Financial Report 2010

Foreword from the CEO

I am pleased to present you this financial report which constitutes Aperam's 2010 financial statement on a pro forma basis. The purpose of this report is to provide investors and shareholders with a synthetic and consolidated overview of the Company's performance and strategy.

Aperam was spun off from ArcelorMittal to be a leading player of the stainless steel industry. A producer of stainless, electrical and specialty steel, it has an industrial presence in Europe and Brazil and a commercial network which spans the world. It defines itself as the company which constantly challenges the status quo to reshape the future of stainless steel and specialties and is striving to become the leading industry catalyst in stainless steel and specialties, building on its core values - Leadership, Agility and Ingenuity.

Following the successful spin-off from ArcelorMittal in January, one of our important goals was to establish an appropriate financing structure as a stand-alone entity and at the same time to repay a USD 900 million bridge loan from ArcelorMittal. To this end, we negotiated with a group of large banks to put in place a borrowing base facility and agreed a three-year facility which provides us with a committed source of liquidity at a competitive interest rate. Additionally, we completed the issuance of two bonds totaling USD 500 million with investors from both sides of the Atlantic.

These transactions had paramount importance in the process of creating a strong, autonomous company. By setting up its own financing structure, by becoming able to negotiate on its own behalf with all players in the financial markets, Aperam took an important step towards the management of its own future.

This is all the more encouraging as we see that in the wake of the creation of Aperam, there is now a momentum towards a much-needed consolidation in the global stainless steel industry, which has historically been subject to a high level of cyclicality due to overcapacities and the volatility of nickel, one of its core raw materials. Beyond this welcome momentum, we are adamantly pursuing our Leadership Journey, which we launched when Aperam was created with the goal of achieving USD 250 million of management gains over 2011 and 2012.

This Leadership Journey rests both on measures aimed at improving our cost structure and on investments to boost the Company's productivity and profitability in its various markets. As part of this program, we are converting one of our two blast furnaces for charcoal use in our plant in Timóteo (Brazil); we are investing USD 28 million in a new induction furnace and an Electro Slag Remelting furnace at our plant in Imphy (France), USD 62 million in the productivity of our hot annealing and pickling line in Gueugnon (France), and USD 35 million to improve the performance and profitability of our steel service center in Campinas (Brazil). In the first quarter of 2011, we were able to record USD 33 million in gains achieved under this Leadership Journey, which we consider as proof that we are well on track to deliver its overall goal, namely to sustainably improve the Company's profitability. I have great confidence in the future of the stainless steel business and believe that Aperam will implement a successful strategy under the guidance of its Board of Directors.

Bernard Fontana, CEO Aperam

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Defined Terms and Conventions

"Company", "we", "us" and "our" refer to (i) Aperam following the spin-off (as defined below), (ii) Aperam together with its subsidiaries following the spin-off or (iii) the stainless and specialty steels businesses of ArcelorMittal prior to the spin-off, in each case as the context requires. "ArcelorMittal" refers to ArcelorMittal, formerly known as Mittal Steel Company N.V., and its subsidiaries, except in each case where otherwise indicated or where the context otherwise requires. "ArcelorMittal Group" refers to ArcelorMittal and its subsidiaries.

On January 25, 2011, the shareholders of ArcelorMittal approved the separation of its stainless and specialty steels businesses from its global steel and steel related products businesses. As a result, the shareholders of ArcelorMittal received ordinary shares of the Company, which now owns ArcelorMittal's stainless and specialty steels businesses. ArcelorMittal and the Company are independent from each other as of January 25, 2011.

References to "$," "U.S.$" and "U.S. dollars" are to the United States dollar, the official currency of the United States, references to "real", "reais" or "R$" are to Brazilian reais, the official currency of Brazil and references to "euro", "euros" or "€" are to the euro, the official currency of the European Union member states participating in the European Monetary Union. Certain information presented in Brazilian reais or euros has been translated into U.S. dollars. By including the U.S. dollar equivalents, we do not represent that the Brazilian reais or euro amounts actually represent the U.S. dollar amounts shown or that these amounts could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, foreign currency translations are presented on the basis of the noon buying rate on December 31, 2010, the date of the Company's most recent audited statement of financial position. As of that date, the noon buying rate of the Federal Reserve Bank of New York for the Brazilian real was R$1.6955 per U.S. dollar and for the euro was €0.7564 per U.S. dollar.

In addition, unless indicated otherwise, or the context otherwise requires, references to:

- "AMIB" are to ArcelorMittal Inox Brasil S.A.;
- "annealing" are to the process of heating cold steel to make it more suitable for bending and shaping and to prevent breaking and cracking;
- "Articles of Association" are to our articles of association;
- "BioEnergia" are to ArcelorMittal BioEnergia Ltda., in which we hold a 36.5% interest;
- "bright annealing" are to the final annealing lines (with an oven) with a reducing atmosphere which produces a bright annealed finish;
- "brownfield project" are to the expansion of an existing operation;
- "carbon steel scrap" are to recycled carbon steel that is remelted and recasted into new steel;
- "cold rolling" are to the forming method employed after hot rolling;
- "crude steel" are to the first solid steel product upon solidification of liquid steel, including ingots from conventional mills and semis (e.g., slab, billet and blooms) from continuous casters;
- "downstream" are to finishing operations, for example in the case of flat products, the operations after the production of hot-rolled coil;
- "EU-15" are to the 15 member states of the European Union prior to enlargement;
- "ferritic steel" are to stainless steels which have a low carbon content and contain between 13% and 17% chromium, the main alloying element;
- "finishing facilities" are to downstream facilities (including rolling mills, pickle lines, tandem mills, annealing facilities and temper mills);

- “General Moly” are to General Moly, Inc., in which we held, as of December 31, 2010, a 9.67% interest;

- “greenfield project” are to the development of a new project;

- “integrated mills” are to steel mills encompassing in the same location facilities ranging from meltshops and hot and cold rolling mills to finishing lines;

- “IFRS” are to International Financial Reporting Standards as adopted by the European Union;

- “martensitic” are to a small category of magnetic steels typically containing 12% chromium, a moderate level of carbon and a very low level of nickel;

- “Mittal Shareholder” are to Mr. Lakshmi N. Mittal, Mrs. Usha Mittal or any of their heirs or successors, acting directly or indirectly through any entity controlled, directly or indirectly, by any of them;

- “pickling” are to the process where steel coils are cleaned using chemical baths to remove impurities, such as rust, dirt and oil;

- “production capacity” are to the annual production capacity of plant and equipment based on existing technical parameters as estimated by management;

- “sales” include shipping and handling fees and costs billed to a customer in a sales transaction;

- “senior credit facilities” are to our $800 million borrowing base facility and our $100 million revolving credit facility;

- “slabs” are to compact blocks of crude steel (usually a product of the casting process in steel mills), which are used as a pre-product in hot-rolling mills to produce hot-rolled coils or strips;

- “spin-off” are to the transfer of the assets comprising ArcelorMittal’s stainless and specialty steels businesses to us and the pro rata allocation of our ordinary shares to ArcelorMittal’s shareholders;

- “stainless steel scrap” are to recycled stainless steel materials that are remelted and recasted into new steel;

- “steckel mill” are to reversing steel sheet reduction mills with heated coil boxes at each end where steel sheet or plate is sent through the rolls of the reversing mill and then coiled at the end of the mill, reheated in the coil box and sent back through the steckel stands and recoiled;

- “upstream” are to operations that precede downstream steel-making, such as coke, sinter, blast furnaces, electric arc furnaces, casters and hot rolling/steckel mills;

- “tonnes” are to metric tonnes and are used in measurements involving stainless and specialty steel products (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds);

- “W/kg” are to watts per kilogram and are used in measurements involving electrical steel; and

- “width” are to the lateral dimension of rolled steel, as opposed to the length or the gauge.

The fiscal years presented in this financial report are the years ended December 31, 2010, 2009 and 2008, which we refer to as “2010,” “2009” and “2008,” respectively.

The Company was recently formed for the purpose of holding ArcelorMittal’s stainless and specialty steels businesses. The Company was initially incorporated under the name ArcelorMittal Stainless & Specialty Steels and its name was changed to Aperam following a notarial deed dated December 10, 2010.

This financial report contains references to some of our owned or licensed trademarks, trade names and service marks, which we refer to as our brands. All of the product names and logos included in this financial report are either registered trademarks of ours or of our licensors.

Certain information provided in this financial report has been sourced from third parties. We confirm that such third-party information has been accurately reproduced and that, so far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted which would render the third-party information reproduced herein inaccurate or misleading.

Financial Information

Historical Combined Financial Statements

Our historical combined financial statements as of and for the three years ended December 31, 2010 have been prepared in accordance with IFRS as adopted by the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

In connection with the preparation of our December 31, 2009 financial statements, we adopted IFRS on January 1, 2007 and, in connection with that initial adoption, have applied the accounting principles effective as of the end of the year ended December 31, 2009 to all periods prior to December 31, 2009. The historical combined financial statements have been prepared on a "carve-out" basis from the ArcelorMittal consolidated financial statements using the historical results of operations, assets and liabilities attributable to ArcelorMittal's stainless steel and nickel alloys business, and certain other entities, except for the effects of the first-time adoption of IFRS under IFRS 1. The historical combined financial statements also include allocations of expenses from ArcelorMittal. The historical combined financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which are measured at fair value, and inventories, which are measured at the lower of net realizable value or cost.

Companies controlled by ArcelorMittal entities as of our adoption of IFRS, January 1, 2007, were recognized in the opening combined statement of financial position as of that date at their initial carrying value in the ArcelorMittal consolidated financial statements by increasing combined equity. Substantially all of the subsidiaries within the scope of our combination were acquired in August 2006 as part of the acquisition of Arcelor by Mittal Steel. In connection with this acquisition, associated goodwill, intangible assets, and certain fair value adjustments were recorded. Any goodwill and fair value adjustments recorded by ArcelorMittal have been recognized in full in the historical combined financial statements.

The historical combined financial statements have been audited by Deloitte S.A., Luxembourg. On February 25, 2011, Deloitte S.A., Luxembourg issued an audit report on the historical combined financial statements.

Unaudited Pro Forma Combined Financial Information

Our unaudited pro forma combined financial information has been derived from the historical combined financial statements in order to present our financial position as of December 31, 2010 and our results of operations for the year ended December 31, 2010, as adjusted to give effect to the allocation of our ordinary shares, our separation from ArcelorMittal and related financing activities. The unaudited pro forma combined financial information is published solely for illustrative purposes and has not been audited. See "Pro Forma Financial Information" in item 1 of this financial report.

Market information

This financial report includes industry data and projections about our markets obtained from industry surveys, market research, publicly available information and industry publications. Statements regarding our competitive position contained in this financial report are based, in part, on public sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. In addition, in many cases we have made statements in this financial report regarding our industry and our position in the industry based on internal surveys, industry forecasts and market research, as well as our own experience.

FORWARD-LOOKING STATEMENTS

This financial report contains forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding management's expectations as to savings from the Company's cost reduction programs; the anticipated benefits of the Company's relationships with BioEnergia and General Moly; management's expectations of the long-term growth potential of the stainless steel industry; the Company's ability to achieve or maintain ongoing regulatory and environmental compliance in the various jurisdictions in which it operates; the adequacy of the Company's credit facilities to meet its present and future requirements; and the Company's expectations regarding its business, growth, future financial condition, results of operations and prospects. These statements usually contain the words "believes", "plans", "expects", "anticipates", "intends", "estimates" or other similar expressions. Forward-looking statements involve known and unknown risks and uncertainties. Although management believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of the Company.

These forward-looking statements speak only as of the date on which the statements were made, and no obligation has been undertaken to publicly update or revise any forward-looking statements made in this financial report as a result of new information, future events or otherwise, except as required by applicable laws and regulations. In addition to other factors and matters contained in this financial report, the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the failure of the economy to recover from the recent downturn or a prolonged period of weak economic growth, either globally or in our key markets;
- the risk that excessive capacity in the steel industry globally, and especially in China, may hamper the steel industry's recovery or prolong the downward trend in stainless and specialty steel prices;
- the risk that China's stainless and specialty steel consumption could slow down;
- the risk of a protracted fall in steel prices or of price volatility;
- any volatility or increases in the cost, or shortages in the supply, of raw materials and energy;
- increased competition from other materials or the introduction of substitution products, which could significantly reduce market prices and demand for stainless and specialty steel products;
- the risk that products containing stainless and specialty steels may become obsolete as a result of the emergence of new technologies;
- the risk that the introduction of low quality substitute products may negatively affect the image of stainless steel as a high quality product;
- the risk that developments in the competitive environment in the steel industry could have an adverse effect on our competitive position;
- the stocking and destocking of our products by distributors, which could impact the price that we are able to charge for our products and may result in decisions to reduce production capacity;
- the cyclical nature of the stainless and specialty steel industry and our customers' industries;
- the risk that changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in the impairment of such assets, including intangible assets and goodwill;
- the risk that unfair practices in our home markets could negatively affect steel prices and reduce our profitability, while trade restrictions, changes to economic policy, and social and legal risks and

uncertainties in the countries in which we operate or propose to operate could limit our access to key export markets;

- fluctuations in currency exchange rates and the risk of impositions of exchange controls in countries where we operate;

- the risk that the Brazilian government's influence over the Brazilian economy, as well as Brazilian political and economic conditions, could adversely affect our business;

- the risk of disruptions to our manufacturing operations or damage to our production facilities due to natural disasters or other events;

- the risk of labor disputes;

- the risk that our insurance policies may provide inadequate coverage and leave us uninsured against some business risks;

- the risk that we may incur environmental liability or investment expenses in connection with our past, present or future operations, or the risk that significant capital expenditure and other commitments we have made in connection with past acquisitions may limit our operational flexibility and increase our financing requirements;

- the risk of product liability claims adversely affecting our operations;

- the risk of potential liabilities from investigations and litigation relating to, among other things, our pricing and marketing practices or other antitrust matters, which could divert management's time and efforts, and the risk that we would be prevented from marketing our existing or future products;

- the risk that our governance and compliance processes may fail to prevent regulatory penalties or reputational harm;

- legislative or regulatory changes, including those relating to protection of the environment and health and safety;

- the risk of unfavorable changes to, or interpretations of, the tax laws and regulations in the countries in which we operate that could cause our tax liability to substantially increase;

- the risk that we may not be fully able to utilize our deferred tax assets;

- the risk that our joint venture partners fail to observe their commitments or that cash flows from our subsidiaries may not be sufficient to meet our future operational needs or shareholder distribution expectations;

- the risk that we may need additional capital in the future to fund our operations;

- the risks associated with partly expanding our business through acquisitions;

- our ability to manage our growth and the completion and financing risks inherent in our growth strategy;

- the risk that we may not be able to leverage ArcelorMittal's relationships and global contacts, among other benefits, as an independent company, and the fact that we will not be able to rely on ArcelorMittal to fund our future capital requirements;

- our ability to retain our core senior management and other key personnel;

- the risk that the historical combined financial statements and the unaudited pro forma combined financial information may not accurately reflect our future performance;

- the risk that our significant leverage may make it difficult for us to operate our business, and the risk that we may incur substantially more debt in the future, which could make it difficult for us to service our debt;

- the risk that we are unable to comply with the restrictions and covenants in current and future debt agreements, the risk of default under their terms and the risk that we are unable to generate sufficient cash to service our indebtedness; and

- fluctuations in interest rates.

These factors are discussed in more detail in this financial report, including under “Risk Factors”.

PART I

Item 1. Key information

A. Selected financial

The following tables present our summary historical combined financial information as of and for the years ended December 31, 2010, 2009 and 2008 and our unaudited pro forma combined financial information as of and for the year ended December 31, 2010. This summary financial information should be read in conjunction with the historical combined financial statements and the unaudited pro forma combined financial information included elsewhere in this financial report. The historical combined financial statements and the unaudited pro forma combined financial information are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per-share data. We have prepared the historical combined financial statements assuming an IFRS transition date of January 1, 2007.

Historical Combined and Unaudited Pro Forma Combined Statements of Operations

The following table presents data from our combined statements of operations for the years ended December 31, 2010, 2009 and 2008 and our unaudited pro forma combined statement of operations for the year ended December 31, 2010. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” for additional information.

	Year Ended December 31,			
	2010 (Pro Forma)	2010	2009	2008
	(in millions of U.S. dollars, except per share data)			
Sales[(1)]	5,604	5,604	4,235	8,358
Cost of sales[(2)]	5,256	5,254	4,145	7,488
Gross margin	348	350	90	870
Selling, general and administrative	257	257	297	488
Operating income/(loss)	91	93	(207)	382
Income from other investments	9	9	2	—
Interest income	9	9	10	59
Interest expense and other net financing costs	34	(9)	(12)	(282)
Income/(loss) before taxes	143	102	(207)	159
Income tax (benefit) expense	14	(3)	(57)	61
Net income/(loss) (including non-controlling interests)	129	105	(150)	98
Net income/(loss) attributable to:				
ArcelorMittal’s net investment	128	104	(150)	59
Non-controlling interests	1	1	—	39
Net income (loss) (including non-controlling interests)	129	105	(150)	98
Basic earnings per share[(3)]	1.64	—	—	—

Notes:

(1) Includes $194 million, $146 million and $358 million of sales to related parties for the years ended December 31, 2010, 2009 and 2008, respectively.

(2) Includes depreciation and impairment of $317 million, $333 million and $339 million and purchases from related parties of $1,165 million, $625 million and $403 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(3) Basic earnings per ordinary share is computed by dividing net income attributable to equity holders of ArcelorMittal by the weighted average number of ordinary shares outstanding during the period presented.

Historical Combined and Unaudited Pro Forma Combined Statements of Financial Position

The following table presents data from our combined statements of financial position as of December 31, 2010, 2009 and 2008 and our unaudited pro forma combined statement of financial position as of December 31, 2010:

	As of December 31,			
	2010 (Pro Forma)	2010	2009	2008
	(in millions of U.S. dollars)			
Cash and cash equivalents, including restricted cash	228	120	118	128
Trade accounts receivable	405	405	324	497
Inventories	1,496	1,496	1,089	1,295
Property, plant and equipment	2,917	2,917	3,193	3,106
Total assets	6,807	7,335	7,133	7,340
Short-term debt and current portion of long-term debt	954	900	506	874
Long-term debt, net of current portion	122	932	1,375	1,206
Total liabilities	2,887	3,681	3,544	4,061
Total equity	3,920	3,654	3,589	3,279
Total liabilities and total equity	6,807	7,335	7,133	7,340

Historical Combined Statements of Cash Flows

The following table presents data from our historical combined statements of cash flows for the years ended December 31, 2010, 2009 and 2008:

	Year ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Net cash provided by operating activities	362	214	488
Net cash (used in)/provided by investing activities	(404)	90	(225)
Net cash provided by/(used in) financing activities	42	(339)	(764)

Other Financial Data

The following table presents other financial data which we use to analyze our business on a combined basis and a pro forma basis:

	As of and for the year ended December 31,			
	2010 (Pro Forma)	2010	2009	2008
	(in millions of U.S. dollars, except ratios)			
Capital expenditures	101	101	115	248
Adjusted EBITDA(1)	410	410	226	930
Pro forma interest expense(2)	73			
Adjusted EBITDA(1)/Pro forma interest expense(2)	5.62			
Total debt(3)	1,076	1,832	1,881	2,080
Net debt(4)	848	1,712	1,763	1,954
Net debt(4)/Adjusted EBITDA(1)	2.07	4.18	7.80	2.10

Notes:

(1) Adjusted EBITDA is defined as operating income plus depreciation, impairment expenses and other items. Other items are those charges and gains that we describe below. We use adjusted EBITDA as a supplemental measure of operating performance. We also believe that adjusted EBITDA is a useful indicator of our ability to service our indebtedness. Adjusted EBITDA is not a measure of performance under IFRS and not all companies calculate adjusted EBITDA or similarly titled financial measures in the same manner. As such, adjusted EBITDA as disclosed by other companies may not be comparable with our use of adjusted EBITDA.

Other items consist of: (i) inventory write-downs of at least 10% of total related net inventories value before writedown at the relevant quarter end or of at least $75 million; (ii) restructuring charges/(gains) of at least $10 million for the relevant quarters;

(iii) capital loss/(gain) of at least $10 million for the relevant quarter; or (iv) one-off capital loss/(gains) of at least $10 million for the relevant quarter.

The following table presents a reconciliation of adjusted EBITDA to operating income:

	As of and for the year ended December 31,			
	2010 (Pro Forma)	2010	2009	2008
	(in millions of U.S. dollars)			
Operating income/(loss)	91	93	(207)	382
Depreciation & impairment	319	317	333	339
Other items	—	—	100	209
Adjusted EBITDA	410	410	226	930

(2) Pro forma interest expense reflects the estimated interest expense that would have been payable in 2010, after giving pro forma effect to the $500 million bridge loan from ArcelorMittal, the $400 million borrowed under the borrowing base facility and the use of proceeds thereof as if they had occurred at the beginning of the period.

(3) Total debt refers to short-term debt plus long-term debt.

(4) Net debt refers to total debt, less cash and cash equivalents. Net debt is not a recognized measure under IFRS and does not purport to be an alternative to debt calculated in accordance with IFRS. Management believes that net debt is useful to investors in assessing our financial condition and results of operations, as well as our capital structure. Though other companies in the steel industry present net debt, they may not calculate it identically, and our presentation of net debt may not be comparable to such similarly titled measures.

Operating Data

The following table presents certain operating data which we use to analyze our business:

	As of and for the year ended December 31,		
	2010	2009	2008
Shipments (in thousands of tonnes)	1,741	1,447	1,958
Average steel selling price (in U.S. dollars):			
Stainless & Electrical Steel	2,591	2,230	3,446
Services & Solutions	3,397	2,868	3,787
Alloys & Specialties	15,368	14,732	18,850
Adjusted EBITDA/tonne (in U.S. dollars)	235	156	475

B. Pro Forma financial information

Unaudited pro forma combined financial information

The unaudited pro forma combined financial information set forth below consists of an unaudited pro forma combined statement of operations for the year ended December 31, 2010 and an unaudited pro forma combined statement of financial position as of December 31, 2010.

The unaudited pro forma combined statement of operations and statement of financial position have been derived from the historical combined financial statements included elsewhere in this financial report, and do not purport to project our results of operations or financial position for any future period or as of any future date and do not represent the Company's financial performance had we been an independent publicly traded company during the periods presented. The pro forma adjustments and notes to the unaudited pro forma combined financial information give effect to our separation from ArcelorMittal through the distribution of ordinary shares to the shareholders of ArcelorMittal. The unaudited pro forma combined financial information should be read in conjunction with the historical combined financial statements and the notes thereto included elsewhere in this financial report.

The pro forma combined statement of operations for the year ended December 31, 2010 gives effect to the separation and distribution and related transactions as if they occurred as of January 1, 2010. The unaudited pro forma combined statement of financial position gives effect to the separation from ArcelorMittal and related transactions as if they occurred as of December 31, 2010. The pro forma adjustments are based upon available information and assumptions.

The unaudited pro forma combined financial information has been adjusted to give effect to:

- the distribution of our ordinary shares to shareholders of ArcelorMittal at the ratio of one (1) of our ordinary shares for every twenty (20) shares of ArcelorMittal;

- the incurrence of $888 million of debt under new financing arrangements and the associated interest expense and other financing costs;

- the repayment of $1,644 million of related party debt and payables, in each case, we owe to ArcelorMittal.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma combined financial information.

The following unaudited pro forma combined financial information, and the notes thereto, should be read in conjunction with “Selected Historical Combined Financial Information,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the historical combined financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, included elsewhere in this financial report.

Unaudited Pro Forma Combined Statement of Operations

For the Year Ended December 31, 2010

(in millions of U.S. dollars, except share and per share amounts)

	Historical	Adjustments	Notes	Pro Forma
Sales	5,604	—		5,604
Cost of sales	5,254	2	(a)	5,256
Gross margin	350	(2)		348
Selling, general and administrative	(257)	—		(257)
Operating income	93	(2)		91
Income from other investments	9	—		9
Interest income	9	—		9
		(38)	(b)	
		(17)	(c)	
Interest income (expense) and other net financing costs	(9)	98	(d)	34
Income before taxes (and non-controlling interests)	102	41		143
Income tax (benefit)/expense	(3)	17	(e)	14
Net income (before non-controlling interests)	105	24		129
Net income attributable to:				
Equity holders of the Company	104	24		128
Non-controlling interests	1	—		1
Net income (including non-controlling interests)	105	24		129
Basic earnings per share	N/A	N/A		1.64
Weighted average common shares outstanding	N/A	N/A		78

See "—Notes to the unaudited pro forma combined financial information."

Unaudited Pro Forma Combined Statement of Financial Position

As of December 31, 2010

(in millions of U.S. dollars)

	Historical	Adjustments	Notes	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	120	108	(f)	228
Trade accounts receivable	405	—		405
Inventories	1,496	—		1,496
Prepaid expenses and other current assets	826	(646)	(f)	180
Total current assets	2,847	(538)		2,309
Non-current assets:				
Goodwill and intangible assets	989	10	(a)	999
Property, plant and equipment	2,917	—		2,917
Other non-current assets	582	—		582
Total non-current assets	4,488	10		4,498
Total assets	7,335	(528)		6,807
Liabilities and Equity				
Current liabilities:				
		500	(b)	
		388	(c)	
Short-term debt and current portion of long-term debt	900	(834)	(d)	954
Trade accounts payable	942	—		942
Accrued expenses and other current liabilities	476	(57)	(g)	419
Total current liabilities	2,318	(3)		2,315
Non-current liabilities:				
Long-term debt, net of current portion	932	(810)	(d)	122
Other non-current liabilities	431	19	(g)	450
Total non-current liabilities	1,363	(791)		572
Total liabilities	3,681	(794)		2,887
Equity:				
Equity attributable to the equity holders of the Company	3,649	266	(g)	3,915
Non-controlling interests	5	—		5
Total equity	3,654	266		3,920
Total liabilities and equity	7,335	(528)		6,807

Notes to the unaudited pro forma combined financial information

The historical combined financial statements include allocations of expenses from ArcelorMittal. These costs may not be representative of our future costs to be incurred as a separate public company. ArcelorMittal currently provides certain corporate functions to us and the costs associated with these functions have been allocated to us. These functions include purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, corporate controller, internal audit, legal and tax advice, compliance regarding internal controls and information technology. The total cost of these allocations from ArcelorMittal was $11 million in 2010 and as an independent, publicly traded company, and, effective as from our separation from ArcelorMittal, we have assumed responsibility for the costs for these functions. Management expects, subject to the finalization of ours plans, that our total annual costs for these functions will be in the range of $13 million to $14 million in 2011 (representing incremental expenses in the range of $2 million to $3 million). At this time, management cannot make factually supportable estimates of the costs expected to be incurred as a separate public company. As a result, no adjustment has been included within the accompanying unaudited pro forma combined financial information to reflect the incremental costs associated with operating as a separate company.

On November 1, 2010, we and ArcelorMittal Brasil signed a letter of intent under which the parties agreed to distribute to ArcelorMittal Brasil the assets and liabilities of BioEnergia related to the operations supporting ArcelorMittal Brasil in exchange for shares of BioEnergia held by ArcelorMittal Brasil. Following the completion of this transaction, which is expected by mid-2011, BioEnergia will become a wholly-owned consolidated subsidiary of the Company. As management is of the opinion that the adjustments needed to reflect the effects of this transaction are not material, no adjustment has been included within the accompanying unaudited pro forma combined financial information to reflect the effects of this transaction.

Pro forma basic earnings per share was computed using the number of shares issued at the spin-off date, which totaled 78,049,730. There are no items or transactions in the historical combined financial statements which have a dilutive impact on earnings per share.

Pro forma adjustments to the historical combined financial statements

(a) Represents patents and trademarks of $10 million spun-off from ArcelorMittal. These intangible assets will be amortized over a five-year period. For purposes of the unaudited pro forma combined financial information, the amortization charge for 2010 amounts to $2 million.

(b) Represents borrowings of $500 million under the terms of a $900 million, 364-day bridge loan facility entered into on January 19, 2011 with ArcelorMittal. The facility bears interest of 7.5%, and the proceeds were used to repay existing borrowing arrangements with ArcelorMittal. For purposes of the unaudited pro forma combined financial information, interest expense of $38 million for the year ended December 31, 2010 was calculated using an annual interest rate of 7.5% on the borrowings of $500 million. The Company replaced the bridge loan with the proceeds of the notes offered in March 2011.

(c) Represents borrowings of $388 million, net of commitment fees of $12 million, under the terms of a 36-month borrowing base and revolving credit facility of $800 million and $100 million, respectively (the “Credit Facility”), the proceeds of which will be used to repay borrowings under existing arrangements with ArcelorMittal. The borrowing base facility was entered into on March 15, 2011 and the Company has agreed a term sheet for the revolving credit facility. The borrowing base facility is secured by our inventories and receivables. The borrowing base and the revolving credit facilities have an interest rate of the applicable current LIBOR rate plus 185 basis points. For purposes of the unaudited pro forma combined financial information, interest expense of $17 million for the year ended December 31, 2010 was calculated using an assumed annual interest rate of 2.31% on borrowings of $400 million under the borrowing base facility, and assumes constant debt levels throughout the period. Amortization of commitment fees and transaction fees are included in these calculations. No borrowings under the revolving credit facility have been assumed. As the final terms of the revolving credit facility have not yet been agreed upon, those terms may differ from what we have assumed herein. The interest rate may be lower or higher if LIBOR rates or our credit rating changes. A 12.5 basis points change to the annual interest rate would change net earnings by $0.7 million on an annual basis. The borrowing base facility requires repayment of amounts borrowed every six months or sooner, at our option. Under the terms of the borrowing base facility, amounts repaid may be re-borrowed during the term of this facility.

(d) Represents the removal of the historical interest expense under our existing borrowing arrangements with ArcelorMittal and the repayment of such facilities as described in adjustments (b), (c) and (f), as well as the settlement of borrowings through an equity contribution described in adjustment (g) below of short-term debt and current portion of long-term debt of $834 million and long-term debt net of current portion of $810 million.

(e) Represents the tax effects of pro forma adjustments at the applicable tax rates. For the removal of historical tax expense (see item (d)), the statutory rate of the debt holders was utilized, which, on a blended basis, was approximately 34%. For the recognition of new interest expense under the new agreements described in items (b) and (c), the expense was taxed at a rate of approximately 29%, corresponding to the statutory tax rate of Luxembourg, the jurisdiction in which the corporate entity obtaining financing is domiciled.

(f) Represents the settlement of $538 million of payables under existing ArcelorMittal facilities with amounts receivable under the cash pooling arrangements of $646 million, which have been included in short-term debt and in other current assets, respectively, in the statement of financial position as of December 31, 2010. The cash-settlement of these items is reflected as an increase in cash of $108 million.

(g) Represents the contribution of $266 million related to the remaining amount of borrowings under the existing arrangements with ArcelorMittal ($218 million), spin-off of patents and trademarks from ArcelorMittal ($10 million) and other amounts due to ArcelorMittal ($57 million, less related deferred tax of $19 million) which will be settled through an equity contribution. The other amounts consist of corporate cost allocations payable to ArcelorMittal.

C. Risk Factors

The Company's business, financial condition, results of operations or prospects could be materially adversely affected by any of the risk and uncertainties described below.

Risks Related to the Company and the Stainless and Specialty Steel Industry

The recent downturn in the global economy caused a sharp reduction in worldwide demand for stainless and specialty steels. Should the global economy or the economies of the Company's key selling markets fail to recover or sustain continued growth, this would have a material adverse effect on the stainless and specialty steel industry and the Company.

The Company's business and results of operations are substantially affected by international, national and regional economic conditions. Starting in September 2008 and lasting through much of 2009, a steep downturn in the global economy, resulting in part from uncertainty in credit markets and deteriorating consumer confidence, sharply reduced demand for stainless and specialty steel products worldwide. This had, and to some extent continues to have, a pronounced negative effect on the Company's business and results of operations.

Although the global economy showed signs of recovery by the end of 2009 and through 2010, should the incipient recovery falter, the outlook for stainless and specialty steel producers will again worsen. In particular, the re-emergence of recessionary conditions or a period of weak growth in Europe, or slow growth in emerging economies that are, or are expected to become, substantial consumers of stainless and specialty steels (such as Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States ("**CIS**")) would have a material adverse effect on the stainless and specialty steel industry. Protracted declines in stainless and specialty steel consumption caused by adverse economic conditions in any major markets or by the deterioration of the financial condition of any key customers would have a material adverse effect on demand for, and prices of, the Company's products and, hence, its results of operations. An uneven recovery, with growth limited to certain regions, or excluding the Company's key markets of South America and Europe or key industries such as the household appliance and catering industries, would also have an adverse effect on its business, financial condition, results of operations and prospects. In addition, although the majority of the Company's costs, such as raw material costs, are variable, and generally fluctuate in line with the Company's revenue, the Company's fixed costs do not vary with increases or decreases in revenue. Therefore, a resumed downturn in stainless steel demand and consumption could impact the Company's profitability to the extent the Company's is unable to reduce fixed costs in line with any reduction in revenue.

Excess capacity and oversupply in the stainless steel industry globally may hamper the industry's recovery and/or prolong the downward trend in stainless steel prices.

In addition to economic conditions, the stainless steel industry is affected by global production capacity and fluctuations in stainless steel imports and exports. The stainless steel industry has historically suffered from structural overcapacity, particularly in the EU-15. Production capacity in the developing world, particularly China, has recently increased substantially and China is now the largest global stainless steel producer by a large margin. The balance between China's domestic production and consumption is accordingly an important factor in global stainless steel prices. Chinese stainless steel exports, or conditions favorable to them (such as excess capacity in China and/or higher market prices for stainless steel in markets outside of China), can have a significant impact on stainless steel prices in other markets, including Europe and South America. Over the short to medium term, the Company is exposed to the risk of stainless steel production increases in China and other markets outstripping increases in real demand, which may weigh on price recovery in the industry as a whole.

A slowdown in China's stainless and specialty steel consumption could have a material adverse effect on global pricing.

A significant factor in the worldwide strengthening of stainless and specialty steel pricing in recent years has been the significant growth in consumption in China, which at times has outpaced its manufacturing capacity. At times, this has resulted in China being a net importer of stainless and specialty steel products, as well as a net importer of raw materials and supplies required for the manufacturing of these products. A reduction in China's economic growth rate with a resulting reduction in stainless and specialty steel consumption, coupled with China's expansion of steel-making capacity, could have the effect of a substantial weakening of both domestic and global stainless and specialty steel demand and pricing.

Protracted low stainless and specialty steel prices would have a material adverse effect on the Company's results, as would price volatility.

Stainless and specialty steel prices are volatile, reflecting a number of factors, including macroeconomic trends, developments in particular industries and the price of certain raw materials, in particular nickel. After rising steadily in the first half of 2007, stainless steel base prices decreased significantly in the second half of 2007 and subsequently experienced a continuous fall from March 2008 to March 2009, as a result of the financial crisis and a concurrent fall in nickel prices. Stainless steel base prices began to recover in 2009 in line with a general improvement in the global economy, an increase in nickel prices and an apparent increase in demand caused by the significant destocking that took place during the financial crisis. However, stainless steel prices peaked in the fourth quarter of that year, after which they began to fall again as concerns about the pace of the global recovery affected demand and nickel prices began to fall. This trend, however, slowed in the first quarter of 2010. Stainless steel prices subsequently rose significantly in the second quarter of 2010 and have since stabilized. Although stainless steel prices have recovered somewhat, the extent of the recovery in real demand, and any potential return to pre-crisis price levels, remains uncertain. A sustained price recovery will most likely require broad economic recovery in order to underpin an increase in real demand for stainless steel products by end users. A resumed downturn in stainless steel prices would materially and adversely affect the Company's sales and profitability, and could lead to the potential write-down of stainless steel products and raw materials inventories as well as certain of the Company's tangible assets.

The Company is dependent on raw materials, which are subject to fluctuations in price.

Stainless and specialty steel production requires substantial amounts of raw materials (primarily nickel, chromium, molybdenum, stainless and carbon steel scrap, coke and/or charcoal (biomass), and iron ore). The Company is exposed to price volatility with respect to each of these raw materials, which it purchases mainly under short- and long-term contracts, but also on the spot market. While increases in the prices of raw materials, such as nickel, ferrochrome and molybdenum, are normally passed on to customers, the Company is subject to the risk that in an environment of declining raw materials prices, such as occurred in the second half of 2007, it will be subject to higher raw material costs as compared to spot market prices, which would have a negative impact on its margins and profitability. In addition, while prices for stainless steel in Europe and the United States generally include an "alloy surcharge", which the Company and other stainless steel producers add to the base price of stainless steel products in order to pass on the costs of certain raw materials to customers, there is normally a one-month delay between the calculation of the alloy surcharge and the completion of a sale. The Company is, therefore, subject to the risk of an increase in raw material costs during this one-month delay, which could also impact its profitability.

In addition to the raw material risks described above, the Company is also subject to the risk that it may be unable to acquire certain of its raw materials on a timely basis, on acceptable price and other terms, or at all. While the Company will act independently from ArcelorMittal in connection with the acquisition of its key strategic raw materials, such as nickel, chromium, molybdenum and stainless steel scrap, under the terms of the Purchasing Services Agreement for Europe (the "**Purchasing Services Agreement**"), the Brazilian Cost Sharing Agreement (the "**Brazilian Cost Sharing Agreement**") and the Sourcing Services

Agreement for Europe (the “**Sourcing Services Agreement**”), it will continue to depend upon ArcelorMittal for certain advisory and/or procurement services and activities in relation to certain other raw materials and the supply of certain quantities of such raw materials, including energy (electricity, natural gas, industrial gas), ferro-alloys and certain base materials, operating materials (rolls, electrodes, refractories) and industrial products and services. There can be no assurance that ArcelorMittal will be able to advise the Company successfully or procure sufficient quantities of the raw materials that the Company will depend upon ArcelorMittal to procure. If the Company is unable to obtain adequate and punctual deliveries of required raw materials, it may be unable to manufacture sufficient quantities of its products in a timely manner (especially those products requiring long lead times or which involve complex manufacturing processes), which could cause the Company to lose customers, incur additional costs, delay new product introductions or suffer harm to its reputation.

In addition, the availability and prices of raw materials may be negatively affected by, among other factors:

- new laws or regulations;
- suppliers’ allocations to other purchasers;
- business continuity of suppliers;
- interruptions in production by suppliers;
- accidents or other similar events at suppliers’ premises or along the supply chain;
- wars, natural disasters and other similar events;
- fluctuations in exchange rates;
- consolidation in steel-related industries; or
- the bargaining power of raw material suppliers and the availability and cost of transportation.

Any prolonged interruption in the supply of raw materials, or increases in raw material costs which cannot be passed on to customers, could adversely affect the Company’s business, financial condition, results of operations or prospects.

The prices for, and the availability of, energy resources consumed in the manufacture of the Company’s products are subject to volatile market conditions.

The prices for, and the availability of, electricity, natural gas and other energy resources used by the Company in the manufacture of its products are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond the Company’s control. Disruptions in the supply of energy resources could temporarily impair the Company’s ability to manufacture products for its customers. Furthermore, increases in energy costs or changes in costs relative to energy costs paid by competitors have had and may continue to have an adverse effect on the Company’s profitability. To the extent that these uncertainties cause suppliers and customers to be more cost sensitive, increased energy prices may have a material adverse effect on the Company’s business, financial condition, results of operations or cash flows.

Competition from other materials could reduce market prices and demand for stainless and specialty steel products.

In many applications, stainless and specialty steels compete with other materials that may be used as substitutes, such as aluminum, cement, composites, glass, plastic and carbon steel. Any future government regulatory initiatives mandating or encouraging the use of such materials in lieu of stainless or specialty steel products, whether for environmental or other reasons, as well as the development of other new substitutes for stainless or specialty steel products, could significantly reduce market prices and demand for stainless and specialty steel products and thereby reduce the Company's sales, cash flow and profitability.

Products containing stainless and specialty steels may become obsolete as a result of the emergence of new technologies, resulting in reduced demand for the Company's products.

In the past, the emergence of new technologies has resulted in certain products containing stainless and specialty steels becoming obsolete. For instance, the introduction of digital cameras has resulted in a sharp decline in the consumption of rolls of film, whose housings are made of carbon steel. In addition, the rise in popularity of flat screen television sets has led to a decline in demand for cathode ray tube television sets, which use magnetic shields and shadow masks that are made from nickel alloys. If in the future new technologies result in other products that contain stainless and specialty steels becoming obsolete, demand for the Company's products could be adversely affected, which could, in turn, have an adverse effect on its profitability and cash flows.

The introduction of low quality substitution products may negatively affect the image of stainless steel as a high quality product.

Stainless steel is a niche product well known for its high quality, long service and durability. The introduction of low quality stainless steel grades may threaten the positive image of stainless and specialty steel products.

By way of example, chrome-manganese austenitic stainless steel grades (referred to as "standard 200 series" grades), with well-defined and well-documented technical properties, have proved acceptable materials for specific applications for many years. However, there has recently been a significant increase in the use of new and more economical chrome-manganese grades (referred to as "new 200 series" grades), notably in Southeast Asia and especially China. The increase in the production and use of these "new 200 series" grades is not currently matched by an adequate level of user knowledge. There is, therefore, a risk that they may be used in unsuitable applications as an ill-judged cost-saving strategy, or through lack of knowledge about the in-service conditions necessary for this material to perform well over time.

As yet, there are no international standards or references for the proper use of "new 200 series" grades. The properties of some of these grades are, in many respects, not comparable to those of well established stainless steels, notably in terms of corrosion resistance, formability and weldability. However, a buyer could mistakenly assume these grades to be the equal of chrome-nickel austenitic grades, which are widely known to be non-magnetic. There have been cases of mislabeling and fraud, which could seriously threaten stainless steel's positive image. In addition, other potential concerns surrounding "new 200 series" grades include problems with scrap traceability and pollution in the recycling process. The introduction of such inappropriate competing technologies may have a negative impact on the image of stainless steels and could, therefore, have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The stainless and specialty steel market is characterized by strong competition.

The Company faces strong competition from other producers of stainless and specialty steels. Competitors may develop production technologies and products that are more cost effective than those of the Company, which could have a negative impact on its ability to increase its market share while maintaining profitability. Large, diversified producers of stainless and specialty steels may also use their resources, which could be greater than the Company's, in a variety of ways, including by making additional acquisitions, investing more aggressively in product development and capacity and displacing demand for the Company's products.

In addition, competition from global stainless and specialty steel manufacturers with significant production capacity and from new market entrants could result in significant price competition, declining margins and reductions in the Company's sales. By way of example, emerging stainless steel capacity in China has effectively eliminated a large export market, intensifying competition in other markets and contributing to excess capacity, which has had a significant impact on stainless steel base prices.

Any intensification of competition in the Company's markets could lead to a decline in sales and/or an increase in costs, which could have a material adverse effect on its business, financial condition and results of operations or cash flows.

The stocking and destocking of the Company's products by distributors may impact the price that the Company is able to charge for its products and may result in decisions to reduce production capacity.

Distributors of stainless and specialty steels typically undertake stainless steel purchasing decisions based on both speculation of raw material price trends and stainless steel demand. When raw material prices or demand for stainless steel products are expected to increase, distributors tend to increase their purchases with the goal of on-selling such products at a later date at a higher price. When distributors deplete their inventories, the market can become flooded with excess stainless steel. Purchasing decisions by distributors impact the base price that the Company is able to charge for its products. During periods of stocking, base prices tend to increase to reflect the increase in demand. Conversely, during periods of destocking, base prices tend to decrease as excess supply enters the market.

In addition, during periods of destocking by distributors, the Company may decide to cut back its production in an attempt to counter the decline in base prices. High levels of production are important to the Company's results of operations because they enable it to spread its fixed costs over a greater number of tonnes of production. When the Company does not operate at high capacity, its fixed costs per unit increase and its competitiveness and results of operations suffer. Increases in fixed costs per unit, and the consequential decline in the Company's competitiveness, have had, and may have in the future, a significant impact on its results of operations.

The Company's level of production and its sales and earnings are subject to significant fluctuations as a result of the cyclical nature of the stainless and specialty steel industry and some of its customer's industries.

The stainless and specialty steel industry is cyclical in nature, and the demand for, and price of, the Company's stainless and specialty steel products may fluctuate significantly due to many factors beyond its control, such as national and international macroeconomic conditions. Moreover, the sale of the Company stainless and specialty steel products is directly affected by demand for its products in other cyclical industries, such as the automotive, building and construction industries. The timing and magnitude of these fluctuations are difficult to predict, and a disruption or downturn in any of these industries, or continued economic difficulties, stagnant economies or supply/demand imbalances could have a material adverse effect upon the Company production, sales, financial condition and results of operations.

Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

The Company will review at each reporting date whether there is any indication that the carrying amount of its tangible and intangible assets (excluding goodwill, which will be reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset will be reviewed in order to determine the need for, and amount of, any impairment. The recoverable amount will be the higher of its net selling price (fair value reduced by selling costs) and its 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 (or cash generating unit). If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the combined statement of operations.

Goodwill represents the excess of the amount the Company paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Historically, goodwill was allocated to the Stainless Steel operating and reportable segment of ArcelorMittal. Beginning in 2010, goodwill is allocated at the level of the Company's three operating segments, the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the level of the groups of cash generating units which correspond to the operating segments as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of each of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, which depend on certain key assumptions. These include assumptions regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates which reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market. See Notes 2 and 8 to the Combined Financial Statements for further information.

If management's estimates or key assumptions change, the estimate of the fair value of goodwill could fall significantly and result in impairment. While impairment of goodwill does not affect reported cash flows, it does result in a non-cash charge in the combined statement of operations, which could have a material adverse effect on the Company's results of operations or financial position.

If an indicator for impairment is present, the Company will also analyze the recoverable amount of its manufacturing property, plant and equipment based on its value in use, and will record an expense in the combined statement of operations to the extent that the recoverable amount is less than the carrying amount.

No assurance can be given as to the absence of significant impairment charges in future periods.

Unfair trade practices in the Company's home markets could negatively affect prices and reduce its profitability, while trade restrictions could limit its access to key export markets.

The Company is exposed to the effects of "dumping" and other unfair trade and pricing practices by competitors. Moreover, government subsidization of the steel industry remains widespread in certain countries, particularly those with centrally controlled economies. As a consequence of the recent global economic crisis, there is an increased risk of unfairly-traded steel exports from such countries into various markets, including South America and Europe, which are the Company's key markets. Such imports could have the effect of reducing prices and demand for the Company's products, and, therefore, have a negative impact on its financial condition and results of operations.

The Company's results of operations could be affected by fluctuations in foreign exchange rates.

The Company operates and sells its products globally, and a substantial portion of its assets, liabilities, costs, sales and income are denominated in currencies other than the U.S. dollar (the Company's reporting currency). Accordingly, currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which the Company have significant operations and/or sales, could have a material impact on its results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Currency Exposure."

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy. This involvement, as well as Brazilian political and economic conditions, could adversely affect the Company's business.

The Company derives a significant portion of its sales from its operations in Brazil. The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls (such as those imposed on the steel sector prior to privatization), currency devaluations, capital controls and limits on imports. The Company's business, financial condition and results of operations may be adversely affected by changes in governmental policies or regulations involving or affecting factors such as:

- interest rates;
- exchange controls and restrictions on remittances abroad;
- currency fluctuations;
- inflation;
- price instability;
- energy shortages and rationing programs;
- liquidity of domestic capital and lending markets;
- import duties;
- tax policies and rules; and
- other political, social and economic developments in or affecting Brazil.

Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. In particular, if the Brazilian government were to decrease the import duties currently applicable to stainless and specialty steel imports, its sales in Brazil could be materially adversely affected.

Disruptions to the Company's manufacturing processes could adversely affect its operations, customer service levels and financial results.

Stainless and specialty steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers). The Company has in the past experienced, and may continue to experience, unanticipated plant outages or equipment failures. In addition, it could experience transportation disruptions or disruptions in the supply of raw materials and energy. To the extent that the Company is unable to compensate for lost production as a result of such disruptions with production from unaffected facilities and/or existing inventory, its business, financial condition, results of operations or cash flows could be adversely affected. The Company is particularly exposed to the risk of production disruptions in Brazil, where it operates its production facilities at or near full capacity production levels.

Natural disasters could significantly damage the Company's production facilities.

Natural disasters could significantly damage the Company's production facilities and general infrastructure. Extensive damage to these facilities or any other major production complexes and staff casualties as a result of natural disasters could, to the extent that lost production as a result of such a disaster cannot be compensated for by production from unaffected facilities and/or existing inventory, severely affect its ability to conduct its business and, as a result, adversely affect its results of operations.

The Company could experience labor disputes that may disrupt its operations and its relationships with its customers.

A majority of the Company's employees and contractors are represented by labor unions and are covered by collective labor or similar agreements, which are subject to periodic renegotiation. Although the Company entered into collective labor agreements in Brazil, Belgium and France in 2009, strikes or work stoppages could occur at any time, in particular prior to or during the negotiations preceding the execution of any new collective labor agreements, or in connection with any future wage or benefit negotiations between management and employees. The Company periodically experiences strikes and work stoppages at its facilities, which may increase in severity and frequency and could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Company's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.

The Company maintains insurance on property and equipment in amounts management believes to be consistent with industry practice but, like other steel producers, it is not fully insured against all business risks. Its insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policies. Under these policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. Each of the Company's operating subsidiaries also maintains various other types of insurance, such as workers' compensation insurance and marine insurance. The occurrence of an event that is uninsurable or not fully insured, however, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, the Company maintains trade credit insurance on receivables from selected customers, subject to limits that it believes are consistent with those in the steel industry, in order to protect it against the risk of non-payment due to customers' insolvency or other causes. However, not all of the Company's customers are or can be insured, and even when insurance is available, it may not fully cover the exposure.

As a result of the recent economic downturn, which has had a particularly severe impact on certain countries and industries, including the automotive, catering and household, industrial equipment and transportation industries, insurers no longer provide coverage for certain customers or impose trade credit insurance limits that are not sufficient to cover the Company's exposure to certain customers.

Notwithstanding the insurance coverage that the Company carries, the occurrence of an accident that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by the Company's insurance policies, could materially harm its financial condition and future operating results.

The Company may incur environmental liability and investment expenses in connection with its past, present or future operations.

The Company's activities are subject to extensive and increasingly stringent environmental laws and regulations regarding, for example, control of major accidents, elimination of waste water, elimination of hazardous solid industrial waste, prevention of atmospheric and water pollution, protection of sites, health and safety and remediation of environmental contamination.

The Company may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of the companies or operations responsible for the relevant violations. Courts, regulatory authorities or third parties could also require, or seek to require, the Company to: (i) undertake investigations and/or implement remedial measures regarding either the current or historical contamination levels of current or former facilities; and/or (ii) curtail operations, or temporarily or permanently close facilities in connection with applicable environmental laws and regulations.

Moreover, the Company incurs costs and liabilities associated with the assessment and remediation of contaminated sites. In addition to the impact on current facilities and operations, environmental remediation obligations can give rise to substantial liabilities in respect of divested assets and past activities. This may also be the case for acquisitions when liabilities for past acts or omissions are not adequately reflected in the terms and price of the acquisition. The Company could become subject to further remediation obligations in the future, as additional contamination is discovered or cleanup standards become more stringent.

Furthermore, compliance with new and more stringent environmental obligations, particularly those arising from policies limiting greenhouse gas emissions, may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations. Such regulations, whether in the form of a national or international cap-and-trade emissions permit system or other regulatory initiatives, could have a negative effect on the Company's production levels, income and cash flows, or could have a negative effect on its suppliers and customers, which could result in higher costs and lower sales.

Despite the Company's efforts to comply with environmental laws and regulations, any of the foregoing factors could negatively affect the operations of its key facilities or its reputation, both of which could materially adversely affect its business, financial condition, results of operations or cash flows. For additional information, see Note 23 to the Combined Financial Statements.

Product liability claims could adversely affect the Company's operations.

The Company sells products to major manufacturers engaged in manufacturing and selling a wide range of end products. It also from time to time offers advice to these manufacturers in relation to the use or selection of certain products. Furthermore, the Company's products are sold to, and used in, certain safety critical applications, and there could be significant consequential damages resulting from the use of such products. Although the Company maintains product liability insurance in amounts believed to be consistent with industry practice, it may not be fully insured against all potential damages that may arise out of a product liability claim. Therefore, a major claim for damages related to its products sold (and, as the case may be, advice given in connection with such products) could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is subject to regulatory risk, and may incur liabilities arising from investigations by governmental authorities and litigation regarding, among other things, its pricing and marketing practices or other antitrust matters.

The Company may be subject to exacting scrutiny from regulatory authorities and private parties, particularly regarding its trade practices and dealings with customers and counterparties. Moreover, as a result of its position in the stainless and specialty steel market, the Company could be the target of governmental investigations and lawsuits based on antitrust laws in particular. These could require significant expenditures and result in liabilities or governmental orders that could have a material adverse effect on its business, operating results, financial condition and prospects.

The Company may be subject to litigation which could be costly, result in the diversion of management's time and efforts and require it to pay damages and/or prevent it from marketing its existing or future products.

A number of lawsuits, claims and proceedings have been and may be asserted against the Company in relation to the conduct of its currently and formerly owned businesses, including those pertaining to product liability, patent infringement, commercial practices, employment, employee benefits, taxes, environmental issues, health and safety and occupational disease. Due to the uncertainties of litigation, no assurance can be given that it will prevail on all claims made against it in the lawsuits that it currently faces or that additional claims will not be made against it in the future. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to the Company, Management does not believe that the disposition of any such pending matters is likely to have a material adverse effect on the Company's financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on its results of operations for that period. Management can also give no assurance that any litigation brought in the future will not have a material effect on its financial condition or results of operations. For a discussion of certain ongoing investigations and litigation matters involving the Company, see Note 23 to the Combined Financial Statements.

The Company's governance and compliance processes may fail to prevent regulatory penalties and reputational harm.

The Company operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity worldwide. Its governance and compliance processes, which include the review of internal control over financial reporting, may not prevent all future breaches of law, accounting or governance standards. The Company may be subject to breaches of its Code of Business Conduct and certain other business conduct protocols, as well as instances of fraudulent behavior and dishonesty by its employees, contractors or other agents. The Company's failure to comply with applicable laws and other standards could subject it to fines, loss of operating licenses and reputational harm.

The Company's operations and products are subject to stringent health and safety laws and regulations that give rise to significant costs and liabilities.

The Company's operations and products are subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties.

Despite the Company's significant efforts to monitor and reduce accidents at its facilities, there remains a risk that health and safety incidents may occur, which may result in costs and liabilities and negatively impact its reputation or the operations of the affected facility. Such incidents could include explosions or gas leaks, fires, vehicular accidents, other incidents involving mobile equipment, or exposure to radioactive or other potentially hazardous materials. Some of the Company's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and it is, therefore, subject to the risk of industrial accidents which could have significant adverse consequences for its workers and facilities, as well as the environment. Such incidents could lead to production stoppages, loss of key personnel or the loss of key assets, and put at risk employees (and those of subcontractors and suppliers) or other persons living near affected sites.

The Company's income tax liability may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement.

Taxes payable by companies in many of the countries in which the Company operates are substantial and include value-added tax, excise duties, profit taxes, payroll related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and continuing budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on the Company's financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose the Company to significant fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden.

In addition, certain of the jurisdictions in which the Company operates have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, this could have a material adverse effect on its financial condition and results of operations.

It is also possible that tax authorities in the countries in which the Company operates will introduce additional revenue raising measures. The introduction of any such provisions may affect its overall tax efficiency and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on its financial condition and results of operations.

The Company may also face a significant increase in its income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which it operates, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect its cash flows, liquidity and ability to pay dividends.

If the Company were unable to utilize fully its deferred tax assets, its profitability could be reduced.

As at December 31, 2010, we had $183 million recorded as deferred tax assets on our combined statement of financial position, the majority of which have no expiration date. These assets can be utilized only if, and only to the extent that, our operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carry-forwards and reverse the temporary differences prior to expiration. At December 31, 2010, the amount of future income required to recover our deferred tax assets was approximately $545 million at certain operating subsidiaries. Our ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we generate lower taxable income than the amount we have assumed in determining our deferred tax assets, then the value of our deferred tax assets will be reduced.

Some of the Company's operations depend on joint ventures, consortia and other forms of cooperation, and its business could be adversely affected if its partners fail to observe their commitments.

The Company participates in joint ventures and consortia and owns minority interests in certain companies, including its equity method investment in BioEnergia, in which ArcelorMittal owns a 63.5% interest and the Company holds a 36.5% interest, although the Company and ArcelorMittal have entered into a letter of intent dated November 1, 2010 to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities supporting the Company's stainless steel business through a demerger, such that the Company's investment in BioEnergia will no longer be held through a joint venture once this transaction is completed, which is expected to be in the first half of 2011.

The Company's forecasts and plans for these joint ventures and consortia assume that its partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel or financing. In addition, many of the projects contemplated by the Company's joint ventures or consortia rely on financing commitments, which contain certain preconditions for each disbursement. If any of the Company's partners fails to observe their commitments or if the Company fails to comply with all preconditions required under its financing commitments, the affected joint venture, consortium or other project may not be able to operate in accordance with its business plans, or the Company may have to increase the level of its investment to implement these plans. Any of these events may have a material adverse effect on the Company.

The Company may need additional capital in the future to sufficiently fund its operations.

Heavy industries, such as the stainless and specialty steel industry, require large amounts of working capital. Free cash flow generated by companies within the stainless and specialty steel industry can be significantly affected by the necessity to carry out major investments. From time to time, and in addition to the maintenance of its facilities in Brazil, Belgium and France the Company undertakes strategic capital projects in order to expand and upgrade its facilities and operational capabilities. The Company cannot guarantee that additional financing will be available when needed for the ongoing maintenance of its facilities or for future strategic capital projects, or that, if available, it will be able to obtain financing on terms favorable to it. In addition, the cost of implementing a strategic capital project ultimately may prove to be greater than originally anticipated.

If the Company cannot raise funds on acceptable terms, it may not be able to develop or enhance its products, execute its business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated customer requirements. Any of these events could adversely affect the Company's ability to achieve its development goals and could have a material adverse effect on its business, financial condition results of operations or cash flows.

The Company may seek to expand its business partly through acquisitions which, by their nature, involve numerous risks and could have an adverse effect on its financial condition and results of operations.

In order to achieve its growth strategy, the Company may rely in part on acquisitions and the establishment of joint ventures. However, the Company may not successfully identify appropriate targets, consummate transactions on satisfactory terms, successfully integrate acquired businesses, technologies or products, effectively manage newly acquired operations or realize anticipated cost savings in connection with a particular acquisition or joint venture. Furthermore, it may be unable to arrange financing for acquired businesses (including acquisition financing) on favorable terms to it and, as a result, elect to fund acquisitions with cash that could otherwise be allocated for other uses in its existing operations. The Company may also experience problems in integrating acquired businesses, including possible inconsistencies in systems, procedures (including accounting systems and controls), policies and business cultures, the diversion of management's attention from day-to-day business, the departure of key employees and the assumption of liabilities, such as environmental liabilities. These risks could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Company's growth strategy is inherently subject to completion and financing risks, which, if realized, could adversely affect its results of operations and financial condition.

