



ArcelorMittal

Annual report 2012





## Table of contents

### Management Report

Company overview _____	2
Business overview _____	2
Disclosures about market risks _____	22
Summary of risks and uncertainties _____	24
Group structure _____	26
Key transactions and events in 2012 _____	29
Recent developments _____	30
Corporate governance _____	31
> Luxembourg takeover law disclosure _____	42
Additional information _____	60
Chief executive officer and chief financial officer's responsibility statement _____	61

### Consolidated Financial Statements for the year ended December 31, 2012 \_\_\_\_\_ 61

Consolidated Statements of Financial Position _____	62
Consolidated Statements of Operations _____	63
Consolidated Statements of Other Comprehensive Income _____	64
Consolidated Statements of Changes in Equity _____	65
Consolidated Statements of Cash Flows _____	66
Notes to the Consolidated Financial Statements _____	67

### Report of the réviseur d'entreprises agréé – consolidated financial statements \_\_\_\_\_ 145

### Statutory Financial Statements of ArcelorMittal for the year ended December 31, 2012 \_\_\_\_\_ 146

Statements of Financial Position _____	146
Statements of Operations _____	147
Statements of Other Comprehensive Income _____	147
Statements of Changes in Equity _____	147
Statements of Cash Flows _____	148
Notes to the Financial Statements _____	149

### Report of the réviseur d'entreprises agréé – financial statements of ArcelorMittal \_\_\_\_\_ 188

### Risks related to the Global Economy and the Steel Industry \_\_\_\_\_ 190

### Mining \_\_\_\_\_ 201

## Company overview

### Company overview

ArcelorMittal is the world's leading integrated steel and mining company. It results from the combination in 2006 of Mittal Steel and Arcelor, which were at the time the world's largest and second largest steel companies by production volume respectively. ArcelorMittal had sales of approximately \$84.2 billion, steel shipments of approximately 83.8 million tonnes, crude steel production of approximately 88.2 million tonnes, iron ore production from own mines and strategic contracts of 68.1 million tonnes and coal production from own mines and strategic contracts of 8.9 million tonnes for the year ended December 31, 2012, as compared to sales of approximately \$94.0 billion, steel shipments of approximately 85.8 million tonnes, crude steel production of approximately 91.9 million tonnes, iron ore production of 65.2 million tonnes and coal production of 8.9 million tonnes for the year ended December 31, 2011. As of December 31, 2012, ArcelorMittal had approximately 245,000 employees.

ArcelorMittal is the largest steel producer in the Americas, Africa and Europe and is the fourth largest producer in the CIS region. ArcelorMittal has steel-making operations in 20 countries on four continents, including 58 integrated, mini-mill and integrated mini-mill steel-making facilities.

ArcelorMittal has a global portfolio of 16 operating units with mines in operation and development and is among the largest iron ore producers in the world. In the year ended December 31, 2012, ArcelorMittal mines and strategic contracts produced 68.1 million tonnes of iron ore and met 61% of the Company's iron ore requirements, and produced 8.9 million tonnes of coking coal and PCI and met 20% of the Company's PCI and coal requirements. The Company currently has iron ore mining activities in Algeria, Brazil,

Bosnia, Canada, Kazakhstan, Liberia, Mexico, Ukraine and the United States and has projects under development or prospective development in Canada, Mauritania and India. The Company currently has coal mining activities in Kazakhstan, Russia and the United States. ArcelorMittal's main mining products include iron ore lump, fines, concentrate, pellets, sinter feed, coking coal, PCI and thermal coal. As of December 31, 2012, ArcelorMittal's iron ore reserves are estimated at 4.3 billion tonnes run of mine and its total coking coal reserves are estimated at 318 million tonnes run of mine or 170 wet recoverable million tonnes.

ArcelorMittal produces a broad range of high-quality steel finished and semi-finished products. Specifically, ArcelorMittal produces flat steel products, including sheet and plate, long steel products, including bars, rods and structural shapes. ArcelorMittal also produces pipes and tubes for various applications. ArcelorMittal sells its steel products primarily in local markets and through its centralized marketing organization to a diverse range of customers in over 170 countries including the automotive, appliance, engineering, construction and machinery industries. The Company also produces various types of mining products including iron ore lump, fines, concentrate and sinter feed, as well as coking, PCI and thermal coal.

### Cautionary Statement Regarding Forward-Looking Statements

This document may contain forward-looking information and statements about ArcelorMittal and its subsidiaries. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "target" or similar

expressions. Although ArcelorMittal's management believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of ArcelorMittal's securities are cautioned that forward-looking information and statements are subject to numerous risks and uncertainties, many of which are difficult to predict and generally beyond the control of ArcelorMittal, that could cause actual results and developments to differ materially and adversely from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the filings with the Luxembourg financial and stock market regulator (Commission de Surveillance du Secteur Financier). ArcelorMittal undertakes no obligation to publicly update its forward looking statements, whether as a result of new information, future events, or otherwise.

### Corporate and Other Information

ArcelorMittal is a public limited liability company (société anonyme) incorporated under the laws of Luxembourg. ArcelorMittal is registered with the Luxembourg Register of Commerce and Companies (Registre du Commerce et des Sociétés) under number B 82.454.

Individual investors who have any questions or document requests may send their request to: [privateinvestors@arcelormittal.com](mailto:privateinvestors@arcelormittal.com).

Institutional investors who have any questions or document requests may contact [investor.relations@arcelormittal.com](mailto:investor.relations@arcelormittal.com).

The mailing address and telephone number of ArcelorMittal's registered office are:  
19, Avenue de la Liberté,  
L-2930 Luxembourg,  
Grand Duchy of Luxembourg,  
tel: +352 4792-2484.

ArcelorMittal's agent for U.S. federal securities law purposes is ArcelorMittal USA LLC, attention: General Counsel, 1 South Dearborn, Chicago, Illinois 60603, United States of America, tel: + 1 312 899-3400.

### Business Overview

The following discussion and analysis should be read in conjunction with ArcelorMittal's consolidated financial statements and related notes for the year ended December 31, 2012 included in this Annual Report.

### Key Factors Affecting Results of Operations

The steel industry, and the iron ore and coal mining industries, which provide its principal raw materials, have historically been highly cyclical and are affected significantly by general economic conditions, as well as fluctuations in productive capacity utilization and in changes in steel imports/exports and tariffs. In particular, this is due to the cyclical nature of the automotive, construction, machinery and equipment and transportation industries that are the principal customers of steel. After a period of continuous growth between 2004 and 2008, the sharp fall in demand resulting from the 2008-2009 global economic crisis demonstrated the steel market's vulnerability to volatility and sharp corrections. The last quarter of 2008 and the first half of 2009 were characterized by a deep slump in demand, as consumers used up existing inventories rather than buying new stock. The iron ore and steel market began a gradual recovery in the second half of 2009 that continued in 2010 and the first half of 2011 in line with global economic activity. The iron ore and steel market experienced renewed weakening in the second half of 2011, as demand decreased due in part to uncertainty surrounding the Euro-zone sovereign debt crisis and due to significant destocking in the fourth quarter of 2011. Similarly, 2012 was again characterized by early optimism and restocking but

## Company overview

contraction in Europe and a slowdown in China caused iron ore prices to fall as did then both steel prices and margins. The scope and duration of any recovery in activity is difficult to predict and remains subject to significant risks, particularly any escalation of the Euro-zone debt crisis.

ArcelorMittal's sales are predominantly derived from the sale of flat steel products, long steel products and tubular products as well as of iron ore and coal. Prices of steel products, iron ore and coal, in general, are sensitive to changes in worldwide and local demand, which, in turn, are affected by worldwide and country-specific economic conditions and available production capacity.

Unlike many commodities, steel is not completely fungible due to wide differences in shape, chemical composition, quality, specifications and application, all of which impact sales prices. Accordingly, there is limited exchange trading of steel or uniform pricing, whereas there is increasing trading of steel raw materials, particularly iron ore. Commodity spot prices may vary, and therefore sales prices from exports fluctuate as a function of the worldwide balance of supply and demand at the time sales are made. ArcelorMittal's sales are made on the basis of shorter-term purchase orders as well as some longer term contracts to some industrial customers, particularly in the automotive industry. Sales of iron ore to external parties amounted to 10.4 million tonnes in 2012. Steel price surcharges are often implemented on steel sold pursuant to long-term contracts in order to recover increases in input costs. However, spot market steel, iron ore and coal prices and short-term contracts are driven by market conditions.

One of the principal factors affecting the Company's operating profitability is the relationship between raw material prices and

steel selling prices. Profitability depends in part on the extent to which steel selling prices exceed raw material prices, and in particular, the extent to which changes in raw material prices correlate with changes in steel selling prices. Complicating factors include the extent of the time lag between (a) the raw material price change and the steel selling price change and (b) the date of the raw material purchase and the actual sale of the steel product in which the raw material was used (average cost basis). In recent periods, steel selling prices have tended to react quickly to rises in raw material prices, due in part to the tendency of distributors to increase purchases of steel products early in a rising cycle of raw material prices. With respect to (b), as average cost basis is used to determine the cost of the raw materials incorporated, inventories must first be worked through before a decrease in raw material prices translates into decreased operating costs. In several of ArcelorMittal's segments, in particular Flat Carbon Americas, Flat Carbon Europe and Long Carbon Americas and Europe, there are several months between raw material purchases and sales of steel products incorporating those materials. Although this lag has been reduced recently by changes to the timing of pricing adjustments in iron ore contracts, it cannot be eliminated and exposes these segments' margins to changes in steel selling prices in the interim (known as a "price-cost squeeze"). In addition, as occurred in the fourth quarter of 2008, the first half of 2009 and the third quarter of 2012, decreases in steel prices may outstrip decreases in raw materials costs in absolute terms.

Given this overall dynamic, the Company's operating profitability has been particularly sensitive to fluctuations in raw material prices, which have become more volatile since the iron ore industry moved away from annual benchmark pricing to quarterly pricing in 2010.

In the second half of 2009 and the first half of 2010, steel selling prices followed raw materials prices higher, resulting in higher operating income as the Company benefitted from higher prices while still working through relatively lower-cost raw materials inventories acquired in 2009. This was followed by a price-cost squeeze in the second half of 2010, as steel prices retreated but the Company continued to work through higher-priced raw material stocks acquired during the first half of the year. Iron ore prices were relatively stable during the first nine months of 2011 but then fell over 30% in three weeks in October 2011 and resulted directly in a significant fall in steel prices, even though lower raw material prices had yet to feed into operating costs. More recently, iron ore prices averaged over \$140 per tonne CFR China and traded within a \$20 range during the first half of 2012 but prices then fell below \$90 by early September. If iron ore and metallurgical coal markets continue to be volatile with steel prices following suit, overhangs of previously-acquired raw materials inventories will continue to produce more volatile margins and operating results quarter-to-quarter. In an environment of wide fluctuations in the prices of steel and raw materials, mini-mills utilizing scrap as a primary input (which is typically traded on a spot basis) are less exposed to this volatility. With respect to iron ore and coal supply, ArcelorMittal's growth strategy in the mining business is an important natural hedge against raw material price volatility. Volatility on steel margins aside, the results of the Company's mining segment are also directly impacted by iron ore prices, of which the absolute level was weaker in 2012 compared to 2011, especially in the second half. As the mining segment's contribution to the Company's profitability grows, the Company's exposure to the impact of iron ore price fluctuations also increases.

### Economic Environment<sup>1,2</sup>

After recording average global real gross domestic product ("GDP") growth of 2.8% in 2011, global GDP is estimated to have slowed to 2.3% in 2012. The year began with a recovery from a sluggish fourth quarter in 2011, but was short-lived as weakness and reduced demand from the Eurozone contributed to the rapid deceleration of emerging-market economies. Further high oil prices tied to tensions over Iran's nuclear program and the uncertainty surrounding the U.S. fiscal cliff compounded the situation. High debt burdens and austerity of advanced economies and their effects on emerging market growth currently remain the primary risks facing the world economy.

In the United States, the economy continued to expand at a moderate but uneven pace through 2012 with GDP estimated to have grown 2.3%. The US economy gained momentum in the first half of the year, despite financial disruption from the euro crisis. The construction market and consumer demand also showed signs of recovery as 2012 began with improved consumer and business confidence, combined with better job creation. Factors such as pent-up demand and rising credit availability helped the automotive sector gain momentum throughout the year. However, threat of the "fiscal cliff", the impact of Hurricane Sandy and the increasing tensions over Iran's nuclear program contributed to sharp increases in oil prices, bringing the United States down from its high at the start of the year. This also affected spending on equipment as firms

<sup>1</sup> GDP and industrial production data and estimates sourced from IHS Global Insight, January 16, 2013.

<sup>2</sup> EU27 and United States ASC data is based upon deliveries data collated by Eurofer and American Iron and Steel Institute. Chinese ASC is an estimate calculated from crude steel production and net steel trade based upon China National Bureau of Statistics and Customs data.

## Business overview

continued

became more cautious with respect to capital investment plans.

In Japan, the economy is estimated to have grown by 2.0% in 2012. After dampened growth in the latter part of 2011, 2012 started strong with consumer spending and residential construction on the rise, and the impacts of the natural disasters on supply chains and infrastructure damage having been largely overcome. However, Japan's economy began to struggle in response to weak foreign demand at the end of 2012, exacerbated by the Diaoyus/Senkakus tensions with China impacting in particular Japanese automotive exports. Domestic demand also weakened with a sharp contraction in GDP during the third quarter of 2012, reflected in a depreciation of the Japanese yen in the last quarter of 2012 and pushing incoming Prime Minister Shinzo Abe to unveil a US\$122bn spending package to revive the economy.

The economy of the European Union countries (EU27) contracted almost every quarter from the third quarter of 2011, with real GDP contracting by 0.2% in 2012, compared to growth of 1.6% in 2011. A record high Eurozone unemployment rate of 11.8% in November 2012 indicates the toll on labor markets of continued weak economic activity and low business confidence. The situation varies from country to country, with the North (particularly Austria, Benelux, Germany and Scandinavia) faring better than the South (where a tighter fiscal policy and limited consumer spending have hampered domestic demand).

The readiness of the European Central Bank (ECB) to provide unlimited support for sovereign bond markets in September 2012 encouraged investors and eased financial pressures, limiting risk of contagion in the Eurozone. Italian and Spanish sovereign bond yields consequently fell toward sustainable levels compared with late 2011.

However, Western Europe is still in a recession and fundamental concerns about austerity, a lack of competitiveness and high debt levels remain.

Emerging market economies suffered for the first three quarters of 2012 from weak growth due to sluggish demand from developed economies. The Brazilian economy is estimated to have grown by just 1.0% with tightening credit markets in the first half of the year heavily impacting the country's automotive sales, prompting the government to support purchases through tax breaks.

Chinese GDP grew by 7.7% in 2012, which is the weakest level of growth in the past 13 years. China's slowdown further impacted other emerging market countries prompting their central banks to reverse the monetary tightening cycle of 2011 and lower interest rates in mid-2012. However, despite experiencing persistently weak exports throughout 2012, in the fourth quarter of 2012, growth improved and the economy showed signs of recovery as infrastructure, retail sales and industrial production growth all picked up.

In India, inflation remains uncomfortably high, limiting the ability to reduce interest rates any further to promote growth. India has struggled with widening current and trade account deficits due to the combination of weaker capital inflows, high imports and slower export growth.

Growth in Kazakhstan and Russia lost momentum compared to 2011, as foreign energy demand reduced and commodity prices weakened.

Growth in global industrial production is estimated to have moderated to 2.3% in 2012, compared to growth of 3.8% in 2011, with output in OECD countries growing 0.6% in 2012, compared to growth of 2.4% in

2011. Output in non-OECD countries grew 4.4% in 2012 against growth of 6.6% in 2011. The combination of stronger demand in the United States and rapid growth in industrial production in East Asia were positive factors in the first half of 2012, with output in OECD and non-OECD countries up 1.7% and 4.1% respectively compared to the first half of 2011. In the second half of 2012, output decreased by 0.7% year-on-year in OECD countries (reflecting low Eurozone demand and tight financial constraints) but remained up 4.8% year-on-year in non-OECD countries.

Global GDP growth slowed in 2012 to 2.3% from 2.8% in 2011 as the global economy was impacted by the slowdown in Chinese growth and uncertainty and austerity in Europe. This led to a slowdown in many steel consuming sectors, particularly construction, contributing to weak underlying real steel demand. Reduced real demand for steel has a knock-on effect on lower demand for raw materials, pushing prices for iron ore and coal down in the third quarter of 2012. This impact is amplified as changes in raw material prices feed back into demand for steel as both end-user and stockists destock. As a result, 2012 global apparent steel consumption (ASC) increased only 1.7%, down sharply from growth of 7.4% in 2011. Within this global ASC growth, regional variations were strong, with apparent steel consumption down a dramatic 9% in Europe, up only 2% in China and over 7% in the United States in 2012 compared to 2011.

### Steel Production<sup>3</sup>

Annualized world crude steel production, which had bottomed in March 2009 at 1.1 billion tonnes annualized, recovered to just under 1.4 billion tonnes for the year 2010 (+15.7% y-o-y) and rose to just

under 1.5 billion tonnes in 2011 (+7.3% y-o-y). In 2012, there was a further 1.2% year-on-year increase to 1.51 billion tonnes, driven by Chinese growth.

Steel output in China set another record in 2012 reaching 709 million tonnes (+3.5% higher than 2011) as the weak growth in the first half and a slump in the summer was compensated by a stronger second half, as the governments pro-growth policies led to a pick-up in end user demand.

Global production (annualized) outside of China in 2012 decreased 0.8% year-on-year to 802 million tonnes compared to 808 million tonnes produced in 2011. This was mainly due to production declining -4.7% year-on-year in the European Union to 170 million tonnes due to the ongoing economic crisis. In addition, production decreased in South America by -3.0% year-on-year to 47 million tonnes, in Africa by -3.0% year-on-year to 14.8 million tonnes and by -1.2% year-on-year in CIS to 111 million tonnes. Japanese output was relatively stable down only -0.1% year-on-year to 107 million tonnes. In contrast, the NAFTA region saw an increase of 2.6% year-on-year to 121 million tonnes, India was up 4.3% year-on-year to 77 million tonnes and South Korea grew 1.2% year-on-year to 69 million tonnes.

In 2012, global crude steel production rose to nearly 14% above 2007 levels driven by China, India, South Korea and Turkey, which were all at least 30% above their respective 2007 production levels. In sharp contrast, 2012 EU production was down 19% compared to its 2007 level, while 2012 production numbers in North America, CIS and Japan were each around 10% below their respective 2007 levels.

The underlying problems associated with the Euro-zone sovereign debt crisis has had a significant impact on

<sup>3</sup> Global production data is from the 62 countries for which monthly production data is collected by the World Steel Association.

steel production in Europe, as the sector adapts to reduced demand (with 2012 EU27 steel demand estimated at 29% below 2007 levels). Despite the region moving from net imports to net exports over the same time period, EU27 steel production is now only 170 million tonnes per year, whereas in 2006, 207 million tonnes were produced, and, in the first half of 2008, production rose to a peak of more than 220 million tonnes annualized. Capacity in Europe at around 240 million tonnes means that steel plants in Europe are running at an average utilisation of 70% of capacity, with up to 50 million tonnes of excess capacity, some of which is being closed.

Global steel capacity utilization declined in 2012, due to reduced demand in Europe but also as newly installed capacity surpassed demand growth in other regions.

In China, steel demand continues to grow but as economic growth slows and the positive impact of the large 2009 infrastructure led stimulus wanes, demand growth has been too slow, leading to a mismatch of supply and demand in 2012. Chinese production rose from approximately 650mt annualized during the first half of 2010 to 700mt in the second half of 2012, whereas capacity rose by over 130mt from the end of 2009 to the end of 2012.

#### Steel Prices<sup>4</sup>

Steel prices increased during the first quarter of 2012 reaching peak levels of €555 per tonne for spot hot rolled coil ("HRC") in Europe in March, and about \$800 per tonne in the United States in February, from €495 and \$750, respectively, at year-end 2011. This sharp increase in prices was mainly driven by customer restocking. In the case of Europe, it was also supported by a weak euro which reduced import attractiveness, while in United States, the steel price increase also reflected strong demand from the

automotive, energy and machinery sectors. Construction remained relatively weak in many regions in the first quarter of 2012.

During the second quarter of 2012, market sentiment weakened due to renewed destocking efforts by customers combined with oversupply and poor demand. In the United States, the automotive industry held firm, but overall economic activity slowed down, providing less room for optimism going forward. In Europe, automotive and manufacturing declined as austerity coupled with fears of a Euro-zone breakup took their toll on confidence and output. By the end of the second quarter, HRC prices had lost about \$100-130 per tonne from their first quarter peak. Exports from Asian suppliers in China, South Korea and Japan competing with CIS producers for scarce international demand also put pressure on international reference prices. Similarly, the slab market experienced a slump in demand, and prices fell to \$550 CFR<sup>5</sup> in South East Asia at the end of the second quarter of 2012 from levels close to \$610 in March 2012.

In the second half of 2012, HRC prices then lost up to \$150 per tonne in the United States and about €100 per tonne in Europe from their first-half peak, with HRC prices reaching lows of €460 in Europe and \$650 in the United States at the start of the fourth quarter of 2012. This sharp fall was due to generally weak buyer sentiment and uncertain financial markets, with destocking continuing through the third quarter. International export prices remained very weak throughout the second half, with a dramatic fall of over \$80 in South East Asia's spot HRC price in third quarter, followed by another drop of \$5-10 in the fourth quarter, leaving spot HRC prices at around \$560 CFR in the region, at the year end. Similarly,

slab prices also eroded during the second half reaching lows of \$460-500 CFR in South East Asia in the fourth of 2012. This dynamic resulted in weak steel selling prices globally for much of the second half of 2012. Only in the last weeks of 2012 was an upward correction visible, on the back of the upward trend in raw material prices, which had been initiated in China driven by strong restocking, with HRC transaction prices moving up for first quarter 2013 delivery. The latest spot HRC market prices for late first quarter of 2013 delivery are at €490-510 per tonne in Europe, at \$660-695 per tonne in United States and at \$560-575 per tonne in China

Pricing for construction-related long products has been mainly driven by the volatile behavior of scrap prices. After a small improvement in January 2012, with rebar prices in Europe reaching a peak of €580 per tonne, prices went down throughout the first half to €510-535 per tonne in the second quarter for European domestic Rebar, due to weak construction demand. For medium sections, prices peaked at €690 per tonne in February 2012 and settled in the range of €635-660 per tonne at the end of first quarter of 2012, followed by a correction downwards to €575-610 per tonne by the end of the second quarter of 2012. Turkish rebar export prices remained relatively firm and stable during the first quarter, ranging from \$650-685 per tonne FOB<sup>6</sup>, but subsequently declined, reaching lows of \$615-630 per tonne FOB at the end of the second quarter of 2012, due to scrap prices falling by around \$60 per tonne between March and June and ending the second quarter at \$385 per tonne CFR Turkey. After the summer holiday period, rebar pricing in Europe improved by about €10 reaching prices between €512-552 per tonne at the end of the third quarter, while medium

sections remained relatively stable at €580-605 per tonne. Prices in Europe ended 2012 at €575-610 per tonne for medium sections and €502-532 per tonne for rebar, while Turkish rebar export prices ended the year at \$588-599 FOB Turkish port per tonne.

Prices for industrial long products, like quality wire rods and bars went slightly up in the first quarter of 2012 after the seasonal year-end slowdown in 2011, and remained relatively stable throughout the entire first half of 2012, with quality wire rod prices ranging between €580-600 in Europe. However, in the second half of 2012, due to weakening demand, a negative price trend also impacted quality wire rod products, with prices reaching lows of €550 in the fourth quarter of 2012.

#### Current and Anticipated Trends in Steel Production and Prices<sup>7</sup>

ArcelorMittal expects global steel production growth to be stronger in 2013 than in 2012, as ArcelorMittal expects global steel demand to grow around 3% in 2013. In Europe, however, ASC is expected to decline around 1% year on year, despite an end to destocking as both auto production and construction output continue to decline. In the United States, an improving labor market, rising availability of credit and low interest rates; coupled by pent-up demand is helping both auto and housing output to grow, supporting expected ASC growth of 3 to 4 % in 2013. In China, government pro-growth policies, rising loan growth and a renewed focus on infrastructure spending is driving an expected rebound in ASC growth to 3-4% during 2013. In addition, although global steel consumption as a whole is already back above pre-crisis levels, developed world

<sup>7</sup> ASC is forecast by estimating the growth in underlying real steel demand (using forecasts of the main steel consuming sectors from IHS Global Insight and Oxford Economics) and an estimate for the change in inventories of steel, both at end-users and stockists.

<sup>4</sup> Source: Steel Business Briefing (SBB)

<sup>5</sup> International Commercial Terms, Cost and Freight ("CFR")

<sup>6</sup> International Commercial Terms, Free on Board ("FOB")

## Business overview

continued

consumption is not expected to recover to its 2007 peak for at least another 5 years, with demand in EU27 not expected to be back to peak levels until after 2020 and structural overcapacity a continuing issue in the region.

Steel selling prices are also rising in early 2013 in line with improved demand in most regions, due to higher raw material prices and an end to the destocking that was observed during the fourth quarter of 2012. Raw materials prices have a significant impact on steel prices and in particular iron ore prices have risen to a higher level during January 2013, up significantly on fourth quarter prices, albeit only slightly higher than the prices seen in the first quarter of 2012. In addition to raw materials prices, the sustainability of higher steel prices will continue to depend on an increase in sustainable real demand, and no further exacerbation of the Euro-zone debt crisis. Underlying real demand appears to still be on a rising trend in the United States while the Euro-zone appears to be stuck in a mild recession. In both markets inventory levels were cut during the fourth quarter of 2012, which should support demand to a limited extent during the first half of 2013.

### Raw Materials

The primary inputs for a steelmaker are iron ore, solid fuels, metallics (e.g., scrap), alloys, electricity, natural gas and base metals. ArcelorMittal is exposed to price volatility in each of these raw materials with respect to its purchases in the spot market and under its long-term supply contracts. In the longer term, demand for raw materials is expected to continue to correlate closely with the steel market, with prices fluctuating according to supply and demand dynamics. Since most of the minerals used in the steel-making process are finite resources, they may also rise in response to any perceived scarcity of remaining accessible supplies,

combined with the evolution of the pipeline of new exploration projects to replace depleted resources.

As with other commodities, the spot market prices for most raw materials used in the production of steel saw their recent lows during the global financial crisis of 2008/2009, but have since recovered with a greater degree of volatility. The main driver for the rise in input prices has been robust demand from China, the world's largest steel producing country. For example, in 2010/2011, iron ore reached high levels well above \$100 per tonne (e.g. \$193 on February 15-16, 2011) due to a lag in additional seaborne supply compared to increased demand for iron ore on the seaborne market, with high cost domestic iron ore in China filling the demand gap.

Until the 2008-2009 market downturn, ArcelorMittal had largely been able to reflect raw material price increases in its steel selling prices. However, from 2009 onwards, ArcelorMittal has not been able to fully pass raw materials cost increases on customers as its steel markets are structurally oversupplied and fragmented. This has resulted in a partial decoupling of raw material costs (mainly driven by Asian market demand) from steel selling prices achieved in the European market, and consequently increased risk of margin squeeze.

Until the 2010 changes in raw materials pricing systems described below under "—Iron Ore", benchmark prices for iron ore and coal in long-term supply contracts were set annually, and some of these contracts contained volume commitments. In the first half of 2010, the traditional annual benchmark pricing mechanism was abandoned, with the big three iron ore suppliers (Vale, Rio Tinto and BHP Billiton) adopting a quarterly index-based pricing model. The new model operates on the basis of the average spot price for iron ore supplied to China, quoted in a

regularly published iron ore index. The new system has since generally been adopted by other suppliers although some iron ore suppliers continue to offer an annual price for their long-term contracts. The price trend as well as pricing mechanism for coking coal has followed a similar trend, with the annual benchmark pricing system being replaced by a quarterly pricing system as from the second quarter of 2010 and with a monthly pricing system introduced by BHP Billiton for coal from Australia in 2011. Following this transition to shorter-term pricing mechanisms that are either based on or influenced by spot prices for iron ore and coking coal imports to China, price dynamics generally have experienced shorter cycles and greater volatility. Pricing cycles were further shortened in 2012 as high volatility of prices continued. In 2012, quarterly and monthly pricing systems were the main type of contract pricing mechanisms, but spot purchases also appeared to have gained a greater share of pricing mechanisms as steelmakers developed strategies to benefit from increasing spot market liquidity and volatility.

### Iron Ore

Chinese demand in the seaborne iron ore market supported high spot iron ore prices during the first three quarters of 2011, within the range of \$160 to \$190 per tonne CFR China, before dropping and stabilizing at \$140 per tonne CFR China in the fourth quarter of 2011. At \$167.59 per tonne CFR China, the average price for 2011 was 14.2% higher than in 2010 (\$146.71 per tonne CFR China). However, the spot iron ore price closed 2011 at \$138.5 per tonne, i.e., \$30 per tonne lower than at the end of December 2010.

In the first quarter of 2012, spot iron ore prices were stable at \$143 per tonne, whereas in the second quarter of 2012, there was higher volatility with prices reaching \$150 per tonne in April, declining to \$132

per tonne in mid-May and then hovering around \$135 to \$138 per tonne in June.

This price drop and volatility in the second quarter of 2012 reflected the slowing Chinese economy and economic difficulties in Europe, which drove further decline of end user demand for steel and iron ore. Some temporary support of moderately high prices in the first half of 2012 was provided by the export ban put in place by the Indian government, which limited seaborne supply of Indian iron ore. However, at the beginning of the third quarter of 2012, the weakness in real demand for seaborne iron ore prevailed. Low buying activity, due to combined effects of weak economic sentiment, low seasonal demand and pressure on steelmaking margins, resulted in record sharp drop in the spot price, which, on September 7, 2012, dropped to a 3-year low of \$88.5 per tonne.

In the second half of 2012, spot prices per tonne ranged from \$135.25 in beginning of July to \$106.5 in end of September and \$144.5 at the end of December, with particularly high volatility in December, due to restocking activities in China. This volatility reflects economic uncertainties in Europe as well as in China.

### Coking Coal and Coke

As mentioned above, pricing for coking coal has been affected by changes to the seaborne pricing system, with the annual benchmark pricing system being replaced by a quarterly pricing system as from the second quarter of 2010 and with a monthly pricing system introduced by BHP Billiton for coal from Australia in 2011.

2011 was strongly influenced by the impact of the dramatic rain event in Queensland, Australia in the first quarter of 2011, resulting in most major coking coal mines declaring force majeure as a result of significant structural damage to

mines and rail infrastructure. The situation progressively improved with the last mines lifting force majeure by the end of June 2011. In addition, several events in the United States, such as tornados in Alabama, reduced the availability of Low Volatile Hard Coking Coal, further worsening the global shortage in this coal market segment.

In 2011, the scarcity of premium coals was reflected in the high quarterly benchmark price settlements for Australian Hard Coking Coal, rising from \$225 per tonne FOB Australia in the first quarter of 2011 to \$330 per tonne FOB Australia in the second quarter. Thereafter, a successive improvement in supply resulted in price settlements of \$315 per tonne FOB Australia in the third quarter and \$285 per tonne FOB Australia in the fourth quarter. As supply was progressively restored in Australia following the rain event and demand decreased due to ongoing economic uncertainty, prices began to decrease further, with the benchmark price settlement for the first quarter of 2012 at \$235 per tonne. The downward trend continued in the second quarter of 2012, with the benchmark price settled at \$210 per tonne. The degree of price decline in premium coals in the second quarter of 2012 was lessened by strikes at BHP Billiton Mitsubishi Alliance ("BMA") mines.

The rain season in the first half of 2012 was mild, with no significant supply disruptions (other than the strikes at BMA mines). Moreover, Australian miners had upgraded mine infrastructure to be better prepared to deal with adverse weather conditions during the wet season in Queensland. The second half of 2012 experienced sharp spot price and contract benchmark price reductions, with a relatively high gap between both references (spot indexes and quarterly contract settlements), with quarterly contract benchmark

reference settled at \$220 per tonne (FOB Australia) and \$170 per tonne for the third and fourth quarters of 2012, respectively, while spot values for such quarters averaged \$173.9 and \$154.9 per tonne, respectively. In parallel, the spot market, as reflected by the various index providers, also decreased over 2012 in line with progressively improved supply, with a noticeable price gap between premium coal and non premium coals. The main reason for the sharp declines in the coking coal spot price was a healthy availability of coking coal supply from traditional exporting regions (Australia, United States and Canada) as well as from new regions, notably Mongolia and Mozambique, combined with declining import demand of Asian steelmakers as well as lower demand on the Atlantic basin due to the economic difficulties in Europe. In the fourth quarter of 2012, major seaborne suppliers of coking coal from Australia and the United States announced the closure of the least cost efficient mines in order to adjust market supply to weaker seaborne demand and to remain cost competitive in a challenging pricing environment.

The spot price for hard coking coal, FOB Australia, gradually recovered towards end of 2012, from around \$160 per tonne at the end of September 2012 to \$140-145 per tonne at the beginning of October 2012 and then back to \$160 per tonne by the end of December 2012.

Throughout 2012, China continued, as it had in 2011, to increase coking coal imports from Mongolia. It also increased imports from US and Canadian sources and remained an active player on the seaborne market.

ArcelorMittal leveraged its full supply chain and diversified supply portfolio in terms of suppliers and origin of sources to overcome the significant supply disruptions during 2011 without any significant

impact on its operations. In 2012, ArcelorMittal further diversified its supply portfolio by adding new supply sources from emerging mines in Mozambique as well as Russia.

#### Scrap

Scrap availability for 2012 was tighter than in previous years, given the demand supply balance and the resulting pricing. In 2012, scrap prices were relatively high, and the Eurofer Index for demolition scrap average for 2012 was €307, i.e., 1% higher than in 2008 and 29% higher than in 2007. In 2010 and 2011, the index average was €273 and €321, respectively.

During the first half of 2012, scrap prices increased by €20 per tonne in January, and the market was relatively stable through May, with the first major price decrease occurring in June of approximately €20 per tonne, reflecting variations in supply and demand. Pricing remained rather weak in the third quarter of 2012. Pricing in the fourth quarter of 2012 was volatile, with October being the weakest month with a price of €273 per tonne, and thereafter picking up by approximately €26 per tonne in December due to the seasonal holidays, and in anticipation of weather related restrictions and the trend over the past three years of a jump in opening January prices. The Eurofer Index for demolition scrap was at an average of €322 per tonne in the first half of 2012 and €292 per tonne in the second half of 2012 and was at approximately €310 – €315 in January 2013. In North America, prices followed a similar trend, remaining reasonably stable from January to May 2012 at an average of \$400/lt (Platts SBB HMS 1 and 2); prices thereafter however dropped a sharp \$50/lt in June and were weak throughout the third quarter of 2012. In the fourth quarter of 2012, October was the weakest month, with a price of \$317.5/lt and increased by \$35/lt in December 2012. In the first half

and second half of 2012, the average price was \$391/long ton (lt) and \$341/lt, respectively. At the end of January 2013, the price in North America was at approximately \$350 – 355/lt.

According to the Turkey Statistical Institute, from January to December 2012, Turkey imported 22.42 million tonnes of scrap, representing a 6% increase year-on-year.

According to the China Association of Metal Scrap Utilization, China's scrap imports decreased 26% year-on-year from 6.77 million tonnes in 2011 to 4.97 million tonnes in 2012. Also China's scrap ratio decreased from 135.5 kg per metric ton of steel in January 2012 to 112.2 kg in October 2012.

#### Ferro Alloys and Base Metals

##### *Ferro Alloys*<sup>8</sup>

The underlying price driver for manganese alloys is the price of manganese ore, which increased by 9.35% from the level of \$4.49/dry metric tonne unit ("dmtu") (for 43% lump ore) on Cost, Insurance and Freight ("CIF") China in January 2012 to \$4.91/dmtu in December 2012, mainly due to increased demand from China.

On the back of the manganese ore trend, average prices of main Manganese alloy also increased in 2012, with an increase of 4.32% in the price per tonne for High Carbon Ferro Manganese (from \$1,076 to \$1,122), 3.71% for Silico Manganese (from \$1,133 to \$1,175), whereas average Medium Carbon Ferro Manganese prices decreased by 4.90% (from \$1,573 to \$1,496) and Ferro Silicon prices have also decreased by 3.69% (from \$1,491 to \$1,436).

<sup>8</sup> Prices for high grade manganese ore are typically quoted for ore with 44% manganese content.

## Business overview

continued

### Base Metals - Zinc<sup>9</sup>

Base metals used by ArcelorMittal are zinc and tin for coating, and aluminum for deoxidization of liquid steel. ArcelorMittal partially hedges its exposure to its base metal inputs in accordance with its risk management policies.

ArcelorMittal purchased 427 kt of zinc metals in 2012. The average London Metal Exchange ("LME") cash price of zinc metal was \$1,946 per ton for 2012, representing a decrease of 11% as compared to the average price for 2011 (\$2,191). Stocks registered at the LME warehouses stood at 1,220 kt at the end of 2012, up 49% from 820 kt at the end of 2011, mainly due to oversupply of zinc metals in the world.

### Energy

#### Electricity

In most of the countries where ArcelorMittal operates, electricity prices have moved in line with other commodities. In North America, prices in 2012 decreased as compared to 2011 (to less than \$45/MWh), in line with the low natural gas prices. In Europe, the market was mostly impacted by poor demand. The European Energy Exchange's ("EEX") year-ahead price for Germany averaged €49.5/MWh in 2012, down 13% compared to 2011. The need for investment in replacement and additional power generating capacity by providers and in improved electricity grid stability due to volatility from renewable suppliers remains clear, but still not apparent in light of current economic conditions.

#### Natural Gas

Natural gas is priced regionally. European prices are historically linked with petroleum prices but a significant spot market is developing. North American natural gas prices trade independently of oil

prices and are set by spot and future contracts, traded on the NYMEX exchange or over-the-counter. Elsewhere, prices are set on an oil derivative or bilateral basis, depending on local market conditions. International oil prices are dominated by global supply and demand conditions and are also influenced by geopolitical factors, such as the ability of the Organization of Petroleum Exporting Countries ("OPEC") to limit production.

The 2011 trends continued in 2012. The Liquefied Natural Gas ("LNG") market surplus continued to be absorbed by increased demand in Asia, especially in Japan for electricity production following the Fukushima disaster and in China to meet growing natural gas requirements. Given the limited new capacity coming into the market in 2012 – 2014, LNG spot supply conditions remain difficult, especially for supplies to Asia where spot prices have reached in constrained periods the oil-heat equivalent of \$18 to \$19/MMBritish thermal unit ("Btu").

In the United States, abundant unconventional gas production has been replacing steam coal to produce power, leading to a significant increase in demand, and projects to build liquefaction facilities for export to Asia are continuing to develop. In that context, prices in North American markets averaged \$2.84/MMBtu with prices dropping below \$2/MMBtu for a short period.

In Europe, gas demand remains very low and the gap between long-term oil-indexed contracts and spot gas prices increased, with prices in long term oil-indexed contracts being about \$14/MMBtu while spot prices remained around \$9/MMBtu. Current ongoing renegotiation between European gas companies and major utilities suppliers are only expected to close part of the gap between oil indexed and European spot.

### Ocean Freight<sup>10</sup>

Market rates remained extremely low in 2012 generally due to the global slowdown and the extensive fleet size. The Baltic Dry Index ("BDI") reached its lowest point in 25 years and averaged at around 920 points for 2012 as compared to an average of 1,549 for full year 2011.

Global trade was slow in 2012 but picked up in the second quarter with iron ore shipments out of Brazil seeing a rise, although underlying concern for the global economy remained. The summer remained weak but the second half of the year generally saw trade increases due to Chinese restocking. A total of 1.15 billion tons of iron ore and 229 million tons of coal were shipped; a growth of 6% and 2% y-o-y. Meanwhile, the growing delivery list of ships on order and the current order book weighed heavily on time charter rates by easily absorbing all new cargoes in the market.

The Capesize rates remained low for most of the year; although a small uptick was seen around September-October 2012. Overall, rates remained under pressure due to the size of the fleet. The Capesize rates averaged \$7,680/day for 2012 as compared to an average of \$15,639/day for 2011.

Export bans for Indonesia (for coal) and India (for iron ore) resulted in lower rates for Panamax, as did reduced US grain exports and a slowdown in Chinese coastal trade. Rates remained under pressure as the rate of delivery of new ships remained strong. The Panamax rates averaged \$7,684/day in 2012 as compared to an average of \$13,999/day in 2011.

### Impact of Exchange Rate Movements

After reaching a yearly low in the first quarter of 2012 against most

currencies in the jurisdictions where ArcelorMittal operates, the U.S. dollar strengthened significantly during the second and the third quarter to finish during the fourth quarter at a yearly high against the Brazilian real, the South African rand, the Ukrainian hryvnia, the Kazak tenge and the Argentinean peso, but came back at the end of fourth quarter to previous levels seen in the first quarter against the euro, the Polish zloty, the Czech koruna and the Mexican peso (among other currencies).

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the U.S. dollar relative to the euro, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and sales, can have a material impact on its results of operations. In order to minimize its currency exposure, ArcelorMittal enters into hedging transactions to lock-in a set exchange rate, as per its risk management policies.

In June 2008, ArcelorMittal entered into a transaction in order to hedge U.S. dollar-denominated raw material purchases until 2012. The hedge involved a combination of forward contracts and options that initially covered between 60% to 75% of the dollar outflow from the Company's European subsidiaries based on then-current raw materials prices, amounting to approximately \$20 billion. The transaction was unwound during the fourth quarter of 2008, resulting in a deferred gain of approximately \$2.6 billion recorded in equity and of \$349 million recorded in operating income. The gain recorded in equity along with the recording of hedged expenses is being recycled in the consolidated

<sup>9</sup> Prices included in this section are based on the London Metal Exchange (LME) cash price.

<sup>10</sup> Sources: Baltic Daily Index, Clarksons Shipping Intelligence Network, Associated Shipbroking, LBH.

statements of operations during the period from 2009 through the first quarter of 2013; of this amount, \$566 million was recorded as income within cost of sales for the year ended December 31, 2012, compared to \$600 million for the year ended December 31, 2011. See Note 17 to ArcelorMittal's 2012 consolidated financial statements.

### Trade and Import Competition

#### Europe<sup>11</sup>

While import competition in the European Union steel market reached a high of 37.5 million tonnes of finished goods during 2007, equal to 18.9% of steel demand, as demand has decreased, imports have also declined, reaching a low of 15 million tonnes in 2009, equal to an import penetration ratio of 12.6%. In 2010, imports recovered to 18.4 million tonnes but a similar increase in domestic deliveries resulted in an import penetration ratio of 12.7%.

In 2011, a rise in finished imports to 23.1 million tonnes resulted in the import penetration ratio increasing to 15.1%. As demand in Europe has continued to decline, imports again declined in 2012. Imports fell 31.5% year-on-year in the first half of 2012, pushing down the penetration ratio to 12.1% and again down 21.2% year-on-year (based on December license data) in the second half of 2012, with the penetration ratio remaining at approximately 12.1% in both the first and second halves of the year. Overall in 2012, finished imports for 2012 fell by 27.1% over the previous year.

#### United States<sup>12</sup>

After reaching a record level of 32.5 million tonnes in 2006, or an import penetration ratio of 27.1%, total finished imports bottomed at 12.9 million tonnes in 2009, representing an import penetration

ratio of 22.2%. In 2010, imports recovered to 17.1 million tonnes but a similar rise in demand resulted in a minor drop in import penetration to 21.1%. The import penetration in 2011 remained relatively stable at 21.7%, although imports edged up to 19.7 million tonnes together with stronger finished steel consumption.

Finished imports during the first half of 2012 increased by 22.6% year-over-year and despite stronger demand, the import penetration ratio increased to 24.1%. Imports in the second half of the year were weaker than first half levels (although remain up 13.5% year on year), with the import penetration ratio falling to 23.7%. Overall for 2012 finished imports increased 18.1% year-over-year to 23.4 million tonnes with penetration at 23.9%.

### Consolidation in the Steel and Mining Industries

The global steel and mining industries have experienced a consolidation trend over the past ten years. After pausing during the credit crisis and global economic downturn of 2008-2009, merger and acquisition activity of various steel and mining players, including Chinese and Indian companies, has increased at a rapid pace. However, given the current economic uncertainties in the developed economies, combined with a slowdown in emerging regions such as China and India, consolidation transactions decreased significantly in terms of number and value in 2012 and this trend is expected to continue in 2013 until prices stabilize and supply and demand balance out in the context of worldwide structural overcapacity.

Apart from Mittal Steel's acquisition of Arcelor in 2006 and their merger in 2007, notable mergers and acquisitions in the steel business in recent years include the merger of Tata Steel and Corus (itself the result of a merger between British Steel and Hoogovens); U.S. Steel's acquisitions in Slovakia and Serbia;

Evraz and Severstal's acquisitions in North America, Europe and South America, and expansion in North and South America by Brazilian steel company Gerdau. Most recently, on October 1, 2012, Japanese steelmakers Nippon Steel Corp. and Sumitomo Metals Industries Ltd. completed their merger and created the world's second-largest steel company. On December 28, 2012, Outokumpu and Inoxum, the stainless division of Thyssen-Krupp, completed their merger in order to create the worldwide leader in stainless steel.

As developed markets continued to present fewer opportunities for consolidation, steel industry consolidation also began to slow down substantially in China in 2012. Despite being a key initiative of the five-year plan issued in March 2011, the concentration process of the steel industry that is expected to reduce overcapacity, rationalize steel production based on obsolete technology, improve energy efficiency, achieve environmental targets and strengthen the bargaining position of Chinese steel companies in price negotiations for iron ore declined as a result of the slowing economy. This situation could affect the Chinese government's objective for the top ten Chinese steel producers to account for 60% of national production by 2015 and for at least two producers to reach 100 million ton capacity in the next few years.

Merger and acquisition activity is expected to remain active in the Indian steel and mining industry though at a lower pace considering the current economic slowdown. The country has become the world's third largest steel consumer after China and the United States and is expected to become soon the world's second largest steel producer worldwide. The integration of Ispat Industries into JSW Steel was a major consolidation step in 2010.

Recent and expected future industry consolidation should foster

the ability of the steel industry to maintain more consistent performance through industry cycles by achieving greater efficiencies and economies of scale, and should lead to improved bargaining power relative to customers and, crucially, suppliers, which tend to have a higher level of consolidation. The wave of steel industry consolidation in the previous years has followed the lead of raw materials suppliers, which occurred in an environment of rising prices for iron ore and most other minerals used in the steel-making process. The merger of Cliffs Natural Resources and Consolidated Thompson in 2011 was a significant consolidation move in North America which, at the same time, strengthened vertical relationships into the Chinese steel market. Despite the declines in prices in 2011 and 2012, iron ore producers continue to seek consolidation that would strengthen their options whatever the direction of future price trends. There are still only four primary iron ore suppliers in the world market. Consolidation among other mining companies is also in progress, as evidenced by the merger between Xstrata and Glencore International which should be completed in the first quarter of 2013.

### Operating Results

ArcelorMittal reports its operations in six reportable segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and CIS, Distribution Solutions and Mining, which was added as a separate reportable segment as from the first quarter of 2011.

#### Key Indicators

The key performance indicators that ArcelorMittal's management uses to analyze operations are sales, average steel selling prices, steel shipments, iron ore and coal production and operating income. Management's analysis of liquidity and capital resources is driven by operating cash flows.

<sup>11</sup> Source: Eurostat

<sup>12</sup> Source: US Census Bureau

## Business overview

continued

### Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

#### Sales, Steel Shipments, Average Steel Selling Prices and Mining Production

The following table provides a summary of ArcelorMittal's sales, steel shipments, average steel selling prices and mining production by reportable segment for the year ended December 31, 2012 as compared to the year ended December 31, 2011:

Segment	Sales for the Year ended December 31 <sup>1</sup>		Steel Shipments for the Year ended December 31 <sup>2</sup>		Changes in		
	2011 (in \$ millions)	2012 (in \$ millions)	2011 (thousands of MT)	2012 (thousands of MT)	Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Flat Carbon Americas	21,035	20,152	22,249	22,291	(4)	-	(4)
Flat Carbon Europe	31,062	27,192	27,123	26,026	(12)	(4)	(12)
Long Carbon Americas and Europe	25,165	21,882	23,869	22,628	(13)	(5)	(6)
AACIS	10,779	10,051	12,516	12,830	(7)	3	(9)
Distribution Solutions	19,055	16,294	18,360	17,693	(14)	(4)	(11)
Mining	6,268	5,390	N/A	N/A	(14)	N/A	N/A
<b>Total</b>	<b>93,973</b>	<b>84,213</b>	<b>85,757</b>	<b>83,775</b>	<b>(10)</b>	<b>(2)</b>	<b>(8)</b>

<sup>1</sup> Amounts are prior to inter-company eliminations (except for total) and sales include non-steel sales.

<sup>2</sup> Amounts are prior to inter-company eliminations and Distribution Solutions shipments are eliminated in consolidation as they primarily represent shipments originating from other ArcelorMittal operating subsidiaries.

	Year ended December 31 <sup>2</sup> 2011	Year ended December 31 <sup>2</sup> 2012
Mining shipments (million tonnes) <sup>1</sup>		
Total iron ore shipments <sup>2</sup>	51.6	54.4
Iron ore shipped externally and internally and reported at market price <sup>3</sup>	28.0	28.8
Iron ore shipped externally	9.0	10.4
Iron ore shipped internally and reported at market price <sup>3</sup>	19.0	18.4
Iron ore shipped internally and reported at cost-plus <sup>3</sup>	23.6	25.6
Total coal shipments <sup>4</sup>	8.2	8.2
Coal shipped externally and internally and reported at market price <sup>3</sup>	4.9	5.1
Coal shipped externally	3.5	3.3
Coal shipped internally and reported at market price <sup>3</sup>	1.4	1.8
Coal shipped internally and reported at cost-plus <sup>3</sup>	3.3	3.1

<sup>1</sup> There are three categories of sales: (1) "External sales": mined product sold to third parties at market price; (2) "Market-priced tonnes": internal sales of mined product to ArcelorMittal facilities reported at prevailing market prices; (3) "Cost-plus tonnes": internal sales of mined product to ArcelorMittal facilities on a cost-plus basis. The determinant of whether internal sales are reported at market price or reported at cost-plus is whether or not the raw material could practically be sold to third parties (i.e., there is a potential market for the product and logistics exist to access that market).

<sup>2</sup> Total of all finished products of fines, concentrate, pellets and lumps and includes tonnes shipped externally and internally and reported at market price as well as tonnes shipped internally on a cost-plus basis.

<sup>3</sup> Market-priced tonnes represent amounts of iron ore and coal from ArcelorMittal mines that could practically be sold to third parties. Market-priced tonnes that are transferred from the Mining segment to the Company's steel producing segments are reported at the prevailing market price. Shipments of raw materials that do not constitute market-priced tonnes are transferred internally on a cost-plus basis.

<sup>4</sup> Total of all finished products of coal and includes tonnes shipped externally and internally and reported at market price as well as tonnes shipped internally on a cost-plus basis.

Iron ore production (million metric tonnes) <sup>1</sup>	Type	Product	Year ended	Year ended
			December 31 <sup>2</sup> 2011	December 31 <sup>2</sup> 2012
<b>Own mines</b>				
North America <sup>2</sup>	Open pit	Concentrate, lump, fines and pellets	29.7	30.3
South America	Open pit	Lump and fines	5.3	4.1
Europe	Open pit	Concentrate and lump	1.9	2.1
Africa	Open pit / Underground	Fines	2.6	4.7
Asia, CIS & Other	Open pit / Underground	Concentrate, lump, fines and sinter feed	14.6	14.7
<b>Total own iron ore production</b>			<b>54.1</b>	<b>55.9</b>
<b>Strategic long-term contracts - iron ore</b>				
North America <sup>3</sup>	Open pit	Pellets	4.6	7.6
Africa <sup>4</sup>	Open pit	Lump and fines	6.5	4.7
<b>Total strategic long-term contracts - iron ore</b>			<b>11.1</b>	<b>12.3</b>
<b>Total</b>			<b>65.2</b>	<b>68.1</b>

<sup>1</sup> Total of all finished production of fines, concentrate, pellets and lumps.

<sup>2</sup> Includes own mines and share of production from Hibbing (United States, 62.30%) and Peña (Mexico, 50%).

<sup>3</sup> Consists of a long-term supply contract with Cleveland Cliffs for purchases made at a previously set price, adjusted for changes in certain steel prices and inflation factors.

<sup>4</sup> Includes purchases under a strategic agreement with Sishen/Thabazambi (South Africa). Prices for purchases under the July 2010 interim agreement with Kumba (as extended and amended several times) have been on a fixed-cost basis since March 1, 2010. Following an agreement reached on December 13, 2012, Sishen/Thabazambi supplies a maximal annual volume of 4.8 million tonnes of iron ore at an average price of \$65 per tonne with effect from January 1, 2013.

Coal production (million metric tonnes)	Year ended December 31 <sup>2</sup> 2011	Year ended December 31 <sup>2</sup> 2012
<b>Own mines</b>		
North America	2.43	2.44
Asia, CIS & Other	5.9	5.77
<b>Total own coal production</b>	<b>8.32</b>	<b>8.21</b>
North America <sup>1</sup>	0.32	0.36
Africa <sup>2</sup>	0.3	0.35
<b>Total strategic long-term contracts - coal</b>	<b>0.62</b>	<b>0.72</b>
<b>Total</b>	<b>8.94</b>	<b>8.93</b>

<sup>1</sup> Includes strategic agreement - prices on a fixed price basis.

<sup>2</sup> Includes long term lease - prices on a cost-plus basis.

ArcelorMittal had sales of \$84.2 billion for the year ended December 31, 2012, representing a decrease of 10% from sales of \$94.0 billion for the year ended December 31, 2011. In the first half of 2012, sales of \$45.2 billion represented a 4% decrease from sales of \$47.3 billion in the first half of 2011, primarily due to a drop in average steel prices and marginally lower shipments, resulting from weaker market conditions compared to 2011, particularly in Europe, and relative appreciation of the U.S. dollar. In the second half of 2012, sales of \$39.0 billion represented a 16% and 14% decrease from sales of \$46.7 billion and \$45.2 billion in the second half of 2011 and in the first half of 2012, respectively, primarily driven by lower average steel prices and lower steel shipments, due to weak market conditions compared to the first half of 2011 and the first half of 2012.

ArcelorMittal had steel shipments of 83.8 million tonnes for the year ended December 31, 2012, representing a decrease of 2% from

steel shipments of 85.8 million tonnes for the year ended December 31, 2011. Average steel selling price for the year ended December 31, 2012 decreased 8% compared to the year ended December 31, 2011 following the decrease in key raw material prices, demand contraction in Europe and economic slowdown in China. Average steel selling price in the first half of 2012 decreased by 6% from the same period in 2011, while average steel selling price in the second half of the year was down 11% from the same period in 2011.

ArcelorMittal had own iron ore production of 55.9 million tonnes for the year ended December 31, 2012, an increase of 3% as compared to 54.1 million tonnes for the year ended December 31, 2011. ArcelorMittal had own coking coal production of 8.2 million tonnes for the year ended December 31, 2012, a decrease of 1% as compared to 8.3 million tonnes for the year ended December 31, 2011.

#### Flat Carbon Americas

Sales in the Flat Carbon Americas segment were \$20.2 billion for the year ended December 31, 2012, representing a decrease of 4% as compared to \$21.0 billion for the year ended December 31, 2011. Sales decreased primarily due to a 4% decrease in average steel selling prices as shipments were relatively flat. Sales in the first half of 2012 were \$10.6 billion, up 1% from the same period in 2011 primarily driven by a 3% increase in shipments partly offset by a 1% decrease in average steel selling prices, and in the second half of the year sales were \$9.5 billion, down 10% from the same period in 2011 primarily driven by a 8% decrease in average steel selling prices along with a 3% decline in shipments.

Total steel shipments were 22.3 million tonnes for the year ended December 31, 2012 and remained flat compared to the year ended December 31, 2011. Shipments were 11.4 million tonnes in the first half of 2012, up 3% from the same period in 2011, while shipments in the second half of the year were 10.9 million tonnes, down 3% from the same period in 2011.

Average steel selling price decreased 4% for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Average steel selling price in the first half of 2012 was down 1% from the same period in 2011, while average steel selling price in the second half of the year was down 8% from the same period in 2011.

#### Flat Carbon Europe

Sales in the Flat Carbon Europe segment were \$27.2 billion for the year ended December 31, 2012, representing a decrease of 12% as compared to \$31.1 billion for the year ended December 31, 2011. The decrease was primarily due to a 12% decrease in average steel selling price while steel shipments decreased by 4%. Sales in the first half of 2012 were \$14.9 billion, down 9% from the same period in 2011, and in the second half of the year sales were \$12.3 billion, down 17% from the same period in 2011.

Total steel shipments were 26.0 million tonnes for the year ended December 31, 2012, a decrease of 4% from steel shipments for the year ended December 31, 2011. Shipments were 14.2 million tonnes in the first half of 2012, down 2% from the same period in 2011, while shipments in the second half of the year were 11.8 million tonnes, down 6% from the same period in 2011. The decrease in the second half of 2012 resulted in particular from market weakening and strong destocking activity in the fourth quarter.

Average steel selling price decreased 12% for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The decline in average steel selling prices was mainly due to the weakening of the euro against the U.S. dollar, the reduction of raw material prices and demand contraction in Europe. Average steel selling price in the first half of 2012 was down 11% from the same period in 2011, while average steel

## Business overview

continued

selling price in the second half of the year was down 14% from the same period in 2011.

*Long Carbon Americas and Europe*  
In the Long Carbon Americas and Europe segment, sales were \$21.9 billion for the year ended December 31, 2012, representing a decrease of 13% from sales of \$25.2 billion for the year ended December 31, 2011. The decrease was due both to a 6% decrease in average steel selling price along with a 5% decrease in steel shipments. Sales in the first half of 2012 were \$11.5 billion, down 9% from the same period in 2011, while sales in the second half of the year were \$10.4 billion, down 17% from the same period in 2011.

Total steel shipments reached 22.6 million tonnes for the year ended December 31, 2012, a decrease of 5% from steel shipments for the year ended December 31, 2011. Shipments were 11.6 million tonnes in the first half of 2012, down 4% from the same period in 2011, while shipments in the second half of the year were 11.1 million tonnes, down 7% from same period in 2011.

Average steel selling price decreased 6% for the year ended December 31, 2012 as compared to the year ended December 31, 2011 primarily due to the weakening of local currency against the U.S. dollar; the increase in local average steel selling prices in Americas was fully offset by a decrease in Europe. Average steel selling price in the first half of 2012 was down 4% from the same period in 2011, while average steel selling price in the second half of the year was down 8% from the same period in 2011.

### AACIS

In the AACIS segment, sales were \$10.1 billion for the year ended December 31, 2012, representing a decrease of 7% from sales of \$10.8 billion for the year ended December 31, 2011. The decrease

was primarily due to a 9% decrease in average selling price. Sales in the first half of 2012 were \$5.5 billion, up 1% from the same period in 2011, while sales in the second half of the year were \$4.6 billion, down 14% from the same period in 2011.

Total steel shipments reached 12.8 million tonnes for the year ended December 31, 2012, an increase of 3% from steel shipments for the year ended December 31, 2011. Shipments were 6.7 million tonnes in the first half of 2012, up 4% from the same period in 2011, while shipments in the second half of the year were 6.2 million tonnes, up 1% from the same period in 2011.

Average steel selling price decreased 9% for the year ended December 31, 2012 as compared to the year ended December 31, 2011. This decrease was mainly related to the weakening of the South African rand against U.S. dollar, lower prices in CIS and African markets following lower raw material prices and economic slowdown in China resulting in lower prices in key markets. Average steel selling price in the first half of 2012 was down 5% from the same period in 2011, while average steel selling price in the second half of the year was down 14% from the same period in 2011.

### Distribution Solutions

In the Distribution Solutions segment, sales were \$16.3 billion for the year ended December 31, 2012, representing a decrease of 14% from sales of \$19.1 billion for the year ended December 31, 2011. The decrease was primarily due to an 11% decrease in average steel selling price. Sales in the first half of 2012 were \$8.7 billion, down 6% from the same period in 2011, while sales in the second half of the year were \$7.6 billion, down 23% from the same period in 2011.

Total steel shipments reached 17.7 million tonnes for the year ended December 31, 2012, a decrease of 4% from steel shipments for the year ended December 31, 2011. Shipments were 9.1 million tonnes in the first half of 2012, up 4% from the same period in 2011, while shipments in the second half of the year were 8.6 million tonnes, down 10% from the same period in 2011.

Average steel selling price decreased 11% for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The decrease in average steel selling prices was mainly related to the weakening of the euro against the U.S. dollar, the decline in raw material prices and demand contraction in Europe. Average steel selling price in the first half of 2012 was down 9% from the same period in 2011, while average steel selling price in the second half of the year was down 13% from the same period in 2011.

### Mining

In the Mining segment, sales were \$5.4 billion for the year ended December 31, 2012, representing a decrease of 14% from sales of \$6.3 billion for the year ended December 31, 2011. The decrease was primarily due to lower selling prices of iron ore and coal driven by a decrease in international prices, which was partially offset by higher shipments from own mines for both iron ore and coal. Lower selling prices on marketable coal and iron ore sales (internal market-priced plus external sales) accounted for approximately \$1.1 billion of the decrease in the mining segment sales. Sales in the first half of 2012 were \$2.8 billion, up 2% from the same period in 2011, while sales in the second half of the year were \$2.5 billion, down 27% from the same period in 2011 (iron ore prices were down 26% during the same reference period). Sales to external customers were \$1.7 billion for the year ended December

31, 2012, representing a 12% increase compared to \$1.5 billion for the year ended December 31, 2011. The increase is mainly due to higher shipment volumes of iron ore sold externally. Iron ore shipments to external customers increased 15% from 9 million tonnes in 2011 to 10.4 million tonnes in 2012, and coal shipments to external customers decreased by 5% from 3.5 million tonnes to 3.3 million tonnes. The increase in the volume of external sales of iron ore was due in part to the Company's increasing marketing efforts in anticipation of increasing mining production. The Company expects the trend toward an increase in the external sales as a percentage of overall mining sales to continue in the near to mid-term. With respect to prices, for example, the average benchmark iron ore price per tonne in 2012 of \$130.0 CFR China (62% Fe) and the average benchmark price for hard coking coal (Low Volatile peak-down) FOB Australia in 2012 of \$191.0 per tonne were 22% and 35% lower than in 2011, respectively. It should be noted, however, that there may not be a direct correlation between benchmark prices and actual selling prices in various regions at a given time.

## Operating Income (Loss)

The following table provides a summary of operating income (loss) and operating margin of ArcelorMittal for the year ended December 31, 2012, as compared with operating income and operating margin for the year ended December 31, 2011:

Coal production (million metric tonnes)	Operating Income (Loss)		Operating Margin	
	for the Year ended December 31, <sup>1</sup> 2011 (in \$ millions)	for the Year ended December 31, <sup>1</sup> 2012 (in \$ millions)	2011 (%)	2012 (%)
Flat Carbon Americas	1,198	517	6	3
Flat Carbon Europe	(324)	(3,724)	(1)	(14)
Long Carbon Americas and Europe	646	(566)	3	(3)
AACIS	721	(88)	7	(1)
Distribution Solutions	52	(687)	-	(4)
Mining	2,568	1,184	41	22
Total adjustments to segment operating income and other <sup>2</sup>	37	138	-	-
Total consolidated operating income	4,898	(3,226)		

<sup>1</sup> Segment amounts are prior to inter-segment eliminations.

<sup>2</sup> Total adjustments to segment operating income and other reflects certain adjustments made to operating income of the segments to reflect corporate costs, income from non-steel operations (e.g. energy, logistics and shipping services) and the elimination of stock margins between the segments. See table below.

	for the Year ended December 31, 2011 (in \$ millions)	for the Year ended December 31, 2012 (in \$ millions)
Corporate and shared services <sup>1</sup>	(265)	(158)
Real Estate and financial activities	154	54
Shipping and logistics	73	32
Provisions	90	47
Intragroup stock margin eliminations <sup>2</sup>	19	219
Depreciation and impairment	(34)	(56)
Total adjustments to segment operating income and other	37	138

<sup>1</sup> Includes primarily staff and other holding costs and results from shared service activities.

<sup>2</sup> In 2012, inventory levels decreased as compared to 2011, which, combined with reduction in margins due to decrease in iron ore prices and increase in cost of production, resulted in lower intragroup-margin eliminations.

ArcelorMittal's operating loss for the year ended December 31, 2012 was \$3.2 billion, as compared with an operating income of \$4.9 billion for the year ended December 31, 2011. The operating loss in 2012 reflected the \$4.3 billion impairment of goodwill in the European businesses and \$1.3 billion charges related to asset optimization (of which \$0.7 billion of fixed asset impairment charges and \$0.6 billion of restructuring charges) as well as price-cost squeeze during the year, primarily in steel, but also in mining, following reduction of raw material prices, demand contraction in Europe and economic slowdown in China.

Operating income in the first half of 2012 was lower than in the first half of 2011 and then decreased to a slight operating loss in the third quarter and then to a significant operating loss in the fourth quarter of 2012, when the above-

mentioned impairment loss was recognized. Cost of sales consists primarily of purchases of raw materials necessary for steel-making (iron ore, coke and coking coal, scrap and alloys), electricity, repair & maintenance costs, as well as direct labor costs, depreciation and impairment. Cost of sales for the year ended December 31, 2012 was \$84.1 billion as compared to \$85.5 billion for the year ended December 31, 2011. Excluding impairment losses of \$5 billion described below, cost of sales decreased by 7% as a result of lower shipments and lower raw material prices. Selling, general and administrative expenses ("SG&A") for the year ended December 31, 2012 were \$3.3 billion as compared to \$3.6 billion for the year ended December 31, 2011. SG&A remained relatively stable compared to sales as it represented 3.9% of sales for the year ended December 31, 2012 as compared

to 3.8% for the year ended December 31, 2011.

Operating loss for the year ended December 31, 2012 included impairment losses of \$5,035 million, which compared to impairment losses of \$331 million for the year ended December 31, 2011. These impairment losses included a charge of \$4,308 million with respect to goodwill in the European operating segments (\$2,493 million, \$1,010 million and \$805 million for Flat Carbon Europe, Long Carbon Europe and Distribution Solutions, respectively), as a result of the downward revision of cash flow projections due to the weak macro economic and market environment in Europe and the expectation that this situation will persist over the near medium term. Impairment losses also included a charge of \$222 million relating to facilities in Spain and North Africa in the Long Carbon Europe operating segment;

in determining these expenses, the Company analyzed the recoverable amount of these facilities based on their value in use and determined that the recoverable amount from these facilities was less than their carrying amount. In connection with long term idled assets, the Company recorded an impairment loss of \$505 million including \$130 million related to the liquid phase at the Florange site of ArcelorMittal Atlantique et Lorraine in France (Flat Carbon Europe) and \$61 million recorded in connection with the extended idling of the electric arc furnace and continuous caster at the Schiffflange site of ArcelorMittal Rodange & Schiffflange in Luxembourg (Long Carbon Europe). ArcelorMittal also recognized an impairment loss amounting to \$296 million in respect of the intended permanent closure of the coke plant and six finishing lines at the Liège site of ArcelorMittal Belgium (Flat Carbon Europe). See "—Critical Accounting Policies and Uses of Judgments and Estimates—Impairment of Tangible and Intangible Assets, including Goodwill".

Operating loss for the year ended December 31, 2012 was reduced by a net gain of \$220 million recorded on the sale of carbon dioxide credits (the proceeds of which will be re-invested in energy saving projects), a non-cash gain of \$566 million relating to unwinding of hedges on raw material purchases (see "—

## Business overview

continued

Overview—Impact of Exchange Rate Movements”), gains on disposal of Skyline Steel and the stake in Paul Wurth for \$331 million and 242 million, respectively, and a curtailment gain of \$241 million due to changes to the employee benefit plans at ArcelorMittal Dofasco.

Operating loss for the year ended December 31, 2012 was negatively impacted by restructuring costs associated with asset optimization, totaling \$587 million, primarily affecting various Distribution Solutions entities, Flat Carbon Europe and Long Carbon Europe operations. Operating loss for the year ended December 31, 2012 was also negatively impacted by a charge of \$182 million including one-time signing bonus and actuarial losses related to post retirement benefits following the conclusion of the new US labor agreement.

### *Flat Carbon Americas*

Operating income for the Flat Carbon Americas segment amounted to \$0.5 billion for the year ended December 31, 2012, compared to operating income of \$1.2 billion for the year ended December 31, 2011. The decrease in operating income in 2012 generally reflected price-cost squeeze effects following lower average steel selling prices in North American operations. Operating income was also negatively impacted by the weaker market conditions in the international slab market and the South American markets which affected the results of the Mexican and Brazilian operations. Operating loss for the segment amounted to \$0.1 billion for the second half of the year, compared to operating income of \$0.6 billion in the first half. The operating loss in the second half of 2012 reflected the effect of a price-cost squeeze, especially in North America in the fourth quarter, in which the operating loss was substantially driven by a 6% decrease in average selling price as compared to the third quarter of 2012. Operating income for the first half of the year was positively impacted by the curtailment gain

of \$241 million resulting from the changes to the pension plan and health and dental benefits in ArcelorMittal Dofasco in Canada. Operating loss for the second half of the year included a charge of \$182 million including one-time signing bonus and actuarial losses related to post retirement benefits following the conclusion of the new US labor agreement.

### *Flat Carbon Europe*

Operating loss for the Flat Carbon Europe segment for the year ended December 31, 2012 was \$3.7 billion compared to operating loss of \$0.3 billion for the year ended December 31, 2011. Operating loss for the segment amounted to \$3.3 billion for the second half of the year, compared to operating loss of \$0.4 billion in the first half of the year. Operating loss for the year ended December 31, 2012 occurred in a context of deterioration of the economic environment in Europe resulting in lower shipment volumes (-4%), lower average steel selling prices (-12%) and price-cost squeeze effects. The Flat Carbon Europe segment is particularly exposed to price-cost squeeze effects resulting from the overhang of high-cost raw material inventories and the negative impact of the time lag of passing along increases in cost to customers, as it does not have a significant amount of captive iron ore supply, and demand contraction in Europe, where apparent steel consumption declined by 9% in 2012 compared to 2011.

Flat Carbon Europe's operating loss (particularly in the second half of the year) mainly resulted from a \$2,493 million impairment charge of goodwill and \$448 million impairment losses related to property, plant and equipment in the framework of asset optimization, of which \$130 million in respect of the long term idling of the liquid phase at the Florange site of ArcelorMittal Atlantique et Lorraine in France and \$296 million with respect to the intention to permanently close the coke plant and six finishing lines at the Liège site of ArcelorMittal Belgium.

In addition, operating loss for the year ended December 31, 2012 was increased by restructuring costs amounting to \$355 million as part of asset optimization, of which \$231 million related to the closure of the primary facilities at the Liège site of ArcelorMittal Belgium and \$64 million associated with separation schemes primarily relating to ArcelorMittal Poland. These charges were partially offset by a gain of \$210 million recorded on the sale of carbon dioxide credits (the proceeds of which will be re-invested in energy saving projects) and a non-cash gain of \$566 million relating to unwinding of hedges on raw material purchases.

Operating income for the year ended December 31, 2011 had been negatively impacted by impairment losses of \$141 million relating to various idled facilities (including \$85 million for the primary facilities of ArcelorMittal Liège Upstream, Belgium). These charges were offset by a gain of \$93 million recorded on the sale of carbon dioxide credits (the proceeds of which will be re-invested in energy saving projects) and a non-cash gain of \$600 million relating to unwinding of hedges on raw material purchases. In addition, operating income for the year ended December 31, 2011 had been negatively impacted by restructuring costs associated with asset optimization, totaling \$143 million, primarily relating to Spanish entities.

### *Long Carbon Americas and Europe*

Operating loss for the Long Carbon Americas and Europe segment for the year ended December 31, 2012 was \$0.6 billion compared to operating income of \$0.6 billion for the year ended December 31, 2011. The decrease in operating income in 2012 generally reflected the deterioration of the economic environment in Europe, resulting in lower shipment volumes (which were down 5%) and lower average steel selling prices (down 6%). Operating loss for the segment amounted to \$1.0 billion for the second half of the year, compared to operating income of \$0.4 billion

in the first half of the year, primarily driven by an impairment charge of \$1,010 million related to goodwill, lower steel shipment volumes and lower average selling price. European operations were particularly exposed to price-cost squeeze effects resulting from the overhang of high-cost raw material inventories and the negative impact of the time lag of passing along increases in cost to customers, as it does not have a significant amount of captive iron ore supply and to demand contraction in Europe.

Operating income for the year ended December 31, 2012 (in particular in the second half of 2012) was negatively impacted by an impairment charge of goodwill for \$1,010 million and a net impairment charge of property, plant and equipment for \$270 million, including \$222 million related to Spanish and North African entities and \$61 million related to the extended idling of the electric arc furnace and continuous caster at the Schifflange site in Luxembourg.

In addition, operating income for the year ended December 31, 2012 was negatively impacted by restructuring costs totaling \$98 million associated with asset optimization, primarily in Spanish entities.

Operating income for the year ended December 31, 2011 was negatively impacted by impairment losses of \$178 million of which \$151 million related to the extended idling of the ArcelorMittal Madrid electric arc furnace. In addition, operating income for the year ended December 31, 2011 was negatively impacted by restructuring costs associated with asset optimization, totaling \$37 million.

### *AACIS*

Operating loss for the AACIS segment for the year ended December 31, 2012 was \$0.1 billion, compared to operating income of \$0.7 billion for the year ended December 31, 2011. Lower profitability in 2012 was primarily

due to lower average steel selling prices, which declined 9% compared to 2011. Operating loss for the segment amounted to \$52 million for the second half of the year, compared to \$36 million in the first half. Operating income in the second half included the gain on disposal of Paul Wurth for \$242 million. Excluding this gain, profitability decreased significantly during the second half of 2012 and in particular in the fourth quarter due to negative price-cost squeeze and lower volumes sold.

#### *Distribution Solutions*

Operating loss for the Distribution Solutions segment for the year ended December 31, 2012 was \$0.7 billion, compared to operating income of \$0.1 billion for the year ended December 31, 2011.

Operating loss for the year ended December 31, 2012 was mainly related to a \$805 million goodwill impairment charge. The decrease in operating income in 2012 generally reflected the effect of lower average steel selling prices and negative price-cost impacts in the context of deteriorated economic conditions in Europe. Operating loss for the segment amounted to \$1.0 billion for the second half of the year, compared to operating income of \$0.3 billion in the first half of 2012, primarily as a result of the impairment charge recorded in the second half of 2012. Operating loss for the year ended December 31, 2012 also included restructuring charges of \$127 million relating to asset optimization and the \$331 million gain on disposal of Skyline Steel.

Operating income for the year ended December 31, 2011 had been negatively impacted by restructuring costs associated with asset optimization, totaling \$40 million across various entities.

#### *Mining*

Operating income for the Mining segment for the year ended December 31, 2012 was \$1.2 billion, compared to operating income of \$2.6 billion for the year ended December 31, 2011. The 54% decrease in operating income in 2012 generally reflected lower

iron ore and coal selling prices and higher input costs. In terms of selling prices, as noted above, the average reference price of iron ore decreased from \$167.59/tonne CFR China for 62% Fe in 2011 to \$130/tonne in 2012. Iron ore marketable volume for the year ended December 31, 2012 was 28.8 million tonnes, compared to 28.0 million tonnes for the year ended December 31, 2011. Coal marketable volume for the year ended December 31, 2012 was stable at 5.1 million tonnes, compared to 4.9 million tonnes for the year ended December 31, 2011. Cost of sales increased from \$3.6 billion to \$3.9 billion, an increase of 8% primarily due to higher shipments and higher input cost.

Operating income for the segment amounted to \$0.4 billion for the second half of the year, compared to \$0.8 billion in the first half. The decrease in the second half of 2012 was primarily driven by lower iron ore and coal selling prices as well as lower shipments of marketable volumes (internal transfers reported at market price and external sales) from own mines for iron ore.

#### **Income from Investments in Associates and Joint Ventures**

ArcelorMittal recorded income of \$0.2 billion from investments in associates and joint ventures for the year ended December 31, 2012, as compared with income from investments in associates and joint ventures of \$0.6 billion for the year ended December 31, 2011. Income for the year ended December 31, 2012 was lower compared to 2011 due to losses from Chinese investees and impacts of disposals. It included a net gain of \$101 million on the disposal of a 6.25% stake in Erdemir and an impairment loss of \$185 million, reflecting the reduction of the carrying amount of the investment in Enovos to the net proceeds from the sale. Income for the year ended December 31, 2011 included an impairment loss of \$107 million, reflecting the reduction of the carrying amount of the investment in Macarthur

Coal to the net proceeds from the sale, as a result of the Company's withdrawal from the joint venture with Peabody Energy to acquire ownership of Macarthur Coal.

#### **Financing Costs-Net**

Net financing costs include net 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 net financing costs (which mainly include bank fees, accretion of defined benefit obligations and other long term liabilities). Net financing costs were relatively stable for the year ended December 31, 2012, at \$2.7 billion, as compared with \$2.8 billion for the year ended December 31, 2011.

