(56)	(43)	(1)	(65)	(182)
Capitalisation to asset	77					77
At end of year	240	1 330	278	9		1 857
Included in the financial statements as:						
Non-current provisions	217	1 193	234	8		1 652
Current provisions	23	137	44	1		205
Total	240	1 330	278	9		1 857

28. PROVISIONS continued

Maturity profile

The present value maturity profile of the provisions for the group is set out in the table below:

	Total Rm	Less than 1 year Rm	More than 1 year less than 5 years Rm	5 years+ Rm
At 31 December 2009				
Asset retirement obligation	**203**	**33**	**109**	**61**
Environmental remediation	**1 116**	**139**	**641**	**336**
Onerous contracts	**328**	**64**	**173**	**91**
Post-retirement medical aid benefits	**10**	**1**	**5**	**4**
Other	**273**	**273**		
Total	**1 930**	**510**	**928**	**492**
At 31 December 2008				
Asset retirement obligation	240	23	182	35
Environmental remediation	1 338	137	889	312
Onerous contracts	278	44	146	88
Post-retirement medical aid benefits	10	1	5	4
Total	1 866	205	1 222	439
The present value maturity profile of the provisions for the company is set out in the table below:				
At 31 December 2009				
Asset retirement obligation	**194**	**33**	**107**	**54**
Environmental remediation	**1 116**	**139**	**641**	**336**
Onerous contracts	**308**	**55**	**161**	**92**
Post-retirement medical aid benefits	**9**	**1**	**5**	**3**
Other	**273**	**273**		
Total	**1 900**	**501**	**914**	**485**
At 31 December 2008				
Asset retirement obligation	240	23	182	35
Environmental remediation	1 330	137	887	306
Onerous contracts	278	44	146	88
Post-retirement medical aid benefits	9	1	4	4
Total	1 857	205	1 219	433

Asset retirement obligation (ARO) and environmental remediation obligation provisions

Environmental obligations consist of asset retirement obligations and environmental remediation obligations.

Environmental remediation obligations represent the present value of the cost of remedial action to clean up and secure a site. These actions are primarily attributable to historical, that is, legacy waste disposal activities. With subsequent changes in national environmental legislation, the company has a legal obligation to remediate these facilities.

Asset retirement obligations (ARO), which arise from legal requirements, represent management's best estimate of the present value of costs that will be required to retire plant and equipment. The majority of the obligation relates to ancillary plant and equipment that will be retired as part of the clean-up and closure of those facilities to be remediated via the environmental remediation obligation. The net carrying amount of the ARO asset component included within note 18, amounts to R26 million (December 2008: R61 million) for the group and R20 million (December 2008: R61 million) for the company.

The term of the obligation assessment varies according to the site. The maximum term is 19 years.

28. PROVISIONS continued

Maturity profile continued

The future cash outflows are discounted at a weighted average credit-adjusted discount rate as indicated in the table below:

Business unit	2009 %	2008 %
Vanderbijlpark Works	**11.38**	10.67
Vereeniging Works	**11.56**	10.75
Newcastle Works	**11.93**	10.75
Saldanha Works	**11.71**	10.75
Pretoria Works	**11.88**	10.75
Coke and Chemicals	**10.81**	10.52

The average escalation factor applied to the current cash flow estimates is 6.09% (December 2008: average rate of 6.8%).

Onerous contract provision

Included in the provision is an onerous operating lease contract embedded in a long-term, take-or-pay gas supply contract with Afrox. The unavoidability of the cost arose upon the 1997 decommissioning of steelmaking facilities at Pretoria Works. Net cash outflow for the year amounted to R46 million (December 2008: R43 million). The unexpired term of the contract is 10 years.

Also included is a long-term contract containing a take-or-pay clause for burnt dolomite and coal fines sourced from PPC. The take-or-pay obligation arose historically due to lower offtake on account of efficiency improvements and method changes. Net cash outflow for the year amounted to R8 million (December 2008: Rnil). The unexpired term of the contract is four years.

The long-term average escalation factor applied to the current cash flow estimates is 6.93% (December 2008: 6.64%). The future cash outflows are discounted at an average credit-adjusted discount rate of 11.93% (December 2008: 10.70%).

Post-retirement medical aid benefits

The group and company recognise a liability relating to future medical aid for certain early retirees. The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement.

Other provisions

A research and development fee of R187 million payable to the ArcelorMittal Group was outstanding at year-end. The amount has not yet been paid as South African Reserve Bank (SARB) approval is still awaited. Due to the uncertainty relating to the timing of the payment, the amount is classified as a provision as opposed to an accrual.

The group and company are in the process of negotiating the conversion from a three-shift team work pattern to a four-shift team work pattern. As an inducement, the affected employees are to be offered a non-recurring buy-out of the overtime and similar allowances that will be eliminated when replacing the three-shift team system. Amongst other factors, the amount of time (in months) the buy amount will encompass is subject to ongoing negotiations. The best estimate of the amount at year-end is R86 million.

29. DEFERRED TAXATION

Deferred tax (assets)/liabilities arise from the following:

	Cash flow hedges Rm	Property, plant, equipment and intangible assets Rm	Employee cost Rm
GROUP			
For the year ended 31 December 2009			
Temporary differences			
At beginning of year	**(34)**	**3 229**	**(85)**
Amounts in equity utilised against assessed loss			
Charged to income	**4**	**79**	**(26)**
Charged to equity	**30**		
At end of year		**3 308**	**(111)**
GROUP			
For the year ended 31 December 2008			
Temporary differences			
At beginning of year	(15)	3 197	(81)
Rate change charged to income		(109)	3
Charged to income		141	(7)
Charged to equity	(19)		
At end of year	(34)	3 229	(85)
COMPANY			
For the year ended 31 December 2009			
Temporary differences			
At beginning of year	**(31)**	**1 638**	**(85)**
Amounts in equity utilised against assessed loss			
Charged to income		**169**	**(26)**
Charged to equity	**31**		
At end of year		**1 807**	**(111)**
COMPANY			
For the year ended 31 December 2008			
Temporary differences			
At beginning of year	(15)	1 542	(81)
Rate change charged to income		(53)	3
Charged to income		149	(7)
Charged to equity	(16)		
At end of year	(31)	1 638	(85)

	Temporary differences					
	Provisions Rm	Doubtful debts Rm	Finance lease obligations Rm	Other Rm	Unused tax losses and credits tax losses Rm	Total Rm
	(475)	**(7)**	**(99)**	**(3)**		**2 526**
					5	**5**
	(18)	**(4)**	**(73)**	**(8)**	**(80)**	**(126)**
						30
	(493)	**(11)**	**(172)**	**(11)**	**(75)**	**2 435**
	(353)	(5)	(122)	(16)	(2)	2 603
	12		4	1		(89)
	(134)	(2)	19	12	2	31
						(19)
	(475)	(7)	(99)	(3)		2 526
	(469)	**(7)**	**(55)**	**2**		**993**
					5	**5**
	(16)	**(3)**	**(75)**	**(15)**	**(19)**	**15**
						31
	(485)	**(10)**	**(130)**	**(13)**	**(14)**	**1 044**
	(350)	(5)	(75)	(9)		1 007
	12		3			(35)
	(131)	(2)	17	11		37
						(16)
	(469)	(7)	(55)	2		993

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
30. TRADE AND OTHER PAYABLES				
Trade payables				
– Raw materials	1 268	1 456	1 042	1 399
– Energy	138	74	108	66
– Rail and transport	93	46	51	29
– Other	1 554	1 084	1 249	982
Total trade payables	3 053	2 660	2 450	2 476
Other payables				
– Sundry	17	17	17	17
– Accruals	426	707	425	400
Total other payables	443	724	442	417
Total	3 496	3 384	2 892	2 893
The functional split of the average credit period on trade and other payables is as follows:				
Average credit period in days for trade payables				
– Raw materials	29	28	26	28
– Energy	27	24	28	28
– Rail and transport	9	13	6	11
– Other, including related parties and retention monies	73	52	68	58
Average credit period in days for other payables				
– Sundry	25	22	25	22

The group and company have financial risk management policies in place to ensure that all payables are paid within the credit terms.

For the group and company, the interest expense incurred for late payment on trade and other payables is Rnil (December 2008: Rnil).

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
31. NOTES TO THE STATEMENTS OF CASH FLOWS				
31.1 Cash generated from operations				
Profit from operations	**229**	12 159	**698**	11 097
Adjusted for non-cash movements				
– Depreciation and amortisation	**1 292**	1 322	**919**	858
– Unrealised profit on sales to joint ventures	**(6)**	(4)		
– Embedded derivatives unrealised	**133**	(141)	**133**	(141)
– Share option and participation costs	**73**	60	**73**	60
– Impairment charge	**26**	121		28
– Movements in provisions	**79**	454	**60**	445
– Movements in leave pay accrual	**39**	93	**39**	93
– Allowance for net realisable value	**(28)**	215	**(5)**	182
– Movements in allowance for doubtful debt and other	**(47)**		**(32)**	9
– Reconditionable spares usage	**9**	12	**7**	9
– Loss on disposal or scrapping of property, plant and equipment	**29**	39	**29**	38
Working capital movements				
– Decrease/(increase) in inventories	**2 903**	(4 067)	**2 942**	(4 062)
– (Increase)/decrease in trade and other receivables	**(18)**	253	**153**	232
– Increase/(decrease) in trade and other payables	**112**	607	**(1)**	602
– Utilisation of provisions	**(119)**	(117)	**(111)**	(117)
	4 706	11 006	**4 904**	9 324
31.2 Dividends paid				
Charged to equity	**(1 627)**	(2 398)	**(1 627)**	(2 398)
	(1 627)	(2 398)	**(1 627)**	(2 398)
31.3 Normal taxation				
Normal taxation (payable)/recoverable at beginning of year	**(780)**	108	**(690)**	164
Amounts charged to the income statement	**(161)**	(3 909)	**(168)**	(3 547)
Amounts recognised in equity	**(5)**	32	**(5)**	31
Amounts in equity utilised against assessed loss	**5**		**5**	
Transfer from provisions		(80)		(65)
Other movements	**(1)**	(5)		
Withholding tax		(13)		(13)
Normal taxation payable at end of year	**8**	780	**11**	690
	(934)	(3 087)	**(847)**	(2 740)
31.4 Investment to maintain operations				
Replacement of property, plant and equipment	**(442)**	(1 114)	**(408)**	(926)
Intangible assets	**(14)**	(25)	**(13)**	(25)
Environmental	**(251)**	(217)	**(247)**	(215)
Reconditionable spares	**(77)**	(57)	**(65)**	(38)
	(784)	(1 413)	**(733)**	(1 204)
31.5 Investment to expand operations				
Property, plant and equipment for expansion and new technology	**(130)**	(419)	**(125)**	(334)
	(130)	(419)	**(125)**	(334)
Total capital expenditure	**(914)**	(1 832)	**(858)**	(1 538)

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
32. FINANCIAL INSTRUMENTS				
32.1 Significant accounting policies				
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.				
32.2 Categories of financial instruments				
Financial assets				
Fair value through profit or loss (FVTPL)				
• Held-for-trading		11		9
• Designated at FVTPL				
– Bifurcated embedded derivatives	**233**	366	**233**	366
Loans and receivables				
• Cash and cash equivalents	**4 348**	8 429	**4 222**	8 121
• Trade and other receivables	**2 096**	2 031	**1 644**	1 765
Available-for-sale financial assets	**37**			
Total	**6 714**	10 837	**6 099**	10 261
Financial guarantees with a fair value of zero are described in note 32.7.				
Financial liabilities				
Derivative instruments in designated hedge accounting relationships				
• Unmatured		129		117
• Matured yet unsettled	**3**	28	**2**	26
Loans carried at amortised cost				
• Borrowings and other payables	**373**	373	**332**	322
• Finance lease obligations	**614**	354	**467**	199
• Trade and other payables	**3 496**	3 384	**2 892**	2 893
Total	**4 486**	4 268	**3 693**	3 557
Net financial assets	**2 228**	6 569	**2 406**	6 704

At 31 December 2009, the group and company do not have:

- financial instruments designated as held-to-maturity;
- financial instruments designated as held-for-trading at FVTPL;
- unmatured derivative instruments in designated hedge accounting relationships; and/or
- financial liabilities designated at FVTPL.

32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of stand-alone over-the-counter derivative instruments is calculated using quoted prices;
- the fair value of embedded derivatives is calculated using a valuation technique for which one or more significant inputs are not based on observable market data;
- the fair value of financial guarantee contracts issued or held is calculated using the cumulative probability methodology, as described in note 4.28; and
- for disclosure purposes, the fair value of equity investments accounted for using the equity method:
  - which are listed, are valued with reference to quoted closing market prices on active, liquid stock exchanges;
  - which are unlisted, or for which active and liquid markets do not, or do no longer exist, are valued using generally accepted valuation techniques, such as those recommended within the *International Private Equity and Venture Capital Valuation Guidelines.*

The following financial assets and financial liabilities are measured at fair value in terms of the group's and company's accounting policies:

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Financial assets measured at fair value				
Fair value through profit or loss (FVTPL)				
• Held-for-trading		11		9
• Designated at FVTPL				
– Bifurcated embedded derivatives	**233**	366	**233**	366
Available-for-sale financial assets	**37**			
Total	**270**	377	**233**	375
Financial liabilities measured at fair value				
Derivative instruments in designated hedge accounting relationships				
• Unmatured		129		117
• Matured yet unsettled	**3**	28	**2**	26
Total	**3**	157	**2**	143
Net financial assets measured at fair value	**267**	220	**231**	232

32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments continued

For financial instruments that are measured subsequent to initial recognition at fair value in the statement of financial position, the table below provides an analysis of their groupings into Levels 1 to 3 based on the degree to which fair value is objectively observable.

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for which one or more significant inputs for the asset or liability valuation are not based on observable data (unobservable inputs).

The group and company do not have financial instruments with carrying amounts determined using Level 2.

There were transfers during the reporting period between Level 1 and Level 3 as described below.

	Level 1	Level 3	Total
GROUP			
For the year ended 31 December 2009			
Financial assets measured at fair value			
Financial assets at FVTPL			
• Designated at FVTPL			
– Bifurcated embedded derivatives		**233**	**233**
Available-for-sale financial assets	**37**		**37**
Total	**37**	**233**	**270**
Financial liabilities measured at fair value			
Derivative instruments in designated hedge accounting relationships			
• Matured yet unsettled	**3**		**3**
Total	**3**		**3**
Net financial assets measured at fair value	**34**	**233**	**267**
GROUP			
For the year ended 31 December 2008			
Financial assets measured at fair value			
Financial assets at FVTPL			
• Held-for-trading	11		11
• Designated at FVTPL			
– Bifurcated embedded derivatives		366	366
Available-for-sale financial assets		0[1]	0[1]
Total	11	366	377
Financial liabilities measured at fair value			
Derivative instruments in designated hedge accounting relationships			
• Unmatured	129		129
• Matured yet unsettled	28		28
Total at 31 December 2008	157		157
Net financial (liabilities)/assets measured at fair value	(146)	366	220

[1] *Carrying amount of Rnil as at 31 December 2008.*

32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments continued

	Level 1	Level 3	Total
COMPANY			
For the year ended 31 December 2009			
Financial assets measured at fair value			
Financial assets at FVTPL			
• Designated at FVTPL			
– Bifurcated embedded derivatives		**233**	**233**
Total		**233**	**233**
Financial liabilities measured at fair value			
Derivative instruments in designated hedge accounting relationships			
• Matured yet unsettled	**2**		**2**
Total	**2**		**2**
Net financial (liabilities)/assets measured at fair value	**(2)**	**233**	**231**
COMPANY			
For the year ended 31 December 2008			
Financial assets measured at fair value			
Financial assets at FVTPL			
• Held-for-trading	9		9
• Designated at FVTPL			
– Bifurcated embedded derivatives		366	366
Total	9	366	375
Financial liabilities measured at fair value			
Derivative instruments in designated hedge accounting relationships			
• Unmatured	117		117
• Matured yet unsettled	26		26
Total	143		143
Net financial (liabilities)/assets measured at fair value	(134)	366	232

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32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments continued

Developments relating to the available-for-sale equity investment, being the group's investment in Hwange Colliery Company Limited, are described in note 5.4. In 2008, the fair value measurement of the investment was reclassified from being based on quoted prices on an active market for the same instrument to being based on a valuation technique for which one or more significant inputs are not based on observable market data. In 2009, the investment was again reclassified back to an instrument with fair value measurement being based on quoted prices on an active market. The reclassification and accounting impact thereof are as follows:

	GROUP
Transfers between Level 1 and Level 3	Available-for-sale financial asset
Level 1: Available-for-sale equity investment measured at fair value based on quoted prices on an active market for the same instrument	
Level 1 balance at 31 December 2007	
Historical cost to the group	9
Total gains and (losses) in other comprehensive income (available-for-sale investment reserve)	62
Reclassified to Level 3 as an available-for-sale financial asset measured at fair value using a valuation technique for which one or more significant inputs are not based on observable market data	(71)
Level 1 balance at 31 December 2008	
Reclassified from Level 3 as an available-for-sale equity investment measured at fair value using a valuation technique for which one or more significant inputs are not based on observable market data, consisting of:	
– historic cost for the group	**9**
– gains recognised in the available-for-sale investment reserve	**28**
Level 1 balance at 31 December 2009	**37**
Level 3: Available-for-sale equity investment measured at fair value using a valuation technique for which one or more significant inputs are not based on observable market data	
Level 3 balance at 31 December 2007	
Reclassified from Level 1 as an available-for-sale equity investment measured at fair value based on quoted prices on active markets for the same instrument, consisting of:	
– historic cost for the group	9
– gains recognised in available-for-sale investment reserve	62
Subsequent change in fair value with total losses recognised in other comprehensive income (available-for-sale investment reserve)	(71)
Level 3 balance at 31 December 2008	
Subsequent change in fair value consisting of:	
– historic cost for the group	9
– net gains recognised in the available-for-sale investment reserve	28
Reclassified to Level 1 as an available-for-sale equity investment measured at fair value based on quoted prices on active markets for the same instrument	(37)
Level 3 balance at 31 December 2009	
Total gains or (losses) included in profit and loss for the period at 31 December 2008	
Change in available-for-sale investment reserve included in other comprehensive income	(71)
Total gains or (losses) included in profit or loss for the period at 31 December 2009	
Change in available-for-sale investment reserve included in other comprehensive income	**37**

Bifurcated embedded derivatives, available-for-sale financial assets and financial guarantee contracts held and issued, are measured using a valuation technique for which one or more significant inputs are not based on observable market data.