As a part of its future growth strategy, the Company aims to expand its production capacity and product range through a combination of brownfield growth, new greenfield projects and/or acquisition opportunities. In particular, it is planning to expand its electrical steel capacity in Brazil through brownfield development. To the extent that these plans proceed, these projects would require substantial capital expenditures (with the attendant risks noted above), and timely completion may be affected by factors beyond its control. These factors include receiving financing on reasonable terms, obtaining or renewing required regulatory approvals and licenses, local opposition to land acquisition or project development, demand for the Company's products and general economic conditions. Any of these factors may cause the Company to delay, modify or forego some or all aspects of its expansion plans. There can be no guarantee that it will be able to execute these projects, and, to the extent that they proceed, that it will be able to complete them on schedule or within budget, or that it will achieve an adequate return on its investment.

Mr. Lakshmi N. Mittal has the ability to exercise significant influence over the outcome of shareholder votes.

As of 26 January 2011, the Mittal Shareholder owned 31,866,913 ordinary shares in the Company, representing approximately 40.83% of its outstanding voting shares. Consequently, the Mittal Shareholder has the ability to significantly influence decisions adopted at the general meeting of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, issuances of equity and the incurrence of indebtedness. The Mittal Shareholder also has the ability to significantly influence a change of control of the Company.

The Company is a holding company which depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future operational needs or for shareholder distributions.

Because the Company is a holding company, it is dependent on the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations, pay any cash dividends or distributions on its ordinary shares or conduct share buy-backs. Some of the Company's operating subsidiaries have outstanding debt obligations or are subject to acquisition agreements that impose restrictions or prohibitions on such operating subsidiaries' ability to pay dividends. Under the laws of Luxembourg, the Company will be able to pay dividends or distributions only to the extent that it is entitled to receive cash dividend distributions from its subsidiaries, recognize gains from the sale of its assets or record share premium from the issuance of shares.

If the income and cash flows of its operating subsidiaries are substantially reduced, the Company may not be in a position to meet its operational needs or to make shareholder distributions in line with announced proposals. The Company's ability to pay dividends in the future cannot be guaranteed.

Risks Relating to the Reorganization and the Company Operating as an Independent Entity

The Company is no longer able to rely on certain benefits of being part of the ArcelorMittal Group.

Prior to the spin-off, the Company operated as part of ArcelorMittal and, accordingly, it benefited from financial, administrative and other resources of a company that is larger than it. Under the Master Transitional Services Agreement (the "**Transitional Services Agreement**"), the Brazilian Cost Sharing Agreement, the Purchasing Services Agreement, the Sourcing Services Agreement and certain ancillary agreements, ArcelorMittal will agree to continue to provide some of these services and activities for a transitional period of up to two years from the closing date of the Company's separation from the ArcelorMittal Group or to transfer the necessary resources to the Company to enable it to perform the relevant activities itself. For a limited number of such services and activities, the transitional period is less than two years. Following this transitional period, which will last a maximum of two years, the Company will no longer be able to rely on ArcelorMittal for functions such as treasury management, which it will need to perform on its own for the first time. The Company has implemented, and is continuing to implement, the systems and procedures required in order to operate as a standalone public company. The Company will also consider outsourcing certain services to third-party providers. To the extent it is not able to successfully do so before the end of the transitional period, its business, financial condition, results of operations or cash flows may be adversely affected.

The Company, operating as an independent company, may not be able to leverage ArcelorMittal's relationships and global contacts

The Company's creation as an independent entity may alter the perception of its business by some of its customers and suppliers, who may be reluctant to do business with the Company because its brand name and reputation are not as well established as those of ArcelorMittal. To the extent it is not able to leverage ArcelorMittal's relationships and global contacts once it begins operating as an independent company, its business, financial condition, results of operations and cash flows may suffer.

The Company will not be able to rely on ArcelorMittal to fund its future capital requirements, and financing from other sources may not be available to it on favorable terms.

In the past, the Company's capital needs have been satisfied by ArcelorMittal. However, following the spin-off, ArcelorMittal will no longer provide funds to finance the Company's working capital or other cash requirements. The Company's future capital requirements will depend on many factors, including its rate of sales growth, the timing and extent of spending to support product development efforts, the expansion of sales and marketing activities, the timing of introduction of new products and enhancements to existing products and the market acceptance of its products. The Company may need to raise additional funds through public or private equity or debt financing. However, it may not be able to obtain financing with interest rates as favorable as those that ArcelorMittal could obtain. If the Company cannot raise funds on acceptable terms, if and when needed, it may not be able to further develop its business or invest in new products and services, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements, which could have a material adverse effect on its business, financial condition, results of operations or cash flows.

If the Company is unable to retain its core senior management team and other key personnel, its business could suffer.

The Company's key personnel have an extensive knowledge of its business and, more generally, of the stainless and specialty steel sector as a whole. The loss of any one of these key personnel, whether as a result of the spin-off or otherwise, would constitute a loss of industry and company knowhow and could result in the Company's competitors potentially being able to obtain sensitive information. The loss of key personnel could also adversely affect its ability to retain its most important customers, to continue the development of its products or to implement its strategy. The Company's success is dependent on the loyalty of its executive officers and other key employees and its ability to continue to attract, motivate and retain highly qualified personnel. Its inability to do so could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The historical combined financial statements and the unaudited pro forma combined financial information may not accurately reflect the Company's future performance.

This financial report contains the historical combined financial statements and the unaudited pro forma combined financial information, which have been derived from the combined financial statements of ArcelorMittal. We have prepared the unaudited pro forma combined financial information on the basis of the historical combined financial statements in order to present the Company's financial position as of December 31, 2010 and its results of operations for the year ended December 31, 2010 as adjusted to give effect to the allocation of the Company's ordinary shares, its separation from ArcelorMittal and related financing activities. See "Management's Discussion and Analysis of Financial condition and Results of Operations—Key Factors Affecting Results of Operations—Spin-off from ArcelorMittal".

The unaudited pro forma combined financial information is published solely for illustrative purposes and has not been audited and may not accurately reflect what our financial position and results of operations would have been had the Company been a separate, standalone, combined entity since January 1, 2010. Furthermore, neither the historical combined financial statements nor the unaudited pro forma combined financial information may be indicative of the Company's future performance.

U.S. investors may have difficulty enforcing civil liabilities against the Company and its directors and senior management.

The Company is incorporated under the laws of the Grand Duchy of Luxembourg, with its principal executive office and corporate headquarters in Luxembourg. The majority of the Company's directors and senior management are residents of jurisdictions outside of the United States, and the majority of its assets and the assets of these persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of process within the United States upon the Company or these persons or to enforce outside the United States judgments obtained against the Company or these persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against the Company or these persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws.

For instance, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against the Company's directors and senior management. Under the laws of the Grand Duchy of Luxembourg, actions by investors against the directors of a company for management fault may only be taken by a decision of the company's investors acting at a general shareholders' meeting. If an investor, however, has suffered harm as a result of a director's violation of the law or the company's articles of association, or as a result of the negligence or fault of a director, such investor may bring an action against such director if such investor can demonstrate that three conditions necessary to enforce a civil liability claim have been fulfilled: (i) fault of the director; (ii) special (i.e. direct and personal) damage suffered by the investor; and (iii) a causal link between the fault of the director and the damage suffered by the investor. An individual investor may not bring a lawsuit against a director if the damage is common to other investors as a whole as the laws of the Grand Duchy of Luxembourg do not provide for class actions by one investor on behalf of a class of investors. The same principles described above apply if an action is brought by an individual investor against the Company directly. There is no limitation under the laws of the Grand Duchy of Luxembourg which prevents U.S. investors from bringing an original action in a Luxembourg court predicated upon the provisions of the Luxembourg Company Act or the civil liability provisions of the Luxembourg Civil Code.

Risks related to the Company Indebtedness

The Company significant leverage may make it difficult to operate** its **businesses.

The Company currently have a significant amount of outstanding debt with substantial debt service requirements. As of December 31, 2010, based on the unaudited pro forma combined financial information appearing elsewhere in this financial report, the Company pro forma net debt amounted to $848 million and its pro forma total indebtedness amounted to $1,076 million. In addition, the Company borrowing base facility and its revolving credit facility allowed for an additional $400 million and $100 million, respectively, in future borrowings on a committed basis.

The Company significant leverage could have important consequences for its business and operations and for holder of notes, including, but not limited to:

- making it more difficult for the Company to satisfy its obligations with respect to its notes and other debts and liabilities;
- requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on its debt, thus reducing the availability of its cash flow to fund acquisitions, organic growth projects and for other general corporate purposes;
- increasing the Company vulnerability to a downturn in its business or general economic or industry conditions;
- placing the Company at a competitive disadvantage relative to competitors that have lower leverage or greater financial resources than it has;
- limiting the Company flexibility in planning for or reacting to competition or changes in its business and industry;
- negatively impacting credit terms with the Company creditors;
- restricting the Company from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, the Company's ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Any of these or other consequences or events could have a material adverse effect on the Company's ability to satisfy its debt obligations, including the notes. The Company's ability to make payments on and refinance its indebtedness and to fund acquisitions, working capital expenditures and other expenses will depend on its future operating performance and ability to generate cash from operations.

The Company may incur substantially more debt in the future, which may make it difficult for the Company to service its debt, including the notes, and impair its ability to operate its businesses.

The Company may incur substantial additional debt in the future. Although the indentures and the senior credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Under the indentures, in addition to specified permitted indebtedness, the Company will be able to incur additional indebtedness so long as on a pro forma basis its fixed charge coverage ratio (as defined in the indentures) is at least 2.00 to 1.00. The terms of the indentures will permit the Company to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the indentures. Moreover, some of the debt the Company may incur in the future could be structurally senior to the notes and may be secured by collateral that does not secure the notes. In addition, the indentures and the Company senior credit facilities will not prevent it from incurring obligations that do not constitute indebtedness under those agreements.

The Company debt agreements contain restrictive covenants that may limit its ability to respond to changes in market conditions or pursue business opportunities.

The indentures governing the notes issued and the Company senior credit facilities contain restrictive covenants that limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue preferred shares;
- pay dividends or make other distributions;
- purchase equity interests or reimburse subordinated debt prior to our maturity;
- create or incur certain liens;
- enter into transactions with affiliates;
- issue or sell capital stock of subsidiaries;
- engage in sale-and-leaseback transactions; and
- sell assets or merge or consolidate with another company.

These limitations are subject to a number of important qualifications and exceptions.

Complying with the restrictions contained in some of these covenants requires the Company meet certain ratios and tests, notably a minimum ratio of current assets to current liabilities included in the Company senior credit facilities. The requirement that the Company comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities the Company believes to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in its business.

If the Company is unable to comply with the restrictions and covenants in the indentures governing the notes, the senior credit facilities and other current and future debt agreements, there could be a default under the terms of these agreements, which could result in an acceleration of repayment.

If the Company is unable to comply with the restrictions and covenants in the indentures governing the notes, the senior credit facilities or in other current or future debt agreements, there could be a default under the terms of these agreements. The Company's ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond its control. As a result, the Company cannot assure that it will be able to comply with these restrictions and covenants or meet such financial ratios and tests. In the event of a default under these agreements, lenders could terminate their commitments to lend or accelerate the loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, the Company's assets might not be sufficient to repay in full all of its outstanding indebtedness and the Company may be unable to find alternative financing. Even if it could obtain alternative financing, it might not be on terms that are favorable or acceptable to the Company.

To service the Company indebtedness, it requires a significant amount of cash, and its ability to generate cash will depend on many factors beyond its control.

The Company's ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures depends in part on its ability to generate cash in the future. This ability is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

The Company cannot assure that it will generate sufficient cash flow from operations, that it will realize operating improvements on schedule or that future borrowings will be available to the Company in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs. If the Company is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any refinancing or debt restructuring would be possible, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be favorable to the Company or that additional financing could be obtained on acceptable terms. Disruptions in the capital and credit markets, as have been experienced in recent years, could adversely affect the Company's ability to meet its liquidity needs or to refinance its indebtedness, including its ability to draw on its existing credit facilities or enter into new credit facilities. Banks that are party to the Company existing credit facilities may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from the Company and other borrowers within a short period of time.

The Company variable rate indebtedness subjects it to interest rate risk, which could cause its debt service obligations to increase significantly.

Certain of the Company's borrowings, primarily borrowings under its senior credit facilities, are at variable rates of interest and expose the Company to interest rate risk. As of December 31, 2010 on a pro forma basis after giving effect to the spin-off and related transactions, a majority of the Company financial debt would have been at variable interest rates. If interest rates increase, the Company debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that the Company uses more of its available cash to service its indebtedness. While the Company intends to manage its exposure to fluctuations in interest rates, if interest rates increase dramatically, the Company could be unable to service its indebtedness, which could have a material adverse effect on its business, financial condition, results of operations and cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Exposure."

Item 2: Information on the company

A. History and development of the company

APERAM Overview

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2010. We are the largest stainless and specialty steel producer in South America and, according to the International Stainless Steel Forum ("ISSF"), we are the third largest producer in Europe. We are also a leading producer of high value-added specialty products, including grain oriented ("GO") and non-grain oriented ("NGO") electrical steels and nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have approximately 9,900 employees. Our distribution network is comprised of 19 steel service centers ("SSCs"), 10 transformation facilities and 30 sales offices. We sell our products to customers on three continents in over 30 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of $5.6 billion, $4.2 billion and $8.4 billion and shipments of approximately 1.74 million tonnes, 1.45 million tonnes and 1.96 million tonnes for the years ended December 31, 2010, 2009 and 2008, respectively.

In April 2010, we began managing our business according to three operating segments:

- *Stainless & Electrical Steel.* We are one of the largest global producers of stainless steel by production capacity. We produce a wide range of stainless and electrical steels (both GO and NGO steel) and focus on developing new grades of stainless steel and higher grades of electrical steel. We have a broad portfolio of stainless and electrical steel products and we continuously expand our product offerings.

- *Services & Solutions.* Our Services & Solutions segment performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements.

- *Alloys & Specialties.* We believe that our Alloys & Specialties segment is the third largest producer of nickel alloys in the world. We specialize in the design, production and transformation of various nickel alloys and certain specific stainless steels. Our products take the form of bars, semis, cold-rolled strips, wire and wire rods, and plates, and are offered in a wide range of grades.

We also hold interests in certain entities that produce raw materials used as inputs in our production process. We hold a 36.5% interest in BioEnergia, which uses an advanced biomass technology to produce charcoal (biomass), which we subsequently purchase pursuant to a long-term supply agreement. We use the charcoal (biomass) produced by BioEnergia as a substitute for coke at our Timóteo production facility in Brazil, enabling us to produce stainless and specialty steel products in a more efficient and sustainable manner. We recently entered into a letter of intent with ArcelorMittal to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities supporting our stainless steel business through a demerger that is expected to take place in mid-2011. After the demerger, our investment in BioEnergia will no longer be held through a joint venture, but rather through a fully consolidated subsidiary, as further described in "Business—Strategic Participation in Biomass and Upstream—BioEnergia." We also hold a minority interest in General Moly (9.67% as of December 31, 2010), the owner of one of the world's largest development projects for the production of molybdenum, with which we have entered into a long-term supply agreement.

History and Development of the Company

The Spin-off

On December 7, 2010, our board of directors and the board of directors of ArcelorMittal approved a proposal to spin off ArcelorMittal's stainless and specialty steels businesses to its shareholders in order to enable it to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in specialty products, including electrical steel. On January 25, 2011, at an extraordinary general meeting, the shareholders of ArcelorMittal voted to approve the spin-off proposal. ArcelorMittal, as our sole shareholder as of that date, also voted to approve the spin-off proposal.

In connection with the spin-off, 78,049,730 of our ordinary shares were allocated on a pro rata basis to ArcelorMittal's shareholders at an exchange ratio of one of our ordinary shares for every 20 ordinary shares of ArcelorMittal. Our ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.

The company

The Company is a Luxembourg public limited liability company (*société anonyme*) incorporated on September 9, 2010 to hold the assets which comprise the stainless and specialty steels businesses of ArcelorMittal.

The Company has its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce and Companies under the number B-155.908.

The stainless and specialty steels businesses of ArcelorMittal are primarily composed of four entities, Ugine S.A., ALZ, Acesita and Imphy S.A., and were formed from several business combinations. The history of these four entities is described below.

Ugine S.A.

Ugine ACG was formed from three French ironworks plants: Gueugnon, which was founded in 1724 and introduced the first bright annealing line in 1962; Isbergues, which was founded in 1881 by the "Société des Aciéries de France"; and Ardoise, which was founded in the early twentieth century. Ugine Aciers, the predecessor entity of Ugine ACG, was acquired by Sacilor S.A. in 1982. Following the merger of Sacilor S.A. and Usinor S.A. in 1986, Ugine ACG was reorganized as Ugine S.A. in 1991 and restructured as the stainless steel division of Usinor. At the time of this reorganization, Ugine S.A. comprised Ugine-Savoie, which produced long stainless steel products, Industeel, J&L Steel and Thainox, which was subsequently separated from Ugine S.A.

In 1998, Usinor acquired 27.83% of Acesita, a Brazilian stainless steel producer that was renamed Aperam South America (formerly known as "ArcelorMittal Inox Brasil").

ALZ

In 1961, Allegheny Ludlum, an American stainless steel producer, and Espérance-Longdoz, a Belgian steel producer, formed Allegheny-Longdoz, which was originally a reroller of flat stainless steel. In 1970, Allegheny-Longdoz completed the construction of a steel plant in Genk, Belgium, and, in 1974, after the departure of Allegheny Ludlum, Allegheny-Longdoz was renamed ALZ. In 1985, Arbed S.A. acquired the majority of ALZ through its subsidiary Sidmar N.V. and in 1987, ALZ became a subsidiary of Arbed S.A. In 2000, ALZ completed an overhaul of the Genk production facility.

Acesita (Aperam South America formerly known as "ArcelorMittal Inox Brasil")

Acesita was founded in 1944 and commenced operations as a cold roller of flat stainless steel in 1977 and as a cold roller of electrical steels in 1979. In 1980, its steckel mill became fully operational. In 1992, Acesita was privatized and in 1998, Usinor acquired 27.83% of its shares. Usinor subsequently increased its stake to 40.12% in 2005 and 57.30% in 2006. Following the merger of Arcelor with Mittal Steel in 2006, ArcelorMittal completed the acquisition of 100% of the share capital of Acesita (which was renamed ArcelorMittal Inox Brasil afterward Aperam South America) in 2008 and Aperam South America was subsequently delisted from the São Paulo Stock Exchange ("**Bovespa**").

Imphy S.A. (Aperam Alloys Imphy formerly known as ArcelorMittal Stainless and Nickel Alloys)

Imphy S.A.'s core operations are located in Imphy, France, where the Forge d'Imphy commenced operations in the early seventeenth century. Imphy S.A. has been a pioneer in the development of iron-nickel grades, particularly through the discovery of the 36% iron-nickel alloy, known as Invar®, which has been a registered trademark of Imphy S.A. since 1904. Since then, Imphy S.A.'s focus has been on specialty steels. In 1961, Imphy S.A. diversified into electrical components manufacturing through the creation of Mécanique de Montargis Co., which has been renamed as ArcelorMittal Stainless and Nickel Alloys Components. Imphy S.A. was part of the Creusot-Loire group until it became part of Sacilor S.A. in 1983. Following the merger of Sacilor S.A. and Usinor S.A. in 1986, Usinor-Sacilor was subsequently privatized in 1995 and then reorganized as Usinor in 1997.

Imphy S.A. completed the construction of an electrical arc furnace meltshop in 1982 and the revamping of its wire rolling mill in 1995. In 2008, ArcelorMittal Stainless and Nickel Alloys acquired Rescal S.A., which owns a wire drawing mill located outside Paris.

Formation of Ugine & ALZ (U&A)

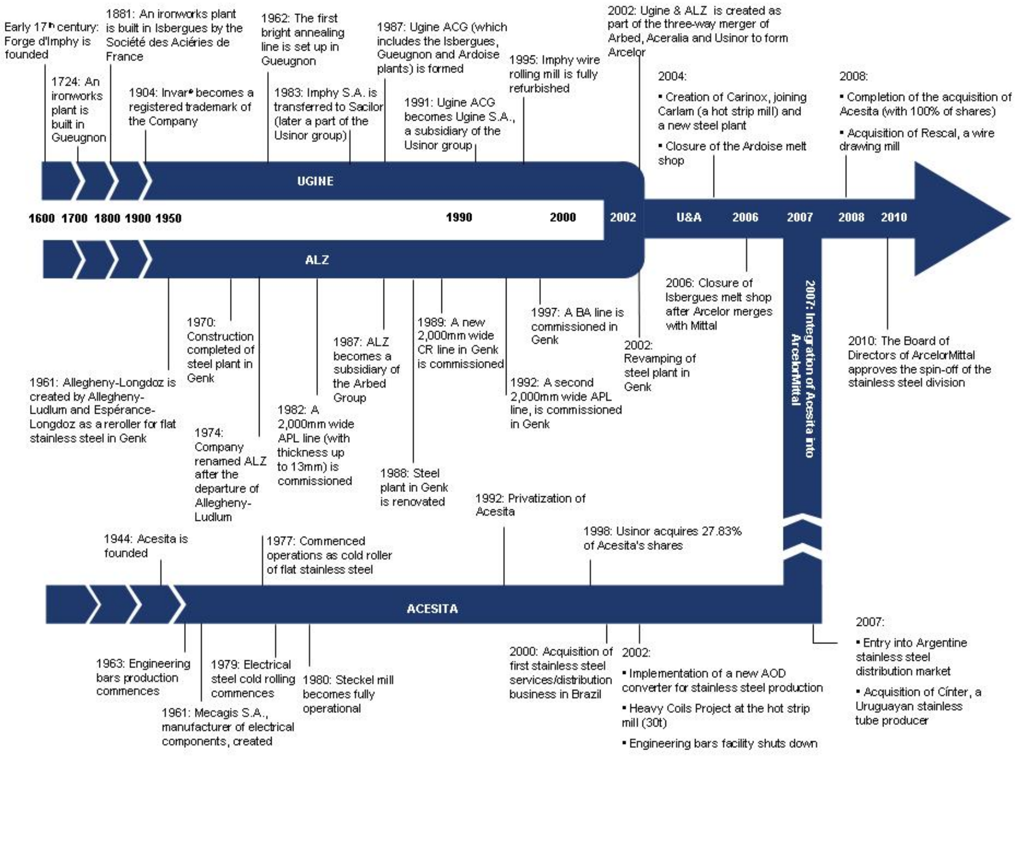
Ugine & ALZ ("**U&A**") was formed in 2002 as part of the three-way merger of Usinor, the Arbed Group and Aceralia, a Spanish steel company which had a strategic alliance with the Arbed Group. Following the merger of Arcelor S.A. and Mittal Steel, Ugine & ALZ was renamed ArcelorMittal Stainless Europe.

In 2005, U&A completed the construction of Carinox, a state-of-the-art meltshop, which replaced the L'Ardoise and Isbergues meltshops.

Expansion of the Company's Distribution Network

In the late 1990s, the stainless steel division of ArcelorMittal began to build its distribution network when it acquired independent distributors in Italy, Germany and Spain. From 2000 onwards, its distribution network was upgraded in order to improve the competitiveness of these distributors and increase the volumes handled by them. The Company also acquired Amorim, its first distributor in Brazil, in 2000. In 2005, it established SSCs in Poland, China and Vietnam, as well as a new tube making unit in Usti, Czech Republic. Recently, the Company has focused on expanding its distribution network in South America, and during 2007 and 2008, it acquired ArcelorMittal Montevideo (formerly Cínter), a tube manufacturer in Uruguay, M.T. Majdalani y Cia., the leading stainless steel distributor in Argentina, and Inox Tubos, a Brazilian tube mill.

Certain of the key milestones in the Company's history are outlined in the chart below:



Capital Expenditure

Our capital expenditure for the years ended December 31, 2010, 2009 and 2008 was $101 million, $115 million and $248 million, respectively. Capital expenditure for 2010 related primarily to the maintenance of our facilities in Brazil, Belgium and France. Capital expenditure for 2009 related primarily to improvements to our production facilities, including capital expenditure in respect of our Timóteo facility required to convert our Blast Furnace #2 from coke to charcoal (biomass) and to switch from LPG to natural gas. We also incurred capital expenditure in 2009 relating to various growth and maintenance projects at our production facilities in Brazil, Belgium and France as well as at certain of our Services & Solutions subsidiaries. Capital expenditures for 2008 related primarily to improvements to our production facilities and various growth and maintenance projects, including the continued expansion of hot rolling capacity at our Timóteo production facility and projects at our production facilities in Belgium and France as well as certain of our Services & Solutions subsidiaries.

We have budgeted approximately $200 million for capital expenditure projects in 2011, relating primarily to the maintenance of our facilities in Brazil, Belgium and France. This amount includes planned investment of $28 million to purchase a new induction furnace and electro slag remelting furnace at our Imphy production facility. In addition, management is considering plans to increase our capacity in Brazil, which would require us to increase our capital expenditure budget for 2011.

Divestitures

On July 1, 2009, ArcelorMittal Energética Jequitinhonha, a wholly owned subsidiary of Aperam South America (formerly known as ArcelorMittal Inox Brasil), acquired ArcelorMittal Florestas, a wholly owned subsidiary of ArcelorMittal Brasil, and contributed this entity to BioEnergia, a joint venture with ArcelorMittal, in return for a 34% interest in the joint venture. During 2010, this interest was increased to 36.5% through a capital increase. Other than its contribution of assets to the BioEnergia joint venture, the Company has not made any significant divestitures over the past three years. On November 1, 2010, ArcelorMittal Inox Brasil entered into a letter of intent with ArcelorMittal to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities supporting the Company's stainless steel business through a demerger of the assets and liabilities related to BioEnergia's charcoal activities supporting ArcelorMittal's long steel business. This is proposed to be accomplished by the creation of a wholly owned subsidiary of BioEnergia, to which the assets and liabilities associated with ArcelorMittal's long steel business will be contributed. ArcelorMittal will then redeem its shares in BioEnergia and receive all of the shares of the newly created subsidiary. As a result, Aperam South America will become the sole shareholder of BioEnergia. The demerger is expected to be completed in the first half of 2011, from which time the results of BioEnergia will be consolidated into those of the Company.

B. Business overview

Our Competitive Strengths

Management believes that the following are among our key strengths:

Leading Global Stainless and Specialty Steel Producer

We are a leading global stainless and specialty steel producer, with an international footprint, a strong market position in South America and Europe, leading technology and production facilities located in Brazil, and modern production facilities close to key customers in Belgium and France. We offer a wide range of stainless and electrical steel products, including high value-added niche products, to a diversified customer base in both emerging and developed markets.

South America

We are the only producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities. Management believes our position in South America has contributed to our global leadership in the stainless and electrical steel industry. Further, management believes that we are a cost efficient producer of stainless and electrical steel and are well equipped to continue to serve the growing South American market as a result of our modern production and distribution facilities and our ownership of a 36.5% stake in BioEnergia, which uses an advanced biomass technology to produce charcoal (biomass) that we use to fuel our blast furnaces. Management does not believe that South America suffers from the same overcapacity present in other markets and expects that South American demand for stainless and specialty steels will continue to grow in the near-term, driven in part by key upcoming events, such as the 2014 World Cup in Brazil and the 2016 Olympic Games in Rio de Janeiro, as well as an expected increase in energy and infrastructure spending.

Europe

We have a strong presence in the European stainless steel market. Management believes that our position is primarily due to our large industrial footprint, developed sales and distribution network and highly skilled employees. Our modern production facilities in Belgium and France are strategically located close to our major customers and have consistently maintained high performance standards through the optimization of production volumes, inventory and costs. We also have a highly integrated and technically advanced distribution network that is effective at maintaining direct contact with end users through our strong sales and marketing capabilities. We benefit from our employees' significant knowhow, which aids us in implementing best practices across our European operations. Our reputation as a quality European steel producer is also supported by our broad product portfolio, as well as our capacity for innovation through focused research and development.

Modern Production Facilities in Brazil, Belgium and France

Our modern production facilities in Brazil, Belgium and France allow us to support our customers' stainless and specialty steel requirements with a high level of operational efficiency. Our integrated production facility in Timóteo, Brazil, which produces the full range of our electrical steel products and a wide range of stainless steel products, includes two blast furnaces, a melting shop area, a hot strip mill, a stainless cold rolling shop and an electrical steel cold rolling shop. Our three European production facilities, which are well equipped to produce the full range of our stainless steel products, are capable of both hot and cold rolling and are equipped with a Recyco electric arc furnace (a recycling unit that recycles dust and slugs to retrieve nickel and chromium). Our European facilities also offer a wide range of downstream facilities, including rolling mills, pickle lines, tandem mills, annealing facilities and temper mills. We have invested and will continue to invest in our modern and cost efficient production facilities, and management believes that we are well positioned to benefit from the long-term grown potential of the stainless and specialty steel industry.

Highly Diverse Products and End Users

We sell our broad range of stainless and specialty steel products internationally to a diversified customer base in markets around the world that vary in both size and nature. Our stainless steel products are primarily sold to end users in the automotive, building and construction, catering and appliance, energy and chemicals, and transportation industries, while we principally sell our electrical steel products to customers in the electric motors, generators and transformers industries. We sell our nickel alloys and specialties products primarily to customers in the aerospace, automotive, electronics, petrochemical, and oil & gas industries. Since our diverse range of products are sold to customers in such varied markets, no single customer accounted for more than 5% of our sales in 2010 and, in the aggregate, our top 20 customers accounted for less than 50% of our sales over the course of the year. We consequently enjoy greater stability and are able to mitigate some of the risks and cyclicality inherent in certain markets.

A Global, Integrated Distribution Network and Proximity to Customers

Management believes that our global integrated distribution network provides us with a competitive advantage, particularly through our ability to tailor products to address specific customer needs. As discussed above, our Services & Solutions segment is the sales and distribution arm for our products and provides value-added and customized steel solutions. We have one of the largest stainless and specialty steel distribution networks in the world, with a total of 19 SSCs, 10 transformation facilities and 30 sales offices located on three continents in over 30 countries. We are the only producer of flat stainless and electrical steel in South America with fully integrated production and distribution facilities and we have a highly integrated distribution network in Europe. Our distribution channels are also strategically located in areas of high demand and close to many end users. We work continuously to develop further our distribution network through internal development, partnerships or targeted acquisitions, such as the recent acquisitions of ArcelorMittal Montevideo (formerly Cínter), a tube manufacturer in Uruguay, M.T. Majdalani y Cia., the leading stainless steel distributor in Argentina and Inox Tubos, a Brazilian tube mill. We normally expand our global distribution network either in response to an identified market opportunity or in response to the express business needs of major customers. Management believes that our strategic approach to the expansion of our distribution network contributes to our ability to maintain market share and capture growth opportunities as they arise.

We are also able to expand our global commercial reach through independent agents and through affiliated agents that are part of the ArcelorMittal Distribution Solutions division, none of which we own.

Leading Research and Development Capabilities

We have strong research and development capabilities in Timóteo, Brazil and Isbergues and Imphy, France. With a 2011 budget of approximately $18 million, our 135 research and development employees develop high-end applications. Most recently, we have worked to develop such innovative products as SolarStyl®, which is used in photovoltaic panels (solar panels), grade K45 ferritic steel (20% chromium), which can be used in a wide range of industries because of its resistance to corrosion and attractive mechanical properties at high temperatures, and 201LN, an austenitic grade used in cryogenic and railroad applications.

Our research and development departments interact closely with our operating segments and partner with industrial end users and leading research organizations in order to remain at the forefront of product development. Management believes that our research and development capabilities have contributed to both our leadership in the industry and our development of longstanding and recognizable brands. In addition, we concentrate a significant portion of our research and development budget on higher margin, value-added niche products, such as nickel alloys, which have, in the past, contributed to our profitability.

Ability to Produce Stainless and Specialty Steel Products from Low-cost Charcoal (Biomass)

Through our 36.5% interest in BioEnergia, we participate in the production of low-cost charcoal (biomass), utilizing advanced sustainable technologies. BioEnergia produces wood and charcoal (biomass) from cultivated eucalyptus forests, which we purchase pursuant to a long-term supply agreement for use at our Timóteo production facility. The substitution of charcoal (biomass) for coke at our Timóteo production facility enables us to produce stainless and specialty steels in an environmentally and socially responsible manner. In addition, substituting charcoal (biomass) for coke has proven to be cost effective and is a key focus of our five-year, $250 million sustainable cost reduction plan, which is discussed in greater detail elsewhere herein. Following BioEnergia's planned capacity expansion, our Timóteo production facility's Blast Furnace #2 is expected to convert fully from coke to charcoal (biomass) by the end of 2011.

Long-term Growth Potential of the Stainless and Specialty Steel Industry

The long-term outlook for the stainless industry is generally considered to be more favorable in terms of expected growth than the carbon steel industry because demand for stainless steel tends to come later in the economic development cycle. Following declines in production in 2008 and 2009, the industry began to recover in 2010, and management expects global demand for stainless steel to return to pre-crisis growth levels of approximately 4.5% per annum. Management anticipates this growth to be led by emerging markets and believes that we are well positioned to capture growth in demand in these markets, in particular in South America, where we have a strong market position.

Effective Profitability and Cash Flow Management

We manage our working capital and leverage our integrated distribution network in order to maintain low inventory levels across our business. We also use derivative instruments, such as forward contracts, swaps and options, to manage our exposure to commodity and energy prices, including nickel prices, which are particularly volatile. We believe that these policies have allowed us to maintain working capital requirements at levels below those of our competitors and protect EBITDA levels during downturns in the economic cycle. By way of example, in the second half of 2008, in response to worsening economic conditions, we launched a five-year, $250 million sustainable cost reduction plan, which we refer to as our management gains plan. Under this plan, we reduced output and staff costs across our production facilities to benchmark levels in order to improve productivity and competitiveness and achieve selling, general and administrative expense reductions. From the second quarter of 2009, although we began to increase production, we adapted to the difficult economic and steel market environment by introducing flexible industrial configurations, which allow for greater flexibility in production planning and improve the management of inventory, thereby reducing carrying costs. By the end of 2010, we had achieved approximately $144 million of the $250 million of planned cost reductions under the plan.

Strong Management Team

We benefit from the experience and industry know-how of our senior management team. The team is led by our Chief Executive Officer, Bernard Fontana. Mr. Fontana had been a member of ArcelorMittal's management team since 2004 and brings with him 25 years of experience in leading industrial groups in

Europe and North America. He is supported by the other members of our senior management team, including Julien Onillon, our Chief Financial Officer, who previously served as the head of global steel research at HSBC until 2005 when he joined Mittal Steel as the head of investor relations. We believe that the collective industry knowledge and leadership of our senior management team and their record of accomplishment in responding to challenging economic conditions is a key asset to our business.

Culture of Continuous Improvement

We have instituted an internal continuous improvement program, which has become part of our corporate culture. As part of this program, we introduced the five-year, $250 million management gains plan mentioned above, which is aimed at achieving selling, general and administrative expense and headcount reductions, reductions in energy consumption, significant yield improvements and reductions in raw materials costs. Under this plan, we had already achieved approximately $144 million in sustainable cost reductions by 2010, resulting in significant yield improvements. We recently replaced this plan and initiated our "Leadership Journey" with the aim of achieving an additional $250 million in sustainable cost reductions (which amount includes the approximately $106 million in cost reductions still to be achieved under our management gains plan). Furthermore, we are dedicated to improving safety across our business as evidenced by a decline in safety frequency rates (defined as number of loss time accidents divided by total working hours). Management believes that these and other initiatives we have implemented in recent years will allow us to continue to reduce operating costs, improve efficiency and increase profitability while maintaining a safe operating environment.

Strong Values and a Commitment to Sustainability

We understand our responsibility to future generations and local communities. In addition to our participation, through BioEnergia, in a sustainable biomass technology, we have created environmentally sustainable production solutions while still meeting our customers' stainless and specialty steel demands. We seek to capture sustainability opportunities by making targeted investments, such as developing highly energy efficient production processes, launching new products to reduce CO_2 emissions and conserve energy, and investing in recycling and durability products. For example, in Europe, we produce stainless steel using recycled scrap material in electric arc furnaces, which use less energy and generate fewer CO_2 emissions than traditional blast furnaces. We have also made a strong commitment to the community through educational, cultural, environmental and social investments. Management is confident that these initiatives have had, and will continue to have, a positive impact on the environment and the communities in which we operate, while improving our operational efficiency.

Dedicated and Motivated Workforce

We have introduced various initiatives to improve the dedication and motivation of our work force, including development programs, employee self-evaluations, monthly career committee meetings to evaluate opportunities for managers and performance-based bonuses. Management believes that greater accountability among our workforce improves motivation, and that our approach to human resources has contributed to the dedication and motivation of our work force, which management believes enhances our overall performance.

Our Strategy

Our vision as a leading sustainable stainless and specialty steel company is to become the primary source of stainless steel, electrical steel and nickel alloys and specialty steel for all of our customers. Management intends to achieve this vision through a three-pronged strategy comprised of nine key areas of focus:

Growth

Post-crisis Rebound and Expected Recovery in Europe. Management expects the European steel market to grow and normalize to pre-crisis levels within the next two to three years, and therefore intends to leverage our strong market position, proximity to customers and available capacity to capitalize on the expected increase in demand for stainless and electrical steel and nickel alloys and specialties.

Growth in Emerging Markets. Management expects demand for stainless and specialty steels in emerging markets to grow significantly in the medium-term, due to continued industrialization and wealth creation. The growth prospects for Brazil and other South American economies are particularly attractive.

Management intends to take advantage of this growth potential by leveraging our upstream and downstream operations in Brazil in order to increase our sales to these emerging markets.

Development of Competitive and Innovative Products and Applications. Our research and development strategy is not capital intensive and involves collaborating with public research centers and other industrial partners to develop innovative products and applications. Recent examples of innovative products and applications include:

- SolarStyl®, a unique stainless and specialty steel solution for fully integrated photovoltaic panels (solar panels) on buildings;
- grade K45 ferritic steel (20% chromium), which can be used in applications in a wide range of industries, and is characterized by strong resistance to pitting corrosion and suitability for exposure in moderately corrosive industrial and urban environments, strong polishability and attractive mechanical properties at high temperatures; and
- 201LN, an austenitic grade with low nickel, high manganese and low carbon content, which is used in cryogenic and railroad applications.

Management intends to continue to support the development of our product range by leveraging our strong research and development capabilities and continuing to establish relationships with public research centers and other industrial partners.

Efficiency

We believe our strategic focus on improving efficiency will continue to allow us to respond quickly and effectively to ongoing changes in the stainless steel industry and in the macroeconomic environment in which we operate.

Management Gains. Management intends to achieve significant near- to medium-term management gains in the form of cost savings in raw materials as well as certain other fixed and variable costs. Since 2008, we have achieved approximately $144 million in sustainable cost reductions. At the end of 2010, we launched the “Leadership Journey,” a new five-year, $250 million management gains plan, which is targeting $250 million of additional sustainable cost reductions (which amount includes the approximately $106 million in cost reductions still to be achieved under our initial management gains plan implemented in 2008). Both of these programs involve making reductions in selling, general and administrative expenses and headcount, and reducing energy consumption and raw material costs.

Resilience. To date, our strategic initiatives aimed at improving efficiency have enabled us to protect EBITDA levels throughout the recent economic crisis. We intend to continue to improve our operating efficiency and flexibility so that we are well placed to capitalize on the economic recovery and growth taking place in some of our major markets, while, at the same time, protecting our profitability in markets that may emerge from the economic crisis more slowly.

Vertical Integration. We are currently expanding our upstream and downstream operations, and improving integration between them in order to improve efficiency. We actively assess upstream and mining opportunities (both individually and in partnership) in order to target secure sources of raw materials and create upstream production synergies. Through our 36.5% interest in BioEnergia, we maintain a secure source of cost effective and energy efficient charcoal (biomass), which we use to fuel the blast furnaces at our Timóteo production facility. Further, through our 9.67% interest (as of December 31, 2010) in General Moly, we have secured a long-term source of molybdenum. Similarly, we seek to leverage our existing downstream strengths by expanding our distribution network in both developed and emerging markets and by adding value through the provision of transformation services in our Services & Solutions segment. We are also focusing on deepening our relationships with customers in end-user markets, capturing growth opportunities, mitigating market cyclicality and managing our exposure to raw material price volatility.

Sustainability

Provision of Environmentally Sustainable Processes and Solutions. We have invested and will continue to invest in sustainable development opportunities in order to reduce our environmental impact. In our European production facilities, for instance, our stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO_2 emissions than traditional blast furnaces. We also recently constructed a new water treatment unit at our Imphy plant.

In addition, in Brazil, we use charcoal (biomass) produced by BioEnergia as a substitute for coke at our blast furnaces, enabling us to produce stainless steel and specialty products in a more environmentally sustainable manner.

We are also involved in developing stainless steel and specialty products that are used in energy efficient applications, including:

- stainless steel for automotive (*e.g.*, exhaust systems) and energy infrastructure building applications;
- electrical steel products used in high energy efficient transformers and rotating machines; and
- nickel alloys for energy efficient electrical equipment, energy production equipment and waste treatment equipment, as well as for the development of renewable energies, such as solar power.

Personnel Development. We invest in the development of our employees, which management believes enhances their motivation and contributes to the overall success of our business. In order to continue to improve performance at all levels of our business, we are actively increasing the deployment of our "Performance Management" process, which is aimed at improving productivity through increased communication with the workforce at all levels, and reinforcing our commitment to a wide range of other personnel development initiatives.

Community Engagement. We play an important role in the communities in which we operate. For example, we make significant investments in our foundation, which develops corporate responsibility programs in Brazil, and have established a number of partnerships with local communities and municipal organizations, including the fire brigade, police force, local government and schools, all of which are aimed at supporting the community. We also provide grants to non-governmental organizations and programs which focus on education, culture and the environment. In Europe, we have established a number of environmental initiatives at our various production facilities aimed at mitigating the environmental impact of our operations and strengthening our relationship with local communities. Management intends to continue to develop new initiatives aimed at supporting local communities, and believes that such initiatives create value by promoting environmental solutions, fostering goodwill within the communities in which we operate and generally promoting stainless and specialty steel development.

Business overview

During the period prior to April 2010, the entities which carried out the activities of Aperam were operated as a single segment of ArcelorMittal. In April 2010, we began managing our business according to three operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties. The following table sets forth selected financial data by operating segment:

	Stainless & Electrical Steel	Services & Solutions	Alloys & Specialties	Others/ Eliminations(1)	Total
Year Ended December 31, 2010					
Sales to external customers	2,862	2,220	522	—	5,604
Intersegment sales(2)	1,569	107	7	(1,683)	—
Operating income/(loss)	8	53	36	(4)	93
Depreciation	258	30	5	—	293
Impairment	23	—	1	—	24
Capital expenditures	81	15	5	—	101
Year Ended December 31, 2009					
Sales to external customers	2,125	1,677	430	3	4,235
Intersegment sales(2)	1,060	81	5	(1,146)	—
Operating (loss)/income	(157)	(40)	(1)	(9)	(207)
Depreciation	278	31	6	4	319
Impairment	9	5	—	—	14
Capital expenditures	77	20	13	5	115
Year Ended December 31, 2008					
Sales to external customers	4,784	2,729	800	45	8,358
Intersegment sales(2)	2,003	94	1	(2,098)	—
Operating income/(loss)	345	(43)	26	54	382

Depreciation	277	30	6	6	319
Impairment	20	—	—	—	20
Capital expenditures	174	29	9	36	248

Notes:

(1) Others/Eliminations includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or non-operational items which are not segmented.

(2) Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

For a breakdown of sales by geography, see Note 24 to the historical combined financial statements.

Key Products

Stainless Steel

Stainless steel is a family of steels (which are alloys made of iron and carbon but containing less than 2% carbon) that is characterized by its superior resistance to corrosion. By contrast to plain or carbon steels, stainless steels have a chromium content of at least 10.5%, which increases corrosion resistance, and a carbon content of less than or equal to 1.2%. As a result of their chromium content, stainless steels are protected by a passive layer of chromium oxide, resulting from the natural reaction of chromium atoms with air moisture. This layer automatically heals itself in the event of damage, giving stainless steels their corrosion resistance. Therefore, stainless steels do not require any coating or other corrosion protection to retain their physical properties in the long term.

Various alloys are added to stainless steels to improve their mechanical, physical and anti-corrosive properties. Nickel, molybdenum, titanium and manganese are the most commonly used alloys in addition to chromium. The addition of these elements provides further advantages, such as resistance to corrosion in highly aggressive media, resistance to oxidation at high temperatures, toughness and ductility at very low temperatures, high mechanical strength and formability (including drawing, bending, hydro forming, welding and brazing). Initially used for cutlery, the application of stainless steels in industrial and other applications has expanded significantly, as it has proved significantly more cost effective than alternative materials across a wide range of applications. Stainless steel's attractive properties, which include a high strength-to-weight ratio, heat tolerance, aesthetic qualities and the ability to be recycled have contributed to the continued development of new products and applications. The Company sells stainless steel products primarily to end users in the catering and appliance, energy and chemicals, building and construction and automotive and transportation industries.

The Company offers one of the most complete ranges of stainless steel flat products available on the market, including:

- austenitic chromium-nickel alloys (300 series), with 8 to 13% nickel content;
- austenitic chromium-nickel-manganese alloys (200 series) with low nickel content (2 to 4%);
- ferritic steels (400 series), which do not contain nickel;
- duplex steels; and
- martensitic steels.

The Company's standard stainless steel products are produced in various shapes (HRAP/HRC or CR, ranging from 0.3 to 13mm thickness (up to 50mm for plates) and up to 2m width), with a variety of surface conditions, including annealed, bright annealed, polished, matte or brushed.

Electrical Steel

Electrical steels are silicon-iron alloys, which enable steel to have specific magnetic properties. Electrical steels are classified as GO steels, which are mainly used to build transformer cores, and NGO steels, which are mainly used to build rotating machines but also to build small transformers. NGO steels are categorized based on their core energy losses, which is a measure of energy efficiency. The Company sells its electrical steel products primarily to end users in the transformers, electric motors and generators industries.

The Company offers one of the most complete ranges of electrical steels available on the market, including:

- GO steels, from regular to M3+ grades (which are among the higher grades); and
- NGO fully processed steels, including:
  - regular grades (M600 and above, having core energy losses of 6W/kg or greater);
  - medium grades (M400 up to M600, having core energy losses from 4W/kg up to 6W/kg);
  - high grades (M300 up to M400, having core energy losses from 3W/kg up to 4W/kg); and
  - ultra-high grades (below M300, having core energy losses of less than 3W/kg).

Alloys & Specialties

The Company specializes in the design, production and transformation of various nickel alloys and certain specific stainless steels. Produced in the form of bars, cold rolled strip, wire rod and plates, and offered in a wide range of grades, these products are intended for high-end applications or applications addressing very specific customer requirements. The Company's nickel alloys and specialties products are utilized by customers across a broad range of industries, including the aerospace, automotive, electronics, petrochemical, oil and gas and other industries.

Nickel alloys generally have a nickel content greater than 30% and contain other alloying elements, such as iron, chromium, molybdenum, copper and cobalt, among others. They are produced in a diverse range of grades which exhibit unique physical properties, including controlled thermal expansion, magnetism, resistance to highly corrosive environments and mechanical resistance.

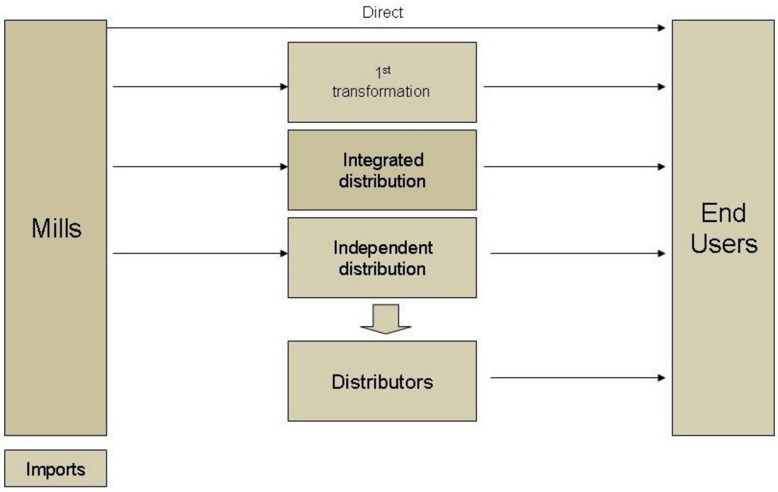
Distribution Network

We sell and distribute our products through our Services & Solutions segment. The Services & Solutions segment also provides value-added and customized steel solutions through further processing to meet specific customer requirements. Through our distribution network, we serve a variety of industries, including the automotive, construction, household appliances, public works, civil engineering and general industries. As of the date of this financial report, our distribution network is comprised of 19 SSCs, 10 transformation facilities and 30 sales offices located across more than 30 countries. Our largest SSCs in terms of sales are located in Germany, France and Italy. Our transformation facilities include two precision units located in France as well as tube making units located across Europe and South America. We also distribute our products through independent agents and through affiliated agents that are part of the ArcelorMittal Distribution Solutions division, none of which we own.

Our Services & Solutions segment performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from our production facilities, primarily those located in Europe; (ii) distribution of our and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements. We have the only integrated distribution network of stainless steel and specialty steel products in South America and, management believes, one of the most integrated distribution networks in Europe.

Through our integrated distribution network, management believes that we sell and distribute the widest range of stainless steel products in the industry, including flat products, tubes, transformed strips and precision strips. Our SSCs acquire hot or cold coils from our production facilities or from external suppliers, which they cut, polish or brush and then package for direct delivery to customers. In 2010, our SSCs accounted for approximately 75% of the Services & Solutions segment's total shipments, while our tube making units and precision units accounted for the remaining 21% and 4%, respectively. Our transformation facilities transform hot or cold coils through forming, welding, pickling, annealing, expanding, cutting and bending and then package and ship them to customers.

The distribution chain for our products is depicted in the chart below:



Our distribution channels are strategically located close to many end users, which enhances our ability to provide customers with immediate availability of the entire range of our products, including flat, long, technical and specialty steel. Management believes that our distribution network also enables us to cover all the major customers in the European market and a significant proportion of customers in the South American market, and provides us with a presence in several key growth regions.

Strategic Participation in Biomass and Upstream

The Company's strategy with respect to upstream investments is to secure strategic raw materials and leverage upstream technology to create production synergies. In pursuit of this strategy, it holds interests in certain entities that produce raw materials used as inputs in its production process, including its 36.5% interest in BioEnergia, which uses a unique and advanced biomass technology to produce charcoal (biomass) which is subsequently purchased by the Company pursuant to a long-term supply agreement, and its 11.38% interest in General Moly, the operator of one of the world's largest development projects for the production of molybdenum.

BioEnergia

BioEnergia was formed in 2009 as a result of the merger between ArcelorMittal Energética Jequitinhonha Ltda. and ArcelorMittal Florestas Ltda., which created the third largest charcoal producer in the world based on annual production capacity, which is approximately 215 thousand tonnes. We hold a 36.5% interest in BioEnergia and ArcelorMittal holds the remaining 63.5%. Prior to the formation of BioEnergia, the results of ArcelorMittal Energética Jequitinhonha Ltda. were combined with our operations. Subsequent to the formation of BioEnergia, our 36.5% interest has been accounted for under the equity method. On November 1, 2010, AMIB entered into a letter of intent with ArcelorMittal to segregate BioEnergia's charcoal activities supporting ArcelorMittal's long steel business from its charcoal activities supporting our stainless steel business through a demerger of the assets and liabilities related to BioEnergia's charcoal activities supporting ArcelorMittal's long steel business. This is proposed to be accomplished by the creation of a wholly owned subsidiary of BioEnergia, to which the assets and liabilities associated with ArcelorMittal's long steel business will be contributed. ArcelorMittal will then redeem its shares in BioEnergia and receive all of the shares of the newly created subsidiary. As a result, AMIB will become the sole shareholder of BioEnergia. The transaction contemplated by the letter of intent is expected to be completed in mid-2011, from which time the results of BioEnergia will be combined into those of the Company. Management believes that the successful execution of this separation will be aided by the fact that the business is being split along historical divisional lines.

BioEnergia produces wood and charcoal (biomass) for use in the steel industry from cultivated eucalyptus forests. We purchase charcoal (biomass) produced by BioEnergia pursuant to a long-term supply agreement for use at its Timóteo production facility. The substitution of charcoal (biomass) for coke at the Timóteo production facility enables us to produce stainless and specialty steels in an environmentally and socially responsible manner in addition to improving our cost efficiency.

BioEnergia owns forests in the Brazilian states of Minas Gerais and Bahia. These forests have a six- to seven-year growing cycle.

BioEnergia's facilities include the following:

- three seedling nurseries, which have a capacity of approximately 12 million seedlings per year. The nursery has a temperature and humidity controlled vegetation house where more than 30 years of research with hybridation programs has been carried out with the aim of improving the productivity and quality of the forest;

- harvesting machinery with the capacity to process 2.2 million cubic meters of wood annually from the forest, which is expected to increase to 3.5 million cubic meters by the end of 2011 following a planned expansion of the harvest machinery fleet; and

- charcoal (biomass) production units using the most advanced carbonization kilns. Each kiln has the capacity to process 700 cubic meters of wood. BioEnergia's kilns are equipped with automation systems, burning units for the carbonization of gases and a cooling system. BioEnergia intends to streamline the carbonization cycle from 12 days to 8 days by 2012 through ongoing optimizations.

Certain of BioEnergia's facilities are located approximately 350 kilometers from our integrated production facility in Timóteo, Brazil. Following BioEnergia's planned expansion, it expects to be able to produce sufficient volumes of charcoal (biomass) to meet our expected demand of 450 thousand tonnes by the end of 2012. Following the expansion, the Timóteo facility's Blast Furnace #2, which still uses coke, is expected to convert fully from coke to charcoal (biomass).

General Moly

We hold a minority interest in General Moly (9.67% as of December 31, 2010), whose primary asset is an 80% interest in the Mt. Hope Project, a U.S. molybdenum property located in Nevada, United States. The Mt. Hope Project has proven and probable molybdenum reserves of 1.3 billion pounds. General Moly also holds a 100% stake in a second significant molybdenum project, the Liberty Property, also located in Nevada. In addition, General Moly owns certain other non-core properties and mineral rights. Production is expected to commence at the Mt. Hope Project in the medium term.

We are party to a molybdenum supply agreement with General Moly (the "General Moly Offtake Agreement") that provides for us to purchase 6.5 million pounds of molybdenum per year, plus or minus 10%, once the Mt. Hope Project commences commercial operations at minimum specified levels. The supply agreement provides for a floor price along with a discount formula based on a published reference price above the floor price and expires five years after the commencement of commercial production at the Mt. Hope Project. Both the floor and threshold levels at which the percentage discounts change are indexed to a producer price index. The General Moly Offtake Agreement is expected to provide us with 32.5 million pounds of molybdenum for the five years following the commencement of production.

The Company and General Moly have also entered into an extension molybdenum supply agreement (the "General Moly Extension Agreement"). The General Moly Extension Agreement provides us with a five-year option to purchase from General Moly 3 million pounds of molybdenum per year for 10 years following the expiration of the General Moly Offtake Agreement. In order for us to exercise this option and make the General Moly Extension Agreement effective, we must beneficially own more than 11,100,000 shares of General Moly common stock on or prior to April 15, 2015. We are currently General Moly's largest shareholder and owns 8,256,699 shares of common stock following our investment in November 2007.

General Moly entered into an agreement with China Han Long Mining Development Limited ("Han Long Mining"), pursuant to which Han Long Mining has agreed to invest in General Moly. Once this investment has been completed, our percentage interest in General Moly will decrease to approximately 8%.

Raw Materials and Energy

The Company's production facilities use both the traditional blast furnace process as well as the electric arc furnace steelmaking process. In Brazil, the Company predominantly uses the traditional blast furnace production process, which requires, among other materials, iron ore and coke or charcoal (biomass). In Europe, the electric arc furnaces at its Châtelet and Genk production facilities use stainless and carbon steel scrap as key raw material inputs. In addition, the Company uses nickel, ferrochrome and molybdenum, among other materials, in its products.

The Company's raw materials purchasing strategy is focused on two principles: security of supply and flexibility. The needs of its production facilities are determined on the basis of five-year plans and annual budgets, and are largely met through the use of supply contracts which vary in duration from one to five years. In addition to long-term contracts, the Company's purchasing strategy incorporates both short-term contracts and spot market purchases.

The Company's purchasing organization negotiates key raw material purchasing contracts globally with a variety of suppliers to secure its long-term needs. For certain contracts with global or large regional suppliers, however, the Company will continue to rely on ArcelorMittal's purchasing and sourcing organization to assist in the negotiation of contracts with suppliers, as contemplated by the Purchasing Services Agreement, the Sourcing Services Agreement and the Brazilian Cost Sharing Agreement. These agreements will cover the following key purchasing categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys and certain base materials), operating materials (rolls, electrodes, refractories) and industrial products and services. The Purchasing Services Agreement will also permit the Company to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless steel production. Under the Sourcing Services Agreement, ArcelorMittal will assist the Company in the negotiation of contracts with suppliers relating to ferroniobium and ferrovanadium; and, in turn, the Company will assist ArcelorMittal's sourcing organization in the negotiation of contracts with suppliers relating to stainless steel materials, including nickel, chromium and molybdenum.

Raw Materials

Nickel

The Company buys nickel from a variety of global producers, with contracts varying in duration from one to five years. Nickel is bought as pure nickel (cathodes, briquettes) or as ferronickel (materials typically containing 20 to 40% nickel) and prices are based on the official cash or three-month settlement price quoted on the London Metal Exchange (the "**LME**"). A premium is paid based on the quality of the material.

Ferrochrome

Chromium ore is mostly supplied in the form of ferrochrome (FeCr) and occasionally as chromium ore. Approximately 50% of worldwide ferrochrome production takes place in South Africa, which holds an estimated 75% of the world's chrome ore reserves. Consequently, the Company sources most of its ferrochrome from ferrochrome producers in South Africa pursuant to long-term contracts that vary in duration. The Company also sources ferrochrome under short-term contracts with producers in other chrome-producing countries. Although volumes are stipulated in the contracts, the price of ferrochrome is negotiated quarterly between the major South African producers and the major consumers in Europe and Asia. In addition, the Company produces ferrochrome at its Timóteo production facility from chromium ore purchases.