Net interest expense (interest expense less interest income) was \$1.9 billion for the year ended December 31, 2012 as compared to \$1.8 billion for the year ended December 31, 2011. Interest expense was slightly higher for the year ended December 31, 2012 at \$2.0 billion, compared to interest expense of \$1.9 billion for the year ended December 31, 2011, primarily due to increased costs following the rating downgrades in August, November and December resulting in step-ups in the interest rate payable on most of the Company's outstanding bonds. Interest income for the year ended December 31, 2012 amounted to \$0.2 billion, compared to \$0.1 billion for the year ended December 31, 2011.

Foreign exchange and other net financing costs (which include bank fees, interest on pensions, impairment of financial instruments and fair value adjustments of derivative instruments) remained stable; they amounted to \$0.9 billion for the year ended December 31, 2012 as compared to costs of \$1.0 billion for the year ended December 31, 2011. While these costs were relatively stable from year to year, there were significant variations from quarter to quarter, resulting from the

impact of fluctuation in the €/€ exchange rate on the Company's euro denominated debt (translation effect).

#### **Income Tax Expense (Benefit)**

ArcelorMittal recorded an income tax benefit of \$1.9 billion for the year ended December 31, 2012, compared to an income tax expense of \$0.9 billion for the year ended December 31, 2011. The full year 2012 income tax benefit of \$1.9 billion was primarily driven by deferred tax benefits recognized on write-downs of the value of shares of consolidated subsidiaries in Luxembourg, partially offset by reversal of deferred taxes in Europe and South America. For additional information related to ArcelorMittal's income taxes, see Note 20 to ArcelorMittal's consolidated financial statements.

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and on the pre-tax results of its subsidiaries in each of these countries, which can vary from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, that have a structurally lower corporate income tax rate than the statutory tax rate as in effect in Luxembourg (28.8% until December 31, 2012 – 29.22% as from 2013), and enjoys, mainly in Western Europe, structural (permanent) tax advantages such as notional interest deduction and tax credits. The income reported through the Company's finance centers located principally in Belgium and Dubai is not taxable.

The statutory income tax expense (benefit) and the statutory income tax rates of the countries that most significantly resulted in the tax expense (benefit) at statutory rate for each of the years ended December 31, 2011 and 2012 are as set forth below:

## Business overview

continued

	2011		2012	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	116	35.00%	12	35.00%
Argentina	30	35.00%	43	35.00%
France	(141)	34.43%	(313)	34.43%
Brazil	(15)	34.00%	(124)	34.00%
Belgium	617	33.99%	(44)	33.99%
Germany	(136)	30.30%	(225)	30.30%
Spain	(261)	30.00%	(253)	30.00%
Luxembourg	(534)	28.80%	(1 343)	29.22%
Mexico	110	28.00%	67	28.00%
South Africa	9	28.00%	(24)	28.00%
Canada	259	26.90%	169	26.90%
Algeria	(26)	25.00%	(21)	25.00%
Russia	7	20.00%	18	20.00%
Kazakhstan	114	20.00%	12	20.00%
Czech Republic	2	19.00%	19	19.00%
Poland	(4)	19.00%	(24)	19.00%
Romania	(29)	16.00%	(4)	16.00%
Ukraine	28	16.00%	(58)	16.00%
Dubai	0.00	0.00%	0.00	0.00%
Others	(113)		(159)	
Total	33		(2,252)	

Note: The statutory tax rates are the rates enacted or substantively enacted by the end of the respective period.

### Non-Controlling Interests

Net loss attributable to non-controlling interests was \$118 million for the year ended December 31, 2012, as compared with net loss attributable to non-controlling interests of \$4 million for the year ended December 31, 2011. The increase relates to lower income in subsidiaries with non-controlling interests, particularly in Africa.

### Discontinued Operations

Net income from discontinued operations (i.e., the Company's stainless steel business, which was spun-off into a separate company, Aperam, whose shares were distributed to ArcelorMittal shareholders in the first quarter of 2011) for the year ended December 31, 2012 was nil compared to \$461 million for the year ended December 31, 2011, including \$42 million of the post-tax net results contributed by the stainless steel business prior to the completion of the spin-off on January 25, 2011. The balance of \$419 million represents a one-time

income from the recognition through the consolidated statements of operations of gains/losses relating to the demerged assets previously recognized in equity.

### Net Income Attributable to Equity Holders of the Parent

ArcelorMittal's net loss attributable to equity holders of the parent for the year ended December 31, 2012 amounted to \$3.7 billion compared to net income attributable to equity holders of \$2.3 billion for the year ended December 31, 2011, for the reasons discussed above.

### Liquidity and Capital Resources

ArcelorMittal's principal sources of liquidity are cash generated from its operations and its credit facilities at the corporate level.

Because ArcelorMittal is a holding company, it is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service

obligations. Significant cash or cash equivalent balances may be held from time to time at the Company's international operating subsidiaries, including in particular those in France, where the Company maintains a cash management system under which most of its cash and cash equivalents are centralized, and in Algeria, Argentina, Brazil, China, Kazakhstan, Morocco, South Africa, Ukraine and Venezuela. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity. Repatriation of funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Company operates, though none of these policies is currently significant in the context of ArcelorMittal's overall liquidity.

In management's opinion, ArcelorMittal's credit facilities are adequate for its present requirements.

As of December 31, 2012, ArcelorMittal's cash and cash equivalents, including restricted cash and short-term investments, amounted to \$4.5 billion as compared to \$3.9 billion as of December 31, 2011. In addition, ArcelorMittal had available borrowing capacity of \$10.0 billion under its credit facilities as of December 31, 2012 as compared to \$8.6 billion as of December 31, 2011. ArcelorMittal also has a €1 billion (approximately \$1.3 billion) commercial paper program (of which €0.1 billion or approximately \$0.1 billion was outstanding as of December 31, 2012), and its policy has been to maintain availability under its credit facilities as back-up for its commercial paper program.

As of December 31, 2012, ArcelorMittal's total debt, which includes long-term debt and short-term debt, was \$26.3 billion,

compared to \$26.4 billion as of December 31, 2011. Net debt (defined as long-term debt plus short-term debt, less cash and cash equivalents and restricted cash) was \$21.8 billion as of December 31, 2012, down from \$22.5 billion at December 31, 2011. Most of the external debt is borrowed by the parent company on an unsecured basis and bears interest at varying levels based on a combination of fixed and variable interest rates. Gearing (defined as net debt divided by total equity) at December 31, 2012 was 39% as compared to 37% at December 31, 2011. Total equity will be reduced in 2013, as a result of new accounting rules with respect to deferred employee benefits taking effect as of January 1, 2013 (IAS 19 amendments), which will result in an increase of deferred employee benefit liabilities against a charge to equity in the amount of the funding deficit of \$5.0 billion (before income tax credits). Total debt remained stable period-on-period. Net debt decreased period-on-period primarily due to improvement in cash from operations, issuance of capital securities and cash proceeds from divestments.

The margin under ArcelorMittal's principal credit facilities and certain of its outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings. Due, among other things, to the weak steel industry outlook and ArcelorMittal's credit metrics and level of debt, Standard & Poor's, Moody's and Fitch downgraded the Company's rating to below "investment grade" in August, November and December 2012, respectively, and Standard & Poor's and Moody's currently have ArcelorMittal's credit rating on negative outlook. These downgrades triggered the interest rate "step-up" clauses in most of the Company's outstanding bonds, resulting in an increased interest expense of \$38 million in 2012. Regaining an investment grade rating is a strategic target for the Company.

ArcelorMittal's principal credit facilities, which are the \$6 billion revolving credit facility entered into on March 18, 2011 (the "\$6 Billion Facility"), the \$4 billion revolving credit facility entered into on May 6, 2010 (the "\$4 Billion Facility") and the \$500 million multi-currency revolving letter of credit facility entered into on September 30, 2010, which was reduced to

\$450 million on October 26, 2012, contain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. These agreements also require compliance with a financial covenant, as summarized below.

The Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to certain adjustments as set out in the facilities) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio, currently 3.5 to one. The Company refers to this ratio as the "Leverage Ratio". As of December 31, 2012, the Company was in compliance with the Leverage Ratio.

Non-compliance with the covenants in the facilities described above would entitle the lenders under such facilities to accelerate the Company's repayment obligations. The Company was in compliance with the financial covenants in the agreements related to all of its borrowings as of December 31, 2012 and December 31, 2011.

As of December 31, 2012, ArcelorMittal had guaranteed approximately \$0.9 billion of debt of its operating subsidiaries and \$1.1 billion of total debt of ArcelorMittal Finance. ArcelorMittal's debt facilities have provisions whereby the acceleration of the debt of another borrower within the ArcelorMittal group could, under certain circumstances, lead to acceleration under such facilities.

The following table summarizes the repayment schedule of ArcelorMittal's outstanding indebtedness, which includes short-term and long-term debt, as of December 31, 2012.

Type of Indebtedness as of December 31, 2012	Repayment Amounts per Year (in billions of \$)						Total
	2013	2014	2015	2016	2017	>2017	
<b>Term loan repayments</b>							
Convertible bonds <sup>1</sup>	-	2.3	-	-	-	-	2.3
Bonds	3.2	1.3	2.2	1.8	2.7	9.7	20.9
Subtotal	3.2	3.6	2.2	1.8	2.7	9.7	23.2
<b>Long-term revolving credit lines</b>							
\$6 billion syndicated credit facility	-	-	-	-	-	-	-
\$4 billion syndicated credit facility	-	-	-	-	-	-	-
Commercial paper <sup>2</sup>	0.1	-	-	-	-	-	0.1
Other loans	1	0.3	0.4	0.7	0.2	0.4	3
<b>Total Gross Debt</b>	<b>\$4.3</b>	<b>\$3.9</b>	<b>\$2.6</b>	<b>\$2.5</b>	<b>\$2.9</b>	<b>\$10.1</b>	<b>\$26.3</b>

<sup>1</sup> Represents the financial liability component of the approximately \$2.5 billion of convertible bonds issued on April 1, 2009 (eur-denominated 7.25% convertible bonds due 2014 (the "Euro Convertibles") and May 6, 2009 (U.S. dollar denominated 5% convertible notes due 2014 (the "USD Convertibles")), respectively, as well as of the \$750 million mandatory convertible bond issued by a wholly-owned Luxembourg subsidiary of the Company to a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A) in December 2009. In April 2011, the conversion date of the mandatory convertible bond was extended to January 31, 2013. On September 27, 2011, the Company increased the amount of the mandatory convertible bond by \$250 million to a total amount of \$1 billion. In December 2012, the conversion date of the mandatory convertible bond was extended to January 31, 2014. In December 2010, ArcelorMittal acquired certain call options on its own shares in order to hedge its obligations arising out of the potential conversion of its Euro Convertibles and its USD Convertibles.

<sup>2</sup> Commercial paper is expected to continue to be rolled over in the normal course of business.

## Business overview

continued

The following table summarizes the amount of credit available as of December 31, 2012 under ArcelorMittal's principal credit facilities:

Credit lines available	Facility Amount	Drawn	Available
\$6 Billion Facility	\$ 6.0	-	\$ 6.0
\$4 Billion Facility	\$ 4.0	-	\$ 4.0
Total committed lines	\$ 10.0	-	\$ 10.0

The average debt maturity of the Company was 6.1 years as of December 31, 2012, as compared to 6.3 years as of December 31, 2011.

Further information regarding ArcelorMittal's outstanding long-term indebtedness as of December 31, 2012, including the breakdown between fixed rate and variable rate debt, is set forth in Note 16 to ArcelorMittal's consolidated financial statements. Further information regarding ArcelorMittal's use of financial instruments for hedging purposes is set forth in Note 17 to ArcelorMittal's consolidated financial statements.

### Financings

The principal financings of ArcelorMittal and its subsidiaries are summarized below by category.

#### Principal Credit Facilities

On March 18, 2011, ArcelorMittal entered into the \$6 Billion Facility, which may be utilized for general corporate purposes and which matures in 2016. As of December 31, 2012, the \$6 Billion Facility remains fully available.

On May 6, 2010, ArcelorMittal entered into the \$4 Billion Facility, a three-year revolving credit facility for general corporate purposes. On September 30, 2011, the maturity date of the \$4 Billion Facility was extended to May 6, 2015. As of December 31, 2012, the \$4 Billion Facility remains fully available.

On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of \$300

million. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of \$300 million, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. The two facilities were cancelled (one as of December 31, 2011, and one as of December 31, 2012).

On September 30, 2010, ArcelorMittal entered into the \$500 million revolving multi-currency letter of credit facility (the "Letter of Credit Facility"). The Letter of Credit Facility is used by the Company and its subsidiaries for the issuance of letters of credit and other instruments. The terms of the letters of credit and other instruments contain certain restrictions as to duration. On September 30, 2011, the maturity of the Letter of Credit Facility was extended from September 30, 2015 to September 30, 2016. The Letter of Credit Facility was amended on October 26, 2012 so that letters of credit and other instruments are issued on a bilateral basis instead of through a fronting mechanism and to reduce its amount to \$450 million.

*2012 Capital Markets Transactions*  
On February 28, 2012, ArcelorMittal completed an issuance of three series of U.S. dollar denominated Notes, consisting of \$500 million aggregate principal amount of 3.75% Notes (4.25% as of August 25, 2012 following a credit downgrade) due 2015, \$1,400 million aggregate principal amount of 4.50% Notes (5.00% as of August 25, 2012) due 2017 and \$1,100 million aggregate principal amount of 6.25% Notes (6.75% as of August 25, 2012) due 2022.

On March 29, 2012, ArcelorMittal completed the issuance of €500 million (\$664 million) aggregate principal amount of 4.5% Notes (5.75% as of March 29, 2013) due in 2018.

On March 2, 2012, ArcelorMittal completed a cash tender offer to purchase any and all of its 5.375% U.S. dollar denominated notes due 2013. ArcelorMittal accepted to purchase \$298 million principal amount of such notes for a total aggregate purchase price (including other financial charges and accrued interests) of \$314 million. Upon settlement for all of the notes accepted pursuant to the offer, the remaining outstanding principal amount of notes as of December 31, 2012 was \$1.2 billion.

On September 28, 2012, the Company issued subordinated perpetual capital securities for a nominal amount of \$650 million with a coupon of 8.75%, which will reset periodically over the life of the securities, with the first reset after five years and subsequently every five years thereafter. A step up in interest of 0.25% will occur on the second reset date and a subsequent step up of 0.75% (cumulative with the initial 0.25%) fifteen years later. The Company is entitled to call the securities in five years, ten years and on subsequent coupon payment dates. As the Company has no obligation to redeem the securities and the coupon payment is discretionary, it classified the net proceeds from the issuance of the subordinated perpetual capital securities (\$642 million net of transaction costs) as equity.

On December 18, 2012, the conversion date of the \$1 billion mandatory convertible bond was extended from January 31, 2013 to January 31, 2014.

#### Other Outstanding Loans and Debt Securities

On July 15, 2004, ArcelorMittal Finance issued €100 million principal amount of unsecured and unsubordinated fixed rate notes bearing interest at 5.50% due July 15, 2014.

On November 7, 2004, ArcelorMittal Finance issued €500 million principal amount of unsecured and unsubordinated fixed-rate bonds bearing interest at 4.625% due November 7, 2014.

The Company has entered into five separate agreements with the European Bank for Reconstruction and Development ("EBRD") for on-lending to the following subsidiaries: ArcelorMittal Galati on November 18, 2002, ArcelorMittal Kryviy Rih on April 4, 2006, ArcelorMittal Temirtau on June 15, 2007, and ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last repayment installment under these loans is in January 2015. The amount outstanding under these loans in the aggregate as of December 31, 2012 was \$58 million, as compared to \$118 million as of December 31, 2011. The loan relating to ArcelorMittal Galati was fully repaid on November 23, 2009. Loans relating to ArcelorMittal Skopje and ArcelorMittal Zenica were fully repaid on October 9, 2012.

On July 24, 2007, ArcelorMittal Finance and a subsidiary signed a €500 million five-year loan agreement due 2012 that bears interest based on EURIBOR plus a margin, the proceeds of which may be used by other entities within ArcelorMittal. As of December 31, 2012 this loan was fully repaid.

On May 27, 2008, the Company issued unsecured and unsubordinated fixed rate U.S. dollar-denominated notes in two tranches totaling \$3 billion. The \$1.5 billion notes due 2013 bear interest at the rate of 5.375%, and the \$1.5 billion notes due 2018 bear interest at the rate of 6.125%. As of December 31, 2012 the remaining outstanding principal amount of notes due 2013 was \$1.2 billion.

In 2009, ArcelorMittal completed several capital markets transactions, the proceeds of which were principally used to refinance existing indebtedness. The transactions included the issuance of the following instruments that remain outstanding:

- an offering of €1.25 billion (approximately \$1.6 billion) of 7.25% bonds convertible into

and/or exchangeable for new or existing ArcelorMittal shares (OCEANEs) due 2014 which closed on April 1, 2009;

- an offering of U.S. dollar-denominated 5% convertible bonds due 2014 for \$800 million which closed on May 6, 2009;
- an offering of two series of U.S. dollar-denominated bonds (9% Notes (9.50% as of August 15, 2012) due 2015 and 9.85% Notes (10.35% as of June 1, 2012) due 2019) totaling \$2.25 billion which closed on May 20, 2009;
- an offering of two series of euro-denominated 8.25% Notes due 2013 (no impact from downgrade since notes maturity date is same as effective date of new interest) and 9.375% Notes (10.625% as of June 3, 2013) due 2016) totaling €2.5 billion (\$3.5 billion) which closed on June 3, 2009;
- an offering of \$1 billion of U.S. dollar-denominated 7% notes due 2039 (7.50% as of October 15, 2012) which closed on October 1, 2009.

In 2010, ArcelorMittal completed several capital markets transactions, the proceeds of which were principally used to refinance existing indebtedness. The transactions consisted of:

- A €1 billion offering of 4.625% notes (5.875% as of November 17, 2012) due 2017 issued under the Company's €3 billion Euro Medium Term Notes Program that closed on November 18, 2010.
- An offering of two series of US dollar – denominated notes (3.75% Notes (4.25% as of August 5, 2012) due 2015 and 5.25% Notes (5.75% as of August 5, 2012) due 2020) totaling \$2 billion, and a \$500 million reopening of the Company's 7% Notes (7.50% as of October 15, 2012) due 2039 that closed on August 5, 2010.

In 2011, ArcelorMittal completed several capital market transactions. The transactions consisted of:

- An offering of three series of U.S. dollar-denominated notes, consisting of \$500 million aggregate principal amount of 3.75% Notes (4.25% as of September 1, 2012) due 2016, \$1.5 billion aggregate principal amount of 5.50% Notes (6.00% as of September 1, 2012) due 2021 and \$1 billion aggregate principal amount of 6.75% Notes (7.25% as of September 1, 2012) due 2041, that closed on March 7, 2011, the proceeds of which were principally used to prepay the last two term loan installments under the €17 billion facility dated November 30, 2006 that was fully repaid and cancelled on March 31, 2011.
- A private placement of €125 million of 6.20% Notes (7.45% as of December 9, 2012) due in 2016, under its wholesale EMTN program completed on December 9, 2011.

#### *Mandatory convertible bonds*

On December 28, 2009, the Company issued through a wholly-owned subsidiary unsecured and unsubordinated \$750 million mandatory convertible bonds into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and were not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010, which date was later amended to April 20, 2011, until ten business days before the maturity date. This call option is recognized at fair value and the Company recognized in 2012 a loss of \$99 million (\$42 million gain in 2011) for the change in fair value in the consolidated statements of operations. The subsidiary invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Erdemir and Macarthur, both of which were publicly-listed companies in which such subsidiaries hold a minority stake. The subsidiary may also, in agreement with Crédit Agricole, invest in other financial

instruments. These bonds bear a floating interest rate based on three months Libor plus a margin payable on each February 25, May 25, August 25 and November 25. The Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. As such, the Company determined the fair value of the financial liability component of the bonds was \$55 million on the date of issuance.

On April 20, 2011, the conversion date of the mandatory convertible bonds was extended to January 31, 2013. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including a financial liability of \$60 million.

On September 27, 2011, the Company increased the mandatory convertible bonds from \$750 million to \$1 billion. The Company determined that this increase led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument.

On December 18, 2012, the conversion date of the \$1 billion mandatory convertible bond was extended from January 31, 2013 to January 31, 2014. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including a financial liability of \$48 million.

As of December 31, 2012, \$48 million is included in long-term debt and carried at amortized cost. As of December 31, 2011, \$52 million was included in long-term debt. The value of the equity component of tax and fees at December 31, 2011 ) was determined based upon the difference of the total nominal amount of mandatory convertible bonds of \$1 billion and the fair value of the financial liability component on December 18, 2012 and is included in equity as non-controlling interests.

As a result of the completion of the sale of the Macarthur shares on December 21, 2011, the notes issued by a subsidiary of ArcelorMittal and linked to the Macarthur shares were subject to an early redemption for \$1,208 million. Prior to December 31, 2011 the Company committed to Crédit Agricole to replace those notes with new notes issued by a different subsidiary of ArcelorMittal linked to shares of China Oriental Group Company Ltd ("China Oriental"). The proceeds from the redemption of the notes were invested in a term deposit with Crédit Agricole until January 17, 2012. On that date, notes linked to China Oriental were issued by a subsidiary of ArcelorMittal.

#### *Commercial Paper Program*

ArcelorMittal has a €1.0 billion commercial paper program in the French market, which had approximately €0.1 billion (\$0.1 billion) outstanding as of December 31, 2012 as compared to €0.5 billion (\$0.6 billion) as of December 31, 2011.

#### *True Sale of Receivables ("TSR") Programs*

The Company has established a number of programs for sales without recourse of trade accounts receivable to various financial institutions (referred to as True Sale of Receivables ("TSR")) for an aggregate amount of \$5,250 million as of December 31, 2012. This amount represents the maximum amounts of unpaid receivables that may be sold and outstanding at any given time. Of this amount, the Company has utilized \$4,275 million and \$4,424 million, as of December 31, 2011 and 2012, respectively. Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and 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 consolidated statements of financial position at the moment of sale. The total amount of receivables sold under TSR

## Business overview

continued

programs and derecognized in accordance with IAS 39 for the years ended 2011 and 2012 was \$35.3 billion and \$33.9 billion, respectively (with amounts of receivables sold converted to U.S. dollars at the monthly average exchange rate). Expenses incurred under the TSR programs (reflecting the discount granted to the acquirers of the accounts receivable) recognized in the consolidated statements of operations for the years ended December 31, 2011 and 2012 were \$152 million and \$182 million, respectively.

### Earnings Distribution

Considering the worsening global economic conditions since September 2008, ArcelorMittal's Board of Directors recommended on February 10, 2009, a reduction of the annual dividend in 2009 to \$0.75 per share (with quarterly dividend payments of \$0.1875) from \$1.50 per share previously. The dividend policy was approved by the annual general meeting of shareholders on May 12, 2009, and was also maintained in 2010, 2011 and 2012. In 2012, quarterly dividend payments took place on March 13, 2012, June 14, 2012, September 10, 2012 and December 10, 2012.

In consideration of the challenging global economic conditions impacting the Company's business and its priority to deleverage, The Board of Directors will submit to the approval of the shareholders at the annual general meeting of shareholders to be held in May 2013 a proposal to reduce the annual dividend payment to \$0.20 per share in 2013, as compared to \$0.75 per share in 2012. The dividend payment calendar is available on [www.arcelormittal.com](http://www.arcelormittal.com).

ArcelorMittal held 11.8 million shares in treasury as of December 31, 2012, as compared to 12.0 million shares as of December 31, 2011. As of December 31, 2012, the number of treasury shares was equivalent to approximately 0.76% of the total issued number of ArcelorMittal shares.

### Sources and Uses of Cash

The following table presents a summary of cash flow of ArcelorMittal:

	Summary of Cash Flow	
	Year ended December 31, 2011	Year ended December 31, 2012
Net cash provided by operating activities	1,777	5,294
Net cash used in investing activities	(3,678)	(3,660)
Net cash used in financing activities	(540)	(1,044)

### Net Cash Provided by Operating Activities

For the year ended December 31, 2012, net cash provided by operating activities increased to \$5.3 billion, as compared with \$1.8 billion for the year ended December 31, 2011, mainly because of operating working capital release. The net cash provided by operating activities was positively impacted by a \$2.8 billion decrease in working capital (consisting of inventories plus trade accounts receivable less trade accounts payable), driven by a \$2.8 billion decrease in inventories (accounts receivable decreased by \$1.2 billion and accounts payable decreased by \$1.1 billion, cancelling each other out). As the average number of rotation days of inventories remained stable, inventories decreased mainly as a result of lower levels of steel production compared to 2011 and lower raw material prices as the average benchmark ore price per tonne of \$130.0 CFR China and the average benchmark price for hard coking coal FOB Australia were 22% and 35% lower than in 2011, respectively, leading to a lower carrying value of raw materials and finished steel products in inventory. Accounts receivable decreased mainly as a result of lower sales. Accounts payable decreased as a result of lower purchases of raw materials and lower raw material prices. The year-on-year increase in net cash provided by operating

activities was due in particular to strong operating cash flow generation in the second quarter for \$2.2 billion and in the fourth quarter of \$2.9 billion, themselves driven by a release of working capital for \$1.4 billion and \$2.1 billion, respectively (resulting in turn largely from lower inventories and trade receivables).

### Net Cash Used in Investing Activities

Net cash used in investing activities was stable at \$3.7 billion for the year ended December 31, 2012 and 2011. Net inflows related to disposals amounted to \$1.0 billion, including \$674 million from the sale of Skyline Steel, \$264 million from the sale of the Company's stake in Erdemir, \$189 million (after adjustment for dividends) corresponding to the first installment from the sale of the Company's stake in Enovos and a net outflow (the excess of cash on the balance sheet of Paul Wurth over the cash consideration received) of \$89 million relating to the disposal of Paul Wurth.

In 2012, capital expenditure totalled \$4.7 billion, \$3.2 billion of which was related to maintenance in steelmaking facilities (including health and safety investments) and \$1.5 billion dedicated to growth projects in mining. In 2011, capital expenditure was \$4.8 billion, \$3.5 billion of which was related to steelmaking facilities (including

health and safety investments) and \$1.3 billion dedicated to mining projects. In 2013, capital expenditure is expected to amount to approximately \$3.5 billion, \$2.7 billion of which is expected to be maintenance-related (including health and safety investments) and \$0.8 billion of which is expected to be dedicated to growth projects in mining. The Company is focusing only on core growth capital expenditure in its mining business given potentially attractive return profiles of projects under construction. Some planned steel investments remain suspended. The Phase 2 expansion of the Liberian mining operation involves the construction of a concentrator, among other things, and will be capital-intensive over the 2013-2015 period.

ArcelorMittal's major capital expenditures in the year ended December 31, 2012 included the following major projects: Andrade capacity expansion plan in Andrade mine in Brazil, Liberia greenfield mining project; capacity expansion plan and replacement of spirals for enrichment in ArcelorMittal Mines in Canada. The following tables summarize the Company's principal growth and optimization projects involving significant capital expenditures completed in 2012 and those that are currently ongoing.

Segment	Site	Project	Capacity / particulars	Actual completion
Mining	Andrade Mines (Brazil)	Andrade expansion	Increase iron ore production to 3.5mt / year	Q4 2012
Segment	Site	Project	Capacity / particulars	Actual completion
Ongoing Projects <sup>1</sup>				
Mining	ArcelorMittal Mines Canada	Replacement of spirals for enrichment	Increase iron ore production by 0.8mt / year	Q1 2013
Mining	ArcelorMittal Mines Canada	Expansion project	Increase concentrator capacity by 8mt/ year (16 to 24mt / year)	H1 2013
Liberia	Liberia mines	Phase 2 expansion project	Increase production capacity to 15mt/ year (iron ore concentrate)	2015 <sup>2</sup>
FCA	ArcelorMittal Dofasco (Canada)	Optimization of galvanizing and galvalume operations	Optimize cost and increase galvalume production by 0.1mt / year	On hold
FCA	ArcelorMittal Vega Do Sul (Brazil)	Expansion project	Increase HDG capacity by 0.6mt / year and CR capacity by 0.7mt / year	On hold
LCA	Monlevade (Brazil)	Wire rod production expansion	Increase in capacity of finished products by 1.15mt / year	On hold

<sup>1</sup> Ongoing projects refer to projects for which construction has begun (excluding various projects that are under development), or have been placed on hold pending improved operating conditions.

<sup>2</sup> The Company's Board of Directors has approved the Phase 2 expansion of Liberia project that would lead to annual concentrate production capacity of 15 million tonnes per annum. The first concentrate production is expected in 2015, replacing the Phase 1 – 4 million tonnes per annum direct-shipped operation.

### Net Cash Used in Financing Activities

Net cash used in financing activities was \$1.0 billion for the year ended December 31, 2012, as compared to \$0.5 billion in 2011. The increase in cash used in financing activities was primarily due to an increase in debt repayments, partly offset by proceeds from issuance of subordinated perpetual capital securities for \$642 million and from long-term debt, primarily due to bond issuances. The Company issued €500 million 4.500% (5.75% after downgrade) Notes due 2018 under its €3 billion wholesale Euro Medium Term Notes Programme as well as three series of U.S. dollar denominated notes, consisting of \$500 million 3.750% (4.25% after downgrade) Notes due 2015, \$1.4 billion 4.500% (5.00% after downgrade) Notes due 2017 and \$1.1 billion 6.250% (6.75% after downgrade) Notes due 2022. The proceeds from these issuances were used to refinance existing indebtedness including a repayment of the Company's syndicated credit facility. Furthermore, as part of a cash tender offer, the Company accepted for purchase \$299 million principal amount of its 5.375% Notes due 2013 for a total aggregate purchase price (including other financial charges and accrued interests) of \$314 million; the

remaining outstanding principal amount of such Notes is \$1.2 billion. Net cash used in financing activities also included outflow for purchases of non-controlling interests.

Dividends paid during the year ended December 31, 2012 were \$1.2 billion, including \$1,171 million paid to ArcelorMittal shareholders and \$20 million paid to non-controlling shareholders in subsidiaries. Dividends paid in the year ended December 31, 2011 were \$1.2 billion.

### Equity

Equity attributable to the equity holders of the parent decreased to \$51.7 billion at December 31, 2012, as compared to \$56.7 billion at December 31, 2011, primarily due to the net loss attributable to the equity holders of the parent of \$3.7 billion and dividend payments of \$1.2 billion. See Note 18 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2012.

### 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) in 2011 and 2012 amounted to \$306 million and \$285 million, respectively.

### Trend Information and Outlook

All of the statements in this "Trend Information" section are subject to and qualified by the information set forth under the "Cautionary Statement Regarding Forward-Looking Statements". See also "Key Factors Affecting Results of Operations".

Operating income plus depreciation and impairment is expected to be higher in 2013 as compared to 2012. Steel shipments are expected to increase by approximately 2-3% in 2013 as compared to 2012. With the completion of the management gains program and asset optimization, per-tonne steel margins are expected to improve marginally in 2013 as compared to 2012. With the ArcelorMittal Mines Canada expansion to 24mtpa on track for ramp up during the first half of 2013, market-priced iron ore shipments are expected to increase by approximately 20% in 2013 relative to 2012. The Company expects to spend approximately \$3.5 billion on capital expenditures, of which \$2.7 billion is maintenance-related.

Approximately \$5 billion of cash receipts expected from the \$4 billion combined share and mandatorily convertible notes offering in January 2013 and the announced agreed sale of a 15% stake in ArcelorMittal Mines Canada (assuming completion of such sale on schedule), should enable net debt to decline to approximately \$17 billion by June 30, 2013. The Company has a medium term objective to reduce its net debt to \$15 billion.

## Disclosures about Market Risks

### Disclosures about market risks

ArcelorMittal is exposed to a number of different market risks arising from its normal business activities. Market risk is the possibility that changes in raw materials prices, foreign currency exchange rates, interest rates, base metal prices (zinc, nickel, aluminum and tin) and energy prices (oil, natural gas and power) will adversely affect the value of ArcelorMittal's 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 consolidated statements of financial position. Although ArcelorMittal 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 annual 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 ArcelorMittal could realize in current market transactions.

### Risk Management

ArcelorMittal has implemented strict policies and procedures to manage and monitor financial market risks. Organizationally, supervisory functions are separated from operational functions, with proper segregation of duties. Financial market activities are overseen by the CFO, the Corporate Finance and Tax Committee and the Group Management Board.

All financial market risks are managed in accordance with the Treasury and Financial Risk

Management Policy. These risks are managed centrally through Group Treasury by a group specializing in foreign exchange, interest rate, commodity, internal and external funding and cash and liquidity management.

All financial market hedges are governed by ArcelorMittal's Treasury and Financial Risk Management Policy, which includes a delegated authority and approval framework, sets the boundaries for all hedge activities and dictates the required approvals for all Treasury activities. Trading activity and limits are monitored on an ongoing basis. ArcelorMittal enters into transactions with numerous counterparties, mainly banks and financial institutions, as well as brokers, major energy producers and consumers.

As part of its financing and cash management activities, ArcelorMittal uses derivative instruments to manage its exposure to changes in interest rates, foreign exchange rates and commodities prices. These instruments are principally interest rate and currency swaps, spots and forwards. ArcelorMittal may also use futures and options contracts.

### Counterparty Risk

ArcelorMittal has established detailed counterparty limits to mitigate the risk of default by its counterparties. The limits restrict the exposure ArcelorMittal may have to any single counterparty. Counterparty limits are calculated taking into account a range of factors that govern the approval of all counterparties. The factors include an assessment of the counterparty's financial soundness and its ratings by the major rating agencies, which must be of a high quality. Counterparty limits are monitored on a periodic basis.

All counterparties and their respective limits require the prior approval of the Corporate Finance and Tax Committee. Standard agreements, such as those published by the International Swaps and Derivatives Association, Inc. (ISDA) are negotiated with all

ArcelorMittal trading counterparties.

### Derivative Instruments

ArcelorMittal uses derivative instruments to manage its exposure to movements in interest rates, foreign exchange rates and commodity prices. Changes in the fair value of derivative instruments are recognized in the consolidated statements of operations or in equity according to nature and effectiveness of the hedge. For more information, see Note 17 of ArcelorMittal's consolidated financial statements.

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.

### Currency Exposure

ArcelorMittal seeks to manage each of its entities' exposure to its operating currency. For currency exposure generated by activities, the conversion and hedging of revenues and costs in foreign currencies is typically performed using currency transactions on the spot market and forward market. For some of its business segments, ArcelorMittal hedges future cash flows.

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure 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, the Canadian dollar, Brazilian real and South African rand, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

ArcelorMittal faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue in a

different currency. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and coking coal, 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 the Company's operating margins.

Based on estimates for 2012, the table below reflects the impact of a 10% depreciation of the functional currency on budgeted cash flows expressed in the respective functional currencies of the various entities:

Entity functional currency	Transaction impact of move of foreign currency on cash flows in \$ equivalent (in millions)
U.S. dollar	(189)
Euro	(452)
Other	(24)

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates the financial statements of its subsidiaries, denominated in currencies other than the U.S. dollars for inclusion in ArcelorMittal's consolidated financial statements.

Based on estimates for 2012, the table below, in which it is assumed that there is no indexation between sales prices and exchange rates, illustrates the impact of a depreciation of 10% of the U.S. dollar.

Entity functional currency	Translation impact of depreciation of dollar on operating results in \$ equivalent (in millions)
Euro	(620)
Other	35

## Disclosures about Market Risks

continued

The table below illustrates the impact of exchange rate fluctuations on the conversion of the net debt of ArcelorMittal into U.S. dollars (sensitivity taking derivative transactions into account):

Currency	Impact of 10% move of the U.S. dollar on net debt translation in \$ equivalent (in millions)
Brazilian real	50
Canadian dollar	(5)
Euro	(831)
Other	1

### Interest Rate Sensitivity

#### Short-Term Interest Rate Exposure and Cash

Cash balances, which are primarily composed of euros 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

ArcelorMittal's policy consists of incurring debt at fixed and floating interest rates, primarily in U.S. dollars and euros according to general corporate needs. Interest rate and currency swaps are utilized to manage the currency and or interest rate exposure of the debt.

The estimated fair values of ArcelorMittal's short- and long-term debt are as follows:

(Amounts in \$ millions)	2011		2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Instruments payable bearing interest at variable rates	4,156	3,743	1,485	1,629
Instruments payable bearing interest at fixed rates	20,731	21,675	24,096	25,853
Long-term debt, including current portion	24,887	25,418	25,581	27,482
Short term bank loans and other credit facilities including commercial paper	1,531	1,561	723	884

### Commodity Price Sensitivity

ArcelorMittal utilizes a number of exchange-traded commodities in the steel-making process. In certain instances, ArcelorMittal is the leading consumer worldwide of certain commodities. In some businesses and in certain situations, ArcelorMittal is able to pass this exposure on to its customers through surcharges. The residual exposures are managed as appropriate.

Financial instruments related to commodities (base metals, energy and freight) are utilized to manage ArcelorMittal's exposure to price fluctuations.

Hedges in the form of swaps and options are utilized to manage the exposure to commodity price fluctuations.

The table below reflects commodity price sensitivity.

Commodities	Impact of 10% move of Market prices on operating results (12/31/2012) in \$ equivalent (in millions)
Zinc	68
Nickel	4
Tin	7
Aluminum	5
Gas	45
Brent	97
Freight	5

In respect of non-exchange traded commodities, ArcelorMittal is exposed to possible increases in the prices of raw materials such as iron ore (which is generally correlated with steel prices with a time lag) and coking coal. This exposure is managed through long-term contracts. For a more detailed discussion of ArcelorMittal's iron ore and coking coal purchases.

## Summary of risks and uncertainties

### Summary of risks and uncertainties

The following factors, among others, could cause ArcelorMittal's actual results to differ materially from those discussed in the forward-looking statements included throughout in this annual report.

- Recessions or prolonged periods of weak economic growth, either globally or in ArcelorMittal's key markets;
- risks relating to ongoing weakness of the Euro-zone economy, as well as ongoing concern over Euro-zone sovereign debt;
- the risk that excessive capacity in the steel industry may weigh on the profitability of steel producers;
- any volatility in the supply or prices of raw materials, energy or transportation, mismatches with steel price trends, or protracted low raw materials prices;
- the risk of protracted low iron ore and steel prices or price volatility;
- increased competition in the steel industry;
- the risk that unfair practices in steel trade could negatively affect steel prices and reduce ArcelorMittal's profitability, or that national trade restrictions could hamper ArcelorMittal's access to key export markets;
- increased competition from other materials, which could significantly reduce market prices and demand for steel products;
- legislative or regulatory changes, including those relating to protection of the environment and health and safety;
- laws and regulations restricting greenhouse gas emissions;
- the risk that ArcelorMittal's high level of indebtedness could make it difficult or expensive to refinance its maturing debt, incur new debt and/or flexibly manage its business;
- risks relating to greenfield and brownfield projects;
- risks relating to ArcelorMittal's mining operations;
- the fact that ArcelorMittal's reserve estimates could materially differ from mineral quantities that it may be able to actually recover, that its mine life estimates may prove inaccurate and the fact that market fluctuations may render certain ore reserves uneconomical to mine;
- drilling and production risks in relation to mining;
- rising extraction costs in relation to mining;
- failure to manage continued growth through acquisitions;
- a Mittal family trust's ability to exercise significant influence over the outcome of shareholder voting;
- any loss or diminution in the services of Mr. Lakshmi N. Mittal, ArcelorMittal's Chairman of the Board of Directors and Chief Executive Officer;
- the risk that the earnings and cash flows of ArcelorMittal's operating subsidiaries may not be sufficient to meet future funding needs at the holding company level;
- the risk that changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of tangible and intangible assets, including goodwill;
- the risk that ArcelorMittal's investment projects may add to its financing requirements;
- ArcelorMittal's ability to fund under-funded pension liabilities;
- the risk of labor disputes;
- economic policy, political, social and legal risks and uncertainties in certain countries in which ArcelorMittal operates or proposes to operate;
- fluctuations in currency exchange rates, particularly the euro to U.S. dollar exchange rate, and the risk of impositions of exchange controls in countries where ArcelorMittal operates;
- the risk of disruptions to ArcelorMittal's manufacturing operations;
- the risk of damage to ArcelorMittal's production facilities due to natural disasters;
- the risk that ArcelorMittal's insurance policies may provide inadequate coverage;
- the risk of product liability claims;
- the risk of potential liabilities from investigations, litigation and fines regarding antitrust matters;
- the risk that ArcelorMittal's governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and joint ventures;
- the fact that ArcelorMittal is subject to an extensive, complex and evolving regulatory framework and the risk of unfavorable changes to, or interpretations of, the tax laws and regulations in the countries in which ArcelorMittal operates;
- the risk that ArcelorMittal may not be able fully to utilize its deferred tax assets; and
- the risk that ArcelorMittal's reputation and business could be materially harmed as a result of data breaches, data theft, unauthorized access or successful hacking.

These factors are discussed in more detail in this annual report on page 193 in Risks related to the Global Economy and the Steel Industry.



# Group structure

ArcelorMittal is a holding company with no business operations of its own. All of ArcelorMittal's significant operating subsidiaries are indirectly owned by ArcelorMittal through intermediate holding companies. The following chart represents the operational structure of the Company, including ArcelorMittal's significant operating subsidiaries and not its legal or ownership structure.

## ArcelorMittal

### Flat Carbon Americas

ArcelorMittal Brasil

ArcelorMittal USA

ArcelorMittal Lázaro Cárdenas

ArcelorMittal Dofasco

### Flat Carbon Europe

ArcelorMittal Atlantique et Lorraine

ArcelorMittal Belgium

ArcelorMittal España

ArcelorMittal Flat Carbon Europe

ArcelorMittal Galati

ArcelorMittal Poland

ArcelorMittal Méditerranée

ArcelorMittal Bremen

ArcelorMittal Eisenhüttenstadt

Industeel Belgium

Industeel France

### Long Carbon Americas and Europe

Acindar

ArcelorMittal Belval & Differdange

ArcelorMittal Brasil

ArcelorMittal Hamburg

ArcelorMittal Duisburg

ArcelorMittal Las Truchas

ArcelorMittal Gipuzkoa

ArcelorMittal Montreal

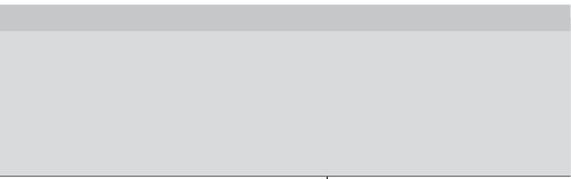
ArcelorMittal Point Lisas

ArcelorMittal Ostrava

ArcelorMittal Warszawa

Sonacid

ArcelorMittal Annaba



## AACIS

ArcelorMittal  
Kryviy Rih

ArcelorMittal  
South Africa

ArcelorMittal  
Temirtau

## Mining

ArcelorMittal  
Mines Canada

ArcelorMittal  
Kuzbass

Minorca Mines

ArcelorMittal  
Lázaro Cárdenas  
Mining Assets

Hibbing  
Taconite Mines

ArcelorMittal  
Princeton

ArcelorMittal  
Mineração  
Serra Azul

ArcelorMittal  
Kryviy Rih

ArcelorMittal  
Temirtau

## Distribution Solutions

ArcelorMittal  
International  
Luxembourg

## Group structure

The following table identifies each significant operating subsidiary of ArcelorMittal, including its registered office and ArcelorMittal's percentage ownership thereof.

<b>Flat Carbon Americas</b>		
ArcelorMittal Dofasco Inc.	1330 Burlington Street East, P.O. Box 2460, L8N 3J5 Hamilton, Ontario, Canada	100.00%
ArcelorMittal Lázaro Cárdenas S.A. de C.V.	Fco. J. Mujica no. 1-B, 60950, Cd. Lázaro Cárdenas, Michoacán, Mexico	100.00%
ArcelorMittal USA LLC	1, South Dearborn, Chicago, IL 60603, USA	100.00%
ArcelorMittal Brasil S.A.	1115, avenida Carandai, 24° Andar, 30130-915 Belo Horizonte- MG, Brazil	100.00%
<b>Flat Carbon Europe</b>		
ArcelorMittal Atlantique et Lorraine S.A.S.	Immeuble "Le Cezanne", 6, rue Andre Campra, 93200, St Denis, France	100.00%
ArcelorMittal Belgium N.V.	Boulevard de l'Impératrice 66, B-1000 Brussels, Belgium	100.00%
ArcelorMittal España S.A.	Residencia La Granda, 33418 Gozon, Asturias, Spain	99.85%
ArcelorMittal Flat Carbon Europe S.A.	Avenue de la Liberté, 19, L-2930 Luxembourg, Luxembourg	100.00%
ArcelorMittal Galati S.A.	Strada Smardan nr. 1, Galati, Romania	99.70%
ArcelorMittal Poland S.A.	Al. J. Pilsudskiego 92, 41-308 Dąbrowa Górnicza, Poland	100.00%
Industeel Belgium S.A.	Rue de Châtelet, 266, 6030 Charleroi, Belgium	100.00%
Industeel France S.A.	Immeuble "Le Cezanne", 6, rue Andre Campra, 93200, St Denis, France	100.00%
ArcelorMittal Eisenhüttenstadt GmbH	Werkstr. 1, D-15890 Eisenhüttenstadt, Brandenburg, Germany	100.00%
ArcelorMittal Bremen GmbH	Carl-Benz Str. 30, D-28237 Bremen, Germany	100.00%
ArcelorMittal Méditerranée S.A.S.	Immeuble "Le Cezanne", 6, rue Andre Campra, 93200, St Denis, France	100.00%
<b>Long Carbon Americas and Europe</b>		
Acindar Industria Argentina de Aceros S.A.	Leandro N. Alem 790 8° floor, Buenos Aires, Argentina	100.00%
ArcelorMittal Belval & Differdange S.A.	66, rue de Luxembourg, L-4221 Esch sur Alzette, Luxembourg	100.00%
ArcelorMittal Brasil S.A.	1115, Avenida Carandai, 24° Andar, 30130-915 Belo Horizonte- MG, Brazil	100.00%
ArcelorMittal Hamburg GmbH	Dradenustrasse 33, D-21129 Hamburg, Germany	100.00%
ArcelorMittal Las Truchas, S.A. de C.V.	Francisco J Mujica 1, 60950, Lázaro Cárdenas Michoacán, Mexico	100.00%
ArcelorMittal Montreal Inc	4000, route des Aciéries, JOL 1C0, Contrecoeur, Québec, Canada	100.00%
ArcelorMittal Gipúzkoa S.L.	Carretera Nacional Madrid—Irun S/N, 20212 Olaberria, Spain	100.00%
ArcelorMittal Ostrava a.s.	Vratimovska Str, 689, CZ-70702 Ostrava-Kunčice, Czech Republic	100.00%
ArcelorMittal Point Lisas Ltd.	ISCOTT Complex, Mediterranean Drive, Point Lisas, Couva, Trinidad and Tobago	100.00%
Société Nationale de Sidérurgie S.A.	Route Nationale no. 2, Km 18, BP 551, Al Aarroui, Morocco	32.43% <sup>1</sup>
ArcelorMittal Duisburg GmbH	Vohwinkelstraße 107, D-47137 Duisburg, Germany	100.00%
ArcelorMittal Warszawa S.p.z.o.o.	Ul. Kasprowicza 132, 01-949 Warszawa, Poland	100.00%
<b>AACIS</b>		
ArcelorMittal South Africa Ltd.	Main Building, Room N3/5, Delfos Boulevard, 1911, Vanderbijlpark, South Africa	52.02%
JSC ArcelorMittal Temirtau	Republic Ave., 1, 101407, Karaganda Region, Temirtau, Republic of Kazakhstan	100.00%
OJSC ArcelorMittal Kryviy Rih	1 Ordzhonikidze Street, Kryviy Rih, 50095 Dnepropetrovsk Oblast, Ukraine	95.13%
<b>Mining</b>		
ArcelorMittal Mines Canada Inc.	1801 McGill College, Suite 1400, Montreal, Québec, Canada H3A2N4	100.00%
Arcelormittal Liberia Ltd	14th Street, Tubman Blvd, Sinkor, Monrovia, Liberia	70.00%
JSC ArcelorMittal Temirtau	Republic Ave., 1, 101407 Temirtau, Karaganda Region, Republic of Kazakhstan	100.00%
OJSC ArcelorMittal Kryviy Rih	1 Ordzhonikidze Street, Kryviy Rih, 50095 Dnepropetrovsk Oblast, Ukraine	95.13%
<b>Distribution Solutions</b>		
ArcelorMittal International Luxembourg S.A.	19, avenue de la Liberté, L-2930 Luxembourg, Luxembourg	100.00%

<sup>1</sup> Société Nationale de Sidérurgie, S.A. is controlled by Nouvelles Sidérurgies Industrielles, a joint venture controlled by ArcelorMittal.

## Key transactions and events in 2012

### Key Transactions and Events in 2012

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2012 are summarized below.

- On December 31, 2012, ArcelorMittal entered into an agreement pursuant to which its wholly owned subsidiary, ArcelorMittal Mines Canada Inc. ("AMMC"), and a consortium led by POSCO and China Steel Corporation ("CSC") will create joint venture partnerships to hold ArcelorMittal's Labrador Trough iron ore mining and infrastructure assets. The consortium, which also includes certain financial investors, will acquire a 15% interest in the joint ventures for total consideration of \$1.1 billion in cash, with AMMC and its affiliates retaining an 85% interest. As part of the transaction, POSCO and CSC will enter into long-term iron ore off-take agreements proportionate to their joint venture interests. The transaction is subject to various closing conditions, including regulatory clearance by the Taiwanese and Korean governments, and is expected to close in two steps in the first and second quarters of 2013.
- On December 18, 2012, ArcelorMittal extended the conversion date of the mandatory convertible bonds ("MCB") issued by one of its wholly-owned Luxembourg subsidiaries and convertible into preferred shares of such subsidiary from January 31, 2013 to January 31, 2014. The MCB was originally issued in December 2009 (and placed privately with a Luxembourg affiliate of Crédit Agricole Corporate and Investment Bank) in an amount of \$750 million, which was increased to \$1 billion in April 2011. In connection with the extension of the conversion date of the MCB, ArcelorMittal also extended the maturities of the equity-linked notes in which the proceeds of the MCB issuance are invested.
- On November 14, 2012, ArcelorMittal signed a share purchase agreement with Mrs. Mashile-Nkosi providing for acquisition by her or her nominee of ArcelorMittal's 50% interest in Kalagadi Manganese. Under the agreement, ArcelorMittal will receive cash consideration of not less than ZAR 3.9 billion (approximately \$460 million), on closing, which is subject to the arrangement of financing by the buyer. As of the date of this annual report, ArcelorMittal has not been notified of the satisfaction of this condition and therefore the investment was not classified as held for sale. Closing is also subject to the waiver of preemptive rights of the other shareholders, customary corporate approvals and various regulatory approvals.
- On October 1, 2012, ArcelorMittal Atlantique and Lorraine announced the intention to launch a project to close the liquid phase of the Florange plant in France, and concentrate efforts and investment on the high-quality finishing operation in Florange which employs more than 2,000 employees. The Company had accepted the French government's request for the government to find a buyer for the liquid phase within 60 days of October 1, 2012, but no buyer was found. In December 2012, ArcelorMittal and the French government reached an agreement providing for the mothballing of the liquid phase without any dismantling for six years. ArcelorMittal expressed its commitment to the French government that it would (i) invest €180 million in the Florange site over the next five years, (ii) maintain the packaging activity in Florange for at least five years, (iii) reorganize the activity of the Florange site only by voluntary social measures for workers, and (iv) launch an R&D program to continue to develop the blast furnace top gas recycling technology.
- On September 28, 2012, the Company completed the offering of \$650 million of subordinated perpetual securities. The securities have no fixed maturity date, are subordinated and have a coupon of 8.75% per annum, subject to the right of the Company to defer the coupon payments. The initial coupon resets periodically over the life of the securities, with the first reset in year five and subsequently every five years thereafter. There is a step-up in the coupon of 25 basis points on the second reset date (year 10) and a subsequent step-up of 75 basis points 15 years later. The Company is entitled to call the securities in year five, in year 10, and on subsequent coupon payment dates. The Company also has the option to redeem the securities upon specific accounting, tax, rating agency or change of control events.
- On July 25, 2012, ArcelorMittal announced the sale of its 48.1% stake in Paul Wurth, a Luxembourg-headquartered international engineering company that designs and supplies a full-range of technological solutions to the iron and steel industry and other metal sectors, to SMS Holding GmbH (Germany) for a total consideration of \$388 million (cash outflow of \$89 million net of cash disposed of). The transaction was completed on December 17, 2012.
- On July 17, 2012, ArcelorMittal completed the disposal of its 23.48% interest in Enovos International SA to a fund managed by AXA Private Equity (Luxembourg) for total consideration of €330 million, with €165 million paid on the same date and the remaining portion deferred for up to two years. Interest is accruing on the deferred portion.
- On June 20, 2012, ArcelorMittal completed the sale of its steel foundation distribution business in NAFTA, Skyline Steel and Astralloy ("Skyline Steel"), to Nucor Corporation (United States) for a total cash consideration of \$674 million, reflecting final working capital adjustments. The transaction comprised 100% of ArcelorMittal's stake in Skyline Steel's operations in the NAFTA countries and the Caribbean.
- On June 6, 2012, ArcelorMittal and Valin Group announced that ArcelorMittal would increase its shareholding in the downstream automotive steel joint venture VAMA from 33% to 49%. VAMA, which is a joint venture currently owned by ArcelorMittal (33%), Valin Group (33%) and Hunan Valin Steel Tube and Wire Co., Ltd. ("Hunan Valin") (34%), is focused on establishing itself as a premier supplier of high-strength steels and value-added products for China's fast growing automotive market. In line with a new shareholding agreement they have entered into, the Valin Group and ArcelorMittal intend to increase VAMA's planned capacity by 25% from 1.2 million tonnes to 1.5 million tonnes, with capital investment to increase by 15% to CNY 5.2 billion (approximately \$834 million). VAMA has signed purchase agreements totaling CNY 1.8 billion (approximately \$289 million) for key equipment including cold rolling facilities, continuous annealing and galvanizing lines. The joint venture is expected to become operational in the first half of 2014. ArcelorMittal and the Valin Group also announced the possible recalibration by ArcelorMittal of its shareholding in Hunan Valin. The two companies have finalized a share swap arrangement based upon a Put Option mechanism, which enables ArcelorMittal to exercise, over the next two years, Put Options granted by the Valin Group with respect to Hunan Valin shares. Under this arrangement, ArcelorMittal (which currently holds approximately 30% of the shares of Hunan Valin) could sell up to 19.9% of the total equity (600 million shares) in Hunan Valin to the Valin Group. The exercise period of the Put Options is equally spaced with a gap of six months and linked to the key development milestones of VAMA. Following the exercise

## Key transactions and events in 2012

of the Put Options, ArcelorMittal would retain a 10.07% shareholding in Hunan Valin as part of a long-term strategic cooperation agreement. ArcelorMittal's acquisition of the additional 16% shareholding in VAMA, which would be financed by the sale of shares in Hunan Valin using the Put Options, was approved by the Chinese authorities in December 2012. The put option exercise dates are February 6, 2013, August 6, 2013, February 6, 2014 and August 6, 2014. The exercise price per share is CNY 4 for the first two dates and CNY 4.4 for the last two dates. The Company exercised the first put option on February 6, 2013 and its stake in Hunan Valin decreased accordingly to 25%.

- On May 8, 2012, the annual general meeting and extraordinary general meeting of shareholders held in Luxembourg approved all resolutions on their respective agendas by a large majority. A total of 1,021,492,703 shares, or 65.44% of the Company's share capital, were present or represented at the general meetings. The shareholders elected Mr. Tye Burt, the former President and Chief Executive Officer of Kinross Gold Corporation, a Toronto and New York Stock Exchange-listed gold mining company, as a new independent director of ArcelorMittal and re-elected Mr. Wilbur L. Ross and Mr. Narayanan Vaghul as independent directors for a term of three years each. In addition, the shareholders approved grants under the Restricted Share Unit Plan and the Performance Share Unit Plan in relation to 2012. The shareholders also approved a number of changes to the Articles of Association, mainly to bring them in line with recent legal developments in Luxembourg, including the transposition into Luxembourg law of the European Shareholders' Rights Directive. Finally, the shareholders approved an increase in the Company's authorized share capital by an amount equal to 10% of its

pre-extraordinary general meeting issued share capital.

- On April 26, 2012, ArcelorMittal announced that a scoping study had identified the potential to utilize ArcelorMittal Mines Canada's existing infrastructure system to increase annual production of iron-ore concentrate to 30 million tonnes per annum. In May 2011, the Company had announced that it had launched an investment program to increase annual production at ArcelorMittal Mines Canada from 16 to 24 million tonnes per annum by 2013. Several development options are currently being considered and further expansion beyond the current investment program is being investigated. Studies have been initiated for a production increase of up to 32 million tonnes per annum.
- On March 29, 2012, ArcelorMittal issued €500 million 4.5% Notes due March 29, 2018. The notes were issued under the Company's €3 billion wholesale Euro Medium Term Notes Programme and the proceeds were used to refinance existing indebtedness.
- On March 28, 2012, ArcelorMittal announced that it had sold 134,317,503 shares and warrants for an additional 134,317,503 shares in Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir") by way of a single accelerated bookbuilt offering to institutional investors. Taking into account the acquisition cost net of dividends, the disposal was cash positive. ArcelorMittal agreed to a 365 day lock-up period on its remaining stake in Erdemir. The warrants subsequently expired without exercise. Accordingly, as a result of this transaction, ArcelorMittal's shareholding in Erdemir decreased from 25.78% to approximately 18.7%.
- On March 2, 2012, ArcelorMittal announced the results of its cash tender offer launched on February 23, 2012 to purchase its 5.375% notes due June 1, 2013. ArcelorMittal accepted for purchase \$299 million principal

amount of notes for a total aggregate purchase price (including accrued interest) of \$314 million. Upon settlement for all of the notes accepted pursuant to the offer, the remaining outstanding principal amount of notes is \$1.2 billion.

- On February 28, 2012, ArcelorMittal completed the issuance of three series of U.S. dollar denominated notes: \$500 million aggregate principal amount of 3.75% notes due 2015, \$1.4 billion aggregate principal amount of 4.5% due 2017, and \$1.1 billion aggregate principal amount of 6.25% notes due 2022. The proceeds were used to refinance existing indebtedness.

### Recent Developments

- On February 20, 2013, ArcelorMittal completed the disposal of a 20% stake in Baffinland Iron Mines Corporation ("Baffinland") to Nunavut Iron Ore, Inc. ("Nunavut"), whose interest increased from 30% to 50%. In consideration, Nunavut correspondingly increased its share of funding for development of Baffinland's Mary River iron ore project. ArcelorMittal retained a 50% interest in the project as well as operator and marketing rights.
- On February 9, 2013, a fire occurred at the Vanderbijlpark plant in ArcelorMittal South Africa. It caused extensive damage to the steel making facilities resulting in an immediate shutdown of the facilities. No injuries were reported as a result of the incident. Once detailed assessments of the damage and required repairs have been carried out, the potential loss of sales and estimate of the time to repair will be determined.
- On January 24, 2013, ArcelorMittal Liège informed its local works council of its intention to permanently close a number of additional assets due to further weakening of the European economy and the resulting low demand for its products. Specifically, ArcelorMittal Liège

has proposed to close (i) the hot strip mill in Chertal, (ii) one of the two cold rolling flows in Tilleur, (iii) galvanization lines 4 and 5 in Flemalle and (iv) electrogalvanizing lines HP3 and 4 in Marchin. The Company has also proposed to permanently close the ArcelorMittal Liège coke plant, which is no longer viable due to the excess supply of coke in Europe. ArcelorMittal Liège intends to discuss with trade union representatives all possible means of reducing the impact on employees, including the possibility of transfer to other sites within ArcelorMittal.

- ArcelorMittal completed a combined offering of ordinary shares and mandatorily convertible subordinated notes ("MCNs") on January 14, 2013 and January 16, 2013, respectively. The ordinary share offering represents an aggregate of approximately \$1.75 billion, representing approximately 104 million ordinary shares at an offering price of \$16.75 per ordinary share. The MCN offering represented an aggregate of approximately \$2.25 billion. The notes have a maturity of three years, are issued at 100% of the principal amount and will be mandatorily converted into ordinary shares of ArcelorMittal at maturity unless earlier converted at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The notes pay a coupon of 6.00% per annum, payable quarterly in arrears. The minimum conversion price of the MCNs is equal to \$16.75, corresponding to the placement price of shares in the concurrent ordinary share offering as described above, and the maximum conversion price was set at approximately 125% of the minimum conversion price (corresponding to \$20.94). The Mittal family purchased \$300 million of MCNs and \$300 million of ordinary shares in the offering. ArcelorMittal intends to use the net proceeds from the combined offering to reduce existing indebtedness.

# Corporate governance

## Corporate Governance

The "Corporate Governance" section of our Annual report 2012 contains a full overview of our corporate governance practices.

### Directors and Senior Management

ArcelorMittal is governed by the Board of Directors and managed by the Group Management Board.

#### Board of Directors

ArcelorMittal places a strong emphasis on corporate governance. ArcelorMittal has eight independent directors on its 11-member Board of Directors. The Board's Audit Committee and Appointments, Remuneration and Corporate Governance Committee are each comprised exclusively of independent directors. In addition, half of the Risk Management Committee is comprised of independent directors.

The annual general meeting of shareholders on May 8, 2012 acknowledged the expiration of the terms of office of Mr. Narayanan Vaghul and Mr. Wilbur L. Ross. At the same meeting, the shareholders re-elected Mr. Vaghul and Mr. Ross for a new term of three years each. The Board of Directors had proposed to elect Mr. Tye Burt as a new Board member, and Mr. Burt was elected by the shareholders for a three-year term starting on May 8, 2012. Mr. Burt is considered an independent director within the meaning of the NYSE Listed Company Manual and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

As a result of these changes, the Board of Directors is composed of 11 directors, of which 10 are non-executive directors and eight are independent directors. The Board of Directors comprises only one executive director, Mr. Lakshmi N. Mittal, the Chairman and Chief Executive Officer of ArcelorMittal.

Mr. Lewis B. Kaden is the Lead Independent Director. Mr. Kaden's principal duties and responsibilities as Lead Independent Director are as follows: coordination of activities of the other Independent Directors; liaison between the Chairman and the other Independent Directors; calling meetings of the Independent Directors when necessary and appropriate; and such other duties as are assigned from time to time by the Board of Directors.

No member of the Board of Directors, including the executive Director, has entered into any service contract with ArcelorMittal or any of its subsidiaries providing for benefits upon the end of his or her service on the Board.

The members of the Board of Directors are set out below:

Name	Age <sup>5</sup>	Date of joining the Board <sup>6</sup>	End of Term	Position within ArcelorMittal
Lakshmi N. Mittal	62	May 1997	May 2014	Chairman of the Board of Directors and Chief Executive Officer
Lewis B. Kaden <sup>2,4</sup>	70	April 2005	May 2014	Lead Independent Director
Vanisha Mittal Bhatia	32	December 2004	May 2013	Director
Narayanan Vaghul <sup>1,2,4</sup>	76	July 1997	May 2015	Director
Wilbur L. Ross <sup>1,4</sup>	75	April 2005	May 2015	Director
Jeannot Krecké <sup>3</sup>	62	January 2010	May 2013	Director
Antoine Spillmann <sup>1,3,4</sup>	49	October 2006	May 2014	Director
HRH Prince Guillaume de Luxembourg <sup>2,4</sup>	49	October 2006	May 2014	Director
Suzanne P. Nimocks <sup>2,3,4</sup>	53	January 2011	May 2013	Director
Bruno Lafont <sup>1,4</sup>	56	May 2011	May 2014	Director
Tye Burt <sup>4</sup>	55	May 2012	May 2015	Director

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Appointments, Remuneration and Corporate Governance Committee

<sup>3</sup> Member of the Risk Management Committee.

<sup>4</sup> Non-executive and independent director.

<sup>5</sup> Age as of December 31, 2012.

<sup>6</sup> Date of joining the Board of ArcelorMittal or, if prior to 2006, its predecessor Mittal Steel Company NV.

The business address of each of the members of the Board of Directors is ArcelorMittal's registered office at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg.

## Corporate governance

continued

**Lakshmi N Mittal**, 62, is the Chairman and Chief Executive Officer of ArcelorMittal. Mr. Mittal started his career in steel in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal Steel Company (formerly the LNM Group) in 1989 and guided its strategic development, culminating in the merger in 2006 with Arcelor, to form the world's largest steelmaker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalized model. Mr. Mittal is an active philanthropist and a member of various boards and trusts, including chairman of the board of Aperam and the boards of Goldman Sachs and European Aeronautic Defence & Space Company (EADS) N.V. He is a member of the Indian Prime Minister's Global Advisory Council, the Foreign Investment Council in Kazakhstan, the Ukrainian President's Domestic and Foreign Investors Advisory Council, 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 and on the Board of Trustees of Cleveland Clinic in the United States. Mr. Mittal began his career working in his family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to spearheading the steel industry's consolidation, he championed the development of integrated mini-mills and the use of Direct Reduced Iron (DRI) as a scrap substitute for steelmaking. Following the merger of Ispat International and LNM Holdings to form Mittal Steel in December 2004, with the simultaneous acquisition of International Steel Group, he led the formation of the world's then-leading steel producer. In 2006, he merged Mittal Steel and Arcelor to form ArcelorMittal. Mr. Mittal then led a successful integration of two large entities to firmly establish ArcelorMittal as one of the

foremost industrial companies in the world. The company continues to be the largest and most global steel manufacturer. More recently, Mr. Mittal has been leading ArcelorMittal's expansion of its mining business through significant brownfield and greenfield growth. In 1996, Mr. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and in 1998 the 'Willy Korf Steel Vision Award' by World Steel Dynamics 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. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received in 2007 the 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. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise. In October 2010, he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. In January 2013, Mr. Mittal was awarded with a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. Mr. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St. Xavier's College in Kolkata, India where he received a Bachelor of Commerce degree. Mr. Mittal is married to Usha Mittal. They have a son,

Aditya Mittal, and a daughter, Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.

**Lewis B. Kaden**, 70, is the Lead Independent Director of ArcelorMittal. He has approximately 40 years of experience in corporate governance, financial services, dispute resolution and economic policy. He has been Vice Chairman of Citigroup since 2005, and will retire from Citigroup on April 30, 2013. Prior to that, he was a partner of the law firm Davis Polk & Wardwell, and served as Counsel to the Governor of New Jersey, as a Professor of Law at Columbia University and as director of Columbia University's Center for Law and Economic Studies. He has served as a director of Bethlehem Steel Corporation for ten years and is currently Chairman of the Board of Trustees of the Markle Foundation and Vice Chairman of the Board of Trustees of Asia Society. He is a member of the Council on Foreign Relations and has been a moderator of the Business-Labor Dialogue.

Mr. Kaden is a magna cum laude graduate of Harvard College and of Harvard Law School. He was the John Harvard Scholar at Emmanuel College, Cambridge University. Mr. Kaden is a citizen of the United States of America.

**Vanisha Mittal Bhatia**, 32, was appointed as a member of the LNM Holdings Board of Directors in June 2004. Ms. Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School and has worked at Mittal Shipping Ltd, Mittal Steel Hamburg GmbH, an Internet-based venture capital fund, within the procurement department of Mittal Steel, in charge of a cost-cutting project, and is currently Head of Strategy for Aperam. She is also the daughter of Mr. Lakshmi N. Mittal. Ms. Bhatia is a citizen of India.

**Narayanan Vaghul**, 76, has over 50 years of experience in the financial sector and was the Chairman of ICICI Bank Limited between 2002 and April 2009. Previously, he served as the Chairman of the Industrial Credit and Investment Corporation of India, a long-term credit development bank for 17 years and, prior to that, served as Chairman of the Bank of India and Executive Director of the Central Bank of India. He also served for brief periods as Consultant to the World Bank, the International Finance Corporation and the Asian Development Bank. Mr. Vaghul was also a visiting Professor at the Stern Business School at New York University. Mr. Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a Board member of Wipro, Mahindra & Mahindra, Piramal Healthcare Limited and Apollo Hospitals. He was chosen as a Businessman of the Year in 1992 by Business India. He also received a Lifetime Achievement Award from the Economic Times. In 2009, he was awarded the Padma Bhushan, India's third highest civilian honor. Mr. Vaghul is a citizen of India.

**Wilbur L. Ross, Jr.**, 75, is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position that he has held since April 2000. WL Ross & Co is part of Invesco Private Capital, a listed company, of which Mr. Ross is Chairman. As such, Mr. Ross is also the Chairman and Chief Executive Officer of several unlisted Invesco portfolio companies. Mr. Ross is the Chairman of Ohizumi Manufacturing Company in Japan, International Textile Group and Diamond S Shipping, which are unlisted companies, and of the Japan Society and the Economics Studies Council of the Brookings Institution, which are non-profit entities. Mr. Ross is a director of International Automotive Components and Compagnie Européenne de Wagons SARL (Luxembourg), both non-listed companies. Mr. Ross is also a director of the Yale School of

## Corporate governance

continued

Management and the Harvard Business School Dean's Advisory Board. He is on the Boards of Air Lease Corp., Assured Guaranty, BankUnited, EXCO Resources and Greenbrier, all NYSE-listed, and of PLASCAR, which is listed in Brazil. Mr. Ross was an Executive Managing Director at Rothschild, the investment banking firm, from October 1974 to March 2000, and the Chairman of the Smithsonian Institution National Board. Mr. Ross was also the Chairman of the International Steel Group since its inception until April 2005, when it merged into Mittal Steel Company NV. Mr. Ross is a citizen of the United States of America.

**Jeannot Krecké**, 62, started his university studies at the Université Libre de Bruxelles (ULB) in Belgium in 1969, from where he obtained a degree in physical and sports education. He decided in 1983 to change professional direction. His interests led him to retrain in economics, accounting and taxation. He undertook various studies, in particular in the United States. Following the legislative elections of June 13, 2004, Mr. Krecké was appointed Minister of the Economy and Foreign Trade and Minister of Sport of Luxembourg on July 13, 2004. Upon the return of the coalition government formed by the Christian Social Party (CSV) and the Luxembourg Socialist Workers' Party (LSAP) as a result of the legislative elections of June 7, 2009, Mr. Krecké was again appointed Minister of the Economy and Foreign Trade on July 23, 2009. As of July 2004, Mr. Krecké represents the Luxembourg government at the Council of Ministers of the European Union in the internal market and industry sections of its competitiveness committees as well as in the Economic and Financial Affairs Council and in the energy section of its transport, tele-communications and energy committee. He was also a member of the Eurogroup from July 2004 to June 2009. On February 1, 2012, Mr. Krecké retired from government and decided to end his active political career in order to

pursue a range of different projects. Mr. Krecké is currently the Chief Executive Officer of Key International Strategy Services and is on the board of JSFC Sistema and CalzedoniaFinanziara S.A. Mr. Krecké is a citizen of Luxembourg.

**Antoine Spillmann**, 49, worked for leading investment banks in London from 1986 to 2000. He is now an asset manager and executive partner at the firm Bruellan Wealth Management, an independent asset management company based in Geneva, Switzerland. Mr. Spillmann studied in Switzerland and London, receiving diplomas from the London Business School in Investment Management and Corporate Finance. Mr. Spillmann is a non-independent board member of Bondpartners SA and Leclange SA. Mr. Spillmann is a citizen of Switzerland.

**H.R.H. Prince Guillaume de Luxembourg**, 49, worked for five years at the International Monetary Fund in Washington, D.C., and spent two years working for the Commission of European Communities in Brussels. Prince Guillaume headed a governmental development agency, Lux-Development, for 12 years; after that, he was appointed Honorary President of the board of directors of Lux-Development. He studied at the University of Oxford in the United Kingdom, and Georgetown University in Washington, D.C., from which he graduated in 1987. He has been a director of BGL BNP Paribas (formerly known as Banque Generale de Luxembourg) since May 1993. HRH Prince Guillaume de Luxembourg is a citizen of Luxembourg.

**Suzanne P. Nimocks**, 53, was previously a director (senior partner) with McKinsey & Company, a global management consulting firm, from June 1999 to March 2010 and was with the firm in various other capacities starting in 1989, including as a leader in the firm's Global Petroleum Practice, Electric Power & Natural Gas Practice, Organization Practice, and

Risk Management Practice. Ms. Nimocks chaired the Environmental Committee of the Greater Houston Partnership, the primary advocate of Houston's business community, until December 31, 2010. She holds a Bachelor of Arts in Economics from Tufts University and a Masters in Business Administration from the Harvard Graduate School of Business. Ms. Nimocks is currently a Board Member for Encana Corporation, Rowan Companies Inc., Owens Corning, all listed companies, and Valerus, a private company. Encana is a major natural gas company, Rowan Companies provides drilling services for the oil and gas industry, Owens Corning manufactures building products and Valerus provides services for oil and gas production. In the non-profit sector, she serves as the chair of the board of directors of the Houston Zoo. Ms. Nimocks is a citizen of the United States of America.

**Bruno Lafont**, 56, began his career at Lafarge in 1983 and has held numerous positions in finance and international operations with the same company. In 1995, Mr. Lafont was appointed Group Executive Vice President, Finance, and thereafter Executive Vice President of the Gypsum Division in 1998. Mr. Lafont joined Lafarge's General Management as Chief Operating Officer between May 2003 and December 2005. Chief Executive Officer since January 2006, Bruno Lafont was appointed Chairman and Chief Executive Officer in May 2007. Mr. Lafont presently chairs the Energy & Climate Change Working Group of the European Roundtable of Industrialists. Mr. Lafont is a Special Adviser to the Mayor of Chongqing (China), a Board Member of EDF and a Board Member of ArcelorMittal. Born in 1956, Mr. Lafont is a graduate from the Hautes Etudes Commerciales business school (HEC 1977, Paris) and the Ecole Nationale d'Administration (ENA 1982, Paris). Mr. Lafont is a citizen of France.

**Tye Burt**, 55, was appointed President and Chief Executive Officer of Kinross Gold Corporation in March 2005. He held this position until August 1, 2012. Kinross is listed on the New York Stock Exchange and the Toronto Stock Exchange. Mr. Burt was also a member of the board of directors of Kinross. Mr. Burt has broad experience in the global mining industry, specializing in corporate finance, business strategy and mergers and acquisitions. Prior to joining Kinross, he held the position of Vice Chairman and Executive Director of Corporate Development at Barrick Gold Corporation. He was President of the Cartesian Capital Group from 2000 to 2002; Chairman of Deutsche Bank Canada and Deutsche Bank Securities Canada; Global Managing Director of Global Metals and Mining for Deutsche Bank AG from 1997 to 2000; and Managing Director and Co-Head of the Global Mining Group at BMO Nesbitt Burns from 1995 to 1997, holding various other positions at BMO Nesbitt Burns from 1986 to 1995. Mr. Burt is a board member of Dacha Strategic Metals Inc., a small rare earths trading company based in Canada. He is the Life Sciences Research Campaign Chair of the University of Guelph's Better Planet Project. He is a member of the Duke of Edinburgh's Award Charter for Business Board of Governors. Mr. Burt is a graduate of Osgoode Hall Law School, a member of the Law Society of Upper Canada, and he holds a Bachelor of Arts degree from the University of Guelph. Mr. Burt is a citizen of Canada.

## Corporate governance

continued

### Senior Management

ArcelorMittal's senior executive management is comprised of the members of the Group Management Board, which are set out below:

Name	Age <sup>1</sup>	Position
Davinder Chugh	56	Member of the Group Management Board, Responsible for Shared Services and member of the Investment Allocation Committee
Peter Kukielski	56	Member of the Group Management Board, Head of Mining
Sudhir Maheshwari	49	Member of the Group Management Board; Responsible for Corporate Finance, M&A, Risk Management and India and China activities
Aditya Mittal	36	Chief Financial Officer, Member of the Group Management Board, with additional responsibility for Flat Carbon Europe, Investor Relations and Communications
Lakshmi N. Mittal	62	Chairman and Chief Executive Officer
Lou Schorsch	63	Member of the Group Management Board; Responsible for Flat Carbon Americas, Group Strategy, CTO, Research and Development, Global Automotive and member of the Investment Allocation Committee
Gonzalo Urquijo	51	Member of the Group Management Board; Responsible for AACIS (excluding China and India), Distribution Solutions, Tubular Products, Corporate Responsibility, Investment Allocation Committee ("IAC") Chairman
Michel Wurth	58	Member of the Group Management Board Responsible for Long Carbon Worldwide

<sup>1</sup> Age as of December 31, 2012.

The Group Management Board has responsibility for, and its remuneration is tied to, the day-to-day management of the business of ArcelorMittal on a global basis. In 2012, the Appointments, Remuneration and Corporate Governance Committee of the Board of Directors decided to further improve the remuneration disclosure published by the Company by focusing on those executive officers whose remuneration is tied to the performance of the entire ArcelorMittal group. Consequently, information regarding the Management Committee, which is an advisory body to the Group Management Board, is no longer included. The Group Management Board is defined going forward as ArcelorMittal's senior management.