For the embedded derivative, the key valuation inputs, the sensitivity analysis pertaining to those inputs, the carrying amounts and changes therein compared to the comparative period are detailed in note 32.12. Similarly financial guarantee contracts are analysed in note 32.7.

Except as detailed in the following table, the carrying amounts of those financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments continued

	Carrying value 2009 Rm	Fair value 2009 Rm	Carrying value 2008 Rm	Fair value 2008 Rm
GROUP				
Non-current liabilities				
Non-current borrowings[1]	30	28	41	39
Non-current finance lease obligations	557	541	314	342
Current liabilities				
Current borrowings[2]	10	15	10	16
Current finance lease obligation	57	55	40	44
Total liabilities				
Total borrowings	40	43	51	55
Total finance lease obligation	614	596	354	386
COMPANY				
Non-current liabilities				
Non-current finance lease obligations	420	379	168	155
Current liabilities				
Current finance lease obligation	47	44	31	33
Total liabilities				
Total finance lease obligation	467	423	199	188

[1] *As included in the line item "Non-current borrowings and other payables".*

[2] *As included in the line item "Current borrowings and other payables".*

The fair value represents the capital amount which could be borrowed if the arrangements were refunded at the reporting date. Differences in fair value relative to the carrying amount are ascribable to higher or lower borrowing rates compared to the actual historic rates contracted or imputed on inception of the lease agreements.

Fair values of equity-accounted investments for disclosure purposes only

Equity accounted investments do not meet the definition of financial instruments as they are classified either as investments in associates or jointly controlled entities.

32. FINANCIAL INSTRUMENTS continued

32.3 Fair value of financial instruments continued

The investment in CoAL (note 20 and Annexure 1) was acquired by the company during 2009, and classified as an investment in an associate company. The investment has a fair value of R932 million against an equity-accounted carrying amount in the group's accounts of R524 million at 31 December 2009. Coal of Africa Limited is listed on the JSE. Its fair value equals the number of shares held multiplied by the quoted closing share price at 31 December 2009.

In addition to the listed CoAL investment, the group's and company's financial statements include unlisted equity-accounted investments in an associate and jointly controlled entities (note 20 and Annexure 1). The fair value estimates for a single investment are determined using a combination of valuation methods, namely: (i) discounted cash flow analysis, (ii) earnings multiples; and/or (iii) a termination liquidation basis. Certain assumptions are not supportable by observable market prices or rates.

The group and company have significant investments in the following equity-accounted investments:

- Collect a Can (Proprietary) Limited;
- Consolidated Wire Industries Limited;
- Ensimbini Terminal (Proprietary) Limited;
- Macsteel International Holdings BV;
- Microsteel (Proprietary) Limited;
- Pietersburg Iron Company (Proprietary) Limited; and
- Toyota Tsusho SA Processing (Proprietary) Limited

In determining the fair value of these significant investments for impairment assessment and disclosure purposes, greater emphasis was placed on a net asset value, liquidation and simple earnings multiple-valuation techniques for the reporting periods ended 31 December 2008 and 31 December 2009. Use of discounted cash flow techniques were de-emphasised (but not discarded) due to the difficulty in forecasting forward earnings in the current economic climate.

In general, an earnings multiple of 6.5 to 7.0 was applied to the investments (December 2008: earnings multiples of five times), while average liquidation realisation rates ranged from 90% to 100% depending on the nature of the business (December 2008: 90% to 100%). The realisation rates are based on observable market rates for similar assets.

32.4 Financial risk management overview and objectives

The group's and company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Financial risk is a subset of the group's Enterprise-Wide Risk Management Policy (EWRM). The latter policy is approved by the board of directors and reviewed biannually.

The financial risks[1] to which the group and company are exposed to consist of:

- bank relationship and financial counterparty risk;
- financial market risk, consisting of:
  - commodity price risks;
  - exchange rate fluctuations; and
  - liquidity risk, being:
    - cash flow volatility; and
    - fair value and cash flow interest rate risk;
- capital management and gearing risk; and
- customer credit risk.

[1] *Margin risk is driven by operational risk factors, which are addressed in the Sustainability Report. Corporate governance risk is addressed in the Corporate Governance subsection of the annual report.*

32. FINANCIAL INSTRUMENTS continued

32.4 Financial risk management overview and objectives continued

Other than for customer credit risk, the remaining financial risks are addressed in the corporate Treasury Policy. This policy is aligned to the greater ArcelorMittal Group policy except for the following aspects relating to South African exchange control regulations as regulated by the SARB:

- repatriation of foreign currency receipts;
- limitations on the amount (hedge percentage) and forward period for derivatives use to economically hedge the USD price volatility risk of future base metal purchases;
- foreign funding and repayment approvals by the SARB; and
- offshore payments of surplus cash positions.

The Treasury Policy addresses market, liquidity, capital management and gearing risk through the direction of the following activities:

- bank relationships and financial counterparty exposure management;
- financing facilities;
- financial guarantees and letters of credit;
- market risk management, through:
  - commodity risk management;
  - currency risk management;
  - interest rate management; and
  - cash management, through liquidity management.

The Treasury Policy is enacted by the treasury department (Treasury). Treasury identifies, evaluates and mitigates financial risks in close co-operation with the group's and company's operating units. Board-approved written policies cover the specific activities noted above and address risk limits, the use of derivative and non-derivative financial instruments to hedge certain exposures, and the approval framework governing transaction levels.

Hedge performance is measured against three benchmark levels:

- performance against budgeted levels.
- performance against market levels.
- performance against the unhedged exposure positions.

Well-defined market trigger levels are used to ensure the maintenance of an appropriately composed hedge position in response to market movements.

Treasury fulfils a shared service function for subsidiary companies in the ArcelorMittal South Africa group. For associate and jointly controlled entities, a treasury overview role is performed through representation on those companies' boards of directors and audit committees.

The credit risk management policy sets out the framework within which ArcelorMittal South Africa manages its credit risk. The policy is formulated as a subpolicy to the ArcelorMittal South Africa's EWRM Policy and is aligned with the ArcelorMittal Group Customer Credit Policy.

The objectives of the credit risk management policy are to:

- increase sales through investing in the customer base;
- avoid extensions that could lead to the financial distress and default by customers;
- maintain productive customer relationships within the framework of prudent risk management;
- optimise cash collection periods; and
- diversifying credit exposure over a broad client base.

The Credit Policy is enacted by the Credit Management department (Credit Management). Credit Management ensures that credit extension and management is conducted within the approved frameworks, and adequately assesses and reports all credit exposures, which includes the maintenance of appropriate collateral, financial guarantees and credit insurance.

32. FINANCIAL INSTRUMENTS continued

32.5 Bank relationship and financial counterparty exposure management

(a) Bank relationship management

The group and company strive to have a balanced pool of banks that can provide the desired funding and services at a competitive price, while limiting and managing the concentration of counterparty risk.

Due to the importance of having access to long-term financing for growth purposes, the group and company select counterparties based on their ability and willingness to support both the group and the company. Banking business is divided between the banks in a balanced way based on performance and competitiveness.

Risk is taken on counterparties in accordance with counterparty limits. Limits per counterparty are determined depending on the counterparty's credit rating.

(b) Financial counterparty exposure management

The board of directors approves counterparty limits.

Actual exposure against these limits is monitored on a continual basis. Positions are placed only with counterparties with a high quality rating. The weighted average risk exposure to any one bank is based on its settlement limit plus a predefined percentage depending on the type of business being transacted. That percentage represents the premium of reinstating the arrangement with another bank.

The group's exposure per categories according to Fitch's international bank rating scale, against counterparty limits, is:

	Deposit and call accounts		Foreign currency derivatives[1]		Base metal derivatives[1]	
	Limit Rm	Balance Rm	Limit Rm	Balance Rm	Limit[2] Rm	Balance Rm
For the year ended 31 December 2009						
F1	**9 000**	**4 186**				
F2	**5 000**	**162**				
Total	**14 000**	**4 348**				
For the year ended 31 December 2008						
F1	4 800	4 505	5 100	17		246
F2	6 900	3 924				31
Total	11 700	8 429	5 100	17		277

[1] *Notional absolute amount of contracts, as opposed to fair value.*
[2] *Base metal trading is managed in collaboration with the greater ArcelorMittal Group.*

Fitch international rating	Description
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

Limits were adjusted during the year to align with expected business needs.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by the banking counterparties.

32. FINANCIAL INSTRUMENTS continued

32.6 Financing facilities

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the group's[1] liquidity reserve on the basis of expected cash flow.

The borrowing capacity of the group is as follows:

	2009 Rm	2008 Rm
Borrowing capacity is determined by the directors in terms of the articles of association, namely 100% of the group's equity	**21 925**	27 995
Less total borrowings and finance lease obligations	**(655)[2]**	(405)[2]
Unutilised borrowing capacity	**21 270**	27 590

[1] Financing facilities are only presented on a group basis as this is the most meaningful level of aggregation for related decision-making.
[2] Borrowings exclude the cash-settled share-based payment payable and leave pay benefit accruals.

To address potential unforeseen funding requirements the group has access to the following facilities:

	Facility Rm	Drawn Rm	Available Rm	Term
31 December 2009				
Standby facilities				
– Uncommitted short-term facility	**1 537**	**(41)**	**1 496**	Demand facilities
Total	**1 537**	**(41)**	**1 496**	
31 December 2008				
Standby facilities				
– Uncommitted short-term facility	1 398	(51)	1 347	Demand facilities
– Facility available with 24 hours' notice	1 000		1 000	Demand facilities
Total	2 398	(51)	2 347	

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32. FINANCIAL INSTRUMENTS continued

32.7 Financial guarantee contracts issued

	Group		Company	
	2009 Rm	2008 Rm	2009[1] Rm	2008[1] Rm
Financial guarantee contracts issued				
– Numbers	**1**	1	**13**	12
– Face value (Rm)	**4**	1	**39**	69
– Carrying amount	**0**	0	**0**	0
Financial guarantee contracts held				
– Carrying amount	**0**	0	**0**	0

[1] *As required by IAS 39, the company amounts include instruments guaranteeing subsidiary companies.*

Financial guarantee contracts issued
Business is conducted as far as possible on an open account basis, and thus the issuance of guarantees is done on a limited, highly selective basis. Insistence by state institutions for such facilities makes such issuances largely unavoidable. An additional motivation for issuance is when it results in a concomitant reduction in the cost of a purchased supply.

The following are not regarded as financial guarantee contracts and are excluded from the analysis below:

- contracts where the group or company has the ability to control the triggering of the guarantee event (letters of comfort); and
- commercial letters of credit.

The carrying amount of all financial guarantee contracts issued is Rnil (December 2008: Rnil) as the risk of default is highly remote. There is no collateral against these guarantees.

The face value of all contracts is disclosed as contingent liabilities in note 36.

Financial guarantee contracts held
The carrying amount of all financial guarantee contracts held is Rnil (December 2008: Rnil) as (i) the risk of default is highly remote; and (ii) for those rare instances where default occurs and the guarantee is invoked, the amounts are insignificant.

32.8 Financial market risk

The group's and company's activities expose the reporting entities primarily to the financial risks of changes in commodity prices, foreign currency exchange rates, interest rates and potential liquidity constraints.

Due to the holding of an available-for-sale equity investment, the group is also exposed to equity price risk.

The group and company may enter into a variety of derivative financial instruments to manage exposure to financial risk, as follows:

- over-the-counter, LME-referenced, cash-settled forward base metal purchase contracts, and options to economically hedge the USD commodity price risk arising from the purchase of base metals, being aluminium, zinc, tin and nickel used in the production of steel;
- over-the-counter, cash-settled foreign exchange forward contracts and options to economically hedge the exchange rate risk arising on (i) the export of finished steel from South Africa to various export markets; and (ii) *ad hoc* purchase of raw material and capital equipment that can not be naturally hedged using off-shore held foreign currency proceeds;
- embedded derivative features in procurement contracts used to economically hedge the price risk of certain supplies that can not be hedged using stand-alone over-the-counter derivative instruments.

32. FINANCIAL INSTRUMENTS continued

32.8 Financial market risk continued

- over-the-counter, cash-settled swap contracts, forward rate agreements (FRAs) and options to economically hedge the interest rate risk arising from surplus cash or funding positions denominated in ZAR and USD; and
- over-the-counter, cash-settled forward freight agreements used to economically hedge the freight rate risk of the outward leasing of freight capacity by the steel trading jointly controlled entity, Macsteel International Holdings BV (MIHBV).

Financial market risk exposures are measured using the Value at Risk (VaR) methodology, supplemented by sensitivity analyses.

32.9 Value at Risk analysis

Value at Risk (VaR) calculates the maximum pre-tax loss expected (or worst-case scenario) on an investment or derivative position held, over a given time period and given a specified degree of confidence.

The VaR methodology is a statistically defined, probability-based approach that takes into account, inter alia, market volatilities relative to a position held. A VaR statistic has three components: a time period, a confidence level and a loss amount. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

The group utilises a variance-covariance, or delta-normal, model which assumes that returns are normally distributed. It requires the determination of only two factors – an expected (or average) return and a standard deviation, from which a normal distribution curve can be plotted. The model assumes that returns are well behaved according to the symmetrical normal curve and that historical patterns will repeat into the future.

The one-month 97% VaR statistic used by the group reflects the 97% probability that the monthly loss will not exceed the reported VaR.

In the interest of simplicity, no adjustment is made to correct skewness against the assumption of normal distribution as the VaR analysis is used only as an indicative measure of risk. It is combined with other forms of technical and fundamental analyses and performance benchmarks, which are collectively used to determine risk strategies and trigger levels.

In the analysis below, a negative amount represents a loss while a positive is a gain. The historic time periods used to derive the mean and standard derivation values are as follows:

- foreign denominated cash and cash equivalents, and foreign exchange derivatives from 1 January 2007 to 31 December 2009 (2008: 1 January 2006 to 31 December 2008); and
- base metal derivatives from 1 January 2006 to 31 December 2008, relevant only to the comparative information as no unmatured derivatives were outstanding at 31 December 2009.

Foreign currency exposure inherent in bifurcated embedded derivatives is not managed using the VaR analysis. Similarly, the analysis is not used to measure such exposure in the base metal procurement portfolio, due to the inherent limitations of VaR analysis.