Molybdenum

The Company currently sources molybdenum using a combination of spot market purchases and one-year contracts with three different types of counterparties: miners/producers, independent converters and traders. Molybdenum is mainly purchased as molybdenum oxide and ferromolybdenum and occasionally as molybdenum metal. Management expects that the Company's molybdenum needs will largely be met by the General Moly Offtake Agreement, which provides for it to purchase 6.5 million pounds of molybdenum per year, plus or minus 10%, once General Moly's Mt. Hope Project commences commercial operations at minimum specified levels. The General Moly Offtake Agreement provides for a floor price along with a discount formula based on the published reference price above the floor price. Both the floor and threshold levels at which percentage discounts change are indexed to a producer price index. See "— Strategic Participation in Biomass and Upstream — General Moly".

Stainless Steel Scrap

The Company uses stainless steel scrap both as a primary metal in the production of its stainless steel products as well as an additional source of nickel, chrome and molybdenum. The stainless steel scrap market is regional in nature, with specialized suppliers collecting and blending new stainless steel scrap (cuttings and turnings) and demolishing old scrap to produce a mix with consistent quality and composition. In contrast to the Company's other raw materials, stainless steel scrap is purchased on a monthly basis, allowing for adjustments in volume to account for variations in production. Stainless steel scrap pricing is based on its constituting elements (iron, nickel, chromium and, for some grades, molybdenum) and is negotiated monthly.

Coke and Charcoal (Biomass)

BioEnergia, in which the Company owns a 36.5% interest, uses a unique and advanced biomass technology to produce charcoal (biomass), which is purchased by the Company and used as a substitute for coke at its Timóteo production facility. The Company purchases charcoal (biomass) from BioEnergia at market prices pursuant to a long-term supply contract. The Timóteo production facility is the only facility that currently uses coke. However, it is expected to convert fully from coke to charcoal (biomass) by 2011. Management believes that BioEnergia will provide an adequately stable supply of charcoal (biomass) to support the Company's operations for the foreseeable future.

Iron Ore

The Company currently has an agreement with Vale pursuant to which Vale supplies it with 100% of its iron ore requirements for the blast furnaces at its Timóteo production facility. This agreement expires in September 2011. While the Company is currently considering its strategy for the supply of iron ore following the expiration of this contract, management believes that there are a sufficient number of suppliers of iron ore in the market such that it will be able to procure an adequately stable supply of iron ore to support its operations for the foreseeable future.

Carbon Steel Scrap

The Company procures the majority of its carbon steel scrap, which it uses in its electric arc furnaces at its European production facilities, locally and regionally in order to optimize transportation costs. The Company typically enters into monthly contracts for its carbon steel scrap requirements.

Energy

Natural Gas

In Brazil, the Company uses LPG (liquid propane gas), which it sources from a variety of suppliers. However, management expects that by June 2011, about 90% of LPG consumption will be substituted for natural gas. The Company expects to enter into a long-term natural gas supply contract with a Brazilian supplier, which will include guaranteed volume provisions.

For its European operations, the Company sources most of its natural gas requirements using the prevailing oil-based pricing systems. The duration and flexibility of its natural gas contracts, including the possibility of access to the spot markets, can vary.

Electricity

The Company procures its electricity through long-term contracts which vary in duration depending on the supplier. These long-term contracts generally provide volume and tariff guarantees and include contingencies in the event of plant expansions. At the Timóteo production facility, following the switch from LPG to natural gas, excess gases produced at the plant will be captured and used to generate a significant portion of the plant's electricity requirements.

Industrial Gases

The Company procures its industrial gas requirements using long-term contracts with various suppliers in different geographical regions.

Research and Development

The Company's research and development activities are closely aligned with the Company's strategy and are focused on product development and process development. The Company's research and development team comprises 117 employees, including 40 engineers. These employees are based in two centers in Europe, located in Isbergues and Imphy, France, and one center in Timóteo, Brazil. The Isbergues center is dedicated to stainless cold flat products and the Imphy center is dedicated to nickel alloys, including electrical/magnetic nickel alloys, and flat and long products. The Timóteo center is dedicated to plates and cold rolled stainless, GO and NGO steels. Each of these research and development centers is located within the relevant production facility, enabling the Company to coordinate its research and development activities based on demand for its products.

The Company has also entered into an arrangement with ArcelorMittal setting out a framework for future cooperation between the groups in relation to certain ongoing and future research and development programs.

Product Development

The Company's product development activities include new alloy designs, the reduction of costly and sometimes unnecessary alloying elements in its products and improvements in the sustainability of products. Product development activities are coordinated with the Company's sales and marketing activities in order to optimize material selection and tailor its products to customer demand and specific applications.

Within its product development research, the Company currently focuses on the following products:

Stainless Steel

- alloy design and application, with a special focus on ferritic stainless steels;
- stainless steel solutions and new applications for the automotive, building, construction and household appliances industries, which includes technical assistance to end users;
- stainless steel for industry, including advanced corrosion-resistant steels;

Electrical Steels

- development of higher grades of GO steels in order to meet increasing demand for higher efficiency transformers;
- creation of new products designed to meet the challenges presented by the new generation of hybrid and electric cars by proactively anticipating market demand;
- further strengthening the Company's technological leadership in NGO steels, especially for traction; and

Alloys & Specialties

- bespoke products based on nickel, iron, chromium, cobalt and other alloying elements, all of which target the energy, oil and gas, electronics, electrical engineering, household appliances, safety and automotive and transportation industries.

Process Development

The Company's process optimization activities are aimed at achieving more cost effective production processes both through energy savings as well as through breakthrough processes.

Within its process development research, the Company currently focuses on the following areas:

- development and modeling of melting and casting processes;
- hot rolling and cold rolling knowledge and process modeling;
- bright annealing technology; and
- improving the pickling process in accordance with applicable environmental regulations.

Intellectual Property

The Company's patent portfolio consists of approximately 69 patent families, with a total of approximately 650 patent applications or granted patents. From these families of patents, approximately 40% protect grades, 5% protect coatings and 55% protect processes or solutions. Some of these patents are co-owned with other entities, and a small number are used under licenses from third parties. Some proprietary techniques, such as LC2I or the Company's TOP AOD software were developed in partnership. The

Company's trademark portfolio consists of about 70 trademark families, predominantly using the prefix "UGI" or the suffix "IMPHY", depending on the subsidiary owning the trademark. Under the Transitional Services Agreement, ArcelorMittal will continue to manage the administrative aspects of the Company's intellectual property and patent portfolio, and the Company may continue to use the ArcelorMittal brand for a transitional period. The Company is not dependent to a material extent on the patents and trademarks described above.

Sales and Marketing

The Company's Stainless & Electrical Steel and Services & Solutions segments each have their own sales and marketing organization, which are similarly structured and which work closely with each other. The Company's Alloys & Specialties segment also has a separate sales and marketing organization. Though organizationally separate, the sales organization of all of the Company's operating segments work together where required in order to deliver high quality service to customers at the lowest cost to the Company.

Sales Contracts

Our sales contracts generally have terms of one year or less. Sales to customers in the automotive and household appliance industries are typically concluded using one-year contracts. Sales to customers in other industries have a shorter duration, generally one month.

Sales to customers in Europe are typically denominated in euro, while sales to customers in Brazil are typically denominated in Brazilian real. No single customer accounted for more than 5% of our sales in 2010.

Marketing Organization

The Company's marketing activities follow its sales activities closely and are executed at the local level. In practice, this results in a focus on regional marketing competencies.

At the global level, marketing intelligence is shared with each operating segment's marketing and strategy teams in order to refine and update the Company's overall knowledge of the markets in which it operates. This continuous, focused and dynamic exchange of information helps the Company better identify new opportunities, such as new products or applications, new product requirements or new geographical areas of demand. Where a new product opportunity is identified, the Company's research and development unit is involved in developing the appropriate processes and products to enable it to respond to such opportunity.

An important part of the marketing function is the development of short-term outlooks that provide a perspective on the state of market supply and demand. These outlooks are shared with the sales team as part of the process of finalizing the sales strategy for the near term and with senior management when market conditions require adjustments to production volumes.

Competition

In 2010, there were seven stainless steel flat producers with slab production capacity in excess of 2.0 million tonnes per year, accounting for approximately half of global capacity, based on management estimates. These seven producers include Thyssen Krupp Stainless, Acerinox, Taiyuan Iron & Steel (TISCO), Yieh United Steel (YUSCO), Pohang Iron and Steel Company (POSCO), Outokumpu and Aperam.

Of these producers, management believes that we and TKS are the only producers that offer products ranging from stainless and electrical steels to nickel alloys and specialties. In Europe, we compete primarily with TKS and Acerinox, which are global suppliers, as well as Outokumpu, which is purely a European supplier. Based on management estimates, imports have accounted for between 12 and 15% of the European market in recent years. In South America, we face competition primarily from imports from Asia and, to a lesser extent, North America. Nickel alloys are a niche market in which our main competitors are ThyssenKrupp VDM, Carpenter Technologies, Special Metals, Hitachi and Haynes.

Management believes that the competitive landscape is changing due to the emergence of China as the most significant geography in terms of demand. To meet increased demand from China, local production facilities of a significant size have been emerging at a rapid pace, and management believes that this will gradually result in lower levels of concentration of global production.

Stainless Steel Distribution

The Company's main competitors in the stainless steel distribution market are independent SSCs, integrated SSCs, distributors and traders. Most of the Company's main competitors, like the Company, have integrated distribution networks, including Outokumpu, Acerinox and TKS. The Company also competes with large independent distributors in Europe, who compete primarily by diversifying their product and service offerings. For instance, the Company competes with BEL and Sogepar, which was recently acquired by Outokumpu. It also faces competition from strong distribution networks in the NAFTA region, although it possesses the only integrated distribution network in South America.

Insurance

Historically, the Company has maintained insurance on its property and equipment in amounts which management believes to be consistent with industry practices. Its insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under these policies.

The Company has also maintained various other types of insurance, such as comprehensive construction and contractor insurance for its major capital expenditure projects, public and products liability insurance, directors and officers liability insurance, credit, commercial crime, transport and charterers' liability insurance, as well as other customary policies such as car insurance, travel assistance and medical insurance.

In addition, each of the Company's operating segments has maintained various local insurance policies that are mandatory at the local level, such as employer liability, workers compensation and auto liability insurance, as well as specific insurance policies covering compliance with local regulations.

The Transitional Services Agreement requires ArcelorMittal to ensure that the insurance policies with third parties that cover entities transferred to the Company in the spin-off remain covered following the spin-off. The Company may also request ArcelorMittal to act as an insurance broker and negotiate insurance policies on its behalf. In general, however, the Company will be responsible for entering into new insurance policies once the insurance policies that currently cover it expire.

Environmental Regulation

The Company's operations are subject to a broad range of laws and regulations relating to air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination and other aspects of the protection of the environment at its multiple locations and operating subsidiaries. As these laws and regulations continue to become more stringent, management expects that the Company will continue to expend sufficient amounts to achieve or maintain ongoing compliance, as described in further detail in "Financial Information – Legal Proceedings".

In Brazil, the environmental licensing process of a project deemed to have a significant environmental impact requires a minimum investment in preservation areas in order to offset damage to the environment. The Company's Brazilian subsidiaries are required to hold licenses for the operation of their activities, which are usually valid for a period of five years, after which they may be renewed for another five-year period. The renewal of these operation licenses requires the Company's Brazilian subsidiaries to inform the environmental authorities periodically of their compliance with certain environmental standards.

Failure to comply with these regulations and obtain the necessary licenses can have serious adverse consequences for the Company's Brazilian subsidiaries, including criminal as well as administrative penalties, negative publicity and the obligation to remediate damages caused to the environment. The Company has incurred and will continue to incur capital and operating expenditures to continue to comply with these laws and regulations. Additional environmental requirements that may be imposed in the future and the Company's inability to obtain environmental licenses could require it to incur significant additional costs and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

With regard to climate change, the Company's activities in the European Union are subject to the EU Emissions Trading Scheme, and it is likely that requirements relating to greenhouse gas emissions will become more stringent. The post-2012 carbon market is very uncertain, and the Company is closely monitoring international negotiations, regulatory and legislative developments and is endeavoring to reduce its own emissions.

Brazil

The following laws and decrees are applicable to the Company's operations in Brazil:

- Law No. 6,938, of August 31, 1981, which implements the National Environmental Policy, considered one of the main legal statutes on environment;
- Brazilian National Environmental Council (Conselho Nacional do Meio Ambiente, or "CONAMA") Resolution No. 237, of December 19, 1997, which regulates the environmental licensing procedures in Brazil;
- Law No. 9,605, of February 12, 1998, which implements the Environmental Crimes Act;
- Decree No 6,514 of July 22, 2000, and Decree No 6,686 of December 10, 2008, which regulate the Environmental Crimes Act with respect to administrative penalties;
- Decree N˚ 6848/2008, which implements Law N˚ 9985/2000 concerning environmental compensation, establishes the percentage of total planned investments that must be devoted to greenfield projects in areas of conservation. Moreover, federal law places certain restrictions on the location of mining projects. The Instituto Brasileiro do Meio Ambiente ("**IBAMA**") controls licensing over certain types of land, including indigenous lands within 50 kilometers of the border of a neighboring country, environmentally protected areas (referred to locally as conservation units), or lands within or affecting more than one state, such as a railway. All other projects are licensed by the agencies of the state in which the project is located;
- Federal Resolution N˚ 382/2006, which was published by the Brazilian National Environmental Council (CONAMA), imposes more stringent limitations on dust, sulphur dioxide and nitrogen oxide for new sources in the steel industry. Administrative Order No 259/2009 published by the Ministry of the Environment (MMA) and IBAMA requires that each EIS (Environmental Impact Statement) submitted contain a specific chapter on alternative clean technologies that can reduce the impact on the health of workers and the environment. The principal labor union is involved in the information and consultation process relating to the health, safety and environmental license; and
- Federal Resolution N˚ 396/2008 published by CONAMA, which defines the guidelines and quality standards for classification of groundwater.

European Union

Significant EU Directives and Regulations are applicable to the Company's production facilities in the European Union, including the following:

- Directive 2008/1/EC of January 15, 2008 concerning integrated pollution prevention and control (the "**IPPC Directive**"), which applies common rules for permitting and controlling industrial installations. This directive, currently under review by the EU Council and Parliament, is complemented by European Pollutant Release and Transfer Register (E-PRTR) regulation (EC) N° 166/2006 of January 18, 2006 implementing the yearly report on release of pollutants and off-site transfer of waste;

- Directive 2008/105/EC of December 16, 2008, which establishes new water quality standards for priority pollutants in support of Directive 2000/60/EC of October 23, 2000, which established a framework for action in the field of water policy;
- Directive 2008/98/EC of November 19, 2008 which establishes the legislative framework for the handling and management of waste in the EU and Regulation (EC) N° 1013/2006 of June 14, 2006, which regulates the shipment of waste from and to the European Union; and
- Directive 2003/87/EC of October 13, 2003, as amended by Directive 2004/101/EC (the "**Emissions Trading Directive**"), which establishes a program under which EU member states are allowed to trade greenhouse gas emission allowances within the EU subject to certain conditions.

The following EU Directives are also significant:

- Directive 2008/50/EC of May 21, 2008, which deals with ambient air quality and cleaner air for Europe;
- Directive 2004/107/EC of December 15, 2004, which sets forth limit values and target values for pollutants in ambient air, including thresholds on very fine particulates;
- Directive 2001/81/EC of October 23, 2001, which introduced national emission ceilings for certain pollutants; and
- Directive 96/82/EC of December 9, 1996 and Directive 2003/105/EC of December 16, 2003, which relates to the control of major accidents hazards involving dangerous substances (also known as the "**SEVESO Directives**").

Environmental damages and violations of the EU legislation are subject to environmental and criminal liability under Directive 2004/35/EC of April 21, 2004, and Directive 2008/99/EC of November 19, 2008.

EU Directives applicable to the Company's products include those relating to waste electrical and electronic equipments (Directive 2002/96/EC of January 27, 2003), end-of-life vehicles (Directive 2000/53/EC of September 18, 2000) and packaging and packaging waste (Directive 2004/12/EC of February 11, 2004).

The Company is also subject to the "REACH" Regulation (EC) N° 1907/2006 for Registration, Evaluation, Authorization and Restriction of Chemicals, adopted on December 18, 2006, which controls the chemical substances manufactured in or imported into the EU in volumes of over one tonne per year and to the "CLP" regulation (EC) N° 1272/2008 of December 16, 2008 on classification, labeling and packaging of substances and mixtures, which implements the United Nations Globally Harmonized System (GHS) of classification and labeling. In June 2007, the entities comprising the Company integrated the task force as well as the platform created by ArcelorMittal at the corporate level in order to coordinate the strategic aspects and technical issues of implementing these regulations. In compliance with the REACH Regulation, the Company's legal entities have pre-registered their imported and manufactured substances in the European Community with the European Chemical Agency (ECHA). As of November 2008, the Company had submitted 37 pre-registration files to ECHA. By November 2010, the Company plans to have submitted four registration files (complete toxicological and ecotoxicological profile as well as the administrative fee) to ECHA. The Company's legal entities will not obtain the required license for continued production of a subject chemical if it fails to (i) submit a registration file for the subject chemical in due time, (ii) submit a complete registration file or (iii) make any required payment in connection with the registration file. In addition, the designation of additional chemicals of "high concern" under the REACH Regulation could increase the costs of compliance with other EU Directives, including those relating to waste and water and the SEVESO Directives.

Management anticipates that its capital expenditure with respect to environmental matters in the European Union over the next several years will relate primarily to installations of additional air emission controls and to requirements imposed in the course of renewal of permits and authorizations, including those pursuant to the IPPC Directive. In particular, since 2005, its operations in the European Union are subject to the Emissions Trading Directive, the EU's central instrument for achieving the EU Member States' commitments under the Kyoto Protocol by providing a European emissions trading system ("**ETS**") for carbon dioxide emissions. The ETS covers more than 10,000 installations across the EU, including combustion plants, oil refineries, coke ovens, iron and steel plants and factories making cement, glass, lime, brick, ceramics and pulp and paper. ETS's key provisions relate to the common trading currency of emission allowances. One allowance gives the holder the right to emit one tonne of carbon dioxide. For each trading period under the ETS, EU member states draw up national allocation plans that determine how many emission allowances each installation will receive. Companies that keep their emissions below the level of their allowances can sell their excess allowances. Companies that do not keep their emissions below the level of their allowances must either reduce their emissions, such as by investing in more efficient technology or using less carbon-intensive energy sources, or purchase the extra allowances that they need on the open market.

The second phase of the National Allocation Plans ("**NAPs**"), which apply for the period from 2008 through 2012, have been finalized in all EU member states. Management believes that the allowances provided for in these NAPs are sufficient for the Company's European operations.

For the period after 2012, the EU institutions adopted on December 17, 2008 the so-called "EU Climate Change package" which aims to reduce the EU's greenhouse gas ("**GHG**") emissions by 20% by 2020 compared to 1990 levels, and possibly 30% if other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries contribute adequately according to their responsibilities and capabilities. The package contains in particular the following legislative documents:

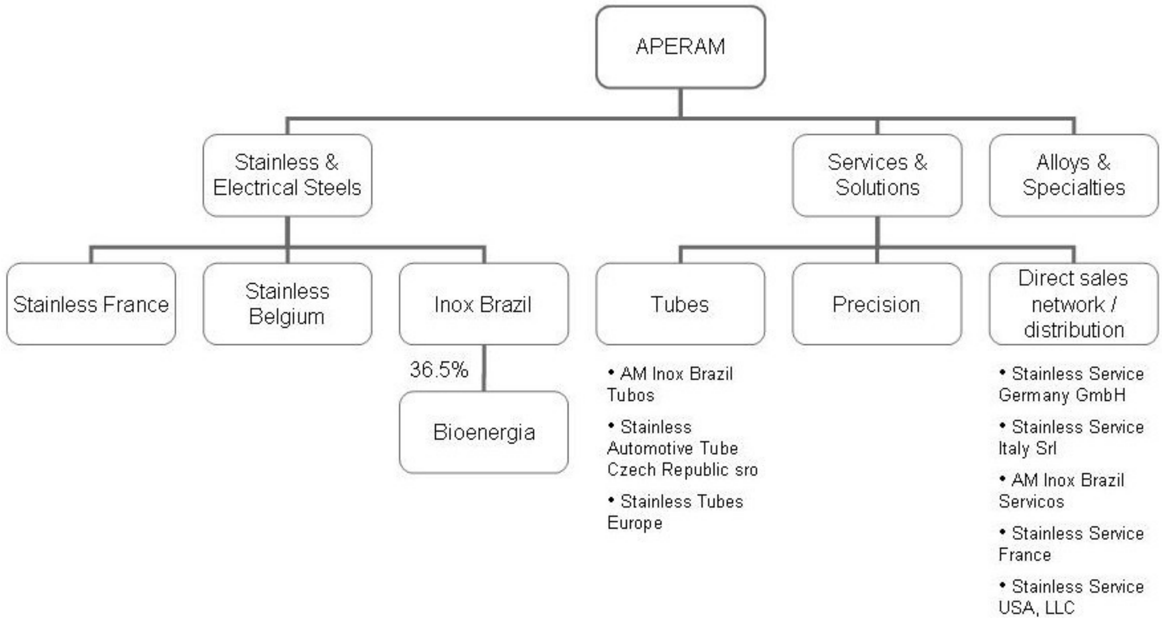
- Directive 2009/29/EC of April 23, 2009, which is intended to improve and expand the ETS;
- Decision N° 406/2009/EC of April 23, 2009, which deals with the effort of Member States to reduce their GHG emissions to meet the Community's GHG emission reduction commitments up to 2020; and
- Directive 2009/31/EC of April 23, 2009, which addresses the geological storage of carbon dioxide.

In particular, the new ETS includes centralized allocation rather than national allocation plans, a cap designed to achieve an overall reduction of greenhouse gases for the industrial sector of 21% in 2020 compared to 2005 emissions and auctioning as the basic principle for allocating emissions allowances, with transitional free allocation in particular for manufacturing industries under risk of "carbon leakage". Many issues that ultimately will determine the impact of the revised ETS scheme need to be further elaborated in implementing legislation. The free allocation granted after 2012 will largely depend on the elaboration of the benchmarks for the sector. Through Commission Decision 2010/2/EU of December 24, 2009, the manufacture of ferro-alloys (including stainless steel) has been recognized to pose a significant risk of carbon leakage.

C. Organizational Structure

Corporate Structure

APERAM is a holding company with no business operations of its own. All of its significant operating subsidiaries are owned directly or indirectly through intermediate holding companies. The following chart represents its current operational structure, including significant operating subsidiaries, and not its legal or ownership structure.



See Note 1 to the Combined Financial Statements for a list of the Company's significant subsidiaries.

D. Property, Plant and Equipment

The following tables provide an overview of our principal production and downstream facilities, each of which we wholly-own, by operating segment, location, size (in the case of production facilities only), facility type and products:

Production Facilities by Geography

Country	Locations	Size (square kilometers)	Type of Plant	Products
Stainless & Electrical Steel				
Brazil	Timóteo	2.1	Integrated mill/Blast furnace	Stainless/Electrical
Belgium	Châtelet	0.5	Electric arc furnace meltshop/Hot rolling	Stainless flat
Belgium	Genk	0.8	Electric arc furnace/Cold rolling	Stainless flat
France	Gueugnon	0.4	Cold rolling	Stainless flat
France	Isbergues	0.9	Cold rolling (Recyco electric arc furnace)	Stainless flat
Nickel Alloys & Specialties				
France	Amilly	—	Downstream	Electrical components
France	Imphy	0.4	Electric arc furnace meltshop/Hot rolling/Cold rolling/Specialized foundry	Nickel Alloys/Stainless
France	Epone	—	Downstream	Wire drawing
China	Foshan	—	Downstream	Magnetic Cores

Facility Types

Facility[(1)]	Number of Facilities	Capacity (in millions of tonnes per year)[(2)]	Production in 2010 (in millions of tonnes)[(2)]
Blast furnace	2	0.7	0.6
Electric arc furnace	6	3.0	2.0
Continuous caster—slabs	4	3.0	2.0
Hot rolling mill	4	4.5	2.0
Cold rolling mill (Z mill)	19	2.2	1.2
Pickling line	5	2.1	1.3
Annealing line	16	2.4	1.5
Skin pass mill	7	1.3	0.5
Continuous bloom/billet caster	1	0.1	0.0

Notes:

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as an input in the next step in the process. Therefore, the sum of the production numbers does not equal the quantity of saleable finished steel products.

(2) Reflects design capacity, and does not take into account other constraints in the production process.

All of our production facilities are owned directly or indirectly by us and none of them is subject to any material encumbrances.

Stainless & Electrical Steel

Europe

Our European facilities produce the full range of our stainless steel products. Our stainless steel production facilities in Europe produced approximately 1.2 million tonnes of crude steel in 2010. The Genk, Châtelet, Gueugnon and Isbergues production facilities cover an area of approximately 0.8 square kilometers, 0.5 square kilometers, 0.4 square kilometers and 0.9 square kilometers, respectively.

We have two electric arc furnace meltshops in Belgium, located in Genk and Châtelet. The Genk facility includes two electric arc furnaces, vacuum and argon oxygen decarburizing facilities, ladle refining metallurgy and a slab continuous caster. It also includes a cold rolling mill facility. The Châtelet facility is an integrated facility with a meltshop and a hot rolling mill. The Châtelet meltshop includes an electric arc furnace, argon-oxygen decarburizing equipment, ladle refining metallurgy, a slab continuous caster and slab grinders.

Our cold rolling facilities in Europe consist of three cold rolling mill plants, located in Belgium (Genk) and France (Gueugnon and Isbergues). All three plants include annealing and pickling lines (with shot blasting and pickling equipment), cold rolling mills, bright annealing lines (in Gueugnon and Genk), skin-pass and finishing operations equipment. The Isbergues plant also includes a DRAP (Direct Roll Anneal and Pickle) line. The Genk plant is focused on austenitic steel products, the Gueugnon plant on ferritic products and the Isbergues plant on products dedicated to the automotive market (mainly ferritic steels) and industrial market (mainly austenitic steels). We recently set up Recyco, an electric arc furnace recycling unit that recycles dust and slugs to retrieve nickel and chromium, at our Isbergues facility.

South America

We are the only integrated producer of flat stainless and electrical steel in South America. Our integrated production facility in Timóteo, Brazil produces the full range of our electrical steel products, which account for approximately 10% of the Stainless & Electrical Steel operating segment's total shipments, and a wide range of stainless steel products. We also produce relatively small volumes of special carbon steel at our Timóteo production facility. In 2010, we produced 0.8 million tonnes of crude steel at this facility, from which we exported products to more than 41 countries. The Timóteo production facility covers an area of approximately 2.1 square kilometers and has an annual production capacity of 0.9 million tonnes.

The Timóteo integrated production facility includes two blast furnaces, one melting shop area (including two electrical furnaces, one smelter, two converters and two continuous casting machines), one hot strip mill (including one walking beam and one pusher furnace with one rougher mill and one steckel mill), a stainless cold rolling shop (including one hot annealing pickling line, two cold annealing pickling lines, one cold preparation line, three cold rolling mills and 20 batch annealing furnaces) and an electrical steel cold rolling shop (including one hot annealing pickling line, two tandem annealing lines, one decarburizing line, one thermo flattening and carlite coating line and one cold rolling mill).

Alloys & Specialties

The Alloys & Specialties integrated production facility is located in Imphy, France and includes a meltshop, a wire rod facility and a cold rolling facility. The meltshop is designed to produce specialty grades and includes one electric arc furnace with a vacuum oxygen decarburization ladle and a ladle furnace, one vacuum induction melting furnace and one vacuum arc remelting furnace. The meltshop is also equipped with ingot casting facilities and a continuous billet caster. Our wire rod mill specializes in the production of nickel alloys and has the ability to process a wide range of grades, including stainless steel. It comprises a blooming mill, billet grinding, a hot rolling mill, which has a capacity of 30 thousand tonnes, and finishing lines. The Imphy production facility covers an area of approximately 0.4 square kilometers.

We also own downstream nickel alloy and specialty assets, including Rescal S.A., a wire drawing facility located in Epone, France, Mécagis (renamed ArcelorMittal Stainless and Nickel Alloys Components), an electrical components manufacturer located in Amilly, France, Imhua Special Metals, a transformation subsidiary in Foshan, China, and a 33% interest in Innovative Clad Solutions as of December 31, 2010, a production facility for industrial clads in Central India.

Raw Materials and Energy

Our production facilities use both the traditional blast furnace process as well as the electric arc furnace steelmaking process. In Brazil, we predominantly use the traditional blast furnace production process, which requires, among other materials, iron ore and coke or charcoal (biomass). In Europe, the electric arc furnaces at our Châtelet and Genk production facilities use stainless and carbon steel scrap as key raw material inputs. In addition, we use nickel, ferrochrome and molybdenum, among other materials, in our products.

Our raw materials purchasing strategy is focused on two principles: security of supply and flexibility. The needs of our production facilities are determined on the basis of five-year plans and annual budgets, and are largely met through the use of supply contracts which vary in duration from one to five years. In addition to long-term contracts, our purchasing strategy incorporates both short-term contracts and spot market purchases.

Our purchasing organization negotiates key raw material purchasing contracts globally with a variety of suppliers to secure our long-term needs. For certain contracts with global or large regional suppliers, however, we will continue to rely on ArcelorMittal's purchasing and sourcing organization to assist in the negotiation of contracts with suppliers, as contemplated by the Purchasing Services Agreement, the Sourcing Services Agreement and the Brazilian Cost Sharing Agreement. These agreements will cover the following key purchasing categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys and certain base materials), operating materials (rolls, electrodes, refractories) and industrial products and services. The Purchasing Services Agreement will also permit us to avail ourselves of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless steel production. Under the Sourcing Services Agreement, ArcelorMittal will assist us in the negotiation of contracts with suppliers relating to ferroniobium and ferrovanadium; and, in turn, we will assist ArcelorMittal's sourcing organization in the negotiation of contracts with suppliers relating to stainless steel materials, including nickel, chromium and molybdenum.

Item 3. Management's Discussion and Analysis of Finanical Condition and Results of Operation

You should read the following discussion in conjunction with the historical combined financial statements and the unaudited pro forma combined financial information included elsewhere in this financial report.

This discussion includes forward-looking statements which, although based on assumptions we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. See "Forward-looking Statements" and "Risk Factors" for a discussion of the risks, uncertainties and assumptions associated with these statements.

Overview

We are a leading global stainless and specialty steel producer based on our annual production capacity of 2.5 million tonnes in 2010. We are the largest stainless and specialty steel producer in South America and according to the International Stainless Steel Forum (ISSF), we are the third largest producer in Europe. We are also a leading producer of high value-added specialty products, including GO and NGO electrical steels and nickel alloys. Our production capacity is concentrated in six production facilities located in Brazil, Belgium and France, and we have approximately 9,900 employees. Our distribution network is comprised of 19 SSCs, 10 transformation facilities and 30 sales offices. We sell our products to customers on three continents in over 30 countries, including customers in the aerospace, automotive, catering, construction, household appliances and electrical engineering, industrial processes, medical, and oil & gas industries.

We had sales of $5.6 billion, $4.2 billion and $8.4 billion and shipments of approximately 1.74 million tonnes, 1.45 million tonnes and 1.96 million tonnes for the years ended December 31, 2010, 2009 and 2008, respectively.

Key Factors Affecting Results of Operations

Our results of operations are primarily affected by factors which impact the stainless and specialty steel industry generally, particularly global economic conditions, demand for stainless and specialty steels, production capacity, trends in raw material prices and fluctuations in exchange rates. In addition, our results of operations are affected by certain factors specific to us, including several initiatives we introduced in response to the deteriorating economic environment during the second half of 2008. These factors are described in greater detail below.

Demand for Stainless and Electrical Steel and Nickel Alloys Products

Demand for stainless and electrical steel, which represents approximately 2.5% of the global steel market by volume, is affected to a significant degree by trends in the global economy and industrial production. Demand is also affected in the short term by fluctuations in nickel prices as discussed in greater detail under “—Stainless Steel Pricing” below.

Demand for stainless steel flat products decreased by approximately 7% from 2007 to 2008, based on management estimates. Demand started to decline during the second half of 2007 as a result of the steep decline in nickel prices and, following a partial recovery during the first half of 2008, deteriorated further as a consequence of the global economic crisis. Demand began to recover in the last quarter of 2009 and increased by approximately 20% over the course of 2010, which management believes was mainly driven by demand recovery in the developed world and sustained demand growth in China.

In response to worsening economic conditions, stainless steel flat producers, ourselves included, reduced their production significantly from the fourth quarter of 2008. As a result, management estimates that production decreased by approximately 13% from 2006 to 2009. In 2010, however, production began to recover and increased by approximately 20%, driven by the demand recovery discussed above.

The effect of the global economic crisis had a similar impact on demand for electrical steel. Management estimates that global GO steel demand decreased by approximately 14% from 2007 to 2009 and that this strong decrease in demand in the developed world was partially offset by an increase in demand in Asia of approximately 4.4%. Global demand for NGO steel decreased by 2.8% from 2007 to 2009 based on management estimates. Demand for GO and NGO steel recovered in 2010, and increased from 2009 levels by approximately 20% and 18%, respectively, driven by the demand recovery discussed above based on management estimates.

Demand for nickel alloys also decreased as a result of the global economic crisis. In 2008, demand for nickel alloy products was strong, in part as a result of robust demand stemming from the construction of LNG tankers. Management estimates that demand for nickel alloy products decreased by approximately 25% in 2009, in part due to a slowdown in the production of tankers. In 2010, demand recovered and increased by approximately 10% based on management estimates.

Production Capacity

Structural overcapacity has in the past affected, and in the future is expected to continue to affect, the stainless steel industry. Global utilization rates have declined significantly in recent years, from approximately 85% in 2006 to 60% in 2009. In 2010, utilization rates recovered and reached approximately 68% based on management estimates. However, management expects that global utilization rates will continue to remain low for the foreseeable future, as compared to 2006 rates.

Stainless Steel Pricing

In contrast to carbon steel, the market for stainless steel is considered to be a global market. Stainless steel is suitable for transport over longer distances as logistics costs represent a smaller proportion of overall costs. As a result, prices for commoditized stainless steel products evolve similarly across regions. However, in general, stainless steel products are not completely fungible due to wide variations in shape, chemical composition, quality, specifications and application, all of which impact sales prices. Accordingly, there is a limited market for uniform pricing or exchange trading of certain stainless steel products.

Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys which are added to confer certain specific properties depending upon the application. The cost of alloys used in stainless steel products varies across products and can fluctuate significantly. Prices for stainless steel in Europe and the United States generally include two components:

- the “base price”, which is negotiated with customers and depends mainly on market supply and demand; and

- the “alloy surcharge”, which is a supplementary charge added by producers to the selling price of steel and offsets price increases in raw materials, such as nickel, chromium or molybdenum, by directly passing these increases on to customers. The concept of the “alloy surcharge”, which is calculated using raw material prices quoted on certain accepted exchanges, such as the London Metals Exchange (the “LME”), was introduced in Europe and the United States in response to significant volatility in the price of these materials, which has historically been driven by fluctuations in demand, increasing or decreasing inventory levels, changes in production capacity and speculation by metal traders.

Notwithstanding the application of the "alloy surcharge", we are still affected by changes in raw material prices, in particular nickel. In general, when the price of nickel is falling, purchasers of stainless steel products delay their orders to benefit from an expected decline in prices, which has the effect of reducing demand in the short term. By contrast, when nickel prices are rising, purchasers tend to acquire larger quantities of stainless steel in order to avoid having to buy at higher prices. Nickel prices on the LME have been extremely volatile during the past few years, declining from a high of approximately $52,000 per tonne in May 2007 to a low of approximately $9,700 per tonne in December 2008. In 2009, nickel prices decreased to a low of approximately $9,700 per tonne at the end of March and subsequently increased to a high of approximately $20,000 per tonne in August, before ending the year at $17,000 per tonne. Nickel prices increased throughout 2010, peaking at approximately $26,000 per tonne in April, before settling at approximately $24,000 per tonne by the end of the year.

The charts below show the price of nickel on the LME and the European base price for CR304 stainless steel for the period from January 1, 2005 to January 30, 2011:

Nickel—LME ($/tonne)

Stainless Steel/CR304 2B 2mm Coil Base/Northern Europe Domestic Delivered ($/tonne)

Source:
Nickel prices have been derived from the LME. Stainless steel/CR304 2B 2mm coil base/Northern European domestic delivered prices have been derived from Steel Business Briefing (SBB).

Stainless steel base prices began to decline during the second half of 2007 as a result of concerns regarding global economic conditions, which effectively resulted in a freeze on stainless steel orders. Base prices (based on the price of CR 304 2B 2mm coil base prices/Europe) gradually began to recover at the beginning of 2009 in line with rising nickel prices to reach approximately $1,900 per tonne at the beginning of the third quarter of 2009. After reaching a peak in October 2009, base prices again declined to approximately $1,700 per tonne at the end of 2009, mainly as a result of falling nickel prices. Stainless steel base prices decreased slightly in 2010 as a result of the low-range volatility of nickel pricing, as well as stainless steel destocking.

Electrical Steel Pricing

Electrical steel prices, like stainless steel base prices, are affected by global demand and supply dynamics. Because China is the most important source of demand for electrical steel, prices are dependent in particular upon Chinese demand.

GO steel prices (based on RGO M-0.27 mm) in China decreased from approximately $5,600 per tonne at the end of 2008 to approximately $3,200 per tonne at the end of 2009, which represented a decrease of approximately 43%. This decline was primarily due to excess supply in the export market as a result of the financial crisis, which negatively affected the price of GO steel. Throughout 2010, the price of GO steel in China decreased further to approximately $2,300 per tonne despite signs of recovery in the broader market, as GO pricing tends to lag behind macroeconomic trends.

Prices in China for NGO steel (based on NGO M470-50A), which accounts for approximately 80% of the global electrical steel market, decreased by approximately 32%, from $1,400 per tonne at the end of September 2008 to $950 per tonne at the end of 2009. This decline was also due to excess supply in the export market as a result of the financial crisis. NGO steel prices in China increased to an average of approximately $1,350 over the fourth quarter of 2010, in line with the price recovery experienced in the carbon steel market.

Raw Materials and Energy

Raw Materials

The primary raw materials that we use to produce our products include nickel, ferrochrome, molybdenum, stainless and carbon steel scrap, coke, charcoal (biomass) and iron ore. We are exposed to price volatility with respect to each of these raw materials, which we purchase under long-term supply contracts and in the spot market. Prices for these raw materials are strongly correlated with demand for stainless steel and carbon steel and accordingly tend to fluctuate in response to changes in supply and demand dynamics in the industry. In addition, since most of the raw materials we use are finite resources, their prices may also fluctuate in response to any perceived scarcity of reserves and the evolution of the pipeline of new exploration projects to replace depleted reserves.

As a result of the global economic crisis and the consequent decrease in demand for steel, the prices for most raw materials we use decreased in 2009. Since then, prices have generally recovered to more stable levels, aided in part by continued robust demand from China.

Energy

In Brazil, we have traditionally used LPG, which we purchase from a variety of sources, to power our Timóteo production facility. However, we are increasingly using natural gas to power this facility and recently entered into a long-term natural gas supply contract with a Brazilian supplier. In Europe, we purchase most of our natural gas requirements using prevailing pricing systems, where prices are usually linked with oil prices, normalizing for each fuel’s energy content.

In most of the countries where we operate, electricity prices have moved in line with other energy commodities. In Europe, for instance, electricity prices also followed the general downward trend in fuel prices. With regard to electricity prices, we benefit from ArcelorMittal’s participation in the EXCELTIUM consortium, which began in May 2010 to provide its members with electricity in Belgium and France on preferred terms. Under the Transitional Services Agreement, we will continue to benefit from ArcelorMittal’s participation in the EXCELTIUM consortium until December 31, 2011, with the possibility for us to extend this benefit for one additional year.

Initiatives We Have Taken in Response to the Global Financial Crisis

Overview

In the second half of 2008, we implemented several initiatives in response to the deteriorating economic and steel market environment that have had an effect on our results of operations.

- We reduced our output across our production facilities starting in the third quarter of 2008. In the first quarter of 2009, we reduced output further as economic conditions failed to improve. We then gradually increased production, commencing in the second quarter of 2009 and continuing throughout 2010. We also adapted to the deteriorating economic and steel market environment by introducing flexible industrial configurations, which allow for greater flexibility in production planning and improve the management of inventory to reduce carrying costs. These measures allowed us to contain our cost of sales to a certain degree.

- We launched a sustainable cost reduction plan and had achieved approximately $144 million in sustainable management gains by December 2010, primarily due to:
    - selling, general and administrative expense, and headcount reductions achieved through voluntary separation and retirement plans, natural attrition and target rationalization; and
    - significant yield improvements and reductions in raw material costs resulting from targeted investments, including investments in process optimization and the implementation of best practices across the Company.

The "Leadership Journey" Cost Reduction Plan

At the end of 2010, we replaced our sustainable cost reduction plan launched in 2008 with an initiative to target an additional $250 million of management gains and fixed cost reductions over the next two years. The program, which we refer to as the "Leadership Journey", will focus on fixed and variable cost reductions and increasing productivity, targeting the following:

- $100 million of fixed costs reductions;
- $100 million of variable costs reductions; and
- $50 million of additional revenues.

As part of the "Leadership Journey", we plan to convert our Blast Furnace #2 at our Timóteo production facility from coke to charcoal (biomass), temporarily suspend the traditional cold rolling mill at our Isbergues facility and invest $62 million in enhancing the productivity of our hot annealing pickling line in Gueugnon. In addition, we plan to invest $28 million to purchase a new induction furnace and an electro slag remelting furnace at our Imphy production facility, which we believe will increase revenue and improve the competitiveness of our Alloys & Specialties operating segment.

Impact of Exchange Rate Movements

Our results of operations can be affected by fluctuations in exchange rates as follows:

- Transactions in currencies other than the U.S. dollar are initially recorded at the exchange rate prevailing on the date of the transaction. Any movements in exchange rates will result in a gain or loss being reflected on our combined statements of operations.
- Because the functional currency of the majority of our subsidiaries is a currency other than the U.S. dollar, the income statement and balance sheet of each of those subsidiaries must be translated for purposes of preparing our combined financial statements. At the end of each reporting period, any assets or liabilities recorded on the balance sheet of a subsidiary whose functional currency is other than the U.S. dollar are translated at the closing rate on the last day of the relevant period. Items recorded on any such subsidiary's income statement are translated at the average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income through the foreign currency translation reserve.

In order to minimize our currency exposure, we enter into hedging transactions to lock in a set exchange rate, in accordance with our risk management policies, which are described in further detail in "—Quantitative and Qualitative Disclosures about Market Risk".

Spin-off from ArcelorMittal

The historical combined financial statements have been prepared on a "carve-out" basis from the ArcelorMittal combined financial statements using the historical results of operations, assets and liabilities attributable to ArcelorMittal's stainless steel and nickel alloys business and certain other entities except for the effects of the first-time adoption of IFRS under IFRS 1. In addition, the historical combined financial statements include allocations of expenses from ArcelorMittal, which management believes to be reasonable.

Prior to the spin-off, ArcelorMittal provided purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, corporate controller, internal audit, legal and tax advice, compliance regarding internal controls and information technology functions to us. The total cost of these allocations from ArcelorMittal was $12 million in 2009 and $11 million in 2010. As an independent, publicly traded company, we have assumed responsibility for the costs for these functions, effective as of our separation from ArcelorMittal. Accordingly, our historical combined results of operations discussed herein are not necessarily indicative of our future performance and do not reflect what our financial performance would have been had we been an independent publicly traded company during the periods presented. Management expects, subject to the finalization of our plans, that the total annual costs for the abovementioned functions will be in the range of $13 million to $14 million in 2011 (representing incremental expenses in the range of $2 million to $3 million). However, management expects that, having completed our separation from ArcelorMittal, we will benefit from certain rationalizations, including the renegotiation of contracts, which should offset these incremental expenses.

Other Agreements with ArcelorMittal

Prior to the completion of the spin-off, we and ArcelorMittal entered into certain other agreements, including the transitional services agreement (the “Transitional Services Agreement”), the purchasing services agreement for Europe (the “Purchasing Services Agreement”), the sourcing services agreement for Europe (the “Sourcing Services Agreement”), certain commitments relating to the Brazilian Cost Sharing Agreement (the “Brazilian Cost Sharing Agreement”) and certain ancillary arrangements governing the relationship between the Company and ArcelorMittal following the spin-off. The duration of these agreements vary from one to three years.

Critical Accounting Policies and Use of Judgments and Estimates

Management’s discussion and analysis of our results of operations and financial condition is based on the historical combined financial statements, which have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the critical accounting judgments summarized below, require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

For a summary of all of our significant accounting policies, see Note 2 to the historical combined financial statements.

Preparation of Carve-out historical combined financial statements

As discussed in Note 1 to the historical combined financial statements, the historical combined financial statements have been prepared on a “carve-out” basis. Under the “carve-out” basis of presentation, the historical combined financial statements include allocations for certain expenses historically maintained by ArcelorMittal, but not recorded in our accounts. Such items have been allocated to us and included in the historical combined financial statements based on the most relevant allocation method, primarily based on relative percentage of revenue or headcount. Management believes that this basis for allocation of expenses is reasonable.

Deferred Tax Assets

We record deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. We review the deferred tax assets in the different jurisdictions in which we operate periodically to assess the possibility of realizing such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies.

Note 18 to the historical combined financial statements describes the total deferred tax assets recognized in the combined statements of financial position.

Deferred Employee Benefits

Our operating subsidiaries have different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits. The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the statement of financial position is based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, expected return on plan assets, mortality rates, and retirement rates.

- **Discount Rates.** The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.

- **Rate of Compensation Increase.** The rate of compensation increase reflects actual experience and our long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

- **Expected Return on Plan Assets.** The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.

- **Mortality and Retirement Rates.** Mortality and retirement rates are based on actual and projected plan experience.

In accordance with IFRS, actuarial gains or losses resulting from experience and changes in assumptions are recognized in our statement of operations only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plans.

Note 22 to the historical combined financial statements details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

Legal, Environmental and Other Contingencies

We may be involved in litigation, arbitration or other legal proceedings. Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management. We recognize a liability for contingencies when it is more likely than not that we will sustain a loss and the amount can be estimated.

We are subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. We recognize a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated.

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to us or purchased assets from us subject to environmental liabilities. We also consider, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and our historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, we will reduce or increase the recorded liabilities through credits or charges in the statement of operations. We do not expect these environmental issues to affect the utilization of our plants, now or in the future.

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

At each reporting date, we review whether there is any indication that the carrying amounts of our tangible and intangible assets (excluding goodwill) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing its 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the statement of operations.

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs. Accordingly, our assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility, with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2010, we had determined we have six cash generating units.

An impairment loss recognized in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as part of operating income in the statement of operations.

Goodwill

With respect to goodwill, the recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. See Note 2 to the historical combined financial statements for further information on our definition of our groups of cash generating units. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, we extrapolate cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

Derivative Financial Instruments

We have historically entered into derivative transactions with ArcelorMittal Treasury, which, in turn, enter into offsetting positions with counterparties external to ArcelorMittal. We enter into derivative financial instruments principally to manage its exposure to fluctuation in exchange rates and prices of raw materials and energy. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, "Financial Instruments: Recognition and Measurement" We measure all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. See Note 15 to the historical combined financial statements for analysis of the Company's sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for treatment as a cash flow hedge. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in equity. Amounts deferred in equity are recorded in the statement of operations in the periods when the hedged item is recognized in the statement of operations and within the same line item.

We formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised, the cumulated unrealized gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss, which had been recognized in equity, is reported immediately in the statement of operations.

For instruments not accounted for as cash flow hedges, unrealized gains or losses arising from changes in fair value of derivatives are recognized in the statement of operations as part of financing costs, and realized gains or losses upon settlement of derivatives are recognized in the statement of operations as part of operating income.

A. Operating Results

We have three operating segments: Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties.

Key Indicators

The key performance indicators that we use to analyze operations are sales, steel shipments, average steel selling prices and operating income. Our analysis of liquidity and capital resources is based on operating cash flows.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

	Sales for the Year Ended December 31,[1]		Steel Shipments for the Year Ended December 31,[2]		Average Selling Price for the Year Ended December 31,		Changes in		
Operating Segment	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**Sales**	**Steel Shipments**	**Average Steel Selling Price**
	(in millions of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)			(%)	
Stainless & Electrical Steel[3]	4,431	3,185	1,638	1,374	2,591	2,230	39.1	19.2	16.1
Services & Solutions	2,327	1,758	652	575	3,397	2,868	32.4	13.4	18.4
Alloys & Specialties	529	435	33	27	15,368	14,732	21.6	22.2	4.3
Total (before intra-group eliminations)	7,287	5,378	2,323	1,976			35.5	17.6	
Total (after intra-group eliminations)	5,604	4,235	1,741	1,447			32.3	20.3	

Notes:

(1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 24 to the historical combined financial statements.

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 582 thousand tonnes and 529 thousand tonnes in 2010 and 2009, respectively.

(3) Includes shipments of special carbon steel from our Timóteo production facility.

We had sales of $5,604 million for the year ended December 31, 2010 representing an increase of 32.3% from sales of $4,235 million for the year ended December 31, 2009. The increase in sales was primarily due to the significant recovery in shipments and prices as a result of the improvement in general economic conditions. Our steel shipments amounted to approximately 1,741 thousand tonnes for the year ended December 31, 2010, representing a 20.3% increase from steel shipments of approximately 1,447 thousand tonnes for the year ended December 31, 2009.

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were $4,431 million for the year ended December 31, 2010. Sales to external customers in the Stainless & Electrical Steel segment were $2,862 million, representing 51.1% of total sales in 2010, an increase of 34.7% as compared to sales to external customers of $2,125 million for the year ended December 31, 2009, or 50.2% of total sales in 2009. Steel shipments for this segment (including intersegment shipments) increased to approximately 1,638 thousand tonnes for the year ended December 31, 2010 (of which 622 thousand tonnes were attributable to our operations in South America and 1,016 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,374 thousand tonnes for the year ended December 31, 2009 (of which 515 thousand tonnes were attributable to our operations in South America and 859 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented an increase of 19.2%. We experienced a recovery in shipments in both Europe and South America, with stainless steel and electrical steel shipments increasing by approximately the same proportion.

The average selling price for the Stainless & Electrical Steel segment increased by 16.2% in 2010. The increase in the average selling price was due to increases in selling prices for stainless steel, which were partially offset by the continuing decline in selling prices for electrical steel, which were affected in the first half of 2010 by capacity expansions in North America. While selling prices for electrical steel have begun to stabilize, the effect of such capacity expansions may continue to impact our results in future periods.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) were $2,327 million for the year ended December 31, 2010. Sales to external customers in the Services & Solutions segment were $2,220 million, representing 39.6% of total sales in 2010, an increase of 32% as compared to sales of $1,677 million for the year ended December 31, 2009, or 39.6% of total sales in 2009. Steel shipments for this segment increased to 652 thousand tonnes for the year ended December 31, 2010 from 575 thousand tonnes for the year ended December 31, 2009, which represented an increase of 13.3%.

The average selling price for the Services & Solutions segment increased by 18% in 2010. The increases in shipments and average selling prices were due to the recovery of demand and prices for stainless steel, which were, in turn, due to the improvement in general economic conditions.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) were $529 million for the year ended December 31, 2010. Sales to external customers in the Alloys & Specialties segment were $522 million, representing 9.3% of total sales in 2010, an increase of 21% as compared to sales of $430 million for the year ended December 31, 2009, or 10.2% of total sales in 2009. Steel shipments for this segment increased to 33 thousand tonnes for the year ended December 31, 2010 from 27 thousand tonnes for the year ended December 31, 2009, which represented an increase of 22.2%.

The average selling price for the Alloys & Specialties segment increased slightly by 4.3% in 2010. The increase in shipments was due to the recovery of demand as well as strong sales in wire products.

Operating Income/(Loss)

The following table provides our operating income/(loss) and operating margin for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

Operating Segment	Operating Income/(Loss) Year Ended December 31, 2010	2009	Operating Margin Year Ended December 31, 2010	2009
	(in millions of U.S. dollars)		(%)	
Stainless & Electrical Steel	8	(157)	0.2	(4.9)
Services & Solutions	53	(40)	2.3	(2.3)
Alloys & Specialties	36	(1)	6.8	(0.2)
Total[(1)]	93	(207)	1.7	(4.9)

Note:

(1) Amounts shown include eliminations of (4) and (9) for the years ended December 31, 2010 and 2009, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or nonoperational items which are not segmented.

Our operating income for the year ended December 31, 2010 was $93 million, compared to an operating loss of $207 million for the year ended December 31, 2009. The operating income in 2010 was mainly due to the strong recovery in shipments and the increase in the average selling price as compared to 2009, which was, in turn, primarily due to the improvement in general economic conditions as discussed above.

The operating loss for the year ended December 31, 2009 reflected reduced absorption of fixed costs as a result of lower production volumes and shipments, which was, in turn, due to the global economic crisis as discussed above. In addition, we recorded $100 million of pre-tax expenses during the first half of 2009 that resulted from the ongoing effects of the global economic crisis and consequent weak steel market conditions, which contributed to the operating loss for 2009. The $100 million in pre-tax expenses consisted of $90 million of inventory write-downs and $10 million of provisions relating to workforce reductions, including voluntary separation schemes.

The inventory write-downs recorded during the first half of 2009 were due to the rapid and sharp decline in prices of, and demand for, steel products, which led to the net realizable value of certain inventories of finished steel products, production in process and raw materials, in particular inventories of iron ore and coking coal, decreasing.

We recorded a $10 million provision relating to workforce reductions, including voluntary separation schemes, during the first half of 2009, which related to an expansion of the voluntary separation schemes introduced in 2008 and 2009 in response to the effects of the global economic crisis and the deterioration of conditions in the steel market.

Stainless & Electrical Steel

The operating income for the Stainless & Electrical Steel segment was $8 million for the year ended December 31, 2010 (of which operating income of $99 million was attributable to our operations in South America and an operating loss of $91 million was attributable to our operations in Europe), compared to operating loss of $157 million for the year ended December 31, 2009 (of which $88 million of operating income was attributable to our operations in South America and $245 million of operating loss was attributable to our operations in Europe). The operating income in 2010 reflected the strong recovery in shipments and the increase in the average selling price as compared to 2009, which was, in turn, due to the improvement in general economic conditions, as discussed above. We experienced a recovery in shipments in both Europe and South America, but the recovery was stronger in South America, where our market share increased. The increase in the average selling price was due to increases in selling prices for stainless steel, which were partially offset by the continuing decline in selling prices for GO electrical steel, as discussed above.

The operating loss in 2009 reflected reduced absorption of fixed costs, particularly in Europe, as a result of lower production volumes and shipments, which was, in turn, due to the global economic crisis. In addition, we recorded inventory write-downs and provisions in respect of workforce reductions during the first half of 2009 of $64 million and $8 million, respectively, which contributed to the operating loss for the year.

Services & Solutions

The operating loss for the Services & Solutions segment improved from a loss $40 million in the year ended December 31, 2009 to an operating income of $53 million in the year ended December 31, 2010. The operating income in 2010 reflected the strong recovery in shipments and the increase in the average selling price as compared to 2009, which were, in turn, due to the improvement in general economic conditions.

The operating loss in 2009 was mainly due to lower shipments and average selling prices as a result of the global economic crisis. In addition, we recorded $15 million of inventory write-downs and $2 million of provisions in respect of workforce reductions during the first half of 2009 which contributed to the operating loss for the year.

Alloys & Specialties

The operating income for the Alloys & Specialties segment was $36 million for the year ended December 31, 2010, compared to operating loss of $1 million for the year ended December 31, 2009. The operating income in 2010 reflected the recovery in shipments, which was, in turn, due to the recovery of demand, as well as strong sales in wire products, as discussed above.

The operating loss in 2009 reflected lower average selling prices and shipments as a result of the global economic crisis, in particular lower demand resulting from LNG tanker construction. In addition, we recorded $11 million and nil of inventory write-downs and provisions in respect of workforce reductions, respectively, during the first half of 2009, which contributed to the operating loss for the year.

Income from Other Investments

We recorded income of $9 million from other investments for the year ended December 31, 2010, compared to $2 million for the year ended December 31, 2009. The income from other investments was attributable to dividends received from a minority stake we held in a Brazilian rolls supplier.

Interest Income

Interest income decreased to $9 million for the year ended December 31, 2010, compared to $10 million for the year ended December 31, 2009.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, revaluation of financial instruments, net foreign exchange income/expense (i.e., the net effects of transactions in a foreign currency other than the functional currency of a subsidiary) and other financing costs. Interest expense decreased to $116 million for the year ended December 31, 2010, compared to $119 million for the year ended December 31, 2009.

Unrealized gains on derivative instruments also decreased in 2010 as compared to 2009. We had unrealized gains on derivative instruments of $2 million for the year ended December 31, 2010, compared to unrealized gains of $70 million for the year ended December 31, 2009. These unrealized gains and losses related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39. This resulted in a $68 million increase in interest expense and other net finance costs in 2010 as compared to 2009. However, this was offset by a realized gain of $120 million for the year ended December 31, 2010 in relation to the exchange of 21,837,295 Aco Villares shares for 9,076,554 Gerdau shares, which we do not consider strategic.

Net foreign exchange and other net financing costs (which includes bank fees, interest on pensions and impairments of financial instruments) were $15 million for the year ended December 31, 2010, compared to a gain of $38 million for the year ended December 31, 2009.

Expenses due to impairment of financial assets decreased to $0.3 for the year ended December 31, 2010 from an expense of $3 million for the year ended December 31, 2009.

Income Tax

We recorded an income tax benefit of $3 million for the year ended December 31, 2010, compared to an income tax benefit of $57 million for the year ended December 31, 2009. Our income tax benefit in 2010 was primarily due to a change in the measurement of our deferred tax assets, while our tax benefit in 2009 was primarily due to our operating loss for that year. For additional information related to our income taxes, see Note 18 to the historical combined financial statements.

Non-controlling Interests

Net income attributable to non-controlling interests was $1 million for the year ended December 31, 2010, compared to a negligible net loss attributable to non-controlling interests for the year ended December 31, 2009.

Net (Loss)/Income Attributable to ArcelorMittal's Net Investment

Our net income attributable to ArcelorMittal's net investment was $104 million for the year ended December 31, 2010, compared to net loss of $150 million for the year ended December 31, 2009. This was primarily due to the recovery in shipments and average selling prices, as discussed above.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides our sales, steel shipments and average selling prices by operating segment for the year ended December 31, 2009, as compared to the year ended December 31, 2008:

	Sales for the Year Ended December 31,[1]		Steel Shipments for the Year Ended December 31,[2]		Average Selling Price for the Year Ended December 31,		Changes in		
Operating Segment	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**Sales**	**Steel Shipments**	**Average Steel Selling Price**
	(in millions of U.S. dollars)		(thousands of tonnes)		(in U.S. dollars/tonne)			(%)	
Stainless & Electrical Steel[3]	3,185	6,787	1,374	1,881	2,230	3,446	(53.1)	(27.0)	(35.3)
Services & Solutions	1,758	2,823	575	684	2,868	3,787	(37.7)	(15.9)	(24.3)
Alloys & Specialties	435	801	27	39	14,732	18,850	(45.7)	(30.8)	(21.8)
Total (before intra-group eliminations)	5,378	10,411	1,976	2,604			(48.3)	(24.1)	
Total (after intra-group eliminations)	4,235	8,358	1,447	1,958			(49.3)	(26.1)	

Notes:

(1) Amounts are shown prior to intra-group eliminations. For additional information, see Note 24 to the historical combined financial statements.