#### **Davinder Chugh, Member of the Group Management Board; Responsible for Shared Services (reporting to Chief Executive Officer), Member of Investment Allocation Committee.**

Mr. Davinder Chugh has over 33 years of experience in the steel industry in general management, materials purchasing, marketing, logistics, warehousing and shipping. Mr. Chugh was previously a Senior Executive Vice President of ArcelorMittal responsible for Shared Services until 2007. Before becoming a Senior Executive Vice President of ArcelorMittal, he served as the Chief Executive Officer of Mittal Steel South Africa until 2006. After the acquisition of ISCOR (now ArcelorMittal South Africa) in 2002 Mr. Chugh was involved in the turnaround and consolidation of the South African operations of ArcelorMittal. He also served as Director of Commercial and Marketing at Mittal Steel South Africa, among other positions. Mr. Chugh was Vice President of Purchasing in Mittal Steel Europe until 2002, where he consolidated procurement and logistics across plants in Europe.

Prior to this, he held several senior positions at the Steel Authority India Limited in New Delhi, India. He holds bachelor's degrees of B.Sc. (Physics Honors), an LLB and an MBA. Mr. Chugh is a citizen of India.

#### **Peter Kukielski, Member of the Group Management Board; Responsible for Mining.**

Mr. Peter Kukielski was appointed Senior Executive Vice President and Head of Mining in December 2008. Mr. Kukielski is responsible for the Company's mining business and for driving its development. On January 1, 2010, Mr. Kukielski was appointed to the Company's Group Management Board. Mr. Kukielski was previously the Executive Vice President and Chief Operating Officer of Teck Cominco Limited. Prior to joining Teck Cominco, he was Chief Operating Officer of Falconbridge Limited. Prior to this, he held senior engineering and project management positions with BHP Billiton and Fluor Corporation. Mr. Kukielski holds a Bachelor of Science degree in civil engineering from the University of Rhode Island and a Master of Science degree in

civil engineering from Stanford University. Mr. Kukielski is a citizen of the United States.

#### **Sudhir Maheshwari, Member of the Group Management Board; Responsible for Corporate Finance, M&A, Risk Management and India and China activities.**

Mr. Sudhir Maheshwari is also Alternate Chairman of the Corporate Finance and Tax Committee and Chairman of the Risk Management Committee. Mr. Maheshwari was previously a Member of the Management Committee of ArcelorMittal, Responsible for Finance and M&A. Prior to this, he was Managing Director, Business Development and Treasury at Mittal Steel from January 2005 until its merger with Arcelor in 2006 and Chief Financial Officer of LNM Holdings N.V. from January 2002 until its merger with Ispat International in December 2004. Mr. Maheshwari has over 25 years of experience in the steel and related industries. He has played an integral and leading role in all acquisitions in recent years including the ArcelorMittal merger and integration. He also plays a key

leading role in various corporate finance, funding and capital market transactions including the award-winning refinancing of the Company's debt in 2009 and the initial public offering in 1997. Over a 24-year career with ArcelorMittal, he also held the positions of Chief Financial Officer at Mittal Steel Europe S.A., Mittal Steel Germany and Mittal Steel Point Lisas, and Director of Finance and M&A at Mittal Steel. Mr. Maheshwari also serves on the Board of Directors of various subsidiaries of ArcelorMittal. Mr. Maheshwari is an Honours Graduate in Accounting and Commerce from St. Xavier's College, Calcutta and a Fellow of The Institute of Chartered Accountants and The Institute of Company Secretaries in India. Mr. Maheshwari is a citizen of India.

## Corporate governance

continued

**Aditya Mittal, Chief Financial Officer of ArcelorMittal, Member of the Group Management Board with additional responsibility for Flat Carbon Europe.** Prior to the merger to create 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. Besides M&A responsibilities, 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. In 2008, Mr. Aditya Mittal was awarded 'European Business Leader of the Future' by CNBC Europe. In 2011, he was also ranked 4th in the '40 under 40' list of Fortune magazine. He is a member of the World Economic Forum's Young Global Leaders Forum, the Young President's Organization, a Board member at the Wharton School and a member of the Board of Directors of PPR and Aperam. Aditya Mittal holds a Bachelor's degree of Science in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal. Mr. Aditya Mittal is a citizen of India.

**Lou Schorsch, Member of the Group Management Board; Responsible for Flat Carbon Americas, Group Strategy, CTO, Research and Development, Global Automotive.** Dr. Schorsch was elected to the Group Management Board in May 2011. Prior to this appointment he had been President and Chief Executive Officer of Flat Carbon Americas, a position established with the 2006 merger of Arcelor and Mittal Steel, as well as a member of the ArcelorMittal Management Committee. He had previously led the American operations of the Mittal Group, Mittal Steel USA (2005-2006) and Ispat Inland (2003-2005). Prior to joining Ispat Inland, Dr. Schorsch had spent most of his career as a partner in McKinsey & Co and was co-leader of that firm's Metals Practice. He joined McKinsey's Brussels Office in 1985 and also worked in that firm's Pittsburgh and Chicago offices. While at McKinsey, his work focused on the steel sector and involved client service with leading steel firms in the Americas, Europe and Asia. He left McKinsey in 2000 to become Chief Executive Officer of GSX, an internet steel exchange founded by Cargill, Samsung, Duferco, and Arbed. He is the author of numerous articles related to the steel sector, was the co-author of the 1983 book "Steel: Upheaval in a Basic Industry", and has appeared as a steel expert on NBC and PBS television channels in the United States. Prior to joining McKinsey Dr. Schorsch was an analyst at the Congressional Budget Office in Washington, D.C. and a millwright at the USS South Chicago Works in the late 1970s, when he developed his initial interest in the steel sector. He holds a doctorate in Economics from American University and a bachelor's degree from Georgetown University, both in Washington, D.C. Dr. Schorsch is a citizen of the United States of America.

**Gonzalo Urquijo, Member of the Group Management Board; Responsible for AACIS (excluding China and India), Distribution Solutions and Tubular Products.** Mr. Gonzalo Urquijo previously Senior Executive Vice President and Chief Financial Officer of Arcelor, has held the following responsibilities: 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 board member of Aperam; he is a graduate in Economics and Political Science of Yale University and holds an MBA from the Instituto de Empresa in Madrid. Mr. Urquijo is a citizen of Spain.

**Michel Wurth, Member of the Group Management Board; Responsible for Long Carbon Worldwide.** Before becoming a member of the Group Management Board responsible for Long Carbon Worldwide, Mr. Wurth was between 2006 and June 2011 in charge of Flat Carbon Europe and Global R&D and between 2009 and June 2011 as well in charge of AMDS. He was previously Vice President of the Group Management Board of Arcelor and Deputy Chief Executive Officer, with responsibility for Flat Carbon Steel including Auto, Coordination Brazil, R&D and NSC Alliance. The merger of Aceralia, Arbed and Usinor leading to the creation of Arcelor in 2002 led to Mr. Wurth's appointment as Senior Executive Vice President and Chief Financial Officer of Arcelor, with responsibility over Finance and Management by Objectives. Mr. Wurth joined Arbed in 1979 and held a variety of functions including Secretary of the Board of Directors, and Corporate Secretary, before joining the Arbed Group Management Board and becoming its Chief Financial Officer in 1996. He was named Executive Vice President in 1998. Mr. Wurth holds a law degree from the University of Grenoble, France, a degree in Political Science from the Institut d'Études Politiques de Grenoble and a Master of Economics degree from the London School of Economics, all with distinction and he is Doctor of Laws Honoris Causa from Sacred Heart University. Mr. Wurth is a citizen of Luxembourg.

## Corporate governance

continued

### Board Practices/Corporate Governance

This section describes the corporate governance practices of ArcelorMittal.

#### *Board of Directors and Group Management Board*

ArcelorMittal is governed by a Board of Directors and managed by a Group Management Board. The Group Management Board is assisted by a Management Committee.

A number of corporate governance provisions in the Articles of Association of ArcelorMittal reflect provisions of the Memorandum of Understanding signed on June 25, 2006 (prior to Mittal Steel's merger with Arcelor), amended in April 2008 and which mostly expired on August 1, 2009. For more information about the Memorandum of Understanding see Related Parties Transactions on page 57.

ArcelorMittal fully complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange except with regard to Recommendation 1.3 about the separation of the roles of chairman of the board of directors and the head of executive management, as explained in more detail in "Other Corporate Governance practices" below. ArcelorMittal also complies with the New York Stock Exchange Listed Company Manual as applicable to foreign private issuers.

#### *Board of Directors*

##### *Composition*

The Board of Directors is in charge of the overall governance and direction of ArcelorMittal. It is responsible for the performance of all acts of administration necessary or useful in furtherance of the corporate purpose of ArcelorMittal, except for matters 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 is composed of a minimum of three and a maximum of 18 members, all of whom, except the Chief Executive Officer,

must be non-executive directors. None of the members of the Board of Directors, except for the Chief Executive Officer, may hold an executive position or executive mandate within ArcelorMittal or any entity controlled by ArcelorMittal.

The Articles of Association provide that Directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Other than as set out in the Company's Articles of Association, no shareholder has any specific right to nominate, elect or remove Directors. Directors are elected by the general meeting of shareholders for three-year terms. 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 temporarily fulfill the duties attaching to the vacant post until the next general meeting of the shareholders.

Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors on May 13, 2008. Mr. Mittal is also ArcelorMittal's Chief Executive Officer. Mr. Mittal was re-elected to the Board of Directors for a three-year term by the annual general meeting of shareholders on May 10, 2011.

The Board of Directors is comprised of 11 members, of which 10 are non-executive Directors and one is an executive Director. The Chief Executive Officer of ArcelorMittal is the sole executive Director.

Eight of the 11 members of the Board of Directors are independent. The non-independent Directors are the executive Director, Ms. Vanisha Mittal Bhatia and Mr. Jeannot Krecké. A Director is considered "independent" if:

(a) he or she is independent within the meaning of the Listed Company Manual of the New York Stock Exchange, as applicable to foreign private issuers,

(b) he or she is unaffiliated with any shareholder owning or controlling more than two percent of the total issued share capital of ArcelorMittal, and

(c) the Board of Directors makes an affirmative determination to this effect.

For these purposes, a person is deemed affiliated to a shareholder if he or she is an executive officer, a director who also is an employee, a general partner, a managing member or a controlling shareholder of such shareholder. The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute ArcelorMittal's domestic corporate governance code, require ArcelorMittal to define the independence criteria that apply to its Directors.

#### *Specific characteristics of the Director role*

The Company's Articles of Association do not require directors to be shareholders of the Company. The Board of Directors nevertheless adopted a share ownership policy on October 30, 2012, considering that it is in the best interests of all shareholders for all non-executive directors to acquire and hold a minimum number of ArcelorMittal ordinary shares in order to better align their long-term interests with those of ArcelorMittal's shareholders. The Board of Directors believes that this share ownership policy will result in a meaningful holding of ArcelorMittal shares by each non-executive Director, while at the same time taking into account the fact that the share ownership requirement should not be excessive in order not to unnecessarily limit the pool of available candidates for appointment to the Board. Directly or indirectly, and as sole or joint beneficiary owner (e.g., with a spouse or minor children), within five years of the earlier of October 30, 2012 or the relevant person's election to the Board of Directors, the Lead Independent Director should own a minimum of 15,000 ordinary shares and each other non-executive director should own

a minimum of 10,000 ordinary shares. Each director will hold the shares acquired on the basis of this policy for so long as he or she serves on the Board of Directors. Directors purchasing shares in compliance with this policy must comply with the ArcelorMittal Insider Dealing Regulations and, in particular, and refrain from trading during any restricted period, including any such period that may apply immediately after the Director's departure from the Board of Directors for any reason.

On October 30, 2012, the Board of Directors also adopted a policy that places limitations on the terms of independent Directors as well as the number of directorships Directors may hold in order to align the Company's corporate governance practices with best practices in this area. The policy provides that an independent Director may not serve on the Board of Directors for more than 12 consecutive years, although the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that he or she may continue to serve beyond 12 years in consideration of his or her exceptional contribution to the Board. A Director will no longer be considered "independent" as defined in the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Listed Company Manual of the New York Stock Exchange as applicable to foreign private issuers after he or she has completed 12 years of service on the Board.

As membership of the Board of Directors represents a significant time commitment, the policy requires both executive and non-executive Directors to devote sufficient time to the discharge of their duties as a Director of ArcelorMittal. Directors are therefore required to consult with the Chairman and the Lead Independent Director before accepting any additional commitment that could conflict with or impact the time they can devote to their role as a Director of ArcelorMittal. Furthermore, a

# Corporate governance

continued

non-executive Director may not serve on more than four public company boards in addition to the ArcelorMittal Board of Directors. However, service on the board of directors of any subsidiary or affiliate of ArcelorMittal or of any other company on whose board the Director serves shall not be taken into account for purposes of complying with the foregoing limitation. Directors have a time period of three years from October 30, 2012 to reach the limit of five directorships of public companies.

Although non-executive Directors of ArcelorMittal who retire or change their principal occupation or business association are not necessarily required to leave the Board of Directors, the policy requires each non-executive Director, following any such event, to promptly tender his or her resignation to the ARCG Committee, so that there is an opportunity for the Board of Directors, through the ARCG Committee, to review the continued appropriateness of Board membership of the relevant Director under the new circumstances.

None of the members of the Board of Directors, including the executive director, have entered into service contracts with ArcelorMittal or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term.

All members of the Board of Directors are required to sign the Company's Code of Business Conduct upon first joining the Board and confirm their adherence thereto on an annual basis thereafter.

The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

## **Share Transactions by Management**

In compliance with laws prohibiting insider dealing, the Board of Directors of ArcelorMittal has adopted insider dealing regulations, which apply throughout the ArcelorMittal group. These regulations are designed to ensure that insider information is treated appropriately within the Company and avoid insider dealing and market manipulation. Any breach of the rules set out in this procedure may lead to criminal or civil charges against the individuals involved, as well as disciplinary action by the Company.

## **Shareholding Requirement for Non-Executive Directors**

In consideration of corporate governance trends indicating that a reasonable amount of share ownership helps better align the interests of the directors with those of all shareholders, the Board of Directors adopted on October 30, 2012 share ownership guidelines for non-executive Directors. The Directors are required to own 10,000 shares and the Lead Independent Director is required to own 15,000 shares, both within five years of October 30, 2012, or if the Director is appointed after October 30, 2012, within five years of his or her appointment.

## **Operation General**

The Board of Directors may engage the services of external experts or advisers as well as take all actions necessary or useful to implement the Company's corporate purpose. The Board of Directors (including its three committees) has its own budget, which covers functioning costs such as external consultants, continuing education activities for Directors and travel expenses.

## **Meetings**

The Board of Directors meets when convened by the Chairman of the Board or any two members of the Board of Directors. The Board of Directors holds physical meetings at least on a quarterly basis as five regular meetings are scheduled per year. The Board of

Directors holds additional meetings if and when circumstances require, in person or by teleconference and can take decisions by written circulation, provided that all members of the Board of Directors agree.

The Board of Directors held five meetings in 2012. The average attendance rate of the directors at the Board of Directors' meetings was 96.29%. Each Director attended at least 75% of the Board meetings.

In order for a meeting of the Board of Directors to be validly held, a majority of the Directors must be present or represented, including at least a majority of the independent Directors. In the absence of the Chairman, the Board of Directors will appoint by majority vote a chairman for the meeting in question. The Chairman may decide not to participate in a Board of Directors' meeting, provided he has given a proxy to one of the Directors who will be present at the meeting. 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, provided that the director so designated may not represent more than one of his or her colleagues at any time.

Each Director has one vote and none of the Directors, including the Chairman, has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a validly constituted meeting.

## **Lead Independent Director**

In April 2008, the Board of Directors created the role of Lead Independent Director. His or her function is to:

- coordinate the activities of the independent Directors,
- liaise between the Chairman of the Board of Directors and the independent Directors,
- call meetings of the independent Directors when he or she considers it necessary or appropriate, and

- perform such other duties as may be assigned to him or her by the Board of Directors from time to time.

Mr. Lewis B. Kaden was elected by the Board of Directors as ArcelorMittal's first Lead Independent Director in April 2008 and remains Lead Independent Director, having been re-elected as a Director for a three-year term on May 10, 2011.

The agenda of each meeting of the Board of Directors is decided jointly by the Chairman of the Board of Directors and the Lead Independent Director.

## **Separate Meetings of Independent Directors**

The independent members of the Board of Directors may schedule meetings outside the presence of non-independent Directors. Four meetings of the independent Directors outside the presence of management and non-independent Directors were held in 2012.

## **Annual Self-Evaluation**

The Board of Directors decided in 2008 to start conducting an annual self-evaluation of its functioning in order to identify potential areas for improvement. The first self-evaluation process was carried out in early 2009. The self-evaluation process includes structured interviews between the Lead Independent Director and each Director and covers the overall performance of the Board of Directors, its relations with senior management, the performance of individual Directors, and the performance of the committees. The process is supported by the Company Secretary under the supervision of the Chairman and the Lead Independent Director. The findings of the self-evaluation process are examined by the ARCG Committee and presented with recommendations from the ARCG Committee to the Board of Directors for adoption and implementation. Suggestions for improvement of the Board of Directors' process based on the prior year's performance and

## Corporate governance

continued

functioning are implemented during the following year.

The 2012 Board of Directors' self-evaluation was completed by the Board on February 4, 2013. Directors believe that the quality of discussions within the Board continued to improve in 2012. The previous year's recommendation that balance of the time spent by the Board of Directors on strategic and other specific issues compared to time spent on the review of financial and operational results and performance was successfully implemented. The Board has also identified a number of topics that it wishes to spend additional time on in 2013, such as compliance, corporate values and corporate responsibility and specific country risk assessments.

The Board of Directors believes that its members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business. Board composition is reviewed on a regular basis and additional skills and experience are actively searched for in line with the expected development of ArcelorMittal's business as and when appropriate.

*Required Skills, Experience and Other Personal Characteristics*  
Diverse skills, backgrounds, knowledge, experience, geographic location, nationalities and gender are required in order to effectively govern a global business the size of the Company's operations. The Board and its committees are therefore required to ensure that the Board has the right balance of skills, experience, independence and knowledge necessary to perform its role in accordance with the highest standards of governance.

The Company's directors must demonstrate unquestioned honesty and integrity, preparedness to question, challenge and critique constructively, and a willingness to understand and commit to the

highest standards of governance. They must be committed to the collective decision-making process of the Board and must be able to debate issues openly and constructively, and question or challenge the opinions of others. Directors must also commit themselves to remain actively involved in Board decisions and apply strategic thought to matters at issue. They must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each Director must also ensure that no decision or action is taken that places his or her interests in front of the interests of the business. Each Director has an obligation to protect and advance the interests of the Company and must refrain from any conduct that would harm it.

In order to govern effectively, non-executive Directors must have a clear understanding of the Company's strategy, and a thorough knowledge of the ArcelorMittal group and the industries in which it operates. Non-executive Directors must be sufficiently familiar with the Company's core business to effectively contribute to the development of strategy and monitor performance.

With specific regard to the non-executive Directors of the Company, the composition of the group of non-executive Directors should be such that the combination of experience, knowledge and independence of its members allows the Board to fulfill its obligations towards the Company and other stakeholders in the best possible manner.

The ARCG Committee ensures that the Board is comprised of high-caliber individuals whose background, skills, experience and personal characteristics enhance the overall profile of the Board and meets its needs and diversity aspirations by nominating high quality candidates for election to the Board by the general meeting of shareholders.

### *Board Profile*

The key skills and experience of the Directors, and the extent to which they are represented on the Board and its committees, are set out below. In summary, the non-executive Directors contribute:

- international and operational experience;
- understanding of the industry sectors in which we operate;
- knowledge of world capital markets and being a company listed in several jurisdictions; and
- an understanding of the health, safety, environmental, political and community challenges that we face.

Each Director is required to adhere to the values set out in, and sign, the ArcelorMittal Code of Business Conduct.

### *Renewal*

The Board plans for its own succession, with the assistance of the ARCG Committee. In doing this, the Board:

- considers the skills, backgrounds, knowledge, experience and diversity of geographic location, nationality and gender necessary to allow it to meet the corporate purpose;
- assesses the skills, backgrounds, knowledge, experience and diversity currently represented;
- identifies any inadequate representation of those attributes and agrees the process necessary to ensure a candidate is selected who brings them to the Board; and
- reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

The Board believes that orderly succession and renewal is achieved through careful planning and by continuously reviewing the composition of the Board.

When considering new appointments to the Board, the ARCG Committee oversees the preparation of a position

specification that is provided to an independent recruitment firm retained to conduct a global search, taking into account, among other factors, geographic location, nationality and gender. In addition to the specific skills, knowledge and experience required of the candidate, the specification contains the criteria set out in the ArcelorMittal Board profile.

### *Diversity*

In line with the worldwide effort to increase gender diversity on the boards of directors of listed and unlisted companies, the Board has set an aspirational goal of increasing the number of women on the Board to at least three by the end of 2015 based upon a Board of Directors size of 11 members.

### *Director Induction, Training and Development*

The Board considers that the development of the directors' knowledge of the Company, the steel-making and mining industries, and the markets in which the Company operates is an ongoing process. To further bolster the skills and knowledge of Directors, the Company set up a continuous development program in 2009.

Upon his or her election, each new non-executive director undertakes an induction program specifically tailored to his or her needs and includes ArcelorMittal's long-term vision centered on the concept of "Safe Sustainable Steel".

The Board's development activities include the provision of regular updates to directors on each of the Company's products and markets. Non-executive directors may also participate in training programs designed to maximize the effectiveness of the Directors throughout their tenure and link in with their individual performance evaluations. The training and development program may cover not only matters of a business nature, but also matters falling into the environmental, social and governance area.

# Corporate governance

continued

Structured opportunities are provided to build knowledge through initiatives such as visits to plants and mine sites and business briefings provided at Board meetings. Non-executive directors also build their Company and industry knowledge through the involvement of the Group Management Board and other senior employees in Board meetings. Business briefings, site visits and development sessions underpin and support the Board's work in monitoring and overseeing progress towards the corporate purpose of creating long-term shareholder value through the development of our business in steel and mining. We therefore continuously build Directors' knowledge to ensure that the Board remains up-to-date with developments within our segments, as well as developments in the markets in which we operate.

During the year, non-executive directors participated in the following activities:

- comprehensive business briefings intended to provide each Director with a deeper understanding of the Company's activities, environment, key issues and strategy of our segments. These briefings are provided to the Board by senior executives, including Group Management Board members. The briefings provided during the course of 2012 covered health and safety processes, marketing, steel-making, mining and R&D. Certain business briefings were combined with site visits and thus took place on-site and, in other cases, they took place at Board meetings;
- development sessions on specific topics of relevance, such as climate change, commodity markets, the world economy, changes in corporate governance standards, directors' duties and shareholder feedback; and
- presentations by external experts on issues such as diversity, leadership and risk management.

The ARCG Committee oversees Director training and development. This approach allows induction and learning opportunities to be tailored to the Directors' committee memberships, as well as the Board's specific areas of focus. In addition, this approach ensures a coordinated process in relation to succession planning, Board renewal, training, development and committee composition, all of which are relevant to the ARCG Committee's role in securing the supply of talent to the Board.

## **Board of Directors Committees**

The Board of Directors has three committees:

- the Audit Committee,
- the Appointments, Remuneration and Corporate Governance Committee, and
- the Risk Management Committee.

## *Audit Committee*

The Audit Committee must be composed solely of independent members of the Board of Directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. All of the Audit Committee members must be independent as defined in the Rule 10A-3 of the U.S. Securities Exchange Act of 1934, as amended. The Audit Committee makes decisions by a simple majority with no member having a casting vote.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

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

The Audit Committee's primary duties and responsibilities are to:

- be an independent and objective party to monitor ArcelorMittal's financial reporting process and internal controls system;
- review and appraise the audit efforts of ArcelorMittal's independent auditors and internal auditing department;
- provide an open avenue of communication among the independent auditors, senior management, the internal audit department and the Board of Directors;
- review major legal and compliance matters and their follow up;
- approve the appointment and fees of the independent auditors; and
- monitor the independence of the independent auditors.

Since May 10, 2011, the Audit Committee consists of four members: Mr. Narayanan Vaghul (Chairman), Mr. Wilbur L. Ross, Mr. Antoine Spillmann, and Mr. Bruno Lafont, each of whom is an independent director according to the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Chairman of the Audit Committee is Mr. Vaghul.

According to its charter, the Audit Committee is required to meet at least four times a year. During 2012, the Audit Committee met nine times. The average attendance rate of the directors at the Audit Committee meetings was 91.67%.

The Audit Committee performs its own annual self-evaluation, and completed its 2012 self-evaluation on February 4, 2013.

*Appointments, Remuneration and Corporate Governance Committee*  
The ARCG Committee has been comprised since May 10, 2011 of four directors, each of whom is independent under the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The ARCG Committee makes decisions by a simple majority with no member having a casting vote.

The Board of Directors has established the ARCG Committee to:

- determine, on its behalf and on behalf of the shareholders within agreed terms of reference, ArcelorMittal's compensation framework, including short and long term incentives for the Chief Executive Officer, the Chief Financial Officer, the members of the Group Management Board and the members of the Management Committee;
- review and approve succession and contingency plans for key managerial positions at the level of the Group Management Board and the Management Committee;
- consider any candidate for appointment or reappointment to the Board of Directors at the request of the Board of Directors and provide advice and recommendations to it regarding the same;
- evaluate the functioning of the Board of Directors and monitor the Board of Directors' self-assessment process; and
- develop, monitor and review corporate governance principles and corporate responsibility policies applicable to ArcelorMittal, as well as their application in practice.

The ARCG Committee's principal criteria in determining the compensation of executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. The ARCG Committee may seek the advice of outside experts.

The four members of the ARCG Committee are Mr. Lewis B. Kaden, HRH Prince Guillaume of Luxembourg, Mr. Narayanan

## Corporate governance

continued

Vaghul, and Ms. Suzanne P. Nimocks, each of whom is independent in accordance with the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Chairman of the ARCG Committee is Mr. Kaden.

The ARCG Committee is required to meet at least twice a year. During 2012, this committee met six times. The average attendance rate was 100%.

The ARCG Committee performs an annual self-evaluation and completed its 2012 self-evaluation on February 4, 2013.

### *Risk Management Committee*

In June 2009, the Board of Directors created a Risk Management Committee to assist it with risk management, in line with recent developments in corporate governance best practices and in parallel with the creation of a Group Risk Management Committee at the executive level.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Risk Management Committee must be comprised of at least two members. At least half of the members of the Risk Management Committee must be independent under the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Risk Management Committee consists of three members: Mr. Jeannot Krecké, Mr. Antoine Spillmann and Ms. Suzanne P. Nimocks. Mr. Sudhir Maheshwari, a member of the Group Management Board who chairs the Group Risk Management Committee, is regularly invited to the meetings of the Risk Management Committee.

The members of the Risk Management Committee may decide to appoint a Chairman by majority vote. Mr. Spillmann currently acts as Chairman.

Decisions and recommendations of the Risk Management Committee are adopted by a simple majority. The Chairman or, in the absence of the Chairman, any other member of the Risk Management Committee, will report to the Board of Directors at each of the latter's quarterly meetings or more frequently if circumstances so require. The Risk Management Committee conducts an annual self-evaluation of its own performance and completed its 2012 self-evaluation on February 4, 2013.

The purpose of the 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 the risk management framework and process of ArcelorMittal. Its main responsibilities and duties are to assist the Board of Directors by making recommendations regarding the following matters:

- The oversight, development and implementation of a risk identification and management process and the review and reporting on the same in a consistent manner throughout the ArcelorMittal group;
- The review of the effectiveness of the Group-wide risk management framework, policies and process at Corporate, Segment and Business Unit levels, and the proposing of improvements, with the aim of ensuring that the Group's management is supported by an effective risk management system;
- The promotion of constructive and open exchanges on risk identification and management among senior management (through the Group Risk Management Committee), the Board of Directors, the Internal Assurance department, the Legal Department and other relevant departments within the ArcelorMittal group;

- The review of proposals for assessing, defining and reviewing the risk appetite/tolerance level of the group and ensuring that appropriate risk limits/tolerance levels are in place, with the aim of helping to define the Group's risk management strategy;
- The review of the Group's internal and external audit plans to ensure that they include a review of the major risks facing the ArcelorMittal group; and
- Making recommendations within the scope of its charter to ArcelorMittal's senior management and to the Board of Directors about senior management's proposals concerning risk management.

The Risk Management Committee held a total of four meetings in 2012. According to its charter, it is required to meet at least four times per year on a quarterly basis or more frequently if circumstances so require. The average attendance rate in 2012 was 100%.

### *Transition Committee*

Following the spin-off of ArcelorMittal's stainless and specialty steels business into Aperam on January 25, 2011, an ad hoc Transition Committee was formed by the Board of Directors in order to monitor the implementation of the transitional agreements entered into with Aperam. The Transition Committee was created for a maximum of three years, after which an evaluation of its purpose would take place. Its members were Mr. Vaghul, Mr. Ross and Mr. Kaden, with Mr. Kaden acting as chairman.

The Transition Committee reviewed the terms and conditions of the transitional services provided to Aperam in the course of 2012. The Transition Committee then decided that a separate committee focused on the transition was no longer necessary, as the transitional agreements with Aperam had decreased in relevance and order of magnitude, effective October 30, 2012. Responsibility for the remaining arrangements with Aperam has been transferred

to line management with oversight by the Audit Committee in the normal course of business.

The Transition Committee held one meeting in 2012 which one of its three members did not attend.

### *Group Management Board*

The Group Management Board is entrusted with the day-to-day management of the Company and the implementation of its strategy. Mr. Lakshmi N. Mittal, the Chief Executive Officer, chairs the Group Management Board. The members of the Group Management Board are appointed and dismissed by the Board of Directors. As the Group Management Board is not a corporate body created by Luxembourg law or ArcelorMittal's Articles of Association, it exercises only the authority granted to it by the Board of Directors.

In implementing ArcelorMittal's strategic direction and corporate policies, the Chief Executive Officer is supported by the members of the Group Management Board who have substantial experience in the steel and mining industries worldwide.

The Group Management Board is assisted by a Management Committee comprised of 24 members. The Management Committee discusses and prepares decisions to be made by the Group Management Board on matters of Group-wide importance, integrates the geographical dimension of the ArcelorMittal group, ensures in-depth discussions with ArcelorMittal's operational and resources leaders and shares information about the situation of the Group and its markets.

### *Succession Planning*

Succession management at ArcelorMittal 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 ArcelorMittal executives up to and including the Group Management Board. Succession management aims to

## Corporate governance

continued

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 are conducted to ensure that they are accurate and up to date. Succession management is a necessary process to reduce risk, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation. Although ArcelorMittal's predecessor companies each had certain succession planning processes in place, the process has been reinforced, widened and made more systematic since 2006. The responsibility to review and approve succession plans and contingency plans at the highest level rests with the Board's ARCG Committee.

### *Other Corporate Governance Practices*

ArcelorMittal is committed to adhere to best practices in terms of corporate governance in its dealings with shareholders and aims to ensure good corporate governance by applying rules on transparency, quality of reporting and the balance of powers. ArcelorMittal continually monitors U.S., European Union and Luxembourg legal requirements and best practices in order to make adjustments to its corporate governance controls and procedures when necessary, as evidenced by the new policies adopted by the Board of Directors in 2012.

ArcelorMittal complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange in all respects- However, in respect of Recommendation 1.3, which advocates separating the roles of chairman of the board and the head of the executive management body, the Company has made a different choice.

The nomination of the same person to both positions was approved by the shareholders (with the Significant Shareholder abstaining) of Mittal Steel Company N.V., which was at that time the parent company of the combined ArcelorMittal group. Since that date, the rationale for combining the positions of Chief Executive Officer and Chairman of the Board of Directors has become even more compelling. The Board of Directors is of the opinion that Mr. Mittal's strategic vision for the steel industry in general and for ArcelorMittal in particular in his role as CEO is a key asset to the Company, while the fact that he is fully aligned with the interests of the Company's shareholders means that he is uniquely positioned to lead the Board of Directors in his role as Chairman. The combination of these roles was revisited at the Annual General Meeting of Shareholders of the Company held in May 2011, when Mr. Lakshmi N. Mittal was reelected to the Board of Directors for another three year term by a strong majority.

### *Ethics and Conflicts of Interest*

Ethics and conflicts of interest are governed by ArcelorMittal's Code of Business Conduct, which establishes the standards for ethical behavior that are to be followed by all employees and directors of ArcelorMittal in the exercise of their duties. Each employee of ArcelorMittal is required to sign and acknowledge the Code of Conduct upon joining the Company. This also applies to the members of the Board of Directors of ArcelorMittal.

Employees must always act in the best interests of ArcelorMittal and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to ArcelorMittal. Employees are prohibited from acquiring any financial or other interest in any business or participate in any activity that could deprive ArcelorMittal of the time or the attention needed to devote to the performance of their duties. Any behavior that deviates from the Code of Business Conduct is to be

reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the internal assurance department.

Code of Business Conduct training is offered throughout ArcelorMittal on a regular basis in the form of face-to-face trainings, webinars and online trainings. Employees are periodically trained about the Code of Business Conduct in each location where ArcelorMittal has operations. The Code of Business Conduct is available in the “Corporate Governance–Code of Business Conduct” section of ArcelorMittal's website at [www.arcelormittal.com](http://www.arcelormittal.com).

In addition to the Code of Business Conduct, ArcelorMittal has developed a Human Rights Policy and a number of other compliance policies in more specific areas, such as anti-trust, anti-corruption, economic sanctions and insider dealing. In all these areas, specifically targeted groups of employees are required to undergo specialized compliance training. Furthermore, ArcelorMittal's compliance program also includes a quarterly compliance certification process covering all business segments and entailing reporting to the Audit Committee.

### *Process for Handling Complaints on Accounting Matters*

As part of the procedures of the Board of Directors for handling complaints or concerns about accounting, internal controls and auditing issues, ArcelorMittal's Anti-Fraud Policy and Code of Business Conduct encourage all employees to bring such issues to the Audit Committee's attention on a confidential basis. In accordance with ArcelorMittal's Anti-Fraud and Whistleblower Policy, concerns with regard to possible fraud or irregularities in accounting, auditing or banking matters or bribery within ArcelorMittal or any of its subsidiaries or other controlled entities may also be communicated through the “Corporate Governance – Whistleblower” section of the ArcelorMittal website at [www.arcelormittal.com](http://www.arcelormittal.com),

where ArcelorMittal's Anti-Fraud Policy and Code of Business Conduct are also available in each of the main working languages used within the Group. In recent years ArcelorMittal has implemented local whistleblowing facilities, as needed.

During 2012, a total of 88 complaints relating to accounting fraud were referred to the Company's Internal Assurance department. Following review by the Audit Committee, none of these complaints was found to be significant.

### *Internal Assurance*

ArcelorMittal has an Internal Assurance function that, through its Head of Internal Assurance, reports to the Audit Committee. The function is staffed by full-time professional staff located within each of the principal operating subsidiaries and at the corporate level. Recommendations and matters relating to internal control and processes are made by the Internal Assurance function and their implementation is regularly reviewed by the Audit Committee.

### *Independent Auditors*

The appointment and determination of fees of the independent auditors is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining, at least once each year, a written statement from the independent auditors that their independence has not been impaired. The Audit Committee has also obtained a confirmation from ArcelorMittal's principal independent auditors to the effect that none of its former employees are in a position within ArcelorMittal that may impair the principal auditors' independence.

### *Measures to Prevent Insider Dealing and Market Manipulation*

The Board of Directors of ArcelorMittal has adopted Insider Dealing Regulations (“IDR”), which are updated when necessary and in relation to which training is conducted throughout the group. The IDR's most recent version is

## Corporate governance

continued

available on ArcelorMittal's website, [www.arcelormittal.com](http://www.arcelormittal.com).

The IDR apply to the worldwide operations of ArcelorMittal. The Company Secretary of ArcelorMittal is the IDR compliance officer and answers questions that members of senior management, the Board of Directors, or employees may have about the IDR's interpretation. The IDR compliance officer maintains a list of insiders as required by the Luxembourg market manipulation (abus de marché) law of May 9, 2006, as amended. The IDR compliance officer may assist senior executives and directors with the filing of notices required by Luxembourg law to be filed with the Luxembourg financial regulator, the CSSF (Commission de Surveillance du Secteur Financier). Furthermore, the IDR compliance officer has the power to conduct investigations in connection with the application and enforcement of the IDR, in which any employee or member of senior management or of the Board of Directors is required to cooperate.

Selected new employees of ArcelorMittal are required to participate in a training course about the IDR upon joining ArcelorMittal and every three years thereafter. The individuals who must participate in the IDR training include the members of senior management, employees who work in finance, legal, sales, mergers and acquisitions and other areas that the Company may determine from time to time. In addition, ArcelorMittal's Code of Business Conduct contains a section on "Trading in the Securities of the Company" that emphasizes the prohibition to trade on the basis of inside information. An online interactive training tool based on the IDR was developed in 2010 and deployed across the group in different languages in 2011 through ArcelorMittal's intranet, with the aim to enhance the staff's awareness of the risks of sanctions applicable to insider dealing. The importance of the IDR was re-emphasized in writing to

the persons on ArcelorMittal's insider list in July 2012.

### Luxembourg Takeover Law disclosure

The following disclosure is provided based on article 11 of the Luxembourg law of 19 May 2006 transposing Directive 2004/25/EC of 21 April 2004 on takeover bids (the "Takeover Law"). The Articles of Association of the Company are available on [www.arcelormittal.com](http://www.arcelormittal.com), under Investors -- Corporate Governance.

With regard to articles 11 (1)(a) and (c) of the Takeover Law, the Company has issued a single category of shares (ordinary shares), and the Company's shareholding structure showing each shareholder owning 2.5% or more of the Company's share capital is available elsewhere in this report and on [www.arcelormittal.com](http://www.arcelormittal.com) under Investors -- Corporate Governance -- Shareholding Structure, where the shareholding structure chart is updated monthly.

With regard to article 11(1)(b) of the Takeover Law, the ordinary shares issued by the Company are listed on various stock exchanges including NYSE Euronext and are freely transferable.

With regard to article 11(1)(d), each ordinary share of the Company gives right to one vote, as set out in article 13.6 of the Articles of Association, and there are no special control rights attaching to the shares. Article 8 of the Articles of Association provides that the Mittal Shareholder (as defined in the Articles of Association) may, at its discretion, exercise the right of proportional representation and nominate candidates for appointment to the Board of Directors (defined as "Mittal Shareholder Nominees"). The Mittal Shareholder has not, to date, exercised that right.

Articles 11(1)(e) and (f) of the Takeover Law are not applicable to the Company. However, the sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the

Transparency Law (as defined below), to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in article 7 of the Articles of Association and articles 8 to 15 of the Luxembourg law of 11 January 2008 on the transparency requirements regarding issuers of securities (the "Transparency Law") but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until such time as the notification has been properly made by the relevant shareholder(s).

Article 11(1)(g) of the Takeover Law is not applicable to the Company.

With regard to article 11(1)(h) of the Law, the Articles of Association provide that the directors are elected by annual general meeting of shareholders for a term that may not exceed three years, and may be re-elected. The rules governing amendments to the Articles of Association are described elsewhere in this report and are set out in article 19 of the Articles of Association.

With regard to article 11(1)(i) of the Takeover Law, the general meeting of shareholders held on May 11, 2010 granted the Board of Directors a new share buy-back authorization whereby the Board may authorize the acquisition or sale of Company shares including, but not limited to, entering into off-market and over-the-counter transactions and the acquisition of shares through derivative financial instruments. Any acquisitions, disposals, exchanges, contributions or transfers of shares by the Company or other companies in the ArcelorMittal group must be in accordance with Luxembourg laws transposing Directive 2003/6/EC regarding insider dealing and market manipulation and EC Regulation 2273/2003 regarding exemptions for buy-back programmes and stabilisation of financial instruments and may be carried out by all means, on or off-market, including by a public offer to buy-back shares, or by the

use of derivatives or option strategies. The fraction of the capital acquired or transferred in the form of a block of shares may amount to the entire program. Such transactions may be carried out at any time, including during a tender offer period, in accordance with applicable laws and regulations. Any share buy-backs on the New York Stock Exchange must be performed in compliance with Section 10(b) and Section 9(a)(2) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated under the Exchange Act. The authorization is valid for a period of five years, i.e., until the annual general meeting of shareholders to be held in May 2015, 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 of the five-year period. The maximum number of own shares that the Company may hold at any time directly or indirectly may not have the effect of reducing its net assets ("actif net") below the amount mentioned in paragraphs 1 and 2 of Article 72-1 of the Law. The purchase price per share to be paid shall not represent more than 125% of the trading price of the shares on the New York Stock Exchange and on the Euronext markets where the Company is listed, the Luxembourg Stock Exchange or the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia, depending on the market on which the purchases are made, and no less than one cent. For off-market transactions, the maximum purchase price shall be 125% of the price on the Euronext markets where the Company is listed. 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. In the event of a share capital increase by incorporation of reserves or issue premiums and the free allotment of shares as well as in the event of the division or regrouping of the

# Corporate governance

continued

shares, the purchase price indicated above shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares comprising the issued share capital prior to the transaction and such number following the transaction. 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.

Articles 11(1)(j) and (k) of the Takeover Law are not applicable to the Company.

## Controls and procedures *Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports in accordance with applicable laws is recorded, processed, summarized and reported in a timely manner and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. ArcelorMittal's controls and procedures are designed to provide reasonable assurance of achieving their objectives.

We carried out an evaluation under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2012 to provide reasonable assurance that (1) information required to be disclosed by us in accordance with Luxembourg legislations is recorded, processed, summarized and reported in a timely manner in accordance with applicable laws, and (2) that such information is accumulated and communicated to our management, including our

Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

## *Management's Annual Report on Internal Control Over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of ArcelorMittal;
- provide reasonable assurance that transactions are recorded, as necessary, to permit preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that receipts and expenditures of ArcelorMittal are made in accordance with authorizations of ArcelorMittal's management and directors; and
- provide reasonable assurance that unauthorized acquisition, use or disposition of ArcelorMittal's assets that could have a material effect on the financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2012 based upon the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management concluded that ArcelorMittal's internal control over financial reporting was effective as of December 31, 2012.

## *Changes in Internal Control over Financial Reporting*

Except as described below, there have been no changes in our internal control over financial reporting that occurred during the year ending December 31, 2012 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

The Company outsourced a significant part of European IT infrastructure and related general IT controls to a third-party service provider. The outsourcing arrangement impacts all of the segments operating in Europe and ArcelorMittal's corporate headquarters. The outsourcing agreement covers the management of the Company's IT infrastructure (i.e. servers, network, databases) whereas the management of business applications, including those applications used for the purposes of processing financial reporting relevant data are excluded from the outsourcing agreement. The outsourcing agreement also includes the management of the

Company's data centres in Europe. The outsourcing agreement went into effect on March 1, 2012. The outsourcing agreements are expected to enhance the cost efficiency and effectiveness our IT infrastructure. The Company anticipates that internal controls over financial reporting could be impacted by further IT related outsourcing in the future.

# Corporate governance

continued

## Compensation

### Board of Directors

#### Directors' fees

The Appointments, Remuneration and Corporate Governance Committee of the Board of Directors (the "ARCG Committee") prepares proposals on the remuneration to be paid annually to the members of the Board of Directors.

At the May 8, 2012 annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive Directors for the 2011 financial year at \$1,733,331, based on the following annual fees:

- Basic director's remuneration: €134,000 (\$171,400);
- Lead Independent Director's remuneration: €189,000 (\$241,751);
- Additional remuneration for the Chair of the Audit Committee: €26,000 (\$33,257);
- Additional remuneration for the other Audit Committee members: €16,000 (\$20,466);
- Additional remuneration for the Chairs of the other committees: €15,000 (\$19,187); and
- Additional remuneration for the members of the other committees: €10,000 (\$12,791).

The total annual remuneration of the members of the Board of Directors paid in 2011 and 2012 was as follows:

(Amounts in \$ thousands except share information)	Year ended December 31, 2011	Year ended December 31, 2012
Base salary <sup>1</sup>	\$1,739	\$1,770
Director fees	\$1,754	\$1,930
Short-term performance-related bonus <sup>1</sup>	\$2,074	\$1,941
Long-term incentives <sup>1, 2</sup>	12,500	7,500

<sup>1</sup> Chairman and Chief Executive Officer only.

<sup>2</sup> RSUs were granted in 2011 and PSUs in 2012; see "—Restricted Share Units (RSUs) and Performance Share Units (PSUs)", below

The annual remuneration paid for 2011 and 2012 to the current and former members of the Board of Directors for services in all capacities was as follows:

(Amounts in \$ thousands except share information)	2011		2012		2011		2012	
	2011 <sup>1</sup>	2012	Short-term Performance Related	Short-term Performance Related	Long-term Number of RSUs	Long-term Number of RSUs	Long-term Number of RSUs	Long-term Number of RSUs
Lakshmi N. Mittal	\$1,739	\$1,770	\$2,074	\$1,941	12,500	7,500		
Vanisha Mittal Bhatia	174	172	-	-	-	-		
Narayanan Vaghul	220	218	-	-	-	-		
Suzanne P. Nimocks <sup>2</sup>	179	198	-	-	-	-		
Wilbur L. Ross, Jr.	194	193	-	-	-	-		
Lewis B. Kaden	264	262	-	-	-	-		
François Pinault <sup>3</sup>	11	-	-	-	-	-		
Bruno Lafont <sup>4</sup>	126	193	-	-	-	-		
Tye Burt <sup>5</sup>	-	112	-	-	-	-		
Antoine Spillmann	213	212	-	-	-	-		
HRH Prince Guillaume de Luxembourg	186	185	-	-	-	-		
Jeannot Krecké	187	185	-	-	-	-		
<b>Total</b>	<b>3,493</b>	<b>3,700</b>	<b>2,074</b>	<b>1,941</b>	<b>12,500</b>	<b>7,500</b>		

<sup>1</sup> Remuneration for non-executive Directors with respect to 2011 (paid after shareholder approval at the annual general meeting held on May 8, 2012) is included in the 2011 column. Remuneration for non-executive Directors with respect to 2012 (subject to shareholder approval at the annual general meeting to be held on May 8, 2013) will be paid in 2013 and is included in the 2012 column. Slight differences between the amounts previously disclosed and the final approved amounts are possible, due to foreign currency effect

<sup>2</sup> Ms. Nimocks was elected to ArcelorMittal's Board of Directors effective January 25, 2011.

<sup>3</sup> Mr. Pinault resigned effective as of January 25, 2011.

<sup>4</sup> Mr. Lafont was elected to ArcelorMittal's Board of Directors effective May 10, 2011.

<sup>5</sup> Mr. Burt was elected to ArcelorMittal's Board of Directors effective May 8, 2012.

## Corporate governance

continued

As of December 31, 2011 and 2012, ArcelorMittal did not have any loans or advances outstanding to members of its Board of Directors and, as of December 31, 2012, ArcelorMittal had not given any guarantees in favor of any member of its Board of Directors.

None of the members of the Board of Directors, including the Chairman and Chief Executive Officer, benefit from an ArcelorMittal pension plan.

The policy of the Company is not to grant any share-based remuneration to members of the Board of Directors who are not executives of the Company.

The following tables provide a summary of the options and the exercise price of options, Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") granted to the Chairman and Chief Executive Officer, who is the sole executive director on the Board of Directors, as of December 31, 2012.

	Options granted in 2005	Options granted in 2006	Options granted in 2007	Options granted in 2008	Options granted in 2009	Options granted in 2010	Options Total	Weighted Average Exercise Price of Options
Lakshmi N. Mittal	100,000	100,000	60,000	60,000	60,000	56,500	436,500	\$41.75
Total	100,000	100,000	60,000	60,000	60,000	56,500	436,500	-
Exercise price <sup>1</sup>	\$27.31	\$32.07	\$61.09	\$78.44	\$36.38	\$30.66	-	\$41.75
Term (in years)	10	10	10	10	10	10	-	-
Expiration date	Aug. 23, 2015	Sep. 1, 2016	Aug. 2, 2017	Aug. 5, 2018	Aug. 4, 2019	Aug. 3, 2020	-	-

<sup>1</sup> Due to the spin-off of Aperam on January 25, 2011, the strike price of outstanding options was reduced by 5% in line with the spin-off ratio. The table above reflects this adjustment.

	RSUs granted in 2011	PSUs granted in 2012
Lakshmi N. Mittal	12,500	7,500
Total	12,500	7,500
Term (in years)	3	3
Vesting date <sup>1</sup>	Sep. 29, 2014	Mar. 30, 2015

<sup>1</sup> See "—Restricted Share Units (RSUs) and Performance Share Units (PSUs)", for vesting conditions

### Remuneration of Senior Management

The total remuneration paid in 2012 to members of ArcelorMittal's senior management (including Mr. Lakshmi N. Mittal in his capacity as Chief Executive Officer) was \$9.6 million in base salary and other benefits paid in cash (such as those relating to gasoline and car allowances, lunch and financial services) and \$10.5 million in short-term performance-related variable remuneration consisting of a bonus linked to the Company's 2011 results.

During 2012, approximately \$800,000 was accrued by ArcelorMittal to provide pension benefits to senior management (other than Mr. Mittal).

No loans or advances to ArcelorMittal's senior management were made during 2012, and no such loans or advances were outstanding as of December 31, 2012.

As discussed above, in 2012, the Appointments, Remuneration and Corporate Governance Committee of the Board of Directors decided to further improve the remuneration disclosure published by the Company by focusing on those executive officers whose remuneration is tied to the performance of the entire ArcelorMittal group. Consequently, information regarding the Management Committee, which is an advisory body to the Group Management Board, is no longer included. The Group Management Board is defined going forward as ArcelorMittal's senior management.

The following table shows the remuneration received by the Chief Executive Officer and the Group Management Board members as determined by the ARCG Committee in relation to 2012 and 2011, including all remuneration components.

## Corporate governance

continued

(Amounts in \$ thousands except for Long-term incentives)	Chief Executive Officer		Other Group Management Board Members	
	2011	2012	2011	2012
Base salary <sup>1</sup>	1,739	1,770	7,630	7,682
Retirement benefits	-	-	832	778
Other benefits <sup>2</sup>	15	30	141	153
Short-term incentives <sup>3</sup>	2,074	1,941	8,896	8,522
Long-term incentives				
- fair value in \$ thousands <sup>4</sup>	181	127	1,012	709
- number of shares	12,500	7,500	70,000	42,000

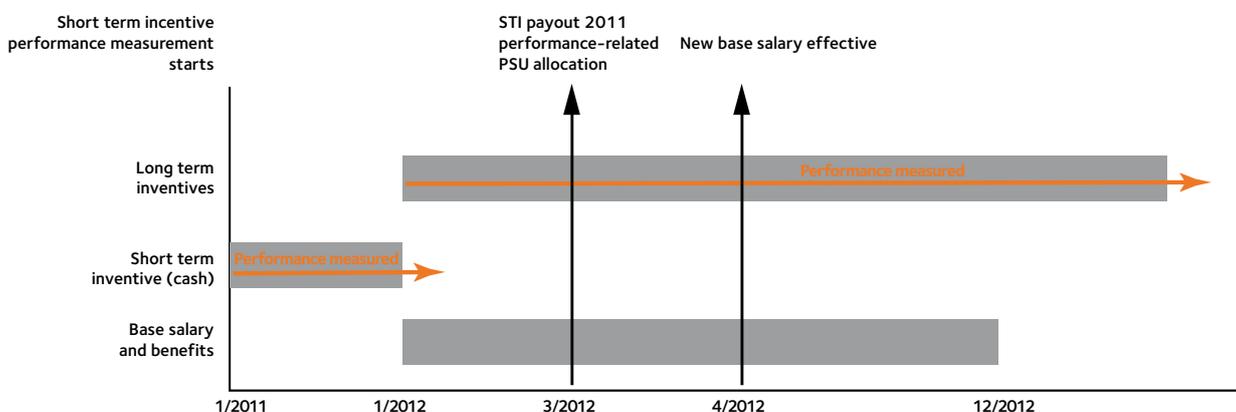
<sup>1</sup> The increase in base salary for the Chief Executive Officer and other Group Management Board members in 2012 was 3% and 2.8%, respectively (effective April 2012), as compared to 2011.

<sup>2</sup> Other benefits comprise benefits paid in cash such as health insurance and other insurance, lunch, financial services, gasoline and car allowances. Benefits in kind such as company car and tax returns are not included.

<sup>3</sup> Short-term incentives are entirely performance-based and are fully paid in cash. The short-term incentive for a given year relates to the Company's results in the previous year.

<sup>4</sup> Fair value determined at the grant date is recorded as an expense using the straight line method over the vesting period and adjusted for the effect of non market-based vesting conditions. The remuneration expenses recognized for the RSUs/PSUs granted to the Chief Executive Officer and other Group Management Board members was \$99,000 and \$606,000 for the years ended December 31, 2011 and 2012.

The Company allocated 2012 remuneration according to the following timeline:



### Clawback Policy

Under Section 304 of the Sarbanes-Oxley Act, the SEC may seek to recover remuneration from the Chief Executive Officer and Chief Financial Officer of the Company in the event that it is required to restate accounting information due to any material misstatement thereof or as a result of misconduct in respect of a financial reporting requirement under the U.S. securities laws (the "SOX Clawback").

Under the SOX Clawback, the Chief Executive Officer and the Chief Financial Officer may have to reimburse ArcelorMittal for any bonus or other incentive- or equity-based remuneration received during the 12-month period following the first public issuance or filing with the SEC (whichever occurs first) of the relevant filing, and any profits realized from the sale of ArcelorMittal securities during that 12-month period.

The Board of Directors, through its Appointments, Remuneration and Corporate Governance Committee, decided in 2012 to adopt its own clawback policy (the "Clawback Policy") that applies to the members of the Group Management Board and to the Executive Vice President of Finance, of ArcelorMittal.

The Clawback Policy comprises cash bonuses and any other incentive-based or equity-based remuneration, as well as profits from the sale of the Company's securities received during the 12-month period following the first public issuance or filing with the SEC (whichever first occurs) of the filing that contained the material misstatement of accounting information.

For purposes of determining whether the Clawback Policy should be applied, the Board of Directors will evaluate the circumstances giving rise to the restatement (in particular, whether there was any fraud or misconduct), determine when any such misconduct occurred and determine the amount of remuneration that should be recovered by the Company. In the event that the Board of Directors determines that remuneration should be recovered, it may take appropriate action on behalf of the Company, including, but not limited to, demanding repayment or cancellation of cash bonuses, incentive-based or equity-based remuneration or any gains realized as the result of options being exercised or awarded or long-term incentives vesting. The Board may also choose to reduce future remuneration as a means of recovery.

# Corporate governance

continued

## Remuneration Policy

### Board Oversight

The Board is responsible for ensuring that the Group's remuneration arrangements are equitable and aligned with the long-term interests of the Company and its shareholders. It is therefore critical that the Board remain independent of management when making decisions affecting remuneration of the Chief Executive Officer and its direct reports.

To this end, the Board has established the Appointments, Remuneration and Corporate Governance Committee ("ARCG Committee") to assist it in making decisions affecting employee remuneration. All members of the ARCG Committee are required to be independent under the Company's corporate governance guidelines, the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The members have relevant expertise or experience relating to the purposes of the committee. The ARCG Committee makes decisions by a simple majority with no member having a casting vote.

The ARCG Committee is chaired by Mr. Lewis Kaden, Lead Independent Director.

### Appointments, Remuneration and Corporate Governance Committee

The primary function of the ARCG Committee is to assist the Board of Directors, among others with respect to the following:

- review and approve corporate goals and objectives relevant to the Group Management Board and other members of executive management as deemed appropriate by the committee regarding their remuneration, and assess performance against goals and objectives;

- make recommendations to the Board with respect to incentive remuneration plans and equity-based plans;
- identify candidates qualified to serve as members of the Board and the Group Management Board;
- recommend candidates to the Board for appointment by the general meeting of shareholders or for appointment by the Board to fulfill interim Board vacancies;
- develop, monitor and review corporate governance principles applicable to the Company;
- facilitate the evaluation of the Board;
- review the succession planning and the executive development of Group Management Board members;
- submit proposals to the Board on the remuneration of Group Management Board members, and on the appointment of new directors and Group Management Board members;
- make recommendations to the Board on the Company's framework of remuneration for the Group Management Board and such other members of the executive management as designated by the committee. In making such recommendations, the committee may take into account factors that it deems necessary (the remuneration of directors on the Board shall be a matter to be decided by the Board). This may include total cost of employment (including equity/stock options based component) and determination on behalf of the Board specific remuneration packages and conditions of employment (including pension rights).

The ARCG Committee met six times in 2012. Its members comprise Mr. Lewis Kaden (Chairman), HRH Prince Guillaume de Luxembourg, Mr. Narayanan Vaghul and Ms. Suzanne P. Nimocks. Regular invitees include Mr. Lakshmi N. Mittal (Chief Executive Officer and Chairman)

and Mr. Willie Smit (Head of Group Human Resources). Mr. Henk Scheffer (Group Company Secretary) acts as secretary. The relevant persons are not present when their remuneration is discussed by the ARCG Committee. The ARCG Committee Chairman presents its decisions and finding to the Board of Directors after each Committee meeting.

## Remuneration Strategy

### Scope

ArcelorMittal's remuneration philosophy and framework apply to the following group of senior managers:

- the Chief Executive Officer; and
- the seven other members of the Group Management Board.

The remuneration philosophy and governing principles also apply, with certain limitations, to a wider group of employees including Executive Vice Presidents, Vice Presidents, General Managers and Managers.

### Remuneration Philosophy

ArcelorMittal's remuneration philosophy for its senior managers is based on the following principles:

- provide total remuneration competitive with executive remuneration levels of a peer group composed of a selection of industrial companies of a similar size and scope;
- encourage and reward performance that will lead to long-term enhancement of shareholder value;
- promote internal pay equity and provide "market" median (determined by reference to its identified peer group) base pay levels for ArcelorMittal's senior managers with the possibility to move up to the third quartile of the market base pay levels, depending on performance over time; and
- promote internal pay equity and target total direct remuneration (base pay, bonus, and long term incentives) levels for senior managers at the 75th percentile of the market.

## Remuneration Framework

The ARCG Committee develops proposals on senior management remuneration annually for consideration by the Board of Directors. Such proposals include the following components:

- fixed annual salary;
- short-term incentives (i.e., performance-based bonuses); and
- long-term incentives (i.e., stock options (prior to May 2011), RSUs (after May 2011) and PSUs (after May 2011)).

The decision was taken by the Board of Directors not to allocate any RSUs and PSUs to the members of Group Management Board between May 2012 and May 2013.

### Fixed Annual Salary

Base salary levels are reviewed annually and compared to the market to ensure that ArcelorMittal remains competitive with market median base pay levels.

### Short-Term Incentives

Annual Performance Bonus Plan

ArcelorMittal has a short-term incentive plan consisting of a performance-based bonus plan. Bonus calculations for each employee reflect the performance of the ArcelorMittal group as a whole, the performance of the relevant business units, the achievement of objectives specific to the department and the individual employee's overall performance and potential.

The calculation of ArcelorMittal's 2012 performance bonus is aligned with its strategic objectives of improving health and safety performance and overall competitiveness and the following principles:

- no performance bonus will be triggered if the achievement level of the performance measures is less than the threshold of 80%;

## Corporate governance

continued

- achievement of 100% of the performance measure yields 100% of the performance bonus pay-out; and
- achievement of more than 100% and up to 120% of the performance measure generates a higher performance bonus pay-out, except as explained below.

The performance bonus for each individual is expressed as a percentage of his or her annual base salary. Performance bonus pay-outs may range from 50% of the target bonus for achievement of performance measures at the threshold (80%), to up to 150% for an achievement at or in excess of the ceiling of 120%. Between the 80% threshold and the 120% ceiling, the performance bonus is calculated on a proportional, straight-line basis.

For the Chief Executive Officer and the other members of the Group Management Board, the 2012 bonus formula is based on:

- EBITDA at the Group level: 60% (this acts as "circuit breaker" with respect to group-level financial performance measures as explained below);
- Free cash flow ("FCF") (operating free cash flow ("OFCF") was used in 2011) at the Group level: 20%; and
- Health and safety performance at the Group level: 20%.

EBITDA operating as a "circuit breaker" for financial measures means that the 80% threshold described above must be met for EBITDA in order to trigger any bonus payment with respect to the EBITDA and FCF performance measures.

For the Chief Executive Officer, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 100% of his base salary. For the members of the Group Management Board, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 80% of the relevant base salary.

The different performance measures are combined through a cumulative system: each measure is calculated separately and is added up for the performance bonus calculation.

Performance below threshold will result in zero performance bonus payout.

The achievement level of performance for performance bonus is summarized as follow:

Functional level	Target achievement threshold @ 80%	Target achievement @ 100%	Target achievement ≥ ceiling @ 120%
Chief Executive Officer	50% of base pay	100% of base pay	150% of base pay
Other GMB members	40% of base pay	80% of base pay	120% of base pay

Individual performance and potential assessment ratings define the individual bonus multiplier that will be applied to the performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 1.3 may cause the performance bonus pay-out to be higher than 150% of the target bonus, up to 195% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end.

The principles of the performance bonus plan, with different weights for performance measures and different levels of target bonuses, are applicable to approximately 2,000 employees worldwide.

In exceptional cases, there are some entitlements to a retention bonus or a business specific bonus.

At the end of the financial year, achievement against the measures is assessed by the ARCG Committee and the Board and the short-term incentive award is determined. The achievement of the 2011 Performance Bonus Plan with respect to senior management and paid out in March 2012 was as follows:

2011 Measures	% Weighting for Chief Executive Officer and GMB members	Assessment
EBITDA	60%	Incentive attributable to this metric as the assessment was over target
OFCF	20%	No incentive attributable to this metric
Health and Safety	20%	Incentive attributable to this metric as the assessment was at target

## Corporate governance

continued

### **Extra Mid-Year Bonus 2012**

In 2012, the Group Management Board decided to implement a mid-year bonus plan for 2012 in addition to the Annual Performance Bonus Plan to encourage a greater focus on the Group's objective of achieving a substantial net debt reduction by June 30, 2012. The two measures of this bonus were EBITDA and FCF, and also took into account additional targets to be achieved in the first half of 2012, consisting of higher EBITDA, limitation of capital expenditure and improvement of working capital, subject to the conditions below:

- Only units/segments delivering results (both EBITDA and FCF) that are better than the 2012 business plan taking into account the additional targets would qualify for an extra bonus;
- In terms of EBITDA, an improvement of 10% over the approved business plan was expected; and
- The mid-year bonus would be paid out in full if 100% of the additional EBITDA and FCF targets are met but would not be paid out if the level of achievement was below 80%, with the maximum level of achievement being set at 120%.

Based on the Company's 2012 mid-year results, no additional mid-year bonus was paid to the Chief Executive Officer or any other members of the Group Management Board.

### **Other Benefits**

In addition to the remuneration described above, other benefits may be provided to members of the Group Management Board and, in certain cases, other employees. These other benefits can include insurance, housing (in cases of international transfers), car allowances and tax assistance.

### **Long-Term Incentives: Equity Based Incentives**

#### *Share Unit Plans*

The annual shareholders' meeting on May 10, 2011 approved a new equity-based incentive plan to

replace the Global Stock Option Plan. The new plan comprises a Restricted Share Unit Plan ("RSU Plan") and a Performance Share Unit Plan ("PSU Plan") designed to incentivize employees, improve the Company's long-term performance and retain key employees. Both the RSU Plan and the PSU Plan are intended to align the interests of the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The maximum number of Restricted Share Units (each, an "RSU") and Performance Share Units (each, a "PSU") available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting. The annual shareholders' meeting on May 8, 2012 approved the maximum to be granted until the next annual shareholders' meeting.

#### *RSU Plan*

The aim of the RSU Plan is to provide a retention incentive to eligible employees. It is subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the ArcelorMittal group. The RSUs are an integral part of the Company's remuneration framework.

For the period from the May 2012 annual general shareholders' meeting to the May 2013 annual general shareholders' meeting, a maximum of 2,500,000 RSUs may be allocated to eligible employees under the RSU Plan. The RSU Plan targets the 500 to 700 most senior managers across the ArcelorMittal group. The decision was taken by the Board of Directors not to allocate any RSUs to the members of the Group Management Board between May 2012 and May 2013. The Company expects to make a grant under the RSU Plan by the end of the first quarter of 2013 to the other eligible managers.

#### *PSU Plan*

The PSU Plan's main objective is to be an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards under the PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The employees eligible to participate in the PSU Plan are a sub-set of the group of employees eligible to participate in the RSU Plan. The target group for PSU grants is primarily the Chief Executive Officer, the other members of the Group Management Board, the Executive Vice Presidents and the Vice Presidents.

For the period from the May 2011 annual general shareholders' meeting to the annual general meeting of shareholders held in May 2012 a maximum of 1,000,000 PSUs could have been allocated to eligible employees under the PSU Plan. The allocation of PSUs took place in March 2012 and a total of 264,165 performance shares units were granted to a total of 118 employees.

For the period from the May 2012 annual general shareholders' meeting to the May 2013 annual general shareholders' meeting, a maximum of 1,000,000 PSUs may be allocated to eligible employees under the PSU Plan. The decision was taken by the Board of Directors not to grant any PSUs to the members of the Group Management Board between May 2012 and May 2013. The Company expects to make a grant under the PSU Plan by the end of the first quarter of 2013 to the other eligible managers of the Company.

PSUs will vest three years after their date of grant subject to the eligible employee's continued employment with the Company and the fulfillment of targets related to the following performance measures: return on capital employed (ROCE) and total

cost of employment (in U.S. dollars per tonne) for the steel business (TCOE) and the mining volume plan 2012 and ROCE for the Mining segment. Each performance measure has a weighting of 50%. In case the level of achievement of both performance targets together is below 80%, there is no vesting, and the rights are automatically forfeited.

The allocation of RSUs and PSUs to members of the Group Management Board under the RSU Plan and the PSU Plan is reviewed by the ARCG Committee, comprised of four independent directors, which makes a recommendation to the full Board of Directors. The ARCG Committee also reviews the proposed grants of RSUs and PSUs to eligible employees other than the members of the Group Management Board and the principles governing their proposed allocation. The Committee also decides the criteria for granting PSUs and makes its recommendation to the Board of Directors.

#### *Global Stock Option Plan*

Prior to the adoption in 2011 of the Share Unit Plans described above, ArcelorMittal's equity-based incentive plan took the form of a stock option plan known as the Global Stock Option Plan.

Under the terms of the ArcelorMittal Global Stock Option Plan 2009-2018 (which replaced the ArcelorMittal Shares plan that expired in 2009), ArcelorMittal may grant options to purchase ordinary shares to senior management of ArcelorMittal and its associates for up to 100,000,000 ordinary shares. The exercise price of each option equals not less than the fair market value of ArcelorMittal shares on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's ARCG Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total upon the death, disability or retirement of the participant.

## Corporate governance

continued

With respect to the spin-off of Aperam, the ArcelorMittal Global Stock Option Plan 2009-2018 was amended to reduce by 5% the exercise prices of existing stock options. This change is reflected in the information given below.

Year of Grant	Initial Exercise Prices (per option)	New Exercise Prices (per option)
August 2008	\$82.57	\$78.44
December 2007	74.54	70.81
August 2007	64.30	61.09
June 2006	39.75	37.76
August 2009	38.30	36.38
September 2006	33.76	32.07
August 2010	32.27	30.66
August 2005	28.75	27.31
December 2008	23.75	22.56
November 2008	22.25	21.14
April 2002	2.26	2.15

On August 3, 2010, ArcelorMittal granted 5,864,300 options under the ArcelorMittal Global Stock Option Plan 2009-2018 to a group of key employees at an exercise price of \$32.27 per share. The new exercise price is \$30.66 per share after the spin-off of Aperam. The options expire on August 3, 2020. No options were granted in 2011 and 2012, although RSUs and PSUs were granted; see “—RSU Plan” and “—PSU Plan” above.)

The fair values for options and other share-based remuneration are recorded as expenses in the consolidated statements 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-Merton option pricing model with the following weighted average assumptions (based on year of grant and recalculated at the spin-off date of the stainless steel business):

Year of Grant	2010
Exercise Price	\$30.66
Dividend yield	2.02%
Expected annualized volatility	50%
Discount rate—bond equivalent yield	3.21%
Weighted average share price	\$30.66
Expected life in years	5.75
Fair value per option	\$17.24

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.

The remuneration expense recognized for stock option plans was \$73 million and \$25 million for each of the years ended December 31, 2011, and 2012, respectively. At the date of the spin-off of Aperam, the fair value of the stock options outstanding have been recalculated with the modified inputs of the Black-Scholes-Merton option pricing model, including the weighted average share price, exercise price, expected volatility, expected life, expected dividends, the risk-free interest rate and an additional expense of \$11 million has been recognized in the year ended December 31, 2011 for the current and past periods.

## Corporate governance

continued

Option activity with respect to ArcelorMittalShares and the ArcelorMittal Global Stock Option Plan 2009–2018 is summarized below as of and for each of the years ended December 31, 2010, 2011 and 2012:

Functional level	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2010	28,672,974	2.26–82.57	50.95
Exercised	(226,005)	2.15–32.07	27.57
Forfeited	(114,510)	27.31–78.44	40.26
Expired	(662,237)	15.75–78.44	57.07
Outstanding, December 31, 2011	27,670,222	2.15–78.44	48.35
Exercised	(154,495)	2.15	2.15
Forfeited	(195,473)	30.66–61.09	33.13
Expired	(2,369,935)	2.15–78.44	58.23
Outstanding, December 31, 2012	24,950,319	21.14–78.44	47.85
Exercisable, December 31, 2010	16,943,555	2.26–82.57	56.59
Exercisable, December 31, 2011	21,946,104	2.15–78.44	52.47
Exercisable, December 31, 2012	23,212,008	21.14–78.44	49.14

The following table summarizes certain information regarding total stock options of the Company outstanding as of December 31, 2012:

Options Outstanding				
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
\$78.44	5,598,050	5.60	5,598,050	August 5, 2018
70.81	13,000	4.95	13,000	December 11, 2017
61.09	4,026,437	4.59	4,026,437	August 2, 2017
37.76	1,262,894	0.50	1,262,894	June 30, 2013
36.38	5,443,200	6.60	5,443,200	August 4, 2019
32.07	1,889,836	3.67	1,889,836	September 1, 2016
30.66	5,511,836	7.60	3,773,525	August 3, 2020
27.31	1,152,481	2.65	1,152,481	August 23, 2015
22.56	32,000	5.96	32,000	December 15, 2018
21.14	20,585	5.87	20,585	November 10, 2018
\$21.14–78.44	24,950,319	5.56	23,212,008	

For RSUs, the fair value determined at the grant date is recorded as an expense using the straight line method over the vesting period and adjusted for the effect of nonmarket-based vesting conditions. The remuneration expense recognized for the RSUs granted was \$2 million and \$6 million for the years ended December 31, 2011 and 2012.

For PSUs, the fair value determined at the grant date is recorded as an expense using the straight line method over the vesting period and adjusted for the effect of nonmarket-based vesting conditions. The remuneration expense recognized for the PSUs granted was \$1 million for the years ended December 31, 2012.

As from 2013, the Group Management Board including the Chief Executive Officer will no longer be entitled to RSU grants.

# Corporate governance

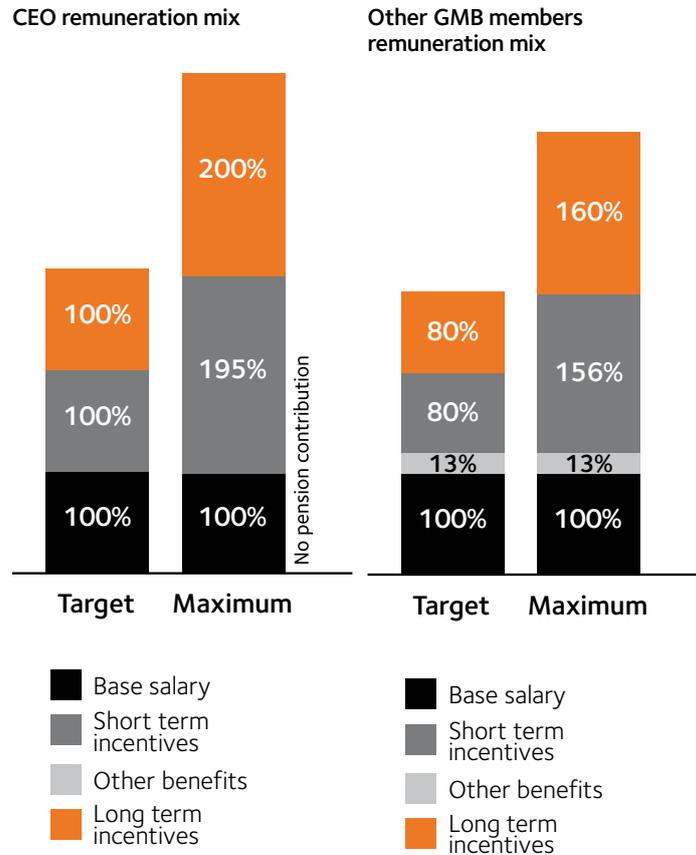
continued

## Performance Consideration

### Remuneration Mix

The target total remuneration of the Chief Executive Officer and the Group Management Board is structured to attract and retain executives; the amount of the remuneration actually received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value from relative performance.

The following remuneration charts, which illustrate the various elements of compensation of the Chief Executive Officer and the Group Management Board, are applicable from 2013 onwards. For each of the charts below, the column on the left reflects the breakdown of compensation if targets are met and the column on the right reflects the breakdown of compensation if targets are exceeded.



### Share Ownership

As of December 31, 2012, the aggregate beneficial share ownership of ArcelorMittal directors and senior management (17 individuals) totaled 1,990,733 ArcelorMittal shares (excluding shares owned by ArcelorMittal's Significant Shareholder and including options to acquire 1,358,735 ArcelorMittal ordinary shares that are exercisable within 60 days of December 31, 2012), representing 0.13% of the total issued share capital of ArcelorMittal. Excluding options to acquire ArcelorMittal ordinary shares, these 17 individuals beneficially own 631,998 ArcelorMittal ordinary shares. Other than the Significant Shareholder, each director and member of senior management

beneficially owns less than 1% of ArcelorMittal's shares. For purposes of this section, ordinary shares held directly by Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, and options held directly by Mr. Lakshmi Mittal are aggregated with those ordinary shares beneficially owned by the Significant Shareholder.

ArcelorMittal issued 104,477,612 ordinary shares in an offering that closed on January 14, 2013 (the "Share Offering") and issued \$2,250,000,000 aggregate principal amount of 6.00% Mandatorily Convertible Subordinated Notes due 2016 (the "Convertible Notes") in an offering that closed on January 16, 2013. The Significant Shareholder, through Lumen Investments S.à r.l.,

subscribed for 17,910,448 ordinary shares in the Share Offering and acquired \$300 million in principal amount of Convertible Notes. Following the ordinary shares subscription, the percentage of total ordinary shares (including options to acquire ArcelorMittal ordinary shares exercisable within 60 days) owned by the Significant Shareholder decreased from 40.88% to 39.39%.

In 2011, the number of ArcelorMittal RSUs granted to directors and senior management (including the Significant Shareholder) was 82,500; upon vesting of the RSUs, the corresponding treasury shares or new shares will be transferred to the beneficiaries on September 29, 2014. In 2012, the number of

ArcelorMittal PSUs granted to directors and senior management (including the Significant Shareholder) was 49,500; upon vesting of the PSUs, the corresponding treasury shares or new shares will be transferred to the beneficiaries on March 30, 2015.

## Corporate governance

continued

The following table summarizes outstanding share options, as of December 31, 2012, granted to the members of the Group Management Board of ArcelorMittal (or its predecessor company Mittal Steel, depending on the year):

	Options granted in 2005	Options granted in 2006	Options granted in 2007	Options granted in 2008	Options granted in 2009	Options granted in 2010	Options Total <sup>2</sup>	Weighted Average Exercise Price of Options <sup>2</sup>
Group Management Board (Including Chief Executive Officer)	198,504	222,002	296,000	326,000	376,000	351,700	1,893,636	-
<b>Total</b>	<b>198,504</b>	<b>222,002</b>	<b>296,000</b>	<b>326,000</b>	<b>376,000</b>	<b>351,700</b>	<b>1,893,636</b>	-
Exercise price <sup>1</sup>	\$27.31	\$32.07	\$61.09	\$78.44	\$36.38	\$30.66	-	\$44.80
Term (in years)	10	10	10	10	10	10	-	-
Expiration date	Aug. 23, 2015	Sep. 1, 2016	Aug. 2, 2017	Aug. 5, 2018	Aug. 4, 2019	Aug. 3, 2020	-	-

<sup>1</sup> Due to the spin-off of Aperam on January 25, 2011, the strike price of outstanding options was reduced by 5% in line with the spin-off ratio. The table above reflects this adjustment.

<sup>2</sup> The 91,430 options granted by Arcelor in 2006 (expiring on June 30, 2013) for an exercise price of €28.62 (for this table a conversion ratio of 1 euro = 1.3194 U.S. dollars was used) and 32,000 options granted on December 15, 2008 (expiring on December 15, 2018) at an exercise price of \$22.56 have been included in the total number of options and the average weighted exercise price..

The following table summarized outstanding RSUs and PSUs granted to the members of the Group Management Board of ArcelorMittal in 2011 and 2012.

	RSUs granted in 2011	PSUs granted in 2012
Group Management Board (Including Chief Executive Officer)	82,500	49,500
<b>Total</b>	<b>82,500</b>	<b>49,500</b>
Term (in years)	3	3
Vesting date <sup>1</sup>	Sep. 29, 2014	Mar. 30, 2015

<sup>1</sup> See "—Restricted Share Units (RSUs) and Performance Share Units (PSUs)", for vesting conditions.