The VaR analysis is presented solely from a group perspective as this represents the most meaningful level of exposure analysis.

32. FINANCIAL INSTRUMENTS continued

32.9 Value at Risk analysis continued

	Average		Minimum (high)		Maximum (low)		Year-end[1] carrying value	
Variance-co-variance VaR (97%, one month) by risk type: investment or open position held	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Foreign currency denominated cash and cash equivalents on hand[2]								
– USD	**142**	(641)	**784**	(78)	**(500)**	(1 204)	**2 406**	2 946
Foreign currency denominated trade and other receivables								
– USD	**17**	(56)	**91**	(7)	**(58)**	(106)	**280**	259
Foreign currency denominated trade and other payables[2]								
– USD	**28**	(189)	**157**	(23)	**(100)**	(355)	**(481)**	(868)
– EUR	**9**	(13)	**62**	1	**(43)**	(27)	**(240)**	(59)
Total foreign currency denominated cash and cash equivalents on hand, trade and other receivables and trade and other payables	**196**	(899)	**1 094**	(107)	**(701)**	(1 692)	**1 965**	2 278
Derivatives								
Unmatured base metal forward purchase contracts		(11)		99		(121)		(120)
Unmatured foreign currency contracts								
– Buy EUR		(3)		1		(7)		2
Total derivatives		(14)		100		(128)		(118)

[1] *Carrying amount of derivatives at the reporting date.*
[2] *MZN, JPY and GBP are excluded as amounts do not significantly contribute to the VaR analysis.*
[3] *The VaR for nickel combines the forward purchase and sales contract exposures.*

Details of the sensitivity analysis for foreign currency risk and interest rate risk are discussed later in this note.

32. FINANCIAL INSTRUMENTS continued

32.10 Commodity price risk management using base metal derivatives

Economic hedging using derivative contracts

The group and company are exposed to base metal price volatility. Base metals are traded in USD and the exchange rate risk is offset against USD export proceeds.

Base metals are hedged using over-the-counter cash-settled forward purchase contracts and options. The derivatives are transacted with reputable, creditworthy, large retail, merchant and investment banks.

The risk management objective is to reduce the variability in the USD cash flows expected to be paid on the forecast purchase of the base metal. The strategy is to use the USD cash flow received or paid from settlement of a London Metal Exchange (LME) referenced derivative that is economically hedging the forecast transaction, to offset the variability in the USD cash flows on the forecast purchase of the base metal.

The economic hedging limits are as follows:

Period	Minimum hedging level	Maximum hedging level
Up to 12 months	None	75%

Cash flow hedging relationships are designed on a one-to-one and not a portfolio basis due to differences in the pricing terms of the various metals purchased by the specific operating units within the company and group.

Certain of the instruments are not designated as cash flow hedges if:

- the volumes involved are too low to merit designation;
- no suitable underlying risk could be found to prospectively form an effective hedge relationship;
- the cash flow hedge relationship ceased to be effective based on retrospective testing;
- voluntary de-designation of the cash flow hedge relationship occurred; or
- the underlying forecast transaction was no longer expected to occur.

These instruments are classified as held-for-trading instruments as FVTPL.

Since mid-2008 management has decided not to take any further hedged positions following the commodity price collapse particularly in the second half of 2008. Markets trends will continue to be monitored into 2010 in order to determine the most opportune time to recommence hedging activities.

The average percent of the base metal consumption exposure hedged at 31 December 2009 for both the group and company amounted to nil% (December 2008: 19%).

32. FINANCIAL INSTRUMENTS continued

32.10 Commodity price risk management using base metal derivatives continued

Unmatured instruments t: tonnes	Average price 2009 USD/t	 2008 USD/t	Tonnes 2009	 2008
GROUP				
(i) Derivative instruments in designated cash flow hedge accounting relationships				
Forward purchase contracts				
Base metals		4 021		6 851
GROUP				
(ii) Held-for-trading at FVTPL				
Forward sales contracts				
Base metals		22 688		(86)
Net total				6 765
COMPANY				
(i) Derivative instruments in designated cash flow hedge accounting relationships				
Forward purchase contracts				
Base metals		4 138		6 048
(ii) Held for trading at FVTPL				
Forward sales contracts				
Base metals		22 688		(86)
Net total				5 962

[1] *Excludes matured instruments not yet settled, and realised gains or losses on matured instruments not yet released from the hedging reserve. Refer to the "Base metal cash flow hedge accounting reserve "section below for a complete analysis of the cash flow hedging reserve.*

Contract value		Fair value (favourable)		Fair value (unfavourable)		Profit or loss gains/(losses)		Other equity-hedging reserve gains/(losses)[1]	
2009 USDm	2008 USDm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
	27				(129)		(6)		(123)
	(2)		9				9		
	25		9		(129)		3		(123)
	25				(117)		(6)		(111)
	(2)		9				9		
	23		9		(117)		3		(111)

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32. FINANCIAL INSTRUMENTS continued

32.10 Commodity price risk management using base metal derivatives continued

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
At 31 December				
Base metals hedge ineffectiveness percentage	**0.41%**	0.40%	**0.41%**	0.39%

Base metal sensitivity for derivative contracts

Without unmatured base metal derivatives at 31 December 2009, the group and company is not exposed to sensitivities relating to the fair value movements of such instruments. For the comparative period, the group and company's net exposure was R12 million (R12 million) and R11 million (R11 million) respectively in response to a 10% increase (decrease) in forward base metal prices, with these changes being deferred to the cash flow hedging equity reserve.

Base metal cash flow hedge accounting reserve
Detailed analysis of the cash flow hedge accounting reserve for base metals is as follows:

	Group	Company
	Cash flow hedge accounting reserve Rm	Cash flow hedge accounting reserve Rm
Balance at 1 January 2008	(54)	(54)
(Losses) recognised in other comprehensive income and cash flow hedging reserve		
Effective base metal forward contracts	(242)	(228)
Losses transferred to profit and loss: (i)		
Effective base metal forward contracts	138	138
De-designated ineffective cash flow hedging instruments (as detailed in note (i))	13	12
Ineffectiveness measurement of effective contracts	0[1]	0[1]
Related income tax movements	25	21
Balance at 31 December 2008	(120)[2]	(111)[3]
Gains recognised in other comprehensive income and cash flow hedging reserve		
Effective base metal forward contracts	**9**	**8**
Losses transferred to profit and loss: (ii)		
Effective base metal forward contracts	**133**	**125**
De-designated ineffective cash flow hedging instruments (as detailed in note (ii))	**16**	**13**
Ineffectiveness measurement of effective instruments	**0[1]**	**0[1]**
Related income tax movement	**(44)**	**(41)**
Balance at 31 December 2009	**(6)[4]**	**(6)[5]**

32. FINANCIAL INSTRUMENTS continued

32.10 Commodity price risk management using base metal derivatives continued

	Group	Company
	Cash flow hedge accounting reserve Rm	Cash flow hedge accounting reserve Rm
2008		
(i) (Losses) transferred from cash flow hedging reserve into profit or loss during the period are included in the following line items in the income statement:		
• Profit from operations (note 9), as:		
– Raw materials and consumables used		
Effective instruments	(138)	(138)
Ineffective instruments	(3)	(2)
– Ineffectiveness measurement of effective instruments	0[1]	0[1]
• (Losses) on fair value changes in financial instruments designated as held-for-trading at fair value through profit or loss (note 10), as:		
– De-designated ineffective cash flow hedging instruments	(10)	(10)
Total	(151)	(150)
2009		
(ii) (Losses) transferred from cash flow hedging reserve into profit or loss during the period are included in the following line items in the income statement:		
• Profit from operations (note 9), as:		
– Raw materials and consumables used (effective instruments)	**(133)**	**(125)**
– Ineffectiveness measurement of effective instruments	**0[1]**	**0[1]**
• (Losses) on fair value changes in financial instruments designated as held-for-trading at fair value through profit or loss (note 10), as:		
– De-designated ineffective cash flow hedging instruments	**(16)**	**(13)**
Total	**(149)**	**(138)**

[1] *Rounding to zero due to the use of numeric reporting scale format of one million.*
[2] *Includes a deferred tax credit of R47 million.*
[3] *Includes a deferred tax credit of R42 million.*
[4] *Includes a deferred tax credit of R2 million.*

32. FINANCIAL INSTRUMENTS continued

32.11 Foreign currency risk management

The carrying amount in ZAR, as translated at the closing exchange rate, of the foreign currency-denominated monetary assets and monetary liabilities at the reporting date is:

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Monetary assets				
(i) USD				
Fair value through profit or loss (FVTPL)				
• Held-for-trading		9		9
Loans and receivables				
• Cash and cash equivalents	**2 406**	2 946	**2 295**	2 670
• Trade and other receivables				
– Related parties	**280**	254	**126**	160
– Unrelated parties		4		4
(ii) MZN				
Loans and receivables				
• Cash and cash equivalents	**12**	21		
(iii) EUR				
Fair value through profit or loss (FVTPL)				
• Held-for-trading		2		
Loans and receivables				
• Trade and other receivables				
– Related parties		2		2
Total foreign currency denominated monetary assets	**2 698**	3 238	**2 421**	2 845

32. FINANCIAL INSTRUMENTS continued

32.11 Foreign currency risk management continued

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Monetary liabilities				
(i) USD				
Derivative instruments in designated hedge accounting relationships				
• Unmatured		(129)		(117)
• Matured yet unsettled	**(3)**	(28)	**(2)**	(26)
Carried at amortised cost				
• Trade and other payables				
– Related parties	**(444)**	(846)	**(410)**	(865)
– Unrelated parties	**(37)**	(22)	**(37)**	(22)
(ii) EUR				
Carried at amortised cost				
• Trade and other payables				
– Related parties	**(214)**		**(214)**	
– Unrelated parties	**(26)**	(59)	**(24)**	(48)
(iii) JPY				
Carried at amortised cost				
• Trade and other payables				
– Unrelated parties	**(2)**	(1)	**(2)**	(1)
(iv) GBP				
Carried at amortised cost				
• Trade and other payables				
– Unrelated parties		(1)		(1)
Total foreign currency denominated monetary liabilities	**(726)**	(1 086)	**(689)**	(1 080)
Total net foreign currency denominated monetary assets	**1 972**	2 152	**1 732**	1 765

32. FINANCIAL INSTRUMENTS continued

32.11 Foreign currency risk management continued

Foreign currency sensitivity

The following table details the group's and company's sensitivity to a 10% strengthening in the ZAR against the respective foreign currencies. As the risks are symmetrical in nature, weakening of the ZAR would result in an equal but opposite amount to that detailed in the sensitivity below.

The 10% stringency is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates that can be further easily extrapolated in response to the high levels of rate volatility experienced by the ZAR. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items as detailed in the table above and adjusts their translation at the reporting date for a 10% change in foreign currency rates.

A (negative)/positive number indicates an increase in profit or loss and other equity where the ZAR weakens against the relevant currency.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
USD				
Profit or loss	**(220)**	(242)	**(197)**	(196)
Other comprehensive income (hedging reserve)		16		16
EUR				
Profit or loss	**24**	6	**24**	5
MZN				
Profit or loss	**(1)**	(2)		
Total				
Profit or loss	**(196)**	(238)	**(173)**	(191)
Other comprehensive income (hedging reserve)		16		16

Profit or loss exposure is mainly attributable to the exposure on USD cash balances at year-end. The equity exposure is mainly as a result of the changes in the fair value of derivative instruments designated as cash flow hedges.

The group's and company's sensitivity to foreign currency is marginally lower compared to 2008 due to lower USD-denominated cash holding at 31 December 2009, which in part is a function of share buy-back arrangement effective during 2009.

32.11 Foreign currency risk management continued

Economic hedging using derivative contracts

The group and company utilise the ZAR as functional currency. Export steel sales are USD-denominated as are certain USD-denominated input material and capital equipment purchases.

Foreign currency management must take cognisance of the South African Reserve Bank (SARB) exchange control regulations.

The group and company accumulate the maximum allowed USD-denominated foreign currency proceeds. These proceeds are used to naturally hedge USD-denominated purchases. Such funds also serve as a hedge of long-term ZAR depreciation.

It is the policy to enter into forward foreign exchange contracts and options to mitigate foreign currency transactional exposures, specifically non-USD exposures, against the ZAR.

Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and options. Derivatives are transacted with reputable, creditworthy, large retail, merchant or investment banks.

Foreign currency exposure that cannot be naturally hedged are selectively hedged on a case-by-case basis. Consequently, economic foreign currency hedging is undertaken to manage the transactional exchange rate exposure of:

- selected exports of finished steel from South Africa to various export markets; and
- ad hoc purchase of steel, raw material, and capital equipment that cannot be naturally hedged using offshore foreign currency proceeds.

Other than for the derivatives used to economically hedge capital equipment (classified as held-for-trading as FVTPL), the other aforementioned transaction types are designated within cash flow hedging relationships.

There exists no minimum hedging level for foreign currency exposures.

The cash flow hedging relationships are designated on a portfolio basis where the terms of the various contracts are identical for the specific operating units within the group and company.

32. FINANCIAL INSTRUMENTS continued

32.11 Foreign currency risk management continued

During 2009 the group and company undertook selective foreign exchange hedging using derivative contracts. Foreign currency forward contracts were transacted to hedge the cash flow variability on the purchase of tinplate material denominated in EUR. The imports were undertaken during the upgrade of the Vanderbijlpark Works tinplate line's superstructure during the second half of 2009. The imports of material were affected via ArcelorMittal Group companies. No unmatured derivatives existed at 31 December 2009.

The following table details the outstanding unmatured forward foreign currency contracts for the comparative period:

Unmatured instruments

	Average price		Contract value	
FC: foreign currency	**2009 FC/R**	2008 FC/R	**2009 FCm**	2008 FCm
GROUP				
Forward contracts held for trading at FVTPL				
Capital procurement				
• Buy EUR		12.49		1
COMPANY				
Forward contracts held for trading at FVTPL				
Capital procurement				
• Buy EUR		13.55		0[2]

[1] *Excludes matured instruments not yet settled, and realised gains or losses on matured instruments not yet released from the hedging reserve. Refer to the "Foreign currency cash flow hedge accounting reserve" section below for a complete analysis of the cash flow hedging reserve.*
[2] *Rounding to zero due to the use of numeric reporting scale format of one million.*

	Fair value (favourable)		Fair value (unfavourable)		Profit or loss gains/(losses)		Other equity-hedging reserve gains/(losses)[1]	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm	2009 Rm	2008 Rm
		2						
				0[2]				

32. FINANCIAL INSTRUMENTS continued

32.11 Foreign currency risk management continued

Foreign currency cash flow hedge accounting reserve

Detailed analysis of the cash flow hedge accounting reserve for foreign currency derivatives is as follows:

	Group	Company
	Cash flow hedge accounting reserve Rm	Cash flow hedge accounting reserve Rm
Balance at 31 December 2008		
(Losses) recognised in other comprehensive income and cash flow hedging reserve		
Effective foreign currency forward exchange contracts	(11)	(11)
Losses transferred to profit and loss (i)		
Effective foreign currency forward exchange contracts	11	11
Related income tax movements		
Balance at 31 December 2009		
2009		
(i) (Losses) transferred from cash flow hedging reserve into profit or loss during the period are included in the following line items in the statement of financial performance:		
– Profit from operations (note 9), as raw materials and consumables used		
Effective instruments	**(11)**	**(11)**
Total	**(11)**	**(11)**

32.12 Commodity risk managed by embedded derivatives

The group and company enter into contractual arrangements to manage price risk exposures from those commodities and materials that can not be hedged using stand-alone derivative instruments.

Embedded derivative instruments	Number of instruments	Active hedging indices	Expiry period	Fair value Rm	Recognised fair value gains/(loss) Rm
GROUP AND COMPANY					
For the year ended 31 December 2009					
Energy – pricing cap	1	SA PPI, Steel Industry Index, US PPI, Heavy Fuel Oil Index	2010 to 2013	**233**	**133**
Total				**233**	**133**
For the year ended 31 December 2008					
Energy – pricing cap	1	SA PPI, Steel Industry Index, US PPI, Heavy Fuel Oil Index	2009 to 2012	366	148
Total				366	148

32. FINANCIAL INSTRUMENTS continued

32.12 Commodity risk managed by embedded derivatives continued

Energy – pricing cap

The capped pricing component of the embedded derivative was modelled on an intrinsic value basis. The value of the derivative is the difference between the expected market-based cash flows and expected contract-based cash flows.