(2) Stainless & Electrical Steel shipment amounts are shown prior to intersegment shipments of 529 thousand tonnes and 646 thousand tonnes in 2009 and 2008, respectively.

(3) Includes shipments of special carbon steel from our Timóteo production facility.

We had sales of $4,235 million for the year ended December 31, 2009, representing a decrease of 49.3% from sales of $8,358 million for the year ended December 31, 2008. The decrease in sales was primarily due to a decrease in the average selling price and lower shipments, which were, in turn, due to the effects of the global economic crisis. Our steel shipments amounted to 1,447 thousand tonnes for the year ended December 31, 2009, representing a 26.1% decrease from steel shipments of 1,958 thousand tonnes for the year ended December 31, 2008. The average selling price decreased in 2009, commensurate with the decrease in nickel prices. Average nickel prices decreased from $21,116 in 2008 to $14,700 in 2009, which represented a decrease of 30.4%. See "—Factors Affecting Results of Operations—Stainless Steel Pricing".

Stainless & Electrical Steel

Sales in the Stainless & Electrical Steel segment (including intersegment sales) were $3,185 million for the year ended December 31, 2009. Sales to external customers in the Stainless & Electrical Steel segment were $2,125 million, representing 50.2% of total sales in 2009, a decrease of 55.6% as compared to sales of $4,784 million for the year ended December 31, 2008, or 57.2% of total sales in 2008. Steel shipments for this segment (including intersegment shipments) decreased to 1,374 thousand tonnes for the year ended December 31, 2009 (of which 515 thousand tonnes were attributable to our operations in South America and 859 thousand tonnes were attributable to our operations in Europe, including intersegment shipments) from 1,881 thousand tonnes for the year ended December 31, 2008 (of which 666 thousand tonnes were attributable to our operations in South America and 1,215 thousand tonnes were attributable to our operations in Europe, including intersegment shipments), which represented a decrease of 27.0%. The decrease in shipments of stainless and electrical steel reflected a decrease in demand across the global stainless and electrical steel market as a result of the global economic crisis. In addition, our shipments in South America declined at a rate faster than the overall market due to continued strong competition from imports.

The average selling price for the Stainless & Electrical Steel segment decreased by 35.3% in 2009. These decreases were attributable to the effects of the global economic crisis on both base prices and alloy surcharges, in particular in respect of nickel. The decline in average selling price reflected a decline in electrical steel prices that was broadly commensurate with the decline in stainless steel prices.

Services & Solutions

Sales in the Services & Solutions segment (including intersegment sales) were $1,758 million for the year ended December 31, 2009. Sales to external customers in the Services & Solutions segment were $1,677 million, representing 39.6% of total sales in 2009, a decrease of 38.5% as compared to sales of $2,729 million for the year ended December 31, 2008, or 32.7% of total sales in 2008. Steel shipments for this segment decreased to 575 thousand tonnes for the year ended December 31, 2009 from 684 thousand tonnes for the year ended December 31, 2008, which represented a decrease of 15.9%.

The average selling price for the Services & Solutions segment decreased by 24.3% in 2009. These decreases were attributable to the effects of the global economic crisis on raw materials prices as well as on prices and demand generally.

Alloys & Specialties

Sales in the Alloys & Specialties segment (including intersegment sales) were $435 million for the year ended December 31, 2009. Sales to external customers in the Alloys & Specialties segment were $430 million, representing 10.2% of total sales in 2009, a decrease of 46.3% as compared to sales of $800 million for the year ended December 31, 2008, or 9.6% of total sales in 2008. Steel shipments for this segment decreased to 27 thousand tonnes for the year ended December 31, 2009 from 39 thousand tonnes for the year ended December 31, 2008, which represented a decrease of 30.8%. The decrease in shipments reflected a decrease in demand across the global alloys and specialties market as a result of the global economic crisis.

The average selling price for the Alloys & Specialties segment decreased by 21.8% in 2009, primarily driven by a 30% decline in the price of nickel. These decreases were attributable to the effects of the global economic crisis. In particular, in 2008, we experienced strong demand for certain of our products used in the construction of LNG tankers, which subsequently decreased sharply in 2009. Management expects that the sale of our products used in the construction of LNG tankers will remain low based on the reduced number of LNG construction contracts entered into since the onset of the global economic crisis.

Operating (Loss)/Income

The following table provides our operating (loss)/income and operating margin for the year ended December 31, 2009, as compared to the year ended December 31, 2008:

	Operating (Loss)/Income Year Ended December 31,		**Operating Margin Year Ended December 31,**	
Operating Segment	**2009**	**2008**	**2009**	**2008**
	(in millions of U.S. dollars)		**(%)**	
Stainless & Electrical Steel	(157)	345	(4.9)	5.1
Services & Solutions	(40)	(43)	(2.3)	(1.5)
Alloys & Specialties	(1)	26	(0.2)	3.2

Total[(1)]	(207)	382	(4.9)	4.6

Note:

(1) Amounts shown include eliminations of (9) and 54 for the years ended December 31, 2009 and 2008, respectively, which includes all operations other than those that are part of the Stainless & Electrical Steel, Services & Solutions and Alloys & Specialties operating segments, together with intersegment eliminations and/or nonoperational items which are not segmented.

Our operating loss for the year ended December 31, 2009 was $207 million, compared to operating income of $382 million for the year ended December 31, 2008. The operating loss in 2009 was due to lower sales, average selling prices and shipments as described above, which were, in turn, due to the effects of the global economic crisis. We experienced deterioration across our Stainless & Electrical Steel and Alloys & Specialties segments, while the operating loss in our Services & Solutions segment remained relatively unchanged.

Certain expenses also contributed to our operating loss in 2009. In the first half of 2009, we recorded $100 million of pre-tax expenses that resulted from the ongoing effects of the global economic crisis and consequent weak steel market conditions, which consisted of $90 million of inventory write-downs and $10 million of provisions relating to workforce reductions, including voluntary separation schemes. The inventory write-downs recorded during the first half of 2009 were due to the rapid and sharp decline in prices of, and demand for, steel products, which led to the net realizable value of certain inventories of finished steel products, production in process and raw materials, in particular inventories of iron ore and coking coal, decreasing. We also recorded $50 million of inventory write-downs during the second half of 2009. However, these write-downs generally related to fluctuations in prices for raw materials, in particular nickel prices, rather than weak steel market conditions. For further detail on inventory write-downs taken over the past three years, see Note 6 to the historical combined financial statements.

We recorded a $10 million provision relating to workforce reductions, including voluntary separation schemes, during the first half of 2009. This provision was in addition to the $47 million provision recorded in the last quarter of 2008 and related to an expansion of the voluntary separation schemes announced during the first quarter of 2009. We introduced voluntary separation schemes in 2008 and 2009 in response to the effects of the global economic crisis and the deterioration of conditions in the steel market. For further information in relation to provisions taken over the past three years, see Note 19 to the historical combined financial statements.

Stainless & Electrical Steel

The operating loss for the Stainless & Electrical Steel segment was $157 million for the year ended December 31, 2009 (of which $88 million of operating income was attributable to our operations in South America and $245 million of operating loss was attributable to our operations in Europe), compared to operating income of $345 million for the year ended December 31, 2008 (of which $449 million of operating income million was attributable to our operations in South America and $104 million of operating loss was attributable to our operations in Europe) The operating loss in 2009 reflected reduced absorption of fixed costs, particularly in Europe, as a result of lower production volumes and shipments, which was, in turn, due to the global economic crisis. The operating loss for the Stainless & Electrical Steel segment also reflected inventory write-downs and provisions for workforce reduction recorded during the first half of 2009 of $64 million and $8 million, respectively. Inventory write-downs, provisions for onerous raw material supply contracts and provisions for workforce reductions of $98 million, $16 million and $36 million, respectively, were recorded during the last quarter of 2008.

Services & Solutions

The operating loss for the Services & Solutions segment decreased slightly from $43 million in 2008 to $40 million in 2009. The operating loss in 2009 was mainly due to decreases in shipments and in the average selling price as a result of the global economic crisis. The operating loss in 2008 was primarily due to inventory write-downs, which were $50 million in the last quarter of 2008, compared to $15 million recorded during the first half of 2009. Provisions in respect of workforce reductions of $2 million and $4 million were recorded in each of the first half of 2009 and the last quarter of 2008, respectively.

Alloys & Specialties

The operating loss for the Alloys & Specialties segment was $1 million for the year ended December 31, 2009, compared to operating income of $26 million for the year ended December 31, 2008.

The operating loss in 2009 reflected lower average selling prices and shipments as a result of the global economic crisis, in particular lower demand resulting from LNG tanker construction. Inventory write-downs and provisions in respect of workforce reductions of $11 million and nil, respectively, were also recorded during the first half of 2009, compared to an inventory revaluation benefit of $3 million and a provision for workforce reduction of $7 million recorded during the last quarter of 2008.

Income from Other Investments

We recorded income of $2 million from other investments for the year ended December 31, 2009, compared to nil for the year ended December 31, 2008. The income from other investments was attributable to a minority stake we held in a Brazilian rolls supplier.

Interest Income

Interest income decreased to $10 million for the year ended December 31, 2009, compared to $59 million for the year ended December 31, 2008, due to a decrease in interest rates as well as lower cash balances during the year.

Interest Expense and Other Net Financing Costs

Interest expense and other net financing costs include interest expense, revaluation of financial instruments, net foreign exchange income/expense (i.e., the net effects of transactions in a foreign currency other than the functional currency of a subsidiary) and other financing costs. Interest expense decreased slightly to $119 million for the year ended December 31, 2009, compared to $123 million for the year ended December 31, 2008, due to a decrease in outstanding indebtedness.

Unrealized gains on derivative instruments also contributed to the decrease in net financing costs in 2009. We had unrealized gains on derivative instruments of $70 million for the year ended December 31, 2009, compared to unrealized losses of $41 million for the year ended December 31, 2008. These unrealized gains and losses related to instruments we entered into to hedge our exposure to nickel prices which do not qualify for hedge accounting treatment under IAS 39. We had an unrealized gain in respect of these instruments in 2009 as a result of the increase in nickel prices during that year, and we had an unrealized loss in 2008 as a result of the decrease in nickel prices.

Net foreign exchange and other net financing costs (which includes bank fees, interest on pensions and impairments of financial instruments) were a gain of $38 million for the year ended December 31, 2009, compared to costs of $59 million for the year ended December 31, 2008.

Expenses due to impairment of financial assets decreased to $3 million for the year ended December 31, 2009 from an expense of $61 million for the year ended December 31, 2008. The expense in 2008 was primarily attributable to the impairment of our investment in General Moly, which is classified as an available-for-sale investment. The impairment was, in turn, due to the decrease in General Moly's share price, which we determined was significant.

See Note 17 to the historical combined financial statements.

Income Tax

We recorded an income tax benefit of $57 million for the year ended December 31, 2009, compared to an income tax expense of $61 million for the year ended December 31, 2008. Our income tax benefit in 2009 was primarily due to our operating loss for that year, as compared with our operating profit in 2008, as well as the effects of tax benefits surrendered to ArcelorMittal tax groups, net of indemnifications. For additional information related to our income taxes, see Note 18 to the historical combined financial statements.

Non-controlling Interests

Net loss attributable to non-controlling interests was negligible for the year ended December 31, 2009, compared with net income attributable to non-controlling interests of $39 million for the year ended December 31, 2008. The decrease related mainly to the repurchase of the remaining non-controlling interests in AMIB in April 2008.

Net (Loss)/Income Attributable to ArcelorMittal's Net Investment

Our net loss attributable to ArcelorMittal's net investment was $150 million for the year ended December 31, 2009, compared to net income of $59 million for the year ended December 31, 2008. This decrease was primarily due to the effects of the global economic crisis, as discussed above. See Note 1 to the historical combined financial statements for further information on ArcelorMittal's net investment.

B. Liquidity and Capital Resources

Our principal sources of liquidity are cash generated from our operations, our senior credit facilities and our credit facilities at the level of our operating subsidiaries. Management believes that the cash generated from our operations and our credit facilities are sufficient to meet our present requirements.

Because we are a holding company, we are dependent upon the earnings and cash flows of, and dividends and distributions from, our operating subsidiaries to pay expenses and meet our debt service obligations.

Our cash and cash equivalents amounted to $120 million, $118 million and $126 million as of December 31, 2010, 2009 and 2008, respectively.

Our total debt, which includes long-term debt and short-term debt was $1,832 million, $1,881 million and $2,080 million as of December 31, 2010, 2009 and 2008, respectively. Net debt (defined as long-term and short-term debt less cash and cash equivalents) was $1,712 million as of December 31, 2010, compared to $1,763 million and $1,954 million at December 31, 2009 and 2008, respectively. Gearing (defined as net debt divided by total equity) was 46.9% as of December 31, 2010 compared to 49.1% and 59.6% at December 31, 2009 and 2008, respectively.

Prior to the spin-off, our principal sources of financing consisted of loans from ArcelorMittal entities to us at the level of AMIB, which holds our assets in Brazil, and Aperam Stainless Belgium (formerly ArcelorMittal Stainless Belgium), which holds our assets in Belgium. Simultaneously with the spin-off, we entered into a $900 million bridge loan with ArcelorMittal to replace these loans. On March 15, 2011, we entered into a borrowing base facility with third party lenders to replace $400 million of the ArcelorMittal bridge loan, with the remainder of the ArcelorMittal bridge loan to be repaid with the proceeds of the offering of the notes.

As of December 31, 2010, our total pro forma gross debt post spin-off, which includes long-term debt and short-term debt, was $1,076. Pro forma net debt (defined as long-term and short-term debt less cash and cash equivalents) was $848 million as of December 31, 2010. Gearing (defined as net debt divided by total equity) was 22% as of December 31, 2010.

Our borrowing base facility has a total capacity of $800 million, of which $400 million is currently remaining after we borrowed $400 million on March 24, 2011 to repay a portion of our $900 million bridge loan with ArcelorMittal. The borrowing base facility may be increased from $800 million to $1 billion upon our request and subject to approval by the lenders. We have also agreed the principal terms of a $100 million revolving credit facility that we intend to conclude before the end of April 2011. In addition, as of December 31, 2010, we had $188 million of debt outstanding at the subsidiary level on a pro forma basis, of which $135 million was borrowed by our Brazilian subsidiary, AMIB, $8 million was borrowed by our other Brazilian subsidiaries and $45 million was borrowed by our other subsidiaries, including approximately $18 million of capital leases held by our Belgian subsidiary, Aperam Stainless Belgium NV, and $6 million payable to ArcelorMittal. Our subsidiaries had granted security in respect of $79 million of indebtedness.

Our subsidiary facilities, the senior credit facilities and the ArcelorMittal bridge loan are described in "Description of Certain Indebtedness". These facilities, together with other forms of financing, including the notes, represent an aggregate amount of approximately $1.6 billion, with available borrowing capacity of approximately $500 million. In management's opinion, such financing will be sufficient for our future requirements.

True Sale of Receivables Program

We have historically participated in a program established by ArcelorMittal for sales without recourse of trade accounts receivable to financial institutions, referred to as our true sale of receivables ("TSR") program. The total amount that we may borrow under the TSR program at any one time is € 250 million. Through the TSR program, we and certain of our operating subsidiaries surrender the control, risks and benefits associated with the accounts receivable sold, allowing us to record the amount of receivables sold as a sale of financial assets and remove the accounts receivable from our statement of financial position at the time of the sale. The amount of receivables we sold under the TSR program and derecognized in accordance with IAS 39 for the years ended December 31, 2010, 2009 and 2008 was $1.7 billion, $1.3 billion and $2.3 billion, respectively. Expenses incurred under the TSR program (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the statement of operations as financing costs and amounted to $11 million, $8 million and $23 million in the years ended December 31, 2010, 2009 and 2008, respectively.

We have obtained liquidity from the sale of receivables through the TSR program under similar terms and conditions to the existing ArcelorMittal TSR program for an amount of up to €250 million. See Note 5 to the historical combined financial statements for further information.

Inventory

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence, is comprised of the following:

	As of December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Finished products	543	387	434
Production in process	620	427	438
Raw materials	193	133	176
Manufacturing supplies, spare parts and other	140	142	247
Total	1,496	1,089	1,295

Our inventory levels were affected by certain measures we implemented in response to the effects of the global economic crisis. In particular, during the third quarter of 2008 and the first half of 2009, we reduced our output significantly across our production facilities in order to reduce our inventory levels. During 2010, we gradually increased output and our inventory levels in response to improved market conditions.

Due to the rapid and sharp decline in prices of, and demand for, steel products in the last quarter of 2008 and in the beginning of 2009, the net realizable value of certain inventories of finished steel products, production in process and raw materials, in particular inventories of iron ore and coking coal, decreased. As a result, we recorded $90 million and $146 million of inventory write-downs in the first half of 2009 and the last quarter of 2008, respectively. Management believes, however, that the realizability of our inventories was not materially adversely affected during this period.

The table below presents our inventory turnover ratio, defined as cost of sales divided by average inventory, which is the key measure management uses to monitor inventory levels, for the years ended December 31, 2010, 2009 and 2008:

	Year Ended December 31,		
	2010	2009	2008
Inventory turnover ratio	4.1	3.5	4.9

Our inventory turnover ratio decreased in 2009 as a result of the deteriorating economic and steel market environment. Although we were able to manage inventory levels by reducing output at our production facilities and introducing flexible industrial configurations, these measures did not fully offset the adverse effect of the global economic crisis on our ability to turn over our inventory. The inventory turnover ratio increased in 2010 as we increased output at our production facilities and market conditions improved, allowing us to turn over our inventory more quickly.

Sources and Uses of Cash

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following table presents a summary of our cash flow for the year ended December 31, 2010, as compared to the year ended December 31, 2009:

	Year Ended December 31, 2010	2009
	(in millions of U.S. dollars)	
Net cash provided by operating activities	362	214
Net cash (used in)/provided by investing activities	(404)	90
Net cash provided by/(used in) financing activities	42	(339)

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased to $362 million for the year ended December 31, 2010, compared to $214 million for the year ended December 31, 2009. Despite increased working capital requirements, cash generated from operating activities increased by $148 million due to a tax indemnification of $265 million received from ArcelorMittal France. Working capital (defined for purposes of this financial report as consisting of inventories plus accounts receivable less accounts payable) for the year ended December 31, 2010 increased by $211 million as compared to the year ended December 31, 2009 due to the recovery in demand and higher raw material prices. Inventories increased by $489 million, accounts receivable increased by $93 million and accounts payable increased by $371 million in 2010 as compared to 2009.

Net Cash (Used in)/Provided by Investing Activities

Net cash used in investing activities amounted to $404 million for the year ended December 31, 2010, compared to net cash provided by investing activities of $90 million for the year ended December 31, 2009. The net cash used in investing activities in 2010 was mainly related to excess cash received from ArcelorMittal France from a $265 million tax indemnity. Capital expenditure was $101 million for the year ended December 31, 2010, compared to $115 million for the year ended December 31, 2009.

Net Cash Provided by/(Used in) Financing Activities

Net cash provided by financing activities was $42 million for the year ended December 31, 2010, compared to net cash used in financing activities of $339 million for the year ended December 31, 2009. Cash provided by financing activities increased primarily as a result of capital increases in 2010 of $73 million and $25 million at ArcelorMittal Stainless Tubes Europe and ArcelorMittal Precision Europe, respectively.

Equity

ArcelorMittal's net investment increased to $3,649 million as of December 31, 2010, primarily due to net income for the year of $104 million and capital transactions with ArcelorMittal of $55 million, which were partially offset by the decrease in the foreign currency translation adjustments of $78 million as a result of the decrease of net assets of European operations following the depreciation of the euro against the U.S. dollar.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following table presents a summary of our cash flow for the year ended December 31, 2009, as compared to the year ended December 31, 2008:

	Year Ended December 31, 2009	2008
	(in millions of U.S. dollars)	
Net cash provided by operating activities	214	488
Net cash provided by/(used in) investing activities	90	(225)
Net cash used in financing activities	(339)	(764)

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased to $214 million for the year ended December 31, 2009, compared to $488 million for the year ended December 31, 2008. The decrease was due primarily to our recognition of a net loss of $150 million in 2009 compared to net income of $98 million in 2008. Working capital (defined for purposes of this financial report as consisting of inventories plus accounts receivable less accounts payable) decreased by $277 million due to reduced levels of activity and an increased focus on cash management. Inventories decreased by $200 million, accounts receivable decreased by $238 million and accounts payable decreased by $161 million in December 2009. We also made various payments in 2009 including in respect of value-added tax, interest on debt and under our voluntary separation schemes.

Net Cash Provided by/(Used in) Investing Activities

Net cash provided by investing activities amounted to $90 million for the year ended December 31, 2009, compared to net cash used in investing activities of $225 million for the year ended December 31, 2008. The net cash provided by investing activities in 2009 was mainly related to a cash inflow of $192 million with respect to loans under cash pooling arrangements with other entities in the ArcelorMittal group. Capital expenditure was $115 million for the year ended December 31, 2009, compared to $248 million for the year ended December 31, 2008. We reduced our capital expenditure in order to reduce our debt. Net acquisition spending in 2009 was nil as we curtailed our mergers and acquisitions activity in response to the deterioration of the economic climate. Net acquisition spending was $22 million in 2008, relating to the acquisition of Rescal and Inox Tubos. For additional information, see Note 4 to the historical combined financial statements.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased to $339 million for the year ended December 31, 2009, compared to $764 million for the year ended December 31, 2008. The decrease in cash used in financing activities was primarily due to a reduction in cash distributions to ArcelorMittal.

Equity

ArcelorMittal's net investment increased to $3,583 million as of December 31, 2009, compared to $3,267 million as of December 31, 2008, primarily due to a $523 million increase in other comprehensive income from foreign currency translation.

Capital Expenditure

Our capital expenditure for the years ended December 31, 2010, 2009 and 2008 was $101 million, $115 million and $248 million, respectively. Capital expenditure for 2010 related primarily to the maintenance of our facilities in Brazil, Belgium and France. Capital expenditure for 2009 related primarily to improvements to our production facilities, including capital expenditure in respect of our Timóteo facility required to convert our Blast Furnace #2 from coke to charcoal (biomass) and to switch from LPG to natural gas. We also incurred capital expenditure in 2009 relating to various growth and maintenance projects at our production facilities in Brazil, Belgium and France as well as at certain of our Services & Solutions subsidiaries. Capital expenditures for 2008 related primarily to improvements to our production facilities and various growth and maintenance projects, including the continued expansion of hot rolling capacity at our Timóteo production facility and projects at our production facilities in Belgium and France as well as certain of our Services & Solutions subsidiaries.

We have budgeted approximately $200 million for capital expenditure projects in 2011, relating primarily to the maintenance of our facilities in Brazil, Belgium and France. This amount includes planned investment of $28 million to purchase a new induction furnace and electro slag remelting furnace at our Imphy production facility. In addition, management is considering plans to increase our capacity in Brazil, which would require us to increase our capital expenditure budget for 2011.

C. Research and Development, Patents and Licenses

Costs relating to research and development, patents and licenses were not significant as a percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) for the years ended December 31, 2010, 2009 and 2008 amounted to $21 million, $14 million and $22 million, respectively.

D. Trend information

On 10 May 2011, Aperam published its Q1 2011 results. EBITDA was $ 139 million in the first quarter of 2011 compared to EBITDA in the fourth quarter of 2010 of $ 22 million. This increase was primarily driven by higher volumes, margin improvement and the contribution of the "Leadership Journey" initiative for $ 33 million during the quarter. A charge of $ 36 million related to the implementation of the "Leadership Journey" was also recorded within the EBITDA.

Recent decline in nickel prices, economic uncertainty and weakness in US dollar are expected to put pressure on margins in Q2 2011. Net debt is expected to increase in Q2 2011

The Q1 2011 results press release is available on www.aperam.com, Investors, Earnings.

E. Off-balance Sheet Arrangements

We have no uncombined special purpose financing or partnership entities. As discussed above, however, we participate in the TSR program established by ArcelorMittal for sales without recourse of trade accounts receivable programs with financial institutions. For additional information, see "—Liquidity and Capital Resources—True Sale of Receivables Program."

F. Tabular Disclosure of Contractual Obligations

We have various purchase commitments for materials, supplies and items of permanent investment incidental to the ordinary course of business. As of December 31, 2010, management believes that these commitments are not in excess of current market prices and reflect normal business operations.

As of December 31, 2010, we had outstanding various long-term obligations. These various purchase commitments and long-term obligations will have an effect on our future liquidity and capital resources. The table below shows, by major category of commitment and obligations outstanding as of December 31, 2010, management's current estimate of their annual maturities (undiscounted except for environmental and asset retirement obligations).

	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
			(in millions of U.S. dollars)		
Long-term debt obligations—scheduled repayments—Note 14 to the historical combined financial statements	1,243	332	186	332	393
Operating lease obligations—Note 21 to the historical combined financial statements	19	1	2	1	15
Capital lease obligations	26	5	8	6	7
Environment commitments[(1)]—Note 19 to the historical combined financial statements	38	11	17	2	8
Purchase obligations—Note 21 to the historical combined financial statements	1,376	241	457	298	380
Funding contribution to the pension and post-employment plans[(2)]	10	10	—	—	—
Scheduled interest payments[(3)]	435	79	174	122	60
Other long-term liabilities	3	—	—	—	3
Total	3,150	679	844	761	866

Notes:

(1) We may be subject to additional environmental liabilities not included in the table above.

(2) The funding contributions to the pension and post-retirement plans are presented for the following year and to the extent known.

(3) In determining the future interest payments on our variable interest debt we used the interest rates applicable as of December 31, 2010.

We had $568 million, $377 million and $407 million of short-term debt (excluding current portion of long-term debt) as of December 31, 2010, 2009 and 2008, respectively. Short-term debt includes short-term loans, which are payable within one year, and overdrafts with ArcelorMittal, which are payable on demand.

G. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in raw materials prices, foreign currency exchange rates, interest rates, base metal prices and energy prices (oil, natural gas and electricity) will adversely affect the value of our financial assets, liabilities or expected future cash flows.

The fair value information presented below is based on the information available to management as of the date of the statement of financial position. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of this offering financial report since that date, and therefore, the current estimates of fair value may differ significantly from the amounts presented below. The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. The fair value estimates presented below are not necessarily indicative of the amounts that we could realize in current market transactions.

Risk Management

We are in the process of implementing strict policies and procedures to manage and monitor financial market risks. These risks are managed centrally by a group specializing in foreign exchange, interest rate, commodity, internal and external funding and cash and liquidity management. Pursuant to the Transitional Services Agreement, ArcelorMittal will provide us with treasury services until December 31, 2011, with the possibility for us to extend these services for one additional year.

We use financial derivative instruments to manage our exposure to fluctuations in interest rates, foreign exchange rates and commodity prices and energy and emission rights allowances arising from operating, financing and investment activities.

Derivative Instruments

We use derivative instruments to manage our exposure to movements in interest rates, foreign exchange rates, commodity prices and energy and emissions rights allowances arising from operating, financing and investment activities. Changes in the fair value of derivative instruments were recognized in the statement of operations until June 30, 2010, as we did not apply hedge accounting treatment under IAS 39 until that date. From July 1, 2010, we applied hedge accounting treatment under IAS 39, and, as a consequence, changes in the fair value of derivative instruments are recognized in other comprehensive income.

Derivatives used are conventional exchange-traded instruments such as futures and options, as well as non-exchange-traded derivatives such as over-the-counter swaps, options and forward contracts.

Our portfolio of derivatives currently consists of transactions with ArcelorMittal Treasury (and, in the near-term, with banking partners), which, in turn, enters into offsetting positions with external counterparties We manage the counterparty risk associated with our derivative instruments by centralizing our commitments and by applying procedures which specify, for each type of transaction, exposure limits based on the risk characteristics of the counterparty. We do not generally grant to or require from our counterparties guarantees over the risks incurred.

Our portfolio associated with derivative financial instruments as of December 31, 2010 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(in millions of U.S. dollars)			
Foreign exchange rate instruments				
Forward purchase of contracts	168	5	176	(3)
Forward sale of contracts	147	3	117	(4)
Total foreign exchange rate instruments		8		(7)
Raw materials (base metal)				
Term contracts sales	2	—	28	(2)
Term contracts purchases	136	14	14	—
Total raw materials (base metal)		14		(2)
Total		22		(9)

Currency Exposure

Because a substantial portion of our assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (our reporting currency), we are exposed to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Brazilian real, as well as fluctuations in the currencies of the other countries in which we have significant operations and/or sales, could have a material impact on our results of operations.

We face transaction risk, where our businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, we may purchase raw materials in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials, thereby negatively impacting our operating margins.

We also face translation risk, which arises when we translate the statement of operations of our subsidiaries, our corporate net debt and other items denominated in currencies other than the U.S. dollar for inclusion in the historical combined financial statements.

We hedge our net exposure to exchange rates through spot and derivative transactions.

The following table details our sensitivity as it relates to derivative financial instruments to a 10% variation in the value of the U.S. dollar against the other currencies to which we are exposed. This sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in profit or loss, while a negative number indicates a decrease in profit or loss and other equity:

	Year Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
10% appreciation in U.S. dollar	7	(8)	(5)
10% depreciation in U.S. dollar	(7)	8	5

Interest Rate Exposure

Short-term Interest Rate Exposure and Cash

Cash balances, which are primarily denominated in euro and U.S. dollars, are managed according to the short-term (up to one year) guidelines established by senior management on the basis of a daily interest rate benchmark, primarily through short-term interest rate swaps and short-term currency swaps, without modifying the currency exposure.

Interest Rate Risk on Debt

Our policy consists of incurring debt at fixed and floating interest rates, primarily in U.S. dollars and euro according to general corporate needs.

We use interest rate derivatives (mainly interest rate swaps) to manage our exposure to fluctuations in interest rates. Interest rate swaps enable us to adjust our exposure to fixed or floating interest rates either at inception or during the lifetime of a loan. We and our counterparty exchange, at predefined intervals, the difference between the agreed fixed and the variable rates, calculated on the basis of the notional amount of the swap.

The carrying amount and fair value of our interest bearing financial instruments as of December 31, 2010, 2009 and 2008 was as follows:

	As of December 31,					
	2010		2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions of U.S. dollars)					
Instruments payable bearing interest at fixed rates	789	1,014	814	649	892	521
Instruments payable bearing interest at variable rates	480	504	694	658	786	476

The following table details our sensitivity to a change of 1% variation in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant:

	As of December 31, 2010		
	Rate Instrument	Interest Rate Swaps/ Forward Rate Agreements	Cash Flow Sensitivity (net)
	(in millions of U.S. dollars)		
1% rise	(9)	—	(9)
1% fall	9	—	9

Commodity Exposure

We use derivative instruments such as forwards, swaps and options to manage our exposure to commodity and energy prices both through the purchase of commodities and energy and through sales contracts.

Fair values of raw material and energy instruments are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(in millions of U.S. dollars)		
Base metals	12	11	(58)
Energy (oil)	—	—	(1)
Total	12	11	(59)
Assets associated with raw materials and energy	14	18	6
Liabilities associated with raw materials and energy	(2)	(7)	(65)
Total	12	11	(59)

We consume large amounts of commodities (mainly nickel), the price of which is linked to the London Metals Exchange price index and energy (the price of which is linked to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). As a general matter, we are exposed to price volatility in respect of our purchases in the spot market and under our long term supply contracts.

The following table details our income sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis include only outstanding, unmatured base metal derivative instruments both held for trading at fair value through the statement of operations and those designated as eligible for hedge accounting treatment.

	Year Ended December 31,					
	2010		2009		2008	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
	(in millions of U.S. dollars)					
+10% in prices base metals	6	7	7	—	7	—
−10% in prices base metals	(6)	(7)	(7)	—	(7)	—

Item 4. Directors, Senior Management and Employees

A. Directors and Senior Management

We place a strong emphasis on corporate governance. Our board of directors (the "Board of Directors") is composed of seven members, four of whom are independent. The Board of Directors has four committees: the Audit and Risk Management Committee, the Remuneration, Nomination and Corporate Governance Committee, the Sustainability, Performance and Strategy Committee and the Transition Committee. See "—Committees of the Board of Directors".

Board of Directors

The members of the Board of Directors as of the date of this financial report are set forth below. The terms of the members of the Board of Directors expire at the annual general meeting of shareholders to be held in 2013.

Name	Age[(1)]	Position within the Company	Term Expires
Mr. Lakshmi N. Mittal.............	60	Chairman, Non-independent member of the Board of Directors	May 2013
Mr. Aditya Mittal.....................	35	Non-independent member of the Board of Directors	May 2013
Mr. Gonzalo Urquijo...............	49	Non-independent member of the Board of Directors	May 2013
Ms. Kathryn A. Matthews.......	50	Independent member of the Board of Directors	May 2013
Mr. David B. Burritt	55	Independent member of the Board of Directors	May 2013
Ms. Sylvie Ouziel (2)..............	40	Independent member of the Board of Directors	May 2013
Mr. Romain Bausch...............	57	Independent member of the Board of Directors	May 2013

Note:

(1) Age on December 31, 2010.

(2) On 9 May,2011, the Board of Directors of Aperam co-opted Mrs. Laurence Mulliez (45) until Aperam's next general meeting of shareholders, where Mrs. Mulliez' election will be submitted for confirmation by the shareholders. This decision follows the stepping down of Mrs. Sylvie Ouziel from the Board for personal considerations effective May 10, 2011. Mrs. Laurence Mulliez is CEO of Eoxis since 2010. Eoxis isa privately held producer of energy from renewable sources. Mrs. Laurence Mulliez was previously CEO of Castrol Industrial Lubricants and Services at British Petroleum from 2007 to 2009 and held various positions in British Petroleum starting 1999, including Head of Strategy for Gas, Power and Renewable Energy. Mrs. Laurence Mulliez will be member of the Audit and Risk, Transition and Sustainability, Performance and Strategy. Mrs. Kathyn Matthews will be member of the Transition, Sustainability, Performance and Strategy and of the Remuneration, Nomination and Corporate Governance Committees.

Our Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. None of the members of the Board of Directors has entered into service contracts with the Company or any of its affiliates that provide for benefits upon the termination of their service.

The business address of Mr. Lakshmi N. Mittal, Mr. Aditya Mittal and Mr. Gonzalo Urquijo is 19, Avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg. The business address of the other members of the Board of Directors is our registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg.

Mr. Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman and Chief Executive Officer of ArcelorMittal. Mr. Lakshmi N. Mittal founded Mittal Steel Company (formerly the LNM Group) in 1976 and guided its strategic development, culminating in the merger with Arcelor, agreed in 2006, to found the world's largest steelmaker. Since the merger, Mr. Lakshmi N. Mittal has led a successful integration, establishing ArcelorMittal as one of the world's foremost industrial companies. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more combined and globalized model.

Mr. Lakshmi N. Mittal is an active philanthropist and a member of various boards and trusts, including the boards of Goldman Sachs and EADS. He is also a member of the Indian Prime Minister's Global Advisory

Council, the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the Investors' Council to the Cabinet of Ministers of Ukraine, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee and the Presidential International Advisory Board of Mozambique. He also sits on the Advisory Board of the Kellogg School of Management in the United States and is a member of the Board of Trustees of Cleveland Clinic.

Mr. Lakshmi N. Mittal began his career working in the family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to forcing the pace of industry consolidation, he has also championed the development of integrated mini-mills and the use of DRI as a scrap substitute for steelmaking. Following the transaction combining Ispat International and LNM Holdings to form Mittal Steel in December 2004, together with the simultaneous announcement of the acquisition of International Steel Group in the United States, he led the formation of the world's then-leading steel producer. Subsequently, in 2006, under his leadership Mittal Steel merged with Arcelor to form ArcelorMittal.

In 1996, Mr. Lakshmi N. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and the 'Willy Korf Steel Vision Award' by World Steel Dynamics in 1998 for outstanding vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's 'European Businessman of the Year 2004'. Mr. Mittal was awarded 'Business Person of 2006' by the Sunday Times, 'International Newsmaker of the Year 2006' by Time Magazine and 'Person of the Year 2006' by the Financial Times for his outstanding business achievements. In January 2007, Mr. Lakshmi N. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received the 2007 Dwight D Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Lakshmi N. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Lakshmi N. Mittal was chosen for the third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise.

Mr. Lakshmi N. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St Xavier's College in Kolkata where he received a Bachelor of Commerce degree. Mr. Lakshmi N. Mittal is married to Usha Mittal, and has a son, Aditya Mittal and a daughter, Vanisha Mittal Bhatia.

Mr. Aditya Mittal

Mr. Aditya Mittal is the Chief Financial Officer of ArcelorMittal with additional responsibility for M&A Business and Project Development, Flat Products Americas, Investor Relations, Strategy and Communications. Prior to the merger that created ArcelorMittal, Mr. Aditya Mittal held the position of President and Chief Financial Officer of Mittal Steel Company from October 2004 to 2006. He joined Mittal Steel in January 1997 and has held various finance and management roles within the company.

In 1999, he was appointed Head of Mergers and Acquisitions for Mittal Steel. In this role, he led the company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. In addition to his Mergers and Acquisitions responsibilities, Mr. Aditya Mittal was involved in post-integration, turnaround and improvement strategies.

As Chief Financial Officer of Mittal Steel, he also initiated and led Mittal Steel's offer for Arcelor to create the first 100 million tonne plus steel company. He is a Board Member at the Wharton School, Bennett, Coleman & Co. and PPR; and a member of Citigroup's International Advisory Board.

Mr. Aditya Mittal holds a B.S. in Economics from the Wharton School in Pennsylvania. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal.

Mr. Gonzalo Urquijo

Mr. Gonzalo Urquijo is a member of the Group Management Board of ArcelorMittal and previously served as Senior Executive Vice President and Chief Financial Officer of Arcelor, where he was responsible for the following: Finance, Purchasing, IT, Legal Affairs, Investor Relations, Arcelor Steel Solutions and Services and other activities. Mr. Urquijo also held several other positions within Arcelor, including Deputy Senior Executive Vice President and Head of the functional directorates of distribution. Until the creation of Arcelor in 2002, when he became Executive Vice President of the Operational Unit South of the Flat Carbon Steel sector, Mr. Urquijo was Chief Financial Officer of Aceralia. Between 1984 and 1992, he held a variety of positions at Citibank and Crédit Agricole before joining Aristrain in 1992 as Chief Financial Officer and later Co-Chief Executive Officer. Mr. Urquijo is a graduate in Economics and Political Science of Yale University and holds an M.B.A. from the Instituto de Empresa in Madrid.

Ms. Kathryn A. Matthews

Ms. Kathryn Matthews has over thirty years of experience in the financial sector, with a focus on asset management, and has held senior management roles with Fidelity International Ltd, AXA Investment Managers, Santander Global Advisors Inc. and Baring Asset Management. Currently, Ms. Matthews is a non-executive director of Hermes Fund Managers Ltd, Rathbone Brothers Plc, Religare Enterprises Limited, JPMorgan Chinese Investment Trust Plc, Montanaro UK Smaller Companies Investment Trust (MUSCIT), Conversus Capital LP and Fidelity Asian Values Plc. Ms. Matthews holds a Bachelor of Science degree with honors in Economics from Bristol University in Bristol, England.

Mr. David B. Burritt

Mr. David Burritt worked for Caterpillar Inc. for almost thirty-three years before retiring in October 2010. Mr. Burritt was Vice President and Chief Financial Officer of Caterpillar Inc. from 2004 to 2010, and served as Caterpillar Inc.'s Corporate Controller and Chief Accounting Officer from 2002 to 2004. Mr. Burritt also held various positions in finance, tax, accounting, and international operations at Caterpillar Inc. from 1978-2002. He currently serves as a non-executive director of the Board of Directors of the Lockheed Martin Corporation where he is a member of the Executive, Audit (Chairman), Strategic Affairs & Finance and Management Development & Compensation Committees. Mr. Burritt holds a bachelors degree from Bradley University and an MBA from the University of Illinois in the United States. Mr. Burritt is also a Certified Public Accountant (CPA), a member of the American Institute of Certified Public Accountants (AICPA), a certified management accountant and a member of the Institute of Management Accountants (IMA).

Ms. Sylvie Ouziel [1]

Ms. Sylvie Ouziel is the Chief Operating Officer for Accenture Management Consulting with responsibility for Accenture's management consulting business performance globally as well as internal transformation programs. Previously, she headed Management Consulting for France and Benelux and Health & Life Sciences for Northern Europe. Ms. Ouziel has been with Accenture for 18 years, working primarily in the pharmaceutical and healthcare, automotive, building materials and industrial equipment industries, advising clients such as Saint-Gobain and Sanofi-Aventis. Ms. Ouziel has an engineering degree from Ecole Centrale de Paris in France and an Executive Masters in Business Administration from Kellogg Graduate School of Management at Northwestern University in the United States. Accenture Management Consulting provides consulting and related services to ArcelorMittal. Accenture's fees for these services amounted to approximately $22 million in 2010, $22 million in 2009 and $23 million in 2008.

Mr. Romain Bausch

Mr. Romain Bausch is President and Chief Executive Officer of SES since July 2001. SES is a world-leading telecommunications satellite operator, with a global fleet of more than 40 geostationary satellites. SES operates mainly through SES ASTRA and SES WORLD SKIES and holds participations in a number of satellite operators and satellite service provision companies. Mr. Bausch is also Chairman of the Board of Directors of SES ASTRA, SES ASTRA Services Europe, and of the Special Shareholder Committee of SES WORLD SKIES. He became the Director General and the Chairman of the Management Committee of SES in 1995, following a career in the Luxembourg civil service (Ministry of Finance). Previously, he occupied key positions in the banking, media and telecommunications sectors in Luxembourg. Mr. Bausch is also a Vice-Chairman of Fedil (the Luxembourg Business Federation) and a member of the Board of Directors of BIP Investment Partners. He graduated with a degree in economics (specialization in business administration) from the University of Nancy and holds an honorary doctorate from Sacred Heart University in Luxembourg.

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(1) On 9 May 2011, the Board of Directors of Aperam has decided to co-opt Mrs. Laurence Mulliez (45) until Aperam's next general meeting of shareholders, where Mrs. Mulliez' election will be submitted for confirmation by the shareholders. This decision follows the stepping down of Mrs. Sylvie Ouziel from the Board for personal considerations effective May 10, 2011. Mrs. Laurence Mulliez is CEO of Eoxis since 2010. Privately held Eoxis produces energy from renewable sources. Mrs. Laurence Mulliez was previously CEO of Castrol Industrial Lubricants and Services at BP from 2007 to 2009 and held various positions in BP starting 1999, including Head of Strategy for Gas, Power and Renewable Energy. Mrs. Laurence Mulliez will be member of the Audit and Risk, Transition and Sustainability, Performance and Strategy. Mrs. Kathyn Matthews will be member of the Transition, Sustainability, Performance and Strategy and of the Remuneration, Nomination and Corporate Governance Committees.

Senior Management

The members of the Company's senior management as of the date of this financial report are set forth below. Each member of senior management was appointed in December 2010.

As indicated below, each member of the Company's senior management is a member of the Management Committee, which is entrusted with the day-to-day management of the Company. The members of the Management Committee are appointed and dismissed by the Board of Directors. The Management Committee may exercise only the authority granted to it by the Board of Directors.

Name	Age(1)	Function
Mr. Bernard Fontana.......................	49	Chief Executive Officer; Member of the Management Committee
Mr. Julien Burdeau..........................	39	Member of the Management Committee; Responsible for Alloys & Specialties; Responsible for Raw Materials Efficiency
Mr. Timóteo Di Maulo	51	Member of the Management Committee; Responsible for Services & Solutions; Responsible for Service and Industry Integration Efficiency
Mr. Clenio Guimarães.....................	53	Member of the Management Committee; Responsible for Stainless & Electrical Steel South America; Responsible for Operational Excellence
Mr. Julien Onillon............................	40	Chief Financial Officer; Member of the Management Committee; Responsible for Strategy and Mergers and Acquisitions
Mr. Jean-Paul Rouffiac	58	Member of the Management Committee; Responsible for Stainless & Electrical Steel Europe; Responsible for Commercial Excellence
Ms. Johanna Van Sevenant	42	Member of the Management Committee; Responsible for Sustainability, Human Resources and Communications

Note:

(1) Age on December 31, 2010.

The members of the Management Committee were appointed by the Board of Directors on December 7, 2010 for an unlimited term of office.

The business address of each member of senior management is the Company's registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, except that the business address of Mr. Clenio Guimarães is Av. Carandai, 1115, 23rd floor—Funcionários, 30130 915—Belo Horizonte—MG, Brazil.

Mr. Bernard Fontana, Chief Executive Officer, Member of the Management Committee

Mr. Bernard Fontana was appointed Chief Executive Officer in 2010. He joined the Arcelor Group in September 2004 as Program Office Executive Manager—Flat Carbon Steel and was appointed Flat Carbon Europe Executive Vice President—People and Development of Arcelor in July 2005. After the creation of ArcelorMittal, Mr. Fontana joined the Management Committee of ArcelorMittal and was appointed Chief Executive Officer—Automotive Worldwide and, subsequently in 2007, Head of Human Resources of ArcelorMittal. Prior to joining Arcelor, Mr. Fontana spent 18 years in senior positions at the French chemicals group SNPE. Following an assignment in the United States as Director—SNPE North America and President of SNPE Inc., Mr. Fontana returned to France to take up the role of Senior Executive Vice President of the SNPE Group, his most recent position outside ArcelorMittal. Mr. Fontana is an engineer and holds degrees from the Ecole Polytechnique and Ecole Nationale Supérieure des Techniques Avancées in Paris, France.

Mr. Julien Burdeau, Member of the Management Committee, Responsible for Alloys & Specialties, Responsible for Raw Materials Efficiency

Mr. Julien Burdeau has served as Chief Executive Officer—Alloys & Specialties since July 2009. Mr. Burdeau started his career in 1997, working with the French Ministry of Economy, Finance and Industry. He joined the Arcelor Group in 2002 as Director of Strategy for the Stainless Steel division. From 2005 to 2009, Mr. Burdeau held several operational positions within ArcelorMittal Stainless Europe, which included serving as a SSC manager in Italy and as Head of the Finishing Department in Gueugnon. He subsequently became Head of Operations at the Gueugnon production facility and Chief Executive Officer of ArcelorMittal Stainless and Nickel Alloys in July 2009. Mr. Burdeau is a graduate of Ecole Normale Supérieure and Ecole des Mines, both located in Paris, France, and holds a Ph.D. in Mathematics.

Mr. Timóteo Di Maulo, Member of the Management Committee, Responsible for Services & Solutions, Responsible for Service and Industry Integration Efficiency

Mr. Timóteo Di Maulo has served as Chief Executive Officer—Services & Solutions since 2005. In 1990, Mr. Di Maulo joined Ugine Italia, where he held various positions in the controlling, purchasing and sales departments. While at Ugine Italia, he successfully implemented and launched the ERP System, "Sidonie", across all of Ugine's subsidiaries worldwide. In 1996, Mr. Di Maulo joined Ugine's Commercial Direction in Paris where he was in charge of its Industry and Distribution division. Mr. Di Maulo was subsequently named Service Division Industrial Director in 1998 and took on additional responsibilities as Chief Executive Officer of the German SSC, RCC. In 2000, Mr. Di Maulo was named Chief Executive Officer of U&A Italy, a role which gave him full responsibility for its mill sales network and its two Italian SSCs. Mr. Di Maulo was then appointed Chief Executive Officer of ArcelorMittal's Stainless Europe Service Division in 2005 and, in 2008, of ArcelorMittal Stainless International (which included the division's worldwide mill sales network, all distribution and processing centers and ArcelorMittal Stainless Europe's tube mills and precision strips). Mr. Di Maulo is a graduate of Politecnico di Milano in Milan and holds an M.B.A. from Bocconi University in Milan.

Mr. Clenio Guimarães, Member of the Management Committee, Responsible for Stainless & Electrical Steel South America, Responsible for Operational Excellence

Mr. Clenio Guimarães was appointed Chief Executive Officer—Stainless & Electrical Steel South America in December 2010. Mr. Guimarães joined Acesita in 1981 as a process engineer. In 1996, after performing various roles in quality, production and cost optimization, Mr. Guimarães was appointed Manager of Acesita's Continuous Improvement Department and then Head of the stainless melt shop in 2002 and Industrial General Manager in 2005. Mr. Guimarães has since acted as the Chief Operating Officer of AMIB since 2008. Mr. Guimarães holds a degree in Metallurgical Engineering from the Universidade Federal de Ouro Preto in Brazil and post-graduate degrees in Marketing from Unileste-MG in Brazil and in General Management from Fundação Dom Cabral in Brazil. Mr. Guimarães also underwent training in the ArcelorMittal University Pioneer program in 2008.

Mr. Julien Onillon, Chief Financial Officer, Member of the Management Committee, Responsible for Strategy and Mergers and Acquisitions

Mr. Julien Onillon was appointed Chief Financial Officer in 2010. Mr. Onillon worked as an Equity Analyst between 1994 and 2000 at BNP Paribas and Detroyat Associés where he covered a variety of sectors, including pan-European materials and basic resources. Prior to joining the Mittal Steel as Head of Investor Relations in June 2005, Mr. Onillon spent five years acting as the Head of Global Steel Research at HSBC. Mr. Onillon is a graduate of the University of Bordeaux I in Bordeaux, France and the University of London (RHBNC) and holds a degree in Physical Chemistry. He also earned a Bachelor of Arts degree from the Ecole Supérieure de Commerce de Bretagne in Brest, France and a Master's degree from the Société Française des Analystes Financiers in Paris.

Mr. Jean-Paul Rouffiac, Member of the Management Committee, Responsible for Stainless & Electrical Steel Europe, Responsible for Commercial Excellence

Mr. Jean-Paul Rouffiac has served as Chief Executive Officer—Stainless & Electrical Steel Europe since December 2007. Mr. Rouffiac joined the Usinor Group in 1978 as a lawyer and served as Secretary of the Management Board from 1982 to 1985. He subsequently held various senior sales and marketing positions in the Flat Carbon division between 1986 and 1997. In March 1997, Mr. Rouffiac was appointed Vice President of International & Economic Affairs and Secretary of the Board of Directors. Between 2000 and 2002, Mr. Rouffiac was appointed Vice President of Flat Carbon Sales and Marketing and, prior to the creation of ArcelorMittal, he headed negotiations with the EU's Competition Directorate General. Mr. Rouffiac was named Vice President in charge of SSCs in 2002 and, in 2006, was appointed Vice President responsible for SSCs within Arcelor's Distribution and Solutions division. He was appointed Chief Executive Officer of ArcelorMittal Stainless Steel—Europe in 2007. Mr. Rouffiac is a graduate of Sciences Po in Paris, France and Paris 1 Panthéon-Sorbonne Law University.

Ms. Johanna Van Sevenant, Member of the Management Committee Responsible for Sustainability, Human Resources and Communications

Ms. Johanna Van Sevenant started her career at PricewaterhouseCoopers Brussels in 1993 and later joined Deloitte & Touche in 1999 where she worked as a Senior Manger of the Human Resources Advisory Services. She subsequently joined the Arcelor Group in 2001 as Managing Director of the Belgian Pension Competence Center at Usinor in Liège, Belgium. Between 2003 and 2006, Ms. Van Sevenant served as International Manager—Pension and Risks Benefits at the Human Resources Corporate Center in Luxembourg. Ms. Van Sevenant became Manager of Integration in 2006, and, in 2007, was named Head of Human Resources, Communications and General Services of the ArcelorMittal International division within Steel Services & Solutions. She was later named Head of Human Resources and Communication of the Stainless Steel segment in December 2008. Ms. Van Sevenant holds a Master's degree in Political Science and Business Administration from Université Libre de Bruxelles in Brussels, Belgium and a Master's degree in Tax Law from HEC St. Louis in Brussels.

B. Compensation

Board of Directors

Prior to the spin-off, no member of the Board of Directors served the Company exclusively. While Mr. Lakshmi N. Mittal served as a member of ArcelorMittal's board of directors and Mr. Aditya Mittal and Mr. Gonzalo Urquijo served as members of ArcelorMittal's senior management, their responsibilities were to ArcelorMittal and they were compensated for their services to ArcelorMittal as a whole. None of the independent members of the Board of Directors served the Company or ArcelorMittal prior to the spin-off. Accordingly, no historical compensation for any of these persons is provided. See "—Board of Directors and Senior Management Compensation Policy" below for details of our compensation policies, which apply to the compensation provided to these persons following the spin-off.

We do not have any outstanding loans or advances to members of the Board of Directors or any guarantees for the benefit of any member of its Board of Directors.

None of the members of the Board of Directors have entered into service contracts with us or any of our affiliates that provide for benefits upon the termination of their service.

Senior Management

The total compensation paid in 2010 to the persons comprising the Company's senior management was $2.85 million in base salary (including certain allowances paid in cash) and $603,500 in short-term performance related variable pay (consisting of a bonus linked to the results of the 2009 financial year which was paid partly in cash and partly with share-based compensation). As of December 31, 2010, approximately $120,000 was accrued to provide pension benefits to such persons.

Certain members of the Company's senior management also participated in share-based compensation plans sponsored by ArcelorMittal. These plans historically provided the Company's employees with shares or options to purchase shares in ArcelorMittal. During 2010, members of the Company's senior management were granted 209,400 options under the ArcelorMittal Global Stock Option Plan 2009-2018 at an exercise price of $32.27. The options expire on August 4, 2019. In connection with the spin-off, our employees holding options over shares in ArcelorMittal received a proportionally equivalent amount of options over our ordinary shares, with an equivalent adjustment to the exercise price.

We do not have any outstanding loans or advances to members of the Company's senior management or any guarantees for the benefit of any member of the Company's senior management.

None of the members of senior management has entered into service contracts with the Company or any of our affiliates that provide for benefits upon the termination of their service.

A general meeting of the Company held on January 21, 2011 resolved to delegate to the Board of Directors the power to:

(i) issue up to 500,000 stock options or 125,000 restricted stock units, at the option of the Board of Directors, to be granted to the Company's senior management;

(ii) create an Employee Share Purchase Plan ("ESPP") for the Company whereby up to 125,000 of our shares will be offered for subscription at a discounted price to our employees; and

(iii) determine how to compensate employees who have outstanding ArcelorMittal stock options and who are transferring from ArcelorMittal to the Company, with stock options or restricted stock units of the Company to replace such ArcelorMittal stock options, and to implement the foregoing at the Board of Directors' discretion, with the exact number of Company stock options or restricted stock units to be determined by the Board of Directors, taking into account, among other relevant factors, the ratio of 1 Aperam share for 20 ArcelorMittal shares applicable with respect to the spin-off.

Board of Directors and Senior Management Compensation Policy

Philosophy

The Company's Compensation Policy for executives is based on the following principles:

- provide total compensation competitive with executive compensation levels of industrial companies of a similar size and scope;
- promote internal equity and market median base pay levels for executives, combined with "pay for performance";
- motivate managers towards the achievement of group-wide and personal goals, including efficiency and growth; and
- retain individuals who consistently perform at expected levels and contribute to the success of the organization.

Governance Principles

The Remuneration, Nomination and Corporate Governance Committee draws up proposals for executive compensation on an annual basis for presentation to the Board of Directors. It also prepares proposals for the fees to be paid annually to the members of the Board of Directors. Its principal objective is to encourage and reward performance that will lead to the long-term enhancement of shareholder value. The proposals of the Remuneration, Nomination and Corporate Governance Committee for executive compensation comprise a fixed annual salary, short-term incentives (e.g., performance-related bonuses) and long-term incentives (e.g., restricted shares).

The proposals prepared by the Remuneration, Nomination and Corporate Governance Committee apply to the Chief Executive Officer and members of the Management Committee. The Remuneration, Nomination and Corporate Governance Committee's decisions on short- and long-term incentive plans may also apply to a larger group of employees. It receives updates regarding the application of these plans on a regular basis.

Fixed Annual Salary

Fixed annual salaries are determined based upon benchmarking against the median salary level of peer companies, which include industrial companies of a size and scope similar to that of the Company. Fixed annual salaries are reviewed annually to ensure that we remain competitive.

Short-term Incentives: Performance-Related Bonus

Our Global Performance Bonus Plan is a performance-related bonus plan. Performance-related bonuses are calculated as a percentage of an employee's fixed annual salary. Different percentages apply depending upon the employee's rank. Performance-related bonuses are determined based upon the performance of the Company and/or the relevant operating segment, the achievement of specific objectives and the relevant employee's overall performance and potential. Performance-related bonuses are paid only if certain minimum performance thresholds are met by the Company as a whole and/or the relevant segment.

Long-term Incentives: Stock Option and Restricted Share Plan

Members of the Management Committee and certain other employees are expected to benefit from a stock option or restricted share (or equivalent) plan, which we intend to submit for shareholder approval in 2011. If the restricted share plan is chosen, fully paid-up ordinary shares will be allocated to eligible employees but will not be fully transferable to such employees until certain vesting conditions, including the completion of three full years of continued employment with the Company, have been met. The total number of stock options or restricted shares available for grants under the chosen incentive plan during any given year will be approved by the shareholders at the annual general meeting.

It is the intention of the Board of Directors to incentivize our employees through the Restricted Share Plan rather than through a stock option plan.

Other Benefits

In addition to the primary elements of compensation described above, other benefits may be provided to senior management, such as company cars and contributions to pension plans and insurance policies, which will be in line with relevant local market and peer group practices.

None of the members of the Board of Directors is a party to a contract with the Company that provides for benefits upon termination of employment.

C. Board Practices/Corporate Governance

Board of Directors

The Board of Directors is in charge of the overall management of the Company. It is responsible for the performance of all acts of administration necessary or useful to implement the corporate purpose of the Company as described in the Articles of Association, except for matters expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board of Directors must be composed of a minimum of three members. None of the members of the Board of Directors may hold an executive position or executive mandate within the Company or any entity controlled by the Company.

As of the date of this financial report, the Board of Directors is composed of seven members. Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors on December 7, 2010.

The Board of Directors has a majority of independent directors, with four members of the Board of Directors being independent and the remaining three members being non-independent. There is no requirement in the Articles of Association that directors be shareholders of the Company.

The Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Directors are appointed for a maximum term of three years and are automatically eligible for reappointment at the end of such period. The term of office of the directors holding office at the time the spin-off became effective will expire at the annual general meeting of shareholders to be held in 2013. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders. In the event that a vacancy arises on the Board of Directors for any reason, the remaining members of the Board of Directors may, by a simple majority, elect a new director to fulfill temporarily the duties attaching to the vacant post until the next general meeting of shareholders.

The Articles of Association provide that the Mittal Shareholder holds a right of proportional representation. If the Mittal Shareholder exercises this right, the general meeting of shareholders shall elect the candidates nominated by the Mittal Shareholder as members of the Board of Directors such that the representation of candidates nominated by the Mittal Shareholder on the Board of Directors is in proportion to the Mittal Shareholder's holding of ordinary shares in the Company. This right of proportional representation does not limit the rights that the Mittal Shareholder may otherwise have to nominate and vote in favor of candidates for the Board of Directors by virtue of its rights as a shareholder in the Company.

Operation of the Board of Directors

General

Luxembourg law permits the Board of Directors to engage the services of external experts or advisers, as well as to take all actions necessary or useful to implement the Company's corporate purpose (*objet social*). The Board of Directors may, but need not, elect a Vice-Chairman from among its members.

Meetings

The Board of Directors meets when convened by the Chairman of the Board or two members of the Board of Directors. The Board of Directors holds meetings in person on at least a quarterly basis and additional meetings are held as circumstances require, either in person or by teleconference.

In order for a meeting of the Board of Directors to be validly held, a majority of the directors must be present or represented. In the absence of the Chairman, the Board of Directors will appoint by majority vote a chairman pro tempore for the meeting in question. For any meeting of the Board of Directors, a director may designate another director to represent him or her and vote in his or her name.

The agenda of the meeting of the Board of Directors is agreed by the Chairman of the Board of Directors and the Lead Independent Director, which is described below under "—Lead Independent Director".

Votes

Each member of the Board of Directors has one vote. Decisions of the Board of Directors are made by a majority of the votes validly cast by the members of the Board of Directors present and represented.

Under Luxembourg law, any member of the Board of Directors having an interest in a transaction submitted for approval to the Board of Directors that conflicts with that of the Company shall be obliged to advise the Board of Directors of the conflict and to cause a record of his statement to be included in the minutes of the meeting. Such member of the Board of Directors may not take part in these deliberations. At the next general meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any members of the Board of Directors may have an interest conflicting with that of the Company. These provisions do not apply where the decision of the Board of Directors relates to transactions entered into under fair market conditions in the ordinary course of business. The Articles of Association do not contain any further provisions regarding a director's power to vote on a proposal, arrangement or contract in which the director is materially interested, the directors' power to vote on compensation arrangements to themselves or any members of their body, borrowing powers exercisable by the directors or retirement or non-retirement of directors under an age limit requirement. However, our Code of Business Conduct contains provisions relating to conflicts of interest or potential conflicts of interests of members of the Board of Directors and the Company's employees, as described below under "—Other Corporate Governance Practices—Ethics and Conflicts of Interest". There are no requirements to hold ordinary shares in order to serve on the Board of Directors.

Lead Independent Director

The independent members of the Board of Directors are entitled to nominate annually a Lead Independent Director, whose functions include the following:

- coordination of the activities of the independent directors;
- liaising between the non-independent directors and the independent directors;
- calling meetings of the independent directors when necessary and appropriate; and
- performing such other duties as may be assigned to him or her by the Board of Directors from time to time.

Separate Meetings of Independent Members of the Board of Directors

The independent members of the Board of Directors may hold meetings outside the presence of non-independent directors. There are no specific rules regarding the conduct of these meetings under Luxembourg law. Matters discussed at such meetings will generally be reported to the Board of Directors but there are no specific rules regarding such reporting and the timing and scope of reporting is in the discretion of the Lead Independent Director.

Board of Directors Self-evaluation and Continuing Education Program

The Board of Directors will conduct an annual self-evaluation in order to identify potential areas for improvement. The first self-evaluation process is expected to be conducted in 2012. The process will be coordinated by the Company Secretary under the supervision of the Chairman and the Lead Independent Director. Its findings will be examined by the Remuneration, Nomination and Corporate Governance Committee and presented with recommendations to the Board of Directors for implementation.

The Board of Directors believes that its members have the appropriate range of skills, knowledge and experience necessary to enable them to effectively fulfill their duties. To enhance these skills, the Board of Directors intends to approve a continuing education program for its members. The topics addressed through the program will include areas of importance for our future growth and development (e.g., strategy, marketing, human resources, industrial development, research and development, sustainability, corporate governance, legal and regulatory). Additional topics may be added at the request of the members of the Board of Directors. The continuing education program is expected to consist of an introduction by recognized experts in the relevant fields who may be practitioners or academics followed by a facilitated discussion between the presenter and the Board of Directors. The members of the Board of Directors will also have the opportunity to participate in specific programs designed for directors of publicly listed companies at reputable academic institutions and business schools. The Board of Directors will have a yearly budget dedicated to the continuing education program.

Committees of the Board of Directors

The Board of Directors has four committees: the Audit and Risk Management Committee, the Remuneration, Nomination and Corporate Governance Committee, the Sustainability, Performance and Strategy Committee and the Transition Committee.

Committee Composition

On February 7, 2011, the Board of Directors approved the committee composition described in the table below.

Name	Position within Aperam	Independent/ Non Independent Status	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee	Sustainability, Performance and Strategy Committee	Transition Committee
Romain Bausch..........	Member of Board of Directors	Lead Independent Director —Independent	X	X (Chairman)		
David Burritt	Member of Board of Directors	Independent	X (Chairman)	X		X
Kathryn Matthews (1)	Member of Board of Directors	Independent	X		X	X (Chairman)
Sylvie Ouziel (1).........	Member of Board of Directors	Independent		X	X	X
Gonzalo Urquijo	Member of Board of Directors	Non Independent			X (Chairman)	

(1) On 9 May 2011, the Board of Directors of Aperam has decided to co-opt Mrs. Laurence Mulliez (45) until Aperam's next general meeting of shareholders, where Mrs. Mulliez' election will be submitted for confirmation by the shareholders. This decision follows the stepping down of Mrs. Sylvie Ouziel from the Board for personal considerations effective May 10, 2011. Mrs. Laurence Mulliez is CEO of Eoxis since 2010. Privately held Eoxis produces energy from renewable sources. Mrs. Laurence Mulliez was previously CEO of Castrol Industrial Lubricants and Services at BP from 2007 to 2009 and held various positions in BP starting 1999, including Head of Strategy for Gas, Power and Renewable Energy. Mrs. Laurence Mulliez will be member of the Audit and Risk, Transition and Sustainability, Performance and Strategy. Mrs. Kathyn Matthews will be member of the Transition, Sustainability, Performance and Strategy and of the Remuneration, Nomination and Corporate Governance Committees.

Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Audit and Risk Management Committee takes decisions by a simple majority.

With respect to audit related matters, the primary function of the Audit and Risk Management Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- our financial reports and other financial information provided to any governmental body or the public;
- our system of internal control regarding finance, accounting, legal, compliance and ethics established by the Board of Directors and senior management; and
- our auditing, accounting and financial reporting processes generally.

The Audit and Risk Management Committee's primary duties and responsibilities relating to this function are to:

- be an independent and objective party to monitor our financial reporting process and internal controls system;
- approve the appointment and fees of our independent auditors;
- obtain, at least once a year, a written statement from our independent auditors to the effect that their independence has not been impaired;
- review and assess the performance of our independent auditors and the internal audit department;
- provide an open avenue of communication among our independent auditors, the internal finance department and senior management, the internal audit department, and the Board of Directors;
- monitor the independence of our independent auditors; and
- communicate the Audit and Risk Management Committee's duties and responsibilities to the appropriate levels of management within the Company.

With respect to risk management related matters, the primary function of the Audit and Risk Management Committee is to support the Board of Directors in fulfilling its corporate governance and oversight responsibilities by assisting with the monitoring and review of our risk management process. In that regard, its main responsibilities and duties are to assist the Board of Directors by developing recommendations regarding the following matters:

- oversight, development and implementation of a risk identification and management process and the review of this process in a consistent manner throughout the Company;
- review of the effectiveness of our risk management framework, policies and process at the corporate and operating segment levels and the proposal of improvements, with the aim of ensuring that our management is supported by an effective risk management system;
- promotion of constructive and open exchanges on risk identification and management among senior management, the Board of Directors, the legal department and other relevant departments of the Company;
- review of proposals to assess, define and review the level of risk tolerance to ensure that appropriate risk limits are in place;
- review of our internal and external audit plans to ensure that they include a review of the major risks we face; and

- making recommendations to senior management and the Board of Directors regarding risk management.

In fulfilling its duties, the Audit and Risk Management Committee may seek the advice of outside experts.

The three members of the Audit and Risk Management Committee were appointed by the Board of Directors on February 7, 2011. Each of these members is an independent director according to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Audit and Risk Management Committee is required to meet at least four times a year.

Remuneration, Nomination and Corporate Governance Committee

The Remuneration, Nomination and Corporate Governance Committee may be composed of two or three directors, and is currently composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Remuneration, Nomination and Corporate Governance Committee takes decisions by a simple majority.

The Board of Directors has established the Remuneration, Nomination and Corporate Governance Committee to:

- review and approve objectives relevant to the remuneration of the Management Committee and other members of senior management and to evaluate their performance in light of these and other objectives;

- make recommendations to the Board of Directors with respect to incentive compensation plans and equity-based incentive plans;

- produce a report on executive compensation to be included in our annual report;

- identify candidates qualified to serve as members of the Board of Directors and the Management Committee;

- recommend candidates to the Board of Directors for appointment by the general meeting of shareholders or, to the extent permitted by law, for appointment by the Board of Directors to fulfill interim Board of Directors vacancies;

- develop, monitor and review corporate governance principles applicable to us;

- facilitate the evaluation of the Board of Directors; and

- review the succession plan and the executive development program for the Management Committee.

In fulfilling its duties, the Remuneration, Nomination and Corporate Governance Committee may seek the advice of outside experts.

The three members of the Remuneration, Nomination and Corporate Governance Committee were appointed by the Board of Directors on February 7, 2011. Each of these members is an independent director in accordance with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

The Remuneration, Nomination and Corporate Governance Committee is required to meet at least twice a year.

Sustainability, Performance and Strategy Committee

The Sustainability, Performance and Strategy Committee is composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Sustainability, Performance and Strategy Committee takes decisions by a simple majority.

The primary function of the Sustainability, Performance and Strategy Committee is to review on a regular basis our sustainability, performance and strategy. With respect to sustainability related matters, the primary function of the Sustainability, Performance and Strategy Committee is to assist the Board of Directors by developing recommendations regarding oversight, development and implementation of the overall sustainability approach for the Company and its operating segments, in particular from the perspective of value creation, the use of green energy and, more generally, the environmental impact of production cycles and expansion projects.

The three members of the Sustainability, Performance and Strategy Committee were appointed by the Board of Directors on February 7, 2011.

Transition Committee

The Transition Committee is composed of three directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Transition Committee takes decisions by a simple majority.

The primary function of the Transition Committee is to review the transactions and the contracts between us and ArcelorMittal in order to avoid any potential conflict of interest between us following the spin-off. The Transition Committee has been initially set up for a term of up to three years, which may be extended. It may be dissolved at any time within the three-year period if we deem the support services to be sufficient during that period.

The members of the Transition Committee were appointed by the Board of Directors on February 7, 2011.

Succession Planning

Succession planning at the Company is a systematic and deliberate process for identifying and preparing employees with potential to fill key organizational positions should the current incumbent's term expire. This process applies to all executives up to and including the Management Committee. Succession planning aims to ensure the continued effective performance of the organization by providing for the availability of experienced and capable employees who are prepared to assume these roles as they become available. For each position, candidates are identified based on performance and potential and their "years to readiness" and development needs are discussed and confirmed. Regular reviews of succession plans will be conducted to ensure that they are accurate and up to date. Succession planning is a necessary process to reduce risk, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation.

Other Corporate Governance Practices

We are committed to adopting best practice corporate governance standards. We will continuously monitor U.S., European Union and Luxembourg legal requirements and best practices in order to make adjustments to our corporate governance controls and procedures where necessary. We comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Ethics and Conflicts of Interest

On December 7, 2010, we adopted a Code of Business Conduct applicable to all members of our Board of Directors and all employees. The Code of Business Conduct will be disseminated throughout the Company during the course of 2011 and is available on our website. We intend to disclose any amendment to, or waiver from, the Code of Business Conduct on our website.

The Code of Business Conduct sets forth the standards for ethical behavior applicable to members of the Board of Directors and to our employees in the exercise of their duties. All such persons must act in the best interests of the Company at all times and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to the Company. In particular, members of the Board of Directors and employees must obtain the authorization of their supervisor or the General Counsel before agreeing to sit on the board of directors of a business corporation. They also must not acquire any financial or other interest in any business or participate in any activity that could deprive the Company of the time or the attention required for the performance of their duties. Members of the Board of Directors and employees must inform their supervisor or the Company's legal department of any such interests and if the supervisor considers that a conflict of interest exists or could exist, he or she must take the steps that are warranted in the circumstances. If a conflict of interest or potential conflict of interest is deemed to be complex, the supervisor must bring it to the attention of the vice president of his or her division, the Chief Executive Officer or the General Counsel. Any behavior that deviates from the Code of Business Conduct must be reported to the relevant employee's supervisor, a member of management or the head of the legal department. Code of Business Conduct training will be offered throughout the Company. All new employees of the Company are asked to acknowledge the Code of Business Conduct in writing upon joining and will periodically receive training regarding the Code of Business Conduct.

There are no conflicts of interest between any duties to the Company of any members of the Board of Directors or senior management and their private interests and other duties.

Process for Handling Complaints on Accounting Matters

In addition to the Code of Business Conduct, we will also implement an Antifraud Policy and a Whistleblower Policy, which will deal with instances of possible fraud, irregularities in accounting, auditing or banking matters, or bribery within the Company. The Antifraud Policy, the Whistleblower Policy and the Code of Business Conduct will encourage all employees to disclose any such fraudulent incident to the appropriate persons at the Company on a confidential basis. After approval by the Company's Management Committee, the Antifraud Policy and the Whistleblower Policy will be implemented and will be available on our website.

Measures to Prevent Insider Dealing and Market Manipulation

On December 7, 2010, the Board of Directors adopted Insider Dealing Regulations. New employees of the Company are required to participate in a training course covering the Insider Dealing Regulations upon joining the Company and every three years thereafter. The most recent version of the Insider Dealing Regulations is available on our website.

The Company Secretary is the compliance officer for purposes of the Insider Dealing Regulations and answers questions that members of the Board of Directors, senior management or employees may have about their interpretation. We maintain a list of insiders as required by the Luxembourg market manipulation (*abus de marché*) law of May 9, 2006, as amended from time to time. The Company Secretary may assist members of the Board of Directors and senior management with the filing of notices required by Luxembourg law to be filed with the Luxembourg financial regulator, the CSSF. Furthermore, the Company Secretary has the power to conduct investigations in connection with the application and enforcement of the Insider Dealing Regulations, in which any employee or member of senior management or of the Board of Directors is required to cooperate.

In addition, our Code of Business Conduct contains a section on "Trading in the Securities of the Company" that sets forth the prohibition on trading on the basis of inside information.

D. Employees

We had 9,904 employees as of December 31, 2010. The table below sets forth the total number of employees by operating segment as of December 31, 2010, 2009 and 2008:

Operating Segment	2010[(1)]	2009[(1)]	2008[(1)]
Stainless & Electrical Steel ...	6,176	6,207	6,820
Services & Solutions	2,784	2,759	2,926
Alloys & Specialties	944	950	1,049
Other[(2)]	—	—	1,369
Total[(3)]	9,904	9,916	12,164

Notes:

(1) The number of employees is presented on a full-time equivalent basis, including only employees who have standard permanent and fixed-term contracts. In 2010, the total number of employees included 305 part-time employees, of which 202 were employed by the Stainless & Electrical Steel operating segment, 70 were employed by the Services & Solutions operating segment and 33 were employed by the Alloys & Specialties operating segment. In 2009, the total number of employees included 271 part-time employees, of which 135 were employed by the Stainless & Electrical Steel operating segment, 101 were employed by the Services & Solutions operating segment and 35 were employed by the Alloys & Specialties operating segment. In 2008, the total number of employees included 372 part-time employees, of which 248 were employed by the Stainless & Electrical Steel operating segment, 88 were employed by the Services & Solutions operating segment and 36 were employed by the Alloys & Specialties operating segment.

(2) Includes employees of BioEnergia.

(3) The total number of employees includes 135 employees based in our research and development unit and 18 employees based in our head office as of December 31, 2010.

We have a long track record of promoting social dialogue with employee representatives in each of the jurisdictions in which we operate. Our employees in various parts of the world are represented by trade unions, and we are a party to collective labor agreements with employee organizations in certain locations. We entered into new collective labor agreements in Brazil, Belgium and France in 2009. Management believes that the terms of these agreements are consistent with industry practice in these regions.

During 2008 and 2009, we introduced a series of voluntary separation schemes focused on reducing staff to benchmark levels in order to improve productivity and competitiveness and achieving selling, general and administrative expense reductions. The schemes were implemented in accordance with applicable labor laws and practices in the respective countries involved. The voluntary separation schemes were introduced in December 2008 in Belgium, in January 2009 in Brazil and in March 2009 in France and were completed across all jurisdictions by mid-2010. We also introduced a workforce planning process across the organization in order to ensure that our employees have adequate skills to achieve our future objectives.

Item 5. Major shareholders and related party transactions

A. Major Shareholders

As of January 26, 2011, the Company's authorized share capital, including the issued share capital, consisted of 85,854,303 shares without nominal value. The Company's issued share capital was represented by 78,049,730 fully paid up shares without nominal value. The following table sets forth information as of January 31, 2011 with respect to the beneficial ownership and voting rights in the Company by each person who is known to be the beneficial owner of 2.5% or more of the Company's issued share capital.

	Shares	% of Issued Shares	% of Voting Rights
Mittal Shareholder[(1)]	31,866,913	40.83%	40.83%
Other public shareholders	46,182,817	59.17%	59.17%
of which is held by the Luxembourg State[(2)]	1,948,226	2.50%	2.50%
Total issued shares	78,049,730	100.00%	100.00%

Notes:

(1) The term "Mittal Shareholder" means the trust (HSBC Trust (C.I.) Limited, as trustee) of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries, holding ArcelorMittal shares through the following two companies: Ispat International Investment, SL and Lumen Investments Sàrl.

(2) According to the Company's Articles of Association, a shareholder owning 2.5% or more of the share capital must notify the Company. The only registered shareholder owning 2.5% or more but less than 5% of the share capital of the Company at January 31, 2011 is the Luxembourg State, with 1,948,226 shares, representing 2.5% of the total issued share capital.

Voting Rights

None of our shareholders has voting rights different from any other shareholders.

Public Takeover Offers

No public takeover offers by third parties have been made in respect of our shares or by the Company in respect of other companies' shares during the last and current financial year.

B. Related Party Transactions

We engage in certain commercial and financial transactions with related parties. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources", "Business—Relationship with ArcelorMittal" and Note 13 to the historical combined financial statements for further details. In addition, ArcelorMittal has in the past used the services of a management consulting firm that employs one of our directors, as described under "Directors, Senior Management and Employees—Directors and Senior Management—Board of Directors—Ms. Sylvie Ouziel."

Item 6. Financial Information

A. Consolidated Statements and Other Financial Information

Export Sales

Because we have no significant operations in our home country of Luxembourg, all of our sales are considered to be export sales. Annual sales to a single customer did not exceed 5% of sales in any of the periods presented.

Legal Proceedings

We are involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in Note 2 to the historical combined financial statements.

Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for certain of these claims, we are unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, we have disclosed information with respect to the nature of the contingency. We have not accrued a reserve for the potential outcome of these cases.

In the cases in which quantifiable fines and penalties have been assessed, we have indicated the amount of such fine or penalty, or the amount of provision accrued, which is the estimate of the probable loss.

In a limited number of ongoing cases, we are able to make a reasonable estimate of the expected loss or range of possible loss and have accrued a provision for such loss, but management believes that publication of this information on a case-by-case basis would seriously prejudice our position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, we have disclosed information with respect to the nature of the contingency, but have not disclosed our estimate of the range of potential loss.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management. Management believes that the aggregate provisions recorded for these matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and in estimating contingent liabilities, we could, in the future, incur judgments that have a material adverse effect on our results of operations in any particular period.

In addition, in the normal course of business, the Company and our operating subsidiaries may be subject to audits by the tax authorities in the countries in which we operate. Those audits could result in additional tax liabilities and payments, including penalties for late payment and interest.

Environmental Liabilities

We are subject to a broad range of environmental laws and regulations. As of December 31, 2010, we had established reserves of $38 million for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of $6 million, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of $23 million, which relates to (i) the demolition and clean-up of our Ardoise facility after operations ceased at the site, (ii) PCB and asbestos removal at, and the subsequent demolition and clean-up of, our Isbergues facility, and (iii) soil remediation and PCB and asbestos removal at our Gueugnon facility.

Brazil

In Brazil, violation of an environmental regulation may result in fines, imprisonment, interruption of our activities, cancellation of tax incentives and credit lines with governmental financial entities and dissolution of the corporate entity, in addition to the obligation to repair or to indemnify for damages caused to the environment and third parties.

Therefore, changes in environmental laws or regulations, or in the interpretation thereof, or in the administrative procedures and policies adopted under current environmental laws and regulations, could require us to invest additional resources in environmental compliance and the renewal of our licenses, and could therefore adversely affect us. Additionally, non-compliance with or a violation of any such laws and regulations could result in the revocation of our licenses and suspension of our activities or in our responsibility for environmental remediation costs, which could be substantial. We cannot assure you that our expenses relating to compliance with applicable environmental regulations will not be significant or that we will be able to renew our licenses in a timely manner, or at all. Moreover, under certain circumstances our corporate shareholder structure could be disregarded in order to enable claimants to recover for environmental claims against us.

Tax Claims

We are party to various tax claims, the most significant of which are set out below. As of December 31, 2010, we have established reserves in the aggregate of approximately $15 million for the tax related claims disclosed below.

- On December 22, 2009, AMIB was assessed by the Brazilian Federal Revenue Service in relation to its use of PIS social contributions credits against other federal taxes. We presented our defense on January 20, 2010 and have been discussing the case in the first administrative instance. The total amount in dispute under these tax proceedings was approximately $49 million as of December 31, 2010 and $51 million as of March 2011.

- On December 2, 2010, AMIB received a $42 million tax assessment. The tax authority claims that AMIB should have paid VAT (ICMS) related to the distribution of electric power between 2005 and 2009. Aperam South America (formerly known as “ArcelorMittal Inox Brasil”) does not believe that this claim will prevail as the distribution of electrical power should not be considered to be a good or transportation and would, therefore not be subject to VAT (ICMS). The case is currently in the first administrative instance. As of March 2011 this assessment had been increased to $44 million.

- On December 21, 2005, AMIB was assessed by the Brazilian Federal Revenue Service in relation to its calculation of PIS and COFINS due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately $32 million, and we are currently awaiting a second instance administrative decision from the Special Court.

- On March 15 and March 18, 2005, AMIB was assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute was $24 million as of December 31, 2010 ($25 million as of March 2011), and the matter is on appeal before the Federal Administrative Council of Tax Appeals.

- On December 5, 2007, the Brazilian Federal Revenue Service challenged IPI (Tax on Industrialized Products (similar to Federal VAT) tax credits registered by AMIB from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. In December 2010, we received a partially unfavorable decision and filed an appeal. We are currently awaiting a decision in second administrative instance. The amount in dispute was approximately $9 million as of December 31, 2010 ($7 million as of March 2011).

- On June 26, 2007, after a final unfavorable decision at the administrative level, AMIB brought an annulment action to void a tax assessment issued by the Brazilian Federal Revenue Service due to alleged underpayment of payroll taxes between 1998 and 2002 related to certain payments made to its employees under collective agreements. We are awaiting a decision in the first judicial instance. The amount under dispute was approximately $8 million as of December 31, 2010 ($9 million as of March 2011).

- In January 2007, AMIB was assessed by the State of Minas Gerais with regard to unjustified VAT credits deducted on the acquisition of materials. The total amount in dispute under this tax proceeding is approximately $4 million. A final judgment was rendered which was partially favorable to us. AMIB filed an appeal in respect of the remaining findings and this appeal was denied.

- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against us in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After we initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately $6 million.

- On March 31, 2000, the Brazilian Federal Revenue Service filed a tax foreclosure action against AMIB in relation to the non-payment of Federal Union legal fees. The decisions in the first and second instances were not favorable, and the case is currently on appeal and awaiting trial in the Superior Court of Justice. The remaining amount in dispute is approximately $6 million.

- On December 21, 2005, the Brazilian Federal Revenue Service assessed AMIB for taxes related to intra-group credit transactions. The amount in dispute of $6 million is currently on appeal before the Federal Administrative Council of Appeals.

- On February 3, 1993, the Brazilian Federal Union filed a collection action against AMIB, alleging that it did not pay "compensation" required by law to offset the use of water resources in the construction of a hydroelectric plant. We recognized the collection and paid the principal amount, but are currently disputing the additional compensation and the interests related to this amount. After an unfavorable decision in the first judicial instance, we appealed to the second judicial instance and are awaiting judgment. The amount in dispute is approximately $4 million.

- In October 1990, AMIB petitioned for the right not to pay social contributions on profits earned between 1989 and 1990. AMIB's petition was not successful and it was required to pay the social contributions in question as well as legal fees. The Federal Revenue Service subsequently filed a tax foreclosure against AMIB in relation to these social contributions on profits. In October 1999, AMIB paid the amount in controversy under an amnesty program. We are currently challenging the requirement to pay legal fees and are awaiting a decision in the Special Appeals Court. The amount in dispute is approximately $4 million.

- In December 2010, we received a tax assessment from the Brazilian Federal Revenue Service claiming that there was no evidence that the Pedra Corrida property (a rural property owned by AMIB) received a tax exemption based on its designation as a preservation area for the 2007 fiscal year. The amount in dispute was $5 million as of December 31, 2010 ($3 million as of March 2011). We presented our defense in January 2011 and are currently awaiting a decision in first administrative instance.

- In May 2007, we received a tax assessment from the Brazilian Federal Revenue Service claiming that there was no proof that the Pedra Corrida property (a rural property owned by AMIB) received a tax exemption based on its designation as a preservation area for the 2005 fiscal year. The amount in dispute is $3 million. We received a partially unfavorable decision in the first administrative instance and have since appealed. We are currently awaiting judgment in the second administrative instance.

- In March 2005, we received a tax assessment from the Brazilian Federal Revenue Service demanding payment of tax relating to return vacation bonuses between 1999 and 2004. The amount in dispute is $3 million, and the case is currently in the last administrative instance.

- On September 30, 2002, AMIB was assessed by the Brazilian Federal Revenue Service for recovery of taxes allegedly owed in relation to a "drawback" (a special tax benefit which allows the suspension of taxes due on the importation of inputs such as raw materials, equipment parts, packing material, etc.). The amount in dispute is approximately $3 million. We received a partially favorable decision and have since filed an appeal in the second administrative instance. We are currently awaiting a decision.

- On February 18, 2009, AMIB received a tax assessment from the State of Minas Gerais alleging non-payment of VAT between the period of 2007 and 2008 in relation to the remittance of goods. On July 30, 2010, AMIB obtained a favorable decision in the first administrative instance. The State of Minas Gerais filed an appeal. The amount in dispute was $72 million as of March 2011. According to our external legal counsel, the risk of loss arising from this proceeding is considered as remote.

- As of the date of this financial report, AMIB received approximately 60 tax assessments from the State of Minas Gerais due to the non-payment of VAT regarding the exportation of semi-manufactured goods. A declaratory action filed by the company recognized that its products are not subject to the ICMS. There are currently 29 foreclosures in the trial court; 7 foreclosures in the second instance and 25 in higher instances. Considering that, the company has had a reduction on the amount claimed. The amount in dispute as of March 2011 was $58 million. According to our external legal counsel, the risk of loss arising from this proceeding is considered as remote.

Civil Claims

As of December 31, 2010, AMIB is party to approximately 130 civil claims, most of which relate to possessory issues.

Administrative Proceedings

On April l, 2004, a sanctioning administrative process with the Central Bank was brought against AMIB based on alleged irregular exchange operations utilized by it in the purchase and sale of treasury bills. On March 22, 2007, AMIB was assessed a fine of $10 million plus interest. AMIB subsequently appealed this assessment and is awaiting judgment in the first administrative instance. The total amount in dispute was $20 million as of December 31, 2010 ($22 million as of March 2011).

Labor Disputes

We are presently involved in a number of labor disputes, the most significant of which are set out below.

Brazil

We are party to a number of labor claims in Brazil in relation to, among other things, overtime and severance payments. The total amount in dispute under these claims is approximately $63 million, the most significant of which are described below:

- On January 1, 2006, the trade union of AMIB filed a claim against us asking for the introduction of an interval of one hour in the working day. The decisions of both the First Labor Court in the city of Coronel Fabriciano/MG and the Labor Court of Appeals of the State of Minas Gerais were not favorable, and we have since appealed the decision to the Superior Labor Court. The Court of Appeals has confirmed the calculation but we presented a farm as a guarantee to avoid blocking our accounts. We are currently awaiting judgment of the bill of review in the Superior Labor Court. The amount in dispute was approximately $42 million as of December 31, 2010 ($43 million as of March 2011).

- On September 1, 2007, a claim was filed by a trade union against us demanding payment of mandatory amounts in respect of unhealthy working conditions. The Second Labor Court in the city of Coronel Fabriciano/MG rejected the trade union’s claim, and the Labor Court of Appeals of the State of Bahia upheld the decision. The trade union appealed to the Superior Labor Court but the appeal was not successful. The decision was finalized, and an accounting expert is currently working on liquidating the amounts involved, including fines imposed on the trade union. The amount in dispute is approximately $10 million.

France

- On October 20, 2005, a class action lawsuit was filed by 315 employees against ArcelorMittal Stainless France contesting the calculation of their annual paid vacation leave and seniority bonuses. The Court of Appeals in Lyon found in favor of the employees in the amount of approximately $3 million, and we appealed to the highest court of appeals in France (the *Cour de Cassation*) and are awaiting a decision. The amount in dispute is approximately $4 million.

Item 7. Listing

Nature of the trading market

The Company's ordinary shares are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "APAM") and are traded on the NYSE Euronext Single Order Book with Amsterdam as the Market of Reference (symbol "APAM" and Euronext code NSCNL00APAM5).

Our ordinary shares were admitted to listing and trading on the regulated market of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris on January 31, 2011.

The ordinary shares of the Company are accepted for clearance through Euroclear and Clearstream Luxembourg under common code number 056997440. The ISIN code of the ordinary shares of the Company is LU0569974404.

Item 8. Additional Information

A. Share Capital

As of January 26, 2011, the issued share capital amounts to four hundred and eight million eight hundred and thirty-one thousand Euro (EUR 408,831,000). It is represented by seventy-eight million forty-nine thousand seven hundred and thirty (78,049,730) fully paid up shares without nominal value.

The Company's authorized share capital, including the issued capital, amounts to four hundred fifty million thirty-one thousand Euro (EUR 450,031,000) represented by eighty-five million eight hundred fifty-four thousand three hundred three (85,854,303) ordinary shares without nominal value.

B. Articles of Association

Articles of Association

Set out below is a summary description of the Articles of Association. For a full description, please see the Articles of Association, the full text of which is available at http://www.aperam.com in the section Corporate Governance.

Corporate Purpose of the Company

The corporate purpose of the Company, as stated in Article 3 (Corporate Purpose) of the Articles of Association as follows:

"The corporate purpose of the Company shall be the manufacture, processing and marketing of stainless and specialty steel, stainless and specialty steel products and all other metallurgical products, as well as all products and materials used in their manufacture, their processing and their marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licenses, knowhow and, more generally, intellectual and industrial property rights.

The Company may perform and carry out its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures.

In general, the Company's corporate purpose comprises the participation, in any form, in companies and partnerships, and the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or in any other manner of shares, bonds, debt securities, warrants and other securities and instruments of any kind.

The Company may grant assistance of any kind (including financial assistance) to any affiliated company and take any measure for the control and supervision of such companies.

In general, it may carry out any commercial, financial or industrial activity, operation or transaction which it considers to be directly or indirectly necessary or useful in order to achieve or further its corporate purpose."

Form and Transfer of Shares

The Company's issued share capital consists of 78,049,730 ordinary shares that each carry the right to one vote. The ordinary shares are issued in registered form only and are freely transferable. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold or vote the Company's ordinary shares.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares and the amount paid up on each share in the Shareholders' Register, which is kept by the Company at its corporate headquarters. Each transfer of shares is made by a written declaration of transfer recorded in the Shareholders' Register, such declaration to be dated and signed by the transferor and the transferee or by their duly appointed agent. The Company may accept and enter into the Shareholders' Register any transfer made on the basis of an agreement between the transferor and the transferee provided a true and complete copy of the agreement is provided to the Company. The Company uses the services of BNP Paribas Securities Services to assist it with certain administrative tasks relating to the day-to-day management of the Shareholders' Register.

In addition, the Articles of Association provide that its ordinary shares may be held through a securities settlement system or a professional depository of securities. Shares held in this manner have the same rights and obligations as the registered shares. Shares held through a securities settlement system or a professional depository of securities may be transferred in accordance with customary procedures for the transfer of securities in book-entry form. The shares may consist of:

- New York Registry Shares, which are registered in the New York Register kept on the Company's behalf by Citibank; or
- European Shares, which are registered in the European Register kept by the Company, in relation to which BNP Paribas Securities Services provides certain administrative services.

Issuance of Shares

The issuance of ordinary shares in the Company requires an amendment to the Articles of Association approved by an extraordinary general meeting of shareholders, which may not validly deliberate unless at least half of the issued share capital is represented upon the first call and the agenda indicates the proposed amendments to the Articles of Association. If the first of these conditions is not satisfied, a second meeting may be called by means of two notices published at 15-day intervals and at least 15 days prior to the meeting in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*) and in two Luxembourg newspapers. The second meeting will deliberate irrespective of the proportion of share capital represented. At both meetings, resolutions, in order to be adopted, must be approved by at least two-thirds of the votes cast. Votes cast do not include votes attaching to ordinary shares with respect to which the shareholder has not taken part in the vote, has abstained or has returned a blank or invalid vote.

The shareholders may, within certain limits, grant the Board of the Directors the power to issue new shares.

The Articles of Association authorize the Board of Directors, for a period ending December 6, 2015, to increase the issued share capital on one or more occasions up to the maximum amount of the authorized share capital in connection with the issue and the exercise of subordinated or non-subordinated bonds, notes or debentures, convertible into, or repayable by or exchangeable for, shares, or following the issue of bonds, notes or debentures with warrants or other rights to subscribe for shares attached, or through the issue of standalone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

The Board of Directors has the power to determine the conditions for all share issues within the limits of the authorized share capital, including the payment in cash or in kind for such shares.

Pre-emptive Rights

Unless limited or cancelled by the Board of Directors as described below, holders of the Company's ordinary shares have a pro rata pre-emptive right to subscribe for newly issued shares, except for shares issued for consideration other than cash (i.e., in kind).

The Articles of Association provide that pre-emptive rights may be limited or cancelled by the Board of Directors in the event of an increase of the issued share capital decided by the Board of Directors within the limits of the authorized share capital.

Repurchase of Shares

The Company is prohibited by Luxembourg law from subscribing for its own shares.

The Company may, however, repurchase its ordinary shares or have another person repurchase its ordinary shares on its behalf, subject to the following conditions:

- a prior authorization of the general meeting of shareholders, which sets out the terms and conditions of the proposed repurchase, including at a minimum the maximum number of shares to be repurchased, the duration of the period for which the authorization is given (which may not exceed five years) and, in the case of repurchase for consideration, the minimum and maximum consideration per share;
- the repurchase may not reduce the net assets of the Company on a non-combined basis to a level below the aggregate of the issued share capital and the reserves that the Company must maintain pursuant to Luxembourg law or the Articles of Association; and
- only fully paid up shares may be repurchased.

In addition, Luxembourg law allows the Board of Directors to approve the repurchase of the Company's ordinary shares without the prior approval of the general meeting of shareholders if necessary to prevent serious and imminent harm to the Company. In such a case, the next general meeting of shareholders must be informed by the Board of Directors of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting a value of the shares acquired, the proportion of the issued share capital which they represent and the consideration paid for them.

A general meeting of the Company held on January 21, 2011 resolved to cancel the fifth resolution adopted at a general meeting of the Company held on December 6, 2010 and to replace it by a new resolution (which became effective upon the effectiveness under Luxembourg law of the spin-off of ArcelorMittal's stainless and specialty steels assets into the Company) whereby the general meeting authorizes the Company to acquire and to own Company shares, including through off-market and over-the-counter transactions, and through derivative financial instruments on any of the stock exchanges on which the Company is listed, for a period of five years or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration the five-year period, provided that (a) the maximum number of own shares the Company may hold at any time directly or indirectly may not exceed 10% of its issued share capital and may not have the effect of reducing the Company's net assets ("*actif net*") below the amount mentioned in the relevant provisions of the Luxembourg law on commercial companies of 10 August 1915, as amended (Article 72-1), and (b) the purchase price per share to be paid may not represent more than 105% of the trading price of the Company shares on the stock exchanges where the Company is listed, and no less than one cent. For off-market transactions, the maximum purchase price will be 105% of the Company share price on Euronext. The reference price will be deemed to be the average of the final listing prices per share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

In accordance with the laws transposing Directive 2003/6/EC of January 28, 2003 and EC Regulation 2273/2003 of December 22, 2003, acquisitions, disposals, exchanges, contributions and transfers of securities may be carried out by all means, on or off the market, including by a public offer to buy back shares or by the use of derivatives or option strategies. The fraction of the share capital acquired or transferred in the form of a block of securities may be equal to the entire program. Such transactions may be carried out at any time, including during a tender offer period. As determined at the extraordinary general meeting of shareholders on December 6, 2010, the purchase price per share to be paid in cash may not represent more than 105% of the price of the ordinary shares on the Luxembourg Stock Exchange, Euronext Amsterdam or Euronext Paris, as the case may be, and may not be less than the par value of the share at the time of repurchase. For off-market transactions, the maximum purchase price is 105% of the price of the ordinary shares on Euronext Amsterdam. The price on the Luxembourg Stock Exchange, Euronext Amsterdam or Euronext Paris will be deemed to be the higher of the average of the final listing price per ordinary share on the relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of repurchase.

The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

Capital Reduction

The Articles of Association provide that the issued share capital of the Company may be reduced subject to the approval of at least two-thirds of the votes cast at an extraordinary general meeting of shareholders where at first call at least 50% of the issued share capital is required to be represented. No quorum is required at a reconvened meeting but the resolution must carry two-thirds of the votes at such reconvened meeting.

General Meeting of Shareholders

Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies has not yet been implemented into Luxembourg law. The Luxembourg Government has submitted before Parliament a bill (Bill N° 6128) the object of which is to implement Directive 2007/36/EC into Luxembourg law. It is uncertain when Bill N° 6128 will pass Parliament. The deadline for transposing this Directive expired in August 2009. As a result, a number of shareholders' rights that exist, especially with respect to general meetings of shareholders, in other European Union member states are not yet available in Luxembourg.

Each ordinary share of the Company entitles the shareholder to attend the general meeting of shareholders in person or by proxy, to address the general meeting of shareholders and to vote in accordance with the Articles of Association. Each ordinary share of the Company entitles the holder to one vote at the general meeting of shareholders. There is no minimum shareholding (beyond a single share) required to be able to attend or vote at a general meeting of shareholders.

The Articles of Association provide that shareholders are entitled to vote by correspondence, by means of a form providing for a positive or negative vote or an abstention on each agenda item. The forms for voting by correspondence should be received by the Company no later than the day preceding the fifth (5^{th}) working day before the date of the general meeting unless the Company fixes a shorter period. Once the voting forms are submitted to the Company, they may be cancelled provided the cancellation request is received by the Company within the deadline (if any) set in the preceding sentence. Duly completed forms that are received by the Company as provided above shall be counted towards the quorum when counting a quorum at such general meeting. The Board of Directors may adopt further regulations and rules concerning the participation in the meeting and forms to be used to vote by correspondence.

The Board of Directors may decide to authorize their participation in the general meeting by videoconference or by other telecommunications means allowing the shareholder's identification.

A shareholder may act at any general meeting of shareholders by appointing another person (who need not be a shareholder) as his or her attorney by means of a written proxy. The writing may take the form of a fax or any other means of communication guaranteeing the authenticity of the document and enabling the shareholder giving the proxy to be identified. All proxies must be received by the Company no later than the day preceding the fifth (5^{th}) working day before the date of the general meeting unless the Company fixes a shorter period.

General meetings of shareholders may be convened by the publication of two notices at least eight days apart and, with respect to the second notice, eight days before the meeting, in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations)*, and in a Luxembourg newspaper. These convening notices must contain the agenda of the meeting and the conditions for attendance and representation at the meeting.

Shareholders whose share ownership is directly registered in the Shareholders' Register will receive the notice by regular mail, which must be sent at least eight days prior to the general meeting of shareholders. In practice, the notice and related documentation are sent to the registered shareholders on the day of the first publication of the convening notice in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations)*, and in a Luxembourg newspaper. In addition, all materials relating to a general meeting of shareholders are made available on the website of the Company on the date of the first publication of the convening notice in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations)* and in a Luxembourg newspaper.

The Articles of Association provide that, only until such date when Directive 2007/36/EC shall have been transposed into Luxembourg law, in the case of shares held through the operator of a securities settlement system or depository, a shareholder wishing to attend a general meeting should receive from the operator or depository a certificate certifying the number of shares recorded in the relevant account on the blocking date and certifying that the shares in the account are blocked until the close of the general meeting. The certificate should be submitted to the Company on or before the day preceding the blocking date. The length of the blocking period is determined by the Board of Directors but may not be longer than the fifth day before the date of the general meeting of shareholders. The blocking period ends at the close of the general meeting.

The annual general meeting of shareholders of the Company is held each year at 3:00 p.m. on the second Tuesday of the month of May in the city of Luxembourg. If that day is a legal or banking holiday, the meeting will be held on the immediately preceding banking day.

Luxembourg law provides that the Board of Directors must convene a general meeting of shareholders if shareholders representing in the aggregate 10% of the issued share capital so require in writing with an indication of the agenda. In this case, the general meeting of shareholders must be held within one month of the request. If the requested general meeting of shareholders is not so convened, shareholders representing in the aggregate 10% of the issued share capital may petition the competent court in Luxembourg to have a court appointee convene the general meeting.

Shareholders representing in the aggregate 10% of the issued capital may request that additional items be added to the agenda of a general meeting of shareholders. The request must be made by registered mail sent to the registered office of the Company at least five days before the general meeting of shareholders.

Voting Rights

Each ordinary share of the Company entitles the shareholder to one vote at a general meeting of shareholders.

Luxembourg law distinguishes between ordinary general meetings of shareholders and extraordinary general meetings of shareholders. Extraordinary general meetings of shareholders are convened to vote on any amendment of the Articles of Association and certain other matters described below and are subject to the quorum and majority requirements described below. All other general meetings of shareholders are ordinary general meetings of shareholders.

Ordinary General Meetings of Shareholders: at an ordinary general meeting of shareholders there is no quorum requirement and resolutions are adopted by a simple majority, irrespective of the number of shares represented.

Extraordinary General Meetings of Shareholders: an extraordinary general meeting of shareholders convened for any of the following purposes must have a quorum of at least 50% of the issued share capital:

- an increase or decrease of the authorized or the issued share capital;
- a limitation or exclusion of pre-emptive rights;
- an approval of the acquisition by any person of 25% or more of the issued share capital of the Company;
- approving a legal merger; or
- an amendment of the Articles of Association.

If the above quorum is not reached, the extraordinary general meeting of shareholders may be reconvened to a later date, subject to appropriate notification procedures with no quorum requirement.

Irrespective of whether the proposed amendment is subject to a vote at the first or at a subsequent extraordinary general meeting of shareholders, the amendment is subject to the approval of at least two-thirds of the votes cast, except as described hereafter.

Election and Removal of Directors

Members of the Board of Directors are elected by simple majority of the represented shareholders at any general meeting of shareholders. Except in the event of the replacement of a member of the Board of Directors during his or her mandate, their respective terms will expire at the third annual general meeting of shareholders following the date of their appointment. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders.

The Articles of Association provide that the Mittal Shareholder holds a right of proportional representation. If the Mittal Shareholder exercises this right, the general meeting of shareholders shall elect the candidates nominated by the Mittal Shareholder as members of the Board of Directors such that the representation of candidates nominated by the Mittal Shareholder on the Board of Directors is in proportion to the Mittal Shareholder’s holding of ordinary shares in the Company. This right of proportional representation does not limit the rights that the Mittal Shareholder may otherwise have to nominate and vote in favor of candidates for the Board of Directors by virtue of its general rights as a shareholder in the Company.

Amendment of the Articles of Association

Luxembourg law requires an extraordinary general meeting of shareholders to vote on any amendment of the Articles of Association, including any amendments to change the rights of the holders of ordinary shares of the Company. The Company’s Articles of Association do not contain provisions providing for conditions to amend the Articles of Association, and the rights of the holders of ordinary shares that are more stringent than the conditions required by law. The agenda of the extraordinary general meeting of shareholders must indicate the proposed amendments to the Articles of Association.

An extraordinary general meeting of shareholders convened for the purpose of amending the Articles of Association must have a quorum of at least 50% of the issued capital of the Company. If the quorum is not reached, the extraordinary general meeting of shareholders may be reconvened with no quorum being required. Irrespective of whether the proposed amendment is subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, the amendment is subject to the approval of at least two-thirds of the votes cast at the extraordinary general meeting of shareholders, except as described below.

In order to be adopted, amendments of the Articles of Association relating to the size and the requisite minimum number of independent and non-executive directors of the Board of Directors, the composition of the committees, and the nomination rights to the Board of Directors of the Mittal Shareholders require a majority of votes representing two-thirds of the voting rights attached to the shares in the Company. The same majority rule would apply to amendments of the provisions of the Articles of Association setting out the foregoing rule.

Any resolutions to amend the Articles of Association must be taken before a Luxembourg notary and must be published in accordance with Luxembourg law.

Annual Accounts

Each year the Board of Directors must prepare parent company accounts for the Company, consisting of an inventory of its assets and liabilities together with a statement of financial position and a profit and loss account. The Board of Directors must also prepare annually combined accounts of the Company. The Board of Directors must also prepare annual management reports on each of the standalone audited annual accounts and the combined accounts. For each of these sets of accounts a report must be issued by the independent auditors.

The annual accounts, the combined accounts, the management report and the auditor’s reports must be available for inspection by shareholders at the registered office of the Company in Luxembourg at least 15 days prior to the date of the annual general meeting of shareholders.

The parent company accounts and the combined accounts, after approval by the annual general meeting of shareholders, are filed with the Luxembourg Register of Commerce and Companies.

Dividends

Subject to certain limitations set out by Luxembourg law, each ordinary share of the Company is entitled to participate equally in dividends when and if declared by the annual general meeting of shareholders out of funds legally available for such purposes. The Articles of Association provide that the annual general meeting of shareholders may declare a dividend and the Board of Directors may declare interim dividends within the limits set by Luxembourg law.

Declared and unpaid dividends held by the Company for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favor of the Company five years after the date on which the dividends have been declared.

Neither the Articles of Association nor Luxembourg law contain any restrictions on the payment of dividends specifically applicable to non-Luxembourg resident holders of ordinary shares.

2011 Dividend

A general meeting of the Company held on January 21, 2011 approved in principle the payment of a dividend of $0.75 per Company share, in four equal quarterly installments of $0.1875 (gross) per share to take place on March 31, June 14, September 12 and December 12, 2011. Payment of first installment occurred on March 31, 2011.

Merger and Division

A merger by absorption whereby one Luxembourg company after its dissolution without liquidation transfers to another Luxembourg company all of its assets and liabilities in exchange for the issuance to the shareholders of the company being acquired of shares in the acquiring company, or a merger effected by transfer of assets to a newly incorporated company, must be approved by an extraordinary general meeting of shareholders of each company held before a notary. A merger requires the approval of at least two-thirds of the votes cast at a general meeting of shareholders where at least 50% of the issued share capital is represented upon the first call, with no such quorum being required at a reconvened meeting.

Liquidation

In the event of the liquidation, dissolution or winding-up of the Company, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at an extraordinary general meeting of shareholders where at first call at least 50% of the issued share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, it requires the approval of at least two-thirds of the votes cast at the extraordinary general meeting of shareholders.

Information Rights

Luxembourg law gives shareholders limited rights to inspect certain corporate records 15 days prior to the date of the annual general meeting of shareholders, including the parent company accounts with the list of directors and auditors, the combined accounts, the notes to the parent company accounts and to the combined accounts, a list of shareholders whose shares are not fully paid-up, the management reports and the auditor's reports.

The parent company accounts, the combined accounts, the auditor's reports and the management reports must be sent to the registered shareholders at the same time as the convening notice for the annual ordinary general meeting of shareholders. In addition, any shareholder is entitled to receive a copy of these documents free of charge upon request 15 days prior to the date of the annual ordinary general meeting of shareholders.

Under Luxembourg law, it is generally accepted that a shareholder has the right to receive responses to questions concerning items on the agenda of a general meeting of shareholders if such responses are necessary or useful for a shareholder to make an informed decision on the agenda item, unless such a response could be detrimental to the interests of the company. This determination is made by the Board of Directors.

Mandatory Bids, Squeeze-out Rights and Sell-out Rights

Mandatory Bids

The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids (the "**Luxembourg Takeover Law**") provides that if a person, acting alone or in concert, acquires securities of the Company which, when added to any existing holdings of the Company's securities, give such person voting rights representing 33 1/3% of all of the voting rights attached to the issued shares in the Company, this person is obliged to make an offer for the remaining shares in the Company. In a mandatory bid situation the "fair price" is considered to be the highest price paid for the securities during the 12-month period preceding the mandatory bid.

The Articles of Association provide that any person who acquires shares in the Company giving such person 25% or more of the total voting rights of the Company must make or cause to be made in each country where the Company's securities are admitted to trading on a regulated or other market and in each of the countries in which the Company has made a public offering of its shares, an unconditional public offer to acquire to all shareholders for all of their shares and also to all holders of securities giving access to capital or linked to capital or whose rights are dependent on the profits of the Company. The price offered in such public offerings must be fair and equitable and must be based on a report drawn up by a leading international financial institution or other internationally recognized expert.

Squeeze-out Rights

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and after such offer the offeror holds 95% of the securities carrying voting rights and 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a "fair price". The price offered in a voluntary offer would be considered a "fair price" in the squeeze-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

Sell-out Rights

The Luxembourg Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and if after such offer the offeror holds 90% of the securities carrying voting rights and 90% of the voting rights, the remaining security holders may require that the offeror purchase the remaining securities of the same class. The price offered in a voluntary offer would be considered "fair" in the sell-out proceedings if 90% of the ordinary shares of the Company carrying voting rights were acquired in such voluntary offer. The price paid in a mandatory offer is deemed a "fair price". The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the Company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the offer.

Provisions Preventing a Change of Control

The Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

Disclosure of Significant Ownership in the Company's Shares

Holders of the Company's ordinary shares and derivatives or other financial instruments linked to the Company's ordinary shares may be subject to notification obligations pursuant to the Luxembourg law of January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market (the "**Luxembourg Transparency Law**"). The following description summarizes these obligations. The Company's shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The Luxembourg Transparency Law provides that, if a person acquires or disposes of a shareholding in the Company, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, $33^1/_3$%, 50% or $66^2/_3$% of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Company and the CSSF of the proportion of voting rights held by it further to such event.

A person must also notify the Company of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the abovementioned thresholds as a result of events changing the breakdown of voting rights.

The Articles of Association provide that the above disclosure obligations also apply:

- to any acquisition or disposal of shares resulting in the threshold of 2.5% of voting rights in the Company being crossed upwards or downwards;
- to any acquisition or disposal of shares resulting in the threshold of 3.0% of voting rights in the Company being crossed upwards or downwards; and
- over and above 3.0% of voting rights in the Company, to any acquisition or disposal of shares resulting in successive thresholds of 1% of voting rights in the Company being crossed upwards or downwards.

Any person who acquires shares giving him or her 5% or more or a multiple of 5% or more of the voting rights in the Company must inform the Company within 10 Luxembourg Stock Exchange trading days following the date on which the threshold was crossed by registered letter with return receipt requested as to whether he or she intends to acquire or dispose of shares in the Company within the next 12 months or intends to seek to obtain control over the Company or to appoint a member to the Company's Board of Directors.

For the purposes of calculating the percentage of a shareholder's voting rights in the Company, the following will be taken into account:

- voting rights held by a third party with whom that person or entity has concluded an agreement and which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the Company;
- voting rights held by a third-party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to shares pledged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention to exercise them;
- voting rights attaching to shares in which a person or entity holds an interest for the duration of the life of such person or entity;
- voting rights which are held or may be exercised within the meaning of the four foregoing points by an undertaking controlled by that person or entity;
- voting rights attaching to shares deposited with that person or entity which the person or entity may exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third-party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity may exercise the voting rights in its sole discretion.

Disclosure of Insider Transactions

Members of the Board of Directors and the Management Committee and other executives fulfilling senior management responsibilities ("Persons Discharging Senior Managerial Responsibilities", as defined below) within the Company and persons closely associated with them must disclose to the CSSF and to the Company all transactions relating to shares of the Company or derivatives or other financial instruments linked to shares of the Company conducted by them or for their account.

"Persons Discharging Senior Managerial Responsibilities" within the Company are the members of the Board of Directors and the Management Committee and executives who, while occupying a high level management position, are not members of the above corporate bodies, but who have regular access to non-public material information relating, directly or indirectly, to the Company and have the authority to make management decisions about the future development of the Company and its business strategy.

Information on trading in the Company's ordinary shares by "Persons Discharging Senior Managerial Responsibilities" will be available on the Company's website. The Company's Insider Dealing Regulations can be found on the following website:

Disclosure to the public of "regulated information" (within the meaning of the Luxembourg Transparency Law) concerning the Company will be made by the Company by publishing the information via the centralized document storage system managed by the Luxembourg Stock Exchange. This information is accessible on the Luxembourg Stock Exchange's website, http://www.bourse.lu, in addition to press releases.

Limitation of Directors' Liability/Indemnification of Officers and Directors

The Articles of Association provide that the Company will, to the extent permitted by law, indemnify every member of the Board of Directors and the Management Committee as well as every former member of the Board of Directors or the Management Committee for fees, costs and expenses reasonably incurred in the defense or resolution (including a settlement) of any legal actions or proceedings, whether civil, criminal or administrative, he or she has been involved in his or her role as former or current member of the Board of Directors or the Management Committee.

The right to indemnification does not exist in the case of gross negligence, fraud, fraudulent inducement, dishonesty or for a criminal offense, or if it is ultimately determined that the member of the Board of Directors or the Management Committee has not acted honestly, in good faith and with the reasonable belief that he or she was acting in the best interests of the Company.

C. Material Contracts

The following are material contracts not entered into in the ordinary course of business that were entered into, novated or amended by the Company during the past two years:

Transitional Services Agreement, Purchasing Services Agreement, Sourcing Services Agreement and Brazilian Cost Sharing Agreement

In connection with the spin-off, the Company and ArcelorMittal entered into a Transitional Services Agreement, a Purchasing Services Agreement and a Sourcing Services Agreement, and also amended the existing Brazilian Cost Sharing Agreement.

Financing Arrangements with ArcelorMittal

The Company's principal sources of financing until end of March 2011 included loans from ArcelorMittal entities at the level of Aperam South America (formerly known as "ArcelorMittal Inox Brasil"), which holds the Company's assets in Brazil, and Aperam Stainless Belgium (formerly known as "ArcelorMittal Stainless Belgium"), which holds its assets in Belgium. These facilities are described in detail in "Management's Discussion and Analysis of Finanical Condition and Results of Operation — Liquidity and Capital Resources." In March 2011, Management entered into facilities and other forms of financing, including the issuance of bonds in the capital markets, in the aggregate amount of $1 billion, with available borrowing capacity at any one time of approximately $500 million. Facilities entered into with ArcelorMittal entities have been fully reimbursed in March 2011.

D. Exchange Controls

There are no other legal provisions currently in force in Luxembourg or arising under the Articles of Association that restrict the payment of dividends to holders of the Company's ordinary shares not resident in Luxembourg, except for regulations restricting the remittance of dividends and other payments in compliance with United Nations and European Union sanctions. There are no limitations, either under the laws of Luxembourg or in the Articles of Association, on the right of non Luxembourg nationals to hold or vote the Company's ordinary shares.

E. Taxation

Material Luxembourg Tax Considerations

This section describes the material Luxembourg tax implications for investors in respect of the acquisition, ownership and disposition of the Company's ordinary shares.

This summary does not cover all aspects of Luxembourg taxation which may be relevant to, or the actual tax effect that any of the matters described herein will have on, a decision by particular investors to purchase, own or dispose of the Company's ordinary shares. This summary does not address foreign tax laws. It is based on the laws in force in Luxembourg as at the date of this financial report and subject to any change in law that might take effect after such date. Investors should be aware that the residence concept used under the respective headings applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Moreover, a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Corporate shareholders may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of a professional or business undertaking, municipal business tax may apply as well.

Luxembourg Tax Consequences of the Holding of the Ordinary Shares

Tax Residence

A holder of ordinary shares will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the ordinary shares, or the execution, performance, delivery and/or enforcement of the ordinary shares.

Withholding Tax

Under current Luxembourg tax law, dividends distributed by the Company to its shareholders will be subject to a 15% withholding tax computed on the gross amount of the dividends distributed.

This rate could be reduced pursuant to double taxation treaties concluded between Luxembourg and the country of residence of the non-resident shareholders. Withholding tax is usually reduced by refunding to the shareholder the excess of the total amount withheld over the withholding tax actually owed under the pertinent double taxation treaty upon the shareholder's application for a refund to the Luxembourg tax authorities (Administration des Contributions Directes, Division 5 – Relations Internationales, 45, boulevard Roosevelt, L-2982 Luxembourg). Forms for the refund request can be obtained from the Luxembourg tax authorities.

No withholding tax is levied if the dividends are paid (i) to a joint-stock company which is a fully taxable Luxembourg resident company, (ii) to a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended or to its permanent establishment located in Luxembourg, (iii) to a company resident in a country with which Luxembourg has concluded a double taxation treaty and which is fully liable to a tax corresponding to Luxembourg corporate income tax or its permanent establishment located in Luxembourg, (iv) to a Swiss joint-stock company subject to the Swiss income tax regime, (v) to a joint-stock company or a cooperative company resident in a Member State of the European Economic Area ("**EEA**") and which is fully liable to a tax corresponding to Luxembourg corporate income tax, or to its permanent establishment located in Luxembourg, provided that, at the date of the payment, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million.