In accordance with the Luxembourg Stock Exchange's 10 Principles of Corporate Governance, independent non-executive members of ArcelorMittal's Board of Directors do not receive share options, RSUs or PSUs.

## Corporate governance

continued

### Employee Share Purchase Plan (ESPP)

The annual general shareholders' meeting held on May 11, 2010 adopted an Employee Share Purchase Plan (the "ESPP 2010") as part of a global employee engagement and participation policy. As with the previous Employee Share Purchase Plans implemented in 2008 and 2009, the ESPP 2010's goal was to strengthen the link between the Group and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the plan, which was implemented in November 2010, were the following:

The ESPP 2010 was offered to 183,560 employees in 21 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 shares (0.16% of the current issued shares on a fully diluted basis). A total of 164,171 shares were subscribed, 1,500 of which were subscribed by members of the Group Management Board and the Management Committee of the Company. The subscription price was \$34.62 before discounts.

Pursuant to the ESPP 2010, eligible employees could apply to purchase a number of shares not exceeding that number of whole shares equal to the lower of 200 shares and the number of whole shares that may be purchased for \$15,000, rounded down to the nearest whole number of shares.

The purchase price was equal to the average of the opening and the closing prices of the ArcelorMittal shares trading on the NYSE on the exchange day immediately preceding the opening of the subscription period, which is referred to as the "reference price", less a discount equal to:

- (a) 15% of the reference price for a purchase order not exceeding the lower of 100 shares and the number of shares (rounded down to the nearest whole number) corresponding to an investment of \$7,500 (the first cap); and thereafter,
- (b) 10% of the reference price for any additional acquisition of shares up to a number of shares (including those in the first cap) not exceeding the lower of 200 shares and the number of shares (rounded down to the nearest whole number) corresponding to an investment of \$15,000 (the second cap).

All shares purchased under the ESPP 2008, 2009 and 2010 are held in custody for the benefit of the employees in global accounts with BNP Paribas Securities Services, except for shares purchased by Canadian and U.S. employees, which are held in custody in one global account with Computershare.

Shares purchased under the plan are subject to a three-year lock-up period as from the settlement date, except for the following early exit events: permanent disability of the employee, termination of the employee's employment or death of the employee. At the end of this lock-up period, the employees will have a choice either to sell their shares (subject to compliance with ArcelorMittal's insider dealing regulations) or keep their shares and have them delivered to their personal securities account, or make no election, in which case shares will be automatically sold. Shares may be sold or released within the lock-up period in the case of early exit events. During this period, and subject to the early exit events, dividends paid on shares are held for the employee's account and accrue interest.

Employee shareholders are entitled to any dividends paid by ArcelorMittal after the settlement date and they are entitled to vote their shares.

With respect to the spin-off of ArcelorMittal's stainless and specialty steels business, an addendum to the charter of the 2008, 2009 and 2010 ESPPs was adopted providing, among other measures, that:

- the spin-off shall be deemed an early exit event for the participants who will be employees of one of the entities that will be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment is not an early exit event; and
- the Aperam shares to be received by ESPP participants will be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares are allocated based on a ratio of one Aperam share for 20 ArcelorMittal shares.

In connection with ArcelorMittal's Employee Share Purchase Plan ("ESPP") 2010, employees subscribed for a total of 164,171 ArcelorMittal shares (with a ceiling of up to 200 shares per employee) out of a total of 2,500,000 shares available for subscription. The shares subscribed by employees under the ESPP 2010 program were treasury shares. Due to the low participation level in previous years and the complexity and high cost of setting up an ESPP, management decided not to implement another ESPP in 2011 and the same decision has been adopted with respect to 2012.

## Corporate governance

continued

### Major Shareholders and Related Party Transactions

In connection with the spin-off of the Company's stainless and specialty steels business into Aperam on January 25, 2011, the Company's issued share capital was reduced to €6,428,005,991.80 without any reduction in the number of shares issued which remained at 1,560,914,610 and was unchanged at December 31, 2012.

The Company's authorized share capital, including the issued share capital, was €7,082,460,000, represented by 1,617,000,000 shares at December 31, 2011, and was increased by the extraordinary general meeting of shareholders held on May 8, 2012 to €7,725,260,599.18, represented by 1,773,091,461 shares.

The May 8, 2012 extraordinary general meeting of shareholders approved an increase of the Company's authorized share capital by 10% of its then issued share capital, i.e., by €642,800,599.18, represented by 156,091,461 shares without nominal value, resulting in an authorized share capital of €7,725,260,599.18 represented by 1,773,091,461 shares without nominal value. The meeting also granted the Board of Directors the authority, for a period of five years, to issue additional shares in the Company within the limit of the new authorized share capital, and to limit or suppress the preferential subscription right of existing shareholders in this regard.

On January 14, 2013, the Company increased its share capital by issuing out of its authorized share capital 104,477,612 ordinary shares at a price of \$16.75 per share, resulting in an issued share capital of €6,883,209,119.84 represented

by 1,665,392,222 ordinary shares. The Company's authorized share capital of €7,725,260,599.18 was not impacted by this transaction.

Following the issue of new shares on January 14, 2013, 107,699,239 ordinary shares remain available for issuance under the Company's authorized share capital.

In connection with the \$2.25 billion 6% Mandatorily Convertible Subordinated Notes due 2016 issued by the Company on January 16, 2013, in addition to the other convertible notes outstanding of the Company, the Company will ask the general meeting of shareholders to approve an increase in its authorized share capital in order to meet any conversion requests from noteholders.

### Major Shareholders

The following table sets out information as of December 31, 2012 with respect to the beneficial ownership of ArcelorMittal ordinary shares by each person who is known to be the beneficial owner of more than 5% of the shares and all directors and senior management as a group.

	ArcelorMittal Ordinary Shares <sup>1</sup>	
	Number	%
Significant Shareholder <sup>2</sup>	638,102,530	40.88
Treasury Stock <sup>3</sup>	10,031,060	0.64
Other Public Shareholders	912,781,020	58.48
<b>Total</b>	<b>1,560,914,610</b>	<b>100.00</b>
Of which: Directors and Senior Management <sup>4,5</sup>	1,990,733	0.13

<sup>1</sup> For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any ArcelorMittal ordinary shares as of a given date on which such person or group of persons has the right to acquire such shares within 60 days after December 31, 2012 upon exercise of vested portions of stock options. Only the last third of the stock options granted on August 3, 2010 remain unvested; all other stock options of the previous grants have vested.

<sup>2</sup> For purposes of this table, ordinary shares owned directly by Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, and options held directly by Mr. Lakshmi Mittal, are aggregated with those ordinary shares beneficially owned by the Significant Shareholder. At December 31, 2012, Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, had direct ownership of ArcelorMittal ordinary shares and indirect ownership, through the Significant Shareholder, of two holding companies that own ArcelorMittal ordinary shares—Nuavam Investments S.à.r.l. ("Nuavam") and Lumen Investments S.à.r.l. ("Lumen"). Nuavam, a limited liability company organized under the laws of Luxembourg, was the owner of 525,000,000 ArcelorMittal ordinary shares. Mr. Mittal was the direct owner of 301,600 ArcelorMittal ordinary shares and held options to acquire an additional 436,500 ArcelorMittal ordinary shares, of which 417,667 are, for the purposes of this table, deemed to be beneficially owned by Mr. Mittal due to the fact that these options are exercisable within 60 days. Mrs. Mittal was the direct owner of 45,000 ArcelorMittal ordinary shares. Mr. Mittal, Mrs. Mittal and the Significant Shareholder shared indirect beneficial ownership of 100% of each of Nuavam and Lumen (within the meaning set forth in Rule 13d-3 of the Exchange Act). Accordingly, Mr. Mittal was the beneficial owner of 638,057,530 ArcelorMittal ordinary shares, Mrs. Mittal was the beneficial owner of 637,383,263 ordinary shares and the Significant Shareholder was the beneficial owner of 638,102,530 ordinary shares. Excluding options, Mr. Lakshmi Mittal and Mrs. Usha Mittal together beneficially owned 637,684,863 ArcelorMittal ordinary shares at such date.

<sup>3</sup> Represents ArcelorMittal ordinary shares repurchased pursuant to share repurchase programs in prior years, fractional shares returned in various transactions, and the use of treasury shares in various transactions in prior years; excludes (1) 1,358,735 stock options that can be exercised by senior management (other than Mr. Mittal) and (2) 417,667 stock options that can be exercised by Mr. Mittal, in each case within 60 days of December 31, 2012. Holders of these stock options are deemed to beneficially own ArcelorMittal ordinary shares for the purposes of this table due to the fact that such options are exercisable within 60 days.

<sup>4</sup> Includes shares beneficially owned by directors and members of senior management; excludes shares beneficially owned by Mr. Mittal.

<sup>5</sup> These 1,990,733 ArcelorMittal ordinary shares are included in shares owned by the public shareholders indicated above.

## Corporate governance

continued

The following table sets out the information in the above table revised to solely reflect the issuance by ArcelorMittal on January 14, 2013 of 104,477,612 ordinary shares, of which 17,910,448 were subscribed by Lumen.

	ArcelorMittal Ordinary Shares	
	Number	%
Significant Shareholder	656,012,978	39.39
Treasury Stock	10,031,060	0.60
Other Public Shareholders	999,348,184	60.01
<b>Total</b>	<b>1,665,392,222</b>	<b>100.00</b>
Of which: Directors and Senior Management	1,990,733	0.12

On January 16, 2013, ArcelorMittal issued \$2.25 billion aggregate principal amount of its 6% Mandatorily Convertible Notes due 2016, of which Lumen subscribed for \$300 million in principal amount. Based on the methodology used in the above two tables, as of December 31, 2012, giving effect to the share offering and Lumen share subscription noted above and assuming (i) no drawing under the share lending agreement between Lumen and ArcelorMittal discussed below and (ii) conversion of all mandatorily convertible notes, the percentage of ordinary shares owned by the Significant Shareholder would be 37.45% (assuming conversion of all notes at the maximum conversion ratio) or 37.81% (assuming conversion of all notes at the minimum conversion ratio).

The ArcelorMittal ordinary shares may be held in registered form only. Registered shares may consist of;

- shares traded on the NYSE, or New York Registry Shares, which are registered in a register kept by or on behalf of ArcelorMittal by its New York transfer agent,
- shares traded on Euronext Amsterdam by NYSE Euronext, Euronext Paris by NYSE Euronext, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges (Madrid, Bilbao,

Valencia and Barcelona), which are registered in ArcelorMittal's shareholders' register, or

- ArcelorMittal European Registry Shares, which are registered in a local shareholder register kept by or on behalf of ArcelorMittal by BNP Paribas Securities Services in Amsterdam, or directly on ArcelorMittal's Luxembourg shareholder register without being held on ArcelorMittal's local Dutch shareholder register.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by such shareholder and the amount paid up on each share in the shareholder register of ArcelorMittal.

At December 31, 2012, there were 2,613 shareholders other than the Significant Shareholder, holding an aggregate of 52,876,675 ArcelorMittal ordinary shares registered in ArcelorMittal's shareholder register, representing approximately 3.39% of the ordinary shares issued (including treasury shares).

At December 31, 2012, there were 229 U.S. shareholders holding an aggregate of 77,694,463 New York Shares, representing approximately 4.98% of the ordinary shares issued (including treasury shares). ArcelorMittal's knowledge of the number of New

York Shares held by U.S. holders is based solely on the records of its New York transfer agent regarding registered ArcelorMittal ordinary shares.

At December 31, 2012, 793,005,209 ArcelorMittal ordinary shares were held through the Euroclear/Iberclear clearing system in The Netherlands, France, Luxembourg and Spain.

### Related Party Transactions

ArcelorMittal engages in certain commercial and financial transactions with related parties, including associates and joint ventures of ArcelorMittal. Please refer to Note 15 of ArcelorMittal's consolidated financial statements.

### Shareholder's Agreement

The Significant Shareholder, a holding company owned by the Significant Shareholder and ArcelorMittal are parties to a shareholder and registration rights agreement (the "Shareholder's Agreement") dated August 13, 1997. Pursuant to the Shareholder's Agreement and subject to the terms and conditions thereof, ArcelorMittal shall, upon the request of certain holders of restricted ArcelorMittal shares, use its reasonable efforts to register under the Securities Act of 1933, as amended, the sale of ArcelorMittal shares intended to be sold by those holders. By its terms, the Shareholder's Agreement may not be amended, other than for manifest error, except by approval

of a majority of ArcelorMittal's shareholders (other than the Significant Shareholder and certain permitted transferees) at a general shareholders' meeting.

Acquisition of ordinary shares and mandatorily convertible notes in the January 2013 offering of such securities by ArcelorMittal, and entry into the Lock-Up Letter and Share Lending Agreement in connection therewith ArcelorMittal issued 104,477,612 ordinary shares in an offering that closed on January 14, 2013 (the "Share Offering") and issued \$2,250,000,000 aggregate principal amount of 6.00% Mandatorily Convertible Subordinated Notes due 2016 (the "Convertible Notes") in an offering that closed on January 16, 2013. Lumen subscribed for 17,910,448 ordinary shares in the Share Offering and acquired \$300 million in principal amount of Convertible Notes. The underwriting agreement entered into in connection with such offerings provided as a closing condition that Lumen and Nuavam each execute a lock-up letter whereby they would each agree not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, directly or indirectly, any ordinary shares, the acquired Convertible Notes or other securities exchangeable for or convertible into ordinary shares owned by them for a period of at least 180 days from January 9, 2013, subject

## Corporate governance

continued

to certain limited exceptions or the prior written consent of the representatives. In connection with the Share Offering and the offering of the Convertible Notes, ArcelorMittal entered into a share lending agreement with Lumen on January 9, 2013, pursuant to which Lumen agreed to make available for borrowing by ArcelorMittal up to a maximum amount of 48.9 million ordinary shares in exchange for a loan fee of \$0.00046 per lent ordinary share, accruing daily from and including the date on which the loaned ordinary shares are delivered to the borrower to, but excluding, the date of return of the borrowed ordinary shares. Under the Share Lending Agreement, deliveries of the loaned shares by Lumen occur on the dates an equal number of ordinary shares are required to be delivered by ArcelorMittal pursuant to the terms of the Convertible Notes. The share lending agreement provides that ArcelorMittal may terminate all or any portion of any loan made thereunder at any time and that all outstanding loans shall terminate on the date which is three business days after the date on which a general meeting of shareholders of ArcelorMittal has approved a resolution approving sufficient authorized share capital and authorizing the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Under the Share Lending Agreement, Lumen will have no rights (including voting or disposition rights) with respect to any ordinary shares that have been loaned to ArcelorMittal and not yet returned to Lumen. Subject to this condition being met, it is expected that any ordinary shares to be delivered by ArcelorMittal to Lumen upon termination of the loan(s) will be newly issued ordinary shares issued in favor of Lumen (with a cancellation of the shareholders' preferential subscription right).

### **Agreements with Aperam in Connection with Stainless Steel Spin-Off**

In connection with the spin-off of its stainless steel division into a separately focused company, Aperam, which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam. These agreements include a Master Transitional Services Agreement dated January 25, 2011 (the "Transitional Services Agreement"), a purchasing services agreement and a sourcing services agreement, certain commitments regarding cost-sharing in Brazil and certain other ancillary arrangements governing the relationship between Aperam and ArcelorMittal following the spin-off, as well as certain agreements relating to financing.

The Transitional Services Agreement between ArcelorMittal and Aperam expired at year-end 2012. The parties agreed to renew a limited number of services that ArcelorMittal will continue to provide during 2013 relating to certain areas, including environmental and technical support, IT services relating to the Global Wide Area Network contract, press clipping communication, ArcelorMittal University training in human resources, maintenance and customization of back office finance software and registered shareholder management.

In the area of research and development, Aperam entered into an arrangement with ArcelorMittal to establish a framework for future cooperation between the two groups in relation to certain ongoing or new research and development programs. Moreover, Aperam and ArcelorMittal are keeping open the possibility to enter into ad hoc cooperation agreements for future research and development purposes.

The purchasing and sourcing of raw materials generally were not covered by the Transitional Services Agreement. Aperam is responsible for the sourcing of its key raw materials, including nickel, chromium, molybdenum and stainless steel scrap. However, under the terms of the purchasing services agreement and the sourcing services agreement, Aperam relies on ArcelorMittal for advisory services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys, certain base materials), operating materials (rolls, electrodes, refractories) and industrial products and services. The purchasing services agreement also permits Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless and specialty steel production. The purchasing services agreement and the sourcing services agreement were entered into for a term of two years, which expired on January 24, 2013. It is expected that the purchasing services agreement will be extended for an additional year on modified terms. It is expected that the sourcing servicing agreement will also be extended for an additional year, but that its scope will be limited to IT maintenance and support until Aperam switches to its own system.

In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between, inter alia, ArcelorMittal Brasil and Aperam Inox América do Sul S.A. (formerly known as ArcelorMittal Inox Brasil), pursuant to which starting as of April 1, 2011, ArcelorMittal Brasil continued to perform only purchasing, insurance and real estate activities for the benefit of certain of Aperam's Brazilian

subsidiaries, with costs being shared on the basis of cost allocation parameters agreed between the parties. Since the demerger of ArcelorMittal BioEnergia Ltda in July 2011, its payroll functions have also been handled by ArcelorMittal Brasil. The real estate activities of Aperam's Brazilian subsidiaries have not been handled by ArcelorMittal Brasil since January 1, 2013.

Certain services will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume.

### **Financing Agreements**

As of the spin-off, Aperam's principal sources of financing included loans from ArcelorMittal entities at the level of ArcelorMittal Inox Brasil, which holds Aperam's assets in Brazil, and ArcelorMittal Stainless Belgium, which holds Aperam's assets in Belgium. These facilities were refinanced in connection with the spin-off.

On January 19, 2011, ArcelorMittal Finance as lender and ArcelorMittal and Aperam as borrowers entered into a \$900 million credit facility for general corporate purposes and for the refinancing of existing intercompany and other debt (the "Bridge Loan"). The Bridge Loan was entered into for a period of 364 days after January 25, 2011. The Bridge Loan was made available to ArcelorMittal and then automatically transferred by operation of law to Aperam in connection with its spin-off. The Bridge Loan was fully repaid by Aperam with the proceeds of (i) a borrowing base facility agreement dated March 15, 2011 and (ii) an offering of notes by Aperam on March 28, 2011.

## Corporate governance

continued

### Share Lending Agreement

In connection with ArcelorMittal's issuance of 104,477,612 ordinary shares in an offering that closed on January 14, 2013 (the "Share Offering") and \$2,250,000,000 aggregate principal amount of 6.00% Mandatorily Convertible Subordinated Notes due 2016 (the "Convertible Notes") in an offering that closed on January 16, 2013, the Company entered into a share lending agreement with Lumen on January 9, 2013, pursuant to which Lumen agreed to make available for borrowing by ArcelorMittal up to a maximum amount of 48.9 million ordinary shares in exchange for a loan fee of \$0.00046 per lent ordinary share, accruing daily from and including the date on which the loaned ordinary shares are delivered to the borrower to, but excluding, the date of return of the borrowed ordinary shares. Under the Share Lending Agreement, deliveries of the loaned shares by Lumen occur on the dates an equal number of ordinary shares are required to be delivered by ArcelorMittal pursuant to the terms of the Convertible Notes. The share lending agreement provides that ArcelorMittal may terminate all or any portion of any loan made thereunder at any time and that all outstanding loans shall terminate on the date which is three business days after the date on which a general meeting of shareholders of ArcelorMittal has approved a resolution approving sufficient authorized share capital and authorizing the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Under the Share Lending Agreement, Lumen will have no rights (including voting or disposition rights) with respect to any ordinary shares that have been loaned to ArcelorMittal and not yet returned to Lumen. Subject to this condition being met, it is expected that any ordinary shares to be delivered by ArcelorMittal to Lumen upon termination of the

loan(s) will be newly issued ordinary shares issued in favor of Lumen (with a cancellation of the shareholders' preferential subscription right).

### Restricted Share Unit and Performance Share Unit Plans

On May 11, 2011, the annual shareholders' meeting approved a new equity-based incentive plan to replace the Global Stock Option Plan. The plan comprises an RSU Plan and a PSU Plan, as further described above in the section "Compensation - Restricted Share Units and Performance Share Units". The Company made a grant under the RSU Plan in September 2011 and a grant under the PSU Plan in March 2012. The Company intends to make another grant under the RSU Plan and the PSU Plan by the end of the first quarter of 2013. Such grant, which will exclude members of the Group Management Board, will be subject to the Supplemental Terms for the 2012-2013 RSU Plan and PSU Plan. A copy of the Supplemental Terms for the 2012-2013 RSU Plan and PSU Plan is filed as an exhibit to this annual report on Form 20-F.

### Memorandum of Understanding

On June 25, 2006, Mittal Steel, the Significant Shareholder and Arcelor signed a binding Memorandum of Understanding ("MoU") to combine Mittal Steel and Arcelor in order to create the world's leading steel company. In April 2008, the Board of Directors approved resolutions amending certain provisions of the MoU in order to adapt it to the Company's needs in the post-merger and post-integration phase, as described above under "Lead Independent Director".

On the basis of the MoU, Arcelor's Board of Directors recommended Mittal Steel's offer for Arcelor and the parties to the MoU agreed to certain corporate governance and other matters relating to the combined ArcelorMittal group. Certain provisions of the MoU relating to corporate governance

were incorporated into the Articles of Association of ArcelorMittal at the extraordinary general meeting of the shareholders on November 5, 2007.

Certain additional provisions of the MoU expired effective August 1, 2009. ArcelorMittal's corporate governance rules will continue to reflect, subject to those provisions of the MoU that have been incorporated into the Articles of Association, the best standards of corporate governance for comparable companies and to conform with the corporate governance aspects of the NYSE listing standards applicable to non-U.S. companies and Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

The following summarizes the main provisions of the MoU that remain in effect or were in effect in 2012.

#### *Standstill*

The Significant Shareholder agreed not to acquire, directly or indirectly, ownership or control of an amount of shares in the capital stock of the Company exceeding the percentage of shares in the Company that it will own or control following completion of the Offer (as defined in the MoU) for Arcelor and any subsequent offer or compulsory buy-out, except with the prior written consent of a majority of the independent directors on the Company's Board of Directors. Any shares acquired in violation of this restriction will be deprived of voting rights and shall be promptly sold by the Significant Shareholder. Notwithstanding the above, if (and whenever) the Significant Shareholder holds, directly and indirectly, less than 45% of the then-issued Company shares, the Significant Shareholder may purchase (in the open market or otherwise) Company shares up to such 45% limit. In addition, the Significant Shareholder is also permitted to own and vote shares in excess of the threshold

mentioned in the immediately preceding paragraph or the 45% limit mentioned above, if such ownership results from (1) subscription for shares or rights in proportion to its existing shareholding in the Company where other shareholders have not exercised the entirety of their rights or (2) any passive crossing of this threshold resulting from a reduction of the number of Company shares (e.g., through self-tender offers or share buy-backs) if, in respect of (2) only, the decisions to implement such measures were taken at a shareholders' meeting in which the Significant Shareholder did not vote or by the Company's Board of Directors with a majority of independent directors voting in favor.

Once the Significant Shareholder exceeds the threshold mentioned in the first paragraph of this "Standstill" subsection or the 45% limit, as the case may be, as a consequence of any corporate event set forth in (1) or (2) above, it shall not be permitted to increase the percentage of shares it owns or controls in any way except as a result of subsequent occurrences of the corporate events described in (1) or (2) above, or with the prior written consent of a majority of the independent directors on the Company's Board of Directors.

If subsequently the Significant Shareholder sells down below the threshold mentioned in the first paragraph of this "Standstill" subsection or the 45% limit, as the case may be, it shall not be permitted to exceed the threshold mentioned in the first paragraph of this "Standstill" subsection or the 45% limit, as the case may be, other than as a result of any corporate event set out in (1) or (2) above or with the prior written consent of a majority of the independent directors.

## Corporate governance

continued

Finally, the Significant Shareholder is permitted to own and vote shares in excess of the threshold mentioned in the first paragraph of this "Standstill" subsection or the 45% limit mentioned above if it acquires the excess shares in the context of a takeover bid by a third party and (1) a majority of the independent directors of the Company's Board of Directors consents in writing to such acquisition by the Significant Shareholder or (2) the Significant Shareholder acquires such shares in an offer for all of the shares of the Company.

### *Lock-up*

The Significant Shareholder had agreed for a five year period not to transfer (and to cause its affiliates not to transfer) directly or indirectly any of the shares in the Company without the approval of a majority of the independent directors of the Company. This lock-up provision expired on August 1, 2011.

### *Non-compete*

For so long as the Significant Shareholder holds and controls at least 15% of the outstanding shares of the Company or has representatives on the Company's Board of Directors or Group Management Board, the Significant Shareholder and its affiliates will not be permitted to invest in, or carry on, any business competing with the Company, except for PT. ISPAT Indo.

### *Minority shareholders litigation*

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the Significant Shareholder. The plaintiffs alleged in particular that, based on Mittal Steel's and Arcelor's disclosure and public statements, investors had a

legitimate expectation that the exchange ratio in the second-step merger would be the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e., 11 Mittal Steel shares for seven Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, inter alia, the cancellation of certain resolutions (of the Board of Directors and of the Shareholders meeting) in connection with the merger, the grant of additional shares or damages in an amount of €180 million. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. This judgment was appealed in mid-May 2012. The appeal proceedings are pending.

On May 15, 2012, ArcelorMittal received a writ of summons on behalf of Association Actionnaires d'Arcelor (AAA), a French association of former minority shareholders of Arcelor, to appear before the civil court of Paris. On comparable grounds, AAA claims inter alia damages in an amount of €60,049 and reserves the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris are pending.

### *Additional information about ArcelorMittal*

ArcelorMittal produces a range of publications to inform its shareholders. These documents are available in various formats: they can be viewed online, downloaded or obtained on request in paper format. Please refer to [www.arcelormittal.com](http://www.arcelormittal.com), to the Investors menu, under Financial Reports.

### *Corporate responsibility*

ArcelorMittal's corporate responsibility is detailed in a report published that will be published separately during the second quarter of 2013 and will be available on [www.arcelormittal.com](http://www.arcelormittal.com) in the Corporate Responsibility menu.

### *ArcelorMittal as parent company of the ArcelorMittal group*

ArcelorMittal, incorporated under the laws of Luxembourg, is the parent company of the ArcelorMittal group and is expected to continue this role during the coming years. The company has no branch offices and generated a net loss of \$6,503 million in 2012.

### *Group companies listed on the Luxembourg Stock Exchange*

ArcelorMittal's securities are traded on several exchanges, including the Luxembourg Stock Exchange, and its primary stock exchange regulator is the Luxembourg CSSF (Commission de Surveillance du Secteur Financier). ArcelorMittal's CSSF issuer number is E-0001. In addition to ArcelorMittal, the securities of one other ArcelorMittal group company are listed on the Luxembourg Stock Exchange. ArcelorMittal Finance S.C.A. is a société en commandite par actions with registered office address at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, registered with the Registre du Commerce et des Sociétés Luxembourg under number B 13.244. ArcelorMittal Finance is indirectly 100% owned

by ArcelorMittal. ArcelorMittal Finance was, until June 18, 2008, the principal finance vehicle of the ArcelorMittal group and, in this connection, it issued a number of bonds listed on the Luxembourg Stock Exchange. ArcelorMittal Finance's CSSF issuer number is E-0225.

### *Other listings*

ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

### *Indexes*

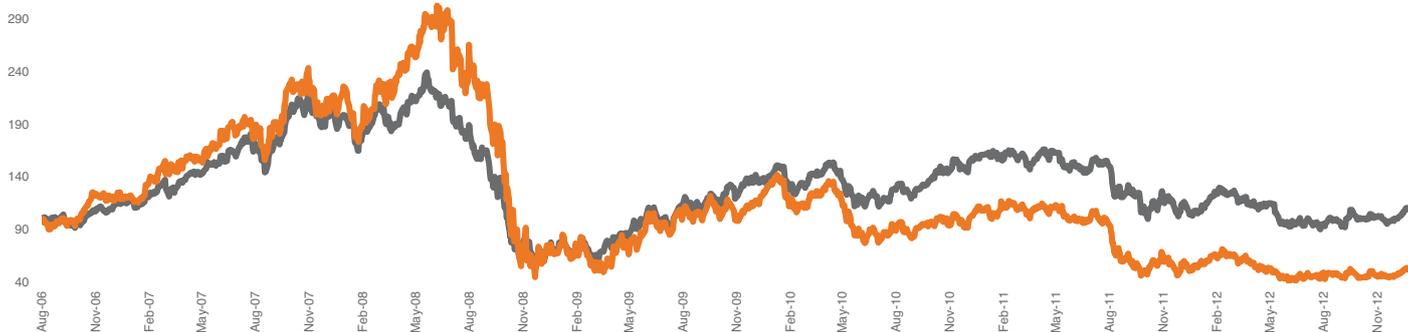
ArcelorMittal is a member of more than 120 indices including the following leading indices: DJ STOXX 50, DJ EURO STOXX 50, CAC40, AEX, FTSE Eurotop 100, MSCI Pan-Euro, DJ Stoxx 600, S&P Europe 500, Bloomberg World Index, IBEX 35 index and NYSE Composite Index. Recognized for its commitment to sustainable development, ArcelorMittal is also a member of the FTSE4Good Index and Dow Jones Sustainability Index.

### *Share price performance*

The price of ArcelorMittal shares declined by 4% in 2012, underperforming the Global Metals, Mining & Steel sector which increased by 3%. However, our shares outperformed the Global Steel sector peer group which declined by 7% in 2012. After a positive start to the year, our share price declined from February through May as global markets reacted to the slowdown in China and its impact on raw materials prices and steel prices. Our share price and that of our peer group recovered in the fourth quarter as the rising iron ore price signalled that activity levels in China were increasing.

## Additional information

ArcelorMittal share price per unit



### Dividend

In consideration of the challenging global economic conditions impacting the Company's business and its priority to deleverage, the Board of Directors will submit to the approval of the shareholders at the annual general meeting of shareholders to be held on 8 May 2013 a proposal to reduce the annual dividend payment to \$0.20 per share in 2013, as compared to \$0.75 per share in 2012. The dividend payment calendar is available below and on [www.arcelormittal.com](http://www.arcelormittal.com). The Board of Directors will propose to the general shareholders' meeting on 8 May 2013 that the \$0.20 dividend be paid out in a single payment on July 15, 2013.

### Investor relations

By implementing high standards of financial information disclosure and aiming to provide clear, regular, transparent and balanced information to all its shareholders, ArcelorMittal aims to be the first choice for investors in the sector. To meet this objective, ArcelorMittal implements an active and broad investor communications policy: conference calls, road shows with the financial community, regular participation at investor conferences, plant visits and meetings with individual investors.

### Individual investors

ArcelorMittal's senior management plans to meet individual investors and shareholder associations in road shows throughout 2013. A dedicated toll free number for individual investors is available at +352 4792 3198. Requests for information or meetings on the virtual meeting and conference center may also be sent to: [privateinvestors@arcelormittal.com](mailto:privateinvestors@arcelormittal.com)

### Analysts and institutional investors

As the world's leading steel and mining company, ArcelorMittal constantly seeks to develop relationships with financial analysts and international investors. Depending on their geographical location, investors may use the following emails: [institutionalsamericas@arcelormittal.com](mailto:institutionalsamericas@arcelormittal.com) [investor.relations@arcelormittal.com](mailto:investor.relations@arcelormittal.com)

### Socially responsible investors

The investor relations team is also a source of information for the growing socially responsible investment community. The team organizes special events on ArcelorMittal's corporate responsibility strategy and answers all requests for information sent to ArcelorMittal at: [SRI@arcelormittal.com](mailto:SRI@arcelormittal.com)

### Credit and fixed income investors

Credit, fixed income investors and rating agency are followed by a dedicated team from investor relations reachable at: [creditfixedincome@arcelormittal.com](mailto:creditfixedincome@arcelormittal.com)

### Financial calendar

#### Financial results\*

Date	Results for
February 6, 2013	Results for 4th quarter 2012 and 12 months 2012
May 10, 2013	Results for 1st quarter 2013
August 1, 2013	Results for 2nd quarter 2013 and 6 months 2013
October 31, 2013	Results for 3rd quarter 2013 and 9 months 2013

\* Earnings results are issued before the opening of the stock exchanges on which ArcelorMittal is listed.

#### Dividend payment (subject to shareholder approval)

Date	Payment
July 15, 2013	Annual payment

#### Investor events

Date	Event
March 15, 2013	Investor day with Group Management Board members
May 8, 2013	Annual shareholder meeting in Luxembourg

Chief executive officer and  
chief financial officer's  
responsibility statement

We confirm, to the best of our knowledge, that:

- 1. the consolidated financial statements of ArcelorMittal presented in this Annual Report and prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss of ArcelorMittal and the undertakings included within the consolidation taken as a whole; and
- 2. the management report includes a fair review of the development and performance of the business and position of ArcelorMittal and undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board of Directors

*Chief executive officer*

Lakshmi N. Mittal

February 27, 2013

*Lakshmi N. Mittal*

*Chief financial officer*

Aditya Mittal

February 27, 2013

*Aditya Mittal*

## Consolidated statements of financial position

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	December 31, 2011	December 31, 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	3,821	4,398
Restricted cash	84	138
Trade accounts receivable and other, including 457 and 385 from related parties at December 31, 2011 and 2012, respectively (notes 6 and 15)	6,452	5,085
Inventories (note 7)	21,689	19,025
Prepaid expenses and other current assets (note 8)	3,559	3,148
<b>Total current assets</b>	<b>35,605</b>	<b>31,794</b>
<b>Non-current assets:</b>		
Goodwill and intangible assets (note 9)	14,053	9,581
Biological assets (note 10)	193	174
Property, plant and equipment (note 11)	54,058	53,660
Investments in associates and joint ventures (note 12)	9,041	7,286
Other investments (note 13)	226	1,020
Deferred tax assets (note 20)	6,081	8,130
Other assets (note 14 and 15)	2,623	2,928
<b>Total non-current assets</b>	<b>86,275</b>	<b>82,779</b>
<b>Total assets</b>	<b>121,880</b>	<b>114,573</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt (note 16)	2,784	4,339
Trade accounts payable and other, including 257 and 195 to related parties at December 31, 2011 and 2012, respectively (note 15)	12,836	11,418
Short-term provisions (note 21)	1,213	1,192
Accrued expenses and other liabilities (note 22)	6,624	6,709
Income tax liabilities	367	160
<b>Total current liabilities</b>	<b>23,824</b>	<b>23,818</b>
<b>Non-current liabilities:</b>		
Long-term debt, net of current portion (note 16)	23,634	21,965
Deferred tax liabilities (note 20)	3,680	3,228
Deferred employee benefits (note 24)	7,160	7,223
Long-term provisions (note 21)	1,601	1,862
Other long-term obligations	1,504	1,280
<b>Total non-current liabilities</b>	<b>37,579</b>	<b>35,558</b>
<b>Total liabilities</b>	<b>61,403</b>	<b>59,376</b>
Commitments and contingencies (note 23 and note 25)		
<b>Equity (note 18):</b>		
Common shares (no par value, 1,617,000,000 and 1,773,091,461 shares authorized, 1,560,914,610 and 1,560,914,610 shares issued, and 1,548,951,866 and 1,549,107,148 shares outstanding at December 31, 2011 and 2012, respectively)	9,403	9,403
Treasury shares (11,962,744 and 11,807,462 common shares at December 31, 2011 and 2012, respectively, at cost)	(419)	(414)
Additional paid-in capital	19,056	19,082
Subordinated perpetual capital securities	-	650
Retained earnings	30,531	25,633
Reserves	(1,881)	(2,631)
Equity attributable to the equity holders of the parent	56,690	51,723
Non-controlling interests	3,787	3,474
<b>Total equity</b>	<b>60,477</b>	<b>55,197</b>
<b>Total liabilities and equity</b>	<b>121,880</b>	<b>114,573</b>

## Consolidated statements of operations

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year ended December 31, 2011	Year ended December 31, 2012
Sales (including 5,875 and 5,181 of sales to related parties for 2011 and 2012, respectively)	93,973	84,213
Cost of sales (including depreciation and impairment of 5,000 and 9,719 and 2,897 and 1,806 of purchases from related parties for 2011 and 2012, respectively)	85,519	84,117
Gross margin	8,454	96
Selling, general and administrative expenses	3,556	3,322
Operating income (loss)	4,898	(3,226)
Income from investments associates and joint ventures	620	194
Financing costs - net (note 19)	(2,838)	(2,737)
Income (loss) before taxes	2,680	(5,769)
Income tax expense (benefit) (note 20)	882	(1,925)
Net income (loss) from continuing operations (including non-controlling interests)	1,798	(3,844)
Discontinued operations, net of tax (note 5)	461	-
<b>Net income (loss) (including non-controlling interests)</b>	<b>2,259</b>	<b>(3,844)</b>
Net income attributable to equity holders of the parent:		
Net income (loss) from continuing operations	1,802	(3,726)
Net income (loss) from discontinued operations	461	-
Net income (loss) attributable to equity holders of the parent	2,263	(3,726)
Net income (loss) from continuing operations attributable to non-controlling interests	(4)	(118)
<b>Net income (loss) (including non-controlling interests)</b>	<b>2,259</b>	<b>(3,844)</b>
	Year ended December 31, 2011	Year ended December 31, 2012
<b>Earnings (loss) per common share (in US dollars)</b>		
Basic	1.46	(2.41)
Diluted	1.19	(2.41)
Earnings (loss) per common share - continuing operations (in US dollars)		
Basic	1.16	(2.41)
Diluted	0.9	(2.41)
Earnings (loss) per common share - discontinued operations (in US dollars)		
Basic	0.3	-
Diluted	0.29	-
Weighted average common shares outstanding (in millions) (note 18)		
Basic	1,549	1,549
Diluted	1,611	1,550

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Net income (including non-controlling interests)</b>	<b>2,259</b>	<b>(3,844)</b>
Available-for-sale investments:		
Gain (loss) arising during the period	(39)	(95)
Reclassification adjustments for (gain) loss included in the consolidated statements of operations	65	-
	26	(95)
Derivative financial instruments:		
Gain (loss) arising during the period	82	4
Reclassification adjustments for (gain) included in the consolidated statements of operations	(249)	(717)
	(167)	(713)
Exchange differences arising on translation of foreign operations:		
Gain (loss) arising during the period	(2,149)	78
Reclassification adjustments for (gain) loss included in the consolidated statements of operations	(475)	392
	(2,624)	470
Share of other comprehensive income (loss) related to associates and joint ventures	(598)	(579)
Income tax benefit related to components of other comprehensive income	68	134
<b>Total other comprehensive income (loss)</b>	<b>(3,295)</b>	<b>(783)</b>
Total other comprehensive income (loss) attributable to:		
Equity holders of the parent	(2,943)	(750)
Non-controlling interests	(352)	(33)
	(3,295)	(783)
<b>Total comprehensive income (loss)</b>	<b>(1,036)</b>	<b>(4,627)</b>
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	(680)	(4,476)
Non-controlling interests	(356)	(151)
<b>Total comprehensive income (loss)</b>	<b>(1,036)</b>	<b>(4,627)</b>

## Consolidated statements of changes in equity

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Shares <sup>1,2</sup>	Share capital	Treasury shares	Subordinated perpetual capital securities	Additional paid-in capital	Retained earnings	Reserves		Equity attributable to the equity holders of the parent	Non-controlling interests	Total equity	
							Foreign currency translation adjustments	Unrealized gains (losses) on derivative financial instruments				
Balance at December 31, 2010	1,549	9,950	(427)	-	20,198	31,647	(84)	368	778	62,430	3,670	66,100
Net income (including non-controlling interests)	-	-	-	-	-	2,263	-	-	-	2,263	(4)	2,259
Other comprehensive income (loss)	-	-	-	-	-	-	(2,796)	(133)	(14)	(2,943)	(352)	(3,295)
Total comprehensive income (loss)	-	-	-	-	-	2,263	(2,796)	(133)	(14)	(680)	(356)	(1,036)
Spin-off of stainless steel assets (note 5)	-	(547)	-	-	(1,227)	(2,190)	-	-	-	(3,964)	-	(3,964)
Recognition of share based payments	-	-	8	-	85	-	-	-	-	93	-	93
Dividend	-	-	-	-	-	(1,161)	-	-	-	(1,161)	(31)	(1,192)
Acquisition of non-controlling interests (note 4)	-	-	-	-	-	(29)	-	-	-	(29)	165	136
Issuance of bonds mandatorily convertible into shares of subsidiaries	-	-	-	-	-	-	-	-	-	-	250	250
Other movements	-	-	-	-	-	1	-	-	-	1	89	90
Balance at December 31, 2011	1,549	9,403	(419)	-	19,056	30,531	(2,880)	235	764	56,690	3,787	60,477
Net income (including non-controlling interests)	-	-	-	-	-	(3,726)	-	-	-	(3,726)	(118)	(3,844)
Other comprehensive income (loss)	-	-	-	-	-	-	636	(449)	(937)	(750)	(33)	(783)
Total comprehensive income (loss)	-	-	-	-	-	(3,726)	636	(449)	(937)	(4,476)	(151)	(4,627)
Issuance of subordinated perpetual capital securities	-	-	-	650	-	(8)	-	-	-	642	-	642
Recognition of share based payments	-	-	5	-	26	-	-	-	-	31	-	31
Dividend	-	-	-	-	-	(1,161)	-	-	-	(1,161)	(20)	(1,181)
Acquisition of non-controlling interests (note 4)	-	-	-	-	-	1	-	-	-	1	(33)	(32)
Disposal of non-controlling interests (note 3)	-	-	-	-	-	-	-	-	-	-	(140)	(140)
Other movements	-	-	-	-	-	(4)	-	-	-	(4)	31	27
Balance at December 31, 2012	1,549	9,403	(414)	650	19,082	25,633	(2,244)	(214)	(173)	51,723	3,474	55,197

<sup>1</sup> Excludes treasury shares<sup>2</sup> In millions of shares

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Operating activities:</b>		
Net income (loss) (including non-controlling interests)	2,259	(3,844)
Discontinued operations	(461)	-
Net income (loss) from continuing operations (including non-controlling interests)	1,798	(3,844)
<b>Adjustments to reconcile net income to net cash provided by operations:</b>		
Depreciation	4,669	4,684
Impairment	331	5,035
Net interest	1,822	1,874
Income tax expense (benefit)	882	(1,925)
Write-downs (recoveries) of inventories to net realizable value and expense related to onerous supply contracts	226	(135)
Labor agreements and separation plans	239	306
Litigation provisions (reversal)	(78)	86
Recycling of deferred gain on raw material hedges	(600)	(566)
Net gain on disposal of subsidiaries	-	(573)
Income from investments in associates and joint ventures	(640)	(201)
Provision on pensions and OPEB	909	829
Change in fair value adjustment on conversion options on the euro convertible bond, call options on ArcelorMittal shares and mandatory convertible bonds	(42)	99
Unrealized foreign exchange effects, other provisions and non-cash operating expenses net	371	40
<b>Changes in working capital excluding the effects from acquisitions:</b>		
Trade accounts receivable	(694)	1,153
Inventories	(3,057)	2,779
Trade accounts payable	(74)	(1,103)
Interest paid and received	(1,659)	(1,694)
Taxes paid	(1,237)	(555)
Dividends received	353	209
Cash contributions to plan assets and benefits paid for pensions and OPEB	(879)	(1,157)
Cash received/(paid) from settlement of hedges not recognized in the consolidated statements of operations	175	(11)
VAT and other amount received (paid) from/to public authorities	(302)	241
Other working capital and provisions movements	(546)	(277)
<b>Net cash flows (used in) provided by operating activities from discontinued operations</b>	<b>(190)</b>	<b>-</b>
<b>Net cash provided by operating activities</b>	<b>1,777</b>	<b>5,294</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment and intangibles (includes cash outflows in connection with exploration/evaluation activities of 13 and 19 respectively, in 2011 and 2012)	(4,838)	(4,683)
(Acquisition)/Disposal of net assets of subsidiaries and non-controlling interests, net of cash acquired/(disposed of) 67 and (477) in 2011 and 2012, respectively	(860)	544
Investments in associates and joint ventures accounted for under equity method	(95)	(43)
Disposals of financial assets	2,160	463
Other investing activities net	(840)	59
Cash receipt from loan to discontinued operations	900	-
<b>Net cash flows used in investing activities from discontinued operations</b>	<b>(105)</b>	<b>-</b>
<b>Net cash used in investing activities</b>	<b>(3,678)</b>	<b>(3,660)</b>
<b>Financing activities:</b>		
Proceeds from mandatory convertible bonds	250	-
Proceeds from subordinated perpetual capital securities	-	642
Acquisition of non-controlling interests	(108)	(62)
Proceeds from short-term debt	1,562	1,675
Proceeds from long-term debt, net of debt issuance costs	7,169	4,086
Payments of short-term debt	(6,728)	(3,670)
Payments of long-term debt	(1,466)	(2,427)
Sale of treasury shares for stock option exercises	5	-
Dividends paid (includes 32 and 20 of dividends paid to non-controlling shareholders in 2011 and 2012 respectively)	(1,194)	(1,191)
Other financing activities net	(22)	(97)
<b>Net cash flows used in financing activities from discontinued operations</b>	<b>(8)</b>	<b>-</b>
<b>Net cash used in financing activities</b>	<b>(540)</b>	<b>(1,044)</b>
Effect of exchange rate changes on cash	(68)	(13)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,509)</b>	<b>577</b>
<b>Cash and cash equivalents:</b>		
At the beginning of the year	6,207	3,821
<b>Cash held for discontinued operations</b>	<b>123</b>	<b>-</b>
At the end of the year	3,821	4,398

## Notes to the consolidated financial statements

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 1: Nature of business, basis of presentation and consolidation

**Nature of business**

ArcelorMittal ("ArcelorMittal" or the "Company"), together with its subsidiaries, owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. Collectively, these subsidiaries and facilities are referred to in these consolidated financial statements as the "Operating Subsidiaries". These consolidated financial statements were authorized for issuance on February 25, 2013 by the Company's Board of Directors.

The principal subsidiaries of the Company in 2012 were as follows:

Name of Subsidiary	Abbreviation	Country
<b>Flat Carbon Americas</b>		
ArcelorMittal Dofasco Inc.	ArcelorMittal Dofasco	Canada
ArcelorMittal Lázaro Cárdenas S.A. de C.V.	ArcelorMittal Lázaro Cárdenas	Mexico
ArcelorMittal USA LLC	ArcelorMittal USA	USA
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
<b>Flat Carbon Europe</b>		
ArcelorMittal Atlantique et Lorraine S.A.S.	ArcelorMittal Atlantique et Lorraine	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
ArcelorMittal Galati S.A.	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
Industeel Belgium S.A.	Industeel Belgium	Belgium
Industeel France S.A.	Industeel France	France
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Méditerranée S.A.S.	ArcelorMittal Méditerranée	France
<b>Long Carbon Americas and Europe</b>		
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Las Truchas, S.A. de C.V.	ArcelorMittal Las Truchas	Mexico
ArcelorMittal Montreal Inc.	ArcelorMittal Montreal	Canada
ArcelorMittal Gipuzkoa S.L.	ArcelorMittal Gipuzkoa	Spain
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Point Lisas Ltd.	ArcelorMittal Point Lisas	Trinidad and Tobago
Société Nationale de Sidérurgie S.A.	Sonasid	Morocco
ArcelorMittal Duisburg GmbH	ArcelorMittal Duisburg	Germany
ArcelorMittal Warszawa S.p.z.o.o.	ArcelorMittal Warszawa	Poland
<b>AACIS</b>		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
OJSC ArcelorMittal Kryviy Rih	ArcelorMittal Kryviy Rih	Ukraine
<b>Mining</b>		
ArcelorMittal Mines Canada Inc.	ArcelorMittal Mines Canada	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
OJSC ArcelorMittal Kryviy Rih	ArcelorMittal Kryviy Rih	Ukraine
<b>Distribution Solutions</b>		
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Basis of presentation**

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets, derivative financial instruments, biological assets and certain non-current assets and liabilities held for distribution, which are measured at fair value less cost to sell or to distribute and inventories, which are measured at the lower of net realizable value or cost. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by European Union, and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

Following the approval by the board of directors of ArcelorMittal held on December 7, 2010, to spin off the stainless steel business into a separate company known as Aperam, the results of the stainless steel operations are presented as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Consequently, all amounts related to discontinued operations within each line item of the consolidated statements of operations as well as all amounts related to discontinued operations within each line item of the consolidated statements of cash flows are reclassified into discontinued operations within their respective statements. Earnings per share is presented for continuing and discontinued operations and for total net results.

Additional information detailing assets and liabilities held for distribution and discontinued operations are provided in note 5.

**Adoption of new IFRS standards, amendments and interpretations applicable in 2012**

Amendments to IFRS 7, "Financial Instruments: Disclosures" were adopted by the Company on January 1, 2012. The amendments increase the disclosure requirements for transactions involving transfer of financial assets and did not have a material impact on the consolidated financial statements of the Company.

**New IFRS standards and interpretations applicable from 2013 onward**

Unless otherwise indicated below, the Company is still in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption of these new standards, interpretations, or amendments. The Company does not plan to early adopt any of these new standards, interpretations, or amendments.

## • IFRS 9, "Financial Instruments"

In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 (as revised in 2010) introduces new requirements for classifying and measuring financial instruments, including:

- The replacement of the multiple classification and measurement models in IAS 39, 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 equity instruments and derivatives on unquoted equity instruments

with guidance on when cost may be an appropriate estimate of fair value.

The effective date of this standard has been postponed from annual periods beginning on or after January 1, 2013 to annual periods beginning on or after 2015, with early adoption permitted.

On May 13, 2011 the IASB issued IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement" and amended IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", all effective for annual periods beginning on or after January 1, 2013. The adoption of these new standards and amendments is not expected to have a material impact on the financial statements of the Company.

• IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 "Consolidated and Separate Financial Statements".

• IFRS 11 provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. It replaces IAS 31 "Interests in Joint Ventures".

• IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates

and unconsolidated structured entities.

• IFRS 13 defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements.

• Amendments to IAS 27 were made in connection with the previous new issued standards and reduced the scope of IAS 27 which now only deals with the requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10. These amendments require that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

• The new IAS 28 amended standard supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. These amendments define 'significant influence' and provide guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

On June 16, 2011 the IASB issued amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after July 1, 2012 and to IAS 19 "Employee Benefits", effective for annual periods beginning on or after January 1, 2013.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

- Amendments to IAS 1 changes the disclosures of items presented in other comprehensive income in the statements of comprehensive income. The adoption of these new amendments will not have any material impact on the financial statements of the Company.
  - Amendment to IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The adoption of the amendments to IAS 19 will significantly impact the statements of financial position and the statements of operations as described in note 24.
  - IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"
- On October 19, 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. The Interpretation requires stripping activity costs which provide improved access to ore to be capitalized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. This standard is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRIC 20 is not expected to have a material impact on the financial statements of the Company.
- On December 16, 2011 the IASB published amendments to IAS 32 "Financial Instruments: Presentation" to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS 7 "Financial Instruments: Disclosures" including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively. The adoption of the amendments to IFRS 7 will not have any material impact on the financial statements of the Company.
- On May 17, 2012, the IASB published Annual Improvements 2009-2011 as part of its annual improvements process to make non-urgent amendments to the following standards:
- IAS 1 "Presentation of Financial Statements", provides clarification of the requirements for comparative information
  - IAS 16 "Property, Plant & Equipment", provides additional guidance on the classification of servicing equipment
  - IAS 32 "Financial Instruments: Presentation", clarifies the accounting for the tax effect of a distribution to holders of equity instruments in accordance with IAS 12 "Income Taxes"
  - IAS 34 "Interim Financial Reporting", clarifies interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 "Operating Segments"
  - IFRS 1 "First-time adoption of International Financial Reporting Standards"
- These amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of these new amendments will not have any material impact on the financial statements of the Company.
- On June 28, 2012 the IASB published amendments to IFRS 10, IFRS 11 and IFRS 12. The amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The effective date of the amendments is annual periods beginning on or after January 1, 2013, which is aligned with the effective date of IFRS 10, 11 and 12. The adoption of these new standards and amendments will not have any material impact on the financial statements of the Company.
- On October 31, 2012 the IASB published amendments to IFRS 10, IFRS 12 and IAS 27. The amendments apply to a particular class of business that qualifies as investment entities. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.
- Under IFRS 10 Consolidated Financial Statements, reporting entities are required to consolidate all investees that they control (i.e. all subsidiaries). The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss. The amendments also set out disclosure requirements for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.
- Basis of consolidation**  
The consolidated financial statements include the accounts of the Company, its subsidiaries and its interests in associated companies and jointly controlled entities. Subsidiaries are consolidated from the date the Company obtains control (ordinarily the date of acquisition) until the date control ceases. 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. Generally, control is presumed to exist when the Company holds more than half of the voting rights of an entity.
- Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions, which it does not control. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. Jointly controlled entities are those over whose activities the Company has joint control, typically under a contractual agreement. The consolidated financial statements include the Company's share of the profit or loss of associates and jointly controlled entities using the equity method of accounting from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment losses. 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

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

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.

While there are certain limitations on the Company's operating and financial flexibility arising from the restrictive and financial covenants of the Company's principal credit facilities described in note 16, there are no significant restrictions resulting from borrowing agreements or regulatory requirements on the ability of consolidated subsidiaries, associates and jointly controlled entities to transfer funds to the parent in the form of cash dividends to pay commitments as they come due.

Inter-company balances and transactions, including income, expenses and dividends, are eliminated in the consolidated financial statements. Gains and losses resulting from inter-company transactions are also eliminated.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of operations, in the consolidated statements of other comprehensive income and within equity in the consolidated statements of financial position.

## Note 2: Summary of significant accounting policies

### Significant accounting policies

#### Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date on which control is transferred to ArcelorMittal. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The Company measures goodwill at the acquisition date as the total of the fair value of consideration transferred, plus the proportionate amount of any non-controlling interest, plus the fair value of any previously held equity interest in the acquiree, if any, less the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

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 and liabilities assumed. If, after reassessment, ArcelorMittal'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 (bargain purchase) is recognized immediately as a reduction of cost of sales in the consolidated statements of operations.

Any contingent consideration payable is recognized at fair value at the acquisition date and any costs directly attributable to the business combination are expensed as incurred.

#### Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests, which do not result in a change of control, are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

#### Translation of financial statements denominated in foreign currency

The functional currency of ArcelorMittal S.A. is the U.S. dollar. The functional currency of each of the major Operating Subsidiaries is the local currency, except for ArcelorMittal Kryviy Rih, ArcelorMittal Lázaro Cárdenas, ArcelorMittal Brasil, ArcelorMittal Montreal, ArcelorMittal Mines Canada, ArcelorMittal Dofasco, ArcelorMittal Point Lisas, ArcelorMittal Temirtau and ArcelorMittal International Luxembourg, whose functional currency is the U.S. dollar and ArcelorMittal Ostrava, ArcelorMittal Poland and ArcelorMittal Galati, whose functional currency is the euro.

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 remeasured at the rates of exchange prevailing on the date of the consolidated statements of financial position and the related transaction gains and losses are reported within financing costs in

the consolidated statements 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 statements of comprehensive income.

Upon consolidation, the results of operations of ArcelorMittal's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into U.S. dollars 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 included in net income (including non-controlling interests) only upon sale or liquidation of the underlying foreign subsidiary or associate.

#### 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, escrow accounts created as a result of acquisitions, and various other deposits or required balance obligations related to letters of credit and credit arrangements. Changes in restricted cash are included within other investing activities (net) in the consolidated statements of cash flows.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Trade accounts receivable**

Trade accounts receivable are initially recorded at their fair value and do not carry any interest. ArcelorMittal maintains an allowance for doubtful accounts at an amount that it considers to be a reasonable estimate of losses resulting from the inability of its customers to make required payments. In judging the adequacy of the allowance for doubtful accounts, ArcelorMittal 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 recognized as gains in selling, general and administrative expenses.

ArcelorMittal's policy is to record an allowance and a charge in selling, general and administrative expense when a specific account is deemed uncollectible and to provide for each receivable overdue by more than 180 days because historical experience is such that such receivables are generally not recoverable, unless it can be clearly demonstrated that the receivable is still collectible. Estimated unrecoverable amounts of trade receivables between 60 days and 180 days overdue are provided for based on past default experience.

**Trade accounts payable**

Trade accounts payable are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade accounts payable have maturities from 15 to 180 days depending on the type of material, the geographic area in which the purchase transaction occurs and the various contractual agreements. The carrying value of trade accounts payable approximates fair value.

**Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the 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. In accordance with IAS 2 "Inventories", interest charges, if any on purchases have been recorded as financing 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 capitalized as inventories based on normal capacity with the remaining costs incurred recorded as a component of cost of sales in the consolidated statements of operations.

**Goodwill**

Goodwill arising on an acquisition is recognized as previously described within the business combinations section.

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 it is at the operating segment level, which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually as of October 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. Until the year end December 31, 2011, the Company performed its annual impairment test of goodwill using November

30 as the measurement date.

Effective October 2012, the Company changed its impairment test date to October 31 in order to better align with the internal strategic, financial planning and approval process. The Company believes that this change in dates is preferable under the circumstances and does not result in the delay, acceleration or avoidance of an impairment charge.

Whenever property plant and equipment is tested for impairment at the same time as goodwill, the property, plant and equipment is tested first and any impairment of the assets recorded prior to the testing of goodwill. The recoverable amounts of the groups of cash-generating units are determined as the higher of (1) fair value less cost to sell or (2) value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices, shipments 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, shipments 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 for steel operations and over the life of the mines for mining operations. 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.

**Intangible assets**

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 ArcelorMittal 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 and operating authorizations granted by the State or other public bodies (concessions). Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, which typically do not exceed five years. Amortization is included in the consolidated statements of operations as part of depreciation.

**Biological assets**

Biological assets are part of Long Carbon Americas operating segment and consist of eucalyptus forests exclusively from renewable plantations and intended for the production of charcoal to be utilized as fuel and a source of carbon in the direct reduction process of pig iron production. As a result of improvements in forest management techniques, including the genetic improvement of trees, the cycle of harvesting through replanting occurs over approximately six to seven years.

Biological assets are measured at their fair value, net of estimated costs to sell at the time of harvest.

The fair value is determined based on the discounted cash flow method, taking into consideration the cubic volume of wood, segregated by plantation year, and the equivalent sales value of standing trees. The average sales price was estimated based on domestic market prices.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Stripping and overburden removal costs**

In open pit and underground mining operations, it is necessary to remove overburden and other waste materials to access the deposit from which minerals can be extracted. This process is referred to as stripping. Stripping costs can be incurred before the mining production commences ("developmental stripping") or during the production stage ("production stripping").

A mine can operate several open pits that are regarded as separate operations for the purpose of mine planning and production. In this case, stripping costs are accounted for separately, by reference to the ore extracted from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning and production, stripping costs are aggregated too.

The determination of whether multiple pit mines are considered separate or integrated operations depends on each mine's specific circumstances. The following factors would point towards the stripping costs for the individual pits being accounted for separately:

- If mining of the second and subsequent pits is conducted consecutively with that of the first pit, rather than concurrently.
- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset.
- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden and ore mining, rather than as an integrated unit.
- If expenditures for additional infrastructure to support the second and subsequent pits are relatively large.
- If the pits extract ore from separate and distinct ore bodies,

rather than from a single ore body.

The relative importance of each factor is considered by local management to determine whether, on balance, the stripping costs should be attributed to the individual pit or to the combined output from the several pits.

Developmental stripping costs contribute to the future economic benefits of mining operations when the production begins and so are capitalized as tangible assets (construction in progress), whereas production stripping is a part of on-going activities and are expensed within the consolidated statements of operations as part of cost of sales.

Capitalization of developmental stripping costs ends when the commercial production of the minerals commences. At this point, all stripping costs assets are presented within a specific "mining assets" class of property, plant and equipment and then depreciated on a units-of-production basis.

Production stripping commences when the production stage of mining operations begins and continues throughout the life of a mine.

**Exploration and evaluation expenditure**

Exploration and evaluation activities involve the search for iron ore and coal resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analyzing historical exploration data;
- conducting topographical, geological, geochemical and geophysical studies;
- carrying out exploratory drilling, trenching and sampling activities;

- drilling, trenching and sampling activities to determine the quantity and grade of the deposit;
- examining and testing extraction methods and metallurgical or treatment processes; and,
- detailed economic feasibility evaluations to determine whether development of the reserves is commercially justified and to plan methods for mine development.

Exploration and evaluation expenditure is charged to the consolidated statements of operations as incurred except in the following circumstances, in which case the expenditure is capitalized: (i) the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition; or (ii) when management has a high degree of confidence in the project's economic viability and it is probable that future economic benefits will flow to the Company.

Capitalized exploration and evaluation expenditures are generally recorded as a component of property, plant and equipment at cost less impairment charges, unless their nature requires them to be recorded as an intangible asset. As the asset is not available for use, it is not depreciated and all capitalized exploration and evaluation expenditure is monitored for indications of impairment. To the extent that capitalized expenditure is not expected to be recovered it is recognized as an expense in the consolidated statements of operations.

Cash flows associated with exploration and evaluation expenditure are classified as operating activities when they are related to expenses or as an investing activity when they are related to a capitalized asset in the consolidated statements of cash flows.

**Development expenditure**

Development is the establishment of access to the mineral reserve and other preparations for commercial production. Development activities often continue during production and include:

- sinking shafts and underground drifts (often called mine development);
- making permanent excavations;
- developing passageways and rooms or galleries;
- building roads and tunnels; and
- advance removal of overburden and waste rock.

Development (or construction) also includes the installation of infrastructure (e.g., roads, utilities and housing), machinery, equipment and facilities.

When proven reserves are determined and development is approved, expenditures capitalized as exploration and evaluation are reclassified as construction in progress and are reported as a component of property, plant and equipment. All subsequent development expenditures are capitalized and classified as construction in progress. On completion of development, all assets included in construction in progress are individually reclassified to the appropriate category of property, plant and equipment and depreciated accordingly.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all related costs directly attributable to the acquisition or construction of the asset. Except for the land, the property, plant and equipment are depreciated using the straight-line method over the useful lives of the related assets as presented in the table below.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Asset category	Useful life range
Land	Not depreciated
Buildings	10 to 50 years
Property 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.

Mining assets comprise:

- Mineral rights acquired;
- Capitalized developmental stripping (as described above in "Stripping and overburden removal costs")

Property, plant and equipment used in mining activities is depreciated over its useful life or over the remaining life of the mine, if shorter, and if there is no alternative use possible. For the majority of assets used in mining activities, the economic benefits from the asset are consumed in a pattern which is linked to the production level and accordingly, assets used in mining activities are primarily depreciated on a units-of-production basis. A unit-of-production is based on the available estimate of proven and probable reserves.

Capitalization of pre-production expenditures cease when the mining property is capable of commercial production as it is intended by management. General administration costs that are not directly attributable to a specific exploration area are charged to the consolidated statements of operations.

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 class of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized if the borrowing cost is directly attributable to the construction. Gains and losses on retirement or disposal of assets are recognized in the cost of sales.

Property, plant and equipment acquired by way of finance leases is 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 consolidated statements 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.

#### Asset retirement obligations

ArcelorMittal records asset retirement obligations ("ARO") initially at the fair value of the legal or constructive obligation in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related non-current asset. The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value through net financing cost and the capitalized cost is depreciated in

accordance with the Company's depreciation policies for property, plant and equipment. Subsequent ARO, when reliably measurable, is recorded on the statements of financial position increasing the cost of the asset and the fair value of the related obligation.

#### Lease arrangements

The Company may enter into arrangements that do not take the legal form of a lease, but may contain a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset and
- The arrangement conveys a right to use the asset.

Assets under lease arrangements which transfer substantially all of the risks and rewards of ownership to the Company are classified as finance leases. On initial recognition, the leased asset and its related liability are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset while the minimum lease payments are apportioned between financing costs and reduction of the lease liability.

Assets held under lease arrangements that are not finance leases are classified as operating leases and are not recognized in the statements of financial position. Payments made under operating leases are recognized in cost of sales in the statements of operations on a straight-line basis over the lease terms.

#### Investment in associates, joint ventures and other entities

Investments in associates and joint ventures, in which ArcelorMittal 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 ArcelorMittal's equity in undistributed earnings or losses since acquisition, less dividends received and any impairment incurred.

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 or joint venture 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.

ArcelorMittal reviews all of its investments in associates and joint ventures 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, ArcelorMittal 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 income from investments in associates and joint ventures in the consolidated statements 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 recognized in the statements of other comprehensive income. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Assets held for sale and distribution**

Non-current assets and disposal groups that are classified as held for sale and distribution are measured at the lower of carrying amount and fair value less costs to sell or to distribute. Assets and disposal groups are classified as held for sale and for distribution if their carrying amount will be recovered through a sale or a distribution 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 or distribution 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 and distribution are presented separately on the consolidated statements of financial position and are not depreciated.

**Deferred employee benefits**

Defined contribution plans are those plans where ArcelorMittal pays fixed or determinable contributions to external life insurance or other funds for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. Contributions are expensed as incurred consistent with the recognition of wages and salaries. No provisions are established with respect to defined contribution plans as they do not generate future commitments for ArcelorMittal.

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 fiscal year end. Actuarial gains and losses that exceed ten percent 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. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits vest.

The retirement benefit obligation recognized in the consolidated statements 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. Liabilities for early retirement plans are recognized when the affected employees have formally been informed and when amounts owed have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the 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 consolidated statements of financial position date, and all changes in the provision (including actuarial gains and losses or past service costs) are recognized in the consolidated statements of operations.

**Provisions and accruals**

ArcelorMittal 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, 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 consolidated statements 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.

**Environmental costs**

Environmental costs that relate to current operations or to an existing condition caused by past operations, and which do not

contribute to 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 ArcelorMittal 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**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements 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 as of the consolidated statements of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities, in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carryforwards 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, and interests in joint ventures, 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 consolidated 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 consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to enable 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 the critical accounting judgments section of this note.

### *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 of 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 in the statements of other comprehensive income, until realized. Realized gains and losses from the sale of available-for-sale

securities are determined on an average cost method.

Investments in privately held companies that are not considered equity method investments and for which fair value is not readily determinable are carried at cost less impairment.

Debt and liabilities, other than provisions, are stated at amortized cost. However, loans that are hedged under a fair value hedge are remeasured 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 consolidated statements of operations is removed from equity and recognized in the consolidated statements of operations.

Financial assets are tested for impairment annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable. 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 recognized in the consolidated statements 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 equity.

### Subordinated perpetual capital securities

Subordinated perpetual capital securities issued by the Company are classified as equity as the Company has no contractual obligation to redeem the securities and coupon payment may be deferred under certain circumstances. Coupons become payable whenever the Company makes dividend payments. Coupon accruals are considered in the determination of earnings for the purpose of calculating earnings per share.

### Emission rights

ArcelorMittal's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ("CO<sub>2</sub>") emission rights, effective as of January 1, 2005, are located primarily in Belgium, Czech Republic, France, Germany, Luxembourg, Poland, Romania and Spain. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded at nil value and purchased emission rights are recorded at cost. Gains and losses from the sale of excess rights are recognized in

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

cost of sales in the consolidated statements 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**

ArcelorMittal 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 net gain or loss from foreign exchange on translation of long-term debt, net of unrealized gains, losses on foreign exchange contracts and transactions and accretion of long-term liabilities.

**Earnings per common share**

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Net income attributable to ordinary shareholders takes into consideration dividend rights of preferred shareholders such as holders of subordinated perpetual capital securities. Diluted earnings

per share is computed by dividing income available to equity holders and assumed conversion by the weighted average number of common shares and potential common shares from outstanding stock options as well as potential common shares from the conversion of certain convertible bonds whenever the conversion results in a dilutive effect.

**Equity settled share-based payments**

ArcelorMittal issues equity-settled share-based payments to certain employees, including stock options and restricted share units. 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. For stock options and restricted share units, fair value is measured using the Black-Scholes-Merton pricing model and the market value of the shares at the date of the grant after deduction of dividend payments during the vesting period, respectively. 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. For the restricted share units, the fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line method over the vesting period and adjusted for the effect of non market-based vesting conditions.

**Segment reporting**

ArcelorMittal reports its operations in six reportable segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and

Europe, Asia, Africa and Commonwealth of Independent States ("AACIS"), Distribution Solutions and Mining.

The Company is organized in eight operating segments, which are components engaged 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 "CODM" to make decisions about resources to be allocated to the segment and assess its performance. ArcelorMittal's CODM is the group management board "GMB". Operating segments are aggregated when they have similar economic characteristics (similar long-term average gross margins) and are similar in the nature of products and services, the nature of production processes, customers, the methods used to distribute products or provide services, and the regulatory environment. The Long Carbon Americas, Long Carbon Europe, and Tubular Products operating segments have been aggregated for reporting purposes.

These operating segments include the attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include cash and short-term deposits, short-term investments, tax assets, and other current financial assets. Attributable 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. The treasury function is managed centrally for the Company as a whole and so is not directly attributable to individual operating segments or geographical areas.

Geographical information is separately disclosed and represents ArcelorMittal'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. They do not include goodwill, deferred tax assets, other investments or receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness.

**Critical accounting judgments**

The critical accounting judgments and significant assumptions made by management in the preparation of these consolidated financial statements are provided below.

**Purchase accounting**

Accounting for acquisitions requires ArcelorMittal to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, the Company undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact results of operations. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, the Company typically uses the "income method". This method is based on the forecast of the expected future cash flows adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include: the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows (weighted average cost of capital); the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

The most common purchase accounting adjustments relate to the following assets and liabilities:

- The fair value of identifiable intangible assets (generally, patents, customer relationships and favorable and unfavorable contracts) is estimated as described above.
- Property, plant and equipment is recorded at fair value, or, if fair value is not available, depreciated replacement cost.
- The fair value of pension and other post-employment benefits is determined separately for each plan using actuarial assumptions valid as of the acquisition date relating to the population of employees involved and the fair value of plan assets.
- Inventories are estimated based on expected selling prices at the date of acquisition reduced by an estimate of selling expenses and a normal profit margin.
- Adjustments to deferred tax assets and liabilities of the acquiree are recorded to reflect purchase price adjustments, other than goodwill.

Determining the estimated useful lives of tangible and intangible assets acquired requires judgment, as different types of assets will have different useful lives and certain intangible assets may be considered to have indefinite useful lives.

*Deferred tax assets*

ArcelorMittal records deferred tax assets and liabilities based on the differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. ArcelorMittal 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.

Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the deferred tax assets are subject to substantial uncertainties.

Note 20 describes the total deferred tax assets recognized in the consolidated statements of financial position and the estimated future taxable income required to utilize the recognized deferred tax assets.

*Provisions for pensions and other post employment benefits*

ArcelorMittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer other post-employment benefits, principally post-employment medical care. The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the consolidated statements 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, healthcare cost trend rates,

mortality rates, and retirement rates.

- Discount rates – The discount rate is based on several high quality corporate bond indexes and yield curves 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.
- Healthcare cost trend rate – The healthcare cost trend rate is based on historical retiree cost data, near-term healthcare outlook, including appropriate cost control measures implemented by the Company, and industry benchmarks and surveys.
- Mortality and retirement rates – Mortality and retirement rates are based on actual and projected plan experience.

Actuarial gains or losses resulting from experience and changes in assumptions are recognized in the consolidated statements 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 24 details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

*Environmental and other contingencies*

ArcelorMittal 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. ArcelorMittal is currently engaged in the investigation and remediation of environmental contamination at a number of its facilities. Most of these are legacy obligations arising from acquisitions. ArcelorMittal 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 ArcelorMittal or purchased assets from it subject to environmental liabilities. ArcelorMittal also considers, among other things, the activity to date at particular sites, information

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

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 consolidated statements of operations. ArcelorMittal does not expect these environmental issues to affect the utilization of its plants, now or in the future.

*Impairment of tangible and intangible assets, including goodwill*

At each reporting date, ArcelorMittal reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) 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 (or cash-generating unit). 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 consolidated statements of operations.

In the case of permanently idled assets, the impairment is measured at the individual asset level. Otherwise, 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, 2012, the Company determined it has 73 cash-generating units.

An impairment loss, related to tangible and intangible assets other than goodwill, 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 consolidated statements of operations.

Goodwill has been allocated at the level of the Company's eight 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 October 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. See note 26 for further discussion of the Company's operating segments. 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 groups of cash-generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or their 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 enters into derivative financial instruments principally to manage its exposure to fluctuation in interest rates, exchange rates, prices of raw materials, energy and emission rights allowances. 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. Gains or losses arising from changes in fair value of derivatives are recognized in the consolidated statements of operations, except for derivatives that are highly effective and qualify for cash flow or net investment hedge accounting.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the gain or loss on the hedged asset, liability, or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in the consolidated statements of operations.

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 other comprehensive income. Amounts deferred in equity are recorded in the consolidated statements of operations in the periods when the hedged item is recognized in the consolidated statements of operations and within the same line item.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

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 accumulated 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 consolidated statements of operations.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly as a separate component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the consolidated statements of operations.

### Mining reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because

additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the consolidated statements of operations may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recognized in the consolidated statements of financial position or charged to the consolidated statements of operations may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

### Use of estimates

The preparation of consolidated 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 and divestments

Acquisitions have been accounted for using the acquisition method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition. Goodwill recognized through the acquisitions discussed below is primarily attributable to potential strategic and financial benefits expected to be realized associated with future revenue growth and access to new markets.

Significant acquisitions made during the years ended December 31, 2011 and 2012 include:

### Baffinland

On January 27, 2011, in the framework of an offer to acquire all outstanding shares by way of a take-over bid, ArcelorMittal acquired a controlling stake of 58.9% in Baffinland Iron Mines Corporation ("Baffinland"), a Canadian junior mining company focused on the exploration and development of the iron ore deposits located on the Mary River property in Nunavut (Canada). The acquisition was completed through Acquireco, a company owned 70% by ArcelorMittal and 30% by Nunavut Iron Ore Acquisition Inc. ("Nunavut"). The stake held in Baffinland increased to 93.66% on February 18, 2011 following an extension of the offer and the acquisition of 100% was completed on March 26, 2011 as a result of the repurchase of the remaining 6.34% non-controlling interests (see note 4). Following these transactions, the Company holds a 70% stake in Baffinland. The total consideration paid for the acquisition was 528 (553 net of 25 of cash acquired) of which 362 paid in cash by ArcelorMittal and 166 paid by Nunavut (of which 105 in cash and 61 in shares). The transaction costs relating to this acquisition amounted to 5 and are recorded as selling, general and administrative expenses in the

consolidated statements of operations. The Company completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 596 and total liabilities of 71. The acquired assets included 447 assigned to iron ore mining reserves and 82 assigned to exploration for and evaluation of mineral resources. The resulting final goodwill amounted to 38. The revenue and the net result consolidated in 2011 amounted to nil and (5), respectively.

### Cognor

On May 4, 2011, ArcelorMittal acquired from Cognor Group certain of its assets located in Poland, including property, plant and equipment, inventory, related operating processes and the workforce in order to strengthen its market presence in Poland. The Company accounted for this acquisition as a business combination. The total consideration paid for this acquisition was 67. The Company completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 68 and total liabilities of 1. The acquired assets included 41 assigned to land and buildings, 12 assigned to machinery and equipment and 12 assigned to inventories. There was no goodwill related to this acquisition.

### Prosper

On June 1, 2011, ArcelorMittal acquired from RAG Aktiengesellschaft ("RAG") the Prosper coke plant, located in Bottrop, Germany in order to reduce external sourcing of coke. The acquisition included the facility, related operating processes and the workforce. It also acquired RAG's 27.95% stake in Arsol Aromatics, a producer of chemical raw materials based on crude benzene, a by-product of the Prosper facility. The Company accounted for this acquisition as a business combination. The total consideration paid for this acquisition was 205. The Company

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 309 and total liabilities of 86. The acquired assets and assumed liabilities included 145 assigned to the coke plant, 98 assigned to coke and coking coal inventories, 22 assigned to the investment in Arsol, 44 assigned to environmental and asset retirement obligations and 27 assigned to unfavorable contracts with a residual maturity of 8 years. The acquisition resulted in a bargain purchase of 18 and was recorded in operating income.

**ATIC Services SA**

On December 5, 2011, the Company acquired a controlling stake of 33.4% interest in its associate ATIC Services SA ("ATIC") thereby increasing its current 42.4% holding to 75.8% for a total cash consideration of 34 (76 net of cash acquired of 42). ATIC is a leading European provider of logistic services in relation with the coal industry headquartered in France. This acquisition will enable the Company to optimize the logistic chain in relation with the coal supply. The Company completed the purchase price allocation in 2012. The acquisition resulted in the consolidation of total assets of 348 and total liabilities of 143. The acquired assets included property, plant and equipments such as fleet, cranes handling equipments, land and buildings for 113, investments accounted for under equity method for 136 and trade receivables for 55. The resulting final gain from this bargain purchase amounted to 6 and is due to the global weak macro economic environment. The revenue and the net result consolidated since acquisition date amounted to 239 and 10, respectively.