As market prices are a factor of industry segment and purchased gas volume, management has used its best estimate to determine market-based prices applicable to customers in the same industry as the company, with similar purchased gas volumes.

As detailed in note 6.1, the natural gas supplier invoked the four-year claw-out mechanism, effective from 1 January 2010. The mechanism limits offtake volumes to actual levels in the year (the "reference year") preceding the invocation. In the first year of the claw-out period, volumes are limited to 100% of those of the reference year, reducing to 75%, 50% and 25% respectively for the subsequent three years. The group and company have always modelled financial instrument as if the claw-out mechanism had been invoked the day after the reporting date. Consequently, the comparative year's valuation simulated a four-year claw-out.

Embedded derivative sensitivity

The group's and company's sensitivity to an increase in the principal assumptions used in the determination of the fair value of the embedded derivative is detailed below. If the input variables increased by 10% and all other variables were held constant, the profit or loss for the year would increase/(decrease) as detailed in the table below.

The sensitivities used are those applied when reporting valuation risk internally to key management personnel and represent management's assessment of the possible change in the valuation variables. A positive number indicates an increase in profit or loss relative to the value at year-end.

As the risks are symmetrical in nature, a 10% decrease in the input variables would have an equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
Energy				
• 10% increase in the market price for gas	**86**	88	**86**	88
• 10% increase in the capped oil price inflation	**(1)**	(4)	**(1)**	(4)
• 10% increase in the steel industry index	**(1)**	(1)	**(1)**	(1)
• 10% increase in the gas price inflation	**15**	4	**15**	4
• 10% increase in the gas volume offtake	**23**	36	**23**	36
• 10% increase in the bulk-user price discount to ordinary industrial gas price	**(57)**	(72)	**(57)**	(72)

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32. FINANCIAL INSTRUMENTS continued

32.13 Freight rate risks

The risks associated with freight rates emanate from the steel trading jointly controlled entity, Macsteel International Holdings BV (MIHBV). This risk is mitigated via the use of forward freight agreements; the impact is contained in the income statement line item "Income after tax from equity-accounted investments".

32.14 Interest rate risk management

Sources of interest rate risk are:

- interest expenses, as companies in the group enter arrangements to fund the construction of assets either in the form of bona fide borrowing arrangements or through supply arrangements containing financial lease structures at fixed interest rates; and
- interest income, due to the group's and company's net cash position and the investment thereof at variable interest rates.

Interest expenses

The group has one unsecured loan from Pretoria Portland Cement (PPC) that bears interest at a fixed rate of 16% per annum as described in note 26. No early settlement provision exists for this loan. The remaining borrowings are finance lease obligations secured by the leased assets at fixed rates of interest, as described in note 27.

Although the finance lease obligations are significant, the inherent interest rate risk is not separately hedged as the total cost of supply (which includes the embedded lease charge) is managed as part of the continuous cost-saving initiative aimed at reducing the total cost of ownership.

The rates applicable to the above borrowings and finance lease obligations are fixed, and as such do not have an impact on profit or loss.

Interest income

Given the net cash position, the boundaries of risk exposure can be highlighted as:

- floating rates resulting in full exposure to higher rates but participation in lower rates; against
- fixed rates resulting in no exposure to lower rates, but no advantage from higher rates.

The interest policy followed relating to the net cash position aims to balance the two extremes of fixed and floating rates and the expectation of future rate movements.

The rates applicable to the net cash position are floating in nature and hence have an impact on profit or loss.

Interest rate sensitivity

The sensitivity analysis addresses only the floating interest rate exposure emanating from the net cash position. The cash and deposit holdings are based on average balance levels for the reporting periods. The interest rate exposure has been calculated with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 10% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates that can be further easily extrapolated in response to the likely high rate volatility in the year ahead.

If interest rates had increased by 10% and all other variables were held constant, the profit or loss for the year ended on major cash and cash equivalent holdings would increase as detailed in the table below due to the use of the variable interest rates applicable to the cash and deposit holding balances.

As the risks are symmetrical in nature, a 10% decrease of interest rates would have had the equal but opposite effect to the amounts, shown below, on the basis that all other variables remain constant.

32. FINANCIAL INSTRUMENTS continued

32.14 Interest rate risk management continued

Interest rate sensitivity continued

The fixed interest rate on the borrowings would not affect the financial performance. Any gain or loss would be unreal and consequently the notional impact is not presented.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
10% increase in interest rates earned on ZAR cash and deposit holdings	**33**	39	**33**	39
10% increase in interest rates earned on USD cash and deposit holdings	**1**	6	**1**	5
Total	**34**	45	**34**	44

Based on the analysis above, the group's and company's sensitivity to interest rates has marginally decreased due to lower average ZAR cash holdings and interest rates compared with the comparative reporting period.

32.15 Other price risks

The group is exposed to equity price and foreign currency risks arising from an available-for-sale equity investment. The equity investment is held for strategic rather than trading purposes. The group does not actively trade this investment.

Equity price sensitivity

The critical judgements relating to this investment are described in note 5.4, and the accounting impact explained in note 32.3. At 31 December 2008, the carrying amount of the investment was Rnil, with a R9 million loss deferred to the available-for-sale investment reserve.

With the dollarisation of the Zimbabwe Stock Exchange (and the economy as a whole of that country) and the resumption of trading in the share in 2009, the fair value of the investment at the reporting date is R37 million.

A 10% decrease in the USD market price and a 10% weakening in the ZAR against the USD, effect on the carrying amount of the investment and the available-for-sale investment reserve are detailed in the table below. As the risks are symmetrical in nature, a 10% decrease in aforementioned valuation variables would have an equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group	
	2009 Rm	2008 Rm
Available-for-sale investment reserve		
10% decrease in the USD-denominated market value of foreign listed equity shares	**(4)**	
10% decrease in the USD1:ZAR exchange rate	**(4)**	

32. FINANCIAL INSTRUMENTS continued

32.16 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's and company's short, medium and long-term funding and liquidity management requirements.

The objectives of the liquidity management policy are as follows:

- maintenance of adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 32.6 is a listing of additional undrawn facilities to further reduce liquidity risk;
- optimise the account and domestic cash pool structures;
- minimise bank charges (payments and collection fees, spreads etc);
- optimise the availability and use of short-term liquidity positions across the group without compromising the day-to-day cash needs;
- optimise the net interest result; and
- minimise the number of bank accounts, to reduce risk of misuse and costs.

Liquidity and interest risk tables

(i) Contractual maturity for its non-derivative financial liabilities

The following table details the group's and company's remaining contractual maturity for non-derivative financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows.

The "Discount" column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial liability on the face of the statement of financial position.

	Annual effective interest rate	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
GROUP							
For the year ended 31 December 2009							
Non-interest bearing							
• Trade and other payables	**0.0%**	**3 496**					**3 496**
Finance lease liability	**12.4%**	**64**	**67**	**488**	**429**	**(434)**	**614**
Borrowings and other payables[1]	**6.9%**	**34**	**16**	**38**		**(15)**	**73**
Total		**3 594**	**83**	**526**	**429**	**(449)**	**4 183**
GROUP							
For the year ended 31 December 2008							
Non-interest bearing							
• Trade and other payables	0.0%	3 384					3 384
Finance lease liability	13.8%	41	42	293	258	(280)	354
Borrowings and other payables[1]	16.5%		46	63		(30)	79
Total		3 425	88	356	258	(310)	3 817

[1] *Includes, for share appreciation rights, the difference between total fair value and the cash-settled liability recognised at the reporting date.*

32. FINANCIAL INSTRUMENTS continued

32.16 Liquidity risk management continued

	Annual effective interest rate	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
COMPANY							
For the year ended 31 December 2009							
Non-interest bearing							
• Trade and other payables	**0%**	**2 892**					**2 892**
Finance lease liability	**10.7%**	**48**	**50**	**376**	**254**	**(261)**	**467**
Borrowings and other payables[1]	**6.3%**	**34**				**(2)**	**32**
Total		**2 974**	**50**	**376**	**254**	**(263)**	**3 391**
COMPANY							
For the year ended 31 December 2008							
Non-interest bearing							
• Trade and other payables	0.0%	2 893					2 893
Finance lease liability	9.7%	24	25	176	56	(82)	199
Borrowings and other payables[1]	28.6%		29	9		(10)	28
Total		2 917	54	185	56	(92)	3 120

[1] *Share participation rights, being the difference between total fair value and the cash-settled liability recognised at the reporting date. Effective interest rate is a function of the share price performance of ArcelorMittal South Africa.*

(ii) Expected maturity for its non-derivative financial assets

The following table details the group's and company's expected maturity for non-derivative financial assets.

The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

The "Discount" column represents the possible future cash flows attributable to the instrument included in the maturity analysis, which are not included in the carrying amount of the financial asset on the face of the statement of financial position.

32. FINANCIAL INSTRUMENTS continued

32.16 Liquidity risk management continued

	Annual effective interest rate[1]	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
GROUP							
For the year ended 31 December 2009							
Fixed interest rate receivables							
• Trade and other receivables[2]	**0.3%**	**2 102**				**(6)**	**2 096**
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	**2.3%**	**4 397**	**49**			**(98)**	**4 348**
Total		**6 499**	**49**			**(104)**	**6 444**
GROUP							
For the year ended 31 December 2008							
Fixed interest rate receivables							
• Trade and other receivables[2]	0.3%	2 037				(6)	2 031
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	3.48%	8 575	147			(293)	8 429
Total		10 612	147			(299)	10 460

[1] *Calculated over the remaining tenure of the non-derivative financial asset.*
[2] *Fixed rate interest applicable on overdue accounts.*
[3] *Fixed and variable rates applicable to call and short-term deposit holdings. Maturity profile reflects the synthesised availability of the cash and cash equivalents on hand at the end of the reporting period, and the expected annual interest income to be earned thereon.*

32. FINANCIAL INSTRUMENTS continued

32.16 Liquidity risk management continued

	Annual effective interest rate[1]	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
COMPANY							
For the year ended 31 December 2009							
Fixed interest rate receivables							
• Trade and other receivables[2]	**0.4%**	**1 650**				**(6)**	**1 644**
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	**1.7%**	**4 259**	**35**			**(72)**	**4 222**
Total		**5 909**	**35**			**(78)**	**5 866**
COMPANY							
For the year ended 31 December 2008							
Fixed interest rate receivables							
• Trade and other receivables[2]	0.3%	1 771				(6)	1 765
Fixed and variable interest rate cash holdings							
• Cash and cash equivalents[3]	3.2%	8 250	129			(258)	8 121
Total		10 021	129			(264)	9 886

[1] *Calculated over the remaining tenure of the non-derivative financial assets.*
[2] *Fixed rate interest applicable on overdue accounts.*
[3] *Fixed and variable rates applicable to call and short-term deposit holdings. Maturity profile reflects the synthesised availability of the cash and cash equivalents on hand at the end of the reporting period, and the expected annual investment income to be earned thereon.*

32. FINANCIAL INSTRUMENTS continued

32.16 Liquidity risk management continued

(iii) Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments.

The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net cash-settled basis. No derivative financial instruments are settled on a gross basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rate and foreign currency forward curves existing at the reporting date.

The "Discount" column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset and liabilities on the reporting date.

Financial assets/(liabilities)	0 – 6 months Rm	7 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Discount Rm	Carrying amount Rm
GROUP						
For the year ended 31 December 2009						
Embedded derivatives	**39**	**46**	**180**		**(32)**	**233**
Total	**39**	**46**	**180**		**(32)**	**233**
GROUP						
For the year ended 31 December 2008						
Net cash-settled derivatives (unmatured)						
• Base metal forwards[1]	(88)	(32)			0[2]	(120)
• Foreign currency forwards	0[2]	2			0[2]	2
Embedded derivatives	86	86	240		(46)	366
Total	(2)	56	240		(46)	248
COMPANY						
For the year ended 31 December 2009						
Embedded derivatives	**39**	**46**	**180**		**(32)**	**233**
Total	**39**	**46**	**180**		**(32)**	**233**
For the year ended 31 December 2008						
Net cash-settled derivatives (unmatured)						
• Base metal forwards[1]	(81)	(27)			0[2]	(108)
Embedded derivatives	86	86	240		(46)	366
Total	5	59	240		(46)	258

[1] *Cumulative amount for purchase and sales contracts.*
[2] *Rounding to zero due to the use of numeric reporting scale format of one million.*

32. FINANCIAL INSTRUMENTS continued

32.17 Customer credit risk management

Customer credit risk is assessed on a group-wide basis and refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group.

The group has adopted a policy of only dealing with creditworthy customers and obtaining sufficient collateral, where appropriate, and comprehensive credit insurance, as a means of mitigating the risk of financial loss from defaults.

Customers are independently rated. Independent rating agency Experian South Africa (Proprietary) Limited is used for domestic customers. If there is no independent rating, credit management assesses the credit quality of the specific customer, taking into account its financial position, past experience and other factors. Credit limits are regularly monitored.

Credit insurance is placed with the Coface Group with a maximum liability of R1 800 million with a 10% excess. Credit insurance claims amounted to R14.4 million (2008: Rnil).

The group is exposed to three main customers, which account for approximately a third of its trade and other receivables balance. These top three customers operate in the domestic market. The table below details the cumulative credit limit and balances (both inclusive of value-added tax) of the top three customers at the balance sheet date for the group and company:

Customer	Rating	Credit limit 2009 Rm	Balance 2009 Rm	Credit limit 2008 Rm	Balance 2008 Rm
Top three customers by sales value	Two with A- ratings and one with a B- rating	**1 550**	**511**	2 575	564
% of net trade receivables					
– Group			**30%**		32%
– Company			**33%**		35%

Credit risk exposure on an industry and geographical basis for the group and company is as follows:

	Group 2009 %	Company 2009 %
By industry		
Manufacturing	**25**	**19**
Merchants	**37**	**40**
Structural metal	**13**	**14**
Food and beverage	**10**	**10**
Other	**15**	**17**
	100	**100**
By geographical area		
South Africa	**78**	**81**
Asia	**7**	**7**
Other	**15**	**12**
	100	**100**

Except as detailed in note 36, the carrying amount of financial assets recorded in the annual financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

32. FINANCIAL INSTRUMENTS continued

32.18 Capital risk management

The group's and company's objectives when managing capital are:

- to safeguard the ability to continue as a going concern, so as to be able to continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The amount of capital is set in proportion to risk. The capital structure is managed and adjusted in light of changes in economic conditions within the domestic and global steel industry and the risk characteristics of the underlying assets.

The group's and company's overall strategy remained unchanged for 2009.

Consistent with others in the industry, the group and company monitor capital on a debt-to-total shareholders' equity basis.

Net debt is total interest-bearing borrowings including finance lease obligations less cash and cash equivalents. Total shareholders' equity is as reported on the face of the statement of financial position.

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Cash and cash equivalents	**4 348**	8 429	**4 222**	8 121
Less: total interest-bearing borrowings and finance lease obligations	**(655)**	(405)	**(467)**	(199)
Net cash and cash equivalents	**3 693**	8 024	**3 755**	7 922
Total shareholders' equity	**21 925**	27 995	**24 081**	25 978
Gearing ratio	**0%**	0%	**0%**	0%

33. RELATED-PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sales and purchase transactions with its jointly controlled entities, its associates and other entities within the greater ArcelorMittal Group. These transactions occurred under terms that are no less favourable to the company than those arranged with third parties.

Companies within the global ArcelorMittal Group

The company purchased products and services to the value of R3 045 million (December 2008: R5 038 million) from, and sold goods to the value of R31 million (December 2008: Rnil) to other companies in the ArcelorMittal Group.

The outstanding balances at year-end are as follows:

- included in trade and other receivables (note 24), R15 million (December 2008: R15 million); and
- included in trade and other payables (note 30), R477 million (December 2008: R1 026 million).

ArcelorMittal South Africa paid a corporate service fee of R18 million (December 2008: R135 million) to the ArcelorMittal Group for corporate services rendered and have provided for a research and development fee of R187 million to ArcelorMittal Investigation (December 2008: Rnil). The latter amount is included in the line item "Current provisions".

33. RELATED-PARTY TRANSACTIONS continued

Jointly controlled entities and associates

Details of investments in jointly controlled entities and associates are disclosed in Annexure 1 while income, after eliminating unrealised profits, is disclosed in note 20. Interest income from jointly controlled entities of R3 million (December 2008: R3 million) is included in the line item "Income from investments" (note 13).