No Luxembourg withholding tax will be levied on liquidation proceeds distributed by the Company without any conditions. The redemption by the Company of all the ordinary shares belonging to one shareholder or of all the ordinary shares belonging to the same class of ordinary shares, followed by the cancellation of such ordinary shares, will be treated as a partial liquidation for Luxembourg tax purposes and will consequently not be subject to Luxembourg withholding tax.

Income Tax

Taxation of Dividends

(i) Luxembourg non-resident holders of ordinary shares

Dividends received by non-resident individuals or non-resident companies which do not have a permanent establishment in Luxembourg are not subject to any tax in Luxembourg, apart from the dividend withholding tax, if applicable.

(ii) Luxembourg resident holders of ordinary shares

According to the Luxembourg participation exemption regime, dividends and liquidation proceeds received from the Company by (i) a joint-stock company which is a fully taxable Luxembourg resident company, (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 1.2 million. Ordinary shares held through a tax transparent entity are considered as a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Dividends received from the Company by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, which do not fall within the scope of the Luxembourg participation exemption regime, will be subject to Luxembourg corporate income tax (including the solidarity surcharge and the municipal business tax) at the ordinary rate. Dividends received by a Luxembourg resident individual shareholder will be subject to Luxembourg income tax (including the solidarity surcharge) at the ordinary progressive rate. Half of the dividends received from the

Company will, however, be excluded from the taxable basis of the Luxembourg resident (individual or corporate) shareholder.

Upon their income tax assessment, resident shareholders and non-resident shareholders holding the ordinary shares via a permanent establishment (including a permanent representative) or fixed base in Luxembourg, may credit the dividend withholding tax against their final income tax liability.

(iii) Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment or (ii) the law of 11 May 2007 on family estate management companies, are not subject to tax on dividends received from the Company.

Taxation of Capital Gains

(i) Luxembourg non-resident holders of Ordinary Shares

No Luxembourg income tax will be payable as a result of a disposal of the ordinary shares by a non-resident (individual or corporate) shareholder, unless the participation directly or indirectly held by the shareholder, together with his/her close relatives, represents more than 10% of the share capital of the Company, and the relevant shareholder (i) was a Luxembourg resident taxpayer for more than 15 years and has become a non-resident taxpayer less than five years before the sale of the ordinary shares, or (ii) has held the ordinary shares for less than six months at the time of the sale. These conditions could be relaxed by double taxation treaties concluded between Luxembourg and the country of residence of the shareholders.

(ii) Luxembourg resident holders of Ordinary Shares

Capital gains realized on the disposal of ordinary shares (including their sale, exchange, contribution or any other kind of alienation) by resident individuals acting in the course of their private wealth are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation.

Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if the ordinary shares are disposed of within 6 months of their acquisition or if the disposal precedes the acquisition of the ordinary shares.

A participation is considered substantial where a resident individual has held, alone or together with his/her close relatives, directly or indirectly, at any time within the five years preceding the disposal, more than 10% of the share capital of the Company. A shareholder is also deemed to alienate a substantial participation if, within the five years preceding the transfer, he acquired, free of charge, a participation constituting a substantial participation in the hands of the alienator (or the alienators in case of several successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition are subject to income tax according to the half-global rate method (i.e. the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation).

Capital gains realized on the disposal of ordinary shares by resident individual shareholders, acting in the course of their professional/business activity, are subject to income tax at ordinary rates.

Capital gains realized upon the disposal of the ordinary shares by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, will be fully subject to corporate income tax (including the solidarity surcharge and the municipal business tax) in Luxembourg, except if the Luxembourg participation regime is applicable.

According to the Luxembourg participation exemption regime, capital gains realized upon the disposal of ordinary shares by (i) a joint-stock company which is a fully taxable Luxembourg resident company, or (ii) a permanent establishment located in Luxembourg of a company resident in a Member State of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990 as amended, or (iii) a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg, or (iv) a permanent establishment located in Luxembourg of a joint-stock company or of a cooperative company resident in a Member State of the EEA, will be exempt from income tax in Luxembourg provided that, at the date of the distribution, the shareholder holds or commits to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10% in the share capital of the Company or a participation with an acquisition price of at least EUR 6 million. ordinary shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Taxable gains are determined as being the difference between the price for which the ordinary shares have been disposed of and the lower of their cost or book value.

(iii) Luxembourg companies benefitting from a special tax regime

Luxembourg companies, which benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment or (ii) the law of 11 May 2007 on family estate management companies, are not subject to tax on capital gains realized on the disposal of ordinary shares.

Net Wealth Tax

Luxembourg resident companies, which do not benefit from a special tax regime under (i) the laws of 20 December 2002 and 13 February 2007 on undertakings for collective investment, (ii) the law of 22 March 2004 on securitization, (iii) the law of 15 June 2004 on venture capital vehicles, or (iv) the law of 11 May 2007 on family estate management companies, are subject to net wealth tax on their net assets. However, ordinary shares held by fully taxable Luxembourg resident companies will be excluded from their taxable basis for net wealth tax purposes, provided the conditions of the participation exemption regime (which are the same as for dividends, except that the twelve months holding period is not required) are met.

Non-resident companies will be subject to net wealth tax on their assets which are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment, except as otherwise provided for by a tax treaty concluded by Luxembourg and the country of residence of the non-resident company.

Other Taxes

No Luxembourg registration tax, stamp duty or any other similar tax or duty will be due by the shareholders as a consequence of the issuance of the ordinary shares, nor will any of these taxes become payable as a consequence of a subsequent transfer, exchange or redemption of the ordinary shares.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the ordinary shares or in respect of the payment of dividends or principal under the ordinary shares or the transfer of the ordinary shares.

No Luxembourg estate or inheritance taxes are levied on the transfer of the ordinary shares upon the death of a shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax is levied on the transfer of the ordinary shares by way of a gift, unless the gift is recorded in a Luxembourg notarized deed or otherwise registered in Luxembourg.

Certain Belgian Income Tax Considerations

The following is a general description of the principal Belgian tax consequences of the spin-off and the holding and disposal of the Company's shares ("**Shares**") and does not purport to be a comprehensive description of all the tax considerations that may be relevant to the holding and disposal of the Shares. This general description is based on the tax laws and practice of the Kingdom of Belgium in effect on the date of this financial report, which are subject to change, potentially with retroactive effect. Belgian holders of ArcelorMittal shares and/or Shares should consult their own tax advisers as to the Belgian and other tax consequences prior to the receipt, holding or disposal of the Shares, including, in particular, the effect of any state or local tax laws.

In this general description Belgian legal and fiscal terms and concepts are expressed and described in English equivalent terms and concepts. These terms therefore should be construed and interpreted in accordance with their meaning under Belgian law.

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Belgian tax regime of the holding and disposal of Shares

Dividends paid by the Company to Belgian holders of Shares

Belgian individuals

Where the dividend is paid or made available through a professional intermediary in Belgium, the intermediary will withhold, and remit to the Belgian tax authorities, the Belgian dividend withholding tax calculated at the rate of 25% on the net amount of the dividend (i.e., after deduction of the amount of the applicable Luxembourg withholding tax).

For Belgian individuals who hold Shares as a private investment, this Belgian dividend withholding tax is a final tax and any dividends that have been subject to it need not be reported in such person's annual personal income tax return. They may nevertheless elect to report the dividends in their annual personal income tax return, in which case such dividends will normally be taxed at a special tax rate of 25% plus additional local taxes (or, if more favourable, the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income). If the dividends are reported, the Belgian dividend withholding tax retained at source is creditable against the income tax due and any excess credit is reimbursable, provided that the dividend distribution does not result in a reduction in value of or a capital loss on the Shares. This condition is not applicable if the Belgian individual can demonstrate that he has owned the Shares for an uninterrupted period of 12 months preceding the date upon which the dividends are attributed. Under current Belgian tax legislation there is no tax credit for any Luxembourg dividend withholding tax.

If no Belgian dividend withholding tax has been levied in Belgium (i.e., in case the dividend was received outside of Belgium without the intervention of a professional intermediary in Belgium), the net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of such dividends must be reported in the Belgian individual's annual personal income tax return. The reported dividend amount is then taxable at the separate rate of 25% plus additional local taxes (or, if more favourable, the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income).

On 1 July 2010 the European Court of Justice ruled that the imposition of additional local taxes on dividends from investments in an EU Member State other than Belgium, as opposed to dividends from investments made in Belgium, constitutes an unfavourable tax treatment which is inconsistent with the free movement of capital (C-233/09). The Belgian legislator has to date not yet adjusted its tax legislation.

For Belgian individuals who hold the Shares for professional purposes, the Belgian dividend withholding tax retained does not fully discharge their income tax liability. Dividends received must be reported by the Belgian individual in his annual personal income tax return and will be taxed at the applicable normal progressive personal income tax rates. The Belgian dividend withholding tax retained is creditable against the personal income tax due and the excess credit is reimbursable, subject to two conditions: (1) the taxpayer must have the full legal ownership over the Shares at the time the dividends are made available for payment or attributed and (2) the dividend distribution must not result in a reduction in value of or a capital loss on the Shares. Condition (2) is not applicable if the individual investor can demonstrate that he has owned the Shares for an uninterrupted period of 12 months preceding the date on which the dividends are made available for payment or attributed. Under current Belgian tax legislation there is no tax credit for any Luxembourg dividend withholding tax.

Belgian companies

Dividends on Shares paid to a Belgian company benefit from an exemption from the obligation to retain the Belgian dividend withholding tax subject to certain affidavit formalities to be respected where the dividends are paid or made available through a professional intermediary in Belgium.

The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of dividends paid on Shares will, as a rule, be included in the tax base subject to Belgian corporate income tax. The ordinary Belgian corporate income tax rate is 33.99%. However, Belgian companies will be able, pursuant to the dividend received deduction regime, to deduct from their taxable base (other than certain disallowed expenses and other specific taxable items) up to 95% of the dividends received if, at the date the dividends are paid or attributed, (i) they held a shareholding in the Company of at least 10% or with an acquisition value of at least €2.5 million, (ii) they held the Shares in full legal ownership, (iii) the Shares held qualify as financial fixed assets within the meaning of Belgian accounting law, and (iv) the Shares will be or have been held uninterruptedly for at least one year. For the computation of the one-year period in the particular case of a tax neutral partial spin-off operation, Article 202, §2, paragraph 3 ITC provides that the period may be determined as if the partial spin-off had not taken place. In order for the dividends-received-deduction regime to apply the dividends must also meet the 'subject to tax' conditions provided for by Article 203 ITC.

No tax credit will be granted for any Luxembourg withholding tax on dividends distributed by the Company.

Dividends on Shares paid to an Organization for Financing Pensions ("**OFP**") will, as a rule, be unconditionally exempted from Belgian corporate income tax. The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of the dividends will be subject to Belgian dividend withholding tax at the rate of 25%, when paid or made available through a financial intermediary in Belgium. If Belgian dividend withholding tax is deducted at source, it may be credited against corporate income tax due (if any) and any excess credit is reimbursable, subject to two conditions: (1) the OFP must own the Shares at the time the dividends are made available for payment or attributed and (2) the dividend distribution must not give rise to a reduction in value of or a capital loss on the Shares.

Belgian legal entities

The net amount (i.e., after deduction of the amount of the applicable Luxembourg withholding tax) of dividends paid on Shares will be subject to Belgian dividend withholding tax at the rate of 25%, when paid or made available through a financial intermediary in Belgium.

Where the Belgian holder is a Belgian legal entity and no dividend withholding tax has been retained in Belgium (i.e., in case the dividend was received outside of Belgium without the intervention of a professional intermediary in Belgium), the Belgian legal entity is itself liable to pay the 25% Belgian withholding tax.

Capital gains and losses

Belgian individuals

Belgian individuals holding Shares as a private investment will, as a rule, not be subject to tax on any capital gains arising out of a disposal of Shares. Losses will, as a rule, not be deductible in Belgium. Belgian individuals may, however, be subject to income tax in Belgium at the rate of 33% plus additional local taxes (or, if more favourable, at the applicable ordinary progressive income tax rates taking into account the taxpayer's other declared income) if they realise a capital gain on Shares which is deemed to be speculative or to be otherwise realised outside the scope of normal management of one's own private estate. Capital losses realised on Shares which are deemed to be speculative or to be otherwise realised outside the scope of normal management of one's own private estate, are deductible from gains or income of the same nature to the extent they were incurred during the five preceding income years.

Individuals holding their Shares for professional purposes are taxed at the applicable progressive tax rates on professional income for all capital gains realised on the sale of the Shares, except with respect to the Shares they have been holding for more than five years (which are subject to a special rate of 16.5%, plus additional local taxes (if that special rate is more favourable than the applicable ordinary progressive income tax rates)). Capital losses on Shares realised by Belgian Individuals holding the Shares in the context of their professional activities are deductible from their professional income.

Belgian companies

Capital gains realised on a disposal of Shares by Belgian companies will, as a rule, be fully exempt from Belgian corporate income tax, provided that the 'subject to tax' conditions of Article 203 ITC are met. The conditions pertaining to the minimum size, minimum holding period, full legal ownership and accounting characterization which are imposed in order for dividends distributed on the Shares to qualify for the dividends-received-deduction regime, do not have to be met for the purposes of this capital gains tax exemption. Capital losses on Shares realised by Belgian companies will in general not be deductible.

Capital gains realised on the disposal of Shares by OFP's will, as a rule, be unconditionally and fully exempt from Belgian corporate income tax.

Belgian legal entities

Capital gains realised on the disposal of Shares by Belgian legal entities will, as a rule, be unconditionally and fully exempt from Belgian legal entities tax. Losses on such disposal of their Shares will not be deductible.

Tax on stock exchange transactions

A tax on stock exchange transactions (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) at the rate of 0.17 per cent. (subject to a maximum of €500 per party and per transaction) will be due upon the sale and purchase or any other acquisition or transfer for consideration of Shares entered into or settled in Belgium in which a professional intermediary acts for either party. A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. The tax does not apply to primary market transactions.

However, the tax on stock exchange transactions is not payable by exempt persons acting for their own account, including investors who are non-Belgian residents (subject to certain identification formalities) and certain Belgian institutional investors as defined in Article 126.1, 2° of the Code of various duties and taxes.

Tax on the physical delivery of bearer shares

The physical delivery of bearer securities acquired on the secondary market for consideration through a professional intermediary in Belgium is subject to the Belgian tax on the physical delivery of bearer securities. The tax payable is equal to 0.6% of the purchase price. The tax is also due upon the physical delivery of securities in Belgium pursuant to the withdrawal of the securities from open custody. The tax payable is 0.6% on the sales value of the securities as estimated by the custodian in case of a withdrawal from open custody.

The physical delivery of bearer securities to recognised professional intermediaries (such as credit institutions), acting for their own account, is exempt from the above tax.

Certain Dutch Income Tax Considerations

The following summary does not purport to be a comprehensive description of all Dutch tax considerations that could be relevant for a holder of ArcelorMittal shares in relation to the spin-off, and/or of Shares.

This summary is intended as general information only. This summary is based on Dutch tax legislation and published case law in force as of the date of this document. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Regardless of whether or not a holder of ArcelorMittal shares and/or Shares is, or is treated as being, a resident of the Netherlands, this summary does not address the Dutch tax consequences for such a holder:

- having a substantial interest (*aanmerkelijk belang*) in ArcelorMittal and/or the Company (such a substantial interest is generally present if an equity stake of at least 5% in a company, or a right to acquire such a stake in a company, is held, in each case by reference to the company's total issued share capital, or the issued capital of a certain class of shares);
- who is a private individual and may be taxed for the purposes of Dutch income tax (*inkomstenbelasting*) as an entrepreneur (*ondernemer*) having an enterprise (*onderneming*) to which the ArcelorMittal shares and/or the Shares are attributable, or who may otherwise be taxed with respect to benefits derived from the ArcelorMittal shares and/or the Shares being treated as income derived from work and home (*werk en woning*);
- which is a corporate entity, and for the purposes of Dutch corporate income tax (*vennootschapsbelasting*) has, or is deemed to have, a participation (*deelneming*) in ArcelorMittal and/or the Company (such a participation in a company is generally present in the case of an interest of at least 5% of a company's nominal paid-in capital);
- which is a corporate entity and an exempt investment institution (*vrijgestelde beleggingsinstelling*) or investment institution (*beleggingsinstelling*) for the purposes of Dutch corporate income tax, a pension fund, or otherwise not a taxpayer or exempt for tax purposes;or

- which is not considered the beneficial owner (uiteindelijk gerechtigde) of the ArcelorMittal shares and/or Shares and/or the benefits derived from the ArcelorMittal shares and/or Shares.

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Dutch tax regime of the holding and disposal of Shares

Dividend tax

The Company is not required to withhold Dutch dividend tax in respect of distributions made on the Shares.

Income tax

Resident holders: A holder who is a private individual and a resident, or treated as being a resident of the Netherlands for the purposes of Dutch income tax, must record the Shares as assets that are held in box 3. Taxable income with regard to the Shares is then determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return is fixed at a rate of 4% of the holder's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the yield basis exceeds a certain threshold. Such yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Shares, less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of the Shares will be included as an asset in the holder's yield basis. The deemed return on income from savings and investments is taxed at a rate of 30%.

Luxembourg dividend tax which is withheld with respect to proceeds from the Shares will generally be creditable for Dutch income tax purposes.

Non-resident holders: A holder who is a private individual and neither a resident, nor treated as being a resident of the Netherlands for the purposes of Dutch income tax, will not be subject to such tax in respect of benefits derived from the Shares.

Corporate income tax

Resident holders or holders having a Dutch permanent establishment: A holder which is a corporate entity and for the purposes of Dutch corporate income tax a resident (or treated as being a resident) of the Netherlands, or a non-resident having (or treated as having) a permanent establishment in the Netherlands to which the Shares are attributable, is taxed in respect of benefits derived from the Shares at rates of up to 25%.

Luxembourg dividend tax which is withheld with respect to proceeds from the Shares will generally be creditable for Dutch corporate income tax purposes.

Non-resident holders: A holder which is a corporate entity and for the purposes of Dutch corporate income tax neither a resident, nor treated as being a resident, of the Netherlands, having no permanent establishment in the Netherlands (and not treated as having such a permanent establishment), will not be subject to such tax in respect of benefits derived from the Shares.

Gift and inheritance tax

Resident holders: Dutch gift tax or inheritance tax (*schenk- of erfbelasting*) will arise in respect of an acquisition (or deemed acquisition) of Shares by way of a gift by, or on the death of, a holder of Shares who is a resident, or treated as being a resident, of the Netherlands for the purposes of Dutch gift and inheritance tax.

Non-resident holders: No Dutch gift tax or inheritance tax will arise in respect of an acquisition (or deemed acquisition) of Shares by way of a gift by, or on the death of, a holder of Shares who is neither a resident, nor treated as being a resident, of the Netherlands for the purposes of Dutch gift and inheritance tax.

Other taxes

No Dutch registration tax, capital tax, transfer tax or stamp duty (nor any other similar tax or duty) will be payable in connection with the holding or disposal of the Shares.

Certain French Income Tax Considerations

The following is a summary of certain material French tax consequences that are likely to be relevant to French resident investors in respect of their investment in the Company's shares.

This summary is of general nature only and does not purport to be a comprehensive description of all the French material tax considerations which may be relevant to the receipt of the Company's shares, nor to the decision to purchase, hold or dispose of the Company's shares. It is based on the laws, regulations, practice and applicable tax treaties in force in France as at the date of this financial report, all of which are subject to change, possibly with retroactive effect. More particularly, the following summary takes into account the tax measures included in the finance act for 2011 n°2010-1657 dated December 29, 2010 (the "**2011 Finance Act**"). The 2011 Finance Act notably provides for: (i) for revenues received as from 2010, the increase to 41% of the current 40% marginal rate of individual income tax, (ii) for dividends received as from 2011, the increase to 19% of the 18% flat-rate tax, (iii) for dividends received as from 2010, the cancellation of the 50% tax credit, (iv) for sales of securities realized as from 2011, the increase to 19% of the 18% proportional tax rate on capital gains and the cancellation of the €25,830 threshold, and (v) the increase to 12.3% of the current 12.1% global rate of social security contributions for capital gains realized as from 2010 on sale of securities and for dividends received as from 2010 or, as from 2011 if such dividends are subject to the 18% flat-rate or distributed through a French paying agent and subject to individual income tax at the progressive rate.

This summary does not take into account the specific circumstances of particular investors some of which may be subject to special tax rules. French holders of ArcelorMittal shares and/or Company's shares should consult their own tax advisors as to the particular French tax consequences of the receipt of the Company's shares and/or of the holding or disposal of the Company's shares.

As used herein, a "**French individual**" is an individual who is a resident of France for tax purposes, is subject to personal income tax (*impôt sur le revenu*) and owns the ArcelorMittal and the Company's shares as private assets (otherwise than through a fixed base outside France) and a "**French legal entity**" is a legal entity which is a French tax resident subject to corporate income tax (*impôt sur les sociétés*) which does not own its interests in ArcelorMittal or the Company through a permanent establishment outside France, and which does not hold an interest in ArcelorMittal or the Company that would qualify as participation shares (*titres de participation*) or other interest representing more than 5% of ArcelorMittal or the Company's share capital and benefit from a taxation at a reduced rate. "**French holders**" shall mean all these holders collectively.

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French tax regime of the holding and disposal of Company's shares

Taxation of dividends

Pursuant to Article 19-3-b of the tax treaty dated April 1, 1958 between France and Luxembourg (the "**Treaty**"), France grants a tax credit for the withholding tax levied in Luxembourg on dividends. The amount of such tax credit is equal to the withholding tax as reduced by the Treaty that is, generally, 15/85 of the net amount of the dividends, capped at the amount of the French tax due with respect to such dividends.

French individuals

Dividends received by French individuals are generally included in their taxable income of the relevant tax year and subject to personal income tax either:

(i) at a progressive rate (with a marginal rate of 41%), under the following regime:

If the conditions set out in Article 158-3-2° of the *Code général des impôts* are satisfied with respect to such dividends, and provided that no election has been made for the 19% flat-rate tax on other distributions received during the same tax year (see below), an allowance of 40% (the "**40% Allowance**") is first applied to the gross amount of the dividends, including the attached tax credit determined for the Luxembourg withholding tax.

Subject to the same condition and on the aggregate amount of dividends received during the same tax year after deduction of the 40% Allowance and of deductible expenses, an additional allowance is applied for an amount of (i) €3,050 for married couples subject to joint taxation as well as for signatories of a *pacte civil de solidarité* as defined under Article 515-1 of the Code civil ("**PACS**") who are subject to joint taxation or (ii) €1,525 for single people, widows and widowers, divorcees or married people who file their tax returns separately.

(ii) upon election by the taxpayer, at a 19% flat-rate if the conditions set out in Article 117 *quater* of the *Code général des impôts* are satisfied in respect of such dividends.

If dividends are paid by a French paying agent, the election for the 19% flat-rate tax shall be made by the taxpayer with the paying agent prior to the receipt of the dividends and the 19% tax is withheld at the time of payment by the French paying agent who then will report and pay on behalf of the French taxpayer, the 19% tax to the French tax authorities.

If dividends are paid by a foreign paying agent, the 19% tax is either (i) paid to the French tax authorities by the French taxpayer within the first fifteen days of the month following the month of payment or (ii) if the paying agent is established in a country within the EEA (to the exclusion of Liechtenstein), and upon written authorization from the French taxpayer, withheld at the time of payment by the paying agent who will report and pay on behalf of the French taxpayer the 19% flat-rate tax to the French tax authorities.

Dividends are further subject to the following social security contributions: the general social contribution (*contribution sociale généralisée – CSG*) at the rate of 8.2% (of which 5.8% is deductible from the aggregate taxable income of the taxpayer, in the absence of election for the 18% flat-rate on the relevant dividends), the social levy (*prélèvement social*) at the rate of 2.2%, the contribution for the repayment of the social debt (*contribution au remboursement de la dette sociale – CRDS*) at the rate of 0.5% and the contributions payable in addition to the social levy at the respective rates of 0.3% and 1.1%, giving a global rate of 12.3% of social security contributions. These social security contributions are recovered under similar rules as those applicable to the 19% flat-rate tax when the dividend is paid by a French paying agent.

The tax credit granted by France in respect of the Luxembourg withholding tax can be set off against the personal income tax and thereafter against the social security contributions due in respect of the relevant dividends; any excess may neither be refunded nor carried forward.

Specific tax treatment applicable to Company's shares held in Share Savings Plans (*plan d'épargne en actions – PEA*)

Company's shares are eligible to be held in a PEA.

Under certain conditions, a PEA confers the right (i) during the duration of the PEA, to an exemption from income tax and social related contributions on the net proceeds and net capital gains resulting from investments made through a PEA, provided that these proceeds and capital gains are kept in the PEA and (ii) upon closure of the PEA (if it takes place more than five years after the opening of the PEA) or after a partial withdrawal (if is takes place more than eight years after the opening of the PEA), to an income tax exemption on the net gain realised since the opening of the PEA. These proceeds and capital gains remain nevertheless subject to social related contributions (currently at a total rate of 12.3% but the effective rate of such contributions depends on the date when such gain will be realised). Specific rules apply to the use of capital losses realised within a PEA; investors are invited to consult their tax advisor on this issue.

A withdrawal from a PEA in the form of a life annuity is subject to a specific tax regime not described herein.

Individuals owning Company's shares in a PEA will not be able to use the tax credit granted by France in respect of the Luxembourg withholding tax.

French legal entities

Gross dividends (including the Luxembourg withholding tax) received by French legal entities will be subject to corporate income tax at the current standard rate of 33 1/3% (or, as the case may be, at the reduced rate of 15% within the limit of €38,120 of taxable income per twelve-month period for companies that meet the conditions of Article 219 I-b of the *Code général des impôts*, that is, which have a yearly turnover net of tax of less than €7,630,000 and with a fully paid up share capital of which at least 75% is held by individuals or by companies which themselves satisfy the conditions relating to turnover and share capital ownership), increased, as the case may be, by the social related contribution of 3.3% assessed on the corporate income tax due, after deduction of an allowance that may not exceed €763,000 per twelve-month period (Article 235 *ter ZC* of the *Code général des impôts*).

The tax credit granted by France in respect of the Luxembourg withholding tax is in principle offsettable against the corporate income tax and the social related contribution; any excess may neither be refunded nor carried forward.

Taxation of capital gains

The capital gains, if any, realised by French holders on the disposal of their Company's shares held may be subject to tax in France but not in Luxembourg in accordance with Article 18 of the tax treaty dated April 1, 1958 between France and Luxembourg.

French individuals

Pursuant to Article 150-0 A of the *Code général des impôts*, capital gains realised by French individuals on the sale of Company's shares will be subject to personal income tax at the proportional rate of 19% from the first euro, irrespective of the total amount of transfers of securities realized by their household. Capital gains are also subject to social related contributions at the current total rate of 12.3% from the first euro, irrespective of the total amount of transfers of securities realised during the calendar year.

Under Article 150-0 D 11 of the *Code général des impôts*, capital losses incurred during a fiscal year may offset capital gains of the same nature realised over the same year or the ten following years.

It should be noted that Article 150-0 D *bis* of the *Code général des impôts* provides for a total or partial income tax exemption on capital gains realised on the transfer of shares, when shares have been held during at least six years. French holders are urged to consult their own tax advisers to determine whether they may be entitled to these provisions.

Specific tax treatment applicable to Company's shares held in a PEA

See further "Taxation of dividends – French individuals".

French legal entities

Capital gains realised upon the transfer of Company's shares will be, in principle, subject to corporate income tax under the same conditions as mentioned in the paragraph "Taxation of dividends – Legal entities".

Capital losses incurred as a result of the transfer of Company's shares will, in principle, be deductible from the taxable income subject to corporate income tax.

Wealth tax

Company's shares held by French individuals among their private assets will have to be included in their taxable estate and subject to, if applicable, French wealth tax (*Impôt de solidarité sur la fortune*).

Inheritance and gift tax

Company's shares acquired by French individuals through inheritance or as a gift will be subject to inheritance tax or gift tax.

Transfer tax

Disposals of Company's shares are as a rule not subject to registration taxes in France, provided that they are not recorded in an agreement entered into in France.

Certain Spanish Income Tax Considerations

The following is a summary of certain material Spanish tax consequences that are likely to be relevant to Spanish resident investors in respect of their investment in the Shares.

This summary is of general nature only and does not purport to be a comprehensive description of all the Spanish material tax considerations which may be relevant to the receipt of the Shares, nor to the decision to purchase, hold or dispose of the Shares. It is based on the laws, regulations, practice and applicable tax treaties in force in Spain as at the date of this financial report, all of which are subject to change, possibly with retroactive effect.

This summary does not take into account the specific circumstances of particular investors some of which may be subject to special tax rules. Spanish holders of ArcelorMittal shares and/or Shares should consult their own tax advisors as to the particular Spanish tax consequences of the receipt of the Shares and/or of the holding or disposal of the Shares.

As used herein, a "**Spanish individual**" is an individual who is a resident of Spain for tax purposes, is subject to personal income tax (*Impuesto sobre la Renta de las Personas Físicas*) and owns the ArcelorMittal and the Shares as private assets, and a "**Spanish legal entity**" is a legal entity which is a Spanish tax resident subject to corporate income tax (*Impuesto sobre Sociedades*) which does not own its interests in ArcelorMittal or the Company through a permanent establishment outside Spain. "**Spanish holders**" shall mean all these holders collectively.

This information has been prepared in accordance with the following Spanish tax legislation in force as of the date of this financial report:

- for Spanish individuals which are subject to the personal income tax ("**PIT**"), Law 35/2006, dated November 28, 2006, on personal income tax and partial amendment to corporate tax law and non-residents income tax law, as amended by Law 26/2009, of December 23, 2009, promulgating the General State Budget for 2010, and Royal Decree 439/2007, dated March 30, 2007, enacting the personal income tax regulations, along with Law 29/1987, dated December 18, 1987 on inheritance and gift tax; and
- for Spanish legal entities which are subject to the corporate income tax ("**CIT**"), Royal Legislative Decree 4/2004, dated March 5, 2004 promulgating the consolidated text of the corporate income tax law, as amended by Law 26/2009, of December 23, 2009 promulgating the General State Budget for 2010, and Royal Decree 1777/2004, dated July 30, 2004 promulgating the corporate income tax regulations.

THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED AS BEING LEGAL OR TAX ADVICE. SHAREHOLDERS OR PROSPECTIVE SHAREHOLDERS ARE THEREFORE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF THE RECEIPT, ANY PURCHASE, OWNERSHIP OR DISPOSAL OF THE SHARES. THE SPECIFIC TAX SITUATION OF EACH SHAREHOLDER CAN ONLY BE ADEQUATELY ADDRESSED BY INDIVIDUAL TAX ADVICE.

Spanish tax regime of the holding and disposal of Shares

Taxation of dividends

Spanish individual: Dividends will be considered as financial income subject to PIT and will be subject to the following tax rates: (i) income up to € 6,000 will be taxed at the rate of 19% and (ii) the excess over such amount will be subject to a rate of 21%. However, the first €1,500 of any dividends received annually by an individual deriving from shares (such as the Shares) will be exempt from PIT, unless the relevant ordinary shares are acquired within the two-month period preceding the distribution date if within the two-month period following that date the holders transfer homogenous securities. If the Shares are not listed in a stock exchange mentioned in Directive 2004/39/CE, the abovementioned two-month period would be increased up to a one year term.

Expenses related to the management and deposit of the ordinary shares will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Spanish legal entity: Dividends derived from the Shares obtained by legal entities which are resident in Spain for tax purposes will be subject to CIT. The general CIT rate is 30%. Special rates apply in respect of certain types of entities.

Dividends would be exempt from CIT if (i) the holder holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the relevant distribution date or it commits to hold the Shares for the time needed to complete such one-year holding period; (ii) the Company has been subject to an corporate income tax in its country of tax residency of an identical or analogous nature of that of CIT; and (iii) dividends distributed derived from the development of economic activities outside Spain as defined in the Spanish CIT regulations.

In case the abovementioned exemption do not apply, withholding tax charged (if any) on the country of tax residency of the Company could be credited against the taxpayers' final CIT liability up to the tax liability that such dividend income would had according to CIT regulations. In addition, the CIT taxpayer obtaining a non-exempt dividend could benefit from a tax credit if it holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the relevant distribution date or it commits to hold the Shares for the time needed to complete such one-year holding period. The withholding tax credit and the tax credit cannot exceed, jointly, the total CIT liability derived from that dividend income.

Taxation of capital gains

Spanish individual: Upon the disposal of the Shares, Spanish tax-resident individuals will realise a capital gain or loss in an amount equal to the difference between the transfer value and the acquisition value of their ordinary shares calculated in accordance with the provisions set out the Spanish PIT Law. Costs and expenses effectively borne on the acquisition and/or disposal of the ordinary shares may be taken into account for this calculation, as long as they can be duly satisfied.

Capital gains realised by Spanish resident individuals are taxable in Spain. The capital gains will be subject to the following tax rates: (i) income up to €6,000 will be taxed at the rate of 19% and (ii) any excess above such amount will be subject to a rate of 21%, regardless of the period during which such individuals held the ordinary shares. The ordinary shares which were first acquired will be deemed to be those sold first (FIFO method).

Capital losses resulting from the disposal of the Shares, when similar securities are acquired within the two months preceding or following their disposal, will not be considered for tax purposes until such similar securities are transferred.

Spanish legal entity: Spanish-resident legal entities will realise a capital gain or loss in an amount equal to the difference between the transfer value and the acquisition value of the transferred ordinary shares. Capital gains will be subject to CIT at a rate of, generally, 30%.

Capital gains derived from the transfer of the Shares could be exempt from CIT if (i) the holder holds, directly or indirectly, an interest of at least 5% of the share capital of the Company for at least one year as of the date of the transfer; (ii) the Company has been subject to a corporate income tax in its country of tax residency of an identical or analogous nature of that of CIT; and (iii) income obtained by the Company in each and every year of tenancy of the Shares generating the capital gain must derive from the development of economic activities outside Spain as defined in the Spanish CIT regulations. This notwithstanding, please note that CIT Law provides for certain restrictions on the application of the abovementioned CIT exemption which should be carefully analyzed and, thus, each Spanish legal entity should seek its own tax advice.

Wealth tax

Spanish individual: Law 4/2008, effective as of January 1, 2008, effectively stated a 100% wealth tax deduction for all taxpayers, and, consequently, no wealth tax is due as from fiscal year 2008.

Spanish legal entity: Spanish tax resident legal entities are not subject to Spanish wealth tax.

Inheritance and gift tax

Spanish individual: Individuals resident in Spain for tax purposes who acquire ownership of ordinary shares by inheritance, gift or legacy will be subject to the Spanish inheritance and gift tax in accordance with the applicable Spanish regional and state rules. The applicable tax rates range between 0% and 81.6%, depending on the relevant circumstances.

Spanish legal entity: Spanish tax resident legal entities are neither subject to Spanish inheritance and gift tax. However, Spanish legal entities which are resident in Spain for tax purposes should include the market value of the ordinary shares received for free in the taxable income of their CIT.

Transfer tax

Regardless of the nature and residence of the holder, the acquisition and transfer of the Shares will be exempt from indirect taxes in Spain (i.e., exempt from transfer tax and stamp duty) in accordance with the consolidated text of such tax promulgated by Royal Legislative Decree 1/1993, dated September 24, 1993 and exempt from value added tax, in accordance with Law 37/1992, dated December 28, 1992 regulating such tax.

Material U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS FINANCIAL REPORT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

This summary assumes that U.S. Holders hold the Shares, as capital assets. The summary does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that currently hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares by the partnership.

The summary assumes that the Company is not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, and existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS OF COMPANY SHARES SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Ownership and disposition of Shares

Dividends

General. Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Luxembourg withholding tax paid by the Company with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Company does not expect to maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to its Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Foreign currency dividends. Dividends paid in euros will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars at that time. If dividends received in euros are converted into U.S. dollars on the day they are received by the U.S. Holder, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

Effect of Luxembourg withholding taxes. Under current law payments of dividends by the Company to foreign investors are subject to Luxembourg withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Luxembourg taxes withheld by the Company, and as then having paid over the withheld taxes to the Luxembourg taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder will generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Luxembourg income taxes withheld by the Company. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive income" basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Shares for at least 16 days in the 31-day period beginning 15 days before the ex dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Luxembourg taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for Luxembourg taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Luxembourg taxes into U.S. dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Luxembourg taxes.

Sale or other disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Any gain or loss will generally be U.S. source.

The amount realized on a sale or other disposition of Shares for an amount in euros will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of foreign currency

Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup withholding and information reporting

Payments of dividends and other proceeds with respect to Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

New legislation

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds $50,000. The Shares are expected to constitute foreign financial assets subject to these requirements unless the Shares are held in an account at a domestic financial institution. U.S. Holders should consult their tax advisors regarding the application of this legislation.

F. Dividends and Paying Agent

The paying agent for European Shares (which are listed on the official list of the Luxembourg Stock Exchange, Euronext Amsterdam and Euronext Paris) is BNP Paribas Securities Services.

The paying agent for the New York Registry Shares (which are not listed on any U.S. exchange, but are eligible for trading on the OTC market) is Citibank.

Part II
Financial Statements

PART II

Item 10.

INDEX TO THE FINANCIAL STATEMENTS

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

To the Board of Directors and Shareholders
of APERAM (formerly "ArcelorMittal Stainless & Specialty Steels S.A.")
12 C, Guillaume Kroll
L-1882 Luxembourg

Report on the combined financial statements

Following our appointment by the Board of Directors of APERAM, we have audited the accompanying combined financial statements, which comprise the combined statements of financial position as of December 31, 2010, 2009 and 2008 and the combined statements of operations, comprehensive income, changes in equity and cash flows for the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory notes.

APERAM's responsibility for the combined financial statements

The Management and Board of Directors of APERAM is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of combined 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.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the judgment of the *réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the combined 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 policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the combined financial statements. 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 combined financial statements give a true and fair view of the combined financial position of APERAM as of December 31, 2010, 2009 and 2008 and of its combined financial performance and its combined cash flows for each of the three years in the period ended December 31, 2010, in accordance with International Financial Reporting Standards as adopted by the European Union.

In addition, as discussed in Note 1, the combined financial statements of APERAM include allocation of certain general corporate overhead costs from ArcelorMittal S.A. ("ArcelorMittal"), the parent company of the entities included in the combined financial statements as of December 31, 2010. These costs may not be reflective of the actual level of costs which would have been incurred had APERAM operated as a separate entity apart from ArcelorMittal.

Deloitte S.A., *Cabinet de révision agréé*

/s/
Eric van de Kerkhove, *Réviseur d'entreprises agréé*
Partner

February 25, 2011
560, rue de Neudorf
L-2220 Luxembourg

APERAM

Combined Statements of Financial Position

(millions of U.S. dollars, except share and per share data)

	December 31,		
	2010	2009	2008
ASSETS			
Current assets:			
Cash and cash equivalents	120	118	126
Restricted cash	—	—	2
Trade accounts receivable (note 5)	405	324	497
Inventories (note 6)	1,496	1,089	1,295
Prepaid expenses and other current assets (note 7)	826	579	789
Total current assets	2,847	2,110	2,709
Non-current assets:			
Goodwill and intangible assets (note 8)	989	1,045	973
Property, plant and equipment (note 9)	2,917	3,193	3,106
Investments in associates (note 10)	152	132	2
Other investments (note 11)	181	103	47
Deferred tax assets (note 18)	183	173	182
Other assets (note 12)	66	377	321
Total non-current assets	4,488	5,023	4,631
Total assets	7,335	7,133	7,340

The accompanying notes are an integral part of these combined financial statements.

APERAM

Combined Statements of Financial Position

(millions of U.S. dollars, except share and per share data)

	December 31,		
	2010	2009	2008
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt (note 14)	900	506	874
Trade accounts payable	942	608	721
Short-term provisions (note 19)	39	39	122
Accrued expenses and other liabilities (note 20)	426	488	512
Income tax liabilities (note 18)	11	2	24
Total current liabilities	2,318	1,643	2,253
Non-current liabilities:			
Long-term debt, net of current portion (note 14)	932	1,375	1,206
Deferred tax liabilities (note 18)	116	178	251
Deferred employee benefits (note 22)	181	193	191
Long-term provisions (note 19)	123	136	127
Other long-term obligations	11	19	33
Total non-current liabilities	1,363	1,901	1,808
Total liabilities	3,681	3,544	4,061
Commitments and contingencies (note 21 and note 23)			
Equity (note 16):			
Common shares (no par value, 85,854,303, nil and nil shares authorized, 4,000, nil and nil shares issued, and 4,000, nil and nil shares outstanding at December 31, 2010, 2009 and 2008, respectively)	—	—	—
Capital employed	3,143	2,995	3,233
Foreign currency translation adjustments	457	535	12
Unrealized gain on available-for-sale securities	44	53	22
Unrealized gain on derivative financial instruments	5	—	—
ArcelorMittal's net investment	3,649	3,583	3,267
Non-controlling interests	5	6	12
Total equity	3,654	3,589	3,279
Total liabilities and equity	7,335	7,133	7,340

APERAM

Combined Statements of Operations

(millions of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2010	**2009**	**2008**
Sales	5,604	4,235	8,358
(including 194, 146 and 358 of sales to related parties in 2010, 2009 and 2008, respectively)			
Cost of sales	5,254	4,145	7,488
(including depreciation and impairment of 317, 333 and 339 and 1,165, 625 and 403 of purchases from related parties in 2010, 2009 and 2008, respectively)			
Gross margin	350	90	870
Selling, general and administrative	257	297	488
Operating income (loss)	93	(207)	382
Income from other investments	9	2	—
Interest income (note 17)	9	10	59
Interest expense and other net financing costs (note 17)	(9)	(12)	(282)
Income (loss) before taxes	102	(207)	159
Income tax (benefit) expense (note 18)	(3)	(57)	61
Net income (loss) (including non-controlling interests)	105	(150)	98
Net income (loss) attributable to			
ArcelorMittal's net investment	104	(150)	59
Non-controlling interests	1	—	39
Net income (loss) (including non-controlling interests)	105	(150)	98

The accompanying notes are an integral part of these combined financial statements.

APERAM

Combined Statements of Comprehensive Income (Loss)

(millions of U.S. dollars, except share and per share data)

	Year ended December 31, 2010	2009	2008
Net income (loss) (including non-controlling interests)	**105**	**(150)**	**98**
Available-for-sale investments:			
Gain (loss) arising during the period, net of tax (expense) benefit of (13), (13) and 38 for 2010, 2009 and 2008, respectively	70	31	(72)
Reclassification adjustments for (gain) loss included in the statement of operations, net of tax expense (benefit) of 41, nil and (21) for 2010, 2009 and 2008, respectively	(79)	—	39
	(9)	31	(33)
Derivative financial instruments:			
Gain arising during the period, net of tax expense of 5, nil and nil for 2010, 2009 and 2008, respectively	12	—	—
Reclassification adjustments for gain included in the statement of operations, net of tax expense of 2, nil and nil for 2010, 2009 and 2008, respectively	(7)	—	—
	5	—	—
Exchange differences arising on translation of foreign operations, net of tax (expense) benefit of (12), (82) and 117 for 2010, 2009 and 2008, respectively	(80)	510	(666)
Share of other comprehensive income related to associates	2	12	—
Total other comprehensive (loss) income	**(82)**	**553**	**(699)**
Total other comprehensive (loss) income attributable to:			
ArcelorMittal's net investment	(82)	554	(698)
Non-controlling interests	—	(1)	(1)
	(82)	553	(699)
Net comprehensive income (loss)	**23**	**403**	**(601)**
Net comprehensive income (loss) attributable to:			
ArcelorMittal's net investment	22	404	(639)
Non-controlling interests	1	(1)	38
Net comprehensive income (loss)	**23**	**403**	**(601)**

The accompanying notes are an integral part of these combined financial statements.

APERAM

Combined Statements of Changes in Equity

(millions of U.S. dollars, except share and per share data)

	Shares[1]	Capital Employed	Foreign Currency Translation Adjustments	Unrealized Gains on Derivatives Financial Instruments	Unrealized Gains (Losses) On Available for Sale Securities	ArcelorMittal's net investment	Non-controlling interests	Total Equity
Balance at December 31, 2007	**—**	**4,026**	**536**	**—**	**39**	**4,601**	**919**	**5,520**
Net income	—	59	—	—	—	59	39	98
Other comprehensive loss	—	—	(665)	—	(33)	(698)	(1)	(699)
Total comprehensive income (loss)	—	59	(665)	—	(33)	(639)	38	(601)
Recognition of share-based payments	—	6	—	—	—	6	—	6
Capital transactions with ArcelorMittal (note 16)	—	817	—	—	—	817	—	817
Dividends	—	(928)	—	—	—	(928)	(69)	(997)
Acquisition of non-controlling interests (note 4)	—	(747)	141	—	16	(590)	(876)	(1,466)
Balance at December 31, 2008	**—**	**3,233**	**12**	**—**	**22**	**3,267**	**12**	**3,279**
Net loss	—	(150)	—	—	—	(150)	—	(150)
Other comprehensive income (loss)	—	—	523	—	31	554	(1)	553
Total comprehensive income (loss)	—	(150)	523	—	31	404	(1)	403
Recognition of share-based payments	—	5	—	—	—	5	—	5
Capital transactions with ArcelorMittal (note 16)	—	113	—	—	—	113	—	113
Dividends	—	(206)	—	—	—	(206)	(5)	(211)
Balance at December 31, 2009	**—**	**2,995**	**535**	**—**	**53**	**3,583**	**6**	**3,589**
Net income	—	104	—	—	—	104	1	105
Other comprehensive income (loss)	—	—	(78)	5	(9)	(82)	—	(82)

Total comprehensive income (loss)	—	104	(78)	5	(9)	22	1	23
Recognition of share-based payments	—	4	—	—	—	4	—	4
Incorporation of APERAM S.A.	4	—	—	—	—	—	—	—
Capital transactions with ArcelorMittal (note 16)	—	55	—	—	—	55	—	55
Dividends	—	(15)	—	—	—	(15)	(2)	(17)
Balance at December 31, 2010	**4**	**3,143**	**457**	**5**	**44**	**3,649**	**5**	**3,654**

(1) Number of shares denominated in thousands.

The accompanying notes are an integral part of these combined financial statements.

APERAM

Combined Statements of Cash Flows

(millions of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2010	**2009**	**2008**
Operating activities:			
Net income (loss)	105	(150)	98
Adjustments to reconcile net income (loss) to net cash provided by operations and payments:			
Depreciation	293	319	319
Impairment	24	14	20
Interest expense	116	119	123
Income tax (benefit) expense	(3)	(57)	61
Write-downs of inventories to net realizable value and expense related to onerous supply contracts (*)	39	70	167
Labor agreements and separation plans	18	—	75
Impairment of financial assets	—	3	61
Unrealized (gains) losses on derivative instruments	(2)	(70)	41
Realized gain on exchange of shares Aços Villares/Gerdau	(120)	—	—
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	(47)	(67)	(102)
Changes in operating assets, liabilities and provisions, net of effects from acquisitions:			
Trade accounts receivable	(93)	238	232
Inventories	(489)	200	95
Interest paid (net)	(114)	(94)	(68)
Income taxes refund (paid)	5	(17)	(42)
Trade accounts payable	371	(161)	(500)
Cash paid for separation plans	(7)	(46)	—
Cash received for tax indemnification	265	—	—
Other working capital and provisions movements	1	(87)	(92)
Net cash provided by operating activities	362	214	488
Investing activities:			
Purchase of property, plant and equipment	(101)	(115)	(248)
Acquisitions of net assets of subsidiaries	—	—	(22)
Loans under cash pooling arrangements (net)	(317)	192	60
Other investing activities (net)	14	13	(15)
Net cash (used in) provided by investing activities	(404)	90	(225)
Financing activities:			
Proceeds from short-term debt	25	49	83
Proceeds from long-term debt	11	57	99
Payments of short-term debt	(116)	(280)	(281)
Payments of long -term debt	(99)	(46)	(6)
Borrowings under cash pooling arrangements (net)	197	(10)	114
Dividends paid to ArcelorMittal	(69)	(151)	(960)
Acquisitions of non-controlling interests	—	—	(51)
Dividends paid to non-controlling shareholders	(2)	(5)	(103)
Change in ArcelorMittal's net investment (**).	98	55	333
Other financing activities (net)	(3)	(8)	8
Net cash provided by (used in) financing activities	42	(339)	(764)
Effect of exchange rate changes on cash	2	27	24
Net increase (decrease) in cash and cash equivalents	2	(8)	(477)
Cash and cash equivalents:			
At the beginning of the year	118	126	603
At the end of the year	120	118	126

* Refer to note 6 for more information on inventory write- downs and note 19 for more information on onerous contracts

** Includes cash flows resulting from legal reorganizations between APERAM and ArcelorMittal. Refer to note 16 for more information on changes in ArcelorMittal's net investment.

The accompanying notes are an integral part of these combined financial statements.

(millions of U.S. dollars, except share and per share data)

NOTE 1: NATURE OF BUSINESS, BASIS OF PRESENTATION AND COMBINATION

Nature of business

APERAM S.A. (the "Company") is a wholly-owned subsidiary of ArcelorMittal S.A. ("ArcelorMittal") that was incorporated on September 9, 2010 to own certain operating subsidiaries of ArcelorMittal which primarily comprise ArcelorMittal's stainless steel and nickel alloys business. This business was transferred to the Company prior to the distribution of all its outstanding common shares to shareholders of ArcelorMittal on January 26, 2011. The initial capitalization was forty thousand U.S. dollars. Prior to its ownership of ArcelorMittal's stainless steel and nickel alloys business and certain other entities, the Company did not have any operations. These combined financial statements were authorized for issuance on February 25, 2011 by APERAM's Board of Directors.

APERAM is a global stainless steel producer with an annual capacity of 2.5 million tonnes in 2010. The Company's production activities are concentrated in six main plants in Brazil, Belgium and France. Its worldwide- integrated distribution network is comprised of 19 service centers, 10 transformation facilities, and 30 sales offices including customer support.

The Company produces a broad range of stainless steel products and high value- added products including electrical steel (grain oriented, non-grain oriented, and non-grain oriented semi-processed steel), nickel alloys and specialties. The Company sells its products in local markets to a diverse range of customers, including automotive, construction, catering, medicine, oil and gas, aerospace, industrial processes, electronics and electrical engineering.

The following table provides an overview of the Company's principal operating subsidiaries all of which are 100% owned by the Company:

Name of Subsidiary	Abbreviation	Country of Incorporation
Stainless & Electrical Steel		
ArcelorMittal Stainless Belgium	AMSB	Belgium
ArcelorMittal Inox Brasil	Acesita or ArcelorMittal Inox Brasil	Brazil
ArcelorMittal Stainless France	AMSF	France
Alloys & Specialties		
ArcelorMittal Stainless and Nickel Alloys	AMSNA	France
Services & Solutions		
ArcelorMittal Stainless Service Germany GmbH	ArcelorMittal Stainless Service Germany GmbH	Germany
ArcelorMittal Stainless Service Italy Srl	ArcelorMittal Stainless Service Italy Srl	Italy
ArcelorMittal Inox Brazil Servicos	AM Inox Brazil Servicos	Brazil
ArcelorMittal Stainless Service France	ArcelorMittal Stainless Service France	France
ArcelorMittal Stainless Service USA, LLC	ArcelorMittal Stainless Service USA, LLC	USA
ArcelorMittal Stainless Precision Europe	ArcelorMittal Stainless Precision Europe	France
ArcelorMittal Inox Brazil Tubos	AM Inox Brazil Tubos	Brazil
ArcelorMittal Stainless Automotive Tube Czech Republic sro	ArcelorMittal Stainless Automotive Tube Czech Republic sro	Czech Republic

Basis of presentation

The combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data. In connection with the preparation of its December 31, 2009 financial statements, the Company adopted IFRS on January 1, 2007 and, in connection with that initial adoption, has applied the accounting principles effective as of the end of the year ended December 31, 2009 to all periods prior to December 31, 2009.

The combined financial statements have been prepared on a "carve-out" basis from the ArcelorMittal consolidated financial statements using the historical results of operations, assets and liabilities attributable to ArcelorMittal's stainless steel and nickel alloys business and certain other entities except for the effects of the first-time adoption of IFRS under IFRS 1. In addition, the combined financial statements also include allocations of expenses from ArcelorMittal. The combined financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments, which are measured at fair value, and inventories which are measured at the lower of net realizable value or cost.

The combined financial statements may not be indicative of the Company's future performance and do not necessarily reflect what its combined results of operations, financial position and cash flows would have been had the Company operated as a separate entity apart from ArcelorMittal during the periods presented. The Company benefited from raw materials and energy supply contracts that were negotiated by ArcelorMittal on behalf of all its subsidiaries. The related costs were directly invoiced to the entities combined in these financial statements and therefore could be specifically identified. As a result, the cost of raw materials and energy purchased included in the Company's operating costs does not necessarily reflect what this cost would have been had the Company obtained its raw materials and energy supplies on a stand-alone basis.

Historically, the Company has financed its operations with loans and cash pooling arrangements through ArcelorMittal entities. As a result, the cost of such financing included in the Company's combined statement of operations may not reflect what this cost would have been if the Company had obtained financing on a stand-alone basis.

As mentioned above, these combined financial statements reflect the assets, liabilities, revenues, expenses, and cash flows of APERAM. ArcelorMittal currently performs certain corporate functions for the Company and costs associated with these functions have been allocated to the Company. These functions include purchasing, corporate communications, human resources and benefit management, treasury and finance, investor relations, corporate controller, internal audit, legal and tax advice, compliance regarding internal controls and information technology. As a result, under the "carve-out" basis of presentation, these combined financial statements include allocations for such expenses historically maintained by ArcelorMittal but not recorded in the accounts of APERAM. These include, among other things, corporate overheads and certain compensation plans. The costs of such services have been allocated to the Company based on the most relevant allocation method to the service provided, primarily based on relative percentage of revenue or headcount. Management believes such allocations are reasonable; however, they may not be indicative of the actual expense that would have been incurred had the Company been operating as a separate entity apart from ArcelorMittal for the periods presented. The charges for these functions are included primarily in selling, general and administrative in the combined statements of operations.

ArcelorMittal's net investment represents the cumulative net investment by ArcelorMittal in the Company through that date, including any prior net income or loss or other comprehensive income or loss attributed to the Company. Certain transactions between the Company and other related parties within the ArcelorMittal group are also included in ArcelorMittal's net investment as further described in note 16.

ArcelorMittal operates tax groups in France, Italy and Spain which include all the Company's legal entities in these countries. For those entities located in countries where they were included in the tax consolidation of other ArcelorMittal entities within the respective entity's tax jurisdiction, the current tax payable or receivable of these entities represents the income tax amount to be paid to or to be received from the leading tax holding company of ArcelorMittal in the relevant country.

An adjustment has been made in the combined financial statements to reflect the effects of the APERAM French and Italian legal entities exiting the ArcelorMittal tax group in France and Italy due to a change in control. In accordance with jurisprudence and the exiting agreement signed between ArcelorMittal France and APERAM's French subsidiaries, compensation in the form of an indemnity to be paid to APERAM's French subsidiaries by ArcelorMittal France was recognized on the basis of the fair value of the surrendered tax losses. A similar indemnity was recognized for the Italian subsidiaries exiting the ArcelorMittal tax group in Italy. Refer to note 12 for further discussion. No adjustment was required in Spain as the entities in Spain are not entitled to receive indemnity for the tax losses that were previously offset against taxable profits within the Spain tax group.

On December 17, 2010, the indemnity was paid by ArcelorMittal France to APERAM's French subsidiaries following the exit of APERAM's French subsidiaries from the ArcelorMittal France tax group with retroactive effect as of January 1, 2010. For the year ended December 31, 2010, APERAM's French subsidiaries have neither losses surrendered to ArcelorMittal nor indemnity benefits to be received.

The fiscal years presented are the year ended December 31, 2010, which is referred to as "2010," the year ended December 31, 2009, which is referred to as "2009" and the year ended December 31, 2008, which is referred to as "2008".

New IFRS standards and interpretations applicable from 2010 onward

IFRS standards and interpretations early adopted

In connection with the Company's transition to IFRS, certain standards, amended standards, or interpretations were early adopted by the Company as discussed below:

- IFRS 1 (revised), "First Time Adoption of International Financial Reporting Standards" and related revisions to IAS 27 (revised), "Consolidated and Separate Financial Statements"

  In May 2008, the International Accounting Standards Board ("IASB") issued revisions to IFRS 1, "First Time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements." The revisions allow first-time adopters to use a deemed cost of either fair value or the carrying amount under a previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments also remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor. The revisions of IFRS 1 and IAS 27, effective for annual periods beginning on or after July 1, 2009, were early adopted by the Company and are reflected in these combined financial statements.

- IFRS 3 (revised), "Business Combinations" and IAS 27 (revised), "Consolidated and Separate Financial Statements"

  In January 2008, the IASB issued revisions to IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements" which are effective for any transactions with acquisition dates that are on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Among other changes, the revisions will require the acquirer to expense direct acquisition costs as incurred; to revalue to fair value any pre-existing ownership in an acquired company at the date on which the Company takes control, and record the resulting gain or loss in net income; to record in net income adjustments to contingent consideration which occur after completion of the purchase price allocation; to record directly in equity the effect of transactions after taking control of the acquiree which increase or decrease the Company's interest but do not affect control; to revalue upon divesting control any retained shareholding in the divested company at fair value and record the resulting gain or loss in net income; and to attribute to non-controlling shareholders their share of any deficit in the equity of a non wholly-owned subsidiary. The Company has early adopted the revisions of IFRS 3 (2008) and IAS 27 (2008) and has reflected the impact of such in these combined financial statements.

- Amendments to IFRIC 9, "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement"

  In March 2009, the IASB amended IFRIC 9, "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after June 30, 2009. These amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the combined financial statements. The entity has early adopted these amendments to IFRIC 9 in connection with its early adoption of the revisions of IFRS 3 and IAS 27 described previously. This adoption did not have an impact on the combined financial statements.

IFRS standards and interpretations adopted on January 1, 2010

Unless otherwise indicated below, the following new standards, amended standards, or interpretations were adopted by the Company on January 1, 2010 and did not have an material effect on the combined financial statements of APERAM.

- IFRS 2 (revised), “Share-based Payment”

  In June 2009, the IASB issued amendments to IFRS 2, “Share-based Payment”. These amendments clarify the scope of IFRS 2, as well as the accounting for cash-settled (by the parent) share-based payment transactions in the separate or individual financial statements of a subsidiary receiving the goods or services when another subsidiary or shareholder has the obligation to settle the award.

- IFRS 5 (revised), “Non-current Assets Held for Sale and Discontinued Operations”

  In May 2008, the IASB issued revisions to IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations” which are effective for annual periods beginning on or after July 1, 2009. The amendment clarifies that all of a subsidiary’s assets and liabilities should be classified as held for sale if a partial disposal sale plan will result in loss of control. Relevant disclosure should also be made for this subsidiary if the definition of a discontinued operation is met.