**Nikmet**

On December 7, 2011, the Company acquired 100% of Stevedoring Company Nikmet Terminals ("Nikmet") for a total cash consideration of 23 (including 5 of outstanding debt). Nikmet handles steel exports in the port of Nikolaev in southern Ukraine with a throughput capacity of 2 million tons per year. This acquisition will assure sea access, optimize logistics and cost savings for the Company's operations in Ukraine. The Company completed the purchase price allocation in 2012. The acquisition resulted in the consolidation of total assets of 16 and total liabilities of 3. The acquired assets included a favorable harbor facilities rental agreement for 9 and various harbor equipments for 4. The resulting final goodwill amounted to 10. The revenue and the net result consolidated since acquisition date amounted to 12 and 4, respectively.

*Summary of significant acquisitions*

The table below summarizes the estimated fair value of the assets acquired and liabilities assumed and the total purchase price allocation for significant acquisitions made in 2010 and 2011 that were finalized during the year ended December 31, 2011:

	2011		
	Baffinland	Prosper	Cognor
Current assets	6	140	12
Property, plant & equipment	12	145	53
Mining rights	447	-	-
Intangibles assets	82	2	3
Other assets	49	22	-
<b>Total assets acquired</b>	<b>596</b>	<b>309</b>	<b>68</b>
Current liabilities	9	4	-
Other long-term liabilities	1	74	-
Deferred tax liabilities	61	8	1
<b>Total liabilities assumed</b>	<b>71</b>	<b>86</b>	<b>1</b>
<b>Total net assets</b>	<b>525</b>	<b>223</b>	<b>67</b>
Non-controlling interests	35 <sup>1</sup>	-	-
<b>Total net assets acquired</b>	<b>490</b>	<b>223</b>	<b>67</b>
Cash paid to stockholders, gross	553	205	67
Cash acquired	(25)	-	-
<b>Purchase price, net</b>	<b>528</b>	<b>205</b>	<b>67</b>
Goodwill	38	-	-
<b>Bargain purchase</b>		<b>(18)</b>	

<sup>1</sup> The Company acquired the remaining non-controlling interests on March 25, 2011 (see note 4).

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

During 2012, the Company finalized the purchase price allocation for Nikmet and ATIC. The purchase price allocation of those two entities have been determined only provisionally on December 31, 2011 as the acquisition dates were close to the year end. The table below summarizes the finalization in 2012 of the purchase price allocation for acquisitions made in 2011:

	ATIC			NIKMET		
	Preliminary allocation	Adjustments	Final allocation	Preliminary allocation	Adjustments	Final allocation
Current assets	55	30	85	3	-	3
Property, plant & equipment	90	23	113	3	1	4
Intangibles assets	14	(13)	1	-	9	9
Other assets	75	74	149	-	-	-
Total assets acquired	234	114	348	6	10	16
Current liabilities	66	16	82	1	-	1
Long-term debt	17	(1)	16	-	-	-
Other long-term liabilities	14	22	36	-	-	-
Deferred tax liabilities	2	7	9	-	2	2
Total liabilities assumed	99	44	143	1	2	3
Total net assets	135	70	205	5	8	13
Non-controlling interests	43	17	60	-	-	-
Total net assets acquired	92	53	145	5	8	13
Previously held equity interests	81	24	105	-	-	-
Cash paid to stockholders, gross	76	-	76	18	-	18
Cash acquired	(42)	-	(42)	-	-	-
Debt outstanding on acquisition	-	-	-	5	-	5
Purchase price, net	34	-	34	23	-	23
Goodwill	23	(29)	-	18	(8)	10
<b>Bargain purchase</b>			<b>(6)</b>			

**Divestments**

On June 20, 2012, ArcelorMittal sold its steel foundation distribution business in North America Free Trade Agreement ("NAFTA"), Skyline Steel, to Nucor Corporation for a total net cash consideration of 674 including final working capital adjustment. Skyline Steel was part of the Distribution Solutions reportable segment. The

net assets sold include a portion of the goodwill allocated to the Distribution Solutions segment for 55. The gain on disposal of 331 was recognized in cost of sales.

On July 24, 2012, ArcelorMittal signed an agreement to sell its 48.1% stake in Paul Wurth to SMS GmbH for a total cash consideration of 388 (cash outflow

of 89 net of cash disposed of). Paul Wurth is an international engineering company offering the design and supply of the full-range of technological solutions for the iron and steel industry and other metal sectors. Paul Wurth was a consolidated subsidiary included in the AACIS reportable segment. The net assets sold include a portion of the goodwill allocated to AACIS for

42. The Company also reclassified from other comprehensive income to the statements of operations a positive foreign exchange translation difference amounting to 25. The gain on disposal of 242 was recognized in cost of sales.

The table below summarizes the divestments made in 2012:

	Skyline Steel	Paul Wurth
Current assets	365	794
Property, plant and equipment	48	58
Intangibles assets	6	15
Other assets	7	59
Total assets	426	926
Current liabilities	137	545
Other long-term liabilities	1	109
Non-controlling interests	-	3
Total liabilities	138	657
Total net assets	288	269
Non-controlling interests	-	140
Allocated goodwill	55	42
Total net assets disposed of	343	171
Cash consideration received	674	388
Reclassification of foreign exchange translation difference	-	25
Gain on disposal	331	242

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Note 4: Transactions with non-controlling interests**

As described below, the Company acquired additional non-controlling interests during 2011 and 2012.

**Ambalaj**

On February 28, 2011, ArcelorMittal acquired the remaining 25% non-controlling stake in ArcelorMittal Ambalaj (Turkey) for a total consideration of 10. The Company now owns 100% of this subsidiary.

**Baffinland**

On March 26, 2011, the Company acquired the remaining 6.34% non-controlling stake in Baffinland through a court approved plan of arrangement. The total consideration for the transaction was 39 of which 25 paid by ArcelorMittal. The transaction resulted in a reduction of non-controlling interests of 35. In accordance with IFRS 3 (revised) and IAS 27 (revised), the Company

recorded a decrease of 4 directly in equity.

On February 20, 2013, ArcelorMittal completed the disposal of a 20% stake in Baffinland Iron Mines Corporation ("Baffinland") to Nunavut Iron Ore, Inc. ("Nunavut"), whose interest increased from 30% to 50%. In consideration, Nunavut correspondingly increased its share of funding for development of Baffinland's Mary River iron ore project. ArcelorMittal retained a 50% interest in the project as well as operator and marketing rights.

**Alliance Metal**

On May 15, 2012, the Company acquired the remaining 33.98% non-controlling stake in Alliance Metal, a steel processor based in France (Distribution Solutions). The cash consideration paid was 10. The Company recorded a decrease of 17 directly in equity.

**PUW**

On October 17, 2012, the Company acquired the remaining 39.46% non-controlling stake in Przedsiębiorstwo Usług Wodociagowych HKW ("PUW") in Poland (Flat Carbon Europe). The cash consideration paid was 10. The Company recorded a decrease of 1 directly in equity.

**Manchester Tubos**

On October 31, 2012, the Company acquired the remaining 30% non-controlling stake in Manchester Tubos, a steel processor based in Brazil (Distribution Solutions). The total consideration was 12, of which 7 paid at December 31, 2012. The Company recorded an increase of 19 directly in equity.

**ArcelorMittal Mines Canada**

On December 31, 2012, ArcelorMittal signed an agreement pursuant to which its wholly owned subsidiary ArcelorMittal Mines Canada and a consortium led by POSCO and China Steel

Corporation ("CSC") will enter into a joint venture partnership that will own ArcelorMittal's Labrador Trough iron ore mining and infrastructure assets. The consortium will acquire a 15% interest in the joint venture for total consideration of 1.1 billion in cash, with ArcelorMittal Mines Canada and its affiliates retaining an 85% interest. As part of the transaction, POSCO and CSC will enter into long term iron ore off-take agreements proportionate to their joint venture interests. In addition to POSCO and CSC, the consortium includes certain financial investors. The transaction is subject to various closing conditions, including regulatory clearance by the Taiwanese government, and is expected to close in two installments in the first and second quarters of 2013.

The tables below summarize the acquisition of non-controlling interests:

	2011		
	Baffinland	Ambalaj	Total
Non-controlling interests	35	10	45
Cash paid, net	35	10	45
Debt outstanding on acquisition	4	-	4
Purchase price, net	39	10	49
Adjustment to equity	(4)	-	(4)

	2012			
	Alliance Metal	Manchester Tubos	PUW	Total
Non-controlling interests	(7)	31	9	33
Cash paid, net	10	7	10	27
Debt outstanding on acquisition	-	5	-	5
Purchase price, net	10	12	10	32
Adjustment to equity	(17)	19	(1)	1

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Other transactions with non-controlling interests**

On December 28, 2009, the Company issued through a wholly-owned subsidiary unsecured and unsubordinated 750 bonds mandatorily convertible into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon) and are not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010, which date was later amended to April 20, 2011, until ten business days before the maturity date. The subsidiary invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Eregli Demir Ve Celik Fab. T.A.S. ("Erdemir") and Macarthur Coal Limited ("Macarthur"), both of which were publicly listed companies in which such subsidiaries hold a minority stake.

On April 20, 2011, the Company signed an agreement for an extension of the conversion date of the mandatory convertible bonds

to January 31, 2013. The other main features of the mandatory convertible bonds remained unchanged. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including non-controlling interests for 688 (net of tax and fees) and debt for 60. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 52 and was recognized as financing costs in the consolidated statements of operations.

On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000. The Company determined that this increase led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument with a resulting 15 recognized as financing costs. In the Company's consolidated statements of financial position as of December 31, 2011 the mandatory convertible bonds are

recorded as non-controlling interests of 934 and debt of 66.

As a result of the completion of the sale of the shares in Macarthur on December 21, 2011, the notes issued by a subsidiary of ArcelorMittal and linked to the Macarthur shares were subject to an early redemption for 1,208. Prior to December 31, 2011 the Company committed to Crédit Agricole to replace those notes with new notes issued by a different subsidiary of ArcelorMittal linked to shares of China Oriental Group Company Ltd ("China Oriental"). The proceeds from the redemption of the notes were invested in a term deposit with Crédit Agricole until January 17, 2012. On that date, notes linked to China Oriental were issued by a subsidiary of ArcelorMittal.

On December 18, 2012, the Company signed an agreement for an extension of the conversion date of the mandatory convertible bonds to January 31, 2014. The other main features of the mandatory convertible bonds remained unchanged. The Company determined that this

transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including non-controlling interests for 949 (net of tax and fees) and debt for 49. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 65 and was recognized as financing costs in the consolidated statements of operations.

**Note 5: Assets and liabilities held for sale and for distribution****Assets and liabilities held for distribution**

Following the approval by ArcelorMittal's board on December 7, 2010, to spin-off Aperam, the results of the stainless steel operations have been presented as discontinued operations.

The table below provides details of the amounts presented in the consolidated statements of operations with respect to discontinued operations:

	Consolidated statements of operations for the year ended December 31,	
	2011	2012
Sales	471	–
Cost of sales (depreciation and impairment was nil in 2011)	415	–
Gross margin	56	–
Selling, general and administrative	19	–
Operating income (loss)	37	–
Income from investments in associates and joint ventures	–	–
Financing costs – net	421	–
Income (loss) before taxes	458	–
Income tax expense (benefit)	(3)	–
Net income (loss) (including non-controlling interests)	461	–

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The amounts disclosed above represent the operations of the stainless steel business, excluding the effects of any transactions with continuing operations entities such as interest expense or income, management fees, and sales to continuing operations.

The Company remeasured certain assets at their fair value less cost to distribute upon initial classification as assets and liabilities held for distribution at December

7, 2010. The fair value of these assets was estimated based on trading multiples of comparable companies. ArcelorMittal compared revenue growth, operating margins and capital expenditures according to the five year business plan defined for the purpose of the spin-off to consensus forecasts of comparable companies. The Company also considered the subsequent initial trading of Aperam and various factors that may influence the

trading. As a result of the remeasurement upon initial classification as assets held for distribution, the Company recognized an impairment loss of 750, at December 7, 2010, which was entirely allocated to goodwill. Following the subsequent remeasurement of fair value less cost to distribute at December 31, 2010, the Company recognized an increase in fair value and reduced the impairment loss from 750 to 598, net of tax of nil and nil,

respectively. There were no subsequent changes in the fair value less cost to distribute on the spin-off date as of January 25, 2011.

The table below provides details of the amounts presented in the consolidated statements of other comprehensive income with respect to discontinued operations:

	Statement of other comprehensive income for the year ended December 31	
	2011	2012
<b>Net income (loss) (including non-controlling interests)</b>	<b>461</b>	<b>–</b>
Available-for-sale investments:		
Gain (loss) arising during the period	(11)	–
Reclassification adjustments for (gain) loss included in the statements of operations	(28)	–
	(39)	–
Derivative financial instruments:		
Gain (loss) arising during the period	(1)	–
Reclassification adjustments for (gain) loss included in the statements of operations	–	–
	(1)	–
Exchange differences arising on translation of foreign operations:		
Gain (loss) arising during the period	23	–
Reclassification adjustments for (gain) loss included in the statements of operations	(391)	–
	(368)	–
<b>Total comprehensive income</b>	<b>53</b>	<b>–</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

On January 25, 2011, the Extraordinary General Meeting of Shareholders of ArcelorMittal approved the spin-off of Aperam. As a result, all assets and liabilities classified as held for distribution at that date were transferred to Aperam for a total amount of 3,964 recognized as a reduction in shareholders' equity and determined as follows.

The table below provides details of the assets and liabilities held for distribution after elimination of intra-group balances in the consolidated statements of financial position:

	January 25, 2011
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	85
Trade accounts receivable and other	435
Inventories	1,634
Prepaid expenses and other current assets	159
<b>Total current assets</b>	<b>2,313</b>
<b>Non-current assets:</b>	
Goodwill and intangible assets	1,379
Property, plant and equipment	3,086
Other investments	162
Deferred tax assets	68
Other assets	78
<b>Total non-current assets</b>	<b>4,773</b>
<b>Total assets</b>	<b>7,086</b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Short-term debt and current portion of long-term debt	63
Trade accounts payable and other	731
Short-term provisions	41
Accrued expenses and other liabilities	307
Income tax liabilities	19
<b>Total current liabilities</b>	<b>1,161</b>
<b>Non-current liabilities:</b>	
Long-term debt, net of current portion	116
Deferred tax liabilities	364
Deferred employee benefits	185
Long-term provisions	127
Other long-term obligations	11
<b>Total non-current liabilities</b>	<b>803</b>
<b>Total liabilities</b>	<b>1,964</b>

The table below provides details of the decrease in equity resulting from the spin-off of Aperam on January 25, 2011:

Total assets held for distribution	7,086
Total liabilities held for distribution	(1,964)
Assets related to intra-group transactions within ArcelorMittal	76
Liabilities related to intra-group transactions within ArcelorMittal	(1,210)
Fair value of Aperam shares attributed to ArcelorMittal as a result of the treasury shares held by the Company	(24)
<b>Total decrease in equity</b>	<b>3,964</b>

A total amount of 419 previously recognized in other comprehensive income and including the cumulative exchange differences arising on translation of foreign operations for 391 and gains and losses on available-for-sale financial assets for 28 was reclassified to the consolidated statements of operations as a result of the spin-off.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 6: Trade accounts receivable and other

Trade accounts receivable and allowance for doubtful accounts as of December 31, are as follows:

	2011	2012
Gross amount	6,681	5,287
Allowance for doubtful accounts	(229)	(202)
Total	6,452	5,085

The carrying amount of the trade accounts receivable and other approximates fair value. Before granting credit to any new customer, ArcelorMittal 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 the credit committees of each individual segment. Limits and scoring attributed to customers are reviewed periodically. There are no customers who represent more than 5% of the total balance of trade accounts receivable.

*Exposure to credit risk by reportable segment*

The maximum exposure to credit risk for trade accounts receivable by reportable segment at December 31 is as follows:

	2011	2012
Flat Carbon Americas	541	361
Flat Carbon Europe	1,079	1,074
Long Carbon Americas and Europe	2,118	1,720
Distribution Solutions	1,878	1,390
AACIS	526	258
Mining	152	184
Other activities	158	98
Total	6,452	5,085

*Exposure to credit risk by geography*

The maximum exposure to credit risk for trade accounts receivable by geographical area at December 31 is as follows:

	2011	2012
Europe	3,727	3,088
North America	844	520
South America	913	811
Africa & Asia	618	567
Middle East	350	99
Total	6,452	5,085

*Aging of trade accounts receivable*

The aging of trade accounts receivable as of December 31 is as follows:

	2011			2012		
	Gross	Allowance	Total	Gross	Allowance	Total
Not past due	5,412	(31)	5,381	4,162	(34)	4,124
Overdue 0-30 days	659	(6)	653	651	(6)	645
Overdue 31-60 days	200	(8)	192	110	(2)	108
Overdue 61-90 days	80	(6)	74	57	(3)	54
Overdue 91-180 days	95	(13)	82	83	(7)	76
More than 180 days	235	(165)	70	224	(150)	78
Total	6,681	(229)	6,452	5,287	(202)	5,085

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the periods presented is as follows:

	Additions	Deductions/Releases	Others	Balance as of December 31, 2011
Balance as of December 31, 2010	269	(59)	(5)	229
Balance as of December 31, 2011	229	(71)	(20)	202

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The Company has established a number of programs for sales of trade accounts receivable without recourse to various financial institutions referred to as True Sale of Receivables ("TSR"). Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and 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 consolidated statements of financial position at the moment of sale. The total amount of receivables sold under TSR programs and derecognized in accordance with IAS 39 for the years ended 2011 and 2012 was 35.3 billion and 33.9 billion, respectively (with amounts of receivables sold converted to U.S. dollars at the monthly average exchange rate). Expenses incurred under the TSR programs (reflecting the discount granted to the acquirers of the accounts receivable) recognized in the consolidated statements of operations for the years ended December 31, 2011 and 2012 were 152 and 182, respectively.

### Note 7: Inventories

Inventories, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 1,549 and 1,452 as of December 31, 2011 and 2012, respectively, are comprised of the following:

	December 31, 2011	December 31, 2012
Finished products	7,356	6,351
Production in process	4,531	4,118
Raw materials	7,933	6,670
Manufacturing supplies, spare parts and other	1,869	1,886
<b>Total</b>	<b>21,689</b>	<b>19,025</b>

The amount of inventory pledged as collateral was 11 and 11 as of December 31, 2011 and 2012, respectively.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2010	Additions	Deductions/Releases	Others*	Balance as of December 31, 2011
1,304	1,398	(1,093)	(60)	1,549
Balance as of December 31, 2011	Additions	Deductions/Releases	Others*	Balance as of December 31, 2012
1,549	1,225	(1,333)	11	1,452

\* Includes (2) related to the transfer of allowance for obsolescence to assets held for sale and distribution.

The amount of write-down of inventories to net realizable value recognized as an expense was 1,398 and 1,225 in 2011 and 2012, respectively, and was reduced by 1,093 and 1,333 in 2011 and 2012, respectively, due to normal inventory consumption.

### Note 8: Prepaid expenses and other current assets

Prepaid expenses and other current assets consists of advance payments to public authorities (including value-added tax ("VAT")), income tax receivable, revaluation of derivative financial instruments, prepaid expenses and other receivables and other, which is made up of advances to employees, accrued interest, dividends receivable and other miscellaneous receivables.

	December 31, 2011	December 31, 2012
VAT recoverable	1,709	1,409
Income tax receivable	430	379
Revaluation of derivative financial instruments	242	286
Prepaid expenses and other receivables	715	581
Other	463	493
<b>Total</b>	<b>3,559</b>	<b>3,148</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 9: Goodwill and intangible assets

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisitions	Concessions, patents and licenses	Customer relationships and trade marks	Other	Total
<b>Cost</b>					
At December 31, 2010	13,318	939	1,623	1,075	16,955
Acquisitions	79	51	-	105	235
Disposals	-	(10)	(1)	(158)	(169)
Foreign exchange differences	(198)	(48)	7	(9)	(248)
Transfers and other movements	(16)	156	(14)	(28)	98
At December 31, 2011	13,183	1,088	1,615	985	16,871
Acquisitions	-	49	-	23	72
Disposals	-	(13)	(2)	-	(15)
Foreign exchange differences	77	12	53	9	151
Divestments (note 3)	(97)	(18)	(12)	-	(127)
Transfers and other movements	49	28	22	-	99
At December 31, 2012	13,212	1,146	1,676	1,017	17,051
<b>Accumulated amortization and impairment losses</b>					
At December 31, 2010	729	368	619	866	2,582
Disposals	-	(5)	(1)	-	(6)
Amortization charge	-	76	219	15	310
Foreign exchange differences	(1)	(29)	2	(16)	(44)
Transfers and other movements	(16)	44	1	(53)	(24)
At December 31, 2011	712	454	840	812	2,818
Disposals	-	(12)	(2)	-	(14)
Amortization charge	-	75	193	1	269
Impairment and reduction of goodwill	4,308	-	-	-	4,308
Foreign exchange differences	27	9	43	9	88
Divestments (note 3)	-	(9)	-	-	(9)
Transfers and other movements	1	(18)	21	6	10
At December 31, 2012	5,048	499	1,095	828	7,470
<b>Carrying amount</b>					
At December 31, 2011	12,471	634	775	173	14,053
At December 31, 2012	8,164	647	581	189	9,581

Goodwill acquired in business combinations and acquisitions of non-controlling interests are as follows for each of the Company's operating segments:

	Net value December 31, 2010	Reclassification to Mining <sup>1</sup>	Net value January 1, 2011	Foreign exchange differences and other movements	Acquisitions	Net value December 31, 2011
Flat Carbon Europe	3,022	(69)	2,953	(100)	23	2,876
Flat Carbon Americas	4,079	(755)	3,324	8	-	3,332
Long Carbon Europe	1,188	-	1,188	(35)	-	1,153
Long Carbon Americas	1,757	(33)	1,724	(38)	-	1,686
Tubular Products	79	-	79	-	-	79
AACIS	1,499	(14)	1,485	4	18	1,507
Distribution Solutions	965	-	965	(29)	-	936
Mining	-	871	871	(7)	38	902
<b>TOTAL</b>	<b>12,589</b>	<b>-</b>	<b>12,589</b>	<b>(197)</b>	<b>79</b>	<b>12,471</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except as otherwise indicated)

	Net value December 31, 2011	Impairment and reduction of goodwill	Foreign exchange differences and other movements	Divestments	Net value December 31, 2012
Flat Carbon Europe	2,876	(2,493)	26	-	409
Flat Carbon Americas	3,332	-	1	-	3,333
Long Carbon Europe	1,153	(1,010)	11	-	154
Long Carbon Americas	1,686	-	(16)	-	1,670
Tubular Products	79	-	-	-	79
AACIS	1,507	-	(12)	(42)	1,453
Distribution Solutions	936	(805)	5	(55)	81
Mining	902	-	83	-	985
<b>TOTAL</b>	<b>12,471</b>	<b>(4,308)</b>	<b>98</b>	<b>(97)</b>	<b>8,164</b>

<sup>1</sup> On January 1, 2011, goodwill was reallocated among the groups of cash-generating units based on the relative fair values of the assets as a result of mining operations being presented as a separate operating and reportable segment.

Goodwill is tested at the group of cash-generating units ("GCGU") level for impairment annually, as of October 31, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the GCGU is at the operating segment level, which represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of the GCGUs are determined based on their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to average selling prices, shipments and direct costs during the period.

The value in use of each GCGU was determined by estimating cash flows for a period of five years for steel operations and over the life of the mines for mining operations. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial plans approved by management. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each GCGU 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.

	Flat Carbon Europe	Flat Carbon Americas	Long Carbon Europe	Long Carbon Americas	Tubular Products	AACIS	Mining	Distribution Solutions
GCGU weighted average pre-tax discount rate used in 2011 (in %)	10.4	10.0	10.3	10.6	12.8	11.4	19.2	11.1
GCGU weighted average pre-tax discount rate used in 2012 (in %)	9.9	10.1	10.2	11.3	12.7	11.3	16.3	10.5

When estimating average selling price, the Company used a range of assumptions between \$666 per tonne and \$878 per tonne which in average slightly decrease over the next four years depending on the markets in which each GCGU is operating.

The total value in use calculated for all GCGUs decreased by 20% in 2012 as compared to 2011. This decrease affected particularly the European operations (Flat Carbon Europe, Long Carbon Europe and Distribution Solutions) primarily as a result of a downward revision of future cash flows in the context of a weaker macro economic and market environment in Europe and expectations that it will persist over the near and medium term.

The results of the Company's goodwill impairment test as of October 31, 2012 for each GCGU resulted in an impairment of goodwill amounting to 4,308 with respect to European businesses and including 2,493, 1,010 and 805 for the Flat Carbon Europe, Long Carbon Europe and Distribution Solutions operating segments, respectively. In validating the value in use determined for the cash generating units, key assumptions used in the discounted cash-flow model (such as discount rates, average selling prices, shipments and terminal growth rate) were sensitized to test the resilience of value in use in 2012. Management believes that reasonably possible changes in key assumptions would cause an additional impairment loss to be recognized in respect of Flat Carbon Europe, Long Carbon Europe and Distribution Solutions.

Flat Carbon Europe covers a wide flat carbon steel product portfolio including hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. It is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east. Management believes that sales volumes, prices and discount rates are the key assumptions most sensitive to change. Flat Carbon Europe is substantially exposed to European markets, which are expected to be subject to weak macro economic conditions over the near and medium term. It is also exposed to export markets and international steel prices which are volatile, reflecting the cyclical nature of the global steel industry, developments in particular steel consuming industries, the cost of raw materials and macroeconomic trends, such as economic growth and foreign exchange rates. Discount rates may be affected by changes in countries' specific risks. Future projections anticipate stable sales volumes in 2013 compared to 2012 (26.0 million tonnes for the year ended December 31, 2012) with steady improvements thereafter, without reaching the sales volume achieved prior to the crisis of 2008/2009 (33.5 million tonnes for the year ended December 31, 2008). Average selling

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

prices are expected to decrease slightly while the margins are expected to recover partially over the period due to an expected downward trend regarding raw material prices and expected improvements in production costs associated with variable and fixed cost reduction plans identified by management and optimized operational footprint through announced closures and maximization of steel production. Discount rates are kept stable over the period.

Long Carbon Europe covers a wide range of long carbon steel products including billets, blooms, bars, special quality bars, wire rods, wire products, structural sections, rails and sheet piles. It has operations all over Europe from Spain to Romania and also in North Africa. Management believes that sales volumes, prices and discount rates are the key assumptions most sensitive to change. Long Carbon Europe is substantially exposed to European markets, which are expected to be subject to weak macro economic conditions over the near and medium term. It is also exposed to export markets and international steel prices which are volatile, reflecting the cyclical nature of the global steel industry, developments in particular steel consuming industries, the costs of raw materials and macroeconomic trends, such as economic growth and foreign exchange rates. Discount rates may be affected by changes in countries' specific risks. Future projections anticipate a limited recovery of sales volumes in 2013 compared to 2012 (11.7 millions tonnes for the year ended December 31, 2012) with continuous improvements thereafter without reaching the sales volumes achieved prior to the crisis of 2008/2009 (15.0 million tonnes for the year ended December 31, 2008). Average selling prices are expected to decrease slightly while margins are expected to recover over the period due to an expected downward trend of raw material prices and the expected improvements in production costs associated with variable and fixed costs reduction plans identified by management and optimized operational footprint through announced closures and maximization of steel production. Discount rates are kept stable over the period.

Distribution Solutions is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added customized steel solutions through further steel processing to meet specific customer requirements. Management believes that sales volumes, gross margins and discount rates are the key assumptions most sensitive to change. Distribution Solutions is substantially exposed to European markets, which are expected to be subject to weak macro economic conditions over the near and medium term. Furthermore, gross margins may be temporarily impacted by the fluctuation and volatility between selling prices and the cost of inventories. Discount rates may be affected by changes in countries' specific risks. Future projections anticipate a limited recovery of sales volumes in 2014 from the sales volumes achieved in 2012 (17.7 million tonnes for the year ended December 31, 2012) with steady improvements thereafter without reaching the sales volumes achieved prior to the crisis of 2008/2009 (19.1 million tonnes for the year ended December 31, 2008). Gross margins are expected to remain stable during the period. Discount rates are kept stable over the period.

At December 31, 2011 and 2012, the Company had 14,053 and 9,581 of intangible assets, of which 12,471 and 8,164 represented goodwill, respectively. Other intangible assets were comprised primarily of exploration for and evaluation of mineral resources amounting to 107 and 156 as of December 31, 2011 and 2012, respectively. Cash outflows from investing activities related to exploration and evaluation of mineral resources were 13 and 19 for the year ended December 31, 2011 and 2012, respectively.

The Company recognized a gain on sale of CO<sub>2</sub> emission rights amounting to 93 and 220 during the year ended December 31, 2011 and 2012, respectively.

Research and development costs not meeting the criteria for capitalization are expensed as incurred. These costs amounted to 306 and 285 in the years ended December 31, 2011, and 2012, respectively.

### Note 10: Biological assets

The Company's biological assets comprise growing forests (i.e. eucalyptus trees) located in the Brazilian states of Minas Gerais, Espirito Santo and Bahia, which supply charcoal to be utilized as fuel and a source of carbon in the direct reduction process of pig iron production in some of the Company's blast furnaces in Brazil. Charcoal is, in such instances, a substitute for coke.

On December 31, 2012, the Company presented its biological assets on a separate line on the statement of financial position. The change in the presentation was done in accordance with IAS 41 – "Agriculture", and the December 31, 2011, comparative amounts have been presented in accordance with IAS 1 – "Presentation of financial Statements".

The reconciliation of changes in the carrying value of biological assets between the beginning and end of the year is as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
At the beginning of the year	209	193
Additions	10	8
Disposals/Write-off	(13)	(2)
Harvests	(6)	(10)
Change in fair value	17	-
Effects of foreign currency translation	(24)	(15)
At the end of the year	193	174

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

In determining the fair value of biological assets, a discounted cash flow model was used, with a harvest cycle of six to seven years.

The actual planted area was 63,427 hectares ("ha") and 65,892 ha at the end of 2011 and 2012 respectively and none of the Company's biological assets are pledged as of December 31, 2012.

The projected cash flows are consistent with area's growing cycle. The volume of eucalyptus production to be harvested was estimated considering the average productivity in cubic meters of wood per hectare from each plantation at the time of harvest. The average productivity varies according to the genetic material, climate and soil conditions and the forestry management programs. This projected volume is based on the average annual growth, which at the end of 2011 and 2012 was equivalent to 27.07 m<sup>3</sup>/ha and 27.46 m<sup>3</sup>/ha, respectively.

The average net sales price was projected based on the estimated price for eucalyptus in the local market, through a market study and research of actual transactions, adjusted to reflect the price of standing trees by region. The average estimated cost considers expenses for felling, chemical control of growing, pest control, composting, road maintenance, inputs and labor services. Tax effects based on current rates, as well as the contribution of other assets, such as property, plant and equipment and land were considered in the estimation based on average rates of return for those assets.

The valuation model considers the net cash flows after income tax and the discount rate used also considers the tax benefits.

## Note 11: Property, plant and equipment

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements**	Machinery and equipment	Construction in progress	Mining Assets	Total
<b>Cost</b>					
<b>At December 31, 2010</b>	<b>15,761</b>	<b>56,139</b>	<b>3,836</b>	<b>3,142</b>	<b>78,878</b>
Transfer of biological assets (note 10)	(300)	-	-	-	(300)
<b>December 31, 2010 (adjusted)</b>	<b>15,461</b>	<b>56,139</b>	<b>3,836</b>	<b>3,142</b>	<b>78,578</b>
Additions	71	976	3,869	149	5,065
Acquisition through business combination	69	214	20	447	750
Foreign exchange differences	(642)	(2,620)	(180)	(56)	(3,498)
Disposals	(109)	(765)	(14)	(73)	(961)
Other movements*	55	2,131	(2,445)	617	358
<b>At December 31, 2011 (adjusted)</b>	<b>14,905</b>	<b>56,075</b>	<b>5,086</b>	<b>4,226</b>	<b>80,292</b>
Additions	91	524	3,640	99	4,354
Foreign exchange differences	344	850	25	(13)	1,206
Disposals	(91)	(853)	(12)	(7)	(963)
Divestments (note 3)	(93)	(102)	(3)	-	(198)
Other movements *	256	3,136	(3,160)	161	393
<b>At December 31, 2012</b>	<b>15,412</b>	<b>59,630</b>	<b>5,576</b>	<b>4,466</b>	<b>85,084</b>
<b>Accumulated depreciation and impairment</b>					
<b>At December 31, 2010</b>	<b>3,480</b>	<b>19,966</b>	<b>120</b>	<b>968</b>	<b>24,534</b>
Transfer of biological assets (note 10)	(91)	-	-	-	(91)
<b>December 31, 2010 (adjusted)</b>	<b>3,389</b>	<b>19,966</b>	<b>120</b>	<b>968</b>	<b>24,443</b>
Depreciation charge for the year	536	3,656	-	174	4,366
Impairment	59	230	41	1	331
Disposals	(72)	(704)	(8)	(73)	(857)
Foreign exchange differences	(316)	(1,680)	(8)	(9)	(2,013)
Other movements *	(17)	38	(17)	(40)	(36)
<b>At December 31, 2011 (adjusted)</b>	<b>3,579</b>	<b>21,506</b>	<b>128</b>	<b>1,021</b>	<b>26,234</b>
Depreciation charge for the year	472	3,757	-	182	4,411
Impairment	144	555	28	-	727
Disposals	(44)	(770)	(7)	(7)	(828)
Foreign exchange differences	173	615	3	6	797
Divestments (note 3)	(27)	(65)	-	-	(92)
Other movements *	(20)	199	(4)	-	175
<b>At December 31, 2012</b>	<b>4,277</b>	<b>25,797</b>	<b>148</b>	<b>1,202</b>	<b>31,424</b>
<b>Carrying amount</b>					
<b>At December 31, 2011</b>	<b>11,326</b>	<b>34,569</b>	<b>4,958</b>	<b>3,205</b>	<b>54,058</b>
<b>At December 31, 2012</b>	<b>11,135</b>	<b>33,833</b>	<b>5,428</b>	<b>3,264</b>	<b>53,660</b>

\* Other movements predominantly represent transfers from construction in progress to other categories.

\*\* At December 31, 2012, the Company presented its biological assets on a separate line in the statements of financial position (see note 10). 193 and 174 have been reclassified from property, plant and equipment at December 31, 2011 and 2012, respectively.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Impairment of property, plant and equipment in 2011**

In connection with management's annual test for impairment of goodwill as of November 30, 2011, property, plant and equipment was also tested for impairment at that date. As of December 31, 2011, management concluded that the carrying amount of property, plant and equipment did not exceed the value in use and therefore, no impairment loss was recognized on that basis.

The impairment loss recognized in 2011 of 331 relates to the management decision to cease all future use of various idle assets. This impairment loss included an amount of 151 with respect to the extended idling of the ArcelorMittal Madrid electric arc furnace. Also, an impairment loss of 85 was recorded in connection with the closure of the primary facilities at the Liège site of ArcelorMittal Belgium. ArcelorMittal Belgium and ArcelorMittal Madrid are part of Flat Carbon Europe and Long Carbon Americas and Europe, respectively. The carrying amount of temporarily idle property, plant and equipment, at December 31, 2011 was 809 (including 369 at Flat Carbon Europe, 291 at Flat Carbon Americas and 149 at Long Carbon Americas and Europe).

**Impairment of property, plant and equipment in 2012**

In 2012, the Company recognized an impairment charge of property, plant and equipment amounting to 727. This charge included 505 related to management's intention to cease all future use of various idle assets mainly in the framework of asset optimization, primarily in ArcelorMittal Atlantique et Lorraine, ArcelorMittal Belgium and ArcelorMittal Rodange & Schifflange. An amount of 130 was recorded with respect to the long term idling of the liquid phase of the Florange site of ArcelorMittal Atlantique et Lorraine in France. An impairment charge of 296 was recorded in connection with the Company's intention to close the coke plant and six finishing lines at the Liège site of ArcelorMittal Belgium. Both ArcelorMittal Atlantique et Lorraine and ArcelorMittal Belgium are part of Flat Carbon Europe. An impairment charge of 61 was recorded in connection with the extended idling of the electric arc furnace and continuous caster at the Schifflange site of ArcelorMittal Rodange and Schifflange in Luxembourg. ArcelorMittal Rodange and Schifflange is part of Long Carbon Americas and Europe.

In connection with management's annual test for impairment of goodwill as of October 31, 2012, property, plant and equipment was also tested for impairment at that date. Management concluded that the value in use of certain of the Company's property, plant and equipment in the Long Carbon Europe operating segment (included in the Long Carbon Americas and Europe reportable segment) was lower than its carrying amount primarily due to weak market conditions in Spain and operational issues in North Africa. Accordingly, an impairment loss of 222 was recognized. It consisted of the following:

Cash-generating unit	Operating segment	Impairment recorded	2011 Pre-Tax Discount Rate	2012 Pre-Tax Discount Rate	Carrying Value as of December 31, 2012
South	Long Carbon Europe	124	10.8%	10.9%	894
North Africa	Long Carbon Europe	98	14.8%	10.6%	464

The carrying amount of temporarily idle property, plant and equipment at December 31, 2012 was 1,216 (including 896 at Flat Carbon Americas and 320 at Flat Carbon Europe).

The carrying amount of capitalized leases was 795 and 892 as of December 31, 2011 and 2012, respectively. The 892 includes 812 related to plant, machinery and equipment, 47 to land and 33 to buildings.

The total future minimum lease payments related to financial leases are as follows:

2013	116
2014 – 2017	247
2018 and above	360
Total	723

The present value of the future minimum lease payments was 630 and 552 for the year ended December 31, 2011 and 2012, respectively. The 2012 calculation is based on an average discounting rate of 10.4% considering maturities from 1 to 16 years including the renewal option when intended to be exercised.

The Company has pledged 170 and 179 of property, plant and equipment, inventories and other security interests and collaterals as of December 31, 2011 and 2012, respectively, to secure banking facilities granted to the Company.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 12: Investments, associates and joint ventures

The Company had the following investments in associates and joint ventures accounted for under the equity method, at December 31, 2012:

Investee	Category	Country of incorporation**	Ownership % at December 31, 2012	Carrying value at December 31, 2011	Carrying value at December 31, 2012
China Oriental <sup>1</sup>	Associate	Bermuda	47.01%	1,475	1,503
Eregli Demir Ve Celik Fab.T.AS <sup>2</sup>	Associate	Turkey	18.70%	1,378	-
DHS GROUP	Associate	Germany	33.43%	1,149	1,275
Hunan Valin Steel Tube and Wire Co., Ltd. <sup>3</sup>	Associate	China	29.97%	691	561
Enovos International SA <sup>4</sup>	Associate	Luxembourg	0.00%	597	-
Gestamp	Associate	Spain	35.00%	506	602
Gonvarri Steel Industries*	Associate	Spain	35.00%	408	408
Kalagadi Manganese (Propriety) Ltd <sup>5</sup>	Associate	South Africa	50.00%	397	379
Macsteel International Holdings B.V.	Associate	Netherlands	50.00%	255	279
ArcelorMittal Gonvarri Brasil Produtos Siderurgicos	Joint Venture	Brazil	50.00%	192	173
Gallatin Steel Company	Joint Venture	United States	50.00%	168	177
Coils Lamiere Nanstri (CLN) S.p.A.	Associate	Italy	35.00%	164	161
Borcelik Celik Sanayii Ticaret A.S.	Associate	Turkey	43.90%	157	150
Stalprodukt SA <sup>6</sup>	Associate	Poland	33.77%	153	181
Kiswire ArcelorMittal Ltd	Joint Venture	Korea	50.00%	152	166
I/N Kote L.P.	Joint Venture	United States	50.00%	151	140
Coal of Africa Limited <sup>7</sup>	Associate	Australia	15.75%	116	99
Cia. Hispano-Brasileira de Pelotizaçao	Joint Venture	Brazil	49.11%	112	98
Other				820	934
<b>Total</b>				<b>9,041</b>	<b>7,286</b>

\* The carrying amount of Gonvarri Steel Industries is based on the latest available financial statements ended on October 31, 2012.

\*\* The country of incorporation corresponds to the country of operation except for China Oriental, Macsteel International Holdings B.V. and Coal of Africa Limited whose country of operation is China, South Africa and South Africa, respectively.

**China Oriental<sup>1</sup>**

China Oriental is a Chinese integrated iron and steel conglomerate listed on the Hong Kong stock exchange with revenue of CNY 38.6 billion (6.1 billion) and workforce of approximately 13,000 in 2011. On November 8, 2007, ArcelorMittal purchased approximately 820,000,000 China Oriental shares for a total consideration of 644 (HK\$ 5.02 billion), or a 28.02% equity interest. On December 13, 2007, the Company entered into a shareholder's agreement which enabled it to become the majority shareholder of China Oriental and to finally raise its equity stake in China Oriental to 73.13%. At the time of the close of its tender offer on February 4, 2008 ArcelorMittal had reached a 47% shareholding in China Oriental. Given the 45.4% shareholding held by the founding shareholders, this left a free float of 7.6% against a minimum Hong Kong Stock Exchange ("HKSE") listing requirement of 25%. The measures to restore the minimum free float have been achieved by means of sale of 17.4% stake to ING Bank N.V. ("ING") and Deutsche Bank Aktiengesellschaft ("Deutsche Bank") together with put option agreements. On March 25, 2011, these agreements have been extended for additional 36 months. The Company has not derecognized the 17.4% stake as it retained the significant risk and rewards of the investment. As of December 31, 2012, the investment had a value of 311 (399 in 2011) based on the quoted stock price of China Oriental at the Hong Stock Exchange. The public float being limited to 7%, the Company could not conclude that the security is dealt with on an active market where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company has tested the investment for impairment and determined that the value in use was greater than the carrying amount. The value in use is based

on cash flows for a period of five years, which are extrapolated for the remaining years based on an estimated constant growth rate not exceeding the average long-term growth rate for the relevant markets.

**Eregli Demir ve Çelik Fabrikalari T.A.S. ("Erdemir")<sup>2</sup>**

On March 28, 2012 ArcelorMittal decreased its stake from 25.78% (25% based on issued shares) to 18.7% in the associate Erdemir, the leading steel company in Turkey, through the sale of 134,317,503 shares for a total consideration of 264 and by way of a single accelerated bookbuilt offering to institutional investors. The Company also issued warrants in respect of 134,317,503 shares of Erdemir. Investors received for every three shares purchased one warrant maturing on July 2, 2012, one warrant maturing on October 1, 2012 and one warrant maturing on December 14, 2012 with an exercise price set at 105%, 110% and 115% above the reference price based on the recent Erdemir stock price, respectively. All warrants related to the first, second and third series, maturing on July 2, 2012, October 1, 2012 and December 14, 2012, respectively, expired unexercised. As a result of the partial disposal, the Company discontinued the accounting for the investment in Erdemir under the equity method and classified the remaining shares as available-for-sale. This transaction resulted in a net gain of 101 included in income from investments in associates and joint ventures. This included a reclassification from accumulated other comprehensive income to the statements of operations of the revaluation reserve of available-for-sale financial assets for a gain of 842. It also included a reclassification from accumulated other comprehensive income to the statements of operation of the negative foreign exchange translation difference for a loss of 422. Additional losses were incurred

on disposal of 6.25% stake for 107 as well as the remeasurement loss at fair value of the remaining investment upon discontinuation of the equity method for 212.

**Hunan Valin Steel Tube and Wire Co. Ltd. ("Hunan Valin")<sup>3</sup>**

As of December 31, 2011 and 2012, the investment had a market value of 396 and 332, respectively. In August 2011, Hunan Valin, a leading steel producer in China, completed the last stage of the private placement to issue 278 million new shares to Hunan Valin Iron & Steel Group Co. Ltd. ("Valin Group") at CNY 5.57 per share. Accordingly, ArcelorMittal's shareholding decreased from 33.02% to 29.97%. On June 6, 2012, ArcelorMittal and Valin Group finalized a share swap arrangement based upon a Put Option mechanism, which enables ArcelorMittal to exercise, over the next two years, Put Options granted by the Valin Group with respect to Hunan Valin shares. Under this arrangement, ArcelorMittal could sell up to 19.9% of the total equity (600 million shares) in Hunan Valin to the Valin Group. The exercise period of the Put Options is equally spaced with a gap of six months and linked to the key development milestones of Valin ArcelorMittal Automotive Steel ("VAMA"). Following the exercise of the Put Options, ArcelorMittal would retain a 10.07% shareholding in Hunan Valin as part of a long-term strategic cooperation agreement. ArcelorMittal's acquisition of the additional 16% shareholding in VAMA, which would be financed by the sale of shares in Hunan Valin using the Put Options, was approved by the Chinese authorities in December 2012. The put option exercise dates are February 6, 2013, August 6, 2013, February 6, 2014 and August 6, 2014. The exercise price per share is CNY 4 for the first two dates and CNY 4.4 for the last two dates. On February 6, 2013, the Company exercised the first put option

on Hunan Valin. Its interest in the associate decreased accordingly from 30% to 25%.

**Enovos International SA<sup>4</sup>**

On April 4, 2012, ArcelorMittal entered into an agreement to divest its 23.48% interest in Enovos International SA to a fund managed by AXA Private Equity for a total consideration of €330 million. Accordingly, the Company wrote the carrying amount of its investment down to the net proceeds from the sale for an amount of 185. It completed the disposal on July 17, 2012 with a consideration of €165 million paid on the same day and the remaining portion deferred for up to two years. Interest will accrue on the deferred portion. In addition, the accumulated foreign exchange translation difference of 5 was reclassified from other comprehensive income to the statements of operations.

**Kalagadi Manganese<sup>5</sup>**

In addition to the carrying amount of the investment of 379 at December 31, 2012, the Company has receivables of 39 related to project funding and payments following court decision. On November 14, 2012, ArcelorMittal signed a share purchase agreement with Mrs. Mashile-Nkosi providing for acquisition by her or her nominee of ArcelorMittal's 50% interest in Kalagadi Manganese. Under the agreement, ArcelorMittal will receive cash consideration of not less than ZAR 3.9 billion (approximately 460 million), on closing, which is subject to the arrangement of financing by the buyer. As of the date of this annual report, ArcelorMittal has not been notified of the satisfaction of this condition and therefore the investment was not classified as held for sale. Closing is also subject to the waiver of preemptive rights of the other shareholders, customary corporate approvals and various regulatory approvals.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Stalprodukt SA<sup>6</sup>**

Stalprodukt SA is a leading manufacturer and exporter of highly processed steel products based in Poland. As of December 31, 2011 and 2012, the investment had a market value of 152 and 135, respectively.

**Coal of Africa Limited (CoAL)<sup>7</sup>**

As ArcelorMittal has representation in the Board of Directors and exercises significant influence, the investment is accounted for under the equity method. On November 3, 2011, Coal of Africa Limited (CoAL) announced that 130,000,000 new ordinary shares had been placed at a price of GBP 0.51 per share. ArcelorMittal South Africa

contributed for 16 in this new offering in order to maintain its shareholding and not be diluted. The General Meeting held on June 22, 2012 confirmed the issue of 3,839,255 ordinary shares for no consideration to Directors. On July 19, 2012, CoAL announced the issue of 19,148,408 fully paid ordinary shares pursuant a subscription agreement between the Company and

Investec Bank Limited. On August 7, 2012, CoAL advised the issue of 80,570,166 fully paid shares; ArcelorMittal subscribed to 8,641,214 shares. On September 11, 2012, the Company announced the issue of 34,908,632 fully paid shares; ArcelorMittal subscribed to 11,980,000 shares. The shareholding of ArcelorMittal decreased from 15.93% to 15.75% during the year.

Summarized financial information, in the aggregate, for associates, jointly controlled entities are as follows:

	December 31, 2011	December 31, 2012
<b>Condensed statements of operations</b>		
Revenue	54,754	44,400
Net income	1,712	110
<b>Condensed statements of financial position</b>		
Total assets	55,449	44,436
Total liabilities	31,723	27,525

The Company also has interests in jointly controlled operations using proportional consolidation for which the amounts recorded in the Company's consolidated statements are as follows:

	December 31, 2011	December 31, 2012
<b>Consolidated statements of operations</b>		
Expenses	(297)	(282)
<b>Condensed statements of financial position</b>		
Current assets	49	57
Long term assets	180	168
Current liabilities	44	47
Long term liabilities	61	80

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 and joint ventures. Based on this analysis, the Company concluded that, except for Enovos as explained here above, no impairment was required.

There are no contingent liabilities related to associates and joint ventures for which the Company is severally liable for all or part of the liabilities of the associates nor are there any contingent liabilities incurred jointly with other investors. See note 23 for disclosure of commitments related to associates and joint ventures.

**Note 13: Other investments**

The Company holds the following other investments:

	December 31, 2011	December 31, 2012
Available-for-sale securities (at fair value)	16	806
Investments accounted for at cost	210	214
Total	226	1,020

The change in fair value of available-for-sale securities for the period was recorded directly in equity as an unrealized gain or loss, net of income tax and non-controlling interests, of (14) and (95) for the years ended December 31, 2011, and 2012, respectively.

On March 28, 2012 ArcelorMittal decreased its stake from 25.78% to 18.7% in the associate Erdemir (see note 12). As a result of the partial disposal, the Company discontinued the accounting for the investment in Erdemir under the equity method and classified the remaining shares as available-for-sale. As of December 31, 2012, the fair value of ArcelorMittal's remaining stake in Erdemir amounted to 795.

Dividend income from other investments amounted to 23 and 40 for the year ended December 31, 2011 and 2012, respectively.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 14: Other assets

Other assets consisted of the following:

	December 31, 2011	December 31, 2012
Long-term VAT receivables	497	475
Collateral related to the put agreement on China Oriental <sup>1</sup>	380	381
Cash guarantees and deposits	254	244
Assets in pension funds	326	717
Call options on ArcelorMittal shares and mandatory convertible bond <sup>2</sup>	291	37
Revaluation of derivative financial instruments	79	17
Income tax receivable	224	109
Financial amounts receivable	194	136
Receivable from divestments <sup>3</sup>	-	218
Others	378	594
<b>Total</b>	<b>2,623</b>	<b>2,928</b>

<sup>1</sup> On April 30, 2008, in order to restore the public float of China Oriental on the HKSE, the Company entered into a sale and purchase agreement with ING and Deutsche Bank for the sale of 509,780,740 shares representing approximately 17.40% of the issued share capital of China Oriental. The transaction also includes put option agreements entered into with both banks. The consideration for the disposal of the shares was paid to Deutsche Bank and ING as collateral to secure the obligations of the Company under the put agreements. On March 25, 2011, the agreement has been extended to April 30, 2014.

<sup>2</sup> On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 (\$27.21) per share. The Company also holds a call option on the mandatory convertible bonds (see note 17). The options are marked to market based on the binomial model.

<sup>3</sup> The amount corresponds to the second installment to be received with respect to the sale of Enovos.

## Note 15: Balances and transactions with related parties

Transactions with related parties, including associates and joint ventures of the Company, were as follows:

## Sales and trades receivables

Transactions	Category	Sales		Trade accounts receivable	
		Year ended December 31, 2011	Year ended December 31, 2012	December 31, 2011	December 31, 2012
Gonvarri Group	Associate	1,622	1,520	120	114
Macsteel Group	Associate	845	709	22	11
I/N Kote L.P.	Associate	421	455	13	-
Bamesa Group	Associate	408	410	54	39
CLN Group	Associate	476	355	32	33
Borcelik Celik Sanayii Ticaret A.S.	Associate	345	300	32	22
Stalprodukt SA	Associate	-	225	-	43
Gestamp Group	Associate	261	215	23	16
WDI Group	Associate	216	209	9	4
Aperam	Other	177	139	29	19
Uttam Galva Steels Limited	Associate	91	92	25	-
Stalprofil S.A.	Associate	92	76	9	8
ArcelorMittal BE Group SSC AB	Associate	73	65	6	3
DHS Group	Associate	264	62	13	7
Steel Mart India Private Limited	Other	83	39	9	5
Polski Koks S.A. <sup>1</sup>	Other	107	-	-	-
Other		394	310	61	61
<b>Transactions with related parties attributable to continuing operations</b>		<b>5,875</b>	<b>5,181</b>	<b>457</b>	<b>385</b>

<sup>1</sup> The shareholding in Polski Koks was sold in June 2011.

Goods and services are sold on terms that would be available to third parties.

Transactions with related parties also include long term advances paid to Paul Wurth for 84.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Purchase and trade payables

Transactions	Category	Purchases		Trade accounts payable	
		Year ended December 31, 2011	Year ended December 31, 2012	December 31, 2011	December 31, 2012
Empire Iron Mining Partnership	Associate	444	246	-	-
Borcelik Celik Sanayii Ticaret A.S.	Associate	379	202	42	32
I/N Tek L.P.	Associate	154	163	4	13
Aperam	Other	179	150	20	17
Gonvarri Group	Associate	167	148	11	11
Exeltium	Joint Venture	104	113	-	17
Consortio Minero Benito Juarez Pena Colorada, S.A. de C.V.	Associate	101	111	22	23
Uttam Galva Steels Limited	Associate	58	100	2	5
CFL Cargo S.A.	Associate	62	64	9	13
Baycoat L.P.	Associate	53	48	3	3
DHS Group	Associate	77	43	7	7
Kiswire ArcelorMittal Ltd	Associate	60	42	15	10
Cia Hispano Brasileira de Pelotização SA	Associate	194	42	22	-
Enovos International SA <sup>4</sup>	Other	75	42	19	-
ATIC <sup>1</sup>	Other	215	-	-	-
Macarthur Coal Ltd <sup>2</sup>	Other	149	-	-	-
Polski Koks S.A. <sup>3</sup>	Other	143	-	-	-
Other		283	292	81	44
<b>Transactions with related parties attributable to continuing operations</b>		<b>2,897</b>	<b>1,806</b>	<b>257</b>	<b>195</b>
<b>Transactions with related parties attributable to discontinued operations</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> ATIC was acquired on December 5, 2011.<sup>2</sup> The shareholding in Macarthur Coal Ltd was sold in December 2011.<sup>3</sup> The shareholding in Polski Koks S.A. was sold in June 2011.<sup>4</sup> The shareholding in Enovos was sold in July 2012 (see note 12). Purchases include purchase transactions until July 2012.

As a result of the termination of the cash pooling arrangement with Aperam on February 16, 2012, Aperam transferred the outstanding balance to its own bank accounts during the first quarter of 2012.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to note 27 for disclosure of transactions with key management personnel.

Transactions with related parties are mainly related to sales and purchases of raw materials and steel products.

The above mentioned transactions between ArcelorMittal and the respective entities were conducted on an arms' length basis.

## Note 16: Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, consisted of the following:

	December 31, 2011	December 31, 2012
Short-term bank loans and other credit facilities including commercial paper*	1,531	723
Current portion of long-term debt	1,130	3,516
Lease obligations	123	100
<b>Total</b>	<b>2,784</b>	<b>4,339</b>

\* The weighted average interest rate on short term borrowings outstanding were 3.8% and 5.0% as of December 31, 2011 and 2012, respectively.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Commercial paper**

The Company has a commercial paper program enabling borrowings of up to €1,000 (1,319). As of December 31, 2012, the outstanding amount was 118.

Long-term debt is comprised of the following as of December 31:

	Year of maturity	Type of interest	Interest rate <sup>1</sup>	2011	2012
<b>Corporate</b>					
4.0 billion Revolving Credit Facility	2015	Floating		-	-
6.0 billion Revolving Credit Facility	2016	Floating		1,747	-
€1.5 billion Unsecured Bonds	2013	Fixed	8.25%	1,934	1,976
1.2 billion Unsecured Notes	2013	Fixed	5.38%	1,500	1,205
€1.25 billion Convertible Bonds	2014	Fixed	7.25%	1,376	1,505
800 Convertible Senior Notes	2014	Fixed	5.00%	689	732
€0.1 billion Unsecured Bonds	2014	Fixed	5.50%	129	132
€0.5 billion Unsecured Bonds	2014	Fixed	4.63%	647	660
750 Unsecured Notes	2015	Fixed	9.50%	743	745
1.0 billion Unsecured Bonds	2015	Fixed	4.25%	991	993
500 Unsecured Notes	2015	Fixed	4.25%	-	498
500 Unsecured Notes	2016	Fixed	4.25%	497	497
€1.0 billion Unsecured Bonds	2016	Fixed	9.38%	1,283	1,312
€1.0 billion Unsecured Bonds	2017	Fixed	5.88%	1,282	1,309
1.4 billion Unsecured Notes	2017	Fixed	5.00%	-	1,392
1.5 billion Unsecured Notes	2018	Fixed	6.13%	1,500	1,500
€0.5 billion Unsecured Notes	2018	Fixed	4.50%	-	655
1.5 billion Unsecured Notes	2019	Fixed	10.35%	1,463	1,466
1.0 billion Unsecured Bonds	2020	Fixed	5.75%	982	984
1.5 billion Unsecured Notes	2021	Fixed	6.00%	1,484	1,486
1.1 billion Unsecured Notes	2022	Fixed	6.75%	-	1,088
1.5 billion Unsecured Bonds	2039	Fixed	7.50%	1,464	1,464
1.0 billion Unsecured Notes	2041	Fixed	7.25%	983	983
Other loans	2013-2016	Fixed	3.75%-7.45%	668	448
EBRD loans	2013-2015	Floating	1.43%-1.44%	118	58
EIB loan	2016	Floating	1.41%	323	330
ICO loan	2017	Floating	2.72%	91	83
Other loans	2013-2035	Floating	0.71%-4.31%	954	249
<b>Total Corporate</b>				<b>22,848</b>	<b>23,750</b>
<b>Americas</b>					
600 Senior Unsecured Notes	2014	Fixed	6.50%	500	500
Other loans	2013-2020	Fixed/Floating	2.5% - 15.08%	759	561
<b>Total Americas</b>				<b>1,259</b>	<b>1,061</b>
<b>Europe, Asia &amp; Africa</b>					
Other loans	2013-2022	Fixed/Floating	0.0%-16.00%	151	218
<b>Total Europe, Asia &amp; Africa</b>				<b>151</b>	<b>218</b>
<b>Total</b>				<b>24,258</b>	<b>25,029</b>
Less current portion of long-term debt				(1,130)	(3,516)
<b>Total long-term debt (excluding lease obligations)</b>				<b>23,128</b>	<b>21,513</b>
Long-term lease obligations <sup>2</sup>				506	452
<b>Total long-term debt, net of current portion</b>				<b>23,634</b>	<b>21,965</b>

<sup>1</sup> Rates applicable to balances outstanding at December 31, 2012

<sup>2</sup> Net of current portion of 123 and 100 in 2011 and 2012, respectively.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Corporate****300 Bilateral Credit Facility**

On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of 300. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of 300, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. As of December 31, 2011 one facility was cancelled and as of December 31, 2012, both facilities were cancelled.

**4 billion Revolving Credit Facility**

On May 6, 2010, ArcelorMittal entered into a \$4 billion three-year Revolving Credit Facility for general corporate purposes. On September 30, 2011, the original maturity of the \$4 billion Revolving Credit Facility was extended from May 6, 2013 to May 6, 2015. As of December 31, 2012, the facility remains fully available.

**6 billion Revolving Credit Facility**

On March 18, 2011, ArcelorMittal entered into a \$6 billion Revolving Credit Facility, which may be utilized for general corporate purposes and which matures on March 18, 2016. As of December 31, 2012, the facility remains fully available.

**Convertible Bonds**

On April 1, 2009, the Company issued €1.25 billion (1,662) of unsecured and unsubordinated Convertible Bonds due April 1, 2014 (the "€1.25 billion Convertible Bonds"). These bonds bear interest at 7.25% per annum payable semi-annually on April 1 and October 1 of each year commencing on October 1, 2009.

On May 6, 2009, ArcelorMittal issued 800 of unsecured and unsubordinated Convertible Senior Notes (the "800 Convertible Senior Notes") due May 15, 2014. These notes bear interest at 5.00% per annum payable semi-annually on May 15 and November 15 of each year commencing on November 15, 2009. The €1.25 billion Convertible Bonds and the 800 Convertible Senior Notes are collectively referred to herein as the Convertible Bonds.

The €1.25 billion Convertible Bonds may be converted by the bondholders from May 11, 2009 until the end of the seventh business day preceding maturity. The 800 Convertible Senior Notes may be converted by the noteholders from May 6, 2009 until the end of the seventh business day preceding maturity.

At inception, the Company had the option to settle the Convertible Bonds for common shares or the cash value of the common shares at the date of settlement as defined in the Convertible Bonds' documentation. The Company determined that the agreements related to the Convertible Bonds were hybrid instruments as the conversion option gave the holders the right to put the Convertible Bonds back to the Company in exchange for common shares or the cash equivalent of the common shares of the Company based upon the Company's share price at the date of settlement. In addition, the Company identified certain components of the agreements to be embedded derivatives. On October 28, 2009, the Company announced that it had decided to irrevocably waive the option to settle the 800 convertible senior notes in cash for the cash value of the common shares at the date of settlement.

At the inception of the Convertible Bonds, the Company determined the fair value of the embedded derivatives using the binomial option valuation methodology and recorded the amounts as financial liabilities in other long-term obligations of 408 and 189 for the €1.25 billion Convertible Bonds and the 800 Convertible Senior Notes, respectively. As a result of the waiver of the option to settle the 800 Convertible Senior Notes in cash for the cash value of the common shares at the date of settlement, the Company determined that the conversion option was an equity instrument. As a consequence, its fair value of 279 (198 net of tax) at the date of the waiver was transferred to equity.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

As of December 31, 2011 and 2012, the fair value of the embedded derivative for the €1.25 billion Convertible Bonds was 180 and 25, respectively. The change in fair value of 698 (661 including foreign exchange effect) and 156 (155 including foreign exchange effect) related to the Convertible Bonds was a non-cash activity and was recognized in the consolidated statements of operations for the years ended December 31, 2011 and 2012 as financing costs, respectively. Assumptions used in the fair value determination as of December 31, 2011 and 2012 were as follows:

	€1.25 billion convertible bonds	
	December 31, 2011	December 31, 2012
Spot value of shares	€ 14.13	€ 12.94
Quote of convertible bonds	€ 23.36	€ 22.17
Credit spread (basis points)	476	189
Dividend per quarter	€ 0.14	€ 0.14

In transactions conducted on December 14, 2010 and December 18, 2010, respectively ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares and US dollar-denominated call options on 26,533,997 of its own shares, with strike prices of €20.25 and \$30.15 per share, respectively, allowing it to hedge its obligations arising out of the potential conversion of the Convertible Bonds (see notes 17 and 18). Assumptions used in fair value of the euro denominated call option were similar to the ones used above for the embedded derivative.

**Mandatory convertible bonds**

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 mandatory convertible bonds into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and were not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010, which date was later amended to April 20, 2011, until ten business days before the maturity date. This call option is recognized at fair value and the Company recognized in 2012 a loss of 99 (gain of 42 in 2011) for the change in fair value in the consolidated statements of operations. The subsidiary invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Erdemir and Macarthur, both of which were publicly-listed companies in which such subsidiaries hold a minority stake. The subsidiary may also, in agreement with Crédit Agricole, invest in other financial instruments. These bonds bear a floating interest rate based on three months Libor plus a margin payable on each February 25, May 25, August 25 and November 25. The Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. As such, the Company determined the fair value of the financial liability component of the bonds was 55 on the date of issuance.

On April 20, 2011, the conversion date of the mandatory convertible bonds was extended to January 31, 2013. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including a financial liability of 60.

On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000. The Company determined that this increase led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument.

As a result of the final settlement of the proceeds from the sale of the shares in Macarthur on December 21, 2011, the notes issued by a subsidiary of ArcelorMittal and linked to the Macarthur shares were subject to an early redemption for 1,208. Prior to December 31, 2011 the Company committed to Crédit Agricole to link new notes to China Oriental shares. The proceeds from the redemption of the notes were invested in a term deposit with Crédit Agricole until January 17, 2012. On that date, notes linked to China Oriental Group Company Ltd were issued by a subsidiary of ArcelorMittal.

On December 18, 2012, the conversion date of the mandatory convertible bonds was extended to January 31, 2014. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including a financial liability of 48.

As of December 31, 2012, 48 is included in long-term debt and carried at amortized cost. As of December 31, 2011, 52 was included in long-term debt. The financial liability component is included in other loans with floating rates in the above table. The value of the equity component of 951 (934 net of tax and fees at December 31, 2011 ) was determined based upon the difference of the total nominal amount of mandatory convertible bonds of 1,000 and the fair value of the financial liability component on December 18, 2012 and is included in equity as non-controlling interests.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Bonds**

The following table describes the maturity and interest rates of various Notes and Bonds. The margin under certain of ArcelorMittal's outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings. Due, among other things, to the weak steel industry outlook and ArcelorMittal's credit metrics and level of debt, Standard & Poor's, Moody's and Fitch downgraded the Company's rating to below "investment grade" in August (first downgrade), November and December 2012 (second downgrade), respectively. These downgrades triggered the interest rate "step-up" clauses in most of the Company's outstanding bonds, as described in the table below:

Nominal value	Date of issuance	Repayment date	Initial interest rate (per annum)	Interest rate (post 1 <sup>st</sup> downgrade)	Interest rate (post 2 <sup>nd</sup> downgrade)	Issued at
€1.5 billion Unsecured Bonds	June 3, 2009	June 3, 2013	8.25%	8.25% <sup>(3)</sup>	8.25% <sup>(3)</sup>	99.59%
1.2 billion Unsecured Notes <sup>4</sup>	May 27, 2008	June 1, 2013	5.38%	5.38% <sup>(2)</sup>	5.38% <sup>(2)</sup>	99.72%
€0.1 billion Unsecured Bonds	July 15, 2004	July 15, 2014	5.50%	5.50% <sup>(2)</sup>	5.50% <sup>(2)</sup>	101.97%
€0.5 billion Unsecured Bonds	November 7, 2004	November 7, 2014	4.63%	4.63% <sup>(2)</sup>	4.63% <sup>(2)</sup>	99.20%
750 Unsecured Notes	May 20, 2009	February 15, 2015	9.00%	9.25%	9.50%	98.93%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2015	3.75%	4.00%	4.25%	99.12%
500 Unsecured Notes	February 28, 2012	February 25, 2015	3.75%	4.00%	4.25%	99.79%
500 Unsecured Notes	March 7, 2011	March 1, 2016	3.75%	4.00%	4.25%	99.57%
€1.0 billion Unsecured Bonds	June 3, 2009	June 3, 2016	9.38%	9.38% <sup>(5)</sup>	9.38% <sup>(5)</sup>	99.38%
€1.0 billion Unsecured Bonds <sup>1</sup>	November 18, 2010	November 17, 2017	4.63%	5.88%	5.88%	100%
1.4 billion Unsecured Notes	February 28, 2012	February 25, 2017	4.50%	4.75%	5.00%	99.69%
1.5 billion Unsecured Notes	May 27, 2008	June 1, 2018	6.13%	6.13% <sup>(2)</sup>	6.13% <sup>(2)</sup>	99.57%
€0.5 billion Unsecured Notes <sup>1</sup>	March 29, 2012	March 29, 2018	4.50%	4.50% <sup>(6)</sup>	4.50% <sup>(6)</sup>	99.71%
1.5 billion Unsecured Notes	May 20, 2009	June 1, 2019	9.85%	10.10%	10.35%	97.52%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2020	5.25%	5.50%	5.75%	98.46%
1.5 billion Unsecured Notes	March 7, 2011	March 1, 2021	5.50%	5.75%	6.00%	99.36%
1.1 billion Unsecured Notes	February 28, 2012	February 25, 2022	6.25%	6.50%	6.75%	98.28%
1 billion Unsecured Bonds	October 1, 2009	October 15, 2039	7.00%	7.25%	7.50%	95.20%
500 Unsecured Bonds	August 5, 2010	October 15, 2039	7.00%	7.25%	7.50%	104.84%
1.0 billion Unsecured Notes	March 7, 2011	March 1, 2041	6.75%	7.00%	7.25%	99.18%

<sup>1</sup> Issued under the €3 billion Euro Medium Term Notes Programme

<sup>2</sup> No impact on interest rate following downgrades in 2012

<sup>3</sup> No impact from downgrade since notes maturity date is same as effective date of new interest rate

<sup>4</sup> On March 2, 2012, the Company purchased 298 principal amount (314 including other financial charges and accrued interests). The remaining outstanding principal amount of notes is 1.2 billion as of December 31, 2012.

<sup>5</sup> Interest rate following downgrades in 2012 is 10.63%, effective from June 3, 2013. No impact in 2012.

<sup>6</sup> Interest rate following downgrades in 2012 is 5.75%, effective from March 29, 2013. No impact in 2012.

**European Bank for Reconstruction and Development ("EBRD") Loans**

The Company entered into five separate agreements with the EBRD for on-lending to the following subsidiaries on the following dates: ArcelorMittal Galati on November 18, 2002, ArcelorMittal Kryviy Rih on April 4, 2006, ArcelorMittal Temirtau on June 15, 2007, ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last installment under these agreements is due in January 2015. The total outstanding amount as of December 31, 2011 and 2012 was 118 and 58, respectively. The agreement related to ArcelorMittal Galati was fully repaid on November 23, 2009. The agreements related to ArcelorMittal Skopje and ArcelorMittal Zenica were fully repaid on October 9, 2012.

**European Investment Bank ("EIB") Loan**

The Company entered into an agreement with the EIB for the financing of activities for research, engineering and technological innovation related to process improvements and new steel product developments on July 15, 2010. The full amount of €250 million was drawn on September 27, 2011. The final repayment date under this agreement is September 27, 2016. The outstanding amount in total as of December 31, 2011 and 2012 was 323 (€250 million) and 330 (€250 million) respectively.

**Instituto de Crédito Oficial ("ICO") Loan**

The Company entered into an agreement with the ICO on April 9, 2010 for the financing of the Company investment plan in Spain for the period 2008–2011. The last installment under this agreement is due on April 7, 2017. The outstanding amount in total as of December 31, 2011 and 2012 was 91 (€70 million) and 83 (€63 million) respectively.

**Other loans**

On July 24, 2007, ArcelorMittal Finance a wholly-owned subsidiary, together with another subsidiary, signed a five year €500 million term loan due 2012. As of December 31, 2012 this loan was fully repaid.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Americas

## Senior Unsecured Notes

On April 14, 2004, ArcelorMittal USA issued 600 of senior, unsecured debt securities due in 2014. The debt securities bear interest at a rate of 6.5% per annum. On July 22, 2005, ArcelorMittal USA repurchased 100 of Unsecured Notes leaving an outstanding balance of 500. These Notes are fully and unconditionally guaranteed on a joint and several basis by certain 100% owned subsidiaries of ArcelorMittal USA and by ArcelorMittal.

## Other loans

The other loans relate mainly to loans contracted by ArcelorMittal Brasil with different counterparties.

In 2008, the acquisition of Industrias Unicon included the assumption of a 232 principal amount of loan maturing between 2009 and 2012 of which approximately 17% bear fixed rates of interest and 83% bear floating rates of interest. As of December 31, 2012 these loans were fully repaid.

## Other

Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and ArcelorMittal's ability to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

The Company's principal credit facilities (4.0 billion Revolving Credit Facility, 6.0 billion Revolving Credit Facility) include the following financial covenant: the Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the Company for a Measurement Period, subject to certain adjustments as defined in the facilities) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a 3.5 ratio.

Failure to comply with any covenant would enable the lenders to accelerate the Company's repayment obligations. Moreover, the Company's debt facilities have provisions whereby certain events relating to other borrowers within the Company's subsidiaries could, under certain circumstances, lead to acceleration of debt repayment under such credit facilities. Any invocation of these cross-acceleration clauses could cause some or all of the other debt to accelerate.

The Company was in compliance with the financial covenants contained in the agreements related to all of its borrowings as of December 31, 2012.

As of December 31, 2012 the scheduled maturities of short-term debt, long-term debt and long-term lease obligations, including their current portion are as follows:

2013	4,339
2014	3,879
2015	2,573
2016	2,507
2017	2,886
Subsequent years	10,120
<b>Total</b>	<b>26,304</b>

The Company monitors its net debt in order to manage its capital. The following table presents the structure of the Company's net debt in original currencies:

	Presented in USD by original currency as at December 31, 2012						
	Total USD	EUR	USD	BRL	PLN	CAD	Other (in USD)
Short-term debt including the current portion of long-term debt	4,339	2,437	1,497	120	-	7	278
Long-term debt	21,965	6,365	14,996	356	1	19	228
Cash including restricted cash	(4,536)	(2,342)	(1,066)	(327)	(17)	(16)	(768)
Net debt	21,768	6,460	15,427	149	(16)	10	(262)

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.

The carrying value of short-term bank loans and commercial paper approximate their fair value. The carrying amount and fair value of the Company's long-term debt (including current portion) and lease obligations (including current portion) is:

	December 31, 2011		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Instruments payable bearing interest at fixed rates	20,731	21,675	24,096	25,853
Instruments payable bearing interest at variable rates	4,156	3,743	1,485	1,629

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.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 17: Financial instruments

The Company enters into derivative financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and the price of raw materials, energy and emission rights allowances 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 judgment in interpreting market data and developing estimates.

Other current assets of 242 and 286 and non-current assets of 370 and 54 correspond to derivative instruments as of December 31, 2011 and 2012, respectively, which 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 including call options are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, amounting to 308 and 333 as of December 31, 2011 and 2012, respectively, and for the fair value of the conversion option of the euro convertible bonds which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost".

The following tables summarize the bases used to measure certain assets and liabilities at their fair value. 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.

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.

	As of December 31, 2011			Total
	Level 1	Level 2	Level 3	
<b>Assets at fair value:</b>				
Available-for-sale financial assets	16	-	-	16
Derivative financial current assets	-	242	-	242
Derivative financial non current assets	-	79	291	370
Total assets at fair value	16	321	291	628
<b>Liabilities at fair value</b>				
Derivative financial liabilities	-	308	180	488
Total liabilities at fair value	-	308	180	488

	As of December 31, 2012			Total
	Level 1	Level 2	Level 3	
<b>Assets at fair value:</b>				
Available-for-sale financial assets	807	-	-	807
Derivative financial current assets	-	286	-	286
Derivative financial non current assets	-	17	37	54
Total assets at fair value	807	303	37	1,147
<b>Liabilities at fair value</b>				
Derivative financial liabilities	-	333	25	358
Total liabilities at fair value	-	333	25	358

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

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. The increase in the available-for-sale financial assets is related to the Erdemir shares (see note 12).

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates, foreign exchange rates, raw materials (base metal), freight, energy and emission rights. 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 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.

Derivative financial liability classified as Level 3 refer to the conversion option in the €1.25 billion convertible bonds. Derivative financial assets classified as Level 3 refer to the euro-denominated call option on our own shares and the call option on the 1,000 mandatory convertible bonds (see note 16). The fair value is derived through the use of a binomial model.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the €1.25 billion convertible bonds, the euro-denominated call option on the Company's own shares, the call option on the 1,000 mandatory convertible bonds for the year ended December 31, 2011 and 2012, respectively:

	€1.25 billion convertible bond	Euro-denominated call option on treasury shares	Call option on 1,000 mandatory convertible bonds <sup>1</sup>	Total
<b>Balance as of December 31, 2010</b>	<b>(841)</b>	<b>841</b>	<b>69</b>	<b>69</b>
Change in fair value	698	(698)	42	42
Foreign exchange	(37)	37	-	-
<b>Balance as of December 31, 2011</b>	<b>(180)</b>	<b>180</b>	<b>111</b>	<b>111</b>
Change in fair value	156	(156)	(99)	(99)
Foreign exchange	(1)	1	-	-
<b>Balance as of December 31, 2012</b>	<b>(25)</b>	<b>25</b>	<b>12</b>	<b>12</b>

<sup>1</sup> Please refer to note 16 for details on the mandatory convertible bonds

On December 28, 2009, the Company issued through a wholly-owned subsidiary unsecured and unsubordinated 750 bonds mandatorily convertible into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and are not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010 until ten business days before the maturity date. On April 20, 2011, the conversion date of the mandatory convertible bonds was extended to January 31, 2013. On September 27, 2011, the Company increased the mandatory convertible bonds and the call option on the mandatory convertible bonds from 750 to 1,000. On December 18, 2012, the conversion date of the mandatory convertible bonds was extended to January 31, 2014. The fair value of these call options was 12 as of December 31, 2012 and the change in fair value recorded in the statements of operations as financing costs was 99. These call options are classified into Level 3. The fair value of the call options was determined through a binomial model based on the estimated values of the underlying equity spot price of 142.1 and volatility of 8.19%.

On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 per share and a total amount of €700 (928) including transaction costs. The 61.7 million of call options acquired allow ArcelorMittal to hedge its obligations arising primarily out of the potential conversion of the 7.25% bonds convertible into and/or exchangeable for new or existing ArcelorMittal shares due April 1, 2014. These call options were accounted for as derivative financial instruments carried at fair value with changes recognized in the consolidated statements of operations as financing costs as they can be settled either through physical delivery of the treasury shares or through cash. The fair value of these call options was 25 as of December 31, 2012 and the change in fair value recorded in the statements of operations was (156). These call options are classified into Level 3.

#### Portfolio of derivatives

The Company manages the counter-party risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction and underlying, risk limits and/or the characteristics of the counter-party. The Company does not generally grant to or require from its counter-parties guarantees of the risks incurred. Allowing for exceptions, the Company's counter-parties are part of its financial partners and the related market transactions are governed by framework agreements (mainly of the International Swaps and Derivatives Association agreements which allow netting in case of counter-party default).