The group purchased goods and services to the value of R72 million (December 2008: R44 million) from, and sold goods to the value of R5 172 million (December 2008: R5 604 million) to its equity-accounted entities.

The outstanding balances at year-end are as follows:

- included in trade and other receivables (note 24), R161 million (December 2008: R264 million);
- included in trade and other payables (note 30), Rnil (December 2008: Rnil); and
- included in the carrying value of jointly controlled entities (note 20) are long-term loans of R9 million (December 2008: R9 million).

Subsidiaries

Details of income from investments and indebtedness in subsidiaries are disclosed in notes 13 and 21 respectively, and Annexure 2.

ArcelorMittal South Africa received a management fee of R166 million (December 2008: R176 million) from Saldanha Steel (Proprietary) Limited for ArcelorMittal South Africa employees employed at Saldanha Works.

Directors

Executive directors are defined as key senior management. Details relating to directors' remuneration and shareholdings (including share options) in the company are disclosed in the directors' remuneration report.

Senior employees

Details relating to option and share transactions are disclosed in note 35.

Shareholders

The principal shareholders of the company are detailed in the "Analysis of shareholders" schedule on page 206.

34. POST-EMPLOYMENT BENEFITS

34.1 Pensions

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial year the following funds were in existence:

- Mittal Steel South Africa Selector Pension Fund (Reg no 12/8/35421) and Mittal Steel South Africa Selector Provident Fund (Reg no 12/8/35423), both operating as defined contribution funds.
- Iscor Employees' Provident Fund (Reg no 12/8/27484), operating as a defined contribution fund.
- Iscor Employees' Provident Fund (Reg no 12/8/27484), operating as a defined contribution fund.
- Mittal Steel South Africa Pension Fund (Reg no 12/8/363), operating as a defined benefit fund. This fund is closed to new entrants.
- Iscor Retirement Fund (Reg no 12/8/5751), operating as a defined benefit fund. This fund is closed to new entrants.
- The assets of these plans are held separately from those of the company and group, in funds under the control of the trustees.
- All funds are governed by the South African Pension Funds Act of 1956.

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.1 Defined contribution plans

Membership of each fund at 31 December 2009 and employer contributions to each fund for the 2009 calendar year recognised in the income statement were as follows:

	Working members		Employer contributions	
	2009	2008	**2009 Rm**	2008 Rm
Mittal Steel South Africa Selector Pension and Provident Funds	**4 373**	4 487	**96**	92
Iscor Employees' Provident Fund	**3 848**	4 029	**30**	39
	8 221	8 516	**126**	131

Contribution rates for active members are 7% and 10% by the member and ArcelorMittal South Africa respectively.

The only obligation of the group and company with respect to the defined contribution plans is to make the specified contributions.

No other post-retirement benefits are provided to these employees.

34.1.2 Defined benefit plans

Mittal Steel South Africa Pension Fund

The group and company operate the Mittal Steel South Africa Pension Fund which is a wholly funded defined benefit plan for qualifying employees. The fund is administered by Coris Capital Holdings (Proprietary) Limited.

At 31 December 2009, the Fund had 47 (December 2008: 47) active members and 8 536 (December 2008: 8 795) pensioner members. The Fund is closed to the admittance of new members.

Contribution rates for active members are 7% and 10% by the member and ArcelorMittal South Africa respectively of the member's pensionable earnings.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as a percentage scale of final average salary for each year of pensionable service. The percentage scale ranges from 1.7% to 2.5%, and the average final salary is the pensionable salary over the 24 months which precedes the member's retirement.

No other post-retirement benefits are provided to these employees, other than for that detailed in note 34.2.

The last statutory actuarial valuation was performed as at 31 December 2008. The actuaries were of the opinion that the fund was adequately funded.

For disclosure purposes in order to comply with IAS 19 *Employee Benefits*, valuations have been performed by independent actuaries, using the projected unit credit method. Roll-forward of projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	2008
Discount rate	**9.2%**	9.0%
Expected return on plan assets	**9.9%**	9.7%
Expected rate of salary increase	**6.9% + merit increases**	6.9% + merit increases
General inflation rate	**5.9%**	5.9%

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.2 Defined benefit plans continued

Amounts recognised in profit or loss in respect of this defined benefit plan are as follows:

	2009 Rm	2008 Rm
Current service cost	**2**	2
Interest cost on obligations	**557**	533
Expected return on plan assets	**(671)**	(727)
Net actuarial (gains)/losses recognised in the year[1]		
Adjustments for restrictions on the defined benefit plan asset[1]	**113**	193
Sub-total	**1**	1
Less member contributions paid during year	**0[2]**	0[2]
Total included in employee costs – pension and medical costs	**1**	1

[1] Fund rules prohibit the realisation of the defined benefit surplus in the form of refunds from the plan or reductions in future contributions to the plan. On partial and full liquidation of the fund any available surplus is apportioned to the sole benefit of the members.

[2] Rounding to zero due to the use of numeric reporting scale format of one million.

The amount included in the statement of financial position arising from the group's and company's obligation in respect of this defined benefit plan is as follows:

	2009 Rm	2008 Rm
Present value of the obligation at 31 December	**6 592**	6 562
Fair value of plan assets at 31 December	**(7 295)**	(7 276)
Surplus	**(703)**	(714)
Cumulative unrecognised actuarial (losses)/gains	**(872)**	(747)
Unrecognised defined benefit asset on initial adoption of IAS 19[1]	**963**	963
Sub-total	**(612)**	(498)
Restrictions on defined benefit plan asset recognised[1]	**612**	498
Net (asset)/liability arising from defined benefit plan		

[1] Fund rules prohibit the realisation of the defined benefit surplus in the form of refunds from the plan or reductions in future contributions to the plan. On partial and full liquidation of the fund any available surplus is apportioned to the sole benefit of the members.

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2009 Rm	2008 Rm
Present value of obligation at 1 January	**6 562**	6 870
Interest cost	**557**	533
Current service cost	**2**	2
Benefits paid	**(727)**	(722)
Actuarial losses/(gains) on obligation	**198**	(121)
Present value of obligation at 31 December	**6 592**	6 562

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.2 Defined benefit plans continued

Movements in the present value of the plan assets in the current period were as follows:

	2009 Rm	2008 Rm
Fair value of plan assets at 1 January	7 276	8 274
Expected return	671	727
Contributions	2	1
Benefits paid	(727)	(722)
Actuarial gains/(losses) on plan assets	73	(1 004)
Fair value of plan assets at 31 December	**7 295**	7 276

The major categories of plan assets, and the expected rate of return at the statement of financial position date for each category, are as follows:

	Expected return		Fair value of plan assets	
	2009 %	2008 %	2009 Rm	2008 Rm
Cash	8.0	7.1	569	439
Equities	11.0	10.9	2 393	2 437
Fixed interest-bearing stock	9.0	8.7	3 202	3 365
Foreign investments	11.0	10.9	1 131	1 035
	9.9	9.7	7 295	7 276

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next 12 months.

The positive return on plan assets was R744 million (December 2008: negative return of R277 million).

The plan assets include ordinary shares of ArcelorMittal South Africa with a fair value of Rnil million (December 2008: Rnil).

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Present value of defined benefit obligation	6 592	6 562	6 870	6 739	6 355
Fair value of plan assets	(7 295)	(7 276)	(8 274)	(8 299)	(7 318)
Surplus	(703)	(714)	(1 404)	(1 560)	(963)
Experience adjustments on plan assets – gains/(losses)	(198)	121	(328)	(590)	
Experience adjustments on plan assets – gains/(losses)	73	(1 004)	(25)	1 079	

In accordance with the transitional provisions for the amendments to IAS 19 *Employee Benefits* in December 2004, the experience adjustments above are determined prospectively from 1 January 2006, being the date of adoption of the Standard. The disclosures preceding the transition date are provided for trend analysis purposes only.

The group and company expect to make a contribution of R2 million (2008: R1 million) to the defined benefit plan during the next financial year.

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.2 *Defined benefit plans* continued

The fair value of the plan's assets exceeded the present value of the defined benefit obligations by 10.6% (December 2008: 10.9%). The payment of the funded benefits by the plan does not depend only on the financial position and investment performance, but also on the group and company's ability to make good any funding shortfall.

The group and company underwrite the plan's investment and actuarial risk.

The likelihood that the group and company will be required to fund a shortfall in the 2009 reporting period is remote.

Iscor Retirement Fund

The group and company operate the Iscor Retirement Fund which is a wholly funded defined benefit plan for qualifying employees. The fund is administered by Bambanani Benefit Administrators (Proprietary) Limited.

At 31 December 2009, the fund had 1 315 (December 2008: 1 431) pensioner members and 39 877 (December 2008: 39 910) contingent pensioner members. Contingent pensioners are former employees who left the service before normal retirement age and are entitled to receive a pension if claimed. The Fund is closed to the admittance of new members.

The normal retirement age for members is 63 years. A member's pension entitlement is calculated as 43% of notional past service contributions, plus 43% of the employer's and member's contributions.

The last full statutory actuarial valuation was performed as at 31 December 2007. The actuaries were of the opinion that the fund was adequately funded.

For disclosure purposes in order to comply with IAS 19 *Employee Benefits,* valuations have been performed by independent actuaries, using the projected unit credit method. Roll-forward of projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009 %	2008 %
Discount rate	**9.2**	9.0
Expected return on plan assets	**9.9**	9.7
General inflation rate	**5.9**	5.9
Amounts recognised in profit or loss in respect of this defined benefit plan are as follows:		
Current service cost		
Interest cost on obligations	**35**	32
Expected return on plan assets	**(44)**	(44)
Net actuarial (gains)/losses recognised in the year[1]		
Adjustments for restrictions on the defined benefit plan asset[1]	**9**	12
Sub-total		
Less member contributions paid during the year		
Total included in employee costs – pension and medical costs		

[1] *Fund rules prohibit the revaluation of the defined benefit surplus in the form of refunds from the plan or deductions in future contributions to the plan. On partial and full liquidation of the fund, any available surplus is apportioned to the sole benefit of the members.*

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.2 *Defined benefit plans* continued

The amount included in the statement of financial position arising from the group's and company's obligation in respect of this defined benefit plan is as follows:

	2009 %	2008 %
Present value of the obligation at 31 December	**387**	405
Fair value of plan assets at 31 December	**(448)**	(476)
Surplus	**(61)**	(71)
Cumulative unrecognised actuarial losses	**(71)**	(52)
Unrecognised defined benefit plan asset on initial adoption of IAS 19[1]	**90**	90
Sub-total	**(42)**	(33)
Restrictions on defined benefit plan asset recognised[1]	**42**	33
Net (asset)/liability arising from defined benefit plan		

[1] *Fund rules prohibit the revaluation of the defined benefit surplus in the form of refunds from the plan or deductions in future contributions to the plan. On partial and full liquidation of the fund, any available surplus is apportioned to the sole benefit of the members.*

Movements in the present value of the defined benefit obligation in the current period were as follows:

	2009 Rm	2008 Rm
Present value of the obligation at 1 January	**405**	410
Interest cost	**35**	32
Current service cost		
Benefits paid	**(35)**	(31)
Actuarial gains on obligation	**(18)**	(6)
Present value of obligation at 31 December	**387**	405

Movements in the present value of the plan assets obligation in the current period were as follows:

	2009 Rm	2008 Rm
Fair value of plan assets at 1 January	**476**	513
Expected return	**44**	44
Contribution		
Benefits paid	**(35)**	(31)
Actuarial gains on obligation	**(37)**	(50)
Fair value of plan assets at 31 December	**448**	476

34. POST-EMPLOYMENT BENEFITS continued

34.1 Pensions continued

34.1.2 Defined benefit plans continued

The major categories of plan assets, and the expected rate of return at the statement of financial position date of each category, are as follows:

	Expected return		Fair value of plan assets	
	2009 %	2008 %	2009 Rm	2008 Rm
Cash	**7.1**	7.1	**34**	64
Equities	**11.4**	11.2	**138**	166
Fixed interest-bearing stock	**8.9**	8.7	**218**	182
Foreign investments	**11.4**	11.2	**58**	60
Other assets		11.2		4
	9.9	9.7	**448**	476

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next 12 months.

The positive return on plan assets was R8 million (December 2008: negative return of R5 million).

The plan assets include ordinary shares of ArcelorMittal South Africa with a fair value of Rnil million (December 2008: fair value of Rnil).

	2009 Rm	2008 Rm	2007 Rm	2006 Rm	2005 Rm
Present value of defined benefit obligation	**387**	405	410	406	361
Fair value of plan assets	**(448)**	(476)	(513)	(519)	(451)
Surplus	**(61)**	(71)	(103)	(113)	(90)
Experience adjustments on plan liabilities – gains/(losses)	**18**	6	(32)	(54)	
Experience adjustments on plan assets – (losses)/gains	**(37)**	(50)	10	68	

In accordance with the transitional provisions for the amendments to IAS 19 *Employee Benefits* in December 2004, the experience adjustments above are determined prospectively from 1 January 2006, being the date of adoption of the Standard. The disclosures preceding the transition date are provided for trend analysis purposes only.

The group and company expect to make no contribution (2008: R nil) to the defined benefit plan during the next financial year.

The fair value of the plan's assets exceeded the present value of the defined benefit obligations by 15.8% (December 2008: 17.5%). The payment of the funded benefits by the plan does not depend only on the financial position and investment performance, but also on the group's and company's ability to make good any funding shortfall.

The group and company therefore underwrite the plan's investment and actuarial risk. The likelihood that the group and company will be required to fund a shortfall in the 2009 reporting period is remote.

34. POST-EMPLOYMENT BENEFITS continued

34.2 Medical benefits

The group and company contribute to medical aid schemes for the benefit of those retired employees and their dependants, where those qualifying retirees accepted early retirement in 1994. At 31 December 2009 there were 52 qualifying retirees (December 2008: 59). This liability amounted to R10 million (December 2008: R10 million) for the group.

On the basis of current practice, which is reviewed annually, the actuarially determined present value of post-retirement medical aid obligations has been provided in note 28. This obligation is unfunded. The group and company have no further post-retirement medical aid obligations for current or retired employees.

Details of the movement during the period in the net liability are detailed in note 28.

35. SHARE-BASED PAYMENTS

35.1 ArcelorMittal South Africa Cash-Settled Share Participation Rights

In 2007 the group and company granted share participation rights to a limited number of key employees for retention purposes.

Details of the two grants and their valuation at 31 December 2009 are as follows:

Grant 1: Vested at 31 December 2009

Number of rights	**306 907**
Participant numbers	**17**
Vesting date	31 August 2009
Total fair value of rights on vesting date (Rm)	**36**
Time-apportioned fair value recognised as a liability on vesting date, 31 August 2009 (Rm)	**36**
Time-apportioned fair value recognised as a liability on 31 December 2008 (Rm)	**23**
Total fair value charged to earnings for the year ended 31 December 2009 (Rm)	**13**
Total fair value charged to earnings for the year ended 31 December 2008 (Rm)	**22**
Total fair value recognised as a liability (note 26)	
– 31 December 2009	**21**
– 31 December 2008	**23**

In terms of a 2009 amendment to the conditions of this grant, settlement of the grant has been delayed until 31 May 2009. The liability at 31 December 2009 has been reduced by the tax paid to SARS, for tax arising on vesting date of the rights.

Grant 2: Unvested at 31 December 2009

Number of rights	**101 772**
Participant numbers	**13**
Vesting date	31 March 2010
Total pre-apportioned value of rights at 31 December 2009 (Rm)	**12**
Time-apportioned fair value recognised as a liability at 31 December 2009 (note 26) (Rm)	**11**
Time-apportioned fair value recognised as a liability at 31 December 2008 (note 26) (Rm)	**5**
Total fair value charged to earnings for the year ended 31 December 2009 (Rm)	**6**
Total fair value charged to earnings for the year ended 31 December 2008 (Rm)	**5**

35.2 ArcelorMittal South Africa Equity-settled Share Option Plan

The group and company operate the Management Share Trust, consisting of an option, a purchase, a deferred purchase and a paid-up share plan for the benefit of the company's and group's senior management including executive directors.

The transaction administration with participants is outsourced to service provider, Compensation Technologies (Proprietary) Limited.