- IAS 28, “Investments in Associates”

  In January 2008, the IASB amended IAS 28, “Investments in Associates” for annual periods beginning on or after July 1, 2009. The amendment states that an investment in an associate should be treated as a single asset for the purposes of impairment testing and impairment losses should not be allocated to specific assets included within the investment, such as goodwill. Reversals of impairment should be recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. In addition, only certain disclosures required by IAS 28 must be made when an investment in associate is accounted for in accordance with IAS 39, “Financial Instruments: Recognition and Measurement.”

- IAS 39, “Financial Instruments: Recognition and Measurement”

  In July 2008, the IASB amended IAS 39, “Financial Instruments: Recognition and Measurement” for annual periods on or after July 1, 2009. The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged item and hedging with options. Inflation qualifies as a hedged item only if changes in inflation are a contractually specified portion of cash flows of a recognized financial instrument. IAS 39 permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective.

- IFRIC 17, “Distributions of Non-cash Assets to Owners”

  In November 2008, the IFRIC issued IFRIC 17, “Distributions of Non-cash Assets to Owners”. The interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend payable should be measured at the fair value of the net assets to be distributed. The entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss and the entity needs to provide additional disclosures if the net assets that are being held for distribution to owners meet the definition of a discontinued operation.

- Amendments to IFRS 2, "Share-based Payment"

  In April 2009, the IASB amended IFRS 2. The amendments to IFRS 2 are effective for annual periods beginning on or after July 1, 2009. The amendments confirm that contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.

- Amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"

  In April 2009, the IASB amended IFRS 5. The amendments to IFRS 5 are effective for annual periods beginning on or after January 1, 2010. The revisions clarify that the disclosure requirements in standards other than IFRS 5 generally do not apply to non-current assets classified as held for sale and discontinued operations.

- Amendments to IFRS 8, "Operating Segments"

  In April 2009, the IASB amended IFRS 8. The amendments to IFRS 8 are effective for annual periods beginning on or after January 1, 2010. The amendments clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. With respect to the Company, such information is not regularly reported to the chief operating decision maker, and accordingly, it is not presented in segment information presented in Note 24.

- Amendments to IAS 1, "Presentation of Financial Statements"

  In April 2009, the IASB amended IAS 1. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2010 and clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- Amendments to IAS 7, "Statement of Cash Flows"

  In April 2009, the IASB amended IAS 7. The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2010 and specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows related to development costs that do not meet the criteria in IAS 38, "Intangible Assets" must be classified as operating activities in the statement of cash flows.

- Amendments to IAS 17, "Leases"

  In April 2009, the IASB amended IAS 17. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are to be applied retrospectively to unexpired leases as of the effective date if the necessary information was available at the inception of the lease. Otherwise, the amended standard will be applied based on the facts and circumstances existing on the effective date and entities will recognize assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognized in retained earnings.

- Amendments to IAS 36, "Impairment of Assets"

In April 2009, the IASB amended IAS 36. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2010 and clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, "Operating Segments".

- Amendments to IAS 38, "Intangible Assets"

  In April 2009, the IASB amended IAS 38. The amendments to IAS 38 are effective for annual periods beginning on or after July 1, 2009 and clarify the requirements under IFRS 3 (revised), "Business Combinations" regarding accounting for intangible assets acquired in a business combination.

  Further amendments to IAS 38 are effective for annual periods beginning on or after January 1, 2010 and clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"

  In April 2009, the IASB amended IAS 39. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2010 and clarify that loan prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.

  There were also amendments to IAS 39 to clarify that the scope exemption only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date, the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction, and the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

  Further amendments to IAS 39 clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss.

- Amendments to IFRIC 9, "Reassessment of Embedded Derivatives"

  In April 2009, the IASB amended IFRIC 9. The amendment to IFRIC 9 is effective for annual periods beginning on or after July 1, 2009 and excludes embedded derivatives in contracts acquired in business combination or in combinations of entities under common control or in the formation of joint ventures from the scope of this Interpretation.

- Amendments to IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

  In April 2009, the IASB amended IFRIC 16. The amendment to IFRIC 16 is effective for annual periods beginning on or after July 1, 2009 and permits entities to designate an instrument that is held by a foreign operation as a hedge of the net investment in that foreign operation.

IFRS standards and interpretations applicable from 2011 onward

Unless otherwise indicated below, the Company does not expect the adoption of the following new standards, amended standards, or interpretations to have a significant impact on the combined financial statements of APERAM in future periods.

- Amendments to IFRS 7, "Financial Instruments: Disclosures"

  On October 7, 2010, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off-balance sheet activities. The amendments are intended to provide users of financial statements additional information regarding financial assets (for example, securitizations), including the possible effects of risks that remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are to be applied for annual periods beginning on or after July 1, 2011, with earlier application permitted.

- IFRS 9, "Financial Instruments"

  In November 2009, the IASB issued IFRS 9, "Financial Instruments" as the first step in its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial instruments, including:

  - The replacement of the multiple classification and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement" with a single model that has only two classification categories: amortized cost and fair value

  - The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value

  - The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

  This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company is in the process of assessing whether there will be any significant changes to its combined financial statements upon adoption.

- IAS 24, "Related Party Disclosures"

  In November 2009, the IASB amended IAS 24, "Related Party Disclosures" for annual periods beginning on or after January 1, 2011, with earlier application permitted. The revisions simplify the disclosure requirements for government-related entities and clarify the definition of a related party.

- IAS 32, "Financial Instruments—Presentation"

  In October 2009, the IASB amended IAS 32, "Financial Instruments: Presentation" for annual periods beginning on or after February 1, 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided certain conditions are met, such rights issues should be treated as equity regardless of the currency in which the exercise price is denominated.

- Amendments to IFRIC 14, "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

  In November 2009, the IASB amended IFRIC 14, "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The amendments are effective for annual periods beginning on or after January 1, 2011, with earlier application permitted. The amendments must be applied retrospectively to the earliest comparative period presented. The

Company is in the process of assessing whether there will be any significant changes to its combined financial statements upon adoption.

- IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments”

  In November 2009, the IFRIC issued IFRIC 19, “Extinguishing Financial Liabilities with Equity Instruments”. The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application permitted.

  On May 6, 2010, the IASB issued *Improvements to IFRSs*, a collection of amendments to seven standards. Some of the amendments are effective for annual periods beginning on or after January 1, 2011, and others for annual periods beginning on or after July 1, 2010, although entities are generally permitted to adopt them earlier.

- Amendments to IFRS 1, “First-time Adoption of International Financial Reporting Standards Accounting”

  The amendments to IFRS 1 are effective for annual periods beginning on or after January 1, 2011 and clarify the disclosure regarding accounting policy changes in the year of adoption, the revaluation basis as deemed cost and the use of deemed cost for operations subject to rate regulation.

- Amendments to IFRS 3, “Business Combinations”

  The amendments to IFRS 3 are effective for annual periods beginning on or after July 1, 2010 and clarify the transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard, measurement of non-controlling interests and un-replaced and voluntarily replaced share-based payment awards.

- Amendments to IFRS 7, “Financial Instruments: Disclosures”

  The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2011 and clarify the disclosures requirements regarding the exposure of financial instruments to credit risk.

- Amendments to IAS 1, “Presentation of Financial Statements”

  The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2011 and clarify the disclosure requirements regarding other comprehensive income in the statement of change in equity.

- Transition requirements for amendments arising as a result of IAS 27, “Consolidated and Separate Financial Statements” (as amended in 2008) are effective for annual periods beginning on or after July 1, 2010. These transition requirements clarify the prospective and/or retrospective application of the amendments made to IAS 21, “The effect of Changes in Foreign Exchange Rates” regarding the disposal or partial disposal of a foreign operation, IAS 28, “Investments in Associates” and IAS 31, “Interests in Joint Venture” regarding accounting for investments in separate financial statements.

- Amendments to IAS 34, “Interim Financial Reporting”

  The amendments to IAS 34 are effective for annual periods beginning on or after January 1, 2011 and clarify the disclosures regarding the significant events and transactions in interim financial statements.

- Amendments to IFRIC 13, “Customer Loyalty Programs”

  The amendments to IFRIC 13 are affective for annual periods beginning on or after January 1, 2011 and clarify the measurement of the awards credits’ fair value.

Basis of combination

The combined financial statements include the accounts of ArcelorMittal’s stainless steel and nickel and alloys business, certain other entities or assets controlled by ArcelorMittal, and ArcelorMittal’s respective interest in associated companies. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Control is presumed to exist when the Company or ArcelorMittal holds more than half of the voting rights. When control is lost, the assets, liabilities and any non-controlling interest of the entity are derecognized at their carrying amount at the date when control is lost and the difference between the amounts derecognized and the fair value of the consideration received is recognized in the statement of operations.

Associated companies are those companies which are not operating subsidiaries but over which the Company has the ability to exercise significant influence on the financial and operating policy decisions. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. The combined financial statements include the Company’s share of the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the Company’s proportionate interest in the investee arising from changes in the investee’s equity that have not been recognized in the investee’s profit or loss. The Company’s share of those changes is recognized directly in equity.

Other investments are classified as available-for-sale and are stated at fair value when their fair value can be reliably measured. When fair value cannot be measured reliably, the investments are carried at cost less impairment.

Companies controlled by ArcelorMittal entities as of the date of the Company’s adoption of IFRS, January 1, 2007, were recognized in the opening combined statement of financial position as of that date at their initial carrying value in the ArcelorMittal consolidated financial statements by increasing combined equity. Substantially all of the subsidiaries within the scope of the APERAM combination were acquired in August 2006 as part of the acquisition of Arcelor by Mittal Steel. In connection with this acquisition, associated goodwill, intangible assets, and certain fair value adjustments were recorded. Any goodwill and fair value adjustments recorded by ArcelorMittal in connection with Mittal Steel’s acquisition of Arcelor have been recognized in full in the historical combined financial statements.

For transactions between January 1, 2007 and December 31, 2010 in which APERAM acquired from other ArcelorMittal entities a partial ownership interest in subsidiaries included in the Company’s combined statement of financial position as of January 1, 2007, the price paid by the Company was treated as a return of capital to ArcelorMittal and are presented in the combined statements of changes in equity as changes in the combination. For transactions between January 1, 2007 and December 31, 2010 in which other ArcelorMittal entities acquired from the Company a partial ownership interest in entities included in the Company’s combined statement of financial position as of December 31, 2010 the price paid by the other ArcelorMittal entities was treated as a capital contribution and are presented in the combined statements of changes in equity as changes in the combination.

Acquisitions after January 1, 2007 were considered as having been carried out by APERAM at the original date of acquisition by ArcelorMittal. Cash outflows from another ArcelorMittal entity not included in the combined financial statements related to an acquisition were treated as a capital contribution by ArcelorMittal to APERAM and recognized by adjusting equity for the purchase price.

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the combined financial statements. Gains and losses resulting from intra-company transactions that are recognized in assets, such as inventory and property, plant and equipment, are eliminated.

All balances arising from routine transactions between the Company and other ArcelorMittal entities not included in the combination are presented in the historical combined statements of financial position as trade accounts receivables from and trade payables to related parties. All loans and borrowings between APERAM entities and other ArcelorMittal entities not included in the combination are presented in the historical combined statements of financial position as financial liabilities. Amounts receivable from ArcelorMittal entities under cash pooling arrangement are classified as other current assets.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company or ArcelorMittal and are presented separately in the combined statement of operations and within equity in the combined statement of financial position.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of financial statements denominated in foreign currency

The functional currency of each of the major operating subsidiaries is the local currency. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are re-measured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the combined statement of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statement of comprehensive income.

Upon combination, the results of operations of the Company's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into the U.S. dollar at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognized directly in other comprehensive income and are reclassified in income or loss in the statement of operations only upon sale or liquidation of the underlying foreign subsidiary or associate.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree as well as any contingent consideration. Contingent consideration is recognized at the fair value of the contingent consideration at acquisition. Contingent consideration receivable is classified as an asset and contingent consideration payable is classified as either a liability or equity instrument depending on the nature in which it will be settled. Costs directly attributable to the business combination are expensed. The acquiree's identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities are recognized at their fair values at the acquisition date. Any non-controlling interest in the acquiree is initially measured at the proportional share of the net fair value of the assets, liabilities and contingent liabilities recognized.

When an acquisition is achieved in stages, interests previously held in that entity are re-measured on the basis of the fair values of the identifiable assets and liabilities at the date of acquisition and any resulting gain or loss is recognized in income or loss in the statement of operations or in other comprehensive income, as appropriate. The excess of the cost over the fair value of the net assets acquired is recorded as goodwill or as a gain in the statement of operations when the fair value of the asset acquired exceeds the cost. Subsequent changes in the ownership interest in a subsidiary after the Company has obtained control are treated as equity transactions when they do not result in a loss of control. For purchases of non-controlling interests, the difference between the cost of such subsequent acquisition and the net value of the proportion of the company acquired is recorded directly in equity.

During the measurement period which ends when all required information is obtained and does not exceed one year from the acquisition date, the initial accounting for a business combination is adjusted retrospectively and additional assets and liabilities may be recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Reacquired rights are recognized as intangible assets and amortized over the remaining contractual periods of the contract in which the right was granted. After initial recognition, contingent liabilities are measured at the higher of the best estimate of the expenditure required to settle the obligation, as measured in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," and the initial amount recognized less cumulative amortization.

Subsequent to the business combination, indemnification assets are measured using the same assumptions used to calculate the indemnified liability or asset, subject to any contractual limitations on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of collectability of the indemnification asset.

Subsequent changes in the fair value of contingent consideration are recognized when the contingent consideration is not classified as equity and are recorded in the statement of operations as appropriate when it is a financial instrument or when applicable at the best estimate of the contingent consideration. Contingent consideration recognized as an equity instrument is not remeasured.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the time of purchase and are carried at cost plus accrued interest, which approximates fair value.

Restricted cash

Restricted cash represents cash and cash equivalents not readily available to the Company, mainly related to insurance deposits, various other deposits or required balance obligations related to letters of credit and credit arrangements, and escrow accounts created as a result of acquisitions. Changes in restricted cash are included within other investing activities (net) in the statement of cash flows.

Trade accounts receivable

Trade accounts receivable are initially recorded at their fair value and do not bear interest. The Company maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, the Company considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are recorded as gains in the statement of operations.

The Company's policy is to provide for all receivables outstanding over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Trade receivables between 60 days and 180 days are provided for based on estimated unrecoverable amounts from the sale of goods and/or services, determined by reference to past default experience.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method or average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalized as inventories and partially recorded as a component of cost of sales in the statement of operations.

Goodwill and negative goodwill

The goodwill recorded by the Company includes an allocation of the goodwill arising from the acquisition of Arcelor by Mittal Steel on August 1, 2006. Goodwill arising on acquisitions subsequent to January 1, 2007 is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is allocated to those groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested annually at the level of the groups of cash generating units which correspond to operating segments as of November 30 or whenever changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets is recorded prior to the testing of goodwill. The recoverable amounts of the cash generating units are determined from the higher of fair value less cost to sell or value in use calculations, as described below in the Impairment of Tangible and Intangible Assets section. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial forecasts for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in the statement of operations.

Intangible assets

Intangible assets recorded by the Company include certain intangible assets acquired in connection with the acquisition of Arcelor by Mittal Steel on August 1, 2006. Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by APERAM are initially recorded at cost and those acquired in a business combination are recorded at fair value. These primarily include the cost of technology and licenses purchased from third parties. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years. Amortization is included in the statement of operations as part of depreciation.

Costs incurred on internally developed products are recognized as intangible assets from the date that all of the following conditions are met: (i) completion of the development is considered technically feasible and commercially viable; (ii) it is the intention and ability of the Company to complete the intangible asset and use or sell it; (iii) it is probable that the intangible asset will generate future economic benefits; (iv) adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset are available; and (v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development. The intangible asset capitalized includes the cost of materials, direct labor costs and an appropriate proportion of overheads incurred during its development. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. Other development expenditures that do not meet the conditions for recognition as an asset are recognized as an expense as part of operating income in the statement of operations in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment except land are depreciated using the straight-line method over the useful lives of the related assets which are presented in the table below. The Company reviews the residual value, the useful lives and the depreciation method of its property, plant and equipment at least annually. Property, plant and equipment will retain its existing residual useful life after the distribution from ArcelorMittal to the Company.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Steel plant equipment	15 to 30 years
Auxiliary facilities	15 to 30 years
Other facilities	5 to 20 years

Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction are recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. Gains and losses on retirement or disposal of assets are reflected in the statement of operations.

Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the statement of operations over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted if expectations differ from previous estimates. Depreciation methods applied to property, plant and equipment are reviewed at each reporting date and changed if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Investment in associates and other entities

Investments in associates, in which the Company has the ability to exercise significant influence, are accounted for under the equity method. The investment is carried at the cost at the date of acquisition, adjusted for the Company's equity in undistributed earnings or losses since acquisition, less dividends received and impairment.

Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment.

The Company reviews all of its investments in associates at each reporting date to determine whether there is an indicator that the investment may be impaired. If objective evidence indicates that the investment is impaired, the Company calculates the amount of the impairment of the investments as being the difference between the higher of the fair value less costs to sell or its value in use and its carrying value. The amount of any impairment is included in the overall income from investments in associated companies in the statement of operations.

Investments in other entities, over which the Company and/or its operating subsidiaries do not have the ability to exercise significant influence and have a readily determinable fair value, are accounted for at fair value with any resulting gain or loss included in equity. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

Assets held for sale

Non-current assets, and disposal groups, are classified as held for sale and are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale are presented separately on the statement of financial position and are not depreciated.

Deferred employee benefits

Defined contribution plans are those plans where the Company pays fixed contributions to an external life insurance or pension fund for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. They are expensed as they are incurred in line with the treatment of wages and salaries. No provisions are established in respect of defined contribution plans, as they do not generate future commitments for the Company.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. 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 ten per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortized over the expected average remaining working lives of the participating employees.

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

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date. Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations. Termination benefits are provided in connection with voluntary separation plans. The Company recognizes a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

Other long-term employee benefits include various plans that depend on the length of service, such as long service and sabbatical awards, disability benefits and long term compensated absences such as sick leave. The amount recognized as a liability is the present value of benefit obligations at the statement of financial position date, and all changes in the provision (including actuarial gains and losses or past service costs) are recognized in the statement of operations.

Provisions and accruals

APERAM recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost. Provisions for onerous contracts are recorded in the statement of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Provisions for restructuring relate to the estimated costs of initiated reorganizations that have been approved by the ArcelorMittal Group Management Board, and which involve the realignment of certain parts of the industrial and commercial organization. When such reorganizations require discontinuance and/or closure of lines or activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Environmental costs

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation or cost reduction, are expensed. Liabilities are recorded when environmental assessments and or remedial efforts are probable and the cost can be reasonably estimated based on ongoing engineering studies, discussions with the environmental authorities and other assumptions relevant to the nature and extent of the remediation that may be required. The ultimate cost to the Company is dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by environmental and public health authorities, new laws or government regulations, rapidly changing technology and the outcome of any potential related litigation. Environmental liabilities are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments are fixed or reliably determinable.

Income taxes

During a portion of the periods presented, certain APERAM entities did not file separate income tax returns as these entities were included in a tax consolidation along with other ArcelorMittal entities within the pertinent tax jurisdiction. The income tax provision included in these combined financial statements was calculated on a separate return basis as if the Company was a separate taxpayer except for tax operating losses surrendered to the lead entity in the tax consolidation and not indemnified for which no benefit has been recorded. See additional discussion in Note 18. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of operations 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or if the differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Derivative financial instruments

See critical accounting judgments.

Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

The Company classifies its investments in equity securities that have readily determinable fair values as available-for-sale which are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale equity securities are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in, first-out basis.

Debt and liabilities, other than provisions, are stated at amortized cost. However, loans that are hedged under a fair value hedge are re-measured for the changes in the fair value that are attributable to the risk that is being hedged.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Estimated future cash flows are determined using various assumptions and techniques, including comparisons to published prices in an active market and discounted cash flow projections using projected growth rates, weighted average cost of capital, and inflation rates. In the case of available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in the statement of operations is removed from equity and recognized in the statement of operations.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value in use. Any impairment loss is charged to the statement of operations. An impairment loss related to financial assets is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Reversals of impairment are recognized in net income except for reversals of impairment of available-for-sale equity securities, which are recognized in other comprehensive income.

Emission rights

The Company's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide emission rights, effective as of January 1, 2005, are located in Belgium and France. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded in the statement of financial position at nil and purchased emission rights are recorded at cost. If, at the date of the statement of financial position, the Company is short of emission rights, it will record a provision through the statement of operations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Shipping and handling costs

The Company records amounts billed to a customer in a sale transaction for shipping and handling costs as sales and the related shipping and handling costs incurred as cost of sales.

Financing costs

Financing costs include interest income and expense, amortization of discounts or premiums on borrowings, amortization of costs incurred in connection with the arrangement of borrowings, and unrealized gains and losses on foreign exchange and raw material derivative contracts.

Stock option plan/share-based payments

ArcelorMittal issued equity-settled share-based payments to certain APERAM employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Segment reporting

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

Historically, the majority of the Company's operations were managed as a single operating and reportable segment corresponding to the Stainless Steel segment of ArcelorMittal and the chief operating decision maker was the ArcelorMittal Group Management Board. In conjunction with the spin-off, APERAM management identified the Chief Executive Officer and Chief Financial Officer of the Company as its chief operating decision maker, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments. In April 2010, the newly identified chief operating decision maker began managing the business according to three operating segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions. For the purposes of these combined financial statements, segment information has been retrospectively presented in accordance with the new structure described above.

These segments include attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include other investments, other non-current receivables, cash and short-term deposits, short-term investments, tax assets, and other current financial assets. Segment liabilities are also those resulting from the normal activities of the segment, excluding tax liabilities and indebtedness but including post retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual operating segments.

Geographical information is separately disclosed and represents the Company's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. Attributed assets exclude attributed goodwill, deferred tax assets, other investments or other non-current receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual geographical areas.

Critical accounting judgments

The critical accounting judgments and significant assumptions made by management in the preparation of these financial statements are provided below.

Preparation of Carve-out Combined Financial Statements

As discussed in note 1, these combined financial statements have been prepared on a "carve-out" basis. Under the "carve-out" basis of presentation, these combined financial statements include allocations for certain expenses historically maintained by ArcelorMittal, but not recorded in the accounts of the Company. Such items have been allocated to the Company and included in the combined financial statements based on the most relevant allocation method, primarily based on relative percentage of revenue or headcount. Management believes this basis for allocation of expenses is reasonable.

Deferred Tax Assets

The Company records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. The Company reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realizing such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies.

Note 18 describes the total deferred tax assets recognized in the combined statements of financial position. As of December 31, 2010, the amount of future income required to recover the Company's deferred tax assets was approximately 545 at certain operating subsidiaries.

Deferred Employee Benefits

The Company's operating subsidiaries have different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits. The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the statement of financial position is based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, expected return on plan assets, mortality rates and retirement rates.

- Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.

- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.

- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

In accordance with IFRS, actuarial gains or losses resulting from experience and changes in assumptions are recognized in the Company's statement of operations only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plans.

Note 22 details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

Legal, Environmental and Other Contingencies

The Company may be involved in litigation, arbitration or other legal proceedings. Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. The Company recognizes a liability for contingencies when it is more likely than not that the Company will sustain a loss and the amount can be estimated.

The Company is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. The Company recognizes a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated.

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to the Company or purchased assets from the Company subject to environmental liabilities. The Company also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or charges in the statement of operations. The Company does not expect these environmental issues to affect the utilization of its plants, now or in the future.

Impairment of Tangible and Intangible Assets

Tangible and Intangible Assets

At each reporting date, the Company reviews whether there is any indication that the carrying amounts of its tangible and intangible assets (excluding goodwill) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing its 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The cash generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the statement of operations.

In the case of permanently idled assets, the impairment is measured at the individual asset level on the basis of salvage value. Otherwise, it is not possible to estimate the recoverable amount of the individual asset because the cash flows are not independent from that of the cash generating unit to which it belongs. Accordingly, the Company's assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2010, the Company had determined it has 6 cash generating units.

An impairment loss recognized in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as part of operating income in the statement of operations.

Goodwill

With respect to goodwill the recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial budgets for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

Derivative financial instruments

The Company has historically entered into derivative transactions with ArcelorMittal Treasury, which in turn enters into offsetting positions with counterparties external to ArcelorMittal. The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in exchange rates and prices of raw materials and energy. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, “Financial Instruments: Recognition and Measurement”. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. See note 15 for analysis of the Company’s sensitivity to changes in certain of these inputs. Gains or losses arising from changes in the fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow hedge accounting.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in equity. Amounts deferred in equity are recorded in the statement of operations in the periods when the hedged item is recognized in the statement of operations and within the same line item.

The Company formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expires or is exercised the cumulated unrealized gain or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss, which had been recognized in equity, is reported immediately in the statement of operations.

For instruments not accounted for as cash flow hedges, unrealized gains or losses arising from changes in fair value of derivatives are recognized in the statement of operations as part of financing costs and realized gains or losses upon settlement of derivatives are recognized in the statement of operations as part of operating income.

Use of estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the aforementioned critical accounting judgments require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

NOTE 3: ACQUISITIONS

Acquisitions have been accounted for using the acquisition method and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition.

The Company did not make any significant acquisitions in 2010 and 2009. Significant acquisitions made during the year ended December 31, 2008 include:

(millions of U.S. dollars, except share and per share data)

Inox Tubos

On April 2, 2008, the Company acquired the remaining 56.15% stake (50% of voting rights) in the joint venture Inox Tubos, a stainless steel tube producer in Brazil, for a total consideration of 14 (11 net of 3 of cash acquired). The consideration paid corresponded to the net assets acquired. Net income included in combined net income for the year ended December 31, 2008 was 5.

Rescal

On January 3, 2008, the Company completed the acquisition of 100% of Rescal, a company based in France active in drawing and rolling of resistance and thermocouples alloys as well as in the design and implementation of heating elements. This acquisition represented a further vertical integration of the Alloys & Specialties segment by adding value to its existing wire activity via direct access to the final drawn wire market. The acquisition included trade receivables amounting to 12. The gross contractual amounts receivable are 13 and the best estimate at the acquisition date of the contractual cash flows not expected to be collected is 1. There were no fair value adjustments recorded for the acquisition of Rescal.

Total consideration paid was 11. The transaction resulted in negative goodwill amounting to 3 which was recognized as a gain in the statement of operations. Net income included in combined net income for the year ended December 31, 2008 was 1.

Summary of significant acquisitions

The table below summarizes the estimated fair value of the assets acquired and liabilities assumed for significant acquisitions:

	2008	
	Rescal	**Inox Tubos**
Current assets	26	13
Property, plant & equipment	1	4
Total assets acquired	27	17
Current liabilities	13	6
Total liabilities assumed	13	6
Total net assets acquired	14	11
Consideration paid, net of cash acquired	11	11
Negative Goodwill	(3)	

NOTE 4: TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

The Company acquired the following non-controlling interests:

Uginox Sanayi ve Ticaret

On July 4, 2008, the Company acquired the remaining 35% non-controlling stake in Uginox Sanayi ve Ticaret for a total consideration of 15. The resulting decrease in equity was 8. The operating subsidiary was subsequently renamed ArcelorMittal Istanbul Paslanmaz Celik Sanayi ve Ticaret.

ArcelorMittal Inox Brasil

On April 4, 2008, the Company completed the delisting offer to acquire all of the remaining outstanding shares of ArcelorMittal Inox Brasil. Following the acquisition of the remaining non-controlling interests, APERAM's stake increased from 57.4% to 100% for a total consideration of 1,757, 36 of which was paid by the Company and 1,721 was settled through an equity contribution and a loan from ArcelorMittal of 865 and 856, respectively. For tax purposes, ArcelorMittal Inox Brasil may deduct the excess of the purchase price over the carrying value of the interest acquired, resulting in a deferred tax asset of 306. The transaction resulted in a reduction of non-controlling interests of 869, an increase in deferred tax assets of 306 and a decrease in equity of 582.

(millions of U.S. dollars, except share and per share data)

Summary of significant transactions

There were no acquisitions of non-controlling interests in 2010 and 2009. The table below summarizes the movements in non-controlling interests and equity:

	2008
	Acquisition of non-controlling interests
Non-controlling interest acquired	876
Deferred tax asset acquired	306
Purchase price	(1,772)
Adjustment to equity (in accordance with IAS 27 (2008))	(590)

NOTE 5: TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable and allowance for doubtful accounts as of December 31, 2010, 2009 and 2008 are as follows:

	December 31,		
	2010	2009	2008
Gross amount	420	349	515
Allowance for doubtful accounts	(15)	(25)	(18)
Total	405	324	497

See note 13 for information regarding trade accounts receivable from related parties.

Before accepting any new customer, the Company uses an internally developed credit scoring system to assess the potential customer's credit quality and to define credit limits by customer. For all significant customers the credit terms must be approved by relevant credit committees. Limits and scoring attributed to customers are reviewed periodically. There are no customers who represent more than 10% of the total balance of trade accounts receivable.

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of 377, 287 and 457 as of December 31, 2010, 2009 and 2008, respectively, which were not past due at the reporting date.

Exposure to credit risk by operating segment

The maximum exposure to credit risk for trade accounts receivable as of December 31, 2010, 2009 and 2008 by operating segment is:

	December 31,		
	2010	2009	2008
Stainless & Electrical Steel	191	165	249
Alloys & Specialties	42	38	57
Services & Solutions	172	121	191
Total	405	324	497

Exposure to credit risk by geography

The maximum exposure to credit risk for trade accounts receivable at December 31, 2010, 2009 and 2008 by geographical area is:

(millions of U.S. dollars, except share and per share data)

	December 31, 2010	December 31, 2009	December 31, 2008
Europe	254	209	294
North America	22	5	34
South America	126	107	166
Asia	3	3	3
Total	405	324	497

Aging of trade accounts receivable

The aging of trade accounts receivable as of December 31, 2010, 2009 and 2008 is as follows:

	December 31,					
	2010		2009		2008	
	Gross	Allowance	Gross	Allowance	Gross	Allowance
Not past due	377	(1)	287	(8)	457	(3)
Past due 0-30 days	24	—	35	—	32	(3)
Past due 31-60 days	2	—	3	—	3	—
Past due 61-90 days	1	—	1	—	1	—
Past due 91-180 days	3	(1)	4	(1)	4	(1)
More than 180 days	13	(13)	19	(16)	18	(11)
Total	420	(15)	349	(25)	515	(18)

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the year is as follows:

Balance as of December 31, 2007	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2008
28	8	(15)	(3)	18

Balance as of December 31, 2008	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2009
18	11	(7)	3	25

Balance as of December 31, 2009	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010
25	3	(13)	—	15

The Company participated in a program established by ArcelorMittal for sales without recourse of trade accounts receivable programs with financial institutions, referred to as True Sale of Receivables (“TSR”). The amount of the ArcelorMittal facility available for the Company represented €250 million as of December 31, 2010. Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender control, risks and the benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of sale. The totals of receivables sold under TSR programs and derecognized in accordance with IAS 39 for the years ended December 31, 2010, 2009 and 2008 were $1.7 billion, $1.3 billion and $2.3 billion, respectively. Expenses incurred under the TSR programs (reflecting the discount granted to the acquirers of the accounts receivable) are recognized in the combined statement of operations as financing costs and amounted to 11, 8 and 23 in 2010, 2009 and 2008, respectively.

(millions of U.S. dollars, except share and per share data)

NOTE 6: INVENTORIES

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 140, 149, and 292 as of December 31, 2010, 2009 and 2008, respectively, is comprised of the following (there are no inventories which are carried at fair value less cost to sell):

	December 31,		
	2010	2009	2008
Finished products	543	387	434
Production in process	620	427	438
Raw materials	193	133	176
Manufacturing supplies, spare parts and other	140	142	247
Total	1,496	1,089	1,295

The amount of inventory pledged as collateral was 27, 67 and 65 as of December 31, 2010, 2009 and 2008, respectively.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2007	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2008
161	262	(125)	(6)	292

Balance as of December 31, 2008	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2009
292	140	(284)	1	149

Balance as of December 31, 2009	Additions	Deductions/Releases	Other Movements (primarily exchange rate changes)	Balance as of December 31, 2010
149	79	(80)	(8)	140

Due to the sharp decline in the market prices of raw materials and steel demand in the last quarter of 2008 and in the beginning of 2009, the Company wrote down its inventory to its net realizable value. The amount of write-down of inventories to net realizable value recognized as an expense was 79, 140 and 262 in 2010, 2009 and 2008, respectively, and was reduced by 80, 284 and 125 in 2010, 2009 and 2008, respectively, due to normal inventory consumption.

NOTE 7: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31,		
	2010	2009	2008
Amounts receivable under cash pooling arrangements with ArcelorMittal	646	344	536
Value-added tax (VAT) and other amount receivable from tax authorities	114	110	82
Income tax receivable	10	43	90
Receivable on sale of financial assets	—	—	9
Other	56	82	72
Total	826	579	789

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

(millions of U.S. dollars, except share and per share data)

	Goodwill on acquisition	Concessions, patents and licenses	Customer relationships, trade marks & technology	Total
Cost				
At December 31, 2007	862	91	283	1,236
Acquisitions	—	4	3	7
Disposals	—	—	(1)	(1)
Foreign exchange differences	(92)	(17)	(39)	(148)
Transfers and other movements	—	2	—	2
At December 31, 2008	770	80	246	1,096
Acquisitions	—	4	—	4
Foreign exchange differences	82	17	37	136
At December 31, 2009	852	101	283	1,236
Acquisitions	—	2	—	2
Foreign exchange differences	(27)	—	(4)	(31)
Transfers and other movements	—	1	1	2
At December 31, 2010	825	104	280	1,209
Accumulated amortization and impairment losses				
At December 31, 2007	—	66	49	115
Disposals	—	—	(1)	(1)
Amortization charge	—	15	21	36
Foreign exchange differences	—	(14)	(8)	(22)
Transfers and other movements	—	(5)	—	(5)
At December 31, 2008	—	62	61	123
Amortization charge	—	9	33	42
Foreign exchange differences	—	15	11	26
At December 31, 2009	—	86	105	191
Disposals	—	1	—	1
Amortization charge	—	5	24	29
Foreign exchange differences	—	1	(2)	(1)
At December 31, 2010	—	93	127	220
Carrying amount				
At December 31, 2008	770	18	185	973
At December 31, 2009	852	15	178	1,045
At December 31, 2010	825	11	153	989

As a result of the acquisition of Arcelor by Mittal Steel on August 1, 2006, associated goodwill, intangible assets, and certain fair value adjustments were recorded.

For the periods 2008 and 2009, the goodwill was tested for impairment annually as one group of cash-generating units (“GCGU”) which corresponded to the operating segment level of ArcelorMittal.

As discussed in note 2, in April 2010, the Company identified three operating segments. As a result, goodwill acquired in business combinations was allocated to these operating segments based on the relative fair values of the operating segments. As of December 31, 2010, 710, 27, and 88 of goodwill was allocated to Stainless & Electrical Steel, Alloys & Specialties, and Services & Solutions, respectively.

For 2010, goodwill was tested at the group of cash generating units (“GCGU”) level for impairment, as of November 30. The GCGU is at the operating segment level of APERAM. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates and expected changes to average selling prices, shipments and direct costs during the period.

(millions of U.S. dollars, except share and per share data)

These impairment tests did not result in an impairment for any periods presented in these combined financial statements.

The value in use of the GCGU was determined by estimating cash flows for a period of five years. Assumptions for average selling prices and shipments were based on historical experience and expectations of future changes in the market. Cash flow forecasts were derived from the most recent financial plans approved by management.

Beyond the specifically forecasted period of five years, the Company extrapolated cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate did not exceed the average long-term growth rate for the relevant markets.

Management estimated discount rates using pre-tax rates that reflected current market rates for investments of similar risk. The rate for the GCGUs was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions
GCGU weighted average pre-tax discount rate used in 2010 (in %).........................	13.0	12.6	13.3

The weighted average pre-tax discount rate used for the November 30, 2009 and 2008 impairment tests was 14.8% and 13.6%, respectively.

When estimating average selling price for the GCGU for purposes of the annual 2010 impairment test, the Company used a range (Stainless Base Price 304 Germany) of assumptions between €1,253 per ton in 2011 to €1,285 per ton in 2015 with a maximum of €1,300 in 2014.

The results of the goodwill impairment test as of November 30, 2010 for each GCGU did not result in an impairment of goodwill as the value in use exceeded the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, raw material margins, shipments and terminal growth rate) were sensitized to test the resilience of value in use. Utilizing the carrying values based on IFRS as adopted by APERAM, a reasonably possible change in key assumptions would not result in the carrying amount exceeding the recoverable amount.

Research and development costs not meeting the criteria for capitalization are expensed and included in selling, general and administrative expenses within the combined statement of operations. These costs amounted to 21, 14 and 22 in the years ended December 31, 2010, 2009 and 2008, respectively. There were no research and development costs capitalized during any of the periods presented.

(millions of U.S. dollars, except share and per share data)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost				
At December 31, 2007	1,142	2,684	193	4,019
Additions	12	65	180	257
Acquisitions through business combinations	—	5	—	5
Foreign exchange differences	(154)	(302)	(27)	(483)
Disposals	(6)	(40)	(2)	(48)
Other movements	35	180	(207)	8
At December 31, 2008	1,029	2,592	137	3,758
Additions	2	32	64	98
Foreign exchange differences	140	284	11	435
Disposals	(1)	(25)	—	(26)
Other movements	(178)	74	(119)	(223)
At December 31, 2009	992	2,957	93	4,042
Additions	2	30	76	108
Foreign exchange differences	(34)	(110)	(1)	(145)
Disposals	(10)	—	—	(10)
Other movements	7	52	(51)	8
At December 31, 2010	957	2,929	117	4,003
Accumulated depreciation and impairment				
At December 31, 2007	71	338	—	409
Depreciation charge for the year	59	224	—	283
Impairment	—	20	—	20
Disposals	(4)	(38)	—	(42)
Foreign exchange differences	(11)	(11)	—	(22)
Other movements	1	3	—	4
At December 31, 2008	116	536	—	652
Depreciation charge for the year	52	225	—	277
Impairment	—	14	—	14
Disposals	—	(24)	—	(24)
Foreign exchange differences	12	15	—	27
Other movements	(87)	(10)	—	(97)
At December 31, 2009	93	756	—	849
Depreciation charge for the year	49	215	—	264
Impairment	—	24	—	24
Disposals	(2)	—	—	(2)
Foreign exchange differences	(7)	(46)	—	(53)
Other movements	—	4	—	4
At December 31, 2010	133	953	—	1,086
Carrying amount				
At December 31, 2008	913	2,056	137	3,106
At December 31, 2009	899	2,201	93	3,193
At December 31, 2010	824	1,976	117	2,917

Other movements represent mostly transfers between the categories and changes in the combination scope, in particular the deconsolidation of the assets held in ArcelorMittal Jequitinhonha following the merger with ArcelorMittal Florestas in 2009 (see note 10).

In 2010, 2009 and 2008, various idle assets were written down to their salvage value as a decision was made to cease all future use. Accordingly, an impairment loss of 24, 14 and 20 was recognized as an expense as part of operating income (loss) in the combined statement of operations for the years ended December 31, 2010, 2009 and 2008, respectively. The carrying amount of these assets was nil, nil and nil at December 31, 2010, 2009 and 2008, respectively. The impairment loss of 24 recorded in 2010 consisted primarily of the Company's facilities in ArcelorMittal Stainless France. The impairment loss of 14 recorded in 2009 consisted primarily of the Company's facilities in ArcelorMittal Stainless Precision Europe and

(millions of U.S. dollars, except share and per share data)

ArcelorMittal Inox Brasil. The impairment loss of 20 recorded in 2008 consisted primarily of the Company's facilities in ArcelorMittal Stainless Belgium. ArcelorMittal Stainless France, ArcelorMittal Inox Brasil and ArcelorMittal Stainless Belgium are included in the Stainless & Electrical Steel segment. ArcelorMittal Stainless Precision Europe is included in the Services & Solutions segment. As of December 31, 2010, 2009 and 2008, temporarily idle assets included in the Stainless & Electrical Steel segment were 28, 94 and 11, respectively. There were no temporarily idle assets included in the other segments as of any of the periods presented.

During the year ended December 31, 2010 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant, and equipment. Property, plant, and equipment were tested at the CGU level. In certain instances, the CGU is an integrated manufacturing facility which may also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility, with neither facility generating cash flows that are largely independent from the cash flows in the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2010, the Company had determined it has 6 CGUs. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

The Company estimated discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of APERAM's assets. Aside from the impairments described above where a decision was made to cease all future use, no impairment of property, plant and equipment was recorded for any of the years ended December 31, 2010, 2009 and 2008.

The carrying amount of property, plant and equipment includes 25, 32 and 32 of finance leases as of December 31, 2010, 2009 and 2008, respectively. The carrying amount of these finance leases is included in machinery and equipment.

These finance lease arrangements are mainly related to equipment in Brazil for a carrying amount of 8 and which can be purchased at the end of the remaining leasing period of 3 years for an amount of 4 and to equipment related to the scrap and slab yard in Belgium for a carrying amount of 17 which can be purchased for their book value at the end of the remaining leasing period.

The Company pledged 1 in property, plant and equipment as of December 31, 2008 to secure banking facilities granted to the Company. No property, plant and equipment was pledged in 2010 and 2009. These facilities are further disclosed in note 14.

NOTE 10: INVESTMENTS IN ASSOCIATES

The Company had the following investments in associates:

Investee	Location	Ownership % at December 31, 2010	Net asset value at December 31, 2010	Net asset value at December 31, 2009	Net asset value at December 31, 2008
ArcelorMittal BioEnergia..........	Brazil	36.50%	152	132	—
Other......................			—	—	2
Total......................			152	132	2

On July 1, 2009, ArcelorMittal Energética Jequitinhonha, a wholly- owned subsidiary of ArcelorMittal Inox Brasil, absorbed ArcelorMittal Florestas, a wholly-owned subsidiary of ArcelorMittal Brasil. Following this transaction, APERAM holds a 34.00% equity interest in the merged entity ArcelorMittal BioEnergia. The remaining 66.00% is held by ArcelorMittal.

On October 1, 2010, the Company increased its stake in ArcelorMittal Bioenergìa from 34% to 36.5% through a subscription of a capital increase.

(millions of U.S. dollars, except share and per share data)

On November 1, 2010, the Company and ArcelorMittal Brasil signed a letter of intent under which the parties agreed to distribute to ArcelorMittal Brasil the assets and liabilities of ArcelorMittal BioEnergia related to the operations supporting ArcelorMittal Brasil in exchange for shares of ArcelorMittal BioEnergia held by ArcelorMittal Brasil. Following the completion of this transaction, which is expected in the first half of 2011, ArcelorMittal BioEnergia will become a wholly-owned consolidated subsidiary of the Company.

There are no contingent liabilities incurred by the Company in relation to its interests in ArcelorMittal BioEnergia and there are no contingent liabilities incurred with other investors. The Company's share of the contingent liabilities of ArcelorMittal BioEnergia as of December 31, 2010 is 7.

Summarized financial information, in the aggregate, for associates is as follows:

	December 31,		
	2010	**2009**	**2008**
Condensed statement of operations			
Gross revenue	129	87	9
Operating income	14	41	—
Income before tax	14	41	1
Net income	8	29	—
Condensed statement of financial position			
Non-current assets	450	405	4
Current assets	67	72	2
Total assets	517	477	6
Non-current liabilities	68	50	—
Current liabilities	32	44	1
Total liabilities	100	94	1

The Company assessed the recoverability of its investments accounted for using the equity method. In determining the value in use of its investments, the Company estimated its share in the present value of the projected future cash flows expected to be generated by operations of associates. Based on this analysis, the Company concluded that no impairment was required.

NOTE 11: OTHER INVESTMENTS

The Company holds the following other investments:

			Net asset value December 31,		
	Location	**Ownership % at December 31, 2010**	**2010**	**2009**	**2008**
Available-for-sale securities					
General Moly Inc.	U.S.	9.67%	54	17	10
Aços Villares S.A.	Brazil	—	—	81	31
Gerdau S.A.	Brazil	0.60%	123	—	—
Investments accounted for at cost			4	5	6
Total			181	103	47

The change in fair value of available-for-sale financial assets for the period was recorded directly in other comprehensive income as an unrealized result of (9), 31 and (33) for the years ended December 31, 2010, 2009, and 2008, respectively, net of income tax and non-controlling interests. An impairment expense of 60 was recognized in 2008 with respect to the investment in General Moly Inc. because the Company determined that the market value decline was significant.

On December 30, 2010, Gerdau, the controlling shareholder of Aços Villares, in which APERAM, through its subsidiary ArcelorMittal Inox Brasil, held a 4.41% stake, completed a squeeze-out for the remaining non-controlling interest and absorbed its subsidiary. The revaluation reserve relating to Aços Villares amounting to 120 was recycled to the statement of operations.

(millions of U.S. dollars, except share and per share data)

NOTE 12: OTHER ASSETS

Other assets consist of the following:

	December 31, 2010	2009	2008
Cash guarantees and deposits	48	56	48
Income tax indemnification from ArcelorMittal France	—	288	242
Long-term VAT receivables	7	10	13
Other financial assets	11	23	18
Total	66	377	321

The spin-off of the APERAM business triggered the exit of the Company's French subsidiaries from the existing French tax consolidated group headed by ArcelorMittal France with retroactive effect as of January 1, 2010. As a result of such exit, and according to French tax law, APERAM's French subsidiaries will no longer be entitled to use the tax losses generated during the tax consolidation period, which will be kept by ArcelorMittal France for future use against ArcelorMittal France's taxable profits. A compensation in the form of an indemnity was paid to the Company's French subsidiaries by ArcelorMittal France and was recognized on the basis of the fair value of the surrendered tax losses as the losses were generated by APERAM's French subsidiaries. The indemnity receivable amounted to nil, 288 and 242 as of December 31, 2010, 2009, 2008, respectively. This compensation was paid on December 17, 2010.

NOTE 13: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties, including associates of the Company, were as follows:

	Year ended December 31,			December 31,		
	2010	2009	2008	2010	2009	2008
Transactions	Sales			Included in Trade accounts receivable		
ArcelorMittal Steel Solutions & Services	102	71	85	3	7	15
ArcelorMittal Flat Carbon Europe	51	48	197	14	10	16
ArcelorMittal Long Carbon Americas & Europe	37	22	27	4	10	1
ArcelorMittal Flat Carbon Americas	—	2	4	1	—	—
ArcelorMittal Stainless Steel*	—	—	4	—	2	—
Other**	4	3	41	1	1	10
Total	194	146	358	23	30	42

	Year ended December 31,			December 31,		
	2010	2009	2008	2010	2009	2008
Transactions	Purchases of raw material & others			Included in Trade accounts payable		
ArcelorMittal Sourcing	932	430	153	142	86	39
ArcelorMittal Flat Carbon Europe	50	65	76	12	12	14
ArcelorMittal Long Carbon Americas & Europe	58	32	14	2	7	1
ArcelorMittal Flat Carbon Americas	9	14	1	—	5	—
ArcelorMittal Steel Solutions & Services	2	1	2	2	2	2
ArcelorMittal Stainless Steel*	15	1	—	—	3	—
Other**	99	82	157	21	17	19
Total	1,165	625	403	179	132	75

(millions of U.S. dollars, except share and per share data)

* ArcelorMittal Stainless Steel represents transactions with entities historically included in the ArcelorMittal Stainless Steel segment but which are excluded from the scope of the Company's combined financial statements.

** Other represents mainly holding, financial and service entities of ArcelorMittal.

The above tables include transactions with entities qualifying as related parties, primarily with entities which are subsidiaries of ArcelorMittal. Transactions which are similar in nature have been aggregated by ArcelorMittal reportable segments and with ArcelorMittal Sourcing, an entity which specializes in the purchase and sale of raw materials for various ArcelorMittal operating entities.

The table above includes purchases of raw materials and energy from related parties as follows:

	Year ended December 31,		
	2010	2009	2008
Raw materials	889	476	172
Energy supply contracts	172	45	58

As detailed in the table below, the costs primarily associated with certain corporate functions performed by ArcelorMittal amounted to 11, 12 and 19 for the years ended December 31, 2010, 2009 and 2008, respectively. These amounts include 3, 2 and 3 attributable to key management personnel (see note 25).

	Year ended December 31,		
	2010	2009	2008
Finance	4	4	7
Board of Directors/General management	3	2	3
Information Technology	1	2	3
Internal assurance	1	2	1
Corporate Communication	1	1	2
Human Resources	1	1	2
Legal	—	—	1
Total	**11**	**12**	**19**

Transactions with related parties also include the following:

	December 31,		
	2010	2009	2008
Receivables from cash pooling arrangements (note 7)	646	344	536
Derivative financial instruments—assets (note 15)	22	22	28
Derivative financial instruments—liabilities (note 15)	9	13	82
Short term debt (note 14)	300	88	418
Long term debt (note 14)	812	1,226	1,077
Payables from cash pooling arrangements (note 14)	538	356	364
Accrued interest payable to ArcelorMittal subsidiaries	8	14	1
Receivables from disposal of tangibles and financial assets (note 7)	—	—	9
Income tax indemnification from ArcelorMittal France (note 12)	—	288	242
Amounts payable to ArcelorMittal subsidiaries for research and development services	5	12	24
Interest expense	100	104	99
Interest income	1	2	28

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in combination and are not disclosed in this note. Refer to note 25 for disclosure of transactions with key management personnel.

(millions of U.S. dollars, except share and per share data)

NOTE 14: SHORT-TERM AND LONG-TERM DEBT

Short-term debt, including the current portion of long-term debt, consisted of the following:

	December 31,		
	2010	2009	2008
Short-term bank loans and other credit facilities	563	373	402
Current portion of long-term debt	332	129	467
Lease obligations	5	4	5
Total	**900**	**506**	**874**

Short-term debt includes short-term loans, mainly overdrafts under a cash pooling arrangement with ArcelorMittal.

Long-term debt is comprised of the following as of December 31:

	Year of maturity	Type of Interest	Interest rate(1)	2010	2009	2008
Americas						
900 credit facility	2018	Fixed	10.00%	777	777	845
Other loans Fixed/Floating	2011-2019	Fixed/Floating	1.80%-10.13%	133	156	140
Total Americas				910	933	985
Europe and Asia						
€200 million loan	2011	Floating	4.03%	267	288	278
€125 million credit facility		Floating			135	152
€100 million credit facility	2011	Floating	2.35%	27	58	84
ArcelorMittal Treasury Loans	2012-2013	Floating	5.31%-5.41%	33	35	32
Other loans Fixed/Floating	2011-2015	Fixed/Floating	8.72%	6	27	113
Total Europe and Asia				333	543	659
Total				**1,243**	**1,476**	**1,644**
Less current portion of long-term debt				332	129	467
Total long-term debt (excluding lease obligations)				911	1,347	1,177
Lease obligations(2)				21	28	29
Total long-term debt, net of current portion				**932**	**1,375**	**1,206**

(1) Rates applicable to balances outstanding at December 31, 2010.

(2) Net of current portion of 5, 4 and 5 on December 31, 2010, 2009 and 2008, respectively.

Americas

900 credit facility

On April 4, 2008, ArcelorMittal Inox Brasil entered into a 900 bilateral credit facility with ArcelorMittal Investment. The contract matures in 2018 and bears a fixed interest rate of 10%. The outstanding amount under this contract as of December 31, 2010, 2009 and 2008 was 777, 777 and 845, respectively. On June 30, 2010 the total credit facility was transferred from ArcelorMittal Investment to ArcelorMittal Finance. The facility has been treated as part of the net investment of ArcelorMittal and as such all revaluation gains and losses are recognized in equity.

Europe, Asia & Africa

€200 million loan

On June 19, 2007, ArcelorMittal Stainless Belgium signed a two year €200 million loan with ArcelorMittal Finance & Services Belgium due initially in 2009. On June 17, 2009, the loan was refinanced for another period of two years maturing in 2011. The outstanding amount under this contract as of December 31, 2010, 2009 and 2008 was €200 (267, 288 and 278, respectively).

(millions of U.S. dollars, except share and per share data)

€125 million credit facility

In February 2006, ArcelorMittal Stainless Belgium signed a nine year €125 million loan with ArcelorMittal Finance & Services Belgium due in 2015. The outstanding amount under this contract as of December 31, 2010, 2009 and 2008 was nil, €94 million (135) and €109 million (152), respectively. In June 2010, the outstanding amount under this facility was repaid in full.

€100 million credit facility

In August 2004, ArcelorMittal Stainless Belgium signed a seven year €100 million loan with ArcelorMittal Finance & Services Belgium due in 2011. The outstanding amount under this contract as of December 31, 2010, 2009 and 2008 was €20 million (27), €40 million (58) and €60 million (84), respectively.

ArcelorMittal Treasury Loans

In 2008, ArcelorMittal Stainless Service Poland entered into two separate loan agreements with ArcelorMittal Treasury totaling Polish Zloty ("PLN") 100 million and bearing floating interest rates. The last installment under these agreements is due in September 2013. The outstanding amount under these contracts as of December 31, 2010, 2009 and 2008 was PLN 100 million (33), PLN 100 million (35) and PLN 96 million (32), respectively.

Scheduled maturities of long-term debt including lease obligations are as follows:

	December 31, 2010
2011	337
2012	63
2013	131
2014	172
2015	166
Subsequent years	400
Total	1,269

The following table presents the structure of the Company's debt and cash in original currencies:

		In USD equivalent as of December 31, 2010			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	900	800	30	29	41
Long-term debt	932	15	817	64	36
Cash	120	38	51	28	3

		In USD equivalent as of December 31, 2009			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	506	407	21	26	52
Long-term debt	1,375	455	828	75	17
Cash	118	20	21	62	15

		In USD equivalent as of December 31, 2008			
	Total USD	EUR	USD	BRL	Other
Short-term debt and current portion of long-term debt	874	746	66	22	40
Long-term debt	1,206	227	865	84	30

(millions of U.S. dollars, except share and per share data)

Cash, including restricted cash	128	35	12	61	20

As a part of the Company's overall risk and cash management strategies, several loan agreements have been swapped from their original currencies to other foreign currencies.

At the reporting date the carrying amount and fair value of the Company's interest-bearing financial instruments was:

	December 31,					
	2010		2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	789	1,014	814	649	892	521
Instruments payable bearing interest at variable rates	480	504	694	658	786	476

NOTE 15: FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company utilizes financial derivative instruments to manage its exposure to fluctuations in interest rates, exchange rates and commodity prices, and energy arising from operating, financing and investment activities.

Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates.

Cash and cash equivalents, restricted cash, short term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Prepaid expenses and other current assets include derivative instruments of 22, 21 and 25 as of December 31, 2010, 2009 and 2008, respectively. Other assets include derivative instruments of nil, 1 and 3 as of December 31, 2010, 2009 and 2008, respectively. These derivatives instruments are classified as "Financial assets at fair value through profit or loss". Other investments are classified as "Available-for-sale" with gains or losses arising from changes in fair value recognized in equity. Other assets are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost". Accrued expenses and other liabilities include derivative financial instruments amounting to (9), (11) and (69) as of December 31, 2010, 2009 and 2008, respectively. Other long-term obligations include derivative financial instruments amounting to nil, (2) and (13) as of December 31, 2010, 2009 and 2008, respectively.

Net gains and losses recognized in the statement of operations on derivative instruments amounted to 30, 68 and (42) for the years ended December 31, 2010, 2009 and 2008, respectively. Unrealized gains (losses), which are included in financial income and expense, were 2, 70 and (41) (see Note 17) for the years ended December 31, 2010, 2009 and 2008, respectively. Realized gains (losses), which are included in operating income were 28, (2) and (1) for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company's short and long-term debt consists of debt instruments which bear interest at fixed rates and variable rates tied to market indicators. The fair value of fixed rate debt is based on estimated future cash flows, which are discounted using current market rates for debt with similar remaining maturities and credit spreads. See note 14 for disclosures of the carrying amount and fair value of the Company's variable rate debt.

The following table summarizes the bases used to measure certain assets and liabilities at their fair value as of December 31, 2010. Assets and liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

(millions of U.S. dollars, except share and per share data)

The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Significant inputs other than 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: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets. The Company did not have any assets or liabilities classified as Level 3.

	Level 1	Level 2	Total
Assets at fair value:			
Available-for-sale financial assets	177	—	177
Derivative financial assets	—	22	22
Total assets at fair value	177	22	199
Liabilities at fair value			
Derivative financial liabilities	—	(9)	(9)
Total liabilities at fair value	—	(9)	(9)

Available-for-sale financial assets classified as Level 1 refer to listed securities quoted in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates, foreign exchange rates, commodity prices (base metals), and energy. The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well established and recognized vendors of market data (Bloomberg and Reuters) and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates, and interest rates.

Portfolio of Derivatives

The Company's portfolio of derivatives consists of transactions with ArcelorMittal Treasury, which in turn enters into offsetting positions with counterparties external to ArcelorMittal. ArcelorMittal manages the counterparty risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction exposure limits based on the risk characteristics of the counterparty.

The portfolio associated with derivative financial instruments as of December 31, 2010 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase of contracts	168	5	176	(3)
Forward sale of contracts	147	3	117	(4)
Total foreign exchange rate instruments		8		(7)
Raw materials (base metal)				
Term contracts sales	2	—	28	(2)
Term contracts purchases	136	14	14	—

(millions of U.S. dollars, except share and per share data)

Total raw materials (base metal)		14		(2)
Total		22		(9)

The portfolio associated with derivative financial instruments as of December 31, 2009 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase of contracts	85	2	47	(2)
Forward sale of contracts	55	2	156	(4)
Total foreign exchange rate instruments		4		(6)
Raw materials (base metal)				
Term contracts sales	3	—	31	(4)
Term contracts purchases	77	18	23	(3)
Total raw materials (base metal)		18		(7)
Total		22		(13)

The portfolio associated with derivative financial instruments as of December 31, 2008 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase of contracts	192	12	84	(9)
Forward sale of contracts	148	10	168	(8)
Total foreign exchange rate instruments		22		(17)
Raw materials (base metal), energy				
Oil options	5	—	9	(1)
Term contracts sales metals	7	1	19	(3)
Term contracts purchases metals	28	5	131	(61)
Total raw materials (base metal), energy		6		(65)
Total		28		(82)

Interest rate risk

The Company utilizes interest rate derivatives (mainly interest rate swaps) to manage its exposure to fluctuations in interest rates. Interest rate swaps enable the Company to amend its exposure to fixed or floating interest rates either at inception or during the lifetime of the loan. The Company and its counter-party exchange, at predefined intervals, the difference between the agreed fixed and the variable rates, calculated on the basis of the notional amount of the swap.