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2011 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
<b>Interest rate swaps – fixed rate borrowings/loans</b>	551	11	4.55%	318	(2)	3.07%
<b>Other interest rate instrument</b>	-	-		788	(4)	
Total interest rate instruments		11			(6)	
<b>Foreign exchange rate instruments</b>						
Forward purchase of contracts	6,159	182		7,491	(6)	
Forward sale of contracts	1,074	2		5,135	(60)	
Currency Swaps purchases	-	-		1,240	(83)	
Exchange option purchases	104	1		5,153	(64)	
Exchange options sales	5,153	68		104	(2)	
Total foreign exchange rate instruments		253			(215)	
<b>Raw materials (base metal), freight, energy, emission rights</b>						
Term contracts sales	277	53		111	(5)	
Term contracts purchases	168	4		530	(82)	
Total raw materials (base metal), freight, energy, emission rights		57			(87)	
<b>Total</b>		<b>321</b>			<b>(308)</b>	

\* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2012 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
<b>Interest rate swaps – fixed rate borrowings/loans</b>	517	13	4.55%	50	(2)	1.17%
<b>Other interest rate instrument</b>	-	-		16	(1)	
Total interest rate instruments		13			(3)	
<b>Foreign exchange rate instruments</b>						
Forward purchase of contracts	524	21		1,056	(23)	
Forward sale of contracts	1,126	18		1,465	(21)	
Currency swaps purchases	287	-		357	(42)	
Exchange option purchases	786	3		3,627	(221)	
Exchange options sales	4,281	228		132	-	
Total foreign exchange rate instruments		270			(307)	
<b>Raw materials (base metal), freight, energy, emission rights</b>						
Term contracts sales	230	15		136	(8)	
Term contracts purchases	92	5		167	(15)	
Total raw materials (base metal), freight, energy, emission rights		20			(23)	
<b>Total</b>		<b>303</b>			<b>(333)</b>	

\* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.

**Interest rate risk**

The Company utilizes certain instruments to manage interest rate risks. Interest rate instruments allow the Company to borrow long-term at fixed or variable rates, and to swap the rate of this debt 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 rate and the variable rate, calculated on the basis of the notional amount of the swap. Similarly, swaps may be used for the exchange of variable rates against other variable rates.

Interest rate derivatives used by the Company to manage changes in the value of fixed rate loans qualify as fair value hedges.

**Exchange rate risk**

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. Because of a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has an exposure 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, the Canadian dollar, Brazilian real and South African rand, as well as fluctuations in the other countries' currencies in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

ArcelorMittal faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and coking coal, 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 impacting negatively on the Company's operating margins.

Following its Treasury and Financial Risk Management Policy, the Company hedges a portion of its net exposure to exchange rates through forwards, options and swaps.

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates the statements of operations of its subsidiaries, its corporate net debt (see note 16) and other items denominated in currencies other than the U.S. dollars, for inclusion in the consolidated financial statements.

The Company also uses the derivative instruments, described above, at the corporate level to hedge debt recorded in foreign currency other than the functional currency or the balance sheet risk incurred on certain monetary assets denominated in a foreign currency other than the functional currency.

**Liquidity risk**

ArcelorMittal's principal sources of liquidity are cash generated from its operations, its credit lines at the corporate level and various working capital credit lines at its operating subsidiaries. The Company actively manages its liquidity. Following the Treasury and Financial Risk Management Policy, the levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to comply with the covenant ratios, leverage, fixed/floating ratios, maturity profile and currency mix.

The following are the non-discounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2011 (Restated)*					
	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Convertible bonds	(2,117)	(2,876)	(210)	(170)	(2,496)	-
Other bonds	(18,137)	(28,713)	(1,436)	(4,705)	(7,969)	(14,603)
Loans over 100	(3,703)	(4,025)	(1,529)	(93)	(2,349)	(54)
Trade and other payables	(12,836)	(12,863)	(12,863)	-	-	-
Other non-derivative financial liabilities	(2,461)	(2,854)	(1,242)	(464)	(759)	(389)
<b>Total</b>	<b>(39,254)</b>	<b>(51,331)</b>	<b>(17,280)</b>	<b>(5,432)</b>	<b>(13,573)</b>	<b>(15,046)</b>
<b>Derivative financial liabilities</b>						
Interest rate instruments	(6)	(6)	(4)	-	(2)	-
Foreign exchange contracts	(215)	(215)	(134)	(68)	(13)	-
Other commodities contracts	(87)	(87)	(83)	(4)	-	-
<b>Total</b>	<b>(308)</b>	<b>(308)</b>	<b>(221)</b>	<b>(72)</b>	<b>(15)</b>	<b>-</b>

\* Subsequent to the issuance of the 2011 financial statements, the Company determined that certain amounts included within the financial liabilities contractual cash flows table did not represent actual cash obligations. Within the line item "Convertible Bonds", 1 billion was included as a contractual cash flow related to the Company's mandatory convertible bond issued in 2009. As described in Note 16, the Company has a call option to call the mandatory convertible bonds prior to their maturity; however, there is no contractual obligation to do so. Additionally, the Company had previously reported financial guarantees within this table in a total amount of 3,111. This amount represented guarantees issued to third parties, generally by the parent company on behalf of subsidiaries, to guarantee future purchases or payments related to operating leases. These financial guarantees, which are also disclosed in Note 23, are not recognized on the balance sheet because the Company does not believe it is probable that it will deliver payment under the guarantees.

	December 31, 2012					
	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Convertible bonds	(2,285)	(2,736)	(196)	(2,540)	-	-
Other bonds	(21,134)	(32,137)	(4,608)	(2,494)	(9,866)	(15,169)
Loans over 100	(1,251)	(1,510)	(340)	(104)	(766)	(300)
Trade and other payables	(11,418)	(11,430)	(11,430)	-	-	-
Other non-derivative financial liabilities	(1,634)	(2,020)	(967)	(374)	(526)	(153)
<b>Total</b>	<b>(37,722)</b>	<b>(49,833)</b>	<b>(17,541)</b>	<b>(5,512)</b>	<b>(11,158)</b>	<b>(15,622)</b>
<b>Derivative financial liabilities</b>						
Interest rate instruments	(3)	(3)	-	(1)	(2)	-
Foreign exchange contracts	(307)	(307)	(292)	(15)	-	-
Other commodities contracts	(23)	(23)	(16)	(6)	(1)	-
<b>Total</b>	<b>(333)</b>	<b>(333)</b>	<b>(308)</b>	<b>(22)</b>	<b>(3)</b>	<b>-</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Cash flow hedges

The following table presents the periods in which cash flows hedges are expected to mature:

	December 31, 2011					
	Assets/ (liabilities)		(Outflows)/inflows			
	Fair value	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	165	147	18	–	–	–
Commodities	(14)	(9)	(2)	(1)	(2)	–
Emission rights	(16)	–	–	(16)	–	–
Total	135	138	16	(17)	(2)	–

	December 31, 2012					
	Assets/ (liabilities)		(Outflows)/inflows			
	Fair value	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	(20)	(15)	(5)	–	–	–
Commodities	1	1	–	–	–	–
Total	(19)	(14)	(5)	–	–	–

Associated gain or losses that were recognized in other comprehensive income are reclassified from equity to the consolidated statements of operations in the same period during which the hedged forecasted cash flow affects the consolidated statements of operations. The following table presents the periods in which cash flows hedges are expected to impact the consolidated statements of operations:

	December 31, 2011					
	Assets/ (liabilities)		(Expense)/income			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	266	75	54	66	53	18
Commodities	(14)	(6)	(4)	(2)	(2)	–
Emission rights	(38)	–	–	(38)	–	–
Total	214	69	50	26	51	18

	December 31, 2012					
	Assets/ (liabilities)		(Expense)/income			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	38	6	(3)	17	18	–
Commodities	1	1	–	–	–	–
Total	39	7	(3)	17	18	–

Several forward exchange and options contracts related to the purchase of raw materials denominated in U.S. dollars were unwound during 2008. The effective portion is recorded in equity and represents a deferred gain that will be recycled to the consolidated statements of operations when the converted raw materials are sold. In 2008, prior to unwinding the contracts, the ineffective portion of 349 was recorded as operating income. During 2011, €431 million (600) was recycled to cost of sales related to the sale of inventory in 2011 and changes in the estimated future raw material purchases expected to occur. As of December 31, 2011 the effective portion deferred in equity was €507 million (656), excluding deferred tax expense of €146 million (189). During 2012, €439 million (566) was recycled to cost of sales related to the sale of inventory in 2012. Including the effects of foreign currency fluctuations, the deferred gain was €68 million (90), excluding deferred tax expense of €26 million (35), as of December 31, 2012 and is expected to be recycled to the consolidated statements of operations during 2013.

During the year ended December 31, 2011 the Company entered into several forward exchange and options contracts related to the purchase of raw materials denominated in U.S. dollars. The program was unwound during the year ended December 31, 2011. As of December 31, 2011 the effective portion deferred in equity was €48 million (62), including deferred tax expense of €13 million (17). The effective portion represents a deferred gain that will be recycled to the consolidated statements of operations when the converted raw materials will be sold. The deferred gain is expected to be recycled to the statements of operations between 2012 and 2014. During 2012, €15 million (19) was recycled to cost of sales related to the sale of inventory in 2012. Including the effects of foreign currency fluctuations, the deferred gain was €33 million (44), excluding deferred tax expense of €10 million (13), as of December 31, 2012.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Raw materials, freight, energy risks and emission rights

The Company uses financial instruments such as forward purchases or sales, options and swaps for certain commodities in order to manage the volatility of prices of certain raw materials, freight and energy. The Company is exposed to risks in fluctuations in prices of raw materials (including base metals such as zinc, nickel, aluminum, tin and copper) freight and energy, both through the purchase of raw materials and through sales contracts.

Fair values of raw material freight, energy and emission rights instruments are as follows:

	At December 31, 2011	At December 31, 2012
Base metals	(13)	5
Freight	–	(6)
Energy (oil, gas, electricity)	(7)	(2)
Emission rights	(10)	–
Total	(30)	(3)
Derivative asset associated with raw material, energy, freight and emission rights	57	20
Derivative liabilities associated with raw material, energy, freight and emission rights	(87)	(23)
Total	(30)	(3)

ArcelorMittal, consumes large amounts of raw materials (the prices of which are related to the London Metals Exchange price index), ocean freight (the price of which is related to a Baltic Exchange Index), and energy (the prices of which are related to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). As a general matter, ArcelorMittal is exposed to price volatility with respect to its purchases in the spot market and under its long-term supply contract. In accordance with its risk management policy, ArcelorMittal hedges a part of its risk exposure to its raw materials procurements.

## Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (cash purchase and sale, forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2011 and 2012, the Company had a net notional position of 7 with a net fair value of (10) and a net notional position of 0 with a net fair value of 0, respectively.

## Credit risk

The Company's treasury department monitors various market data regarding the credit standings and overall reliability of the financial institutions for all countries where the Company's subsidiaries operate. The choice of the financial institution for the financial transactions must be approved by the treasury department. Credit risk related to customers, customer credit terms and receivables is discussed in note 6.

## Sensitivity analysis

## Foreign currency sensitivity

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% strengthening and a 10% weakening in the U.S. dollar against the other currencies, mainly euro, for which the Company estimates to be a reasonably possible exposure. The sensitivity analysis includes only foreign currency derivatives on USD against another currency. A positive number indicates an increase in profit or loss and other equity where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2012	
	Income	Other equity
10% strengthening in US dollar	(60)	89
10% weakening in US dollar	7	(97)

## Cash flow sensitivity analysis for variable rate instruments

The following table details the Company's sensitivity as it relates to variable interest rate instruments. A change of 100 basis points ("bp") in interest rates during the period would have increased (decreased) profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2012	
	Floating portion of net debt <sup>1</sup>	Interest rate swaps/ forward rate agreements
100 bp increase	26	–
100 bp decrease	(26)	–

<sup>1</sup> Please refer to note 16 for a description of total net debt (including fixed and floating portion)

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

*Base metals, energy, freight, emissions rights*

The following table details the Company's sensitivity to a 10% increase and decrease in the price of the relevant base metals, energy, freight, and emissions rights. The sensitivity analysis includes only outstanding, un-matured base metal derivative instruments both held for trading at fair value through the consolidated statements of operations and those designated in hedge accounting relationships.

	December 31, 2012	
	Income	Other equity cash flow hedging reserves
<b>+10% in prices</b>		
Base metals	1	9
Freights	-	-
Emission rights	-	-
Energy	4	-
<b>-10% in prices</b>		
Base metals	(1)	(9)
Freights	-	-
Emission rights	-	-
Energy	(4)	-

## Note 18: Equity

**Authorized shares**

At the Extraordinary General Meeting held on May 8, 2012, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €643 million represented by 156 million shares, or approximately 10% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €7.7 billion represented by 1,773 million shares without nominal value.

**Share capital**

On January 25, 2011, at an Extraordinary General Meeting, the shareholders approved an authorization for the Board of Directors to decrease the issued share capital, the share premium, the legal reserve and the retained earnings of the Company as a result of the spin-off the Company's stainless steel business into Aperam. The Company's issued share capital was reduced by €409 (547) from €6,837 (9,950) to €6,428 (9,403) without reduction in the number of shares issued and fully paid up, which remained at 1,560,914,610. The ordinary shares do not have a nominal value.

**Treasury shares and call options on ArcelorMittal shares**

On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 (\$27.21) per share. The call options were acquired in order to hedge the Company's obligations arising from the potential conversion of the 7.25% convertible bonds for ArcelorMittal shares due April 1, 2014. In connection with this transaction, the Company sold 26.48 million treasury shares through an over-the-counter block trade for a price of €26.42 (\$35.50) per share on December 14, 2010 (see note 17).

On December 18, 2010, ArcelorMittal acquired USD denominated call options on 26,533,997 of its own shares with a strike price of \$30.15 per share in order to hedge its obligations arising from the potential conversion of the 5% USD denominated convertible bonds into ArcelorMittal shares due May 15, 2014. These call options were accounted for as an equity instrument as they can be settled only through physical delivery of the treasury shares. In connection with this transaction, the Company also entered into an agreement on December 18, 2010 to sell 11.5 million treasury shares through an over-the-counter block trade for a price of \$37.87 per share, for settlement on December 30, 2010.

**Subordinated perpetual capital securities**

On September 28, 2012, the Company issued subordinated perpetual capital securities for a nominal amount of 650 and a coupon of 8.75%, which will reset periodically over the life of the securities, with the first reset after five years and subsequently every five years thereafter. A step up in interest of 0.25% will occur on the second reset date and a subsequent step up of 0.75% (cumulative with the initial 0.25%) fifteen years later. The Company is entitled to call the securities in five years, ten years and on subsequent coupon payment dates. As the Company has no obligation to redeem the securities and the coupon payment may be deferred by the Company under certain circumstances, it classified the net proceeds from the issuance of subordinated perpetual capital securities (642 net of transaction costs) as equity.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except for share-based payments)

## Earnings per common share

The following table provides the numerators and a reconciliation of the denominators used in calculating basic and diluted earnings per common share for the years ended December 31, 2011 and 2012:

	Year ended December 31, 2011	Year ended December 31, 2012
Net income (loss) attributable to equity holders of the parent	2,263	(3,726)
Interest assumed on the coupon for subordinated perpetual capital securities	-	(15)
Net income (loss) considered for the purposes of basic earnings per share	2,263	(3,741)
Interest, foreign exchange and fair value of the embedded derivatives assumed for the Convertible Bonds issued in 2009	(347)	-
<b>Net income (loss) considered for the purposes of diluted earnings per share</b>	<b>1,916</b>	<b>(3,741)</b>
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,549	1,549
Incremental shares from assumed conversion of stock options, restricted share units and performance share units (in millions)	-	1
Incremental shares from assumed conversion of the Convertible Bonds issued in 2009 (in millions)	62	-
<b>Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share</b>	<b>1,611</b>	<b>1,550</b>

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 22 million and 23 million potential common shares from stock options outstanding for the years ended December 31, 2011 and 2012, respectively, because such stock options are anti-dilutive. Diluted weighted average common shares outstanding also excludes 88 million potential common shares from the Convertible Bonds described in note 16 for the year ended December 31, 2012 because the potential common shares are anti-dilutive.

## Employee share purchase plan

At the Annual General Shareholders' meeting held on May 11, 2010 the shareholders of ArcelorMittal adopted an Employee Share Purchase Plan ("ESPP") as part of a global employee engagement and participation policy. Similar to the previous ESPP implemented in 2009, and authorized at the Annual General Shareholders' meeting of May 12, 2009 the plan's goal is to strengthen the link between the Company and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the 2009 and 2010 plans are the following:

- In 2009, the plan was offered to 204,072 employees in 22 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 392,282 shares were subscribed (of which 1,300 shares by Members of the GMB and the Management Committee of the Company). The purchase price was \$36.56 before discounts. The subscription period ran from November 10, 2009 until November 19, 2009 and was settled with treasury shares on January 21, 2010.
- In 2010, the plan was offered to 183,560 employees in 21 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 164,171 shares were subscribed (of which 1,500 shares by Members of the Group Management Board and the Management Committee of the Company). The purchase price was \$34.62 before discounts. The subscription period ran from November 16, 2010 until November 25, 2010 and was settled with treasury shares on January 10, 2011.
- In connection with ArcelorMittal's Employee Share Purchase Plan 2009 (ESPP 2009) and Employee Share Purchase Plan 2010 (ESPP 2010), a total of respectively 392,282 and 164,171 ArcelorMittal shares were subscribed by participating ArcelorMittal employees, out of a total of 2,500,000 shares available for subscription under each ESPP, with a maximum of up to 200 shares per employee. All shares allocated to employees under the ESPP 2009 and ESPP 2010 were treasury shares. Due to the low subscription levels in previous years and the complexity and high cost of setting up an ESPP, management decided not to propose the launch of an ESPP in 2011 and in 2012 for approvals to the annual general shareholders' meetings on May 10, 2011 and May 8, 2012, respectively.
- Pursuant to the plans, eligible employees could apply to purchase a number of shares not exceeding that number of whole shares equal to the lower of (i) 200 shares and (ii) the number of whole shares that may be purchased for fifteen thousand U.S. dollars (rounded down to the nearest whole number of shares).

For the 2009 and 2010 plans, the purchase price is equal to the average of the opening and the closing prices of the Company shares trading on the New York Stock Exchange on the exchange day immediately preceding the opening of the relevant subscription period, which is referred to as the "reference price", less a discount equal to:

- 15% of the reference price for a purchase order not exceeding the lower of (i) 100 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of seven thousand five hundred U.S. dollars, and thereafter;
- 10% of the reference price for any additional acquisition of shares up to a number of shares (including those in the first cap) not exceeding the lower of (i) 200 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of fifteen thousand U.S. dollars.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

All shares purchased under the ESPP are currently held in custody for the benefit of the employees in global accounts opened by BNP Paribas Securities Services, except for shares purchased by Canadian and U.S. employees, which are held in custody in one global account by Computershare.

Shares purchased under the plans are subject to a three-year lock-up period, except for the following exceptions: permanent disability of the employee, termination of the employee's employment with the Company or death of the employee. At the end of this lock-up period, the employees will have a choice either to sell their shares, subject to compliance with the Company's insider dealing regulations, or keep their shares and have them delivered to their personal securities account or make no election, in which case shares will be automatically sold. Shares may be sold or released within the lock-up period in the case of early exit events. During this period, and subject to the early exit events, dividends paid on shares are held for the employee's account and accrue interest. Employee shareholders are entitled to any dividends paid by the Company after the settlement date and they are entitled to vote their shares.

With respect to the spin-off of Aperam, an addendum to the charter of the 2009 and 2010 ESPPs was adopted providing, among other measures, that:

- the spin-off shall be deemed an early exit event for the participants who will be employees of one of the entities that will be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment is not an early exit event, and
- the Aperam shares to be received by ESPP participants will be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares are allocated based on a ratio of one Aperam share for 20 ArcelorMittal shares.

**Dividends**

Calculations to determine the amounts available for dividends are based on ArcelorMittal's statutory accounts ("ArcelorMittal SA") which are prepared in accordance with IFRS since December 31, 2012. Before that date, the statutory accounts of ArcelorMittal SA were based on generally accepted accounting principles in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg. ArcelorMittal SA has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of common shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

On May 10, 2010 the Board of Directors recommended to maintain the Company's dividend at \$0.75 per share for the full year of 2011 (\$0.1875 per quarter). The quarterly dividend was paid on March 14, 2011 (interim dividend), June 14, 2011, September 12, 2011 and December 12, 2011.

On May 8, 2012, the Board of Directors recommended to maintain the Company's dividend at \$0.75 per share for the full year of 2012 (\$0.1875 per quarter). The quarterly dividend was paid on March 13, 2012 (interim dividend), June 14, 2012, September 10, 2012 and December 10, 2012.

On October 30, 2012, the Board of Directors recommended to reduce the annual dividend payment from \$0.75 per share in 2012 to \$0.20 per share for the full year of 2013.

**Stock option plans**

Prior to the May 2011 annual general shareholders' meeting adoption of the Share Unit Plan described after, ArcelorMittal's equity-based incentive plan took the form of a stock option plan called the Global Stock Option Plan.

Under the terms of the ArcelorMittal Global Stock Option Plan 2009-2018 (which replaced the ArcelorMittalShares plan that expired in 2009), ArcelorMittal may grant options to purchase common shares to senior management of ArcelorMittal and its associates for up to 100,000,000 shares of common shares. The exercise price of each option equals not less than the fair market value of ArcelorMittal shares on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

As a result of the spin-off of ArcelorMittal's stainless steel business, an addendum to the ArcelorMittal Global Stock Option Plan 2009-2018 was adopted to reduce by 5% the exercise prices of existing stock options. The expense related to fully vested options was recognized directly in the statements of operations during 2011; the expense related to unvested options is recognized on a straight-line basis over the remaining vesting period. The current section has been adapted to disclose the new information from January 25th, 2011 onwards.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Date of grant	Initial exercise prices (per option)	New exercise prices (per option)
August 2008	82.57	78.44
December 2007	74.54	70.81
August 2007	64.30	61.09
June 2006	39.75	37.76
August 2009	38.30	36.38
September 2006	33.76	32.07
August 2010	32.27	30.66
August 2005	28.75	27.31
December 2008	23.75	22.56
November 2008	22.25	21.14
April 2002	2.26	2.15

No options were granted during the years ended December 31, 2011 and 2012.

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.

The compensation expense recognized for stock option plans was 73 and 25 for each of the years ended December 31, 2011, and 2012, respectively. At the date of the spin-off of Aperam, the fair values of the stock options outstanding have been recalculated with the modified inputs of the Black-Scholes-Merton option pricing model, including the weighted average share price, exercise price, expected volatility, expected life, expected dividends, the risk-free interest rate and an additional expense of 11 has been recognized in the year ended December 31, 2011 for the current and past periods.

Option activity with respect to ArcelorMittalShares and ArcelorMittal Global Stock Option Plan 2009-2018 is summarized below as of and for each of the years ended December 31, 2011, and 2012:

	Number of options	Range of exercise prices (per option)	Weighted average exercise price (per option)
Outstanding, December 31, 2010	28,672,974	2.26 – 82.57	50.95
Exercised	(226,005)	2.15 – 32.07	27.57
Forfeited	(114,510)	27.31 – 78.44	40.26
Expired	(662,237)	15.75 – 78.44	57.07
Outstanding, December 31, 2011	27,670,222	2.15 – 78.44	48.35
Exercised	(154,495)	2.15	2.15
Forfeited	(195,473)	30.66 – 61.09	33.13
Expired	(2,369,935)	2.15 – 78.44	58.23
Outstanding, December 31, 2012	24,950,319	21.14 – 78.44	47.85
Exercisable, December 31, 2011	21,946,104	2.15 – 78.44	52.47
Exercisable, December 31, 2012	23,212,008	21.14 – 78.44	49.14

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2012:

Exercise prices (per option)	Options outstanding			Maturity
	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	
\$78.44	5,598,050	5.60	5,598,050	August 5, 2018
70.81	13,000	4.95	13,000	December 11, 2017
61.09	4,026,437	4.59	4,026,437	August 2, 2017
37.76	1,262,894	0.50	1,262,894	June 30, 2013
36.38	5,443,200	6.60	5,443,200	August 4, 2019
32.07	1,889,836	3.67	1,889,836	September 1, 2016
30.66	5,511,836	7.60	3,773,525	August 3, 2020
27.31	1,152,481	2.65	1,152,481	August 23, 2015
22.56	32,000	5.96	32,000	December 15, 2018
21.14	20,585	5.87	20,585	November 10, 2018
\$21.14 – 78.44	24,950,319	5.56	23,212,008	

**Share unit plan**

The May 8, 2012 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meetings, Restricted Stock Units (each, a "RSU") and Performance Share Units (each, a "PSU") to key employees of ArcelorMittal in the amount of up to 2.5 million RSUs corresponding to up to 2.5 million of ArcelorMittal shares under the RSU Plan and up to 1 million PSUs corresponding to up to 2 million of the Company's shares under the PSU Plan. This envelope is of the same size as the envelope approved by the annual general meeting of shareholders held in May 2011. The granted shares can be newly issued shares or treasury shares.

The Restricted Share Unit Plan ("RSU Plan") and the Performance Share Unit Plan ("PSU Plan") first approved by the annual general meeting of shareholders held in May 2011 are designed to enhance the long-term performance of the Company and to retain key employees. The two Plans complete ArcelorMittal's existing program of annual performance-related bonuses, the reward system for short-term performance and achievements.

The RSU and the PSU are subject to "cliff vesting" after three years contingent upon the continued active employment of the employee with the ArcelorMittal group. The RSU Plan is targeted at the 500 to 700 most senior managers across the ArcelorMittal group.

The main objective of the RSU Plan is to provide a retention incentive to the eligible employees. As such, it replaces the stock options granted under the Long Term Incentive Plan in place until 2010 included. Performance criteria are inherent in both the RSU and the PSU due to the link to the Company's share price. The main objective of the PSU Plan is to be an effective performance-enhancing scheme based on the achievement of the Company's strategy. Both Plans are intended to promote the alignment of interests between the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The allocation of RSUs and PSUs to eligible employees under the RSU Plan and the PSU Plan is reviewed by the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors, comprised of four independent directors, which makes a proposal and recommendation to the full Board of Directors.

Awards under the PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of grant. The employees eligible to participate in the PSU Plan are a sub-set of the group of employees eligible to participate in the RSU Plan and they will receive part of their grant in RSUs and part in PSUs.

The Board of Directors may adopt any necessary rules to implement the RSU Plan, including administrative measures and conditions for specific situations that the Board of Directors may consider appropriate, and decide and implement any increase in the 2012 RSU Cap by the additional number necessary to preserve the rights of the holders of RSUs in the event of a transaction impacting the Company's share capital.

The 2012 RSU Cap and the 2012 PSU Cap together represent a maximum of 4,500,000 (four million five hundred thousand) shares, representing less than 0.29% of the Company's current issued share capital on a diluted basis.

In September 2011, a total of 1,303,515 shares under the RSU Plan were granted to a total of 772 employees. In March 2012, a total of 267,165 shares under the PSU Plan were granted to a total of 118 employees.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The fair value for the shares allocated to the beneficiaries is recorded as an expense in the consolidated statements of operations over the relevant vesting or service periods. The compensation expenses recognized for the restricted share units were 2 and 6 for the years ended December 31, 2011 and December 31, 2012. The compensation expense recognized for the performance stock units was 1 for the year ended December 31, 2012.

Share unit plan activity is summarized below as of and for each year ended December 31, 2011 and 2012:

	Restricted share unit (RSU)		Performance share unit (PSU)	
	Number of shares	Fair value per share	Number of shares	Fair value per share
Outstanding, December 31, 2010	–	–	–	–
Granted	1,303,515	\$14.45	–	–
Outstanding, December 31, 2011	1,303,515	14.45	–	–
Granted	–	–	267,165	\$16.87
Exited	(787)	14.45	–	–
Forfeited	(59,975)	14.45	(4,500)	16.87
Outstanding, December 31, 2012	1,242,753	14.45	262,665	16.87

The following table summarizes information about total share unit plan of the Company outstanding as of December 31, 2012:

Fair value per share	Shares units outstanding			Maturity
	Number of shares	Shares unit vested but not exited		
\$14.45	1,242,753	3,076	September 29, 2014	
16.87	262,665	–	March 30, 2015	
\$14.45 – 16.87	1,505,418	3,076		

## Note 19: Financing costs

Financing costs recognized in the years ended December 31, 2011 and 2012 are as follows:

	2011	2012
<b>Recognized in the statements of operations</b>		
Interest expense	(1,945)	(2,031)
Interest income	123	157
Fair value adjustment on convertible options on the euro convertible bond, call options on ArcelorMittal shares and mandatory convertible bonds	42	(99)
Net gain (loss) on other derivative instruments	(10)	4
Accretion of defined benefit obligations and other long term liabilities	(514)	(516)
Net foreign exchange result and others <sup>1</sup>	(534)	(252)
Total	(2,838)	(2,737)
<b>Recognized in equity (Company share)</b>		
Net change in fair value of available-for-sale financial assets	(14)	(937)
Effective portion of changes in fair value of cash flow hedge	(133)	(449)
Foreign currency translation differences for foreign operations	(2,796)	636
Total	(2,943)	(750)

<sup>1</sup> Net foreign exchange result and others is mainly related to net foreign exchange effects on financial assets and liabilities, expenses related to True Sale of Receivables ("TSR") programs and bank fees.

## Note 20: Income tax

## Income tax expense (benefit)

The components of income tax expense (benefit) for each of the years ended December 31, 2011 and 2012, respectively, are summarized as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
Total current tax expense	1,018	502
Total deferred tax expense (benefit)	(136)	(2,427)
Total income tax expense (benefit)	882	(1,925)

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The following table reconciles the income tax expense (benefit) to the statutory tax expense (benefit) as calculated:

	Year ended December 31, 2011	Year ended December 31, 2012
Net income (loss) (including non-controlling interests)	2,259	(3,844)
Discontinued operations	(461)	-
Income tax expense (benefit)	882	(1,925)
<b>Total income (loss) before tax :</b>	<b>2,680</b>	<b>(5,769)</b>
Tax expense (benefit) at the statutory rates applicable to profits (losses) in the countries	33	(2,252)
Permanent items	(29)	(9,639)
Rate changes	-	(79)
Net change in measurement of deferred tax assets	545	9,829
Effects of tax holiday	26	-
Effects of foreign currency translation	143	(23)
Tax credits	(196)	(27)
Other taxes	243	168
Others	117	98
<b>Income tax expense (benefit)</b>	<b>882</b>	<b>(1,925)</b>

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and on the pre-tax results of its subsidiaries in each of these countries, which can vary from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, that have a structurally lower corporate income tax rate than the statutory tax rate as in effect in Luxembourg (28.8% until December 31, 2012 – 29.22% as from 2013), and enjoys, mainly in Western Europe, structural (permanent) tax advantages such as notional interest deduction and tax credits.

*Permanent items*

The permanent items consist of:

	Year ended December 31, 2011	Year ended December 31, 2012
Notional Interest Deduction	(706)	(154)
Juros sobre o Capital Próprio ("JSCP")	-	(2)
Interest recapture	602	294
Non tax deductible goodwill impairment	-	1,260
Tax deductible write-down on shares	-	(11,083)
Non tax deductible provisions	(20)	-
Other permanent items	95	46
<b>Total permanent items</b>	<b>(29)</b>	<b>(9,639)</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Notional Interest Deduction ("NID"):** Corporate taxpayers in Belgium can benefit from a tax deduction corresponding to an amount of interest which is calculated based on their (adjusted) equity as determined in conformity with general accepted accounting principles in Belgium, which differs from IFRS. The applicable interest rate used in calculating this tax deduction is 3% for 2012. Excess NID build up as from 2012 cannot be carried forward anymore whereas excess NID related to the period before 2012 can be carried forward within certain limits.

**Juros sobre o Capital Próprio ("JSCP"):** 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. The deduction is determined as the lower of the interest as calculated by application of the Brazilian long term interest rate on the opening balance of capital and reserves, and 50% of the income for the year or accumulated profits from the previous year. For book purposes, this distribution of interest on capital is regarded as a dividend distribution, while for Brazilian tax purposes it is regarded as tax deductible interest.

**Interest recapture:** Based on a specific provision in the Luxembourg tax law, interest expenses on loans contracted to acquire a participation ('tainted debt') are not tax deductible when (tax exempt) dividend payments are received and/or capital gains are realized that can be linked to the tainted debt. The interest expenses are only deductible to the extent it exceeds the tax exempt income arising from the participation. In case of tax exempt capital gains, expenses related to the participations and any prior deductible write-downs in the value of the participation which have previously reduced the Luxembourg taxable base, become taxable (claw-back).

**Non tax deductible goodwill impairment:** In December 2012 ArcelorMittal has partially impaired the goodwill in its European businesses for a total amount of 4.3 billion, due to a weaker macro economic and market environment in Europe. This follows the completion of its yearly goodwill impairment test, as required by IFRS.

**Tax deductible write-down on shares:** In connection with the group impairment test for goodwill and property, plant and equipment ("PP&E"), the recoverability of carrying amounts of investments was also reviewed, resulting in write-down of the value of shares of consolidated subsidiaries in Luxembourg which is principally tax deductible.

**Rate changes**

The 2012 tax benefit from rate changes of (79) results from the increase of the substantively enacted corporate income tax rate in Luxembourg.

**Net change in measurement of deferred tax assets**

The 2011 net change in measurement of deferred tax assets of 545 primarily consists of tax expense of 734 due to not recognizing and derecognizing certain deferred tax assets, partially offset by additional recognition of deferred tax assets for losses and other temporary differences of previous years of (189).

The 2012 net change in measurement of deferred tax assets of 9,829 primarily consists of tax expense of 8,708 due to the unrecognized part of deferred tax assets on write-down of the value of shares of consolidated subsidiaries in Luxembourg, tax expense of 1,223 due to unrecognition and derecognition of other deferred tax assets, partially offset by additional recognition of deferred tax assets for losses and other temporary differences of previous years of (102).

**Effects of foreign currency translation**

The effects of foreign currency translation of 143 and (23) at December 31 2011 and 2012, respectively, pertain to certain entities with a different functional currency than the currency applied for tax filing purposes.

**Tax credits**

The tax credits of (196) and (27) in 2011 and 2012 respectively are mainly attributable to our operating subsidiaries in Spain and Brazil. They relate to credits claimed on research and development, credits on foreign investment and tax sparing credits.

**Other taxes**

Other taxes mainly include withholding taxes on dividends, services, royalties and interests of 59 and 79, as well as mining duties in Canada of 177 and 92 and flat tax in Mexico of (30) and (17) in 2011 and 2012 respectively.

**Others**

The 2011 others of 117 primarily consists of provision for uncertain tax position concerning permanent business establishment in Italy of 88 (see Note 25 to ArcelorMittal's consolidated financial statements) and tax expense of 29 relating to other items.

The 2012 others of 98 primarily consists of a settlement agreement with regard to non tax deductible interest expenses as a result of a tax audit in Spain of 55, provision for uncertain tax positions of 18 and tax expense of 25 relating to other items.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Income tax recorded directly in equity**

Income tax recognized in equity for the years ended December 31, 2011 and 2012 is as follows:

	2011	2012
<b>Recognized in other comprehensive income on:</b>		
Current tax expense (benefit)		
Foreign currency translation adjustments	12	(3)
Total	12	(3)
Deferred tax expense (benefit)		
Unrealized gain (loss) on available-for-sale securities	(1)	-
Unrealized gain (loss) on derivative financial instruments	(88)	(210)
Call options on ArcelorMittal shares	-	-
Foreign currency translation adjustments	9	79
Total	(80)	(131)
<b>Total recognized in other comprehensive income</b>	<b>(68)</b>	<b>(134)</b>
<b>Recognized in additional paid-in capital on:</b>		
Deferred tax benefit	-	-
Movements on treasury shares	-	-
<b>Recognized in non-controlling interests on:</b>		
Deferred tax expense (benefit)	-	-
Issuance of bonds mandatorily convertible in shares of subsidiaries	3	(1)
<b>Total income tax recorded directly in equity</b>	<b>(65)</b>	<b>(135)</b>

**Uncertain tax positions**

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, ArcelorMittal has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows.

**Deferred tax assets and liabilities**

The origin of deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	2011	2012	2011	2012	2011	2012
Intangible assets	202	67	(1,141)	(1,204)	(939)	(1,137)
Property, plant and equipment	290	354	(8,044)	(8,280)	(7,754)	(7,926)
Inventories	798	728	(652)	(566)	146	162
Available-for-sale financial assets	-	1	(1)	(1)	(1)	-
Financial instruments	131	207	(149)	(144)	(18)	63
Other assets	597	506	(515)	(747)	82	(241)
Provisions	2,345	2,152	(640)	(647)	1,705	1,505
Other liabilities	1,105	808	(1,753)	(897)	(648)	(89)
Tax losses carried forward	9,208	12,160	-	-	9,208	12,160
Tax credits and other tax benefits carried forward	662	522	-	-	662	522
Untaxed reserves	-	-	(42)	(117)	(42)	(117)
Deferred tax assets / (liabilities)	15,338	17,505	(12,937)	(12,603)	2,401	4,902
Deferred tax assets					6,081	8,130
Deferred tax liabilities					(3,680)	(3,228)

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Deferred tax assets not recognized by the Company as of December 31, 2011 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	36,400	10,787	9,208	1,579
Tax credits and other tax benefits carried forward	1,539	986	662	324
Other temporary differences	19,373	5,539	5,468	71
Total		17,312	15,338	1,974

Deferred tax assets not recognized by the Company as of December 31, 2012 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	77,960	22,707	12,160	10,547
Tax credits and other tax benefits carried forward	2,121	1,407	522	885
Other temporary differences	17,104	4,943	4,823	120
Total		29,057	17,505	11,552

As of December 31, 2012, the majority of the deferred tax assets not recognized relate to tax losses carried forward attributable to various subsidiaries located in different jurisdictions (primarily Brazil, Luxembourg, Mexico, the Netherlands, Spain and the United States) with different statutory tax rates. 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 given blended rate. The utilization of tax losses carried forward is restricted to the taxable income of the subsidiary or tax consolidated group to which it belongs. The utilization of tax losses carried forward also may be restricted by the character of the income.

The 2012 increase in tax losses carried forward relates primarily to 37.7 billion write-down charges taken on investments in shares of consolidated subsidiaries recorded by certain of the ArcelorMittal group's holding companies in Luxembourg. Under the Luxembourg tax legislation a tax consolidation is allowed. Those investments were being carried at market values that had been established following the combination in 2006 of Mittal Steel and Arcelor. Such write-down charges, which are tax deductible under the Luxembourgish legislation and can be carried forward indefinitely, reflect the downward revision of expected underlying future cash flows in the context of a weaker macro-economic and market environment primarily in Europe and expectations that it will persist over the near and medium term.

The total amount of accumulated tax losses in Luxembourg amounts to approximately 52.7 billion as of December 31, 2012, related to which 8.3 billion has been recognized as deferred tax asset at the applicable income tax rate in Luxembourg. The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for the tax losses carried forward in Luxembourg. As part of its assessment the Company has taken into account (i) its most recent forecast approved by management, (ii) the reorganization effected during 2012 under which the amount of deductible interest charges in Luxembourg on intra group loans has been significantly reduced, (iii) the fact that during 2012 ArcelorMittal in Luxembourg became the main provider of funding to the Group's consolidated subsidiaries, leading to recognition of significant amounts of taxable interest income and (iv) other significant and reliable sources of income derived from distribution and procurement centers located in Luxembourg for many of ArcelorMittal's European and worldwide operating subsidiaries.

At December 31, 2012, 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 ArcelorMittal will realize the benefits of the deferred tax assets of 8,130 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 8,130 is at least 30,556. Historically, the Company has been able to generate taxable income in sufficient amounts and believes that it will generate sufficient levels of taxable income in upcoming years to permit the Company to utilize tax benefits associated with tax losses carried forward and other deferred tax assets that have been recognized in its consolidated financial statements. In the event that a history of recent

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

losses is present, the Company relied on convincing other positive evidence such as the character of (historical) losses and tax planning to support the deferred tax assets recognized.

Until 2010 ArcelorMittal recorded approximately 35 of deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income taxes due if these earnings would be distributed. These liabilities have been re-estimated at approximately 23 for the period ended December 31, 2011 and December 31, 2012. For investments in subsidiaries, branches and associates and investments, that are not expected to reverse in the foreseeable future, the aggregate amount of deferred tax liabilities that is not recognized is approximately 12,299. Out of that amount 11,141 relates to the potential reversal of the tax deductible write-down on shares, for which ArcelorMittal envisages restructuring in the short term with the result that the tax deductible write-down on shares will become permanent.

**Tax losses, tax credits and other tax benefits carried forward**

At December 31, 2012, the Company had total estimated tax losses carried forward of 77,960.

Such amount includes net operating losses of 9,332 primarily related to subsidiaries in Canada, Poland, Romania, Spain and the United States, which expire as follows:

Year expiring	Amount
2013	205
2014	789
2015	133
2016	367
2017	229
2018 - 2032	7,609
<b>Total</b>	<b>9,332</b>

The remaining tax losses carried forward of 68,628 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, France, Germany and Luxembourg.

At December 31, 2012, the Company also had total estimated tax credits and other tax benefits carried forward of 2,121, of which 522 recognized and 885 unrecognized. Tax credits and other tax benefits of 315 expire within the next 5 years, 505 in years 2018-2034, and the remainder has no expiry date.

Tax losses, tax credits and other tax benefits carried forward 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 losses carried forward in future years.

**Note 21: Provisions**

The movements of provisions were as follows:

	Balance at December 31, 2010	Additions	Deductions/payments and other releases	Acquisitions	Effects of foreign exchange and other movements	Balance at December 31, 2011
Environmental (see note 25)	730	85	(61)	36	(57)	733
Asset retirement obligations (see note 25)	342	22	(14)	10	7	367
Site restoration	85	29	(25)	-	(1)	88
Staff related obligations	152	53	(53)	-	1	153
Voluntary separation plans <sup>1</sup>	81	123	(110)	-	9	103
Litigation and other (see note 25)	1,071	196	(295)	-	(68)	904
Tax claims	274	144	(17)	-	(70)	331
Competition/antitrust claims	234	1	(228)	-	(7)	-
Other legal claims	263	51	(50)	-	9	273
Other unasserted claims <sup>2</sup>	300	-	-	-	-	300
Commercial agreements and onerous contracts	213	62	(141)	3	(9)	128
Other <sup>3</sup>	407	125	(166)	3	(31)	338
	<b>3,081</b>	<b>695</b>	<b>(865)</b>	<b>52</b>	<b>(149)</b>	<b>2,814</b>
Short-term provisions	1,343					1,213
Long-term provisions	1,738					1,601
	<b>3,081</b>					<b>2,814</b>

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Balance at December 31, 2011	Additions	Deductions/payments and other releases	Acquisitions	Effects of foreign exchange and other movements	Balance at December 31, 2012
Environmental (see note 25)	733	210	(103)	3	20	863
Asset retirement obligations (see note 25)	367	172	(1)	-	7	545
Site restoration	88	38	(15)	-	(18)	93
Staff related obligations	153	82	(69)	-	-	166
Voluntary separation plans <sup>1</sup>	103	213	(181)	-	26	161
Litigation and other (see note 25)	904	221	(246)	1	46	926
Tax claims	331	102	(113)	-	14	334
Other legal claims	273	119	(133)	1	32	292
Other unasserted claims <sup>2</sup>	300	-	-	-	-	300
Commercial agreements and onerous contracts	128	44	(71)	10	(19)	92
Other <sup>3</sup>	338	96	(130)	-	(96)	208
	2,814	1,076	(816)	14	(34)	3,054
Short-term provisions	1,213					1,192
Long-term provisions	1,601					1,862
	2,814					3,054

<sup>1</sup> In 2011, new voluntary separation plans were launched in Romania, Ukraine, Kazakhstan, Czech Republic and France. As of December 2011, the outstanding balance relates primarily to the plans in Romania, Czech Republic, USA and France. In 2012, new voluntary separation plans were announced in Spain, Poland, Bosnia and Herzegovina, Romania, Kazakhstan, Netherlands, Belgium and Czech Republic. The outstanding provision relates to remaining plans primarily in Spain, France, Bosnia and Herzegovina and Netherlands, which are expected to be settled within one year.

<sup>2</sup> The provision presented as "other unasserted claims" relates to a commercial dispute in respect of which no legal action has commenced.

<sup>3</sup> Other includes provisions for technical warranties, guarantees.

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 provided for and the actual outflows. In general, provisions are presented on a non-discounted basis due to the uncertainties regarding the timing or the short period of their expected consumption.

Environmental provisions have been estimated based on internal and third-party estimates of contaminations, available remediation technology, and environmental regulations. Estimates are subject to revision as further information develops or circumstances change. These provisions are expected to be consumed over a period of 20 years. The increase in 2012 is related to restructuring costs largely associated with asset optimization and affecting primarily Flat Carbon Europe (including the closure of the primary facilities at the Liège site of ArcelorMittal Belgium and Long Carbon Europe operations).

Provisions for site restoration are related to costs incurred for dismantling of site facilities, mainly in France.

Provisions for staff related obligations concern primarily USA and Brazil and are related to various employees' compensations.

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. Discussion regarding legal matters is provided in note 25.

Provisions for onerous contracts are related to unavoidable costs of meeting obligations exceeding expected economic benefits under certain contracts. The provision is recognized for the amount of the expected net loss or the cost of fulfilling the contract.

## Note 22: Accrued expenses and other liabilities

Accrued expenses and other liabilities are comprised of the following as of December 31:

	2011	2012
Accrued payroll and employee related expenses	1,882	2,007
Collection under TSR programs	1,287	1,347
Payable from acquisition of intangible, tangible & financial assets	1,190	961
Other suppliers payables	1,092	1,183
Derivative instruments	222	308
Other amounts due to public authorities	733	742
Unearned revenue and accrued payables	218	161
<b>Total</b>	<b>6,624</b>	<b>6,709</b>

## 122 Financial statements

### Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

#### Note 23: Commitments

The Company's commitments consist of the following:

	December 31, 2011	December 31, 2012
Purchase commitments	22,137	17,565
Guarantees, pledges and other collateral	3,455	3,700
Non-cancellable operating leases	2,410	2,266
Capital expenditure commitments	1,101	988
Other commitments	3,455	3,022
<b>Total</b>	<b>32,558</b>	<b>27,541</b>

#### Purchase commitments

Purchase commitments consist primarily of major agreements for procuring iron ore, coking coal, coke and hot metal. The Company also has a number of agreements for electricity, industrial and natural gas, as well as freight contracts.

Purchase commitments include commitments related to joint ventures and associates for 1,167 and 683 as of December 31, 2011 and 2012, respectively.

#### Guarantees, pledges and other collateral

Guarantees are mainly related to letters of credit, sureties, first demand guarantees and documentary guarantees used in the normal course of business to guarantee performance obligations. They also include 18 and 18 of guarantees in relation to debt of non-consolidated entities as of December 31, 2011 and 2012, respectively. Pledges and other collateral mainly relate to mortgages entered into by the Company's Operating Subsidiaries.

Guarantees, pledges and other collateral include commitments related to joint ventures and associates for and 25 and 19 as of December 31, 2011 and 2012, respectively.

#### Non-cancellable operating leases

The Company leases various facilities, land and equipment under non-cancellable lease arrangements. Future minimum lease payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2012 according to maturity periods are as follows:

Less than 1 year	379
1-3 years	565
4-5 years	456
More than 5 years	866
<b>Total</b>	<b>2,266</b>

The operating leases expense was 430 and 452 in 2011 and 2012, respectively. The non-cancellable operating leases commitments are mainly related to plant, machinery and equipment (1,901), land (214) and buildings (82).

#### Capital expenditure commitments

Capital expenditure commitments are mainly related to the following:

ArcelorMittal Temirtau committed to expand the production capacity from 4 million tons to 6 million tons (220) and committed, since 2008, to improve the safety and security in the mining area (104).

ArcelorMittal committed to invest in a new Sintering plant in Ukraine (339).

ArcelorMittal Liberia committed to expand the production capacity to 15 million tonnes per annum (286).

#### Other commitments given

Other commitments given comprise commitments incurred for the long-term use of goods belonging to a third party, credit lines confirmed to customers but not drawn and commitments relating to grants.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Note 24: Deferred employee benefits**

ArcelorMittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer other post-employment benefits, principally healthcare. 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, future healthcare cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods based on the remaining working lives of employees and, therefore, will affect the statements of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial loss amounted to 3,826 for pensions and 1,166 for other post retirement benefits as of December 31, 2012.

Collective labor agreements ("CLAs") entered into or renewed during 2012 include Mexico, Brazil, Argentina, Ukraine, Kazakhstan, Romania, France, Germany, Belgium, Canada, Bosnia and Algeria.

**Pension plans**

A summary of the significant defined benefit pension plans is as follows:

**US**

ArcelorMittal USA's Pension Plan and Pension Trust is a non-contributory defined benefit plan covering approximately 18% of its employees. Certain non-represented salaried employees hired before 2003 also receive pension benefits. Benefits for most non-represented employees who receive pension benefits are determined under a "Cash Balance" formula as an account balance which grows as a result of interest credits and of allocations based on

a percentage of pay. Benefits for wage and salaried employees represented by a union are determined as a monthly benefit at retirement based on fixed rate and service. This plan is closed to new participants. Represented employees hired after November 2005 and for employees at locations which were acquired from International Steel Group Inc. receive pension benefits through a multiemployer pension plan that is accounted for as a defined contribution plan.

The labor contract with the United Steelworkers (the "USW") for 14 of the Company's facilities in the United States expired on September 1, 2012. ArcelorMittal USA and the USW agreed to a new three-year labor contract with the Company's unionized employees in the United States. The Company and the USW will continue their dialogue concerning the competitiveness and sustainability of the Company's U.S. operations.

**Canada**

The primary pension plans are those of ArcelorMittal Dofasco and ArcelorMittal Mines Canada. The ArcelorMittal Dofasco pension plan is a hybrid plan providing the benefits of both a defined benefit and defined contribution pension plan. The defined contribution component is financed by both employer and employee contributions. The employer's defined contribution is based on a percentage of company profits. The hybrid plan was closed for new hires on December 31, 2011 and replaced by a new defined contribution pension plan.

The ArcelorMittal Mines Canada defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on an employee's length of service. This plan was closed for new hires on December 31, 2009, and replaced by a defined contribution pension plan with contributions related to age and services. The ArcelorMittal Mines Canada hourly workers' defined benefit plan is a unionized plan and is still open to new hires.

ArcelorMittal Mines Canada entered into a six-year CLA during the second quarter of 2011. In addition to setting salaries and conditions of employment for the duration of the agreement, provisions relating to health and safety, productivity improvement and flexibility were included. Management expects this agreement to contribute to labor stability during the expansion of ArcelorMittal Mines Canada's capacity during the coming years.

On March 9, 2012, ArcelorMittal performed a number of changes to the pension plan and health and dental benefits in its subsidiary ArcelorMittal Dofasco in Canada. Employees were transitioned from an existing defined benefit pension plan to a new defined contribution plan. The changes resulted in a curtailment gain of 241 recorded in cost of sales and selling, general and administrative expenses in the statements of operations.

**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.

In ArcelorMittal Belgium - Gent site, the reform in 2012 of the post-employment plans for employees resulted in the closing of the defined benefit plan for new hires. The company realized a curtailment gain as changes in employee status no longer result in

retroactive obligations and recognized a non-recurrent profit of 28 in the operating income.

**South Africa**

There are two primary defined benefit pension plans. These plans are closed to new entrants. The assets are held in pension funds under the control of the trustees and both funds are wholly funded for qualifying employees. South African entities have also implemented defined contributions pension plans that are financed by employers' and employees' contributions.

**Other**

A limited number of funded defined benefit plans are in place in countries where funding of multi-employer pension plans is mandatory.



## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The following tables detail the reconciliation of defined benefit obligation, plan assets and statements of financial position.

	Year Ended December 31, 2011						
	Total	US	Canada	Brazil	Europe	South Africa	Others
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	11,411	3,519	3,261	902	2,332	1,091	306
Service cost	164	44	59	12	37	–	12
Interest cost	663	171	186	93	110	78	25
Plan amendments	26	–	20	–	6	–	–
Plan participants' contribution	4	–	1	2	–	–	1
Divestitures <sup>1</sup>	(189)	–	–	(102)	(87)	–	–
Curtailments and settlements	(7)	–	–	–	(3)	–	(4)
Actuarial (gain) loss	582	262	245	81	(30)	18	6
Benefits paid	(787)	(242)	(197)	(53)	(169)	(105)	(21)
Foreign currency exchange rate differences and other movements	(361)	–	(45)	(55)	(48)	(209)	(4)
Benefit obligation at end of the period	11,506	3,754	3,530	880	2,148	873	321
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	7,975	2,315	2,822	986	624	1,120	108
Expected return on plan assets	618	191	208	88	25	99	7
Actuarial gain (loss)	(434)	(185)	(215)	(3)	(21)	(13)	3
Employer contribution	437	99	279	16	42	–	1
Plan participants' contribution	4	–	1	2	–	–	1
Divestitures <sup>1</sup>	(186)	–	–	(186)	–	–	–
Benefits paid	(649)	(238)	(196)	(53)	(53)	(105)	(4)
Foreign currency exchange rate differences and other movements	(319)	–	(33)	(49)	(19)	(216)	(2)
Fair value of plan assets at end of the period	7,446	2,182	2,866	801	598	885	114
Present value of the wholly or partly funded obligation	(10,112)	(3,723)	(3,514)	(880)	(1,021)	(873)	(101)
Fair value of plan assets	7,446	2,182	2,866	801	598	885	114
Net present value of the wholly or partly funded obligation	(2,666)	(1,541)	(648)	(79)	(423)	12	13
Present value of the unfunded obligation	(1,394)	(31)	(16)	–	(1,127)	–	(220)
Unrecognized net actuarial loss	2,792	1,629	823	128	95	–	117
Unrecognized past service cost	7	–	7	–	–	–	–
Prepaid due to unrecoverable surpluses	(66)	–	–	(51)	(3)	(12)	–
<b>Net amount recognized</b>	<b>(1,327)</b>	<b>57</b>	<b>166</b>	<b>(2)</b>	<b>(1,458)</b>	<b>–</b>	<b>(90)</b>
Net assets related to funded obligations	326	122	181	6	–	–	17
Recognized liabilities	(1,653)	(65)	(15)	(8)	(1,458)	–	(107)

<sup>1</sup> Divestitures are mainly related to the spin-off of Aperam.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year Ended December 31, 2012						
	Total	US	Canada	Brazil	Europe	South Africa	Others
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	11,506	3,754	3,530	880	2,148	873	321
Service cost	165	47	62	10	34	-	12
Interest cost	616	156	175	90	105	69	21
Plan amendments	(30)	12	(43)	-	1	-	-
Plan participants' contribution	5	-	1	2	1	-	1
Curtailments and settlements	(133)	-	(94)	-	(32)	-	(7)
Actuarial (gain) loss	1,640	210	512	221	624	60	13
Benefits paid	(773)	(245)	(208)	(56)	(152)	(89)	(23)
Foreign currency exchange rate differences and other movements	(62)	-	97	(156)	58	(31)	(30)
Benefit obligation at end of the period	12,934	3,934	4,032	991	2,787	882	308
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	7,446	2,182	2,866	801	598	885	114
Expected return on plan assets	595	185	202	89	30	81	8
Actuarial gain (loss)	299	75	26	8	115	70	5
Employer contribution	577	287	243	15	31	-	1
Plan participants' contribution	5	-	1	2	1	-	1
Benefits paid	(638)	(240)	(206)	(56)	(43)	(89)	(4)
Foreign currency exchange rate differences and other movements	(3)	-	78	(124)	76	(33)	-
Fair value of plan assets at end of the period	8,281	2,489	3,210	735	808	914	125
Present value of the wholly or partly funded obligation	(11,333)	(3,898)	(4,016)	(991)	(1,429)	(882)	(117)
Fair value of plan assets	8,281	2,489	3,210	735	808	914	125
Net present value of the wholly or partly funded obligation	(3,052)	(1,409)	(806)	(256)	(621)	32	8
Present value of the unfunded obligation	(1,601)	(36)	(16)	-	(1,358)	-	(191)
Unrecognized net actuarial loss	3,826	1,578	1,277	263	608	(9)	109
Unrecognized past service cost	5	1	4	-	-	-	-
Prepaid due to unrecoverable surpluses	(53)	-	-	(27)	(3)	(23)	-
<b>Net amount recognized</b>	<b>(875)</b>	<b>134</b>	<b>459</b>	<b>(20)</b>	<b>(1,374)</b>	<b>-</b>	<b>(74)</b>
Net assets related to funded obligations	717	203	474	4	20	-	16
Recognized liabilities	(1,592)	(69)	(15)	(24)	(1,394)	-	(90)

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Asset ceiling**

The amount not recognized in the fair value of plan assets due to the asset ceiling was 66 and 53 at December 31, 2011 and 2012, respectively.

The following tables detail the components of net periodic pension cost:

	Year Ended December 31, 2011						
	Total	US	Canada	Brazil	Europe	South Africa	Others
<b>Net periodic pension cost (benefit)</b>							
Service cost	164	44	59	12	37	–	12
Interest cost	663	171	186	93	110	78	25
Expected return on plan assets	(618)	(191)	(208)	(88)	(25)	(99)	(7)
Charges due to unrecoverable surpluses	(5)	–	–	4	–	(9)	–
Curtailements and settlements	(3)	–	–	–	–	–	(3)
Amortization of unrecognized past service cost	24	–	18	–	6	–	–
Amortization of unrecognized actuarial loss	192	136	10	6	6	30	4
<b>Total</b>	<b>417</b>	<b>160</b>	<b>65</b>	<b>27</b>	<b>134</b>	<b>–</b>	<b>31</b>

	Year Ended December 31, 2012						
	Total	US	Canada	Brazil	Europe	South Africa	Others
<b>Net periodic pension cost (benefit)</b>							
Service cost	165	47	62	10	34	–	12
Interest cost	616	156	175	90	105	69	21
Expected return on plan assets	(595)	(185)	(202)	(89)	(30)	(81)	(8)
Charges due to unrecoverable surpluses	(8)	–	–	(20)	–	12	–
Curtailements and settlements	(108)	–	(74)	–	(30)	–	(4)
Amortization of unrecognized past service cost	(28)	11	(40)	–	1	–	–
Amortization of unrecognized actuarial loss	265	186	36	43	–	–	–
<b>Total</b>	<b>307</b>	<b>215</b>	<b>(43)</b>	<b>34</b>	<b>80</b>	<b>–</b>	<b>21</b>

**Other post-employment benefits**

ArcelorMittal's principal Operating Subsidiaries in the U.S., Canada and Europe, among certain others, provide other post-employment benefits ("OPEB"), including medical benefits and life insurance benefits, to retirees. Substantially all union-represented ArcelorMittal USA employees are covered under post-employment life insurance and medical benefit plans that require a level of cost share from retirees. The post-employment life insurance benefit formula used in the determination of post-employment benefit cost is primarily based on a specific amount for hourly employees. ArcelorMittal USA does not pre-fund most of these post-employment benefits.

The current labor agreement between ArcelorMittal USA and the United Steelworkers requires payments into an existing Voluntary Employee Beneficiary Association ("VEBA") trust at a fixed amount of 25 per quarter. The VEBA primarily provides limited healthcare benefits to the retirees of certain companies whose assets were acquired (referred to as Legacy Retirees). Additionally, ArcelorMittal USA's retiree health care costs are capped at the 2008 per capita level for years 2010 and after. The VEBA can be utilized to the extent funds are available for costs in excess of the cap for these retirees. An agreement with the union allowed ArcelorMittal USA to defer quarterly contributions in 2009 and for the first three quarters of 2010. Payments resumed in the fourth quarter of 2010. These deferred contributions were fully paid in 2012. In 2012, the VEBA was renewed for a period of 3 years without any significant benefit amendments.

The Company has significant assets mostly in the aforementioned VEBA post-employment benefit plans. These assets consist of 70% in fixed income and 30% in equities and alternatives. The total fair value of the assets in the VEBA trust was 644 as of December 31, 2012.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Summary of changes in the other post-employment benefit obligation and changes in plan assets are as follows:

	Year ended December 31, 2011					
	Total	US	Canada	Brazil	Europe	Others
<b>Change in post-employment benefit obligation</b>						
Benefit obligation at beginning of period	6,246	4,575	885	3	673	110
Service cost	76	32	13	-	23	8
Interest cost	324	236	50	-	29	9
Plan amendment	19	-	4	-	15	-
Participants contribution	28	28	-	-	-	-
Divestitures <sup>1</sup>	(68)	-	-	(3)	(65)	-
Curtailments and settlements	(32)	-	(1)	-	(31)	-
Actuarial loss (gain)	376	284	59	-	(19)	52
Benefits paid	(325)	(234)	(45)	-	(37)	(9)
Foreign currency exchange rate changes and other movements	(44)	-	(17)	-	(22)	(5)
<b>Benefits obligation at end of period</b>	<b>6,600</b>	<b>4,921</b>	<b>948</b>	<b>-</b>	<b>566</b>	<b>165</b>
<b>Change in plan assets</b>						
Fair value of plan assets at beginning of the period	517	502	-	-	15	-
Expected return on plan assets	32	31	-	-	1	-
Actuarial gain (loss)	(27)	(26)	-	-	(1)	-
Employer contribution	209	209	-	-	-	-
Plan participants' contribution	28	28	-	-	-	-
Benefits paid	(230)	(230)	-	-	-	-
<b>Fair value of plan assets at end of the period</b>	<b>529</b>	<b>514</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>
Present value of the wholly or partly funded obligation	(1,427)	(1,344)	-	-	(83)	-
Fair value of plan assets	529	514	-	-	15	-
Net present value of the wholly or partly funded obligation	(898)	(830)	-	-	(68)	-
Present value of the unfunded obligation	(5,173)	(3,577)	(948)	-	(483)	(165)
Unrecognized net actuarial loss (gain)	1,352	1,419	(129)	-	(10)	72
Unrecognized past service cost	61	2	1	-	58	-
<b>Net amount recognized</b>	<b>(4,658)</b>	<b>(2,986)</b>	<b>(1,076)</b>	<b>-</b>	<b>(503)</b>	<b>(93)</b>

<sup>1</sup> Divestitures are mainly related to the spin-off of Aperam.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year ended December 31, 2012					
	Total	US	Canada	Brazil	Europe	Others
<b>Change in post-employment benefit obligation</b>						
Benefit obligation at beginning of period	6,600	4,921	948	-	566	165
Service cost	86	42	12	-	21	11
Interest cost	296	214	42	-	28	12
Plan amendment	(148)	10	(163)	-	1	4
Participants contribution	23	23	-	-	-	-
Curtailments and settlements	(1)	-	-	-	(1)	-
Actuarial loss (gain)	102	(75)	60	-	92	25
Benefits paid	(332)	(232)	(53)	-	(36)	(11)
Foreign currency exchange rate changes and other movements	77	-	24	-	24	29
<b>Benefits obligation at end of period</b>	<b>6,703</b>	<b>4,903</b>	<b>870</b>		<b>695</b>	<b>235</b>
Change in plan assets				-		
Fair value of plan assets at beginning of the period	529	514	-	-	15	-
Expected return on plan assets	32	31	-	-	1	-
Actuarial gain (loss)	8	8	-	-	-	-
Employer contribution	344	344	-	-	-	-
Plan participants' contribution	23	23	-	-	-	-
Benefits paid	(230)	(230)	-	-	-	-
Foreign currency exchange rate changes and other movements	(1)	-	-	-	(1)	-
<b>Fair value of plan assets at end of the period</b>	<b>705</b>	<b>690</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>
Present value of the wholly or partly funded obligation	(1,581)	(1,478)	-	-	(103)	-
Fair value of plan assets	705	690	-	-	15	-
Net present value of the wholly or partly funded obligation	(876)	(788)	-	-	(88)	-
Present value of the unfunded obligation	(5,122)	(3,425)	(870)	-	(592)	(235)
Unrecognized net actuarial loss (gain)	1,166	1,073	(66)	-	63	96
Unrecognized past service cost	24	(5)	(25)	-	50	4
<b>Net amount recognized</b>	<b>(4,808)</b>	<b>(3,145)</b>	<b>(961)</b>	<b>-</b>	<b>(567)</b>	<b>(135)</b>

## 130 Financial statements

### Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The following tables detail the components of net periodic other post-employment cost:

	Year ended December 31, 2011					
	Total	US	Canada	Brazil	Europe	Others
<b>Components of net periodic OPEB cost (benefit)</b>						
Service cost	76	32	13	–	23	8
Interest cost	324	236	50	–	29	9
Expected return on plan assets	(32)	(31)	–	–	(1)	–
Curtailments and settlements	(28)	–	(1)	–	(27)	–
Amortization of unrecognized past service cost	74	56	3	–	15	–
Amortization of unrecognized actuarial (gain) loss	78	85	(14)	–	4	3
<b>Total</b>	<b>492</b>	<b>378</b>	<b>51</b>	<b>–</b>	<b>43</b>	<b>20</b>

	Year ended December 31, 2012					
	Total	US	Canada	Brazil	Europe	Others
<b>Components of net periodic OPEB cost (benefit)</b>						
Service cost	86	42	12	–	21	11
Interest cost	296	214	42	–	28	12
Expected return on plan assets	(32)	(31)	–	–	(1)	–
Curtailments and settlements	(1)	–	–	–	(1)	–
Amortization of unrecognized past service cost	(110)	18	(138)	–	10	–
Amortization of unrecognized actuarial (gain) loss	283	263	(6)	–	22	4
<b>Total</b>	<b>522</b>	<b>506</b>	<b>(90)</b>	<b>–</b>	<b>79</b>	<b>27</b>

The following tables detail where the expense is recognized in the consolidated statements of operations:

	Year ended December 31, 2011	Year ended December 31, 2012
Net periodic pension cost	417	307
Net periodic OPEB cost	492	522
<b>Total</b>	<b>909</b>	<b>829</b>
Cost of sales	503	527
Selling, general and administrative expense	69	17
Financing costs – net	337	285
<b>Total</b>	<b>909</b>	<b>829</b>

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension plans		Other post-employment benefits	
	2011	2012	2011	2012
Discount rate	4.3 % – 10.46 %	3.15 % – 10 %	4 % – 7.5 %	3.15% – 6.50%
Rate of compensation increase	2.31 % – 9.7 %	2.38% – 9.72%	2 % – 4.5 %	2% – 5%
Expected long-term rate of return on plan assets	3.5 % – 12.2 %	3.50% – 12.04%	4.5 % – 6.17 %	3.25% – 6.15%

Starting 2011, the Company refined its method of determining the discount rate for the plans domiciled in the Euro zone. In the past, the Company relied on a published index tied to high quality bonds. Under the refined method, the discount rate is derived from a yield curve of high quality bonds with durations that more closely align with the plans' cash flows. This approach, which the Company believes is more consistent with the amount and timing of expected benefit payments, decreased the defined benefit obligation at December 31, 2011 by 167 (60 basis points on the discount rate).

In 2012 the Company changed the yield curve used to determine discount rates for US plans. In 2011, the Company used a yield curve that included all high quality rated bonds that met certain criteria. In 2012, the Company used a yield curve that included only bonds with yields in the top half of the high quality-rated universe. As a result of the use of this yield curve, the defined benefit obligation decreased by 182 at December 31, 2012. If the Company had used the same yield curve at December 31, 2011, the defined benefit obligation would have been lowered by 436.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Healthcare cost trend rate

	Other post-employment benefits	
	2011	2012
Healthcare cost trend rate assumed	2.00% – 5.38 %	2.00% – 5.29%

## Cash contributions

In 2013, the Company is expecting its cash contributions to amount to 524 for pension plans, 311 for other post employment benefits plans and 199 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 168 in 2012.

## Statements of financial position

Total deferred employee benefits including pension or other post-employment benefits, are as follows:

	December 31, 2011	December 31, 2012
Pension plan benefits	1,653	1,592
Other post-employment benefits	4,658	4,808
Early retirement benefits	684	583
Other long-term employee benefits	165	240
Total	7,160	7,223

Other long-term employee benefits represent liabilities related to multi-employer plans and other long-term defined contribution plans.

## Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plans (as of December 31, 2012, the defined benefit obligation ("DBO") for pension plans was 12,934):

	Effect on 2013 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2012 DBO
<b>Change in assumption</b>		
100 basis points decrease in discount rate	(41)	1,489
100 basis points increase in discount rate	27	(1,311)
100 basis points decrease in rate of compensation	(25)	(248)
100 basis points increase in rate of compensation	28	271
100 basis points decrease in expected return on plan assets	(80)	-
100 basis points increase in expected return on plan assets	80	-

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal's OPEB plans (as of December 31, 2012 the DBO for post-employment benefit plans was 6,703):

	Effect on 2013 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2012 DBO
<b>Change in assumption</b>		
100 basis points decrease in discount rate	(13)	924
100 basis points increase in discount rate	9	(761)
100 basis points decrease in healthcare cost trend rate	(39)	(640)
100 basis points increase in healthcare cost trend rate	48	771

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.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Experience adjustments**

The five 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, 2008	At December 31, 2009	At December 31, 2010	At December 31, 2011	At December 31, 2012
Present value of the defined benefit obligations	(9,359)	(10,612)	(11,411)	(11,506)	(12,934)
Fair value of the plan assets	5,788	7,195	7,975	7,446	8,281
Deficit	(3,571)	(3,417)	(3,436)	(4,060)	(4,653)
Experience adjustments: (increase)/decrease plan liabilities	(122)	(161)	(11)	(46)	(310)
Experience adjustments: increase/(decrease) plan assets	(1,712)	471	109	(436)	299

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, 2008	At December 31, 2009	At December 31, 2010	At December 31, 2011	At December 31, 2012
Present value of the defined benefit obligations	(5,254)	(5,416)	(6,246)	(6,600)	(6,703)
Fair value of the plan assets	635	577	517	529	705
Deficit	(4,619)	(4,839)	(5,729)	(6,071)	(5,998)
Experience adjustments: (increase)/decrease plan liabilities	(142)	14	(64)	1	(142)
Experience adjustments: increase/(decrease) plan assets	(19)	11	9	(27)	8

**Impact of the amendment of IAS 19 as of January 1, 2013**

The amendments to IAS 19 modify the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligation and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statements of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

ArcelorMittal's principal operating subsidiaries in Brazil, Canada, Europe, South Africa and the United States provide defined benefit pension plans to their employees. Some of these plans are currently underfunded. As of December 31, 2011 and 2012, the value of ArcelorMittal's plan assets were 8.0 billion and 9.0 billion, respectively, while the defined benefit obligation for the pension and other post-employment benefit were 18.1 billion and 19.6 billion, respectively, resulting in a deficit of 10.1 billion (6.7 billion net of attributable income tax credit at statutory rates) and 10.6 billion (7.0 billion net of attributable income tax credit at statutory rates), respectively. These unfunded net portions are partially recognized in the statements of financial position for 6.0 billion and 5.7 billion as of December 31, 2011 and 2012, respectively. As of January 1, 2013 and following the adoption of the amendments to IAS 19, the unrecognized portion of the actuarial losses is recognized in other comprehensive income for 5.0 billion (the amount of related income tax credits to be recorded immediately upon adoption of IAS 19 as amended is subject to other considerations such as availability of future taxable profits in the respective jurisdictions and the Company has not yet concluded its assessment).

The amendments to IAS 19 require retrospective application. If the Company had applied the amendments to IAS 19 for the year ended December 31, 2012, the loss before tax would have decreased by 0.4 billion, of which, an increase in operating income by 0.6 billion and an increase in financing costs by 0.2 billion. This reflects a number of adjustments including the full recognition of net actuarial loss through other comprehensive income rather than through the statements of operations, the immediate recognition of past service costs in the statements of operations and the adjustment of the difference between the gain arising from the expected rate of return on pension and OPEB assets and the discount rate through other comprehensive income.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 25: Contingencies

ArcelorMittal may be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitration proceedings are recorded in accordance with the principles described in Note 2.

Most of these claims involve highly complex issues. 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 a large number 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 that is the estimate of the probable loss.

In a limited number of ongoing cases, the Company was able to make a reasonable estimate of the expected loss or range of probable loss and has accrued a provision for such loss, but believes that publication of this information on a case-by-case basis would seriously prejudice the Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in these cases, the Company 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 assessments are based on estimates and assumptions that have been deemed reasonable by management. The Company

believes that the aggregate provisions recorded for the above 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 could have a material adverse effect on its results of operations in any particular period. The Company considers it is highly unlikely, however, that any such judgments could have a material adverse effect on its liquidity or financial condition.

**Environmental Liabilities**

ArcelorMittal's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2012, excluding asset retirement obligations, ArcelorMittal had established provisions of 863 for environmental remedial activities and liabilities. The provisions for all operations by geographic area were 504 in Europe, 183 in the United States, 144 in South Africa and 32 in Canada. In addition, ArcelorMittal and the previous owners of its facilities have expended substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations. ArcelorMittal expects to continue to expend resources in this respect in the future.

**United States**

ArcelorMittal's operations in the United States have environmental provisions of 183 (exclusive of asset retirement obligations) to address existing environmental liabilities, of which 21 is for 2013. The environmental provisions principally relate to the investigation, monitoring and remediation of soil and groundwater at ArcelorMittal's current and former facilities. ArcelorMittal USA's largest environmental provisions relate to investigation and remediation at Indiana Harbor East, Lackawanna,

and its closed mining operations in southwestern Pennsylvania. ArcelorMittal USA's environmental provisions also include 33, with anticipated spending of 6 during 2013, to specifically address the removal and disposal of asbestos-containing materials and polychlorinated biphenyls ("PCBs").

All of ArcelorMittal's major operating and former operating sites in the United States are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties. In some cases, soil or groundwater contamination requiring remediation is present at both currently operating and former ArcelorMittal facilities. In other cases, the Company is required to conduct studies to determine the extent of contamination, if any, that exists at these sites.

ArcelorMittal USA is also a potentially responsible party to at least two state and federal Superfund sites. Superfund and analogous U.S. state laws can impose liability for the entire cost of clean-up at a site upon current or former site owners or operators or parties who sent hazardous substances to the site. ArcelorMittal USA may also be named as a potentially responsible party at other sites if its hazardous substances were disposed of at a site that later becomes a Superfund site. The environmental provisions include 2 to address this potential liability.

In 1990, ArcelorMittal USA's Indiana Harbor East facility was party to a lawsuit filed by the U.S. Environmental Protection Agency (the "EPA") under the U.S. Resource Conservation and Recovery Act ("RCRA"). In 1993, Inland Steel Company (predecessor to ArcelorMittal USA) entered into a Consent Decree, which, among other things, requires facility-wide RCRA Corrective Action and sediment assessment and remediation in the adjacent Indiana

Harbor Ship Canal. In 2012, ArcelorMittal USA entered into a Consent Decree Amendment to the 1993 Consent Decree defining the objectives for limited sediment assessment and remediation of a small portion of the Indiana Harbor Ship Canal. The provisions for environmental liabilities include approximately 18 for such sediment assessment and remediation, and 7 for RCRA Corrective Action at the Indiana Harbor East facility itself. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor East, but the potential costs of any such remediation cannot yet be reasonably estimated.

ArcelorMittal USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA Corrective Action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires the Company to perform a Remedial Facilities Investigation ("RFI") and a Corrective Measures Study, to implement appropriate interim and final remedial measures, and to perform required post-remedial closure activities. In 2006, the New York State Department of Environmental Conservation and the EPA conditionally approved the RFI. ArcelorMittal USA has executed Orders on Consent to perform certain interim corrective measures while advancing the Corrective Measures Study. These include installation and operation of a ground water treatment system and dredging of a local waterway known as Smokes Creek. A Corrective Measure Order on Consent was executed in 2009 for other site remediation activities. ArcelorMittal USA's provisions for environmental liabilities include approximately 44 for anticipated remediation and post-remediation activities at this site. The provisioned amount is based on the extent of soil and groundwater contamination identified by the RFI and the remedial measures likely to be required, including excavation

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

and consolidation of containment structures in an on-site landfill and continuation of groundwater pump and treatment systems.

ArcelorMittal USA is required to prevent acid mine drainage from discharging to surface waters at its closed mining operations in southwestern Pennsylvania. In 2003, ArcelorMittal USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the "PaDEP") requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required ArcelorMittal USA to propose a long-term financial assurance mechanism. In 2004, ArcelorMittal USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust, estimated by the PaDEP to be the net present value of all future treatment cost.

ArcelorMittal USA has been funding the treatment trust and it will take several years to reach the current target value of approximately 44. This target value is based on average spending over the last three years. The Company currently expects this rate of spending and the target value to decrease once the operational improvement plans are in place. The trust had a market value of 24 as of December 31, 2012. Once fully funded, ArcelorMittal can be reimbursed from the fund for the continuing cost of treatment of acid mine drainage. Although a remote possibility, ArcelorMittal USA could be required to make up any deficiency in the treatment trust in the future. ArcelorMittal USA's provisions for environmental liabilities include approximately 27 for this matter.