35. SHARE-BASED PAYMENTS continued

35.2 ArcelorMittal South Africa Equity-settled Share Option Plan continued

Plan types

"Legacy Option Plan" (25 October 1989 to 30 April 2002)
Options were offered at the market price on the option grant date and were released in five equal annual tranches commencing on the second anniversary of the offer date and expiring after nine years. This plan was closed as from 30 April 2002 and will run out once all rights have been exercised or the exercise period expires.

"30:30:40 Option Plan" (effective 7 May 2002 to 11 December 2005)
Share options were offered at market prices on the grant date and were released in three annual tranches of 30%, 30% and 40% respectively, commencing on the first anniversary of the offer date and expiring after six years. This plan was closed as from 11 December 2005 and will run out once all rights have been exercised or the exercise period expires.

"$33^{3/10}$: $33^{3/10}$: $33^{4/10}$ ArcelorMittal Group – Option Scheme" (effective from 12 December 2005 to present)
Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4% respectively, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

The option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the employees' role-grading within the group and company as approved by the Remuneration Committee of ArcelorMittal South Africa and as incorporated within the trust deed of the Management Share Trust. Upon resignation the share options lapse immediately. Upon death, the options lapse within six months.

For the options granted during 2009, the key inputs we utilised to determine the grant date valuation are:

- Discount rate: 7.47% (2008: 11.07%);
- Annual volatility rate: 64.45% (2008: 42.08%);
- Early exercise multiple: 2.7 times strike price (2008: 2.5 times strike price);
- Continuous dividend yield: 3.08% (2008: 4.62%); and
- Expected attrition rate: 7.7% (2008: 8.9%).

The weighted average fair value per option granted for the reporting period ended 31 December 2009 amounted to R55.43 (December 2008: R77.67).

	Million
Existing share distribution and shares available for future distribution	
Number of shares available for utilisation in terms of the ArcelorMittal South Africa Management Share Trust as at 1 January 2009	**41.1**
Add: Share option releases, forfeitures and resignations	**0.5**
Less: Share option offers	**(1.3)**
Number of shares available for future utilisation, as at 31 December 2009	**40.3**

The charge for the group and company for this equity-settled share option plan amounted to R32 million (2008: R33 million), as described in note 9.

35. SHARE-BASED PAYMENTS continued

35.2 ArcelorMittal South Africa Equity-settled Share Option Plan continued

	Options		Loan Purchase and Paid-up/Deferred Purchase Plan	
	2009 Million	2008 Million	**2009 Million**	2008 Million
Outstanding at beginning of year	**3.5**	3.4		0[1]
Issued	**1.3**	0.8		
Exercised	**(0.4)**	(0.6)		0[1]
Lapsed/cancelled	**(0.1)**	(0.1)		
Outstanding at end of year	**4.3**	3.5		
The weighted average remaining contractual life in days at end of year is as follows:				
Average days until fully vested	**803**	1 057		
Average days until expiry	**2 861**	2 977		
The weighted average prices applicable per transaction type are:				
Issued (R/unit)	**103.88**	92.61		
Exercised strike price (R/unit)	**66.03**	55.65		7.93
Lapsed/cancelled (R/unit)	**111.28**	105.38		
Outstanding (R/unit)	**93.33**	92.40		

[1] *Rounding to zero due to the use of numeric reporting scale format of one million.*

	Options	
	2009	2008
Details of outstanding options as at 31 December are as follows:		
1. ArcelorMittal Group-type option plan		
Latest expiry date	**2019**	2018
Exercise price range (R)	**50.26 – 250.00**	53.38 – 250.00
Number of outstanding instruments	**4 180 187**	3 300 759
Total proceeds if outstanding instruments were immediately exercised (Rm)[1]	**69**	38
Total intrinsic value of out-of-the-money options at 31 December (Rm)	**(37)**	(48)
2. 30:30:40 option plan		
Latest expiry date	**2011**	2011
Exercise price range (R)	**34.34 – 57.99**	29.62 – 57.99
Number of outstanding instruments	**157 657**	243 023
Total proceeds if outstanding instruments were immediately exercised (Rm)[1]	**9**	10
3. Legacy option plan		
Latest expiry date	**2011**	2011
Exercise price range (R)	**9.71 - 10.10**	9.71 - 10.10
Number of outstanding instruments	**4 979**	4 979
Total proceeds if outstanding instruments were immediately exercised (Rm)[1]	**0[2]**	0[2]
ArcelorMittal South Africa closing price	**R103.00**	R88.45

[1] *Hypothetical scenario assuming all instruments were to vest on 31 December 2009 (excludes out-of-the-money options, where applicable).*
[2] *Rounding to zero due to the use of numeric reporting scale format of one million.*

35. SHARE-BASED PAYMENTS continued

35.2 ArcelorMittal South Africa Equity-settled Share Option Plan continued

	Options	
	Exercise price range R	Outstanding numbers
Terms of the options outstanding at the reporting date are as follows:		
For the year ended 31 December 2009		
Expiry date		
2010	**34.34 – 57.99**	**30 205**
2011	**9.71 – 56.86**	**155 307**
2015	**53.38**	**448 645**
2016	**54.19 – 83.88**	**930 279**
2017	**97.72 – 140.00**	**790 738**
2018	**73.75 – 250.00**	**1 012 259**
2019	**80 – 121.50**	**975 490**
Total		**4 342 823**
For the year ended 31 December 2008		
Expiry date		
2009	53.38	50 250
2010	29.62 – 83.88	69 520
2011	9.71 – 133.50	241 072
2015	53.38	540 436
2016	54.19 – 83.88	1 066 518
2017	97.72 – 140.00	810 741
2018	73.75 – 250.00	770 224
Total		3 548 761

35.3 ArcelorMittal Group Equity-settled Share-based Payment Plans

35.3.1 Executive International Mobility Share Option

The ArcelorMittal Group issued equity-settled share options over its own shares, denominated in USD, to its executive employees seconded to ArcelorMittal South Africa. The charge to the group and company for the year amounted to R22 million (2008: Rnil). This amount includes charges of R13 million of prior years.

	2009	2008
Details of outstanding options as at 31 December are as follows[1]:		
Latest expiry date	**2 019**	2 018
Exercise price range (USD)	**2.26-82.57**	2.26-82.57
Number of outstanding instruments	**56 093**	79 093
Total proceeds if outstanding instruments were immediately exercised (Rm)[1]	**4**	
Total intrinsic value of out of-the-money options at 31 December (Rm)	**(3)**	(25)

[1] *Includes, at the reporting dates, those outstanding options received before and during the participants' tenure as employees of ArcelorMittal South Africa.*

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35. SHARE-BASED PAYMENTS continued

35.3 ArcelorMittal Group Equity-settled Share-based Payment Plans continued

35.3.1 Executive International Mobility Share Option continued

	Exercise price range (USD per option) 2009	**Outstanding option numbers 2009**	Exercise price range (USD per option) 2008	Outstanding option numbers 2008
Expiry date details				
2015	**28.78**	**21 813**	28.78	21 813
2016	**33.76**	**8 680**	33.76	8 680
2017	**64.30**	**9 600**	64.30	19 600
2018	**82.57**	**8 000**	82.57	29 000
2019	**38.30**	**8 000**		
Total		**56 093**		79 093

[1] Includes, at the reporting dates, those outstanding options received before and during the participants' tenure as employees of ArcelorMittal South Africa.
[2] Hypothetical scenario assuming all instruments were to vest on 31 December 2009 (excludes out-of-the-money options, where applicable).
Translated to ZAR using the closing exchange rate at 31 December 2009.

Details relating to the individual holdings of directors are contained within the directors' remuneration report on pages 74 and 75.

35.3.2 Employee Share Purchase Plan

The ArcelorMittal Group enables all employees within its group to participate in the Employee Share Purchase Plan (ESPP). In terms of the plan, ArcelorMittal Group shares (denominated in USD) are purchased at a discount to the ruling market price at grant date. The shares vest after three years. The charge to the group and company for the year amounted to Rnil[1] (2008: Rnil) as detailed in note 9.

[1] Rounding to zero due to the use of numeric reporting scale format of one million.

Details of the unvested shares as at 31 December 2009 are as follows:

Vesting date	21 January 2011
Number of shares	77
Market price on grant date (USD)	21.71
Discounted market price (USD)	18.45 – 19.54

36. CONTINGENT LIABILITIES

	Group		Company	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Contingent liabilities at the statement of financial position date, not recognised in these financial statements, are:				
– Face value of financial guarantee contracts issued in the normal course of business from which it is anticipated that no material liabilities will arise	**4**	1	**44**	69
– Amounts in legal trust accounts		12[1]		12[1]
– Litigation and claims		692		692
Total	**4**	705	**44**	773

[1] *The amount pertaining to a procurement dispute was settled in 2009.*

Litigation and claims consist of:

Alleged contravention of Competition Act

The case brought before the Competition Tribunal ("the Tribunal") by gold miners Harmony Gold Mining Company Limited and DRDGold Limited, which was appealed and subsequently remitted back by the Competition Appeal Court to the Tribunal, has been settled without admission of guilt. A formal notice of withdrawal was submitted to the Tribunal. As a consequence of the withdrawal, the administrative penalty of R692 million handed down by the Tribunal on 6 September 2007 is no longer disclosed as a contingent liability.

The case brought by Barnes Fencing Industries Limited (Barnes Fencing) before the Tribunal, alleges that the company's pricing practices involving low-carbon wirerod products amounted to price discrimination. It is alleged that the company charged the complainants substantially more for the product and that other respondents also benefited from more favourable payment terms.

Barnes Fencing applied for orders against the company to terminate these practices and further applied for the imposition of an administrative penalty of 10% to be levied on the 2006 local revenue of low-carbon wirerod products.

The company successfully opposed the first referral made by Barnes Fencing and as a result, the Tribunal agreed to amend the founding documents accordingly. The company subsequently filed its answering affidavit on 26 April 2007.

Barnes Fencing went on to apply for intervention in the process by including additional complaints against the company concerning alleged contravention of section 5 and section 8 of the Competition Act.

The intervention application hearing was heard in February 2008. The Tribunal granted leave to intervene by including additional complaints, namely: prohibited virtual practices and abuse of dominance. However, the request for a 10% administrative penalty was disallowed.

Activity pertaining to the case during 2009 was largely characterised by information requests made to the company. A date for the prehearing by the Tribunal is still awaited, following which the discovery process will commence.

Based on the current status of the litigation process, no provision has been raised and no contingent liability quantified.

The Competition Commission (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 allegations concern alleged possible contraventions of Sections 4(1)(b) of the Competition Act. The Commission has requested that the Tribunal impose an administrative penalty of 10% of the company's 2008 revenue. ArcelorMittal South Africa is in the process of preparing its response to the Commission's complaint referral.

In order for the company to appropriately plead to the allegations by submission of an answering affidavit, it submitted on 17 December 2009, an application to the Tribunal for information and documents from the Commission relating to the allegations, including documents from the leniency application upon which the Commission relies in its referral of the complaint to the Commission. Hearing of the application is expected during the first quarter of 2010.

Litigation of the complaint before the Tribunal is expected in late 2010.

Based on the current status of the litigation, no provision has been raised and no contingent liability quantified.

Contingent asset retirement obligation

As described in note 28, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires that the present value of the future cost of retiring an operating site and its constituent property, plant and equipment, should be included in the carrying amount of the site's fixed assets. These costs are depreciated over the useful life of the specific assets constituted on an operating site.

Other than for certain clearly determinable instances, future costs to retire operational and their underlying assets cannot be reliably estimated. The strategic plans underpinning the future operation of sites are generally evergreen in nature.

	Group		Company	
	2009 Rm	2008 Rm	2009 Rm	2008 Rm
37. COMMITMENTS				
Capital commitments				
Capital expenditure contracted for property, plant and equipment	560	930	500	866
Capital expenditure authorised but not contracted for property, plant and equipment	972	1 227	920	1 154
Total	1 532	2 157	1 420	2 020
Operating lease commitments				
Equipment and vehicles				
The future minimum payments under non-cancellable stand-alone and embedded operating leases are as follows:				
– Less than 1 year	35	79	32	76
– More than 1 year and less than 5 years	16	77	13	72
Total	51	156	45	148
Total	1 583	2 313	1 465	2 168

38. RENTAL AGREEMENT

A depot and offloading facility owned by the group and company (included under note 18) is leased to a third party in terms of a 14-year rental agreement ending 30 June 2013. In terms of the rental agreement, the lessee does not have the option to purchase the facility at any stage during or after the completion of the contract.

The total rentals received for the year ended 31 December 2009 amounted to R21 million (December 2008: R23 million). The future gross operating rentals to be received in accordance with the agreement are set out below:

	2009 Rm	2008 Rm
Gross operating rentals		
Not later than one year	20	21
Later than one year but not later than five years	42	62
Total	62	83

39. SUBSEQUENT EVENTS

On 5 February 2010, the group and company received a notice from Sishen Iron Ore Company (Proprietary) Limited (SIOC) asserting (which assertions are not accepted by the group and company) that, with effect from 1 March 2010, it is no longer obliged to supply iron ore to the group and company, on a cost plus 3% basis. According to SIOC, as the group and company did not apply for the conversion of its old order mining right at Sishen Mine in respect of the 21.4% undivided share within the time period prescribed in item 7(1) of Schedule 11 to the Mineral and Petroleum Resources Development Act 28 of 2002, its mineral rights lapsed on 30 April 2009.

SIOC asserts in its letter that it applied for the conversion of its undivided 78.6% share of the old order mineral rights. SIOC alleges that as the group and company did not apply for the conversion of its 21.4% undivided share in the Sishen Mine before the deadline, this interest was lost and reverted to the state. SIOC further alleges that it was subsequently entitled to apply for the new order mining rights in respect of this 21.4% share. SIOC states that its application is currently pending.

The JSE halted trading in ArcelorMittal South Africa shares from 26 February 2010 until 3 March 2010.

On 3 March 2010, it was announced that:

- the parties commenced a dispute resolution process in accordance with the provisions of the supply agreement, which includes arbitration, to resolve the dispute relating to the supply of iron ore and matters related thereto;
- both parties are in agreement that this will be expedited;
- an interim arrangement is being considered and negotiated following receipt of a proposal from SIOC on the terms of short term iron ore supply;
- SIOC will continue to supply iron ore to ArcelorMittal South Africa; and
- the situation with Thabazimbi Iron Ore Mine remains unaffected by this process.

The group and company considered the matters arising out of the allegations made by SIOC relating to the Sishen mineral rights, which assertions are, as appears above, disputed by the group and company. Management continues to consider its position in respect of any interim arrangements with respect to the supply of iron ore. The group and company remain of the firm opinion that the long term supply agreement with SIOC in respect of the Sishen Mine remains valid and binding and will take all steps necessary to protect its shareholders in this regard. The group and company intend to defend their rights in respect of the allegations made by SIOC, and their other rights in respect of the Sishen Mine, vigorously. Management will accordingly take all necessary steps to minimise the financial impact on the business.

As at 31 December 2009, the mineral rights were carried at Rnil in the financial statements, which is consistent with the treatment of these rights as at 31 December 2008.

The above dispute with SIOC is classified as a non-adjusting event after the reporting date based upon the fact pattern of events giving rise to the event.

Based upon the current status of the dispute resolution process, its outcome, and consequently the financial impact thereof, if any, cannot be reliably determined.

Annexure 1: Equity-accounted investments

	Functional currency	Number of shares held	Percentage holding 2009 %	Percentage holding 2008 %	Group carrying amount 2009 Rm	Group carrying amount 2008 Rm	Company carrying amount 2009 Rm	Company carrying amount 2008 Rm	Year-end other than 31 December
JOINTLY CONTROLLED ENTITIES									
Unlisted shares									
• Collect-a-Can (Proprietary) Limited	ZAR	2 400 000	**60**	60	**14**	17	**2**	2	
• Consolidated Wire Industries (Proprietary) Limited	ZAR	1 999 999	**50**	50	**98**	90	**14**	14	
• Ensimbini Terminals (Proprietary) Limited	ZAR	1 000	**50**	50	**17**	12	**10**	10	30 June
• Macsteel International Holdings BV	USD	35 001	**50**	50	**1 671**	1 802			
• Microsteel (Proprietary) Limited	ZAR	2 000	**50**	50	**36**	36	**37**	36	30 June
• Pietersburg Iron Company (Proprietary) Limited	ZAR	4 000	**50**	50	**(3)**	(1)	**14**	6	
ASSOCIATES									
Listed shares									
• Coal of Africa Limited	AUD	76 808 846	**16.2**		**522**		**524**		30 June
Unlisted shares									
• Toyota Tsusho South Africa Processing (Proprietary) Limited	ZAR	20	**20**	20	**14**	12	**16**	16	31 March
Total investment					**2 369**	1 968	**617**	84	
Directors' valuation of unlisted shares in jointly controlled entities and an associate					**2 783**	2 001			

Where the above entities' financial year-ends are not co-terminous with that of the group and company, financial information has been obtained from management accounts.