Exchange rate risk

The Company is exposed to fluctuations in foreign exchange rates due to a substantial portion of the Company's assets, liabilities, sales and earnings being denominated in currencies other than the U.S. dollar (its presentation currency). These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the Euro, Brazilian real, as well as fluctuations in the other countries' currencies in which the Company has significant operations and/or sales, could have a material impact on its results of operations.

Following its Treasury and Financial Risk Management Policy, the Company hedges its net exposure to exchange rates through spot and derivative transactions.

(millions of U.S. dollars, except share and per share data)

Liquidity Risk

The Company's principal sources of liquidity are cash generated from its operations, bank credit lines and various working capital credit lines at its operating subsidiaries. The levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to manage the maturity profile and currency mix.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2010					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Loans over 100	(1,044)	(1,447)	(335)	(78)	(586)	(448)
Trade and other payables	(942)	(942)	(942)	—	—	—
Other non-derivative financial liabilities	(788)	(825)	(649)	(74)	(90)	(12)
	(2,774)	(3,214)	(1,926)	(152)	(676)	(460)
Derivative financial liabilities						
Foreign exchange contracts	(7)	(7)	(6)	(1)	—	—
Other commodities contracts	(2)	(2)	(2)	—	—	—
Total	(9)	(9)	(8)	(1)	—	—

	December 31, 2009					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Loans over 100	(1,173)	(1,572)	(109)	(392)	(521)	(550)
Trade and other payables	(608)	(608)	(608)	—	—	—
Other non-derivative financial liabilities	(708)	(758)	(504)	(87)	(136)	(31)
	(2,489)	(2,938)	(1,221)	(479)	(657)	(581)
Derivative financial liabilities						

Foreign exchange contracts	(6)	(6)	(6)	—	—	—
Other commodities contracts	(7)	(7)	(6)	(1)	—	—
Total	(13)	(13)	(12)	(1)	—	—

	December 31, 2008					
	Carrying Amount	Contractual Cash Flows	Less than 1 year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Loans over 100	(1,247)	(1,715)	(395)	(108)	(398)	(814)
Trade and other payables	(721)	(721)	(721)	—	—	—
Other non-derivative financial liabilities	(833)	(872)	(593)	(117)	(125)	(37)
	(2,801)	(3,308)	(1,709)	(225)	(523)	(851)
Derivative financial liabilities						
Foreign exchange contracts	(17)	(17)	(16)	(1)	—	—
Other commodities contracts	(65)	(65)	(54)	(9)	(2)	—
Total	(82)	(82)	(70)	(10)	(2)	—

Cash flow hedges

The following table presents the periods in which cash flows hedges are expected to mature:

	December 31, 2010					
		(outflows)/inflows				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	4	1	1	1	—
Total	7	4	1	1	1	—

The following table presents the periods in which cash flows hedges are expected to impact the statement of operations:

	December 31, 2010					
		(expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Commodities	7	—	5	1	1	—
Total	7	—	5	1	1	—

(millions of U.S. dollars, except share and per share data)

Raw materials and energy

The Company utilizes derivative instruments such as forwards, swaps and options to manage its exposure to commodity and energy prices both through the purchase of commodities and energy and through sales contracts.

Fair values of raw material and energy instruments are as follows:

	At December 31,		
	2010	2009	2008
Base metals	12	11	(58)
Energy (oil)	—	—	(1)
Total	12	11	(59)
Assets associated with raw material and energy	14	18	6
Liabilities associated with raw material and energy	(2)	(7)	(65)
Total	12	11	(59)

The Company consumes large amounts of commodities (mainly nickel), the price of which is related to the London Metals Exchange price index and energy (the prices of which are related to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). The Company is exposed to price volatility in respect of its purchases in the spot market and under its long-term supply contracts.

Sensitivity analysis

Foreign currency sensitivity

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% variation of the U.S. dollar against the other currencies to which the Company is exposed. The sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in profit or loss where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2010	December 31, 2009	December 31, 2008
10% appreciation in U.S. dollar	7	(8)	(5)
10% depreciation in U.S. dollar	(7)	8	5

Cash flow sensitivity analysis for variable rate instruments

The following table details the Company's sensitivity to a change of 100 basis points ("bp") variation in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2010		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(9)	—	(9)
100 bp decrease	9	—	9

	December 31, 2009		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(5)	—	(5)
100 bp decrease	5	—	5

(millions of U.S. dollars, except share and per share data)

	December 31, 2008		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(6)	—	(6)
100 bp decrease	6	—	6

Base metals

The following table details the Company's sensitivity to a 10% variation in the prices of base metals. The sensitivity analysis includes un-matured base metal derivative instruments.

	December 31, 2010		December 31, 2009		December 31, 2008	
	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices Base Metals	6	7	7	—	7	—
−10% in prices Base Metals	(6)	(7)	(7)	—	(7)	—

NOTE 16: EQUITY

On September 9, 2010, the Company's subscribed share capital was fixed in the sum of USD 40,000 represented by 4,000 shares without par value.

On December 10, 2010, the Company's subscribed share capital was converted into EUR 31,000. The Company's authorized share capital, including the issued capital, amounts to EUR 450,031,000 represented by 85,854,303 shares without nominal value.

Capital transactions with ArcelorMittal

Capital transactions with ArcelorMittal amounted to 55 in 2010 and mainly included the contribution by ArcelorMittal of 98 with respect to the capital increase of 73 in ArcelorMittal Stainless Tubes Europe and 25 in ArcelorMittal Precision Europe.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 98 in 2010 and included the cash inflow of 73 and 25 on the capital increase of ArcelorMittal Stainless Tubes Europe and ArcelorMittal Precision Europe as mentioned above.

Capital transactions with ArcelorMittal amounted to 113 in 2009 and mainly included a contribution by ArcelorMittal of 127 with respect to the sale of a 7% stake in ArcelorMittal Finance & Services Belgium to ArcelorMittal. In 2008, ArcelorMittal Stainless Belgium entered into a loan agreement with a subsidiary of ArcelorMittal in the amount of 3,172 and subsequently purchased shares of ArcelorMittal Finance & Services Belgium for 3,172. In 2009, the shares were sold for 150 more than the purchase price. As this transaction was related to internal restructuring rather than the operations of the Company's business, the effect of this transaction, including interest expense and tax effects, have been recorded as a change in ArcelorMittal's net investment. In 2009, this resulted in an increase of ArcelorMittal's net investment of 127 related to the gain on disposal offset by interest expense.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 55 in 2009 and included mainly the cash inflow of 61 net of interest expense related to the disposal of ArcelorMittal Finance & Services Belgium as mentioned above.

Capital transactions with ArcelorMittal amounted to 817 in 2008 and mainly include the contribution by ArcelorMittal of 865 with respect to the capital increase of ArcelorMittal Inox Brasil's holding company to acquire part of the remaining non-controlling interests in ArcelorMittal Inox Brasil. An additional 88 was invested in ArcelorMittal Inox Brasil by subsidiaries of ArcelorMittal as part of the acquisition of non-controlling interests. Additionally, net cash outflows primarily related to interest expense, related to the ArcelorMittal Finance & Services Belgium transaction described above amounted to 85 and were treated as a reduction of ArcelorMittal's net investment. Additionally, APERAM entities purchased ownership interests in entities included in the Company's combined statement of financial position as at January 1, 2007, from other ArcelorMittal entities. The purchase price paid by APERAM entities of 21 was treated as a reduction in ArcelorMittal's net investment.

The change in ArcelorMittal's net investment in the combined statements of cash flows amounted to 333 in 2008 and included mainly the cash inflow of 340 related to the disposal of ArcelorMittal Stainless Service Germany GmbH by ArcelorMittal Stainless France and ArcelorMittal Stainless Service France to ArcelorMittal Berlin Holding GmbH as well as a cash inflow of 88 related to additional amounts invested in ArcelorMittal Inox Brasil as described above. The net cash outflows of 85 relate to the ArcelorMittal Finance & Services Belgium transaction as mentioned above.

Dividends

Certain entities within the scope of the Company's combined financial statements historically owned by ArcelorMittal entities which are not in scope of the Company's combined financial statements paid dividends between January 1, 2008 and December 31, 2010. These dividend payments have been maintained in the combined financial statements and treated as distributions by the Company.

Stock Option Plans

Certain of the Company's employees participate in stock-based compensation plans sponsored by ArcelorMittal. These plans provide employees with stock or options to purchase stock in ArcelorMittal. Given that the Company's employees directly benefit from participation in these plans, the expense incurred by ArcelorMittal for options granted to its employees has been reflected in the Company's combined statements of operations as selling, general and administrative. The compensation expense recognized for stock option plans was 4, 5 and 6 for each of the years ended December 31, 2010, 2009 and 2008, respectively.

On August 3, 2010, certain of the Company's employees were granted 209,400 options under the new ArcelorMittal Global Stock Option Plan 2009-2018 at an exercise price of $32.27. The options expire on August 3, 2020.

On August 4, 2009, certain of the Company's employees were granted 149,300 options under the new ArcelorMittal Global Stock Option Plan 2009-2018 at an exercise price of $38.30. The options expire on August 4, 2019.

On August 5, 2008, certain of the Company's employees were granted 256,500 options under the ArcelorMittalShares plan at an exercise price of $82.57. The options expire on August 5, 2018.

During the year 2010, certain employees transferred from ArcelorMittal to the Company. These beneficiaries increased the number of options outstanding by 185,572 awards. In the framework of the ArcelorMittal Global Stock Option Plan 2009-2018, 39,000 options have been transferred for the plan created on August 4, 2009, with an exercise price of $38.30. Under the ArcelorMittalShares plan, 41,500, 39,000, 18,750, 18,750 options for the ArcelorMittal stock option plans issued on August 5, 2008, on August 2, 2007, on September 1, 2006 and on August 23, 2005, respectively, have also been transferred. The exercise price of these options is $82.57, $64.30, $33.76 and $28.75 for the plans created in 2008, in 2007, in 2006 and in 2005, respectively. The maturity of theses stock options plans is ten years. For the stock options plan of Arcelor, 28,572 options issued on June 30, 2006 with an exercise period ending on June 30, 2013, have been transferred.

The fair values for options and other share-based compensation is recorded as an expense in the combined statement of operations over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting. The fair value of each option grant to purchase ArcelorMittal common shares is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions (based on year of grant):

(millions of U.S. dollars, except share and per share data)

	Year of grant		
	2010	2009	2008
Exercise price	$32.27	$38.30	$82.57
Dividend yield	2.32%	1.96%	1.82%
Expected annualized volatility	52%	62%	45%
Discount rate—bond equivalent yield	2.92%	3.69%	4.02%
Weighted average share price (per share)	$32.27	$38.30	$82.57
Expected life in years	6	6	6
Fair value of option	$13.56	$19.64	$33.89

The expected life of the options is estimated by observing general option holder behavior and actual historical lives of ArcelorMittal stock option plans. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on ArcelorMittal shares in the open market, as well as, historical patterns of volatility. Option activity with respect to ArcelorMittal shares is summarized below as of and for each of the years ended December 31, 2010, 2009 and 2008:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2007	399,099	44.35–64.30	55.44
Granted	256,500	82.57	82.57
Exercised	—	—	—
Cancelled	(35,392)	41.93–64.30	49.85
Expired	(6,266)	64.30	64.30
Outstanding, December 31, 2008	613,941	41.93–82.57	66.31
Granted	149,300	38.30	38.30
Exercised	—	—	—
Cancelled	(98,679)	43.40–82.57	66.41
Expired	(74,094)	64.30–82.57	69.73
Outstanding, December 31, 2009	590,468	38.30–82.57	59.17
Granted	209,400	32.27	32.27
Exercised	—	—	—
Cancelled	(43,646)	32.27–82.57	42.07
Expired	(45,715)	40.25	40.25
Transferred	185,572	28.75–82.57	52.54
Outstanding, December 31, 2010	896,079	28.75–82.57	52.86
Exercisable, December 31, 2010	523,805	28.75–82.57	60.48
Exercisable, December 31, 2009	213,934	43.40–82.57	69.23
Exercisable, December 31, 2008	82,854	41.93–64.30	59.67

The following table summarizes information about ArcelorMittal stock options held by the Company employees and outstanding as of December 31, 2010:

Options Outstanding			
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
82.57	227,232	7.60	168,064
64.30	164,050	6.59	164,050
40.25	91,431	2.50	91,431
38.30	178,966	8.60	62,760
33.76	18,750	5.67	18,750
32.27	196,900	9.60	—
28.75	18,750	4.65	18,750
$28.75–82.57	896,079	7.43	523,805

(millions of U.S. dollars, except share and per share data)

NOTE 17: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Recognized in the statement of operations			
Interest income	9	10	59
Interest expense	(116)	(119)	(123)
Result on disposal of financial assets	120	2	2
Unrealized gains (losses) on derivative instruments	2	70	(41)
Impairment of financial assets	—	(3)	(61)
Net foreign exchange result	6	25	(32)
Others	(21)	13	(27)
Total interest expense and other net financing costs	**(9)**	**(12)**	**(282)**
Recognized in the statement of comprehensive income (Company share)			
Net change in fair value of available-for-sale financial assets	(9)	31	(33)
Effective portion of changes in fair value of cash flow hedge	5	—	—
Foreign currency translation differences for foreign operations	(78)	523	(665)
Total	**(82)**	**554**	**(698)**

The impairment loss of 61 on financial assets in 2008 includes mainly the impairment of the available-for-sale investment in General Moly Inc. for 60.

The result on disposal of financial assets of 120 in 2010 includes the exchange of 217,837,295 Aços Villares shares into 9,076,554 Gerdau shares on December 30, 2010. See note 11 for further discussion.

Unrealized gains and losses on derivative instruments are mainly related to the fair value adjustments of raw material financial instruments hedging the purchases of nickel and do not qualify for hedge accounting.

NOTE 18: INCOME TAX

Income tax (benefit) expense

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2010, 2009 and 2008, respectively, is summarized as follows:

	Year ended December 31,		
	2010	2009	2008
Total current income tax expense (benefit)	13	(22)	(1)
Total deferred tax (benefit) expense	(16)	(35)	62
Total income tax (benefit) expense	(3)	(57)	61

The following table reconciles the income tax expense (benefit) to the statutory tax expense as calculated:

	Year ended December 31,		
	2010	2009	2008
Net income (loss):	104	(150)	59
Non-controlling interest	1	—	39
Income tax (benefit) expense	(3)	(57)	61
Income (loss) before tax:	**102**	**(207)**	**159**

(millions of U.S. dollars, except share and per share data)

Tax expense (benefit) at domestic rates applicable to countries where income (loss) was generated	32	(71)	57
Tax exempt revenues	(5)	(2)	(3)
Net change in measurement of deferred tax assets	(31)	(17)	4
Tax benefits surrendered to ArcelorMittal tax groups, net of indemnification	—	55	15
Rate changes	—	—	3
Deductible interest on net equity	—	(25)	(27)
Non-deductible stock option charge	1	2	2
Other permanent difference	—	1	10
Income tax (benefit) expense	**(3)**	**(57)**	**61**

The weighted average statutory tax expense (benefit) was 32, (71) and 57 in 2010, 2009 and 2008 respectively. The increase from 2009 to 2010 was due to a change in the geographical mix of income and an overall increase in profitability, with a greater proportion of operating income in 2010 arising in jurisdictions subject to relatively higher tax rates. The decrease from 2008 to 2009 was mainly due to an overall decrease in profitability resulting in the recording of a statutory tax benefit for losses sustained.

Tax exempt revenues mainly relate to tax exempt results from overseas companies held by ArcelorMittal Inox Brasil for (1), (1) and (3) in 2010, 2009 and 2008, respectively and tax exempt dividends in ArcelorMittal Inox Brasil for (3) and (1) in 2010 and 2009.

Net change in measurement of deferred tax assets of (31) in 2010 relates to previously unrecognized deferred tax assets on non-operating losses recognized by ArcelorMittal Inox Brasil of (27) and utilization of previously unrecognized tax losses by ArcelorMittal Stainless Service Luxembourg (2) and ArcelorMittal Stainless Service Iberica (2).

Net change in measurement of deferred tax assets of (17) in 2009 relates to previously unrecognized deferred tax assets on tax losses recognized by ArcelorMittal Inox Brasil of (18) and deferred tax assets not recognized on tax losses by ArcelorMittal Stainless Automotive Tube Czech Republic s.r.o. of 1.

Net change in measurement of deferred tax assets of 4 in 2008 relates to deferred tax assets not recognized on tax losses by ArcelorMittal Stainless Automotive Tube Czech Republic s.r.o. and ArcelorMittal Stainless Service Poland of 2 and 2, respectively.

Tax benefits surrendered to ArcelorMittal tax groups net of indemnification amounted to nil, 55 and 15 in 2010, 2009 and 2008, respectively. The tax benefits surrendered mainly relate to deferred tax assets not recognized in respect of the tax losses incurred by the Company's entities which are members of the tax groups operated by ArcelorMittal in France (93 and 45 in 2009 and 2008, respectively) and Italy (1 and 7 in 2009 and 2008, respectively). In the event of a change of control, the Company will not be able to utilize the benefit of these losses which were transferred to the ArcelorMittal tax groups. The benefits surrendered were partially offset by amounts to be reimbursed from ArcelorMittal to the Company as follows: France of (38) and (41) in 2009 and 2008, respectively and Italy of (3) in 2009.

The 2008 tax expense from rate changes of 3 mainly results from the decrease of corporate income tax rates in Germany of 1 and Italy of 2.

Interest on net equity ("Juros Sobre Capital Próprio" or "JSCP") paid by ArcelorMittal Inox Brasil have been deducted from taxable income decreasing the income tax expense by nil, (25) and (27) in 2010, 2009 and 2008, respectively. Corporate taxpayers in Brazil, who distribute a dividend can benefit from a tax deduction corresponding to an amount of interest calculated as a yield on capital (interest on shareholders' equity'). The deduction is determined as the lower of:

(i) the interest as calculated by application of the Brazilian long term interest rate on the opening balance of capital and reserves; and

(ii) 50% of the income for the year or accumulated profits from the previous year.

(millions of U.S. dollars, except share and per share data)

For book purposes, this distribution of interest on capital is regarded as a dividend distribution. For Brazilian tax purposes it is regarded a tax deductible interest.

The net deferred tax benefit (expense) recorded directly to equity was 34, (25) and 431 as of December 31, 2010, 2009 and 2008, respectively. There was no current tax booked directly in equity in 2010, 2009 and 2008, respectively.

The amount of 21 recognized in capital employed in 2010 relates primarily to the capital transactions described in note 16.

The amount of 70 recognized in capital employed in 2009 relates primarily to ArcelorMittal Stainless Belgium's sale of a 7% ownership interest in ArcelorMittal Finance & Services Belgium, as described in note 16.

The amount of 297 recognized in capital employed in 2008 includes ArcelorMittal Stainless Belgium's purchase of a 7% ownership interest in ArcelorMittal Finance & Services Belgium, as described in note 16, for 12, a deferred tax benefit of 306 with respect to the tax deductible goodwill on the acquisition of the non-controlling interests in ArcelorMittal Inox Brasil and a derecognition of the deferred tax benefit of 21 on the impairment of the investment in General Moly following its surrender to ArcelorMittal.

Income tax recognized directly in equity

	2010	2009	2008
Deferred tax			
Recognized in other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities	28	(13)	17
Unrealized gain on derivatives financial instruments	(3)	—	—
Foreign currency translation adjustments	(12)	(82)	117
Recognized in capital employed	21	70	297
	34	(25)	431

The origin of deferred tax assets and liabilities is as follows:

	Assets			Liabilities			Net		
	December 31,			December 31,			December 31,		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Intangible assets	136	177	177	(27)	(32)	(37)	109	145	140
Property, plant and equipment	6	5	3	(410)	(441)	(436)	(404)	(436)	(433)
Inventories	33	32	46	(3)	(2)	—	30	30	46
Available-for-sale financial assets	—	—	—	—	(21)	(9)	—	(21)	(9)
Financial instruments	2	4	27	(6)	(7)	(9)	(4)	(3)	18
Other assets	14	31	18	(2)	(3)	(8)	12	28	10
Provisions	79	76	88	(86)	(73)	(64)	(7)	3	24
Other liabilities	40	34	31	—	(2)	(51)	40	32	(20)
Tax losses carried forward	282	212	137	—	—	—	282	212	137
Tax credits	9	5	18	—	—	—	9	5	18
Deferred tax assets/(liabilities)	601	576	545	(534)	(581)	(614)	67	(5)	(69)
Deferred tax assets							183	173	182
Deferred tax liabilities							(116)	(178)	(251)

Deferred tax assets not recognized by the Company as of December 31, 2010 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	886	296	282	14
Tax credits and other tax benefits	38	13	9	4
Other temporary differences	913	310	310	—

(millions of U.S. dollars, except share and per share data)

Total	619	601	18

Deferred tax assets not recognized by the Company as of December 31, 2009 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	783	261	212	49
Tax credits and other tax benefits	15	5	5	—
Other temporary differences	1,063	359	359	—
Total		625	576	49

Deferred tax assets not recognized by the Company as of December 31, 2008 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	582	191	137	54
Tax credits and other tax benefits	53	18	18	—
Other temporary differences	1,150	390	390	—
Total		599	545	54

The Company has unrecognized deferred tax assets relating to tax loss carry forwards, tax credits and other tax benefits amounting to 18, 49 and 54 as of December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, the deferred tax assets not recognized relate to tax loss carry forwards attributable to subsidiaries located in Spain (5), Czech Republic (3), France (3), Poland (2) and Luxembourg (1) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a blended rate. Unrecognized tax losses have no expiration date in France and Luxembourg and an expiration date of 15 years in Spain and 5 years in Czech Republic and Poland. The utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary.

At December 31, 2010, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Company will realize the benefits of an amount of deferred tax assets recognized for 183. The amount of future taxable income required to be generated by the Company's operating subsidiaries to utilize the total deferred tax assets is approximately 545. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its combined financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

The Company has not recorded any deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income tax due if these earnings would be distributed. Investments in the Company's subsidiaries are not expected to reverse in the foreseeable future and therefore dividends, withholding taxes and/or capital gains triggering subject income taxes are not anticipated. The aggregate amount of deferred tax liabilities relating to investments in subsidiaries, branches and associates and investments that is not recognized due to the fact that its undistributed earnings are permanently reinvested amounts to is 2.

Tax loss carry forwards

At December 31, 2010, the Company had total estimated net tax loss carry forwards of 886.

Such amount includes net operating losses of 20, 16 and 12 related to ArcelorMittal Stainless Iberica S.L. in Spain, ArcelorMittal Stainless Automotive Tube Czech republic s.r.o. in Czech Republic and ArcelorMittal Stainless Service Poland in Poland which expire as follows:

(millions of U.S. dollars, except share and per share data)

Year expiring	Amount
2011	—
2012	3
2013	16
2014	10
2015	—
2016–2025	19
Total	48

The remaining tax loss carry forwards of 838 are indefinite and attributable to the Company's operations in Belgium, Brazil, France, Luxembourg and Italy.

Tax loss carry forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss carry forwards in future years.

NOTE 19: PROVISIONS

The movements by provision were as follows:

	Balance at December 31, 2007	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2008
Environmental (see note 23)	49	7	(14)	(3)	39
Restructuring	16	1	(7)	(1)	9
Litigation (see note 23)	83	4	(39)	2	50
Onerous contracts	3	27	(1)	1	30
Voluntary separation plans	50	76	(10)	(13)	103
Other	28	15	(24)	(1)	18
	229	130	(95)	(15)	249
Short-term provisions	76				122
Long-term provisions	153				127
	229				249

	Balance at December 31, 2008	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2009
Environmental (see note 23)	39	11	(2)	(5)	43
Restructuring	9	—	(5)	1	5
Litigation (see note 23)	50	1	(15)	13	49
Onerous contracts	30	—	(28)	(2)	—
Voluntary separation plans	103	28	(84)	11	58
Other	18	15	(18)	5	20
	249	55	(152)	23	175
Short-term provisions	122				39
Long-term provisions	127				136
	249				175

	Balance at December 31, 2009	Additions	Deductions—Payments and other releases	Effects of Foreign Exchange and other movements	Balance at December 31, 2010
Environmental (see note 23)	43	1	(4)	(2)	38
Restructuring	5	—	(3)	(1)	1
Litigation (see note 23)	49	8	(9)	46	94

(millions of U.S. dollars, except share and per share data)

Voluntary separation plans	58	13	(15)	(44)	12
Other	20	10	(11)	(2)	17
	175	32	(42)	(3)	162
Short-term provisions	39				39
Long-term provisions	136				123
	175				162

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts above and the actual outflows. Due to the uncertainties regarding the timing of the provisions or the short period of their expected use, they are presented on a non-discounted basis.

In addition to existing labor agreements, voluntary separation plans were announced at the end of 2008 by the ArcelorMittal Group Management Board and were largely completed in 2009. As of December 31, 2010, the outstanding provision relates to remaining plans primarily in France and Belgium which are expected to be settled in a period of one to three years.

Provisions for litigation related to probable losses that have been incurred due to a present legal or constructive obligation are expected to be settled in a period of one to four years.

Environmental provisions are related to probable environmental assessments and/or remedial efforts and are expected to be used for up to 20 years.

Provisions for onerous contracts related to unavoidable costs of meeting obligations exceeding expected economic benefits under certain contracts and any remaining provision was fully utilized during the year ended December 31, 2009.

Other includes provisions for technical warranties, guarantees as well as other disputes.

NOTE 20: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following as of December 31:

	December 31,		
	2010	2009	2008
Accrued payroll and employee related expenses	162	153	153
VAT and other amounts due to public authorities	58	54	38
Cash collected from sold trade receivables	42	63	103
Revaluation of derivative instruments	9	11	69
Unearned revenue and accrued payables	6	10	10
Dividends payable to ArcelorMittal and non-controlling interests	2	63	6
Other creditors	147	134	133
Total	426	488	512

NOTE 21: COMMITMENTS

The Company's commitments consist of three main categories:

- various purchase and capital expenditure commitments,
- pledges, guarantees and other collateral instruments given to secure financial debt and credit lines,
- non-cancellable operating leases.

(millions of U.S. dollars, except share and per share data)

Commitments given

	December 31,		
	2010	2009	2008
Purchase commitments	1,376	1,052	924
Capital expenditure commitments	—	11	25
Guarantees, pledges and other collateral	130	92	76
Operating leases	19	25	26
Other commitments	10	2	—
Total	**1,535**	**1,182**	**1,051**

Purchase commitments

Purchase commitments consist of the major agreements for procuring nickel, iron ore and pellets. The Company also entered into agreements for industrial gas and mill rolls.

Guarantees, property and other collateral

Property pledges and guarantees mainly relate to mortgages entered into by the Company's operating subsidiaries and guarantees issued related to external debt financing. Guarantees consist of guarantees of financial loans and credit lines first demand and documentary guarantees. Other collateral and guarantees include documentary credits, letters of credit and sureties.

Operating leases

Commitments for operating leases primarily related to one contract for land in Belgium. This lease expires in 2064. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2010 according to maturity periods are as follows:

Less than 1 year	1
1-3 years	2
4-5 years	1
More than 5 years	15
Total	**19**

NOTE 22: DEFERRED EMPLOYEE BENEFITS

The Company's operating subsidiaries have different types of pension plans for its employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally retirement indemnities. Limited health care benefits are also offered to some employees in Belgium. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial gains amounted to 12 for pensions and 5 for other post retirement benefits as of December 31, 2010.

Pension Plans

A summary of the significant defined benefit pension plans is as follows:

(millions of U.S. dollars, except share and per share data)

Brazil

The primary defined benefit plans, financed through trust funds, have been closed to new entrants. Brazilian entities have all established defined contribution plans that are financed by employer and employee contributions.

Europe

Certain European operating subsidiaries maintain primarily unfunded defined benefit pension plans for a certain number of employees. Benefits are based on such employees' length of service and applicable pension table under the terms of individual agreements. Some of these unfunded plans have been closed to new entrants and replaced by defined contributions pension plans for active members financed by employer and employee contributions.

Plan Assets

The weighted-average asset allocations by asset category in Brazil were as follows:

	December 31		
	2010	2009	2008
Equity Securities	7%	3%	2%
Fixed Income (including cash)	92%	96%	97%
Real Estate	1%	1%	1%
Total	**100%**	**100%**	**100%**

The assets related to the funded defined benefit pension plans in Europe represented 1, 1 and 1 as of December 31, 2010, 2009 and 2008, respectively, and were invested in guaranteed insurance contracts.

These assets do not include any direct investment in ArcelorMittal or in property or other assets occupied or used by ArcelorMittal. This does not exclude ArcelorMittal shares included in mutual fund investments. The invested assets produced an actual return of 14, 24 and 7 in 2010, 2009 and 2008, respectively.

The Finance and Retirement Committees of the Board of Directors for the respective operating subsidiaries have general supervisory authority over the respective trust funds. These committees have established the following asset allocation targets. These targets are considered benchmarks and are not mandatory.

	BRAZIL	EUROPE
Equity Securities	6%	—
Fixed Income (including cash)	93%	—
Real Estate	1%	—
Other	—	100%
Total	100%	100%

The following tables detail the reconciliation of defined benefit obligation, plan assets and statement of financial position.

	Year Ended December 31, 2010		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	185	90	95
Service cost	1	1	—
Interest cost	14	10	4
Curtailments and settlements	—	—	—
Actuarial loss (gain)	(6)	(4)	(2)

(millions of U.S. dollars, except share and per share data)

Benefits paid	(12)	(7)	(5)
Foreign currency exchange rate differences and other movements	6	13	(7)
Benefit obligation at end of the period	188	103	85
Change in plan assets			
Fair value of plan assets at beginning of the period	163	162	1
Expected return on plan assets	18	18	—
Actuarial gain (loss)	(4)	(4)	—
Benefits paid	(7)	(7)	—
Foreign currency exchange rate differences and other movements	18	18	—
Fair value of plan assets at end of the period	188	187	1
Present value of wholly or partly funded obligation	104	103	1
Fair value of plan assets	188	187	1
Net present value of wholly or partly funded obligation	(84)	(84)	—
Present value of unfunded obligation	84	—	84
Unrecognized net actuarial (gain) loss	(12)	(13)	1
Prepaid due to unrecoverable surpluses	71	71	—
Recognized liabilities	83	—	83

	Year Ended December 31, 2009		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	144	55	89
Service cost	1	1	—
Interest cost	13	8	5
Curtailments and settlements	(1)	(1)	—
Actuarial loss	6	2	4
Benefits paid	(11)	(5)	(6)
Foreign currency exchange rate differences and other movements	33	30	3
Benefit obligation at end of the period	185	90	95
Change in plan assets			
Fair value of plan assets at beginning of the period	98	97	1
Expected return on plan assets	14	14	—
Actuarial gain	10	10	—
Benefits paid	(5)	(5)	—
Foreign currency exchange rate differences and other movements	46	46	—
Fair value of plan assets at end of the period	163	162	1
Present value of wholly or partly funded obligation	(91)	(90)	(1)
Fair value of plan assets	163	162	1
Net present value of wholly or partly funded obligation	72	72	—
Present value of unfunded obligation	(94)	—	(94)
Unrecognized net actuarial (gain) loss	(10)	(13)	3
Prepaid due to unrecoverable surpluses	(59)	(59)	—
Recognized liabilities	(91)	—	(91)

	Year Ended December 31, 2008		
	TOTAL	BRAZIL	EUROPE
Change in benefit obligation			
Benefit obligation at beginning of the period	159	65	94
Service cost	1	1	—
Interest cost	12	7	5
Curtailments and settlements	(1)	(1)	—
Actuarial loss	7	5	2
Benefits paid	(11)	(4)	(7)
Foreign currency exchange rate differences and other movements	(23)	(18)	(5)

(millions of U.S. dollars, except share and per share data)

Benefit obligation at end of the period	144	55	89
Change in plan assets			
Fair value of plan assets at beginning of the period	127	126	1
Expected return on plan assets	14	14	—
Actuarial loss	(7)	(7)	—
Benefits paid	(4)	(4)	—
Foreign currency exchange rate differences and other movements	(32)	(32)	—
Fair value of plan assets at end of the period	98	97	1
Present value of wholly or partly funded obligation	(56)	(55)	(1)
Fair value of plan assets	98	97	1
Net present value of wholly or partly funded obligation	42	42	—
Present value of unfunded obligation	(88)	—	(88)
Unrecognized net actuarial gain	(2)	—	(2)
Prepaid due to unrecoverable surpluses	(42)	(42)	—
Recognized liabilities	(90)	—	(90)

Asset Ceiling

In accordance with IFRS, assets recognized for a defined benefit plan are limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. The amount not recognized in the fair value of plan assets due to the asset ceiling was 71, 59 and 42 at December 31, 2010, 2009 and 2008, respectively.

The following tables detail the components of net periodic pension cost:

	Year Ended December 31, 2010		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	14	10	4
Expected return on plan assets	(18)	(18)	—
Charges due to unrecoverable surpluses	9	9	—
Curtailments and settlements	—	—	—
Amortization of unrecognized actuarial (gain) loss	(2)	(2)	—
Total	4	—	4

	Year Ended December 31, 2009		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	13	8	5
Expected return on plan assets	(14)	(14)	—
Charges due to unrecoverable surpluses	3	3	—
Curtailments and settlements	(1)	(1)	—
Amortization of unrecognized actuarial (gain) loss	2	3	(1)
Total	4	—	4

	Year Ended December 31, 2008		
	TOTAL	BRAZIL	EUROPE
Net periodic pension cost (benefit)			
Service cost	1	1	—
Interest cost	12	7	5
Expected return on plan assets	(14)	(14)	—
Charges due to unrecoverable surpluses	(6)	(6)	—
Amortization of unrecognized actuarial (gain) loss	12	12	—

(millions of U.S. dollars, except share and per share data)

Total	5	—	5

Other post-employment benefits

The Company's principal operating subsidiaries provide other post-employment benefits ("OPEB"), including life insurance benefits, to retirees.

Summary of changes in the other post employment benefit obligation and the change in plan assets:

	Year Ended December 31, 2010		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	59	5	54
Service cost	2	—	2
Interest cost	3	—	3
Actuarial loss (gain)	(1)	—	(1)
Benefits paid	(6)	(1)	(5)
Plan amendments	13	—	13
Foreign currency exchange rate changes and other movements	(4)	—	(4)
Benefits obligation at end of period	66	4	62
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	66	4	62
Unrecognized net actuarial loss (gain)	5	(1)	6
Unrecognized past service cost (non vested benefits)	(13)	—	(13)
Net amount recognized	**58**	**3**	**55**

	Year Ended December 31, 2009		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	60	5	55
Service cost	2	—	2
Interest cost	3	—	3
Actuarial loss (gain)	—	(1)	1
Benefits paid	(6)	—	(6)
Curtailments and settlements	(4)	—	(4)
Foreign currency exchange rate changes and other movements	4	1	3
Benefits obligation at end of period	59	5	54
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(59)	(5)	(54)
Unrecognized net actuarial loss (gain)	(3)	—	(3)
Net amount recognized	**(62)**	**(5)**	**(57)**

	Year Ended December 31, 2008		
	TOTAL	BRAZIL	EUROPE
Change in post-employment benefit obligation			
Benefit obligation at beginning of period	68	6	62
Service cost	2	—	2
Interest cost	4	1	3
Actuarial loss (gain)	(2)	—	(2)

(millions of U.S. dollars, except share and per share data)

Benefits paid	(8)	(1)	(7)
Foreign currency exchange rate changes and other movements	(4)	(1)	(3)
Benefits obligation at end of period	60	5	55
Fair value of assets	—	—	—
Present value of funded obligation	—	—	—
Fair value of plan assets	—	—	—
Net present value of funded obligation	—	—	—
Present value of unfunded obligation	(60)	(5)	(55)
Unrecognized net actuarial loss (gain)	(5)	—	(5)
Net amount recognized	**(65)**	**(5)**	**(60)**

The following tables detail the components of net periodic other post-employment cost:

	Year Ended December 31, 2010		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	—	—	—
Amortization of unrecognized actuarial (gain) loss	1	—	1
Total	6	—	6

	Year Ended December 31, 2009		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB benefit			
Service cost	2	—	2
Interest cost	3	—	3
Curtailments and settlements	(5)	—	(5)
Amortization of unrecognized actuarial (gain) loss	(1)	(1)	—
Total	(1)	(1)	—

	Year Ended December 31, 2008		
	TOTAL	BRAZIL	EUROPE
Components of net periodic OPEB cost			
Service cost	2	—	2
Interest cost	4	1	3
Total	6	1	5

Weighted-average assumptions used to determine benefit obligations:

	Pension Plans			Other Post-employment Benefits		
	December 31,			December 31,		
	2010	2009	2008	2010	2009	2008
Discount rate	8.04%	7.81%	6.21%	5.06%	7.67%	6.21%
Rate of compensation increase	4.69%	4.23%	3.48%	3.26%	4.97%	3.90%
Expected long-term rate of return on plan assets	10.47%	7.52%	6.22%	5.00%		

Cash Contributions

In 2011, the Company expects its cash contributions to amount to 6 for pension plans, 4 for other post employment benefits plans and 10 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 10, 10 and 11 in 2010, 2009 and 2008, respectively.

(millions of U.S. dollars, except share and per share data)

Statement of Financial Position

Together with plans and obligations that do not constitute pension or other post-employment benefits, the total deferred employee benefits are as follows:

	December 31, 2010	December 31, 2009	December 31, 2008
Pension plan benefits	83	91	90
Other post-employment benefits	58	62	65
Early retirement benefits	40	39	36
Other long-term employee benefits	—	1	—
Total	181	193	191

The fair values of the employee benefit liabilities as at December 31, 2010 can be derived from the aforementioned amounts by adding the non recognized actuarial losses and deducting the actuarial gains, deferred in accordance with the "corridor" approach, as described in Note 2. Accordingly, the fair values of the employee benefit liabilities were 163, 180 and 184 as at December 31, of 2010, 2009 and 2008, respectively.

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to the Company's operating subsidiaries' pension plans (as of December 31, 2010, the defined benefit obligation ("DBO") for pension plans was 188):

Change in assumption	Effect on 2011 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2009 DBO	Effect on 2009 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2008 DBO	Effect on 2008 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2007 DBO
100 basis point decrease in discount rate	1	27	1	28	1	22	1	24
100 basis point increase in discount rate	—	(21)	(1)	(21)	—	(17)	(1)	(21)
100 basis point decrease in rate of compensation	—	(3)	(1)	(4)	(1)	(4)	(1)	(4)
100 basis point increase in rate of compensation	—	3	1	4	1	4	1	4
100 basis point decrease in expected return on plan assets	(2)	—	(2)	—	(1)	—	(1)	—
100 basis point increase in expected return on plan assets	2	—	2	—	1	—	1	—

(millions of U.S. dollars, except share and per share data)

The following table illustrates the sensitivity to a change in the discount rate assumption related to the Company's operating subsidiaries' OPEB plans (as of December 31, 2010 the DBO for post-employment benefit plans was 66):

	Effect on 2011 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2010 DBO	Effect on 2010 Pre-Tax OPEB Expense (sum of Service cost and interest cost	Effect of December 31, 2009 DBO	Effect on 2009 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2008 DBO	Effect on 2008 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect of December 31, 2007 DBO
Change in assumption								
100 basis point decrease in discount rate	—	6	—	4	—	5	—	5
100 basis point increase in discount rate	—	(5)	—	(4)	—	(4)	—	(5)

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

Experience adjustments

The four-year history of the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit in the pension plans is as follows:

	At December 31,			
	2010	2009	2008	2007
Present value of the defined benefit obligations	188	185	144	159
Fair value of the plan assets	188	163	98	127
Deficit	—	(22)	(46)	(32)
Experience adjustments: (increase)/decrease plan liabilities	7	(2)	(7)	(4)
Experience adjustments: increase/(decrease) plan assets	(4)	10	(7)	(1)

This table illustrates the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit for the OPEB plans:

	At December 31,			
	2010	2009	2008	2007
Present value of the defined benefit obligations	66	59	60	68
Fair value of the plan assets	—	—	—	—
Deficit	(66)	(59)	(60)	(68)
Experience adjustments: (increase)/decrease plan liabilities	2	1	1	1
Experience adjustments: increase/(decrease) plan assets	—	—	—	—

NOTE 23: CONTINGENCIES

The Company is involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in note 2.

Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for certain of these claims, the Company is unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, the Company has disclosed information with respect to the nature of the contingency. The Company has not accrued a reserve for the potential outcome of these cases.

In the cases in which quantifiable fines and penalties have been assessed, the Company has indicated the amount of such fine or penalty or the amount of provision accrued which is the estimate of the probable loss.

In a limited number of ongoing cases, the Company is able to make a reasonable estimate of the expected loss or range of possible loss and has accrued a provision for such loss, but management believes that publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company has disclosed information with respect to the nature of the contingency, but has not disclosed its estimate of the range of potential loss.

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management. Management believes that the aggregate provisions recorded for these matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and in estimating contingent liabilities, the Company could, in the future, incur judgments that have a material adverse effect on its results of operations in any particular period.

In addition, in the normal course of business, the Company and its operating subsidiaries may be subject to audits by the tax authorities in the countries in which they operate. Those audits could result in additional tax liabilities and payments, including penalties for late payment and interest.

Environmental Liabilities

The Company is subject to a broad range of environmental laws and regulations. As of December 31, 2010, the Company had established reserves of 38 for environmental and remedial activities and liabilities.

Belgium

In Belgium, there is an environmental provision of 6, of which the most significant elements are legal obligations linked to soil treatment and removal of slag and fines.

France

In France, there is an environmental provision of 23, which relates to (i) the demolition and clean-up of the Company's Ardoise facility after operations ceased at the site, (ii) PCB and asbestos removal at, and the subsequent demolition and clean-up of, the Company's Isbergues facility, and (iii) soil remediation and PCB and asbestos removal at the Company's Gueugnon facility.

Tax Claims

The Company is party to various tax claims, the most significant of which are set out below. As of December 31, 2010, the Company has established reserves in the aggregate of approximately 15 for the tax related claims disclosed below.

- On December 22, 2009, ArcelorMittal Inox Brasil was assessed by the Brazilian Federal Revenue Service in relation to its use of PIS social contributions credits against other federal taxes. The company presented its defense on January 20, 2010 and has been discussing the case in the first administrative instance. The total amount in dispute under these tax proceedings is approximately 49.

- On December 2, 2010, ArcelorMittal Inox Brasil received a tax assessment in the total amount of 42. The tax authority claims that the Company should have paid VAT (ICMS) related the distribution of electric power in the period of 2005 to 2009. ArcelorMittal Inox Brasil believes that this charge should not prevail since the distribution of electric power should not be considered as a good nor transportation and therefore it should not be subject to VAT (ICMS). The case is in the first administrative instance.

- On December 21, 2005, ArcelorMittal Inox Brasil was assessed by the Brazilian Federal Revenue Service in relation to its calculation of PIS and COFINS due to (i) unconditional discounts given to clients, (ii) the value of tax incentives granted by federal legislation (specifically, credits to be offset with IPI) and (iii) revenues derived from exchange rate variations. The amount in dispute is approximately 32, and the Company is currently awaiting a second instance administrative decision from the Special Court.

- On March 15 and March 18, 2005, ArcelorMittal Inox Brasil was assessed by the INSS (the Brazilian Social Securities Institute) for the non-collection of certain payroll taxes between 1999 and 2004 related to the special retirement of employees exposed to unhealthy working conditions. The amount in dispute is 24 and the matter is on appeal before the Federal Administrative Council of Tax Appeals.

- On June 26, 2007, after a final unfavorable decision at the administrative level, ArcelorMittal Inox Brasil brought an annulment action to void a tax assessment issued by the Brazilian Federal Revenue Service due to alleged underpayment of payroll taxes between 1998 and 2002 related to certain payments made to its employees under collective agreements. The Company is awaiting a decision in the first judicial instance. The amount currently under dispute is approximately 8.

- In January 2007, ArcelorMittal Inox Brasil was assessed by the State of Minas Gerais with regard to unjustified VAT credits deducted on the acquisition of materials. The total amount in dispute under this tax proceeding is approximately 4. There was a final judgment, partially favorable for the Company. The Company is awaiting further procedures to be performed by the tax authorities and the case will be close.

- On December 5, 2007, the Brazilian Federal Revenue Service challenged IPI (Tax on Industrialized Products (similar to Federal VAT)) tax credits registered by ArcelorMittal Inox Brasil from January 2003 to December 2006 related to the acquisition of certain materials. The claim alleges that the products acquired are either not related to the final product or not integrally consumed during operations. The amount in dispute is approximately 9. In December 2010, there was a partial favorable decision and the Company filed an appeal regarding the part that was not favorable. The Company is awaiting a decision in second administrative instance.

- On October 13, 1998, the Federal Revenue Service filed a tax foreclosure action against the Company in relation to the alleged underpayment of payroll taxes in the period of January 1987 to July 1997. After the Company initially prevailed in the Federal Court, the Brazilian Federal Revenue Service filed an appeal with the Federal Court of Appeals. The amount in dispute is approximately 6.

- On December 21, 2005, the Brazilian Federal Revenue Service assessed ArcelorMittal Inox Brasil for taxes related to intra-group credit transactions. The amount in dispute of 6 is currently on appeal before the Federal Administrative Council of Appeals.

- On February 3, 1993, the Brazilian Federal Union filed a collection action against ArcelorMittal Inox Brasil, alleging that it did not pay “compensation” required by law to offset the use of water resources in the construction of a hydroelectric plant. The Company recognized the collection and paid the principal amount, but is currently disputing the additional compensation and the interests related to this amount. After an unfavorable decision in the first judicial instance, the Company appealed to the second judicial instance and is awaiting judgment. The amount in dispute is approximately 4.

- On March 31, 2000, the Brazilian Federal Revenue Service filed a tax foreclosure action against ArcelorMittal Inox Brasil in relation to the non-payment of Federal Union legal fees. The decisions in the first and second instances were not favorable and the case is currently on appeal and awaiting trial in the Superior Court of Justice. The remaining amount in dispute is approximately 6.

- On September 30, 2002, ArcelorMittal Inox Brasil was assessed by the Brazilian Federal Revenue Service for recovery of taxes allegedly owed in relation to a “drawback” (a special tax benefit which allows the suspension of taxes due on the importation of inputs such as raw materials, equipment parts, packing material, etc.). The amount in dispute is approximately 3. There was a partial favorable decision in the first administrative instance and the Company presented an appeal in the second administrative instance. The Company is awaiting judgment.

- In May 2007 there was a tax assessment where the Brazilian Federal Revenue Service claims that there was no proof that the property of Pedra Corrida (rural property owned by ArcelorMittal Inox Brasil) received a tax exemption as a preservation area for the 2005 fiscal year. The amount involved is 3. There was a partial favorable decision in the first administrative instance and the Company presented an appeal and is waiting judgment in the second administrative instance.

- In December 2010, there was a tax assessment where the Brazilian Federal Revenue Service claims that there was no proof that the property of Pedra Corrida (rural property owned by ArcelorMittal Inox Brasil) received a tax exemption as a preservation area for the 2006 and 2007 fiscal years. The amount involved is 5 million. The Company presented its defense in January 2011 and the case is awaiting decision in the first administrative instance.

- In March 2005, there was a tax assessment where the Brazilian Federal Revenue Service claims for the payment of tax related to vacation bonuses for the period of 1999 until 2004. The amount involved is 3 and the case in the last administrative instance.

- In October 1990, ArcelorMittal Inox Brasil filed suit claiming for the right not to pay the social contribution on profits regarding the periods 1989 and 1990. The judgment was unfavorable and the Company was required to pay the social contributions and legal fees. The Federal Revenue Service filed a tax foreclosure against the Company charging social contribution on profits. In October 1999, the Company paid the amount under an amnesty program. Currently, the Company is challenging the requirement to pay legal fees. The Company is awaiting the decision of the special appeals court. The amount currently under dispute is approximately 4.

Labor Disputes

The Company is presently involved in a number of labor disputes, the most significant of which are set out below.

Brazil

- The Company is party to a number of labor claims in Brazil in relation to, among other things, overtime and severance payments. The total amount in dispute under these claims is approximately 63, the most significant of which are described below:

    - On January 1, 2006, the trade union of ArcelorMittal Inox Brasil filed a claim against the Company asking for the introduction of an interval of one hour in the working day. The decisions of both the First Labor Court in the city of Coronel Fabriciano/MG and the Labor Court of Appeals of the State of Minas Gerais were not favorable, and the Company has since appealed the decision to the Superior Labor Court. The Court of Appeals has confirmed the calculation but the Company provided certain assets as a guarantee to avoid payment of a guarantee. The parties are awaiting the judgment of the bill of review in the Superior labor Court. The amount in dispute is approximately 42.

- On September 1st, 2007, a claim was filed by a trade union against the Company demanding payment of mandatory amounts in respect of unhealthy working conditions. The Second Labor Court in the city of Coronel Fabriciano/MG rejected the trade union's claim, and the Labor Court of Appeals of the State of Bahia upheld the decision. The trade union has appealed to the Superior Labor Court but it was not successful. The decision became final and an expert accountant is performing the liquidation calculation for any amounts involved, including fines imposed on the trade union. The amount in dispute is approximately 10.

France

- On October 20, 2005, a class action lawsuit was filed by 315 employees against ArcelorMittal Stainless France contesting the calculation of their annual paid vacation leave and seniority bonuses. The Court of Appeals in Lyon found in favor of the employees in the amount of approximately 3 and the Company appealed to the highest court of appeals in France (the *Cour de Cassation*) and is awaiting a decision. The amount in dispute is approximately 4.

Other Fines and Penalties

The Company is party to an administrative proceeding with the Brazilian Central Bank regarding a fine related to an allegation of irregular exchange operation on foreign exchange transactions. A ruling against the Company in the amount of 20 is currently under appeal before the Council of Appeals of the Brazilian Financial System.

NOTE 24: SEGMENT AND GEOGRAPHIC INFORMATION

Historically, the majority of the Company's operations were managed as a single operating and reportable segment corresponding to the stainless steel segment of ArcelorMittal and the chief operating decision maker was the ArcelorMittal Group Management Board. In conjunction with the proposed spin-off, the Company's management identified the Chief Executive Officer and Chief Financial Officer of the Company as its chief operating decision maker, which is the individual or body of individuals responsible for the allocation of resources and assessment of performance of the operating segments. In April 2010, the newly identified chief operating decision maker began managing the business according to three operating segments.

An operating segment is a component of the Company:

- that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the Company);
- whose operating results are regularly reviewed by the Company's chief operating decision makers to make decisions about resources to be allocated to the segment and to assess its performance;
- and for which discrete financial information is available.

APERAM reports its operations in three segments: Stainless & Electrical Steel, Alloys & Specialties and Services & Solutions.

- Stainless & Electrical Steel operates upstream and downstream facilities located in France and Belgium as well as an integrated plant in Brazil. APERAM is the only integrated producer of flat stainless and silicon steel in South America;
- Alloys & Specialties is specialized in the design, production and transformation of nickel and cobalt alloys and certain specific stainless steels. Its facilities are mainly located in France with ownership interests in China and central India;

(millions of U.S. dollars, except share and per share data)

- Services & Solutions represents the trading and distribution arm of APERAM. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements including stainless precision strips and welded tubes.

The following table summarizes certain financial data relating to APERAM's operations in its different segments.

	Stainless & Electrical Steel	Alloys & Specialties	Services & Solutions	Others/Eliminations*	Total
Year ended December 31, 2010					
Sales to external customers	2,862	522	2,220	—	5,604
Intersegment sales**	1,569	7	107	(1,683)	—
Operating income (loss)	8	36	53	(4)	93
Depreciation	258	5	30	—	293
Impairment	23	1	—	—	24
Capital expenditures	81	5	15	—	101
Year ended December 31, 2009					
Sales to external customers	2,125	430	1,677	3	4,235
Intersegment sales**	1,060	5	81	(1,146)	—
Operating loss	(157)	(1)	(40)	(9)	(207)
Depreciation	278	6	31	4	319
Impairment	9	—	5	—	14
Capital expenditures	77	13	20	5	115
Year ended December 31, 2008					
Sales to external customers	4,784	800	2,729	45	8,358
Intersegment sales**	2,003	1	94	(2,098)	—
Operating income (loss)	345	26	(43)	54	382
Depreciation	277	6	30	6	319
Impairment	20	—	—	—	20
Capital expenditures	174	9	29	36	248

* Others/Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.

** Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

Effective with the adoption of the improvements of IFRSs published in April 2009 and applicable from January 1, 2010 onwards, the requirement to present assets for each reportable segment, if such information is not regularly provided to the CODM, has been removed. As the Company does not regularly provide such information it has not presented assets by segment in the table above. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year Ended December 31,		
	2010	2009	2008
Assets allocated to segments	6,138	6,002	6,122
Cash and cash equivalents, including restricted cash	120	118	128
Amounts receivable under cash pooling arrangements with ArcelorMittal	646	344	536
Income tax indemnification from ArcelorMittal France	—	288	242
Other investments	181	103	47
Deferred tax assets	183	173	182
Other unallocated assets	67	105	83
Total assets	**7,335**	**7,133**	**7,340**

The reconciliation from operating income (loss) to net income (loss) is as follows:

	Year Ended December 31,		
	2010	2009	2008

Operating income (loss)	93	(207)	382
Income from other investments	9	2	—
Interest income	9	10	59
Interest expense and other net financing costs	(9)	(12)	(282)
Income (loss) before taxes	102	(207)	159
Income tax (benefit) expense	(3)	(57)	61
Net income (loss) (including non-controlling interests)	105	(150)	98

Geographical information

Sales (by destination)

	Year Ended December 31,		
	2010	2009	2008
Americas			
Brazil	1,287	931	1,820
United States	244	161	305
Others	262	173	315
Total Americas	1,793	1,265	2,440
Europe			
Germany	1,143	805	1,661
Italy	576	467	905
France	444	327	789
Belgium	172	141	321
Spain	133	110	252
Poland	126	117	186
Others	841	695	1,262
Total Europe	3,435	2,662	5,376
Asia & Africa			
South Korea	80	118	193
China	62	41	104
Others	234	149	245
Total Asia & Africa	376	308	542
Total	5,604	4,235	8,358

Non-current assets per significant country*

	As of December 31,		
	2010	2009	2008
Americas			
Brazil	1,283	1,305	1,161
Others	28	30	33
Total Americas	1,311	1,335	1,194
Europe			
France	545	640	654
Belgium	1,104	1,273	1,322
Poland	24	26	18
Czech Republic	23	29	30
Italy	25	31	35
Others	42	44	47
Total Europe	1,763	2,043	2,106
Asia & Africa			
China	6	7	6
Others	2	2	4

(millions of U.S. dollars, except share and per share data)

Total Africa & Asia	8	9	10
Unallocated assets	1,406	1,636	1,321
Total	4,488	5,023	4,631

* *Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are presented under the caption "Unallocated assets".*

NOTE 25: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The total annual compensation of APERAM's employees paid in 2010, 2009 and 2008 was as follows:

	Year Ended December 31,		
	2010	**2009**	**2008**
Employee Information			
Wages and salaries	607	589	748
Pension cost	19	15	11
Other staff costs	83	78	—(1)
Total	709	682	759

(1) Other staff costs for 2008 have been included in wages and salaries.

As of December 31, 2010, 2009 and 2008, APERAM employed approximately 9,904, 9,916 and 12,164 persons, respectively.

In addition to the information in the table above, as disclosed in notes 1 and 13, costs associated with certain corporate functions provided by ArcelorMittal have been allocated to the Company. The total annual compensation, including base salary and/or director fees, short-term performance-related bonuses, post-employment benefits and share based compensations of ArcelorMittal's key management personnel, including its Board of Directors, allocated to the Company based on sales, amounts to 3, 2 and 3 for the years ended December 31, 2010, 2009 and 2008, respectively.

The fair value of stock options granted to the Company's key management personnel is recorded as an expense in the combined financial statement of operations over the relevant vesting periods. The Company determines the fair value of the options at the date of the grant using the Black-Scholes model.

As of December 31, 2010, 2009 and 2008, the Company did not have any outstanding loans or advances to members of ArcelorMittal's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of ArcelorMittal's Board of Directors or key management personnel. As of December 31, 2010, the Company did not have any outstanding loans or advances to members of APERAM's Board of Directors or key management personnel and had not given any guarantees for the benefit of any member of APERAM's Board of Directors or key management personnel.

NOTE 26: SUBSEQUENT EVENTS

On January 21, 2011, APERAM announced that at a general meeting held in Luxembourg on January 21, 2011, ArcelorMittal as sole shareholder of APERAM appointed two new independent members to the Board of Directors of APERAM. The two new independent members of the Board of Directors are Ms. Sylvie Ouziel and Mr. Romain Bausch. The general meeting also clarified the dividend policy for APERAM in 2011. In addition, the general meeting confirmed that a share repurchase authorization would become effective for APERAM upon effectiveness of the spin-off and would be structured similarly to ArcelorMittal's share repurchase authorization. Finally, the general meeting clarified the scope of a share-based awards program for APERAM's management.

On January 21, 2011, APERAM announced that subject to legal and regulatory requirements being met, APERAM's dividend payment of USD 0.75 per share will be applicable after the spin-off. As announced on February 15, 2011, the dividend will be paid in four equal quarterly installments of US$0.1875 (gross) per share. Quarterly payments of US$0.1875 per share will occur on March 30, 2011, June 14, 2011, September 12, 2011 and December 12 2011.

On January 25, 2011, an extraordinary general meeting of shareholders of ArcelorMittal approved by an majority all resolutions on the agenda, including the primary one, the spin-off of ArcelorMittal's stainless and specialty steels business into APERAM. In total, 963,117,270 shares or 61.7% of ArcelorMittal's share capital, were present or represented at the meeting. On the same date, ArcelorMittal, as APERAM's sole shareholder, approved the spin-off, accepted the transfer of the stainless and specialty steels business from ArcelorMittal to APERAM and allocated 78,045,730 of the Company's ordinary shares to ArcelorMittal's shareholders.

On January 25, 2011, as part of the spin-off, the outstanding amounts under the following loan agreements with ArcelorMittal have been transferred to APERAM subsidiaries: 900 credit facility (777), €200 million loan (€200 million), €100 million credit facility (€ 20 million) and ArcelorMittal Treasury loans (PLN 100 million) (as described in note 14). Therefore these loans will be eliminated in APERAM's financial statements in future periods. These facilities have been replaced by a 900 million one-year bridge loan provided by ArcelorMittal to APERAM on January 26, 2011. The intention is to replace the bridge loan with external financing.

On January 31, 2011, APERAM's ordinary shares commenced trading on the Luxembourg Stock Exchange, NYSE Euronext Paris and NYSE Euronext Amsterdam under the symbol "APAM". On the same date, APERAM's New York registry shares (NYRS) began trading in the over-the-counter (OTC) marketplace in the United States under the symbol APEMY, with each NYRS representing one ordinary share.