On August 8, 2006, the U.S. EPA Region V issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation ("NOV") alleging that in early 1994 the facility (then

owned by Bethlehem Steel, from whom the assets were acquired out of bankruptcy) commenced a major modification of its #2 Coke Battery without obtaining a Prevention of Significant Deterioration ("PSD") air permit and has continued to operate without the appropriate PSD permit. ArcelorMittal USA has discussed the allegations with the EPA, but to date there have been no further formal proceedings. The Region V also conducted a series of inspections and issued information requests under the U.S. Clean Air Act relating to the Burns Harbor, Indiana Harbor and Cleveland facilities. Some of the EPA's information requests and subsequent allegations relate to recent operations and some relate to acts by former facility owners that occurred 11 to 25 years ago. In October 2011, EPA issued NOVs to Indiana Harbor West, Indiana Harbor East, Indiana Harbor Long Carbon, Burns Harbor and Cleveland alleging operational noncompliance based primarily on self reported Title V permit concerns. Compliance data relating to the self reported items indicate that ArcelorMittal's operations consistently achieve substantial rates of compliance with applicable permits and regulations. Comprehensive settlement discussions with U.S. EPA and affected state agencies involving all of the NOVs occurred in 2012 and are expected to continue in 2013.

#### Europe

Environmental provisions for ArcelorMittal's operations in Europe total 504 and are mainly related to investigation and remediation of environmental contamination at current and former operating sites in France (140), Belgium (192), Luxembourg (77), Poland (40), Germany (36), Czech Republic (12) and Spain (6). This investigation and remediation work relates to various matters such as decontamination of water discharges, waste disposal, cleaning water ponds and remediation activities that involve the clean-up of soil and groundwater. These provisions also relate to human

health protection measures such as fire prevention and additional contamination prevention measures to comply with local health and safety regulations.

#### France

In France, there is an environmental provision of 140, principally relating to the remediation of former sites, including several coke plants, and the capping and monitoring of landfills or basins previously used for residues and secondary materials. The remediation of the coke plants concerns mainly the Thionville, Moyeuve Grande, Homecourt, Hagondange and Micheville sites, and is related to treatment of soil and groundwater. At Moyeuve Petite, the recovery of the slag is almost complete and ArcelorMittal is responsible for closure and final rehabilitation of the site. At other sites, ArcelorMittal is responsible for monitoring the concentration of heavy metals in soil and groundwater. Provisions in France also cover the legal site obligations linked to the closure of the steel plant and rolling mill at Gandrange as well as of the wire mill in Lens.

ArcelorMittal Atlantique et Lorraine has an environmental provision that principally relates to the remediation and improvement of storage of secondary materials, the disposal of waste at different ponds and landfills and an action plan for removing asbestos from the installations and mandatory financial guarantees to cover risks of major accident hazard or for gasholders and waste storage. Most of the provision relates to the stocking areas at the Dunkirk site that will need to be restored to comply with local law. The environmental provisions also include treatment of slag dumps at Florange and Dunkirk sites as well as removal and disposal of asbestos-containing material at the Dunkirk and Mardyck sites. The environmental provisions set up at ArcelorMittal Méditerranée mainly correspond to mandatory financial guarantees to operate waste storage installations and coke oven gas holder. It also covers potential

further adjustments of tax paid on polluting activities in recent years.

Industeel France has an environmental provision that principally relates to ground remediation at Le Creusot site and to the rehabilitation of waste disposal areas at Châteauneuf site.

#### Belgium

In Belgium, there is an environmental provision of 192, of which the most significant elements are legal site remediation obligations linked to the closure of the primary installations at ArcelorMittal Belgium (Liège). The provisions also concern the external recovery and disposal of waste, residues or by-products that cannot be recovered internally on the ArcelorMittal Gent and Liège sites and the removal and disposal of asbestos-containing material.

#### Luxembourg

In Luxembourg, there is an environmental provision of 77, which relates to the post-closure monitoring and remediation of former production sites, waste disposal areas, slag deposits and mining sites.

In 2007, ArcelorMittal Luxembourg sold the former Ehlerange slag deposit (93 hectares) to the State of Luxembourg. ArcelorMittal Luxembourg is contractually obligated to clean the site and move approximately 530,000 cubic meters of material to other sites. ArcelorMittal Luxembourg also has an environmental provision to secure, stabilize and conduct waterproofing treatment on mining galleries and entrances and various dumping areas in Monderçange, Dudelange, Differdange and Dommeldange. The environmental provision also relates to soil treatment to be performed in Terre-Rouge in 2013, elimination of sludge and blast furnace dust and remediation of the soil to accommodate the expansion of the city of Esch-sur-Alzette. Other environmental provisions concern the cleaning of water ponds and former production sites.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

A provision of approximately 65 covers these obligations.

ArcelorMittal Belval and Differdange have an environmental provision of approximately 7 to clean historical landfills in order to meet the requirements of the Luxembourg Environment Administration.

*Poland*

ArcelorMittal Poland S.A.'s environmental provision of 40 mainly relates to the obligation to reclaim a landfill site and to dispose of the residues which cannot be internally recycled or externally recovered. The provision also concerns the storage and disposal of iron-bearing sludge which cannot be reused in the manufacturing process.

*Germany*

In Germany, the environmental provision essentially relates to ArcelorMittal Bremen for the post-closure obligations (34) mainly established for soil remediation, groundwater treatment and monitoring at the Prosper coke plant in Bottrop.

*Czech Republic*

In the Czech Republic, there is an environmental provision of 12, which essentially relates to the post-closure dismantling of buildings and soil remediation at the corresponding areas of the Ostrava site.

*Spain*

In Spain, ArcelorMittal España has environmental provisions of 6 due to obligations of sealing landfills located in the Asturias site and post-closure obligations in accordance with national legislation. These obligations include the collection and treatment of leachates and gases that can be generated during the operational phase and a period of 30 years after the closure.

*South Africa*

ArcelorMittal South Africa has environmental provisions of 144 to be used over 16 years, mainly relating to environmental

remediation obligations attributable to historical or legacy settling/evaporation dams and waste disposal activities. An important determinant in the final timing of the remediation work relates to the obtaining of the necessary environmental authorizations.

47 of the provision relates to the decommissioned Pretoria Works site. This site is in a state of partial decommissioning and rehabilitation with one coke battery and a small-sections rolling facility still in operation. ArcelorMittal South Africa is in the process of transforming this old plant into an industrial hub for light industry, a process that commenced in the late 1990s. Particular effort is directed to landfill sites, with sales of slag from legacy disposal sites to vendors in the construction industry continuing unabated and encouraging progress being made at the Mooiplaats Quarry site. However, remediation actions for these sites are long-term in nature due to a complex legal process that needs to be followed.

The Vanderbijlpark Works site, which is the main flat carbon steel operation of the South Africa unit and has been in operation for more than 69 years, contains a number of legacy facilities and areas requiring remediation. The remediation entails the implementation of rehabilitation and decontamination measures of waste disposal sites, waste water dams, ground water and historically contaminated open areas. 46 of the provision is allocated to this site.

On October 22, 2012, ArcelorMittal South Africa ("AMSA") received a notice from the Gauteng Department of Agriculture and Rural Development ("GDARD") requiring certain of its units (including electric arc furnaces, coke batteries, a sinter plant and a foundry) to cease operation. GDARD alleges that these units do not comply with certain conditions of the air emission license for the

Vanderbijlpark plant. AMSA had already ceased operating the electric arc furnaces in question prior to receiving this notice. AMSA filed an objection notice with the GDARD on November 21, 2012. The GDARD visited the Vanderbijlpark site on January 24, 2013 and is currently evaluating the Company's objection. In the meantime, all units at the Vanderbijlpark plant (other than the electric arc furnaces mentioned above) affected by these proceedings continue to operate normally.

The Newcastle Works site is the main long carbon steel operation of the South Africa unit that has been in operation for more than 33 years. Approximately 38 of the provision is allocated to this site. As with all operating sites of ArcelorMittal South Africa, the above retirement and remediation actions dovetail with numerous large capital expenditure projects dedicated to environmental management. In the case of the Newcastle site, the major current environmental capital project is for water treatment.

The remainder of the obligation of 13 relates to Vereeniging site for the historical pollution that needs to be remediated at waste disposal sites, waste water dams and groundwater tables.

*Canada*

In Canada, ArcelorMittal Dofasco has an environmental provision of 25 for the expected cost of remediating toxic sediment located in the Company's East Boatslip site. Completion of the East Boatslip remediation is one of several projects required under the Canada-Ontario Agreement for Hamilton Harbor to be de-listed as one of the 43 "Areas of Concern" under the Great Lakes Water Quality Agreement between the Governments of Canada and the United States. ArcelorMittal Dofasco has completed preliminary engineering for a containment facility for the material and identified the extent of dredging that will be required. Activities

required to secure the necessary environmental approvals for the project are underway, and ArcelorMittal Dofasco expects the project to be completed by 2015.

ArcelorMittal Montreal has an environmental provision of 7 for future capping of hazardous waste cells and disposal of sludge left in ponds after flat mills closure at Contrecoeur.

**Asset Retirement Obligations ("AROs")**

AROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to retire plant and equipment or to restore a site at the end of its useful life. As of December 31, 2012, ArcelorMittal had established provisions for asset retirement obligations of 545, including 155 for Ukraine, 110 for Canada, 85 for Russia, 37 for the United States, 36 for Mexico, 29 for Belgium, 24 for Germany, 23 for South Africa, 18 for Brazil, 12 for Kazakhstan, 12 for Liberia and 3 for Algeria.

The AROs in Ukraine are legal obligations for site rehabilitation at the iron ore mining site in Kryvyi Rih, upon closure of the mine pursuant to its restoration plan.

The AROs in Canada are legal obligations for site restoration and dismantling of the facilities near the mining sites in Mont-Wright and Fire lake, and at the facility of Port-Cartier in Quebec, and at the Mary River ("Baffinland") mining project located on Baffin Island in Nunavut, upon closure of the mine pursuant to the restoring plan of the mines.

The AROs in Russia relate to the rehabilitation of two coal mines operating in the Kuzbass region (i.e., the Berezovskaya and Pervomayskaya mines), upon closure of the mines pursuant to the mining plan. The main areas of environmental remediation are as follows: dismantling of buildings and structures, mined land reclamation, quality control of

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

water pumped out of the mines, monitoring of gas drainage bore-holes, soil and air.

The AROs in the United States principally relate to mine closure costs of the Hibbing and Minorca iron ore mines and Princeton coal mines.

The AROs in Mexico relate to the restoration costs at the closure of the Las Truchas and Sonora iron ore mines.

In Belgium, the AROs are to cover the demolition costs for primary facilities at the Liège sites.

In Germany, AROs principally relate to the Hamburg site, which is operating on leased land with the contractual obligation to remove all buildings and other facilities upon the termination of the lease, and to the Prosper coke plant in Bottrop for filling the basin, restore the layer and stabilize the shoreline at the harbor.

The AROs in South Africa are for the Pretoria, Vanderbijlpark and Coke and Chemical sites, and relate to the closure and clean-up of the plant associated with decommissioned tank farms, tar plants, chemical stores, railway lines, pipelines and defunct infrastructure.

In Brazil, the AROs relate to legal obligations to clean and restore the mining areas of Serra Azul and Andrade, both located in the State of Minas Gerais. The related provisions are expected to be settled in 2017 and 2031, respectively.

In Kazakhstan, the AROs relate to the restoration obligations of the mines in the coal and the iron ore divisions.

In Liberia, the AROs relate to iron ore mine and associated infrastructure and, specifically, the closure and rehabilitation plan under the current operating phase.

In Algeria, the AROs relate to the restoration obligations for the

Ouenza and Boukhadra iron ore mines at the end of the operations.

**Tax Claims**

ArcelorMittal is a party to various tax claims. As of December 31, 2012, ArcelorMittal had recorded provisions in the aggregate of 334 for tax claims in respect of which it considers the risk of loss to be probable. Set out below is a summary description of the tax claims (i) in respect of which ArcelorMittal had recorded a provision as of December 31, 2012 or (ii) that constitute a contingent liability, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

*Brazil*

On December 9, 2010, ArcelorMittal Tubarão Comercial S.A. ("ArcelorMittal Tubarão"), the renamed successor of Companhia Siderurgica de Tubarão ("CST") following CST's spin-off of most of its assets to ArcelorMittal Brasil in 2008, received a tax assessment from the Brazilian Federal Revenue Service relating to sales made by CST to Madeira Island, Portugal and the Cayman Islands. The tax assessment does not specify an amount. The tax authorities require that the profits of CST's Madeira and Cayman Island subsidiaries be added to CST's 2005 tax basis, and also that CST's post-2005 tax basis be recalculated. Although CST did not pay taxes in 2005 due to tax losses, the recalculations required by the tax authorities could result in tax being payable by ArcelorMittal Tubarão. The case is in the first administrative instance and the Company presented its defense in January 2011. On March 23, 2011, ArcelorMittal Tubarão received a further tax assessment for 2006 and 2007 in the amount of 300, including amounts related to the first tax assessment regarding the profits of CST's Madeira and Cayman Island subsidiaries. ArcelorMittal Tubarão filed its defense in April 2011. The first administrative instance issued a decision confirming the amount

of the March 2011 tax assessment in March 2012. ArcelorMittal Tubarão Comercial S.A. filed its appeal in April 2012.

The Brazilian social security administration has claimed against ArcelorMittal Brasil amounts for social security contributions not paid by outside civil construction service contractors for the 2001-2007 period. The amount claimed is 52. In February 2012, the first administrative instance issued a decision cancelling the tax assessment. An appeal on behalf of the social security administration is pending.

In 2003, the Brazilian Federal Revenue Service granted ArcelorMittal Brasil (through its predecessor company, then known as CST) a tax benefit for certain investments. ArcelorMittal Brasil had received certificates from SUDENE, the former Agency for the Development of the Northeast Region of Brazil, confirming ArcelorMittal Brasil's entitlement to this benefit. In September 2004, ArcelorMittal Brasil was notified of the annulment of these certificates. ArcelorMittal Brasil has pursued its right to this tax benefit through the courts against both ADENE, the successor to SUDENE, and against the Brazilian Federal Revenue Service. The Brazilian Federal Revenue Service issued a tax assessment in this regard for 451 in December 2007. Taking into account interest and currency fluctuations, this amount totaled 792 at December 31, 2012. In December 2008, the administrative tribunal of first instance upheld the amount of the assessment. ArcelorMittal Brasil appealed to the administrative tribunal of second instance and on August 8, 2012, the administrative tribunal of the second instance found in favor of ArcelorMittal invalidating the tax assessment. On April 16, 2011, ArcelorMittal Brasil received a further tax assessment for the periods of March, June and September 2007, which, taking into account interest and currency fluctuations, amounted to 224 as of December 31, 2012.

ArcelorMittal Brasil filed its defense in April 2011. In October 2011, the administrative tribunal of first instance upheld the tax assessment received by ArcelorMittal Brasil on April 16, 2011, but decided that no penalty (amounting to 77) was due. Both parties have filed an appeal with the second administrative instance.

In 2011, ArcelorMittal Tubarão received 27 tax assessments from the Revenue Service of the State of Espírito Santo for ICMS (a value added tax) in the total amount of 56 relating to a tax incentive (INVEST) used by the Company. The dispute concerns the definition of fixed assets and ArcelorMittal Tubarão has filed its defense in the administrative instance.

In 2011, ArcelorMittal Brasil received a tax assessment for corporate income tax (known as IRPJ) and social contributions on net profits (known as CSL) in relation to (i) the amortization of goodwill on the acquisition of Mendes Júnior Siderurgia (for the 2006 and 2007 fiscal years), (ii) the amortization of goodwill arising from the mandatory tender offer (MTO) made by ArcelorMittal to minority shareholders of Arcelor Brasil following the two-step merger of Arcelor and Mittal Steel N.V. (for the 2007 tax year), (iii) expenses related to pre-export financing used to finance the MTO, which were deemed by the tax authorities to be unnecessary for ArcelorMittal Brasil since it was used to buy the shares of its own company; and (iv) CSL over profits of controlled companies in Argentina and Costa Rica. The amount claimed totals 685. ArcelorMittal Brasil has filed its defense and the case is in the first administrative instance.

For over ten years, ArcelorMittal Brasil has been challenging the basis of calculation of the Brazilian Cofins and Pis social security taxes (specifically, whether Brazilian VAT may be deducted from the base amount on which the Cofins and Pis taxes is calculated), in an amount of 31.9. ArcelorMittal Brasil

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

deposited the disputed amount in escrow with the relevant Brazilian judicial branch when it became due. Since the principal amount bears interest at a rate applicable to judicial deposits, the amount stood at 73.6 as at December 31, 2012.

*France*

Following audits for 2006, 2007 and 2008 of ArcelorMittal France and other French ArcelorMittal entities, URSSAF, the French body responsible for collecting social contributions, commenced formal proceedings for these years alleging that the French ArcelorMittal entities owe €65 million in social contributions on various payments, the most significant of which relate to profit sharing schemes, professional fees and stock options. Proceedings were commenced in relation to the 2006 claims in December 2009. Proceedings were commenced in relation to the 2007 and 2008 claims in February and March 2010, respectively. In three decisions dated December 10, 2012, the arbitration committee hearing the matter found that social contributions in an amount of €15.3 million, €9.9 million and €4.7 million are due in respect of the profit-sharing schemes, stock options and professional fees, respectively. These amounts cover the audits for 2006, 2007 and 2008. These decisions are subject to appeal.

Following audits for 2009, 2010 and 2011 of ArcelorMittal France and other French ArcelorMittal entities, URSSAF commenced formal proceedings in December 2012 for these years alleging that these entities owe €142 million in social contributions (including interest and late fees relating thereto) on various payments, the most significant of which relate to voluntary separation schemes, profit sharing schemes, professional fees and stock options.

*Italy*

In May 2010, the Italian tax authorities began an inquiry relating to ArcelorMittal FCE Luxembourg, claiming that it had a

permanent business establishment in Italy and should pay taxes accordingly. On October 28, 2010, the Italian tax police issued a report for the 2004 fiscal year concerning IRAP, which is a local tax, and on March 28, 2011, it issued a further report for 2003–2010 in respect of IRAP, value-added tax ("VAT") and corporate income tax ("CIT"). On December 29, 2010 the tax authorities issued a tax claim (avviso di accertamento) for IRAP related to 2004 for a total amount of €96.8 million, in respect of which ArcelorMittal filed an appeal on May 26, 2011. On December 13, 2011, the tax authorities issued a demand for a payment of 50% of the IRAP tax in an amount of €25 million (including interest). In January 2012, the Milan court accepted ArcelorMittal's application to suspend the collection process. In April 2012, the Company settled this matter with the Italian tax authorities.

*Spain*

Spanish tax authorities have claimed that amortization recorded by the former Siderúrgica del Mediterraneo, S.A. (currently ArcelorMittal Sagunto S.L.) in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 54, including the amount of tax, interest and penalties. A first instance judgment dated April 30, 2009 cancelled any liability for 1995 and 1996 and penalties for all three years. The tax liability of ArcelorMittal for 1997 was assessed at 8 (including interest). Both parties appealed the decision. On June 15, 2012, the Supreme Court confirmed the first instance judgment, and the case is now closed.

*Ukraine*

In December 2010, the Ukrainian tax authorities issued a tax assessment in a total amount of 57 to ArcelorMittal Kryviy Rih, alleging that it had breached tax law provisions relating to VAT for the December 2009 to October 2010 period. ArcelorMittal Kryviy Rih appealed the assessment to a higher division of the tax

authorities. The appeal was rejected, and ArcelorMittal Kryviy Rih appealed this decision to the local District Administrative Court in February 2011. In March 2011, the local District Administrative Court decided in favor of ArcelorMittal Kryviy Rih and the Tax Authorities filed an appeal. On June 26, 2012, the Court of Appeal ruled in favor of ArcelorMittal, rejecting the appeal of the Tax Authorities, who on July 13, 2012 filed an appeal in cassation.

In September 2012, the Ukrainian tax authorities conducted an audit of ArcelorMittal Kryviy Rih, resulting in a tax claim of approximately 187. The claim relates to cancellation of VAT refunds, cancellation of deductible expenses and queries on transfer pricing calculations. On January 2, 2013, ArcelorMittal Kryviy Rih filed a lawsuit with the District Administrative Court to challenge the findings of this tax audit. A hearing date has not yet been set for this matter.

**Competition/Antitrust Claims**

ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2012, ArcelorMittal had not recorded any provisions in respect of such claims. Set out below is a summary description of competition/antitrust claims (i) that constitute a contingent liability, or (ii) that were resolved in 2012, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

*United States*

On September 12, 2008, Standard Iron Works filed a purported class action complaint in the U.S. District Court in the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA LLC, and other steel manufacturers, alleging that the defendants had conspired to restrict the output of steel products in order to fix, raise, stabilize and maintain prices at artificially high levels in violation of U.S. antitrust law. Since the filing of

the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and have been consolidated with the Standard Iron Works lawsuit. In January 2009, ArcelorMittal and the other defendants filed a motion to dismiss the direct purchaser claims. On June 12, 2009, the court denied the motion to dismiss and the litigation is now in the discovery and class certification briefing stage. In addition, two putative class actions on behalf of indirect purchasers have been filed. Both of these have been transferred to the judge hearing the Standard Iron Works cases. It is too early in the proceedings for ArcelorMittal to determine the amount of its potential liability, if any.

*Brazil*

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council ("CADE") issued a decision against ArcelorMittal Brasil, requiring it to pay a penalty of 64. ArcelorMittal Brasil appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

There is also a related class action commenced by the Federal Public Prosecutor of the state of Minas Gerais against ArcelorMittal Brasil for damages based on the alleged violations investigated by CADE.

A further related action was commenced by Sinduscons, a construction industry union, in federal court in Brasília against, inter alia, ArcelorMittal Brasil, in February 2011, claiming damages

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

based on an alleged cartel in the rebar market as investigated by CADE and as noted above.

*Romania*

In 2010 and 2011, ArcelorMittal Galati entered into high volume electricity purchasing contracts with Hidroelectrica, a partially state-owned electricity producer. Following allegations by Hidroelectrica's minority shareholders that ArcelorMittal Galati (and other industrial electricity consumers) benefitted from artificially low tariffs, the European Commission opened a formal investigation into alleged state aid on April 25, 2012.

*South Africa*

In February 2007, the complaint previously filed with the South African Competition Commission by Barnes Fencing, a South African producer of galvanized wire, alleging that ArcelorMittal South Africa, as a "dominant firm", discriminated in pricing its low carbon wire rod, was referred to the Competition Tribunal. The claimant seeks, among other sanctions, a penalty of 10% of ArcelorMittal South Africa's sales for 2006 in respect of low carbon wire rod and an order that ArcelorMittal South Africa cease its pricing discrimination. In March 2008, the Competition Tribunal accepted the claimants' application for leave to intervene, prohibiting, however, the claimant from seeking as relief the imposition of an administrative penalty. In November 2012, a second complaint alleging price discrimination regarding the same product over the 2004 to 2006 period was referred by the Competition Commission to the Competition Tribunal. ArcelorMittal is unable to assess the outcome of these proceedings or the amount of ArcelorMittal South Africa's potential liability, if any.

On September 1, 2009, the South African Competition Commission referred a complaint against four producers of long carbon steel in South Africa, including ArcelorMittal South Africa, and the

South African Iron and Steel Institute to the Competition Tribunal. The complaint referral followed an investigation into alleged collusion among the producers initiated in April 2008, on-site inspections conducted at the premises of some of the producers and a leniency application by Scaw South Africa, one of the producers under investigation. The Competition Commission recommended that the Competition Tribunal impose an administrative penalty against ArcelorMittal South Africa, Cape Gate and Cape Town Iron Steel Works in the amount of 10% of their annual revenues in South Africa and exports from South Africa for 2008. ArcelorMittal filed an application to access the file of the Competition Commission that was rejected. ArcelorMittal is appealing the decision to reject the application, and has applied for a review of that decision and a suspension of the obligation to respond to the referral on the substance pending final outcome on the application for access to the documents. The appeal was upheld by the Competition Appeals Court (CAC) and the matter was referred back to the Competition Tribunal for a determination of confidentiality and scope of access to the documents. The Competition Commission has decided to appeal the decision of the CAC. On July 7, 2011, ArcelorMittal filed an application before the Competition Tribunal to set aside the complaint referral based on procedural irregularities. It is too early for ArcelorMittal to assess the potential outcome of the procedure, including the financial impact.

In March 2012, the South African Competition Commission referred to the Competition Tribunal an allegation that ArcelorMittal South Africa and steel producer Highveld acted by agreement or concerted practice to fix prices and allocate markets over a period of 10 years (1999-2009) in contravention of the South African Competition Act. The case was notified to ArcelorMittal South Africa in April

2012. If imposed, fines could amount to up to 10% of ArcelorMittal South Africa's turnover in the year preceding any final decision by the Competition Tribunal.

**Other Legal Claims**

ArcelorMittal is a party to various other legal claims. As of December 31, 2012, ArcelorMittal had recorded provisions of 292 for other legal claims in respect of which it considers the risk of loss to be probable. Set out below is a summary description of the other legal claims (i) in respect of which ArcelorMittal had recorded a provision as of December 31, 2012, (ii) that constitute a contingent liability, or (iii) that were resolved in 2012, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

*United States*

In July 2004, the Illinois Environmental Protection Agency (the "IEPA") notified Indiana Harbor East that it had identified that facility as a potentially responsible party in connection with alleged contamination relating to Hillside Mining Co. ("Hillside"), a company that Indiana Harbor East acquired in 1943, operated until the late 1940s and whose assets it sold in the early 1950s, in conjunction with the corporate dissolution of that company. ArcelorMittal was not ultimately required to enter into a consent decree to clean up portions of the former mining site. In 2012, two of the parties that did execute a consent decree sued other potentially responsible parties, including ArcelorMittal USA, to recover current and future investigation, clean-up and agency response costs. ArcelorMittal USA intends to defend itself fully in this matter. As of December 31, 2012, ArcelorMittal was not able to reasonably estimate the amount of liabilities relating to this matter, if any.

*Argentina*

Over the course of 2007 to 2012, the Customs Office Authority of Argentina (Aduana) notified the Company of certain inquiries that it is conducting with respect to prices declared by the Company's Argentinean subsidiary, Acindar Industria Argentina de Aceros S.A. ("Acindar"). The Customs Office Authority is seeking to determine whether Acindar incorrectly declared prices for iron ore imports from several different Brazilian suppliers on 28 different shipments made from 2002 to 2008. The aggregate amount claimed by the Customs Office Authority in respect of all of the shipments is approximately 79. The investigations are subject to the administrative procedures of the Customs Office Authority and are at different procedural stages depending on the filing date of the investigation.

*Brazil*

Companhia Vale do Rio Doce ("Vale") has commenced arbitration proceedings against ArcelorMittal España in Brazil, claiming damages arising from allegedly defective rails supplied by ArcelorMittal España to Vale for the Carajas railway in Brazil, which Vale alleges caused a derailment on the railway line. Vale quantifies its claim as 64. Initial submissions were filed by the parties on November 26, 2009 and rebuttals were filed on January 29, 2010. The expert's report was issued on November 7, 2011. In December 2012, the parties agreed to settle the matter, although the settlement documentation has not yet been completed. The arbitration has been suspended until March 2013.

*Canada*

In 2008, two complaints filed by Canadian Natural Resources Limited ("CNRL") in Calgary, Alberta against ArcelorMittal, ArcelorMittal USA LLC, Mittal Steel North America Inc. and ArcelorMittal Tubular Products Roman S.A were filed. CNRL alleges negligence in both complaints, seeking damages of 50 and 22,

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

respectively. The plaintiff alleges that it purchased a defective pipe manufactured by ArcelorMittal Tubular Products Roman and sold by ArcelorMittal Tubular Products Roman and Mittal Steel North America Inc. In May 2009, in agreement with CNRL, ArcelorMittal and ArcelorMittal USA were dismissed from the cases without prejudice to CNRL's right to reinstate the parties later if justified. ArcelorMittal is unable to reasonably estimate the amount of Mittal Steel North America Inc.'s and ArcelorMittal Tubular Products Roman's liabilities relating to this matter, if any.

In April 2011, a proceeding was commenced before the Ontario (Canada) Superior Court of Justice under the Ontario Class Proceedings Act, 1992, against ArcelorMittal, Baffinland Iron Mines Corporation ("BIM"), and certain other parties relating to the January 2011 take-over of BIM by ArcelorMittal, Nunavut, Iron Ore Holdings and 1843208 Ontario Inc. The action seeks the certification of a class comprised of all BIM securities holders who tendered their BIM securities, and whose securities were taken up, in connection with the take-over between September 22, 2010 and February 17, 2011, or otherwise disposed of their BIM securities on or after January 14, 2011. The action alleges that the tender offer documentation contained certain misrepresentations and seeks damages in an aggregate amount of CAD 1 billion or rescission of the transfer of the BIM securities by members of the class.

*Luxembourg*

In June 2012, the Company received writs of summons in respect of claims made by 59 former employees of ArcelorMittal Luxembourg. The claimants allege that they are owed compensation based on the complementary pension scheme that went into effect in Luxembourg in January 2000. The aggregate amount claimed by such former employees (knowing that other former employees may be similarly

concerned) is approximately 78. The hearing process is underway.

*Senegal*

In 2007, ArcelorMittal Holdings AG entered into an agreement with the State of Senegal relating to an integrated iron ore mining and related infrastructure project. The Company announced at the time that implementation of the project would entail an aggregate investment of 2.2 billion. Project implementation did not follow the originally anticipated schedule after initial phase studies and related investments.

The Company engaged in discussions with the State of Senegal about the project over a long period. In early 2011, the parties engaged in a conciliation procedure, as provided for under their agreement, in an attempt to reach a mutually acceptable outcome. Following the unsuccessful completion of this procedure, in May 2011 the State of Senegal commenced an arbitration before the Court of Arbitration of the International Chamber of Commerce, claiming breach of contract and provisionally estimating damages of 750. Hearings took place in September 2012 and a decision on the merits (but not as to damages) is expected in early 2013. Briefings and hearings as to damages could follow depending on the decision.

*South Africa*

ArcelorMittal South Africa ("AMSA") received notice from Sishen Iron Ore Company (Proprietary) Limited ("SIOC") on February 5, 2010, asserting that with effect from March 1, 2010, it would no longer supply iron ore to AMSA on a cost plus 3% basis as provided for in the supply agreement entered into between the parties in 2001, on the grounds that AMSA had lost its 21.4% share in the mineral rights at the Sishen mine and that this was a prerequisite for the supply agreement terms. AMSA rejected this assertion and stated its firm opinion that SIOC is obligated to continue to supply iron ore to

AMSA at cost plus 3%. The parties commenced an arbitration process in 2010 to resolve this dispute. Proceedings were suspended in light of the legal action summarized in the second paragraph below and remain suspended pending its completion. The Company is not currently able to assess the risk of loss.

On July 22, 2010, AMSA announced that an interim arrangement had been reached with SIOC on pricing for the supply of iron ore to AMSA's production facilities in South Africa during an interim period effective from March 1, 2010 until July 31, 2011. AMSA and SIOC agreed on a fixed price of 50 per metric tonne of iron ore for lump material for delivery to the Saldanha plant, and 70 per metric tonne for both lump and iron ore fine material delivered to AMSA's inland plants. The parties further agreed that AMSA would continue to purchase annual quantities of 6.25 million metric tonnes of iron ore, that there would be no escalation in the prices agreed for the duration of the interim period, and that any iron ore in addition to the maximum monthly amount would be purchased by AMSA at the then-prevailing spot prices calculated on an export parity price basis. AMSA initially imposed a surcharge on its domestic sales to compensate for some of the iron ore cost increase. However, in view of the interim agreement, AMSA, with effect from August 1, 2010, charged a single all-in price reflecting the higher cost of iron ore, rather than the separate surcharge. On May 16, 2011, an addendum to the interim agreement was executed extending it until July 31, 2012. On August 23, 2012, AMSA announced the entry into an agreement (the "2012 Pricing Agreement") with SIOC whereby SIOC would sell to AMSA a maximum amount of 1.5 million tonnes of iron ore from the Sishen mine until December 31, 2012, on materially the same terms and conditions as applied under the extended interim pricing

agreement entered into in 2010 and as extended in May 2011 (the "2010 and 2011 Interim Pricing Agreement"). This supply for the remainder of 2012 was agreed to be in full and final settlement of any claimed entitlement by AMSA to shortfall tonnage incurred during the pendency of the 2010 and 2011 Interim Pricing Agreement. On December 13, 2012, AMSA announced that it had reached an agreement (the "2013 Pricing Agreement") with SIOC pursuant to which SIOC will sell iron ore from the Sishen mine to AMSA with effect from January 1, 2013. Under the 2013 Pricing Agreement, SIOC will supply a maximum annual volume of 4.8 million tonnes of iron ore to AMSA at a weighted average price of \$65 per tonne. The other terms and conditions will be materially the same as those which were contained in the 2012 Pricing Agreement. The 2013 Pricing Agreement will apply until the earlier of December 31, 2013 or the conclusion of the arbitration between the parties regarding the status of the 2001 Sishen supply agreement. The 2010 and 2011 Interim Pricing Agreement, the 2012 Pricing Agreement and the 2013 Pricing Agreement have no bearing on the arbitration process currently underway or AMSA's conviction that the 2001 Sishen supply agreement remains legally valid and binding on the parties.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

AMSA announced on August 10, 2010 that it had entered into an agreement, subject to certain conditions, to acquire ICT, a company that in May 2010 had acquired the right to prospect for iron ore in a 21.4% share in the Sishen mine. The acquisition agreement lapsed in 2011. SIOC brought legal action against the South African government and ICT to challenge the grant of the prospecting right to ICT and, on February 4, 2011, served on AMSA an application to join AMSA in this action. ICT also made an application to the government for a mining right in respect of the 21.4% share in the Sishen Mine, which SIOC challenged. AMSA applied to be joined as applicant in these proceedings and on June 6, 2011, the Court ordered AMSA's joinder. AMSA argued in the proceedings that SIOC holds 100% of the rights in the Sishen mine. On December 15, 2011, the Court ruled that SIOC holds 100% of the rights in the Sishen mine and set aside the grant of the prospecting right to ICT. Both ICT and the South African government filed applications for leave to appeal this judgment on February 3, 2012. Leave to appeal was granted on May 11, 2012 and the appeal took place on February 19, 2013.

*France*

Retired and current employees of certain French subsidiaries of the former Arcelor have initiated lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security ("Social Security"). Asbestos claims in France initially are made by way of a declaration of a work-related illness by the claimant to the Social Security authorities resulting in an investigation and a level of compensation paid by Social Security. Once the Social Security authorities recognize the work-related illness, the claimant, depending on the circumstances, can also file an action for inexcusable negligence (faute inexcusable) to obtain additional compensation from the company before a special tribunal. Where procedural errors are made by Social Security, it is required to assume full payment of damages awarded to the claimants. Due to fewer procedural errors and, consequently, fewer rejected cases, ArcelorMittal has been required to pay some amounts in damages since 2011.

The number of claims outstanding for asbestos exposure at December 31, 2012 was 383 as compared to 397 at December 31, 2011. The range of amounts claimed for the year ended December 31, 2012 was €7,500 to €650,000 (approximately \$10,000 to \$863,000). The aggregate costs and settlements for the year ended December 31, 2012 were 2.5, of which 0.29 represents legal fees and 2.2 represents damages paid to the claimant. The aggregate costs and settlements for the year ended December 31, 2011 were approximately 0.42 and 4.45, respectively.

	In number of cases	
	2011	2012
Claims unresolved at beginning of period	397	397
Claims filed	136	62
Claims settled, dismissed or otherwise resolved	(136) <sup>1</sup>	(76)
Claims unresolved at the end of the period	397	383

<sup>1</sup> Includes claims related to Aperam that were divested on January 25, 2011

*Minority shareholder claims regarding the exchange ratio in the second-step merger of ArcelorMittal into Arcelor*

ArcelorMittal is the company that results from the acquisition of Arcelor by Mittal Steel N.V. in 2006 and a subsequent two-step merger between Mittal Steel and ArcelorMittal and then ArcelorMittal and Arcelor. Following completion of this merger process, several former minority shareholders of Arcelor or their representatives brought legal proceedings regarding the exchange ratio applied in the second-step merger between ArcelorMittal and Arcelor and the merger process as a whole.

ArcelorMittal believes that the allegations made and claims brought by such minority shareholders are without merit and risk of loss is therefore remote and that the exchange ratio and process complied with the requirements of applicable law, were consistent with previous guidance on the principles that would be used to determine the exchange ratio in the second-step merger and that the merger exchange ratio was relevant and reasonable to shareholders of both merged entities.

The following summarizes the current status of proceedings brought by minority shareholders in this regard that remain pending:

In June and July 2007, two hedge funds that were shareholders of Arcelor wrote to the Netherlands Authority for the Financial Markets (the Stichting Autoriteit Financiële Markten, or the "AFM"), the Dutch securities regulator, requesting it to take various measures against Mittal Steel relating in particular to disclosure regarding the proposed exchange ratio. On August 17, 2007 the AFM rejected the claimants' demands. On September 20, 2007, the claimants filed formal objections with the AFM against the decision of August 17, 2007. On February 4, 2008, the AFM confirmed its decision of August 17, 2007. On March 13, 2008, the claimants lodged an appeal against the AFM's decision with the Rotterdam Administrative Court. By judgment dated December 10, 2008, the Court nullified the AFM's decision of February 4, 2008, on the grounds that the AFM's limited investigation was an insufficient basis for its decision, and requiring it to conduct a further investigation and issue a new decision. On appeal from ArcelorMittal and the AFM, a specialized Court of Appeals for administrative matters involving the corporate sector (CBB) in The Hague on June 7, 2012 nullified the judgment of the Rotterdam Administrative Court of December 10, 2008 and declared the original appeal to the Rotterdam Administrative Court of one of the claimants to be inadmissible and dismissed the other claimant's demands. This judgment is not open to further appeal. On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the Significant

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Shareholder. The plaintiffs alleged in particular that, based on Mittal Steel's and Arcelor's disclosure and public statements, investors had a legitimate expectation that the exchange ratio in the second-step merger would be the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e., 11 Mittal Steel shares for seven Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, inter alia, the cancellation of certain resolutions (of the Board of Directors and of the Shareholders meeting) in connection with the merger, the grant of additional shares or damages in an amount of €180 million. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. This judgment was appealed in mid-May 2012. The appeal proceedings are pending.

On May 15, 2012, ArcelorMittal received a writ of summons on behalf of Association Actionnaires d'Arcelor (AAA), a French association of former minority shareholders of Arcelor, to appear before the civil court of Paris. On comparable grounds, AAA claims inter alia damages in an amount of €60,049 and reserves the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris are pending.

### Note 26: Segment and geographic information

As of January 1, 2011, the Company's mining operations are presented as a separate reportable segment. Accordingly, prior periods have been retrospectively adjusted to reflect this new segmentation. This change in segmentation is an IFRS reporting requirement and reflects the changes in ArcelorMittal's approach to managing its mining assets. Commencing on January 1, 2011, discrete financial information on the Company's mining operations is provided on a regular basis to the GMB for decision making on resources allocation and to assess the performance of these operations.

ArcelorMittal has a high degree of geographic diversification relative to other steel companies. During 2012, ArcelorMittal shipped its products to customers in over 170 countries, with its largest markets in the Flat Carbon Europe, Flat Carbon Americas and Long Carbon Americas and Europe segments. ArcelorMittal conducts its business through its Operating Subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products.

### Reportable segments

ArcelorMittal reports its operations in six segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, AACIS, Distribution Solutions and Mining. Following the Company's spin-off of its stainless steel operations into a separately focused company Aperam, Stainless Steel, which produces flat and long stainless steel and alloy products from its plants in Europe and South America, is reported as discontinued operations.

- Flat Carbon Americas represents the flat facilities of the Company located on the American Continent (Canada, Brazil, Mexico, United States). Flat Carbon Americas produces slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following industries: distribution and processing, automotive, pipe and tubes, construction, packaging, and appliances;
- Flat Carbon Europe is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east, and covering the flat carbon steel product portfolio in all major countries and markets. Flat Carbon Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. These products are sold primarily to customers in the automotive, general industry and packaging industries;
- Long Carbon Americas and Europe operates in Europe and America. Production consists of sections, wire rod, rebar, billets, blooms and wire drawing, and tubular products;
- AACIS produces a combination of flat and long products and tubular products. Its facilities are located in Asia, Africa and Commonwealth of Independent States; and
- Distribution Solutions is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements; and
- Mining comprises all mines owned by ArcelorMittal in the Americas (Canada, USA, Mexico and Brazil), Asia (Kazakhstan and Russia), Europe (Ukraine and Bosnia & Herzegovina) and Africa (Algeria and Liberia). It supplies the Company and third parties customers with iron ore and coal.

## 142 Financial statements

### Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The following table summarizes certain financial data relating to ArcelorMittal's operations in its different reportable segments.

	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas & Europe	AACIS	Distribution Solutions	Mining	Others*	Elimination	Total
<b>Year ended December 31, 2011</b>									
Sales to external customers	19,556	25,760	21,658	7,812	16,905	1,499	783	-	93,973
Intersegment sales**	1,479	5,302	3,507	2,967	2,150	4,769	919	(21,093)	-
Operating income	1,198	(324)	646	721	52	2,568	19	18	4,898
Depreciation	903	1,540	1,005	517	179	491	34	-	4,669
Impairment	8	141	178	-	-	4	-	-	331
Capital expenditures	664	1,004	1,119	613	152	1,269	17	-	4,838
<b>Year ended December 31, 2012</b>									
Sales to external customers	19,218	22,190	19,116	7,145	14,508	1,674	362	-	84,213
Intersegment sales**	934	5,002	2,766	2,906	1,786	3,716	833	(17,943)	-
Operating income	517	(3,724)	(566)	(88)	(687)	1,184	(81)	219	(3,226)
Depreciation	918	1,437	921	650	161	541	56	-	4,684
Impairment	-	2,941	1,280	8	806	-	-	-	5,035
Capital expenditures	648	818	745	433	82	1,853	104	-	4,683

\* Others include all other operational and non-operational items which are not segmented. As of December 31, 2012, the presentation of the others and eliminations has been changed to present the other operational and non-operational items separately from eliminations.

\*\* Transactions between segments are reported on the same basis of accounting as transactions with third parties except for certain mining products shipped internally and reported on a cost plus basis.

The Company does not regularly provide assets for each reportable segment to the CODM. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year ended December 31, 2011	Year ended December 31, 2012
Assets allocated to segments	107,495	96,770
Cash and cash equivalents, including restricted cash	3,905	4,536
Deferred tax assets	6,081	8,130
Assets held for sale and distribution	-	-
Other unallocated assets and eliminations	4,399	5,137
Total assets	121,880	114,573

The reconciliation from operating income (loss) to net income is as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
Operating income (loss)	4,898	(3,226)
Income from investments in associates and joint ventures	620	194
Financing costs – net	(2,838)	(2,737)
Income (loss) before taxes	2,680	(5,769)
Income tax expense (benefit)	882	(1,925)
Discontinued operations	461	-
Net income (including non-controlling interests)	2,259	(3,844)

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Geographical information

Sales (by destination)

	Year ended December 31, 2011	Year ended December 31 2012
<b>Americas</b>		
United States	16,526	16,539
Canada	3,571	3,617
Brazil	7,407	6,376
Argentina	1,271	1,236
Mexico	2,413	2,337
Others	2,043	2,209
<b>Total Americas</b>	<b>33,231</b>	<b>32,314</b>
<b>Europe</b>		
France	6,078	5,062
Spain	5,021	3,764
Germany	9,111	7,645
Romania	931	779
Poland	4,235	3,614
Belgium	1,571	1,262
Italy	3,317	2,671
United Kingdom	1,959	1,654
Turkey	2,737	2,577
Czech Republic	1,921	1,660
Netherlands	1,072	978
Russia	1,511	1,770
Others	6,253	5,105
<b>Total Europe</b>	<b>45,717</b>	<b>38,541</b>
<b>Asia &amp; Africa</b>		
South Africa	3,624	3,338
China	1,303	1,218
India	838	686
Others	9,260	8,116
<b>Total Asia &amp; Africa</b>	<b>15,025</b>	<b>13,358</b>
<b>Total</b>	<b>93,973</b>	<b>84,213</b>

Revenues from external customers attributed to the country of domicile (Luxembourg) were 294 and 217 as of December 31, 2011 and 2012, respectively.

## 144 Financial statements

### Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

#### Non-current assets\* per significant country:

	Non-current assets	
	As of December 31, 2011	As of December 31, 2012
<b>Americas</b>		
Brazil	7,763	7,775
United States	6,243	5,934
Canada	5,463	6,517
Mexico	1,456	1,469
Argentina	329	267
Trinidad and Tobago	290	251
Others	232	243
<b>Total Americas</b>	<b>21,776</b>	<b>22,456</b>
<b>Europe</b>		
France	5,962	5,801
Luxembourg	2,225	1,686
Belgium	3,380	3,306
Spain	3,530	3,265
Ukraine	4,450	4,182
Poland	2,651	2,635
Germany	3,258	3,301
Czech Republic	849	816
Romania	846	818
Italy	278	263
Bosnia and Herzegovina	255	256
Others	737	761
<b>Total Europe</b>	<b>28,421</b>	<b>27,090</b>
<b>Asia &amp; Africa</b>		
South Africa	2,054	1,910
Kazakhstan	1,948	2,056
Liberia	828	1,040
Morocco	263	189
Others	543	510
<b>Total Africa &amp; Asia</b>	<b>5,636</b>	<b>5,705</b>
Unallocated assets	30,442	27,528
<b>Total</b>	<b>86,275</b>	<b>82,779</b>

\* 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".

#### Sales by type of products

	Year ended	Year ended
	December 31, 2011	December 31, 2012
Flat products	51,936	45,748
Long products	22,437	20,686
Tubular products	2,915	2,760
Mining products	1,499	1,674
Others	15,186	13,345
<b>Total</b>	<b>93,973</b>	<b>84,213</b>

The table above presents sales to external customer by product type. In addition to steel produced by the Company, amounts include material purchased for additional transformation and sold through distribution services. Others include mainly non-steel sales and services.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 27 Employees and key management personnel

As of December 31, 2012, ArcelorMittal employed approximately 245,000 people and the total annual compensation of ArcelorMittal's employees in 2011, and 2012 was as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Employee information</b>		
Wages and salaries	10,545	10,219
Pension cost	673	569
Other staff expenses	1,725	1,681
<b>Total</b>	<b>12,943</b>	<b>12,469</b>

The total annual compensation of ArcelorMittal's key management personnel, including its board of directors, paid in 2011, and 2012 was as follows:

	Year ended December 31, 2011	Year ended December 31, 2012*
Base salary and/or directors fees	18	11
Short-term performance-related bonus	17	11
Post-employment benefits	2	1
Share based compensation	9	2

\* In 2012, the Appointments, Remuneration and Corporate Governance Committee of the Board of Directors decided the Group Management Board will be defined going forward as ArcelorMittal's senior management. Consequently, information regarding the Management Committee, an advisory body to the Group Management Board, which was previously included, is no longer included. Board of Directors and Group Management Board are defined as key management going forward.

The total annual compensation of ArcelorMittal's key management personnel, paid in 2011, using this new definition, would have been as follows:

	Year ended December 31, 2011
Base salary and directors fees	11
Short-term performance-related bonus	11
Post-employment benefits	1
Share based compensation	5

The fair value of the stock options granted and shares allocated based on RSU and PSU plans to the ArcelorMittal's key management personnel is recorded as an expense in the consolidated statements of operations over the relevant vesting periods.

As of December 31, 2011 and 2012, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors or key management personnel, and, as of December 31, 2011 and 2012, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

## Notes to consolidated financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Note 28: Principal account fees and services**

Deloitte Audit S.à r.l. acted as the principal independent registered public accounting firm for ArcelorMittal for the fiscal years ended December 31, 2011 and 2012. Set forth below is a breakdown of fees for services rendered in 2011 and 2012.

*Audit Fees:* Audit fees in 2011 and 2012 included 29 and 29.3, respectively, for the audits of financial statements, and 0.2 and 1.3 in 2011 and 2012, respectively, for regulatory filings.

*Audit-Related Fees:* Audit-related fees in 2011 and 2012 were 1.2 and 1.7, respectively. Audit-related fees primarily include fees for employee benefit plan audits.

*Tax Fees:* Fees relating to tax planning, advice and compliance in 2011 and 2012 were 0.6 and 0.8, respectively.

*All Other Fees:* Fees in 2011 and 2012 for all other services were 0.5 and 0.5, respectively. All other fees relate to services not included in the first three categories.

**Note 29: Subsequent events**

On February 9, 2013, a fire occurred at the Vanderbijlpark plant in ArcelorMittal South Africa. It caused extensive damage to the steel making facilities resulting in an immediate shutdown of the facilities. No injuries were reported as a result of the incident. Once detailed assessments of the damage and required repairs have been carried out, the potential loss of sales and estimate of the time to repair will be determined.

On January 24, 2013, ArcelorMittal Liège informed its local works council of its intention to permanently close a number of additional assets due to further weakening of the European economy and the resulting low demand for its products. Specifically, ArcelorMittal Liège has proposed to close (i) the hot strip mill in Chertal, (ii) one of the two cold rolling flows in Tilleur, (iii) galvanization lines 4 and 5 in Flemalle and (iv) electrogalvanizing lines HP3 and 4 in Marchin. The Company has also proposed to permanently close the ArcelorMittal Liège coke plant,

which is no longer viable due to the excess supply of coke in Europe. ArcelorMittal Liège intends to discuss with trade union representatives all possible means of reducing the impact on employees, including the possibility of reallocation to other sites within ArcelorMittal.

ArcelorMittal completed a combined offering of ordinary shares and mandatorily convertible subordinated notes ("MCNs") on January 14, 2013 and January 16, 2013, respectively. The ordinary shares offering represents an aggregate of 1.75 billion representing approximately 104 million ordinary shares at an offering price of \$16.75 (€12.83 at a €/\$ conversion rate of 1.3060) per ordinary share. The total proceeds from the issuance of MCNs amount to approximately 2.25 billion. The notes have a maturity of 3 years, are issued at 100% of the principal amount and are mandatorily converted into ordinary shares of ArcelorMittal at maturity unless earlier converted at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The notes will

pay a coupon of 6.00% per annum, payable quarterly in arrears. The minimum conversion price of the MCNs will be equal to \$16.75, corresponding to the placement price of shares in the concurrent ordinary shares offering as described above, and the maximum conversion price has been set at approximately 125% of the minimum conversion price (corresponding to \$20.94). The Mittal family participated by placing an order in the combined offering for an aggregate amount of 600 including 300 of MCNs and 300 of ordinary shares. ArcelorMittal intends to use the net proceeds from the combined offering to reduce existing indebtedness.

## Report of the Réviseur d'entreprises agréé

To the Shareholders of  
ArcelorMittal Société Anonyme  
19, Avenue de la Liberté  
L-2930 Luxembourg  
Grand Duchy of Luxembourg

### Report on the consolidated financial statements

Following our appointment by the General Meeting of the shareholders held on May 8, 2012, we have audited the accompanying consolidated financial statements of ArcelorMittal and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors' for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors' determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of ArcelorMittal and its subsidiaries as of December 31, 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

For Deloitte Audit  
*société à responsabilité limitée*  
*Cabinet de révision agréé*

Vafa Moayed, *Réviseur d'entreprises agréé*  
Partner

February 27, 2013  
560, rue de Neudorf  
L-2220 Luxembourg

## Statements of Financial position

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Assets	Notes	January 1, 2011	December 31, 2011	December 31, 2012
<b>Current assets:</b>				
Cash and cash equivalents		7	-	33
Restricted cash		80	80	52
Current loans to related parties	11	650	131	1,162
Prepaid expenses and other current assets	4, 11	1,040	707	730
Assets held for sale and distribution	5	4,118	-	-
<b>Total current assets</b>		<b>5,895</b>	<b>918</b>	<b>1,977</b>
<b>Non-current assets:</b>				
Intangible assets	6	5	7	8
Property, plant and equipment	7	35	28	23
Investments in subsidiaries	8	86,749	90,942	78,242
Investments in associates and other investments	9	1,411	1,404	1,419
Non-current loans to related parties	11	7,042	6,482	9,616
Deferred tax assets	17	5,675	5,673	8,400
Other assets	10	995	442	192
<b>Total non-current assets</b>		<b>101,912</b>	<b>104,978</b>	<b>97,900</b>
<b>Total assets</b>		<b>107,807</b>	<b>105,896</b>	<b>99,877</b>
<b>Liabilities and equity</b>				
<b>Current liabilities:</b>				
Short-term debt and current portion of long-term debt	12	5,526	782	3,432
Current loans from related parties	11	6,169	5,151	4,952
Short-term provisions	18	69	19	-
Accrued expenses and other liabilities	19, 11	1,045	536	640
<b>Total current liabilities</b>		<b>12,809</b>	<b>6,488</b>	<b>9,024</b>
<b>Non-current liabilities:</b>				
Long-term debt, net of current portion	12	15,667	20,783	19,388
Non current loans from related parties	11	1,825	34	34
Deferred employee benefits	22	26	24	26
Long-term provisions	18	13	-	-
Other long-term obligations	20	857	590	430
<b>Total non-current liabilities</b>		<b>18,388</b>	<b>21,431</b>	<b>19,878</b>
<b>Total liabilities</b>		<b>31,197</b>	<b>27,919</b>	<b>28,902</b>
Commitments and contingencies	21, 23			
<b>Equity :</b>	<b>14</b>			
Common shares (no par value, 1,617,000,000, 1,617,000,000 and 1,773,091,461 shares authorized, 1,560,914,610, 1,560,914,610 and 1,560,914,610 shares issued, and 1,548,561,690, 1,548,951,866, 1,549,107,148 shares outstanding at January 1, 2011, December 31, 2011 and 2012 respectively)		9,950	9,404	9,404
Treasury shares (368,393, 757,951 and 629,205 common shares at January 1, 2011, December 31, 2011 and 2012 respectively, at cost)		(12)	(27)	(22)
Additional paid-in capital		19,705	18,122	18,124
Subordinated perpetual capital securities		-	-	650
Retained earnings		46,349	49,867	42,208
Reserves		618	611	611
<b>Total equity</b>		<b>76,610</b>	<b>77,977</b>	<b>70,975</b>
<b>Total liabilities and equity</b>		<b>107,807</b>	<b>105,896</b>	<b>99,877</b>

The accompanying notes are an integral part of these annual accounts.

## Statements of Financial position

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Statements of Operations

	Notes	Year ended December 31, 2011	Year ended December 31, 2012
General and administrative expenses		(95)	(16)
Operating loss		(95)	(16)
Income from subsidiaries and associates	16	13,443	43,240
Impairment of financial assets	8	(6,530)	(52,373)
Financing costs - net	15	(567)	(111)
Income (loss) before taxes		6,251	(9,260)
Income tax benefit	17	(547)	(2,757)
<b>Net income (loss)</b>		<b>6,798</b>	<b>(6,503)</b>

	Year ended December 31, 2011	Year ended December 31, 2012
Earnings (loss) per common share (in U.S. dollars)		
Basic	1.46	(2.41)
Diluted	1.19	(2.41)
Weighted average common shares outstanding (in millions)		
Basic	1,549	1,549
Diluted	1,611	1,550

## Statements of Other Comprehensive Income

	Year ended December 31, 2011	Year ended December 31, 2012
Net income (loss)	6,798	(6,503)
Other comprehensive income	-	-
<b>Total other comprehensive income (loss)</b>	<b>6,798</b>	<b>(6,503)</b>

## Statements of Changes in Equity

	Shares <sup>1,2</sup>	Share capital	Treasury Shares	Subordinated Perpetual Capital Securities	Additional Paid-in Capital	Retained Earnings	Reserves		Total Equity
							Unrealized Gains (Losses) on Derivative Financial Instruments	Legal reserve	
<b>Balance at January 1, 2011</b>	<b>1,560</b>	<b>9,950</b>	<b>(12)</b>	<b>-</b>	<b>19,705</b>	<b>46,349</b>	<b>(309)</b>	<b>927</b>	<b>76,610</b>
Net income	-	-	-	-	-	6,798	-	-	6,798
Total comprehensive income	-	-	-	-	-	6,798	-	-	6,798
Recognition of share-based payments	-	-	-	-	7	75	-	-	82
Treasury shares (note 14)	-	-	(15)	-	10	-	-	-	(5)
Dividend (0.75 per share)	-	-	-	-	-	(1,170)	-	-	(1,170)
Spin-off of stainless steel assets (Note 5)	-	(546)	-	-	(1,600)	(2,115)	-	(75)	(4,336)
Allocation of result to legal reserve	-	-	-	-	-	(68)	-	68	-
Directors' fees	-	-	-	-	-	(2)	-	-	(2)
<b>Balance at December 31, 2011</b>	<b>1,560</b>	<b>9,404</b>	<b>(27)</b>	<b>-</b>	<b>18,122</b>	<b>49,867</b>	<b>(309)</b>	<b>920</b>	<b>77,977</b>
Net income (loss)	-	-	-	-	-	(6,503)	-	-	(6,503)
Total comprehensive income (loss)	-	-	-	-	-	(6,503)	-	-	(6,503)
Recognition of share-based payments	-	-	-	-	2	24	-	-	26
Sale of treasury shares	-	-	5	-	-	-	-	-	5
Dividend (0.75 per share)	-	-	-	-	-	(1,170)	-	-	(1,170)
Issuance of subordinated perpetual capital securities	-	-	-	650	-	(8)	-	-	642
Directors' fees	-	-	-	-	-	(2)	-	-	(2)
<b>Balance at December 31, 2012</b>	<b>1,560</b>	<b>9,404</b>	<b>(22)</b>	<b>650</b>	<b>18,124</b>	<b>42,208</b>	<b>(309)</b>	<b>920</b>	<b>70,975</b>

<sup>1</sup> Excludes treasury shares<sup>2</sup> In millions of shares

## Financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Statements of Cash Flows

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Operating activities:</b>		
Net income (loss)	6,798	(6,503)
<b>Adjustments to reconcile net income to net cash provided by operations and payments:</b>		
Depreciation	8	8
Impairment of financial assets	6,530	52,373
Net interest	1,051	976
Income tax expense (benefit)	(547)	(2,757)
Change in fair value adjustments on conversion options on the euro convertible bond, call options on ArcelorMittal shares and Mandatorily Convertible Bonds	(42)	99
Gain on disposal of financial assets	(151)	(182)
Income from subsidiaries and associates	(13,443)	(43,240)
Unrealized foreign exchange effects, other provisions and non-cash operating expenses net	(197)	56
<b>Changes in working capital:</b>		
Interest paid and received	(981)	(1,336)
Taxes received	495	123
Dividends received	513	22,334
Other working capital and provisions movements	(73)	79
<b>Net cash (used in)/provided by operating activities</b>	<b>(39)</b>	<b>22,030</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment and intangibles	(13)	(4)
Investments in subsidiaries and associates	(210)	(36,280)
Disposals of financial assets	2,045	19,338
Proceeds from loans granted to subsidiaries	2,274	1,836
Loans granted to subsidiaries	(2,187)	(7,062)
Other investing activities net	-	33
<b>Net cash provided by/(used in) investing activities</b>	<b>1,909</b>	<b>(22,139)</b>
<b>Financing activities:</b>		
Proceeds from subordinated perpetual capital securities	-	642
Proceeds from short-term debt	2,924	1,801
Proceeds from long-term debt, net of debt issuance costs	6,974	3,937
Payments of short-term debt	(7,428)	(2,674)
Payments of long-term debt	(3,186)	(2,386)
Dividends paid	(1,170)	(1,170)
Other financing activities net	9	(8)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,877)</b>	<b>142</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(7)</b>	<b>33</b>
<b>Cash and cash equivalents:</b>		
At the beginning of the year	7	-
At the end of the year	-	33

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 1: General

ArcelorMittal (the "Company") was incorporated as a "Société Anonyme" under Luxembourg law on June 8, 2001 for an unlimited period.

The Company has its registered office in 19 avenue de la Liberté, Luxembourg City and is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

The financial year of the Company starts on January 1 and ends on December 31 each year.

The Company's corporate goal is the manufacturing, processing and marketing of steel products, all other metallurgical products, mining products and any other activity directly or indirectly related thereto. The Company realizes its corporate goal either directly or through the creation of companies or the acquisition and holding of interests in companies, partnership,

associations, consortia and joint-ventures.

These financial statements correspond to the stand alone financial statements of the parent company, ArcelorMittal, and were authorized for issuance on February 21, 2013 by the Company's Board of Directors. In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

## Note 2: Basis of presentation

## Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in particular with IAS 27 Consolidated and Separate Financial Statements

as well as in accordance with chapter IIbis and art 72bis of the Luxembourg law of December 19, 2002 as modified by the law of December 10, 2010.

The Company has prepared these financial statements for the year ended December 31, 2012 in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"). It has elected to prepare these IFRS financial statements assuming an IFRS adoption date of January 1, 2011 and has applied the accounting principles effective as of December 31, 2012 to all years presented in these financial statements. While the Company has never prepared, presented or issued financial statements or financial information in accordance with IFRS, prior to the Company's first time adoption of IFRS, it reported financial information in accordance with IFRS as adopted by ArcelorMittal Group for the preparation of consolidated financial statements. As the

Company becomes a first-time adopter for its separate financial statements later than for its consolidated financial statements, assets and liabilities were measured at the same amounts in both financial statements, except for consolidation adjustments. The Company has also chosen to measure investments in subsidiaries and associates at deemed cost corresponding to the carrying amount in accordance with Luxembourg accounting principles at January 1, 2011 in the opening statements of financial position.

The transition from generally accepted accounting principles in the Grand-Duchy of Luxembourg to IFRS affected net equity at December 31, 2011 and January 1, 2011 and net income for the year ended December 31, 2011 as follows:

	January 1, 2011	December 31, 2011
<b>Shareholders' equity as reported in accordance with generally accepted accounting principles in the Grand-Duchy of Luxembourg</b>	<b>71,351</b>	<b>65,362</b>
Financial instruments <sup>1</sup>	(676)	(723)
<i>Derivative financial instruments</i>	(398)	(351)
<i>Non-derivative financial instruments</i>	(122)	(216)
<i>Equity instruments</i>	(156)	(156)
Deferred employee benefits <sup>2</sup>	(20)	(10)
Dividend income recognition <sup>3</sup>	-	12,916
Impairment of financial assets <sup>3</sup>	-	(6,139)
Provisions <sup>4</sup>	(27)	(19)
Foreign currency effects <sup>5</sup>	30	566
Share-based payments <sup>6</sup>	297	372
Treasury shares <sup>7</sup>	(12)	(13)
Deferred tax <sup>8</sup>	5,675	5,673
Other	(8)	(8)
<b>Shareholders' equity as reported in accordance IFRS</b>	<b>76,610</b>	<b>77,977</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year ended December 31, 2011
<b>Net loss as reported in accordance with generally accepted accounting principles in the Grand-Duchy of Luxembourg</b>	<b>(480)</b>
Financial instruments <sup>1</sup>	(47)
<i>Derivative financial instruments</i>	47
<i>Non-derivative financial instruments</i>	(94)
Deferred employee benefits <sup>2</sup>	10
Dividend income recognition <sup>3</sup>	12,916
Impairment of financial assets <sup>3</sup>	(6,139)
Provisions <sup>4</sup>	8
Foreign currency effects <sup>5</sup>	340
Share-based payments <sup>6</sup>	(6)
Treasury shares <sup>7</sup>	3
Deferred tax <sup>8</sup>	193
<b>Net income as reported in accordance with IFRS</b>	<b>6,798</b>

## 1. Financial instruments

*Derivative financial instruments*  
Under generally accepted accounting principles in the Grand-Duchy of Luxembourg, the Company recognized unrealized gains and losses related to derivative financial instruments to the extent they offset unrealized gains and losses with respect to the underlying hedged items in the balance sheet.

In accordance with IFRS, IAS 39 "Financial Instruments: Recognition and Measurement", the Company recognized in the statements of operations all unrealized gains and losses related to derivative financial instruments, including the fair value adjustments corresponding to the conversion option of the €1.25 billion convertible bonds, the 61,728,395 euro-denominated call options on treasury shares and the call options on the 1,000 mandatory convertible bonds issued by Hera Ermac, a wholly-owned subsidiary of the Company.

The decrease in equity amounted to 398 and 351, as of January 1, 2011 and December 31, 2011, respectively. The fair value gain on derivatives amounted to 47 in 2011.

*Non-derivative financial instruments*

Under generally accepted accounting principles in the Grand-Duchy of Luxembourg, financial liabilities are recorded at their nominal value and any difference between the amount at issuance date of the liability and the nominal amount is amortized on a linear basis over the maturity of the liability. Under IFRS, financial liabilities are carried at amortized cost using an effective interest rate in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The transition to IFRS decreased equity by 95 and 183, as of January 1, 2011 and December 31, 2011, respectively. It decreased net income by 88 in 2011.

Contrary to generally accepted accounting principles in the Grand-Duchy of Luxembourg, the Company recognized under IFRS the liability in connection with the put option agreements in respect of the 17.4% stake in China Oriental Group Company Ltd ("China Oriental") (see Note 9). The accrued interest on the put option decreased net equity by 34 and 42 as of January 1, 2011 and December 31, 2011, respectively. The interest expense decreased net income by 8 in 2011.

The Company also recognized under IFRS a liability for financial guarantees granted to subsidiaries. This liability was measured at fair value at inception date and recorded as an increase of investments in subsidiaries. It is subsequently amortized over the maturity of the guarantees. As a result of amortization, net equity increased by 7 and 9 as of January 1, 2011 and December 31, 2011, respectively. Net income increased by 2 in 2011.

*Equity instruments*

On October 28, 2009, the Company announced that it irrevocably waived the option to settle the 800 convertible senior notes in cash, for the cash value of the common shares at the date of settlement. As a result, the Company determined that the conversion option qualified as an equity instrument, under IAS 39 "Financial Instruments: Recognition and Measurement" and transferred its fair value to equity.

The increase in equity amounted to 279 as of January 1, 2011 and December 31, 2011.

On December 18, 2010, ArcelorMittal acquired USD denominated call options on 26,533,997 of its own shares with a strike price of \$30.15 per share in

order to hedge its obligations arising from the potential conversion of the 5% USD denominated convertible bonds into ArcelorMittal shares due May 15, 2014. The premium paid amounted to 435. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", call options on the Company's own shares which can be settled only through physical delivery of the treasury shares are accounted for as an equity instrument. The premium paid with respect to these call options was recorded as a decrease to additional-paid-in-capital for 435 as of January 1, 2011 and December 31, 2011. Under generally accepted accounting principles in the Grand-Duchy of Luxembourg, the premium paid was recorded as a financial asset.

## 2. Deferred employee benefits

For defined benefit plans, under IFRS, the cost of providing benefits is determined using the Projected Unit Credit Method, in accordance with IAS 19 "Employee Benefits". Under generally accepted accounting principles in the Grand-Duchy of Luxembourg, the level of provisions has to comply with minimum levels as imposed by Luxembourg regulations. This adjustment resulted in a decrease

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

in equity amounting to 20 and 10 as of January 1, 2011 and December 31, 2011, respectively.

### 3. Impairment of financial assets and dividend recognition

On December 22, 2011, in connection with a dividend received from Arcelor Investment S.A of 13,308, of which 12,916 settled in kind and 392 in cash, the Company reduced its investment in Arcelor Investment S.A. by 12,916, recorded a dividend income and wrote down the investment for 392 under generally accepted accounting principles in the Grand-Duchy of Luxembourg.

Under IFRS the Company recognized an additional dividend income and impairment loss of 12,916 and 6,139, respectively, in accordance with IAS 36 "Impairment of Assets".

### 4. Provisions

Under IFRS, according to the provisions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company recognized a provision for onerous contract in respect of the net expected losses of a sublease agreement that the Company entered into for one of its leased buildings. Such provisions are not recognized under generally accepted accounting principles in the Grand-Duchy of Luxembourg.

### 5. Foreign currency effects

In accordance with generally accepted accounting principles in the Grand-Duchy of Luxembourg, non-current financial assets and liabilities are translated at historical exchange rates. If unrealized exchange losses exist upon translation at closing rate, they are recognized in the statements of operations.

Under IFRS, IAS 21 "The Effects of Changes in Foreign Exchange Rates", all unrealized foreign

exchange gains and losses on monetary assets and liabilities are recognized in the statements of operations.

The transition adjustment to IFRS corresponded mainly to unrealized foreign exchange gains not recognized under generally accepted accounting principles in the Grand-Duchy of Luxembourg.

### 6. Equity settled share-based payments

Under IFRS, the Company measured equity settled share-based payments at fair value, in accordance with IFRS 2 "Share-Based Payments". Such an expense with a corresponding increase in equity was not recorded under generally accepted accounting principles in the Grand-Duchy of Luxembourg.

### 7. Treasury shares

Under generally accepted accounting principles in the Grand-Duchy of Luxembourg, treasury shares are carried as transferable securities at the lower of cost or market value. Any result on disposal is recognized in the profit and loss account. A non-distributable reserve corresponding to the carrying amount of such treasury shares has to be established.

Under IFRS, IAS 32 "Financial Instruments: Presentation", treasury shares are carried at cost and deducted from equity. No gain or loss is recognized in the statements of operations on the purchase, sale, issue or cancellation of such shares.

### 8. Deferred taxes

Under IFRS, the Company recognized deferred taxes in accordance with IAS 12 "Income taxes", for all temporary differences between the carrying amount of an asset or liability in the statements of financial position and

its tax base. A deferred tax asset was also recognized for the carryforward of unused tax losses to the extent it is probable such losses will be recoverable in the future.

Deferred taxes are not recognized under generally accepted accounting principles in the Grand-Duchy of Luxembourg.

### Adoption of new IFRS standards, amendments and interpretations applicable in 2012

Amendments to IFRS 7, "Financial Instruments: Disclosures" were adopted by the Company on January 1, 2012. The amendments increase the disclosure requirements for transactions involving transfer of financial assets and did not have a material impact on the financial statements of the Company.

### New IFRS standards and interpretations applicable from 2013 onward

Unless otherwise indicated below, the Company is still in the process of assessing whether there will be any significant changes to its financial statements upon adoption of these new standards, interpretations, or amendments. The Company does not plan to early adopt any of these new standards, interpretations, or amendments.

#### • IFRS 9, "Financial Instruments"

In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 (as revised in 2010) introduces new requirements for classifying and measuring financial instruments, including:

- The replacement of the multiple classification and measurement models in IAS 39, 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 equity instruments and derivatives on unquoted equity instruments with guidance on when cost may be an appropriate estimate of fair value.

The effective date of this standard has been postponed from annual periods beginning on or after January 1, 2013 to annual periods beginning on or after 2015, with early adoption permitted.

On May 13, 2011 the IASB issued IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IFRS 13 "Fair Value Measurement" and amended IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", all effective for annual periods beginning on or after January 1, 2013. The adoption of these new standards and amendments is not expected to have a material impact on the financial statements of the Company.

- IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 "Consolidated and Separate Financial Statements".
- IFRS 11 provides a more realistic reflection of joint arrangements

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

- by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. It replaces IAS 31 "Interests in Joint Ventures".
- IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
  - IFRS 13 defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements.
  - Amendments to IAS 27 were made in connection with the previous new issued standards and reduced the scope of IAS 27 which now only deals with the requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10. These amendments require that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.
  - The new IAS 28 amended standard supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. These amendments define 'significant influence' and provide guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
- On June 16, 2011 the IASB issued amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after July 1, 2012 and to IAS 19 "Employee Benefits", effective for annual periods beginning on or after January 1, 2013.
- Amendments to IAS 1 changes the disclosures of items presented in other comprehensive income in the statements of comprehensive income. The adoption of these new amendments will not have any material impact on the financial statements of the Company.
  - Amendment to IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The adoption of the amendments to IAS 19 will not significantly impact the statements of financial position and the statements of operations.
  - IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine"
- On October 19, 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. The Interpretation requires stripping activity costs which provide improved access to ore to be capitalized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. This standard is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRIC 20 is not expected to have a material impact on the financial statements of the Company.
- On December 16, 2011 the IASB published amendments to IAS 32 "Financial Instruments: Presentation" to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS 7 "Financial Instruments: Disclosures" including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively. The adoption of the amendments to IFRS 7 will not have any material impact on the financial statements of the Company.
- On May 17, 2012, the IASB published Annual Improvements 2009-2011 as part of its annual improvements process to make non-urgent amendments to the following standards:
- IAS 1 "Presentation of Financial Statements", provides clarification of the requirements for comparative information
  - IAS 16 "Property, Plant & Equipment", provides additional guidance on the classification of servicing equipment
- IAS 32 "Financial Instruments: Presentation", clarifies the accounting for the tax effect of a distribution to holders of equity instruments in accordance with IAS 12 "Income Taxes"
  - IAS 34 "Interim Financial Reporting", clarifies interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 "Operating Segments"
  - IFRS 1 "First-time adoption of International Financial Reporting Standards"
- These amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of these new amendments will not have any material impact on the financial statements of the Company.
- On June 28, 2012 the IASB published amendments to IFRS 10, IFRS 11 and IFRS 12. The amendments provide additional transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The effective date of the amendments is annual periods beginning on or after January 1, 2013, which is aligned with the effective date of IFRS 10, 11 and 12. The adoption of these new standards and amendments will not have any material impact on the financial statements of the Company.
- On October 31, 2012 the IASB published amendments to IFRS 10, IFRS 12 and IAS 27. The amendments apply to a particular class of business that qualifies as investment entities. Investment

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

Under IFRS 10 Consolidated Financial Statements, reporting entities are required to consolidate all investees that they control (i.e. all subsidiaries). The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss. The amendments also set out disclosure requirements for investment entities. The amendments are effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

### Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value.

### Functional and presentation currency

These financial statements are presented in US dollars which is the Company's functional currency. Unless otherwise stated, all amounts are rounded to the nearest million, except share and per share data.

### Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note.

### Note 3: Significant accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

#### (a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and the related foreign currency gain or loss are reported in the statements of operations.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from translation of non-monetary assets and liabilities are recognized in the statements of operations.

#### (b) Financial instruments

##### (i) Non-derivative financial assets

The Company initially recognizes non-derivative financial assets on the date that they are originated, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company has the following non-derivative financial assets:

##### Loans and other financial assets

Loans and other financial assets are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and other financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Loans and other financial assets comprise inter company receivables, advances to suppliers and other receivables.

##### 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 escrow accounts created as a result of acquisitions and other deposits. Changes in restricted cash are included in the investing activities in the statements of cash flows.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the

contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### (ii) Non-derivative financial liabilities and equity instruments

##### Classification as debt or equity

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

##### Equity instruments

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is accounted for as an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. A contract that is settled by the Company receiving or delivering a fixed number of its own shares for no future consideration, or exchanging a fixed number of its own shares for a fixed amount of cash or another financial asset, is also recognized as an equity instrument.

Subordinated perpetual capital securities issued by the Company are classified as equity as the Company has no contractual obligation to redeem the securities and coupon payment may be deferred under certain circumstances. Coupons become payable whenever the Company makes dividend payments. Coupon

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

accruals are considered in the determination of earnings for the purpose of calculating earnings per share.

*Financial liabilities*

Financial liabilities such as loans and borrowings and other payables are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the financial position date.

*(iii) Derivative financial instruments*

The Company enters into derivative financial instruments principally to manage its exposure to fluctuations in exchange rates and to hedge its obligations arising out of the potential conversion of convertible debenture loans into the Company's shares. 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. Gains or losses arising from changes in fair value of derivatives are recognized in the statements of operations.

**(c) Impairment***(i) Non-derivative financial assets*

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statements of operations and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of operations.

*(ii) Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Impairment losses are recognized in the statements of operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(d) Intangible assets**

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 the Company are initially recorded at cost; they include primarily 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 do not exceed five years. Amortization is included in the statements of operations as part of general and administrative expenses.

Amortization methods applied to intangible assets 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 assets.

**(e) Property, plant and equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all related costs directly attributable to the acquisition or construction of the asset. Except for land, property, plant and equipment are depreciated using the straight-line method over the useful lives of the related assets.

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.

**(f) Investments in subsidiaries, associates and other investments**

Subsidiaries are those companies over which the Company exercises control. Control is the power to

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. Investments in subsidiaries are accounted for under the cost method.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions and which are not subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. Investments in associates in which ArcelorMittal has the ability to exercise significant influence, are accounted for at cost.

Investments in other entities, over which the Company does 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 recognized in the reserves in equity. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

The Company reviews all its investments 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, ArcelorMittal calculates the amount of the impairment of the investment as being the difference between the higher of the fair value less costs to sell or its value in use and its carrying value.

### (g) Assets and liabilities held for sale and distribution

Non-current assets and disposal groups that are classified as held for sale and distribution are measured at the lower of carrying amount and fair value less costs to sell or to distribute. Assets and

disposal groups are classified as held for sale and for distribution if their carrying amount will be recovered through a sale or a distribution 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 or distribution 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 and distribution are presented separately in the statements of financial position and are not depreciated.

### (h) Deferred employee benefits

Defined contribution plans are those plans where ArcelorMittal pays fixed contributions to an external life insurance or other funds for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. Contributions are expensed as incurred consistent with the recognition of wages and salaries. No provisions are established with respect to defined contribution plans as they do not generate future commitments for ArcelorMittal.

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 fiscal year end. Actuarial gains and losses that exceed ten percent of the greater of the present value of the Company's defined benefit obligation are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized

on a straight-line basis over the average period until the benefits vest.

The retirement benefit obligation recognized in the statements 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. 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 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.