The statement of financial positions, the income statements and statement of cash flows items in respect of the jointly controlled entities are as follows:

	2009 Rm	2008 Rm
AGGREGATED STATEMENT OF FINANCIAL POSITIONS		
Non-current assets	1 313	1 001
Current assets	4 752	7 230
Total assets	6 065	8 231
Shareholders' equity	3 740	3 771
Non-current liabilities		
Borrowings	129	205
Other	99	
Current liabilities		
Borrowings	446	1 428
Other	1 651	2 827
Total equity and liabilities	6 065	8 231
AGGREGATED INCOME STATEMENTS		
Revenue	22 017	44 261
Operating expenses	(21 601)	(43 790)
Net operating profit	416	471
Net financing costs	36	105
Gains and losses on changes in foreign exchange and financial instruments		(102)
Other income		217
Income from investments		154
Income from equity-accounted investments		238
Profit before taxation	452	1 083
Taxation		
– Normal	(27)	(115)
Net profit attributable to ordinary shareholders[1]	425	968
AGGREGATED STATEMENTS OF CASH FLOWS		
Net cash flows from operating activities	2 503	410
Net cash flows from investing activities	(709)	(46)
Net cash flows from financing activities	(1 348)	266
Foreign currency translations	(330)	199
Net increase in cash and cash equivalents	116	829

[1] *Indicative amounts were translated at the average ZAR/USD exchange rate for the year and not at monthly exchange rate as per note 20. The amount will thus not agree.*

The statement of financial position, the income statement and statement of cash flows items in respect of the unlisted associate are as follows:

	2009 Rm	2008 Rm
STATEMENT OF FINANCIAL POSITION		
Non-current assets	111	119
Current assets	99	184
Total assets	210	303
Shareholders' equity	58	53
Non-current liabilities		
Borrowings	92	92
Other	2	
Current liabilities		
Borrowings	11	55
Other	47	103
Total equity and liabilities	210	303

	2009 Rm	2008 Rm
INCOME STATEMENT		
Revenue	**351**	483
Operating expenses	**(328)**	(461)
Net operating profit	**23**	22
Net financing costs	**(17)**	(26)
Profit/(loss) before taxation	**6**	(4)
Taxation		
– Normal	**(1)**	
Net profit/(loss) attributable to ordinary shareholders	**5**	(4)
STATEMENT OF CASH FLOWS		
Net cash flows from operating activities	**41**	(43)
Net cash flows from investing activities	**(2)**	(8)
Net cash flows from financing activities	**(39)**	50
Net decrease in cash and cash equivalents		(1)

The statement of financial position, the income statement and statement of cash flows items in respect of the listed associate are as follows:

	2009 Rm
STATEMENT OF FINANCIAL POSITION	
Non-current assets	**3 599**
Current assets	**968**
Total assets	**4 567**
Shareholders' equity	**4 268**
Other	**299**
Total equity and liabilities	**4 567**
INCOME STATEMENT	
Revenue	**168**
Operating expenses	**(319)**
Loss before taxation	**(151)**
Taxation	
– Normal	**(2)**
Net loss attributable to ordinary shareholders	**(153)**
STATEMENT OF CASH FLOWS	
Net cash flows from operating activities	**(467)**
Net cash flows from investing activities	**(913)**
Net cash flows from financing activities	**644**
Foreign currency translations	**(705)**
Net decrease in cash and cash equivalents	**(31)**

Annexure 2: Investments in subsidiaries

	Country of incorporation[1]	Functional currency	Issued capital (unlisted ordinary shares)	Interest of company			
				Shares		Indebtedness	
				2009 R	2008 R	2009 Rm	2008 Rm
PROPERTY							
Yskor Landgoed (Proprietary) Limited	RSA	ZAR	4 000	**4 000**	4 000	**(94)**	(94)
MANUFACTURING							
Iscor Building Systems (Proprietary) Limited	RSA	ZAR	100	**100**	100		
Saldanha Steel (Proprietary) Limited	RSA	ZAR	2 000	**1 009**	1 009	**4 251**[2]	4 082
SERVICE							
ArcelorMittal South Africa Investments and Trading One Limited[3]	RSA	ZAR	9	**10**	3 000 000		
Ferrosure (Isle of Man) Insurance Co Limited[4]	IOM	USD	70	**12 011 246**	12 011 246		
MSSA Investments BV	NEH	USD	134 669	**241 105 200**	241 105 200		
Pybus Fifty-Seven (Proprietary) Limited	RSA	ZAR	1	**1 000**	1 000	**403**	402
Vicva Investments and Trading Nine (Proprietary) Limited	RSA	ZAR	1	**1 000**	1 000	**3 918**	
Dombotema Mining Investments (Proprietary) Limited	RSA	ZAR	100	**100**	100		
ArcelorMittal South Africa Distribution (Proprietary) Limited[5]	RSA	ZAR	100	**100**	100	**63**	
ArcelorMittal African Investments	Mauritius	USD	100	**716**	716	**10**	179
ArcelorMittal Pipes and Tubes (Proprietary) Limited	RSA	ZAR	1	**1**	1		
Total investments in subsidiaries (note 21)				**253 124 482**	256 124 472	**8 551**	4 569

[1] RSA – Republic of South Africa, IOM - Isle of Man and NEH - The Netherlands.
[2] This amount includes the shareholders' loan of R8 billion (December 2008: R8 billion) and intercompany advances of R4 billion (December 2008: R4 billion).
[3] The name of the company was changed from Ferrosure (South Africa) Insurance Co Limited as from 8 July 2009. The capital was reduced from R3 000 000 to R10.
[4] Issued capital is non-voting redeemable preference shares.
[5] The name of the company was changed from Mabwetema Mining Investments (Proprietary) Limited as from 5 June 2008.

Shareholders

Analysis of shareholders

as at 31 December 2009

Range of shareholders	Number of shareholders	%	Holdings	%
1 – 100 shares	8 388	27.12	446 103	0.10
101 – 1 000 shares	20 239	65.43	4 557 742	1.02
1 001 – 50 000 shares	2 062	6.67	12 500 303	2.80
50 001 – 100 000 shares	88	0.28	6 345 546	1.42
100 001 – 10 000 000 shares	151	0.48	104 113 817	23.36
10 000 001 and more shares	5	0.02	317 788 621	71.29
	30 933	**100**	**445 752 132**	**100**

Type of shareholders	% shareholding
Corporate holdings	55
Other management funds	15
Pension funds	13
Unit trusts	7
Insurance companies	5
Other funds	4
Unclassified and below threshold	1
	100

Geographical holdings by owner	% shareholding
Switzerland	46.89
South Africa	39.70
USA	8.54
Other countries	2.62
Below threshold	2.25
	100

Shareholdings of 5% and more	Holdings	%
ArcelorMittal Holdings AG	208 700 402	46.82
Vicva Investments and Trading Nine (Proprietary) Limited	44 550 255	9.99
Public Investment Corporation	40 496 455	9.09
Industrial Development Corporation of South Africa	35 252 586	7.91
Old Mutual Group	23 532 437	5.28
	352 532 135	**79.09**

Public and shareholders and more	Holdings	%
ArcelorMittal Holdings AG	208 700 402	46.82
Vicva Investments and Trading Nine (Proprietary) Limited	44 550 255	9.99
Public Investment Corporation	40 496 455	9.09
Industrial Development Corporation of South Africa	35 252 586	7.91
	328 999 698	
Non-public shareholders	328 999 698	73.81
Public shareholders	116 752 434	26.19
	445 752 132	**100**

Shareholders' diary

Financial year-end	31 December 2009
Posting of annual report	31 March 2010
Annual general meeting	11 May 2010
Report and accounts	
Financial results for December 2009	10 February 2010
First quarter results 2010	29 April 2010
Interim results 2010	28 July 2010
Third quarter results 2010	26 October 2010

Directorate and administration

COMPANY REGISTRATION
ArcelorMittal South Africa Limited
Registration number 1989/002164/06
Share code: ACL
ISIN: ZAE000134961

DIRECTORS
Independent non-executive Chairman
Mr MJN Njeke#

Executive directors
NMC Nyembezi-Heita (Chief Executive Officer) ■†
HJ Verster (Chief Financial Officer)■

Non-executive directors
DK Chugh◆
CPD Cornier▶
S Maheshwari◆
LP Mondi■•
AMHO Poupart-Lafarge▶

Independent non-executive directors
EK Diack*
DCG Murray*#†•
ND Orleyn#■•
M Macdonald*†

* *Member of Audit and Risk Committee*
\# *Member of Nomination Committee*
• *Member of Remuneration Committee*
† *Member of Safety, Health and Environment Committee*
■ *Member of Transformation Committee*
▶ *Citizen of France*
◆ *Citizen of India*

COMPANY SECRETARY
Premium Corporate Consulting Services
(Proprietary) Limited
(Registration number 2003/09512/07)
Attention: Solete Wilke
Waterford Office Park, Unit 28, First Floor
Cnr Witkoppen and Waterford Drive, Fourways, 2188
South Africa
(PO Box 1078, Jukskei Park, 2153)
Telephone: 011 658 0473/4
Facsimile: 086 512 8872
Email: sw@premcorp.co.za

REGISTERED OFFICE
Vanderbijlpark Steel
Room N3-5, Main Building
Delfos Boulevard
Vanderbijlpark

POSTAL ADDRESS
PO Box 2
Vanderbijlpark, 1900
Telephone: 016 889 9111
Facsimile: 016 889 2079

INTERNET ADDRESS
http://www.arcelormittal.com/southafrica

SPONSOR
Deutsche Securities (SA) (Proprietary) Limited
(Registration number 1995/011798/07)
3 Exchange Square, 87 Maude Street, Sandton, 2196
South Africa
(Private Bag X9933, Sandton, 2146)
Telephone: 011 775 7328
Facsimile: 011 775 7610

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg
(PO Box 61051, Marshalltown, 2107)
Telephone: 011 370 5000
Facsimile: 011 688 7721

UNITED STATES ADR DEPOSITARY
The Bank of New York
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Internet: www.bankofny.com

AUDITORS
Deloitte & Touche
Deloitte Place, Building 1, The Woodlands
20 Woodlands Drive, Woodmead, 2052, South Africa
Telephone: 011 209 8005
Facsimile: 011 388 6166
Email: ryduffy@deloitte.co.za

Notice of annual general meeting

ArcelorMittal South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002164/06)
JSE code: ACL ISIN: ZAE000134961
("the company")

Notice is hereby given that the twenty-second annual general meeting of members of ArcelorMittal South Africa Limited will be held at the Hilton Hotel, 138 Rivonia Road, Sandton on Tuesday, 11 May 2010 at 11:00, at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendments:

1. Ordinary resolution number 1: Adoption of the annual financial statements

"Resolved that the annual financial statements for the company and the group for the year ended 31 December 2009, including the directors' report and the auditors' report therein, be and are hereby received and confirmed."

2. Ordinary resolution number 2: Re-election of directors

"Resolved that the following directors, who retire in accordance with the articles of association and, being eligible, offer themselves for re-election, be and are hereby re-elected as directors of the company:

2.1 Ms ND Orleyn
2.2 Mr EK Diack
2.3 Mr MJN Njeke
2.4 Mr DK Chugh
2.5 Mr M Macdonald

An abbreviated curriculum vitae is set out on pages 8 and 9 of this annual report.

3. Ordinary resolution number 3: Reappointment of auditors

"Resolved that Deloitte & Touche be reappointed as the independent auditors of the company and Mr RM Duffy, being a member of Deloitte & Touche, as the individual designated auditor who will undertake the audit of the company for the ensuing year. "

4. Ordinary resolution number 4: Approval of non-executive directors' fees

"Resolved that the following non-executive directors' fees payable for the period 1 May 2010 until the next annual general meeting, be and are hereby approved:

	Annual retainer	Attendance fee per meeting
Chairman	R800 000	
Director	R132 000	R11 000
Audit and Risk Committee Chairman		R24 000
Audit and Risk Committee member		R12 000
Remuneration Committee Chairman		R22 000
Remuneration Committee member		R11 000
Nomination Committee Chairman		R22 000
Nomination Committee member		R11 000
Safety, Health and Environment Committee Chairman		R22 000
Safety, Health and Environment Committee member		R11 000
Share Trust Chairman		R22 000
Share Trust member		R11 000

5. Ordinary resolution number 5: Amendments to the ArcelorMittal South Africa Management Share Trust

"Resolved that the amendments to the ArcelorMittal South Africa Management Share Trust, as fully set out in the Appendix to this notice of the annual general meeting, and as tabled at the annual general meeting and signed by the chairman of the meeting for identification purposes, be and are hereby approved for immediate implementation by the group and the company."

In terms of the JSE Listings Requirements, the approval of 75% majority of the votes cast in favour of this resolution by all shareholders present or represented by proxy at the annual general meeting is required to approve this resolution.

Disclosures in terms of paragraph 11.26 of the Listings Requirements of the JSE

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements Limited for purposes of ordinary resolution number 5:

- Directors – pages 8 and 9;
- Major shareholders – page 206;
- Directors' interests in ordinary shares – pages 66, 70 to 73;
- Share capital of the company – pages 139 and 140.

Litigation statement

The directors of the company whose names appear on pages 8 and 9 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 months from the date of the annual report) a material effect on the group's financial position, other than those noted in note 36 and note 39 on page 197 and page 199, respectively.

Directors' responsibility statement

The directors whose names appear on pages 8 and 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to ordinary resolution number 5 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, all reasonable enquiries to ascertain such facts have been made and the special resolution contains all information required by the Companies Act 61 of 1973, as amended, and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report and specifically note 39 on page 199, there have been no other material changes in the affairs or financial position of the company and its subsidiaries since the financial year-end and the signature date of this annual report.

Voting

On a show of hands, every shareholder present in person or by proxy and, if a member is a body corporate, its representative, shall have one vote and on a poll, every shareholder present in person or by proxy and, if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

In terms of the JSE Listings Requirements, any shares held by the company's Share Incentive Scheme may not be taken into account in determining the results of voting on the special resolution.

Proxies

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and, on a poll, to vote in his/her stead.

A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own-name registration who are unable to attend the annual general meeting in person. Forms of proxy must be completed and received by the transfer secretaries, by no later than 11:00 on Friday, 7 May 2010. Registered certificated shareholders and dematerialised shareholders with own-name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting to the exclusion of their appointed proxy/(ies) should such member wish to do so. Dematerialised shareholders, other than with own-name registrations, must inform their CSDP or broker of their intention to attend the annual general meeting and obtain the necessary letter of representation from their CSDP or broker to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not be able to attend the annual general meeting in person. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

By order of the board

Company Secretary
Premium Corporate Consulting Services (Proprietary) Limited
19 March 2010

Appendix

The full scheme document is available for inspection by shareholders during normal business hours at the company's office in Sandton, The Place, First Floor, 1 Sandton Drive, Sandown from 31 March 2010 until 14 April 2010, both days inclusive.

Further to Ordinary Resolution Number 5, shareholders are requested to approve the amendments to the ArcelorMittal Management Share Trust, which is fully set out below. The full scheme document will be tabled at the annual general meeting and signed by the Chairman of the meeting for identification purposes.

1 DEFINITIONS

1.1.23A **"reconstruction or takeover"** any takeover, merger or reconstruction, however effected, including a reverse takeover, reorganisation or scheme of arrangement sanctioned by the court, or any other corporate action, but does not include any event which consists of or is part of an internal reconstruction which does not involve any change in Control of the Company;

ESTABLISHMENT AND ADMINISTRATION OF THE TRUST

3.2.1 establish such rules and regulations (which may not be contrary to the JSE Listings Requirements) as they deem necessary for the proper administration of the scheme and the trust;

APPOINTMENT OF TRUSTEES

4.2 No person shall be eligible for appointment or service as a trustee unless he is a director of the company. The trustees, including any alternating trustee(s), may not be participants under the scheme.

6 POWERS OF TRUSTEES

6.1.11 to, in their discretion, make payments, as and when they deem necessary, out of profits and reserves of the Trust to the company under such conditions and terms as the trustees deem appropriate, provided that after such payment:

6.1.11.1 the Trust's assets, fairly valued exceed its liabilities;

6.1.11.2 the Trust is able to pay its debts as they become due in the ordinary course of its activities under the Scheme; and

6.1.11.3 if such payment will in the particular circumstances not in fact render the Trust unable to meet any of its obligations as they become due in the ordinary course of its activities under the scheme; and

DUTIES OF TRUSTEES

7.1 make offers or grant options to offerees on the terms and conditions as directed in terms of 12, but always subject to the provisions of the Act and the JSE Listings Requirements;

12 OFFERS AND GRANTS OF OPTIONS

12.1 The directors shall from time to time instruct the trustees to offer and/or grant options to offerees in respect of such number of ordinary shares, which, together with scheme shares already in issue at that time in terms of this trust deed, shall not exceed the figure of 22 287 500 (twenty two million two hundred and eight seven thousand five hundred), or such increased number of shares as may from time to time be determined by the directors and approved by the JSE and the company in general meeting, subject to the provisions of 23.2. When directors make the decision to allocate the option to the participant, if a director benefits from such allocation, the director will withdraw himself from the decision making process for that allotment. The directors shall forward to the trustees a certified copy of the resolution authorising an offer or grant of option to specific employees or to categories of employees and the trustees shall offer the number of ordinary shares or options determined in accordance with the directive contained in such resolution to the offeree or offerees named or referred to in such resolution. Notwithstanding the aforegoing, shares which are not subsequently issued to a participant or options that lapse or are withdrawn, for whatever reason, will revert back to the scheme.

12.2 Where the directors so instruct the trustees, an offeree may be given the election to acquire scheme shares pursuant to an offer and/or to accept the grant of an option in respect of shares, in either case upon the applicable terms and conditions of this trust deed. More than one offer and/or grant of option may be made from time to time to any offeree, provided that the maximum number of scheme shares to which any one offeree is entitled (either by way of allotment and issue of scheme shares and/or the grant of options) in terms of the scheme and this trust shall not exceed the limit determined from time to time by the directors, which number of shares shall not exceed the figure of 1 783 000 (one million seven hundred and eighty three). Any amendment to the figure will be subject to the provisions of 23.2.

An offer to acquire shares and/or a grant of options will be made by the trustees as contemplated in 12.1 and 12.2 above, based on the following criteria:

a. the grade of the offeree;
b. the annual income of the offeree;
c. the performance of the offeree; and
d. market benchmarks.

12.3.12 that where a grant of option is accepted, the option may be exercised at any time after it has been granted, subject to the provisions of 18, provided that a participant –

12.3.12.2 shall not be obliged to make payment for any shares in respect of which an option has been exercised before the tenth anniversary of the option date; and

15 PARTICIPANT'S RIGHT IN RESPECT OF SCHEME SHARES

15.2 Subject to 18.9 and 26.7, all voting rights attaching to scheme shares shall be exercised by the trustees and a participant shall be deemed to have irrevocably authorised the trustees to exercise such voting rights.

17 PAYMENT FOR SCHEME SHARES IN RESPECT OF OFFERS

17.1 Should a participant, being entitled thereto in terms of 17.4, elect to pay up any outstanding balance of his share debt and have his scheme shares released he shall within 30 (thirty) days of the date on which scheme shares may be released in terms of 17.4 hereof give an irrevocable written notice to the trustees specifying that he elects that the scheme shares subject to the notice are to be released, in which event payment of any such balance of the share debt in full in respect of the scheme shares to be released must accompany the notice. Subject to the release periods as indicated in 17.4 below, a participant shall be entitled to make payment for scheme shares before the relevant periods specified in 17.4 have elapsed.

17.4 Notwithstanding anything to the contrary herein contained, a participant shall be entitled, subject to such terms and conditions which the directors may impose, on a cumulative basis to pay any share debt due on his scheme shares and have them released provided that the number of scheme shares so released does not exceed the limit set out below –

17.4.1 up to 33.3% (thirty three point three per centum) of the scheme shares referred to in an offer on or after the first anniversary of the offer date;

17.4.2 up to 66.6% (sixty six point six per centum) of the scheme shares referred to in an offer (which proportion shall include any shares released or capable of release in terms of 17.4.1) on or after the second anniversary of the offer date;

17.4.3 up to 100% (hundred per centum) of the scheme shares referred to in an offer (which portion shall include any shares released or capable of release in terms of 17.4.1 and 17.4.2) on or after the third anniversary of the offer date;

provided that on the tenth anniversary of the offer date in terms of which the participant acquired scheme shares, the participant shall be obliged to pay any balance of the share debt in respect of such scheme shares in full and shall upon such payment be entitled to have the scheme shares released to him.

18 OPTIONS

18.1 Options shall not be granted within a closed period. A participant shall obtain an option by accepting a grant of option and any such option may be exercised by the participant wholly or in part (and if exercised in part, from time to time), but always in multiples of 10 (ten) shares, at any time during the period from the option date until the tenth anniversary of that date (other than in a closed period), subject always to the provisions of 12.3.12 above.

18.2 An option shall lapse and may be withdrawn –

18.2.1 to the extent that, unless otherwise determined by the directors and upon such terms and conditions as they may impose, an option is not exercised by the tenth anniversary of the option date in respect of the shares which are the subject matter of the option not so exercised; or

18.3 Notwithstanding anything to the contrary herein contained and in particular therefor also the date on which an option is exercised, the obligation of the trustees to deliver any shares to a participant arising from the exercise by such participant of an option, and likewise the obligation of a participant to pay the purchase consideration of such shares to the trustees in respect of the exercise of an option shall, unless otherwise determined by the directors and upon such terms and conditions as they may impose, only arise in respect of such shares on the dates referred to below (it being agreed that the obligation to discharge the purchase price of the relevant shares shall only arise against delivery by the trustees of such shares), namely –

18.3.1 up to 33.3% (thirty three point three per centum) of all shares which were the subject of the option on or after the first anniversary of the option date;

18.3.2 up to 66.6% (sixty six point six per centum) of all shares which were the subject of the option on or after the second anniversary of the option date;

18.3.5 all remaining shares which were the subject of the option on or after the third anniversary of the option date,

provided that –

18.3.5.2 the purchase price of shares in respect of which an option is exercised shall be paid by not later than the tenth anniversary of the option date;

18 OPTIONS continued

18.4 If a participant ceases to be an employee -

18.4.3 due to ill-health or disability,

all options will vest immediately and that participant may, exercise the participant's options and pay for the shares to which it relates at any time (and if the option is exercised in part only, from time to time), before the expiry of a period of ten years from the date of offer or within 3 (three) years after the participant so becoming a retired employee, whichever date comes first or, if the option has been exercised prior to such retirement, shall be entitled as well as obliged to pay for the shares in question within the aforesaid period; or

18.7 Notwithstanding any provision to the contrary, a participant shall have no voting rights or rights to dividends in respect of any option, or in respect of any shares to which an option relates, until such time as the option has been exercised, the purchase price has been paid in full and the shares in respect of which an option has been exercised, have been released to the participant as contemplated in 18.3 above.

18.8 In the event of a reconstruction or takeover as defined in 1.1.23A above before the vesting dates as set out in 18.3 above, the directors shall prior to the reconstruction or takeover review the Performance Condition and the extent to which it has been satisfied up to the date of the Reconstruction or Takeover, and calculate the number of SARs to Vest in each Participant accordingly. The number of SARs that Vest shall reflect the number of months served in the Performance Period. Settlement shall be made for the Vested (exercised and unexercised) SARs so calculated as soon as practicable.

18.9 For the purposes of 18.10 above, the board of directors must be constituted as it was constituted immediately before the reconstruction or takeover.

18.10 If there is an internal reconstruction or other event which does not involve any substantial change in the ultimate control of the company, and therefore is not a reconstruction or takeover, or if any other event happens which may affect an option, including the shares ceasing to be listed on the JSE, the directors may take such action as it considers appropriate to protect the interests of participants, including converting options into equivalent options in respect of shares in one or more other companies, provided the participant is no worse-off.

18.13 If the company is placed in liquidation for purposes other than reorganisation, the option shall *ipso facto* lapse from date of liquidation

21 ADJUSTMENTS ON THE RE-ORGANISATION OF THE SHARE CAPITAL OF THE COMPANY

21.1 If the company at any time before the share debt owing on any scheme shares has been paid in full or an option exercised -

21.1.1 is put into final liquidation for the purpose of reorganisation; or

21.1.2 is a party to a scheme of arrangement affecting the structure of its share capital; or

21.1.3 reduces its share capital; or

21.1.4 splits or consolidates its shares; or

21.1.5 is a party to a reorganisation,

the trustees may take such actions as they consider appropriate to preserve the fair value of the options including adjustments of the number of options and/adjustment of the purchase price per share where appropriate as they certify to be fair and reasonable in the circumstances and subject to (where necessary) the sanction of independent advisors, acting as experts and not as arbitrators.

21.2 If the company is wound up or dissolved otherwise than in terms of 21.1.1 and finally de-registered -

21.2.1 the trust shall have no further right to recover any part of any share debt outstanding as at the date of commencement of winding up or dissolution proceedings;

21.2.2 save for any right which the trust may then have against the company, this scheme shall *ipso facto* lapse as and from the date of commencement of such winding up or dissolution proceedings; and

21.2.3 any option which has not yet been exercised shall *ipso facto* lapse from the date of liquidation.

21.3 In addition to the actions as contemplated in 21.1 above:

21.3.1 The trustees **must** adjust the maximum number of shares which may be allocated under the scheme as per 12.1 above as well as the maximum number of shares per individual as per 12.2 above and the purchase price on a proportionate basis to take account of a sub-division or consolidation of shares; and

21 ADJUSTMENTS ON THE RE-ORGANISATION OF THE SHARE CAPITAL OF THE COMPANY continued

21.3.2 the trustees **may**, without the prior approval of shareholders in a general meeting, adjust the maximum number of shares allocated to all unvested offers made to any participant as per 12.2 above on a proportionate basis to take
account of any capitalisation issue, special dividend, rights issue or reduction of capital;

provided that the auditors shall confirm in writing to the JSE, at the time that such adjustment is finalised, that any adjustment has been properly calculated on a reasonable and equitable basis. Such adjustment should give a participant the same proportion of the company's share capital as that to which he would have been entitled prior to the adjustment.

21.3.3 The issue of shares as consideration for an acquisition, the issue of shares for cash and the issue of shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of clauses 21.3.1 and 21.3.2 above.

21.3.4 Any adjustment made in accordance with 21.3.1 and/or 21.3.2 above will be reported in the company's annual financial statements for the period during which the adjustment is made.

21.3.4 Allocated shares which are not subsequently issued to the identified participants shall revert back to the scheme.

23 AMENDMENTS TO THIS DEED

This deed may be amended from time to time by the directors, but;

23.2 Without derogating from the terms of 23.1 above, no amendment in respect of the following matters shall operate unless such amendment has received the approval by ordinary resolution of shareholders of the company, holding not less than 75% of all the voting rights cast at the general meeting where the approval is sought by shareholders present or represented by proxy at the general meeting and excluding any votes related to shares which have been acquired by participants in terms of the scheme and excluding any votes of shareholders of unlisted securities:

the total number of the shares which may be utilised for purposes of the scheme;

23.2.3 the maximum entitlement of any one participant to acquire scheme shares;

23.2.4 the amount payable on acceptance and the basis for determining the price at which scheme shares are acquired by participants or the period in or after which payments may be made or called;

23.2.5 the procedure to be adopted on termination of employment or retirement or death of a participant;

23 AMENDMENTS TO THIS DEED continued

23.2.6 the voting, dividend, and other rights (including those arising on the liquidation of the company and the right to sell scheme shares back to the trust) attaching to scheme shares and options (where applicable);

23.2.7 the criteria upon which awards are made as set out in 12.2 above; and

23.2.8 the treatment of options (vested and unvested) in instances of mergers, takeovers or corporate actions.

26 GENERAL

26.1 The trustees may in their sole and absolute discretion, and without assigning any reason therefore, waive, renounce, abandon or decline to enforce any right of action against any participant, but no concession granted to any participant, shall, by itself, constitute a waiver, renunciation, forfeiture or abandonment by the trust of its rights to enforce any right which it may have against any participant.

26.3 Notwithstanding any other provision herein contained, shares may only be issued or purchased in terms of the provisions of the scheme once a participant or group of participants to whom the shares will be allocated has been formally identified.

26.4 Shares held by the trust may only be sold by the trustees as contemplated herein once the employment of a participant has been terminated or a participant is deceased or, on behalf of a participant, once the rights of ownership have vested and the shares have been released to the participant.

26.5 Notwithstanding any other provision contained herein, it is specifically provided that the trustees will, based on the instruction of the directors, be entitled to either request the company to issue and allot shares to a participant and to apply for such shares to be listed on the JSE or to purchase such shares in the open market. Any shares purchased in the market to enable the trust to meet its obligations in terms of the scheme will not be taken into account when calculating the number of shares utilised for the scheme as contemplated in 12.1 above.

26.6 All actions relating to shares under the scheme will be subject to any necessary consent under any relevant enactment or regulations. It is specifically recorded that the provisions of paragraphs 3.63 to 3.74 of the JSE Listings Requirements will apply *mutatis mutandis* to any dealings by the company or the trust involving shares relating to the scheme.

26 GENERAL continued

26.7 Shares held by the trust or pledged shares held on behalf of a participant will not have their votes at any general meeting of shareholders or the annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements. Such shares shall also not be taken into account for purposes of determining categorizations as detailed in Section 9 of the JSE Listings Requirements.

26.8 Any issue of shares to employees which do not fall within the rules of the scheme will be treated as a specific issue for cash as contemplated in paragraph 5.51 of the JSE Listings Requirements.

26.9 It is hereby confirmed that notwithstanding any other provision contained herein excluding the possible re-pricing as envisaged in 21.1.5 and 21.3.1 above, no rolling over (including the arrangement assuming that equity securities which have already vested and been issued in terms of the scheme, and which usually revert back to the number referred to in 23.2) after a 10 year period) re-pricing or backdating of options or offers will be allowed under any circumstances.

27 COMPANY'S DUTY TO REPORT

The company, in its annual reports and accounts, shall summarise all such information in relation to this scheme as may from time to time be prescribed by the JSE.

Form of proxy

Form of Proxy
ArcelorMittal South Africa Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002164/06)
JSE code: ACL ISIN: ZAE000134961
(the company)

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

For use in respect of the annual general meeting of ArcelorMittal South Africa Limited to be held at the Hilton Hotel, 138 Rivonia Road, Sandton on Tuesday, 11 May 2010 at 11:00.

Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters) ____________________

of (address)

Telephone ____________________ (work) ____________________ (home)

being the registered owner/s of ____________________ ordinary shares in the

company hereby appoint ____________________ or failing him/her

____________________ or failing him/her, the chairman of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

** Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

		Number of votes		
		For*	**Against***	**Abstain***
1.	Ordinary resolution number 1: Annual financial statements			
2.	Ordinary resolution number 2: Re-election of directors			
	2.1 Ms ND Orleyn			
	2.2 Mr EK Diack			
	2.3 Mr MJN Njeke			
	2.4 Mr DK Chugh			
	2.5 Mr M Macdonald			
3.	Ordinary resolution number 3: Reappointment of auditors			
4.	Ordinary resolution number 4: Approval of non-executive directors' fees			
5.	Ordinary resolution number 5: Amendments to ArcelorMittal South Africa Management Share Trust Deed			

Signed this ____________________ day of ____________________ 2010

Signature ____________________

Assisted by (if applicable) ____________________

Please read the notes on the reverse.

Notes to the form of proxy

1. On a poll a shareholder is entitled to one vote for each share held.

2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), to reach the company by no later than 11:00 on Friday, 7 May 2010.

3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided, with or without deleting the words "the Chairman of the annual general meeting". Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly effected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.

4. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory/(ies).

5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.

6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the Chairman of the annual general meeting, if the Chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.

7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.

8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the company or waived by the Chairman of the annual general meeting.

9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.

10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.

11. Shareholders who wish to attend and vote at the annual general meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 11:00 on Friday, 7 May 2010.

12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.

13. The Chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)