### (i) Provisions and accruals

The Company 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. When 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 statements 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.

### (j) Income taxes

The Company is the head of tax integration and is fully liable for the overall tax liability. Each of the entities included in the tax integration is charged with the amount of tax that relates to its individual taxable profit and this tax is paid to ArcelorMittal. Tax losses at entity level are transferred to the Company where they are offset with taxable profits for the determination of the net taxable income of the tax integration. Entities do not pay any tax expense to ArcelorMittal on their individual taxable profits prior to full utilization of their individual cumulative tax losses.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of operations because it excludes items of income or expense 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 as of the statements of financial position date.

Deferred tax assets are recognized for net operation loss carry forwards to the extent that it is probable that taxable profits will be available against which those carry forwards can be utilized.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statements of financial position date. The carrying amount of deferred tax assets is reviewed at each statements 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.

**(k) 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 net gain or loss from foreign exchange on translation of debt, net of unrealized gains, losses on foreign exchange contracts and transactions and accretion of long-term liabilities.

**(l) Revenue recognition**

Dividend income is recognized when the shareholders' rights to receive payment have been established. Interest income is accrued as earned, by reference to the principal outstanding and at the prevailing effective interest rate.

**(m) Earnings per common share**

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Net income attributable to ordinary shareholders takes into consideration dividend rights of preferred shareholders and holders of subordinated perpetual capital securities. Diluted earnings per share is computed by dividing income available to equity holders and assumed conversion by the weighted average number of common shares and potential common shares from outstanding stock options as well as potential common shares from the

conversion of certain convertible bonds whenever the conversion results in a dilutive effect.

**(n) Equity settled share-based payments**

The Company issues equity-settled share-based payments to certain of its employees and employees of its subsidiaries, including stock options and restricted share units. 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 recognized 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. Such fair value is expensed with respect to share-based payments issued to the Company's employees and recognized as a capital contribution for share-based payments issued to employees of subsidiaries. For stock options and restricted share units, fair value is measured using the Black-Scholes-Merton pricing model and the market value of the shares at the date of the grant after deduction of dividend payments during the vesting period, respectively. 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. For the restricted share units, the fair value determined at the grant date of the equity-settled share-based payments is expensed and recognized as a capital contribution on a straight line method over the vesting period and adjusted for the effect of non market-based vesting conditions for the Company's employees and employees of subsidiaries, respectively.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 4: Prepaid expenses and other current assets

The movements for the year are as follows:

	January 1, 2011	December 31, 2011	December 31, 2012
Receivables from related parties – tax integration	477	313	389
Receivables from related parties – corporate services	344	314	278
Derivative financial instruments (Note 13)	113	20	13
Call option on mandatory convertible bonds <sup>1</sup>	69	-	-
Other	37	60	50
<b>Total</b>	<b>1,040</b>	<b>707</b>	<b>730</b>

<sup>1</sup> The Company holds the option to call the mandatory convertible bonds (see Note 13). Following an extension of the conversion date of the mandatory convertible bonds to January 31, 2013 and subsequently to January 31, 2014, the revaluation of the call option on mandatory convertibles bonds is included in other assets (see Note 10) at December 31, 2011 and 2012.

Receivables on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Receivables for corporate services are related to various corporate services rendered by the Company to its subsidiaries.

Balances with related parties are detailed in Note 11.

## Note 5: Assets and liabilities held for sale and distribution

Following the approval by ArcelorMittal's board on December 7, 2010, to spin off the stainless steel business into a separate company known as Aperam and the completion of the spin-off on January 25, 2011 following the approval of the Extraordinary General Meeting of Shareholders, the assets and liabilities contributed into Aperam by ArcelorMittal are presented as assets and liabilities held for distribution in the statements of financial position at January 1, 2011 in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

In the framework of a legal reorganization preceding the spin-off of the stainless steel business, various inter company loans with a carrying amount of 3,551 and other assets with a carrying amount of 13 at January 25, 2011 were transferred to the Company. In addition, all investments in stainless steel entities were directly and indirectly grouped under ArcelorMittal LuxCo S.à.r.l., a wholly-owned subsidiary of ArcelorMittal acquired for € 1,272 (1,673). The acquisition price of this investment was estimated based on trading multiples of comparable companies. ArcelorMittal compared revenue growth, operating margins and capital expenditures according to the five year business plan defined for the purpose of the spin-off to consensus forecasts of comparable companies.

On January 19, 2011 a bridge loan of 900 was granted by a subsidiary to ArcelorMittal in order to be transferred to Aperam at the spin-off date (see Note 11).

On January 25, 2011, all assets and liabilities classified as held for distribution at that date were transferred to Aperam for a total net amount of 4,336 recognized as a reduction in shareholders' equity.

The table below provides details of the assets and liabilities held for distribution in the statements of financial position at January 1, 2011 and at spin-off date.

	January 1, 2011	January 25, 2011
<b>Assets</b>		
Current loans	-	296
Prepaid expenses and other current assets	3	3
Total current assets	3	299
Intangible assets	-	10
Investments	1,673	1,673
Non-current loans	2,442	3,254
Total non-current assets	4,115	4,937
<b>Total Assets</b>	<b>4,118</b>	<b>5,236</b>
<b>Liabilities</b>		
Short-term debt	-	900
Total current liabilities	-	900
<b>Total Liabilities</b>	<b>-</b>	<b>900</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 6: Intangible assets

Intangible assets are summarized as follows:

	Patents and licenses
<b>Cost</b>	
<b>At January 1, 2011</b>	<b>69</b>
Additions	13
Other	(9)
<b>At December 31, 2011</b>	<b>73</b>
Additions	3
<b>At December 31, 2012</b>	<b>76</b>
<b>Accumulated amortization</b>	
<b>At January 1, 2011</b>	<b>(64)</b>
Amortization charge for the year	(2)
<b>At December 31, 2011</b>	<b>(66)</b>
Amortization charge for the year	(2)
<b>At December 31, 2012</b>	<b>(68)</b>
<b>Carrying amount</b>	
<b>At January 1, 2011</b>	<b>5</b>
<b>At December 31, 2011</b>	<b>7</b>
<b>At December 31, 2012</b>	<b>8</b>

## Note 7: Property, plant and equipment

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Other fixtures and fittings, tools and equipment	Total
<b>Cost</b>			
<b>At January 1, 2011</b>	50	11	<b>61</b>
Disposal	-	(1)	(1)
<b>At December 31, 2011</b>	50	10	<b>60</b>
Additions	-	1	1
<b>At December 31, 2012</b>	50	11	<b>61</b>
<b>Accumulated depreciation and impairment</b>			
<b>At January 1, 2011</b>	(20)	(6)	<b>(26)</b>
Depreciation charge for the year	(5)	(1)	(6)
<b>At December 31, 2011</b>	(25)	(7)	<b>(32)</b>
Depreciation charge for the year	(5)	(1)	(6)
<b>At December 31, 2012</b>	(30)	(8)	<b>(38)</b>
<b>Carrying amount</b>			
<b>At January 1, 2011</b>	30	5	<b>35</b>
<b>At December 31, 2011</b>	25	3	<b>28</b>
<b>At December 31, 2012</b>	20	3	<b>23</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 8: Investments in subsidiaries

Investments in subsidiaries are summarized as follows:

<b>Cost</b>	
<b>At January 1, 2011</b>	<b>86,749</b>
Acquisitions	171
Disposals	(2,441)
Dividend in kind <sup>2</sup>	12,916
Other	77
<b>At December 31, 2011</b>	<b>97,472</b>
Acquisitions <sup>1,3</sup>	36,280
Contributions in kind <sup>1</sup>	33,701
Disposals	(50,788)
Dividend in kind <sup>3</sup>	20,438
Other	31
<b>At December 31, 2012</b>	<b>137,134</b>
<b>Accumulated impairment</b>	
At January 1, 2011	-
Impairment charge for the year	(6,530)
At December 31, 2011	(6,530)
Impairment charge for the year	(52,362)
<b>At December 31, 2012</b>	<b>(58,892)</b>
<b>Carrying amount</b>	
<b>At January 1, 2011</b>	<b>86,749</b>
<b>At December 31, 2011</b>	<b>90,942</b>
<b>At December 31, 2012</b>	<b>78,242</b>

Subsidiary	Registered office	Ownership (%) as of December 31, 2012	Carrying amount			Capital and reserves (including result for 2012)*	Result for 2012*
			January 1, 2011	December 31, 2011	December 31, 2012		
AM Global Holding S.à r.l. <sup>1</sup>	Luxembourg (Luxembourg)	100.00%	57,175	57,249	75,109	61,978	(41,059)
Arcelor Investment S.A. <sup>2</sup>	Luxembourg (Luxembourg)	4.75%	20,010	13,481	473	11,673	2,098
ArcelorMittal Finance and Services Belgium S.A. <sup>3</sup>	Brussels (Belgium)	-	5,846	17,523	-	7,476	453
ArcelorMittal Cyprus Holding Limited	Nicosia (Cyprus)	100.00%	773	773	773	776	1,132
AMO Holding Switzerland A.G.	Zug (Switzerland)	100.00%	1,000	1,000	1,000	4,436	3,638
ArcelorMittal Canada Holdings Inc. <sup>4</sup>	Contrecoeur (Canada)	1.18%	832	238	238	4,824	52
Sidarsteel NV <sup>5</sup>	Gent (Belgium)	-	599	-	-	-	-
Hera Ermac S.A. <sup>6</sup>	Luxembourg (Luxembourg)	100.00%	420	576	576	587	(25)
Other			94	102	73	-	-
<b>Total</b>			<b>86,749</b>	<b>90,942</b>	<b>78,242</b>		

\* In accordance with unaudited IFRS reporting packages.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**1. AM Global Holding S.à r.l.**

On September 28, 2012, the Company subscribed a capital increase of AM Global Holding S.à r.l. through the contribution of its remaining 29.45% stake in ArcelorMittal Finance and Services Belgium S.A. represented by 1,192,109,096 shares and a receivable towards AM Global Holding S.à r.l. for a total amount of €24,814 (32,084).

On November 23, 2012, the Company contributed in kind to AM Global Holding S.à r.l. a loan including accrued interests granted to ArcelorMittal Finance for €1,254 (1,617) and cash for €1,055 (1,360).

On November 12, 2012, the Company contributed cash into AM Global Holding S.à r.l. for an amount of € 17,429 (22,124).

**2. Arcelor Investment S.A.**

On September 10, 2012, the Company received an interim dividend from Arcelor Investment S.A. settled through the distribution in kind of the receivable relating to the disposal of ArcelorMittal Finance and Services Belgium S.A. shares for an amount of €11,107 (14,112). The Company offset the payable to Arcelor Investment S.A. with the receivable.

On December 22, 2011, the Company received from Arcelor Investment S.A. a dividend for a total amount of 13,308, of which 12,916 was settled through the distribution in kind of the receivable resulting from the sale by the latter of the 21.55% stake in ArcelorMittal Finance and Services Belgium S.A. and the remainder of €300 (392) settled in cash. The Company offset the payable to Arcelor Investment S.A. with the receivable.

**3. ArcelorMittal Finance and Services Belgium S.A.**

On September 26, 2011, the Company sold 55,863,897 shares of ArcelorMittal Finance and Services Belgium S.A. to ArcelorMittal Belgium S.A. The consideration received amounted

to € 628 (848). The carrying amount of this investment was 791. On December 22, 2011, the Company acquired a 21.55% stake in ArcelorMittal Finance and Services Belgium S.A. from Arcelor Investment S.A. for a total amount of € 9,900 (12,916) and sold at the same date a 1.77% stake in ArcelorMittal Finance and Services Belgium S.A. for an amount of €814 (1,063). The carrying amount was 1,048.

On July 10, 2012, the Company acquired from Arcelor Investment S.A., ArcelorMittal Luxembourg and ArcelorMittal Belgium S.A. a 45.28% stake in ArcelorMittal Finance and Services Belgium S.A. represented by 1,832,979,619 shares for a total amount of €21,017 (25,819) of which 12,175 settled in cash and 13,644 settled in kind. At the same date, the Company received from AM Global Holding S.à r.l. a dividend settled through the distribution in kind of a 11.91% stake in ArcelorMittal Finance and Services Belgium S.A. represented by 482,311,969 shares amounting to €5,530 (6,794).

On August 1, 2012, the Company sold to AM Global Holding S.à r.l. a 57.36% stake in ArcelorMittal Finance and Services Belgium S.A. represented by 2,322,108,510 shares for €26,670 (32,799) of which 19,140 settled in cash and 13,659 settled in kind.

On September 28, 2012, the Company contributed in kind 1,192,109,096 ArcelorMittal Finance and Services Belgium S.A. shares into AM Global Holding S.à r.l. for an amount of 17,007.

**4. ArcelorMittal Canada Holdings Inc.**

On December 30, 2010, the Company acquired from ArcelorMittal Treasury S.N.C. a 10% stake in Arcelor USA Holding LLC and contributed it immediately into ArcelorMittal Canada Holdings Inc. on the basis of a provisory contribution value. In April 2011, upon determination of the final fair value, the selling price of this stake was revised and the Company

reduced the carrying amount of its investment in ArcelorMittal Canada Holdings Inc. by 594.

**5. Sidarsteel NV**

On September 30, 2011, as a result of the merger between Sidarsteel NV and ArcelorMittal Finance and Services Belgium S.A., the Company reclassified its stake in Sidarsteel NV to ArcelorMittal Finance and Services Belgium S.A. for an amount of 599.

**6. Hera Ermac S.A.**

On September 27, 2011, the carrying amount of the investment held in Hera Ermac S.A. increased from 420 to 576 following a capital increase subscribed by the Company.

The Company assesses at the end of each reporting period whether there is any indication that its investments in subsidiaries may be impaired in accordance with IAS 36, "Impairment of Assets". In making this assessment, the Company considered indicators of impairment such as significant declines in operational results or changes in the outlook of future profitability, among other potential indicators. As of December 31, 2012, the Company determined, as a result of the downward revision of its subsidiaries' cash flow projections due to the weak macro-economic and market environment in Europe and the expectation that this situation will persist over the near medium term, that there is an indication that its investments in subsidiaries may be impaired.

When an indication of impairment exists, the Company estimates the recoverable amount of the investments in subsidiaries measured based on their value in use. The value in use of investments in subsidiaries was determined by estimating cash flows for a period of five years for subsidiaries holding businesses engaged in steel operations and over the life of the mines for those holding businesses engaged in mining operations. The key assumptions for the value in use calculations are primarily the

discount rates, growth rates, expected changes to average selling prices, shipments and direct costs during the period. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial plans approved by management. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each investment 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. The weighted average pre-tax discount rates used for the Company's steel businesses range from 9.9% to 12.7% and vary by geographic location. The weighted average pre-tax discount rate used for the Company's mining businesses was 16.3%.

The Company recognized a total impairment charge of 52,362 in 2012, of which 39,354 relates to its investment in AM Global Holding S.à r.l. and of which 13,008 relates to its investment in Arcelor Investment S.A. The impairment charge is the amount by which the carrying amount of the Company's investments in these subsidiaries exceeded their respective estimated recoverable amounts as of December 31, 2012. The Company recorded an impairment charge of 6,530 in 2011 with respect to its investment in Arcelor Investment S.A.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 9: Investments in associates and other investments

<b>Cost</b>		
<b>At January 1, 2011</b>		<b>1,411</b>
Acquisitions		39
Disposals		(46)
<b>At December 31, 2011</b>		<b>1,404</b>
Acquisitions		26
<b>At December 31, 2012</b>		<b>1,430</b>
<b>Accumulated impairment</b>		
<b>At January 1, 2011</b>		-
<b>At December 31, 2011</b>		-
Impairment charge for the year		(11)
At December 31, 2012		(11)
<b>Carrying amount</b>		
<b>At January 1, 2011</b>		<b>1,411</b>
<b>At December 31, 2011</b>		<b>1,404</b>
<b>At December 31, 2012</b>		<b>1,419</b>

Investee	Category	Registered office	Ownership (%) at December 31, 2012	Carrying value		
				January 1, 2011	December 31, 2011	December 31, 2012
Hunan Valin Steel Tube and Wire Co. Ltd. ("Hunan Valin") <sup>1</sup>	Associate	Changsha-Hunan (China)	29.97%	552	552	552
Valin ArcelorMittal Automotive Steel Co., Ltd. ("VAMA") <sup>2</sup>	Associate	Loudi (China)	33.00%	-	24	36
Valin ArcelorMittal Electrical Steel Co., Ltd. ("VAME") <sup>3</sup>	Associate	Loudi (China)	50.00%	-	15	30
Kalagadi Manganese (Propriety) Ltd <sup>4</sup>	Associate	Rivonia (South Africa)	50.00%	433	433	422
China Oriental <sup>5</sup>	Associate	Wanchan (Hong-Kong)	17.40%	379	379	379
Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd. <sup>6</sup>	Other	Changhai (China)	-	46	-	-
Other				1	1	-
<b>Total</b>				<b>1,411</b>	<b>1,404</b>	<b>1,419</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**1. Hunan Valin**

As of December 31, 2011 and 2012, the investment had a market value of 396 and 332, respectively. In August 2011, Hunan Valin, a leading steel producer in China, completed the last stage of the private placement to issue 278 million new shares to Hunan Valin Iron & Steel Group Co, Ltd. ("Valin Group") at CNY 5.57 per share. Accordingly, ArcelorMittal's shareholding decreased from 33.02% to 29.97%. On June 6, 2012, ArcelorMittal and Valin Group finalized a share swap arrangement based upon a Put Option mechanism, which enables ArcelorMittal to exercise, over the next two years, Put Options granted by the Valin Group with respect to Hunan Valin shares. Under this arrangement, ArcelorMittal could sell up to 19.9% of the total equity (600 million shares) in Hunan Valin to the Valin Group. The exercise period of the Put Options is equally spaced with a gap of six months and linked to the key development milestones of Valin ArcelorMittal Automotive Steel ("VAMA"). Following the exercise of the Put Options, ArcelorMittal would retain a 10.07% shareholding in Hunan Valin as part of a long-term strategic cooperation agreement. ArcelorMittal's acquisition of the additional 16% shareholding in VAMA, which would be financed by the sale of shares in Hunan Valin using the Put Options, was

approved by the Chinese authorities in December 2012. The put option exercise dates are February 6, 2013, August 6, 2013, February 6, 2014 and August 6, 2014. The exercise price per share is CNY 4 for the first two dates and CNY 4.4 for the last two dates. On February 6, 2013, the Company exercised the first put option on Hunan Valin. Its interest in the associate decreased accordingly from 30% to 25%.

**2. VAMA**

On March 6 2012, the Company subscribed a capital increase for 12.

On February 27, 2011 and March 27, 2011, the Company subscribed capital increases for a total amount of 24.

**3. VAME**

On March 6, 2012 and on February 27, 2011, the Company subscribed a capital increase for 15 and 15 respectively.

**4. Kalagadi Manganese**

In addition to the carrying amount of the investment of 422 at December 31, 2012, the Company has receivables of 39 related to project funding and payments following court decision. On November 14, 2012, ArcelorMittal signed a share purchase agreement with Mrs. Mashile-Nkosi providing for acquisition by her or her nominee of ArcelorMittal's 50% interest in Kalagadi Manganese.

Under the agreement, ArcelorMittal will receive cash consideration of not less than ZAR 3.9 billion (approximately 460 million), on closing, which is subject to the arrangement of financing by the buyer. The Company recorded an impairment charge of 11 for the year ended December 31, 2012 to adjust the carrying amount to the expected net proceeds from the sale. As of the date of this annual report, ArcelorMittal has not been notified of the satisfaction of this condition and therefore the investment was not classified as held for sale. Closing is also subject to the waiver of preemptive rights of the other shareholders, customary corporate approvals and various regulatory approvals.

**5. China Oriental**

Following the acquisition of a 47% stake in China Oriental by a subsidiary of ArcelorMittal on February 4, 2008 and in order to restore the minimum Hong Kong Stock Exchange ("HKSE") free float requirement of 25%, the Company established put option agreements with ING Bank N.V. and Deutsche Bank Aktiengesellschaft with respect to a 17.4% stake sold to these banks. On March 25, 2011, these agreements have been extended for additional 36 months. The Company recognized the 17.4% stake as it retained the significant risk and rewards of the investment.

As of January 1, 2011, December 31, 2011 and December 31, 2012, the investment had a value of 77, 148 and 115, respectively, based on the quoted stock price of China Oriental at the Hong Stock Exchange. The public float being limited to 7%, the Company could not conclude that the security is dealt with on an active market where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company has tested the investment for impairment and determined that the value in use was greater than the carrying amount. The value in use is based on cash flows for a period of five years, which are extrapolated for the remaining years based on an estimated constant growth rate not exceeding the average long-term growth rate for the relevant markets.

**6. Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd.**

On November 4, 2011, the Company completed the sale of its 12% stake in Baosteel-NSC Arcelor Automotive Steel Sheets Co. Ltd. for 129. The gain out of this transaction amounting to 82 was included in the statements of operations as financing costs.

## Note 10: Other assets

	January 1, 2011	December 31, 2011	December 31, 2012
Call options on ArcelorMittal shares <sup>1</sup>	841	180	25
Call option on mandatory convertible bonds <sup>2</sup>	-	111	12
Premium related to financial instruments	154	151	155
<b>Total</b>	<b>995</b>	<b>442</b>	<b>192</b>

<sup>1</sup> On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 (\$27.21) per share (see Note 13).

<sup>2</sup> The Company holds a call option on the mandatory convertible bonds (see Note 13).

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 11: Balances and transactions with related parties

The Company entered into transactions with related parties that include companies and entities under common control and/or common management, companies under control including their associates and joint ventures, their shareholders and key management personnel. Transactions with related parties were as follows:

## Current loans due from related parties

Related party	Category	January 1, 2011	December 31, 2011	December 31, 2012
ArcelorMittal Canada Holdings Inc.	Subsidiary	-	-	437
ArcelorMittal Brasil	Subsidiary	-	-	420
Mittal Steel International Holdings B.V.	Subsidiary	-	-	100
Umang Shipping Services Limited	Subsidiary	-	-	87
Kalagadi Manganese Limited	Subsidiary	-	-	39
ArcelorMittal Point Lisas Limited	Subsidiary	21	22	23
JSC ArcelorMittal Temirtau	Subsidiary	18	18	18
ArcelorMittal Kryviy Rih	Subsidiary	34	34	17
Quadra International Services B.V.	Subsidiary	-	33	9
ArcelorMittal USA Holdings Inc.	Subsidiary	-	7	8
ArcelorMittal Finance SCA <sup>1</sup>	Subsidiary	535	-	-
Other		42	17	4
<b>Total</b>		<b>650</b>	<b>131</b>	<b>1,162</b>

<sup>1</sup> On December 14, 2011 the loan granted to ArcelorMittal Finance SCA was fully repaid.

## Other current assets

Related party	Category	January 1, 2011	December 31, 2011	December 31, 2012
ArcelorMittal Sourcing	Subsidiary	119	93	119
ArcelorMittal Kryviy Rih	Subsidiary	82	92	112
ArcelorMittal Finance SCA	Subsidiary	225	(13)	78
Hera Ermac SA	Subsidiary	-	73	73
ArcelorMittal International Luxembourg	Subsidiary	43	93	46
AM Mining	Subsidiary	-	15	38
ArcelorMittal USA LLC	Subsidiary	26	25	31
JSC ArcelorMittal Temirtau	Subsidiary	15	18	26
ArcelorMittal South Africa Ltd	Subsidiary	6	8	14
ArcelorMittal Treasury S.N.C. <sup>2</sup>	Subsidiary	124	20	13
ArcelorMittal Tubular Products Luxembourg S.A.	Subsidiary	21	12	12
ArcelorMittal Luxembourg S.A.	Subsidiary	27	7	12
ArcelorMittal Commercial Sections SA	Subsidiary	-	-	10
ArcelorMittal Belgium	Subsidiary	1	15	9
ArcelorMittal Brasil	Subsidiary	9	17	9
ArcelorMittal Belval and Differdange	Subsidiary	16	17	4
ArcelorMittal Flat Carbon Europe	Subsidiary	58	-	1
Corea SA <sup>1</sup>	Subsidiary	31	-	-
ArcelorMittal Holdings AG	Subsidiary	-	29	-
Other		145	147	73
<b>Total</b>		<b>948</b>	<b>668</b>	<b>680</b>

<sup>1</sup> During the period ending December 31, 2011, the Company sold its investment in Corea SA to Aperam SA.

<sup>2</sup> Including financial instruments with ArcelorMittal Treasury S.N.C (113, 20 and 13 at January 1, 2011, December 31, 2011 and 2012 respectively). (Note 4)

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Non-current loans to related parties

Related party	Category	January 1, 2011	December 31, 2011	December 31, 2012
Quadra International Services B.V.	Subsidiary	3,105	3,078	1,367
ArcelorMittal Brasil	Subsidiary	-	-	2,750
ArcelorMittal USA Holdings Inc.	Subsidiary	2,532	2,532	2,532
ArcelorMittal Canada Holdings Inc.	Subsidiary	-	-	2,109
Mittal Steel International Holdings B.V.	Subsidiary	371	492	413
Mittal Steel (Liberia) Holdings Limited	Subsidiary	-	150	150
ArcelorMittal Point Lisas Limited	Subsidiary	77	77	77
Oakey Holding B.V.	Subsidiary	69	68	68
JSC ArcelorMittal Temirtau	Subsidiary	58	42	25
ArcelorMittal Netherlands BV	Subsidiary	-	-	67
Ocean Pride Inc	Subsidiary	-	-	25
Ocean Prosper Inc	Subsidiary	-	-	26
ArcelorMittal Kryviy Rih	Subsidiary	50	17	-
ArcelorMittal Spain Holding SA	Subsidiary	768	-	-
Other		12	26	7
<b>Total</b>		<b>7,042</b>	<b>6,482</b>	<b>9,616</b>

## Current loans to related parties

Related party	Category	January 1, 2011	December 31, 2011	December 31, 2012
ArcelorMittal Treasury S.N.C. <sup>1</sup>	Subsidiary	3,325	4,475	3,248
ArcelorMittal Holdings AG	Subsidiary	-	-	940
Ferrosure (Isle of Man) Insurance Co. Ltd	Subsidiary	-	649	748
ArcelorMittal Spain Holding SA	Subsidiary	1,367	-	-
ArcelorMittal Luxembourg S.A.	Subsidiary	5	10	15
ArcelorMittal Holdings B.V.	Subsidiary	1,231	16	-
ArcelorMittal Berlin Holding GmbH	Subsidiary	111	-	-
ArcelorMittal Italy Holding S.r.l.	Subsidiary	69	-	-
Others		61	1	1
<b>Total</b>		<b>6,169</b>	<b>5,151</b>	<b>4,952</b>

<sup>1</sup> Current loans from ArcelorMittal Treasury S.N.C. correspond to cash pooling balances.

On March 28, 2011, a bridge loan of 900 granted by a subsidiary to the Company on January 19, 2011 and transferred to Aperam at spin-off date on January 25, 2011 was fully repaid with the proceeds of a borrowing base facility agreement dated March 15, 2011 and an offering of notes by Aperam.

## Accrued expenses and other liabilities

Accrued expenses and other liabilities include balances with related parties amounting to 248, 106 and 116 as of January 1, 2011, December 31, 2011 and 2012, respectively.

## Non-current loans from related parties

Related party	Category	January 1, 2011	December 31, 2011	December 31, 2012
Mittal Steel Financial Investments Limited	Subsidiary	34	34	34
ArcelorMittal France	Subsidiary	1,790	-	-
Other		1	-	-
<b>Total</b>		<b>1,825</b>	<b>34</b>	<b>34</b>

On June 14, 2011, the loan granted by ArcelorMittal France was early redeemed.

## General and administrative expenses

General and administrative expenses, net of income from contractually arranged corporate services, amounted to 97 and 128 in 2011 and 2012, respectively, for related parties.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Financing costs – net**

Financing costs-net included the following (income) loss from related parties for the year ended December 31, 2011 and 2012:

Related party	Category	Year ended	Year ended
		December 31, 2011	December 31, 2012
Quadra International Services B.V.	Subsidiary	(312)	(264)
ArcelorMittal USA Holdings Inc.	Subsidiary	(218)	(220)
ArcelorMittal Canada Holdings Inc.	Subsidiary	-	(118)
ArcelorMittal Finance SCA	Subsidiary	(5)	(68)
ArcelorMittal Brasil	Subsidiary	(4)	(31)
Arcelor Investment SA	Subsidiary	-	(25)
Mittal Steel International Holdings B.V.	Subsidiary	(21)	(23)
ArcelorMittal France	Subsidiary	25	-
ArcelorMittal Spain Holding SA	Subsidiary	(41)	-
ArcelorMittal Holdings B.V.	Subsidiary	100	2
ArcelorMittal Netherlands BV	Subsidiary	(17)	(1)
ArcelorMittal Treasury S.N.C.	Subsidiary	63	24
Other		(31)	-
<b>Total</b>		<b>(461)</b>	<b>(724)</b>

**Note 12: Short-term debt and long term debt**

Short-term debt, including the current portion of long-term debt, consisted of the following:

	January 1, 2011	December 31, 2011	December 31, 2012
Short-term bank loans and other credit facilities including commercial paper	2,231	686	171
Current portion of long-term debt	3,295	96	3,261
<b>Total</b>	<b>5,526</b>	<b>782</b>	<b>3,432</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1,000 (1,319). As of December 31, 2012, the outstanding amount was 118.

Long-term debt is comprised of the following as of January 1, 2011, December 31, 2011 and 2012, respectively:

	Year of maturity	Type of Interest	Interest rate <sup>1</sup>	January 1, 2011	December 31, 2011	December 31, 2012
€12 billion Term Loan Facility	2011	Floating		3,206	-	-
€5 billion Revolving Credit Facility	2011	Floating		-	-	-
300 Bilateral Credit Facility	2013	Floating		-	-	-
4.0 billion Revolving Credit Facility	2015	Floating		-	-	-
6.0 billion Revolving Credit Facility	2016	Floating		-	1,747	-
€1.5 billion Unsecured Bonds	2013	Fixed	8.25%	1,993	1,934	1,976
1.2 billion Unsecured Notes	2013	Fixed	5.38%	1,500	1,500	1,205
€1.25 billion Convertible Bonds	2014	Fixed	7.25%	1,343	1,376	1,505
800 Convertible Senior Notes	2014	Fixed	5.00%	651	689	732
750 Unsecured Notes	2015	Fixed	9.50%	742	743	745
1.0 billion Unsecured Bonds	2015	Fixed	4.25%	989	991	993
500 Unsecured Notes	2016	Fixed	4.25%	-	497	497
€1.0 billion Unsecured Bonds	2016	Fixed	9.38%	1,324	1,283	1,312
€1.0 billion Unsecured Bonds	2017	Fixed	5.88%	1,322	1,282	1,309
€0.5 billion Unsecured Notes	2018	Fixed	4.50%	-	-	655
1.5 billion Unsecured Notes	2018	Fixed	6.13%	1,500	1,500	1,500
1.5 billion Unsecured Notes	2019	Fixed	10.35%	1,460	1,463	1,466
1.0 billion Unsecured Bonds	2020	Fixed	5.75%	981	982	984
1.5 billion Unsecured Notes	2021	Fixed	6.00%	-	1,484	1,486
1.5 billion Unsecured Bonds	2039	Fixed	7.50%	1,463	1,464	1,464
1.0 billion Unsecured Notes	2041	Fixed	7.25%	-	983	983
1.1 billion Unsecured Notes	2022	Fixed	6.75%	-	-	1,088
1.4 billion Unsecured Notes	2017	Fixed	5.00%	-	-	1,392
500 Unsecured Notes	2015	Fixed	4.25%	-	-	498
Other loans	2013-2018	Fixed	5.38%-6.20%	66	213	200
EBRD loans	2013-2015	Floating	1.43%-1.44%	178	118	58
EIB loan	2016	Floating	1.41%	-	323	330
ICO loan	2017	Floating	2.72%	-	91	83
Other loans	2013-2035	Floating	0.71%-4.31%	244	216	188
Total				18,962	20,879	22,649
Less current portion of long-term debt				(3,295)	(96)	(3,261)
<b>Total long-term debt, net of current portion</b>				<b>15,667</b>	<b>20,783</b>	<b>19,388</b>

<sup>1</sup> Rates applicable to balances outstanding at December 31, 2012.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**€12 billion and €5 billion Credit Facilities**

On November 30, 2006, the Company entered into a €17 billion Credit Agreement, comprised of a €12 billion Term Loan Facility and a €5 billion Revolving Credit Facility, with a group of lenders to refinance certain of the Company's existing credit facilities. The original maturity of the €5 billion Revolving Credit Facility was November 30, 2012. On March 31, 2011, the €12 billion Term Loan Facility was repaid and the €5 billion Revolving Credit Facility was cancelled.

**300 Bilateral Credit Facility**

On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of 300. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of 300, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. As of December 31, 2011 one facility was cancelled and as of December 31, 2012, both facilities were cancelled.

**4 billion Revolving Credit Facility**

On May 6, 2010, ArcelorMittal entered into a \$4 billion three-year Revolving Credit Facility for general corporate purposes. On September 30, 2011, the original maturity of the \$4 billion Revolving Credit Facility was extended from May 6, 2013 to May 6, 2015. As of

December 31, 2012, the facility remains fully available.

**6 billion Revolving Credit Facility**

On March 18, 2011, ArcelorMittal entered into a \$6 billion Revolving Credit Facility, which may be utilized for general corporate purposes and which matures on March 18, 2016. As of December 31, 2012, the facility remains fully available.

**Convertible Bonds**

On April 1, 2009, the Company issued €1.25 billion (1,662) of unsecured and unsubordinated Convertible Bonds due April 1, 2014 (the "€1.25 billion Convertible Bonds"). These bonds bear interest at 7.25% per annum payable semi-annually on April 1 and October 1 of each year commencing on October 1, 2009.

On May 6, 2009, ArcelorMittal issued 800 of unsecured and unsubordinated Convertible Senior Notes (the "800 Convertible Senior Notes") due May 15, 2014. These notes bear interest at 5.00% per annum payable semi-annually on May 15 and November 15 of each year commencing on November 15, 2009. The €1.25 billion Convertible Bonds and the 800 Convertible Senior Notes are collectively referred to herein as the Convertible Bonds.

The €1.25 billion Convertible Bonds may be converted by the bondholders from May 11, 2009 until the end of the seventh business day preceding maturity. The 800 Convertible Senior Notes may be converted by the noteholders from May 6, 2009 until the end of the seventh business day preceding maturity.

At inception, the Company had the option to settle the Convertible Bonds for common shares or the cash value of the common shares at the date of settlement as defined in the Convertible Bonds' documentation. The Company determined that the agreements related to the Convertible Bonds were hybrid instruments as the conversion option gave the holders the right to put the Convertible Bonds back to the Company in exchange for common shares or the cash equivalent of the common shares of the Company based upon the Company's share price at the date of settlement. In addition, the Company identified certain components of the agreements to be embedded derivatives. On October 28, 2009, the Company announced that it had decided to irrevocably waive the option to settle the 800 convertible senior notes in cash for the cash value of the common shares at the date of settlement.

At the inception of the Convertible Bonds, the Company determined the fair value of the embedded derivatives using the binomial option valuation methodology and recorded the amounts as financial liabilities in other long-term obligations of 408 and 189 for the €1.25 billion Convertible Bonds and the 800 Convertible Senior Notes, respectively. As a result of the waiver of the option to settle the 800 Convertible Senior Notes in cash for the cash value of the common shares at the date of settlement, the Company determined that the conversion option was an equity instrument. As a consequence, its fair value of 279 (198 net of tax) at the date of the waiver was transferred to equity.

As of January 1, 2011, December 31, 2011 and 2012, the fair value of the embedded derivative for the €1.25 billion Convertible Bonds was 841, 180 and 25, respectively. The change in fair value of 698 (661 including foreign exchange effect) and 156 (155 including foreign exchange effect) related to the Convertible Bonds was a non-cash activity and was recognized in the statements of operations for the years ended December 31, 2011 and 2012 as financing costs, respectively. Assumptions used in the fair value determination as of January 1, 2011, December 31, 2011 and 2012, were as follows:

	€1.25 billion convertible bonds		
	January 1, 2011	December 31, 2011	December 31, 2012
Spot value of shares	€ 28.38	€ 14.13	€ 12.94
Quote of convertible bonds	€ 32.56	€ 23.36	€ 22.17
Credit spread (basis points)	188	476	189
<b>Dividend per quarter</b>	<b>€ 0.14</b>	<b>€ 0.14</b>	<b>€ 0.14</b>

## 170 Financial statements

### Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

In transactions conducted on December 14, 2010 and December 18, 2010, respectively ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares and US dollar-denominated call options on 26,533,997 of its own shares, with strike prices of €20.25 and \$30.15 per share, respectively, allowing it to hedge its obligations arising out of the potential conversion of the Convertible Bonds (see notes 13 and 14). Assumptions used in fair value of the euro denominated call option were similar to the ones used above for the embedded derivative.

#### Bonds

The following table describes the maturity and interest rates of various Notes and Bonds. The margin under certain of ArcelorMittal's outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings. Due, among other things, to the weak steel industry outlook and ArcelorMittal's credit metrics and level of debt, Standard & Poor's, Moody's and Fitch downgraded the Company's rating to below "investment grade" in August (first downgrade), November and December 2012 (second downgrade), respectively. These downgrades triggered the interest rate "step-up" clauses in most of the Company's outstanding bonds, as described in the table below

Nominal value	Date of issuance	Repayment date	Initial interest rate (per annum)	Interest rate (post 1st downgrade)	Interest rate (post 2nd downgrade)	Issued at
€1.5 billion Unsecured Bonds	June 3, 2009	June 3, 2013	8.25%	8.25% <sup>3</sup>	8.25% <sup>3</sup>	99.59%
1.2 billion Unsecured Notes <sup>4</sup>	May 27, 2008	June 1, 2013	5.38%	5.38% <sup>2</sup>	5.38% <sup>2</sup>	99.72%
750 Unsecured Notes	May 20, 2009	February 15, 2015	9.00%	9.25%	9.50%	98.93%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2015	3.75%	4.00%	4.25%	99.12%
500 Unsecured Notes	February 28, 2012	February 25, 2015	3.75%	4.00%	4.25%	99.79%
500 Unsecured Notes	March 7, 2011	March 1, 2016	3.75%	4.00%	4.25%	99.57%
€1.0 billion Unsecured Bonds	June 3, 2009	June 3, 2016	9.38%	9.38% <sup>5</sup>	9.38% <sup>5</sup>	99.38%
€1.0 billion Unsecured Bonds <sup>1</sup>	November 18, 2010	November 17, 2017	4.63%	5.88% <sup>5</sup>	5.88%	100.00%
1.4 billion Unsecured Notes	February 28, 2012	February 25, 2017	4.50%	4.75%	5.00%	99.69%
1.5 billion Unsecured Notes	May 27, 2008	June 1, 2018	6.13%	6.13% <sup>2</sup>	6.13% <sup>2</sup>	99.57%
€0.5 billion Unsecured Notes <sup>1</sup>	March 29, 2012	March 29, 2018	4.50%	4.50% <sup>6</sup>	4.50% <sup>6</sup>	99.71%
1.5 billion Unsecured Notes	May 20, 2009	June 1, 2019	9.85%	10.10%	10.35%	97.52%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2020	5.25%	5.50%	5.75%	98.46%
1.5 billion Unsecured Notes	March 7, 2011	March 1, 2021	5.50%	5.75%	6.00%	99.36%
1.1 billion Unsecured Notes	February 28, 2012	February 25, 2022	6.25%	6.50%	6.75%	98.28%
1 billion Unsecured Bonds	October 1, 2009	October 15, 2039	7.00%	7.25%	7.50%	95.20%
500 Unsecured Bonds	August 5, 2010	October 15, 2039	7.00%	7.25%	7.50%	104.84%
1.0 billion Unsecured Notes	March 7, 2011	March 1, 2041	6.75%	7.00%	7.25%	99.18%

<sup>1</sup> Issued under the €3 billion Euro Medium Term Notes Programme

<sup>2</sup> No impact on interest rate following downgrades in 2012

<sup>3</sup> No impact from downgrade since loan maturity date is same as effective date of new interest rate

<sup>4</sup> On March 2, 2012, the Company purchased 298 principal amount (314 including accrued interests). The remaining outstanding principal amount of notes is 1.2 billion as of December 31, 2012.

<sup>5</sup> Interest rate following downgrades in 2012 is 10.63% effective from June 3, 2013. No impact in 2012

<sup>6</sup> Interest rate following downgrades in 2012 is 5.75% effective from March 29, 2013. No impact in 2012

#### European Bank for Reconstruction and Development ("EBRD") Loans

The Company entered into four separate agreements with the EBRD for on-lending to the following subsidiaries on the following dates: ArcelorMittal Kryviy Rih on April 4, 2006, ArcelorMittal Temirtau on June 15, 2007, ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last installment under these agreements is due in January 2015. The total outstanding amount as of December 31, 2012, 2011 and January 1, 2011 was 58, 118 and 178, respectively. The agreements related to ArcelorMittal Skopje and ArcelorMittal Zenica were fully repaid on October 9, 2012.

#### European Investment Bank ("EIB") Loan

The Company entered into an agreement with the EIB for the financing of activities for research, engineering and technological innovation related to process improvements and new steel product developments on July 15, 2010. The full amount of €250 million was drawn on September 27, 2011. The final repayment date under this agreement is September 27, 2016. The outstanding amount in total as of January 1, 2011 and December 31, 2011, 2012 was nil, 323 (€250 million) and 330 (€250 million), respectively.

#### Instituto de Crédito Oficial ("ICO") Loan

The Company entered into an agreement with the ICO on April 9, 2010 for the financing of the Company investment plan in Spain for the period 2008-2011. The last installment under this agreement is due on April 7, 2017. The outstanding amount in total as of January 1, 2011 and December 31, 2011, 2012 was nil, 91 (€70 million) and 83 (€63 million), respectively.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

### Other

Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and ArcelorMittal's ability to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

The Company's principal credit facilities (4.0 billion Revolving Credit Facility, 6.0 billion Revolving Credit Facility) include the following financial covenant: the Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the Company for a Measurement Period, subject to certain adjustments as defined in the facilities) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio.

Failure to comply with any covenant would enable the lenders to accelerate the Company's repayment obligations. Moreover, the Company's debt facilities have provisions whereby certain events relating to other borrowers within the Company's subsidiaries could, under certain circumstances, lead to acceleration of debt repayment under such credit facilities. Any invocation of these cross-acceleration clauses could cause some or all of the other debt to accelerate.

The Company was in compliance with the financial covenants contained in the agreements related to all of its borrowings as of December 31, 2012.

As of December 31, 2012 the scheduled maturities of short-term debt and long-term debt, including its current portion, are as follows:

Maturity	
2013	3,432
2014	2,295
2015	2,278
2016	2,337
2017	2,724
Subsequent years	9,754
<b>Total</b>	<b>22,820</b>

The Company monitors its net debt in order to manage its capital. The following table presents the structure of the Company's net debt in original currencies:

## 172 Financial statements

### Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Presented in USD by original currency as of December 31, 2012		
	Total USD	EUR	USD
Short-term debt including current portion of long-term debt	3,432	2,180	1,252
Long-term debt	19,388	5,349	14,039
Cash including restricted cash	(85)		(85)
<b>Net debt</b>	<b>22,735</b>	<b>7,529</b>	<b>15,206</b>

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.

The carrying value of short-term bank loans and commercial paper approximate their fair value. The carrying amount and fair value of the Company's long-term debt (including current portion) is:

	January 1, 2011		December 31, 2011		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	15,334	17,623	18,384	19,177	21,990	23,475
Instruments payable bearing interest at variable rates	3,628	3,565	2,495	2,032	659	577
	<b>18,962</b>	<b>21,188</b>	<b>20,879</b>	<b>21,209</b>	<b>22,649</b>	<b>24,052</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 13: Financial instruments and credit risk

The Company enters into derivative financial instruments to manage its exposure to fluctuations in exchange rates and hedge its obligations arising out of the potential conversion of the convertible bonds in connection with 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 judgment in interpreting market data and developing estimates.

Other current assets of 182, 20 and 13 and non-current assets of 841, 291 and 37 as of January 1, 2011, December 31, 2011 and 2012, respectively, correspond to derivative instruments which are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, specified as level 2, and for the fair value of the conversion option of the euro convertible bonds which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost".

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.

The following tables summarize the bases used to measure certain assets and liabilities at their fair value. 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.

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.

	Level 1	Level 2	Level 3	Total
<b>January 1, 2011</b>				
<b>Assets at fair value:</b>				
Derivative financial current assets	-	113	69	182
Derivative financial non current assets	-	-	841	841
<b>Total assets at fair value</b>	-	<b>113</b>	<b>910</b>	<b>1,023</b>
<b>Liabilities at fair value</b>				
Derivative financial current liabilities	-	168	-	168
Derivative financial non current liabilities	-	6	841	847
<b>Total liabilities at fair value</b>	-	<b>174</b>	<b>841</b>	<b>1,015</b>
<b>December 31, 2011</b>				
<b>Assets at fair value:</b>				
Derivative financial current assets	-	20	-	20
Derivative financial non current assets	-	-	291	291
<b>Total assets at fair value</b>	-	<b>20</b>	<b>291</b>	<b>311</b>
<b>Liabilities at fair value</b>				
Derivative financial current liabilities	-	27	-	27
Derivative financial non current liabilities	-	8	180	188
<b>Total liabilities at fair value</b>	-	<b>35</b>	<b>180</b>	<b>215</b>
<b>December 31, 2012</b>				
<b>Assets at fair value:</b>				
Derivative financial current assets	-	13	-	13
Derivative financial non current assets	-	-	37	37
<b>Total assets at fair value</b>	-	<b>13</b>	<b>37</b>	<b>50</b>
<b>Liabilities at fair value</b>				
Derivative financial liabilities	-	6	-	6
Derivative financial non current liabilities	-	-	25	25
<b>Total liabilities at fair value</b>	-	<b>6</b>	<b>25</b>	<b>31</b>

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in foreign exchange rates. 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 and

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

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.

Derivative financial liabilities classified as Level 3 refer to the conversion option in the €1.25 billion convertible bonds. Derivative financial assets classified as Level 3 refer to the euro-denominated call option on treasury shares and the call option on the 1,000 mandatory convertible bonds (see below). The fair value is derived through the use of a binominal model.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the €1.25 billion convertible bonds, the euro-denominated call option on treasury shares and the call option on the 1,000 mandatory convertible bonds for the year ended December 31, 2011 and 2012, respectively:

	€1.25 billion convertible bonds	Euro-denominated call option on treasury shares	Call option on 1,000 mandatory convertible bonds	Total
<b>Balance as of January 1, 2011</b>	<b>(841)</b>	<b>841</b>	<b>69</b>	<b>69</b>
Change in fair value	698	(698)	42	42
Foreign exchange	(37)	37	-	-
<b>Balance as of December 31, 2011</b>	<b>(180)</b>	<b>180</b>	<b>111</b>	<b>111</b>
Change in fair value	156	(156)	(99)	(99)
Foreign exchange	(1)	1	-	-
<b>Balance as of December 31, 2012</b>	<b>(25)</b>	<b>25</b>	<b>12</b>	<b>12</b>

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 bonds mandatory convertible into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and they are not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010 until ten business days before the maturity date. On April 20, 2011, the conversion date of the mandatory convertible bonds was extended to January 31, 2013. On September 27, 2011, the Company increased the mandatory convertible bond and the call option on the mandatory convertible bond from 750 to 1,000. On December 18, 2012, the conversion date of the mandatory convertible bonds was extended to January 31, 2014. The fair value of these call options was 12 as of December 31, 2012 and the change in fair value recorded in the statements of operations as financing costs was 99. These call options are classified into Level 3. The fair value of the call options was determined through a binomial model based on the estimated values of the underlying equity spot price of 142.1 and volatility of 8.19%.

On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 per share and a total amount of €700 (928) including transaction costs. The 61.7 million of call options acquired allow ArcelorMittal to hedge its obligations arising primarily out of the potential conversion of the 7.25% bonds convertible into and/or exchangeable for new or existing ArcelorMittal shares due April 1, 2014. These call options were accounted for as derivative financial instruments carried at fair value with changes recognized in the statements of operations as financing costs as they can be settled either through physical delivery of the treasury shares or through cash. The fair value of these call options was 25 as of December 31, 2012 and 180 as of December 31, 2011 and the change in fair value recorded in the statements of operations was 156 (2011: 698). These call options are classified into Level 3.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Portfolio of Derivatives**

Except for the hedge of its obligations arising out of the potential conversion of the convertible bonds and the call option on the mandatory convertible bond, the Company's portfolio of derivatives consists of transactions with ArcelorMittal Treasury S.N.C., which in turn enters into offsetting positions with counterparties external to ArcelorMittal.

The portfolio associated with derivative financial instruments as of January 1, 2011 is as follows:

	Assets		Liability		
	Notional Amount	Fair value	Notional Amount	Fair value	Average Rate*
<b>Interest rate instruments</b>					
Interest rate swaps - fixed/rate borrowings/loans	-	-	267	(6)	3.355%
<b>Foreign exchange rate instruments</b>					
Forward purchase of contracts	3,396	102	3,304	(58)	
Forward sale of contracts	412	11	3,335	(101)	
Foreign exchange option purchases	-	-	484	(9)	
<b>Total</b>		<b>113</b>		<b>(174)</b>	

\* The average rate is generally determined for variable rate instruments on the basis of Euribor or Libor.

The portfolio associated with derivative financial instruments as of December 31, 2011 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair value	Notional Amount	Fair value
<b>Interest rate instruments</b>				
Interest rate swaps - fixed/rate borrowings/loans	-	-	259	-
<b>Foreign exchange rate instruments</b>				
Forward purchase of contracts	2,044	20	538	(8)
Forward sale of contracts	-	-	450	(27)
<b>Total</b>		<b>20</b>		<b>(35)</b>

The portfolio associated with derivative financial instruments as of December 31, 2012 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair value	Notional Amount	Fair value
<b>Interest rate instruments</b>				
Interest rate swaps - fixed/rate borrowings/loans	-	-	49	-
<b>Foreign exchange rate instruments</b>				
Exchange option purchases	647	13	337	(6)
Exchange option sale	320	-	-	-
<b>Total</b>		<b>13</b>		<b>(6)</b>

**Interest rate risk**

The Company utilizes certain instruments to manage interest rate risks. Interest rate instruments allow the Company to borrow long-term at fixed or variable rates, and to swap the rate of this debt 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 rate and the variable rate, calculated on the basis of the notional amount of the swap. Similarly, swaps may be used for the exchange of variable rates against other variable rates.

Interest rate derivatives used by the Company to manage changes in the value of fixed rate loans qualify as fair value hedges.

**Exchange rate risk**

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its investment and financing activities. Because of a substantial portion of ArcelorMittal's assets, liabilities, income and expenses are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has an exposure 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 Canadian dollar could have a material impact on its results of operations.

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates its net debt (see note 12) and other items denominated in currencies other than the U.S. dollars. The Company also uses the derivative instruments, described above to hedge debt recorded in foreign currency other than the functional currency or the balance sheet risk incurred on certain monetary assets denominated in a foreign currency other than the functional currency.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Liquidity Risk**

ArcelorMittal's principal sources of liquidity are cash generated from its operations and its credit lines. The Company actively manages its liquidity. Following the Treasury and Financial Risk Management Policy, the levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to comply with the covenant ratios, leverage, fixed /floating ratios, maturity profile and currency mix.

The following are the non-discounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

January 1, 2011	Carrying Amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Convertible Bonds	(1,994)	(3,036)	(162)	(162)	(2,712)	-
Other bonds	(13,429)	(21,419)	(944)	(938)	(7,494)	(12,043)
Loans over 100	(5,382)	(5,411)	(5,411)	-	-	-
Other non-derivative financial liabilities	(388)	(429)	(148)	(88)	(127)	(66)
Loans from related parties	(4,663)	(4,933)	(2,892)	(54)	(1,987)	-
Cash pooling	(3,331)	(3,343)	(3,343)	-	-	-
<b>Total</b>	<b>(29,187)</b>	<b>(38,571)</b>	<b>(12,900)</b>	<b>(1,242)</b>	<b>(12,320)</b>	<b>(12,109)</b>
<b>Derivative financial liabilities</b>						
Interest rate instruments	(6)	(6)	-	(6)	-	-
Foreign exchange contracts	(168)	(168)	(168)	-	-	-
<b>Total</b>	<b>(174)</b>	<b>(174)</b>	<b>(168)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>

December 31, 2011	Carrying Amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Convertible Bonds	(2,065)	(2,812)	(159)	(157)	(2,496)	-
Other bonds	(16,410)	(26,732)	(1,124)	(4,510)	(6,496)	(14,602)
Loans over 100	(2,704)	(2,952)	(697)	(42)	(2,213)	-
Other non-derivative financial liabilities	(386)	(403)	(153)	(82)	(134)	(34)
Loans from related parties	(683)	(688)	(620)	(34)	(34)	-
Cash pooling	(4,502)	(4,537)	(4,537)	-	-	-
<b>Total</b>	<b>(26,750)</b>	<b>(38,124)</b>	<b>(7,290)</b>	<b>(4,825)</b>	<b>(11,373)</b>	<b>(14,636)</b>
<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(35)	(35)	(27)	(8)	-	-
<b>Total</b>	<b>(35)</b>	<b>(35)</b>	<b>(27)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>

December 31, 2012	Carrying Amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Convertible Bonds	(2,237)	(2,690)	(161)	(2,529)	-	-
Other bonds	(19,843)	(30,721)	(4,538)	(1,148)	(9,866)	(15,169)
Loans over 100	(448)	(469)	(122)	(5)	(342)	-
Other non-derivative financial liabilities	(292)	(303)	(138)	(59)	(97)	(9)
Loans from related parties	(1,721)	(1,732)	(1,698)	(34)	-	-
Cash pooling	(3,265)	(3,277)	(3,277)	-	-	-
<b>Total</b>	<b>(27,806)</b>	<b>(39,192)</b>	<b>(9,934)</b>	<b>(3,775)</b>	<b>(10,305)</b>	<b>(15,178)</b>
<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(6)	(6)	(6)	-	-	-
<b>Total</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

**Sensitivity analysis***Foreign currency sensitivity*

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% strengthening and a 10% weakening in the U.S. dollar against the other currencies for which the Company estimates to be a reasonably possible exposure. The sensitivity analysis includes only foreign currency derivatives on U.S. dollar against another currency. A positive number indicates an increase in profit or loss and other equity where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2012	
	Income	Other Equity
10% strengthening in U.S. dollar	(61)	-
10% weakening in U.S. dollar	67	-

*Cash flow sensitivity analysis for variable rate instruments*

The following table details the Company's sensitivity as it relates to variable interest rate instruments. A change of 100 basis points ("bp") in interest rates during the period would have increased (decreased) profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Interest Rate Swaps/ Forward Rate Agreements	
	Rate Instrument <sup>1</sup>	
100 bp increase	(6)	(3)
100 bp decrease	6	3

<sup>1</sup> Please refer to note 12 for a description of total net debt (including fixed and floating portion).

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 14: Equity

**Authorized shares**

At the Extraordinary General Meeting held on May 8, 2012, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €643 million represented by 156 million shares, or approximately 10% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €7.7 billion represented by 1,773 million shares without nominal value.

**Share capital**

On January 25, 2011, at an Extraordinary General Meeting, the shareholders approved an authorization for the Board of Directors to decrease the issued share capital, the share premium, the legal reserve and the retained earnings of the Company as a result of the spin-off the Company's stainless steel business into Aperam. The Company's issued share capital was reduced by €409 (547) from €6,837 (9,950) to €6,428 (9,403) without reduction in the number of shares issued and fully paid up, which remained at 1,560,914,610. The ordinary shares do not have a nominal value.

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholder.

**Treasury shares and call options on ArcelorMittal shares**

As of January 1, 2011, December 31, 2011 and 2012, the Company held 368,393, 757,951 and 629,205 treasury shares respectively. 11,984,527, 11,204,793 and 11,178,257 were held by subsidiaries as of January 1,

2011, December 31, 2011 and 2012, respectively.

On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 (\$27.21) per share. The call options were acquired in order to hedge the Company's obligations arising from the potential conversion of the 7.25% convertible bonds for ArcelorMittal shares due April 1, 2014. In connection with this transaction, the Company sold 26.48 million treasury shares through an over-the-counter block trade for a price of €26.42 (\$35.50) per share on December 14, 2010 (see Note 13).

On December 18, 2010, ArcelorMittal acquired USD denominated call options on 26,533,997 of its own shares with a strike price of \$30.15 per share in order to hedge its obligations arising from the potential conversion of the 5% USD denominated convertible bonds into ArcelorMittal shares due May 15, 2014. These call options were accounted for as an equity instrument as they can be settled only through physical delivery of the treasury shares. The premium paid with respect to these call options was 435 (309 net of tax) and was recorded as a decrease to equity. In connection with this transaction, the Company also entered into an agreement on December 18, 2010 to sell 11.5 million treasury shares through an over-the-counter block trade for a price of \$37.87 per share, for settlement on December 30, 2010 (see Note 13).

**Subordinated perpetual capital securities**

On September 28, 2012, the Company issued subordinated perpetual capital securities for a nominal amount of 650 and a coupon of 8.75%, which will reset periodically over the life of the securities, with the first reset after five years and subsequently every

five years thereafter. A step up in interest of 0.25% will occur on the second reset date and a subsequent step up of 0.75% (cumulative with the initial 0.25%) fifteen years later. The Company is entitled to call the securities in five years, ten years and on subsequent coupon payment dates. As the Company has no obligation to redeem the securities and the coupon payment may be deferred by the Company under certain circumstances, it classified the net proceeds from the issuance of subordinated perpetual capital securities (642 net of transaction costs) as equity.

**Employee Share Purchase Plan**

At the Annual General Shareholders' meeting held on May 11, 2010 the shareholders of ArcelorMittal adopted an Employee Share Purchase Plan ("ESPP") as part of a global employee engagement and participation policy. Similar to the previous ESPP implemented in 2009, and authorized at the Annual General Shareholders' meeting of May 12, 2009 the plan's goal is to strengthen the link between the Company and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the 2009 and 2010 plans are the following:

- In 2009, the plan was offered to 204,072 employees in 22 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 392,282 shares were subscribed (of which 1,300 shares by Members of the GMB and the Management Committee of the Company). The purchase price was \$36.56 before discounts. The subscription period ran from November 10, 2009 until November 19, 2009 and was settled with treasury shares on January 21, 2010.

- In 2010, the plan was offered to 183,560 employees in 21

jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 164,171 shares were subscribed (of which 1,500 shares by Members of the Group Management Board and the Management Committee of the Company). The purchase price was \$34.62 before discounts. The subscription period ran from November 16, 2010 until November 25, 2010 and was settled with treasury shares on January 10, 2011.

- In connection with ArcelorMittal's Employee Share Purchase Plan 2009 (ESPP 2009) and Employee Share Purchase Plan 2010 (ESPP 2010), a total of respectively 392,282 and 164,171 ArcelorMittal shares were subscribed by participating ArcelorMittal employees, out of a total of 2,500,000 shares available for subscription under each ESPP, with a maximum of up to 200 shares per employee. All shares allocated to employees under the ESPP 2009 and ESPP 2010 were treasury shares. Due to the low subscription levels in previous years and the complexity and high cost of setting up an ESPP, management decided not to propose the launch of an ESPP in 2011 and in 2012 for approvals to the annual general shareholders' meetings on May 10, 2011 and May 8, 2012 respectively.

- Pursuant to the plans, eligible employees could apply to purchase a number of shares not exceeding that number of whole shares equal to the lower of (i) 200 shares and (ii) the number of whole shares that may be purchased for fifteen thousand U.S. dollars (rounded down to the nearest whole number of shares).

For the 2009 and 2010 plans, the purchase price is equal to the average of the opening and the closing prices of the Company

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

shares trading on the New York Stock Exchange on the exchange day immediately preceding the opening of the relevant subscription period, which is referred to as the "reference price", less a discount equal to:

- a) 15% of the reference price for a purchase order not exceeding the lower of (i) 100 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of seven thousand five hundred U.S. dollars, and thereafter;
- b) 10% of the reference price for any additional acquisition of shares up to a number of shares (including those in the first cap) not exceeding the lower of (i) 200 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of fifteen thousand U.S. dollars.

All shares purchased under the ESPP are currently held in custody for the benefit of the employees in global accounts opened by BNP Paribas Securities Services, except for shares purchased by Canadian and U.S. employees, which are held in custody in one global account by Computershare.

Shares purchased under the plans are subject to a three-year lock-up period, except for the following exceptions: permanent disability of the employee, termination of the employee's employment with the Company or death of the employee. At the end of this lock-up period, the employees will have a choice either to sell their shares, subject to compliance with the Company's insider dealing regulations, or keep their shares and have them delivered to their personal securities account or make no election, in which case shares will be automatically sold. Shares may be sold or released within the lock-up period in the case of early exit events. During this period, and subject to the early exit events, dividends paid on

shares are held for the employee's account and accrue interest. Employee shareholders are entitled to any dividends paid by the Company after the settlement date and they are entitled to vote their shares.

With respect to the spin-off of Aperam, an addendum to the charter of the 2009 and 2010 ESPPs was adopted providing, among other measures, that:

- the spin-off shall be deemed an early exit event for the participants who will be employees of one of the entities that will be exclusively controlled by Aperam, except in certain jurisdictions where termination of employment is not an early exit event, and
- the Aperam shares to be received by ESPP participants will be blocked in line with the lock-up period applicable to the ArcelorMittal shares in relation to which the Aperam shares are allocated based on a ratio of one Aperam share for 20 ArcelorMittal shares.

#### Dividends

The Company has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of common shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

On May 10, 2010 the Board of Directors recommended to maintain the Company's dividend at \$0.75 per share for the full year of 2011 (\$0.1875 per quarter). The quarterly dividend was paid on March 14, 2011 (interim dividend), June 14, 2011, September 12, 2011 and December 12, 2011.

On May 8, 2012, the Board of Directors recommended to maintain the Company's dividend at \$0.75 per share for the full year of 2012 (\$0.1875 per quarter). The quarterly dividend was paid on March 13, 2012 (interim dividend), June 14, 2012, September 10, 2012 and December 10, 2012.

On October 30, 2012, the Board of Directors recommended to reduce the annual dividend payment from \$0.75 per share in 2012 to \$0.20 per share for the full year of 2013.

#### Stock Option Plans

Prior to the May 2011 annual general shareholders' meeting adoption of the Share Unit Plan described after, ArcelorMittal's equity-based incentive plan took the form of a stock option plan called the Global Stock Option Plan.

Under the terms of the ArcelorMittal Global Stock Option Plan 2009-2018 (which replaced the ArcelorMittal Shares plan that expired in 2009), ArcelorMittal may grant options to purchase common shares to senior management of ArcelorMittal and of its associates for up to 100,000,000 shares of common shares. The exercise price of each option equals not less than the fair market value of ArcelorMittal shares on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

As a result of the spin-off of ArcelorMittal's stainless steel business, an addendum to the ArcelorMittal Global Stock Option Plan 2009-2018 was adopted to reduce by 5% the exercise prices of existing stock options. With respect to employees of the Company, the expense related to

fully vested options was recognized directly in the statements of operations during 2011; the expense related to unvested options is recognized on a straight-line basis over the remaining vesting period. With respect to employees of subsidiaries, the expense related to fully vested options was recognized as an increase in investments; the expense related to unvested options is recognized on a straight-line basis over the remaining vesting period. The current note has been adapted to disclose the new information from January 25, 2011 onwards.

On August 4, 2009, ArcelorMittal granted 6,128,900 options under the ArcelorMittal Global Stock Option Plan 2009-2018 to a group of key employees at an exercise price of \$38.30. The new exercise price is \$36.38 after the spin-off of Aperam. The options expire on August 4, 2019.

On August 3, 2010, ArcelorMittal granted 5,864,300 options under the ArcelorMittal Global Stock Option Plan 2009-2018 to a group of key employees at an exercise price of \$32.27. The new exercise price is \$30.66 after the spin-off of Aperam. The options expire on August 3, 2020.

No options were granted during the years ended December 31, 2011 and 2012.

The fair values for options and other share-based compensation is recorded as an expense in the statements 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-Merton option pricing model with the following weighted average assumptions (based on year of grant and recalculated at the spin-off date of the stainless steel business):

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

	Year of grant 2010
Exercise price per share	\$30.66
Dividend yield	2.02%
Expected annualized volatility	50%
Discount rate—bond equivalent yield	3.21%
Weighted average share price	\$30.66
Expected life in years	5.75
Fair value of options (per share)	\$17.24

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.

The compensation expense recognized for stock option plans was 6 and 2 for each of the years ended December 31, 2011 and 2012, respectively. At the date of the spin-off of Aperam, the fair values of the stock options outstanding have been recalculated with the modified inputs of the Black-Scholes-Merton option pricing model, including the weighted average share price, exercise price, expected volatility, expected life, expected dividends,

the risk-free interest rate and an additional expense of 1 has been recognized in the year ended December 31, 2011 for the current and past periods.

Option activity with respect to ArcelorMittal Shares and ArcelorMittal Global Stock Option Plan 2009-2018 is summarized below as of and for each of the years ended December 31, 2012 and 2011:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, January 1, 2011	28,672,974	2.26 – 82.57	50.95
Exercised	(226,005)	2.15 – 32.07	27.57
Forfeited	(114,510)	27.31 – 78.44	40.26
Expired	(662,237)	15.75 – 78.44	57.07
Outstanding, December 31, 2011	27,670,222	2.15 – 78.44	48.35
Exercised	(154,495)	2.15	2.15
Forfeited	(195,473)	30.66 – 61.09	33.13
Expired	(2,369,935)	2.15 – 78.44	58.23
Outstanding, December 31, 2012	24,950,319	21.14 – 78.44	47.85
Exercisable, December 31, 2011	21,946,104	2.15 – 78.44	52.47
Exercisable, December 31, 2012	23,212,008	21.14 – 78.44	49.14

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2012:

Options outstanding				
Exercise Prices (per option)	Number of Options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
\$78.44	5,598,050	5.60	5,598,050	August 5, 2018
70.81	13,000	4.95	13,000	December 11, 2017
61.09	4,026,437	4.59	4,026,437	August 2, 2017
37.76	1,262,894	0.50	1,262,894	June 30, 2013
36.38	5,443,200	6.60	5,443,200	August 4, 2019
32.07	1,889,836	3.67	1,889,836	September 1, 2016
30.66	5,511,836	7.60	3,773,525	August 3, 2020
27.31	1,152,481	2.65	1,152,481	August 23, 2015
22.56	32,000	5.96	32,000	December 15, 2018
21.14	20,585	5.87	20,585	November 10, 2018
21.14 – 78.44	24,950,319	5.56	23,212,008	

**Share Unit Plan**

The May 8, 2012 annual general meeting of shareholders authorized the Board of Directors to issue, during the period between the 2012 and the 2013 annual general meetings, Restricted Stock Units (each, a "RSU") and Performance Share Units (each, a "PSU") to key

employees of ArcelorMittal in the amount of up to 2.5 million RSUs corresponding to up to 2.5 million of ArcelorMittal shares under the RSU Plan and up to 1 million PSUs corresponding to up to 2 million of the Company's shares under the PSU Plan. This envelope is of the same size as the envelope approved by the annual general

meeting of shareholders held in May 2011. The granted shares can be newly issued shares or treasury shares.

The Restricted Share Unit Plan ("RSU Plan") and the Performance Share Unit Plan ("PSU Plan") first approved by the annual general meeting of shareholders held in

May 2011 are designed to enhance the long-term performance of the Company and to retain key employees. The two Plans complete ArcelorMittal's existing program of annual performance-related bonuses, the reward system for short-term performance and achievements.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

The RSU and the PSU are subject to “cliff vesting” after three years contingent upon the continued active employment of the employee with the ArcelorMittal group. The RSU Plan is targeted at the 500 to 700 most senior managers across the ArcelorMittal group.

The main objective of the RSU Plan is to provide a retention incentive to the eligible employees. As such, it replaces the stock options granted under the Long Term Incentive Plan in place until 2010 included. Performance criteria are inherent in both the RSU and the PSU due to the link to the Company’s share price. The main objective of the PSU Plan is to be an effective performance-enhancing scheme based on the achievement of the Company’s strategy. Both Plans are intended to promote the alignment of interests between the Company’s shareholders and eligible employees by allowing them to participate in the success of the Company.

The allocation of RSUs and PSUs to eligible employees under the RSU Plan and the PSU Plan is reviewed by the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors, comprised of four independent directors, which makes a proposal and recommendation to the full Board of Directors.

Awards under the PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of grant. The employees eligible to participate in the PSU Plan are a sub-set of the group of employees eligible to participate in the RSU Plan and they will receive part of their grant in RSUs and part in PSUs.

The Board of Directors may adopt any necessary rules to implement the RSU Plan, including administrative measures and conditions for specific situations that the Board of Directors may consider appropriate, and decide and implement any increase in the 2012 RSU Cap by the additional number necessary to preserve the rights of the holders of RSUs in the event of a transaction impacting the Company’s share capital.

The 2012 RSU Cap and the 2012 PSU Cap together represent a maximum of 4,500,000 (four million five hundred thousand) shares, representing less than 0.29% of the Company’s current issued share capital on a diluted basis.

In September 2011, a total of 1,303,515 shares under the RSU Plan were granted to a total of 772 employees. In March 2012, a total of 267,165 shares under the PSU Plan were granted to a total of 118 employees.

The fair value for the shares allocated to the beneficiaries is recorded as an expense in the statements of operations over the relevant vesting or service periods. The compensation expenses recognized for the restricted share units were 2 and 6 for the years ended December 31, 2011 and December 31, 2012. The compensation expense recognized for the performance stock units was 1 for the year ended December 31, 2012.

### Note 15: Financing costs - net

	Year ended December 31, 2011	Year ended December 31, 2012
Interest expense	(1,690)	(1,714)
Interest income	640	738
Gain on disposal of financial assets	151	182
Fair value adjustment on conversion options on the euro convertible bond, call options on ArcelorMittal shares and Mandatory Convertible Bonds	42	(99)
Net gain on derivative instruments	20	19
Foreign exchange result	306	788
Others	(36)	(25)
<b>Total</b>	<b>(567)</b>	<b>(111)</b>

Transactions with related parties are detailed in Note 11.

### Note 16: Income from subsidiaries and associates

In 2012, the Company received a dividend from Arcelor Investment S.A. of € 11,107 (14,112), from AM Global Holding S.à.r.l. amounting to € 5,530 (6,794), from AMO Holding Switzerland A.G. for € 12,753 (16,189), from ArcelorMittal Cyprus Holding Limited for € 4,676 (5,935) and others for 210 (see Note 8).

In 2011, income from subsidiaries and associates comprised the dividend of 13,308 received by the Company from Arcelor Investment S.A. on December 22, 2011 and others for 135 (see Note 8).

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 17: Income tax

**Income tax expense (benefit)**

The components of the income tax expense (benefit) for each of the years ended December 31, 2011 and 2012 are summarized below:

	Year ended December 31, 2011	Year ended December 31, 2012
Total current tax expense (benefit)	(355)	(142)
Total deferred tax expense (benefit)	(192)	(2,615)
Total income tax expense (benefit)	(547)	(2,757)

The following table reconciles the income tax expense (benefit) to the statutory tax expense (benefit) as calculated:

	Year ended December 31, 2011	Year ended December 31, 2012
Net income (loss)	6,798	(6,503)
Income tax expense (benefit)	(547)	(2,757)
<b>Income (loss) before tax :</b>	<b>6,251</b>	<b>(9,260)</b>
Tax expense (benefit) at the statutory rate	1,800	(2,705)
Permanent items	(2,172)	2,569
Tax losses and benefits transferred from subsidiaries	(274)	(9,237)
Rate changes	-	(83)
Net change in measurement of deferred tax assets	-	6,695
Effects of foreign currency translation	56	(33)
Other taxes	43	37
<b>Income tax expense (benefit)</b>	<b>(547)</b>	<b>(2,757)</b>

*Permanent items*

The permanent items consist of:

	Year ended December 31, 2011	Year ended December 31, 2012
Non-tax deductible impairment losses	1,881	15,231
Exempt dividend income	(3,981)	(12,635)
Tax deductible capital loss	(24)	(101)
Non tax deductible provisions/expenses	15	1
Interest recapture	113	-
Other permanent items	(176)	73
Total permanent items	(2,172)	2,569

*Non tax-deductible impairment charge:* Write-down charges taken on investments in shares of subsidiaries are tax-deductible under the Luxembourg tax legislation. The non tax-deductible impairment charges amount to 6,530 and 52,373 for 2011 and 2012, respectively, and were related to the Company's investments in AM Global Holding S.à.r.l. and Arcelor Investment S.A. These write-down charges are not tax-deductible as the charges are neutralized within the tax consolidation.

*Exempted dividend income:* Under Article 166 of the Luxembourg tax law, dividend income, liquidation proceeds, and capital gains may be treated as tax-exempt so long as certain requirements are met relating to the parent's participation in the subsidiary. The participation exemption applies if the Luxembourg parent maintains (or commits to hold) a minimum holding in a qualified subsidiary company (generally a 10% shareholding) for an uninterrupted period of at least 12 months.

*Interest recapture:* According to Luxembourg income tax law, expenses in direct economic relation to exempt income are not tax deductible up to the exempt income. Hence interest charges on a loan contracted to acquire a participation are not tax-deductible up to the exempt dividend payments received the same year from the same participation. In case of capital gain, exemption is denied so far as expenses or write-downs related to the participation have reduced the Luxembourg taxable base the same year or previously (claw-back).

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

*Rate changes*

The 2012 tax benefit from rate changes of (83) results from the impact of the increase of the substantively enacted corporate income tax rate in Luxembourg as applied to the Company's net deferred tax assets.

*Net change in measurement of deferred tax asset*

The 2012 net change in measurement of deferred tax assets of 6,695 consists of tax expense due to the unrecognized part of deferred tax assets resulting from the tax-deductible

write-down on shares of subsidiaries in Luxembourg.

*Effects of foreign currency translation*

The effects of foreign currency translation of 56 and (33) for 2011 and 2012, respectively, are related to the different functional currency of the Company than the currency applied for tax filing purposes.

**Uncertain tax positions**

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions,

ArcelorMittal has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts,

circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows.

**Deferred tax assets and liabilities**

The origin of deferred tax assets and liabilities is as follows:

	Assets			Liabilities			Net		
	January 1, 2011	December 31, 2011	December 31, 2012	January 1, 2011	December 31, 2011	December 31, 2012	January 1, 2011	December 31, 2011	December 31, 2012
Property, plant and equipment	-	-	-	-	-	(1)	-	-	(1)
Treasury shares	-	-	-	-	(4)	(3)	-	(4)	(3)
Financial instruments	126	126	128	-	-	-	126	126	128
Provisions	5	3	4	-	-	-	5	3	4
Tax losses carried forward	5,544	5,548	8,272	-	-	-	5,544	5,548	8,272
<b>Deferred tax assets / (liabilities)</b>	<b>5,675</b>	<b>5,677</b>	<b>8,404</b>	<b>-</b>	<b>(4)</b>	<b>(4)</b>	<b>5,675</b>	<b>5,673</b>	<b>8,400</b>

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

Deferred tax not recognized by the Company as of January 1, 2011 was as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	19,250	5,544	5,544	-
Other temporary differences	455	131	131	-
<b>Total</b>		<b>5,675</b>	<b>5,675</b>	<b>-</b>

Deferred tax not recognized by the Company as of December 31, 2011 was as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	19,265	5,548	5,548	-
Other temporary differences	448	129	129	-
<b>Total</b>		<b>5,677</b>	<b>5,677</b>	<b>-</b>

Deferred tax not recognized by the Company as of December 31, 2012 was as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	51,223	14,967	8,272	6,695
Other temporary differences	452	132	132	-
<b>Total</b>		<b>15,099</b>	<b>8,404</b>	<b>6,695</b>

As of December 31, 2012, deferred tax assets not recognized relate only to tax losses carried forward. The utilization of tax losses carried forward is restricted to the taxable income of the Luxembourg tax consolidated group. The utilization of tax losses carried forward also may be restricted by the character of the income.

The 2012 increase in tax losses carried forward relates primarily to the write-down charges taken on investments in shares of subsidiaries. Under the Luxembourg tax legislation a tax consolidation is allowed. Those investments were being carried at market values that had been established following the combination in 2006 of Mittal Steel and Arcelor. Such write-down charges, which are tax deductible under the Luxembourg tax legislation and can be carried forward indefinitely, reflect the downward revision of expected underlying future cash flows in the context of a weaker macro-economic and market environment primarily in Europe and expectations that it will persist over the near and medium term.

The total amount of accumulated tax losses in the ArcelorMittal tax integration amounts to 51,223 as of December 31, 2012, related to which 8,272 has been recognized as deferred tax asset at the applicable income tax rate in Luxembourg. The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for the tax losses carried forward in Luxembourg. As part of its assessment the Company has taken into account (i) its most recent forecast approved by management, (ii) the reorganization effected during 2012 under which the amount of deductible interest charges in Luxembourg on intra group loans has been significantly reduced, (iii) the fact that during 2012 ArcelorMittal subsidiaries in Luxembourg became the main provider of funding to the Group's subsidiaries, leading to recognition of significant amounts of taxable interest income in certain subsidiaries and (iv) other significant and reliable sources of income derived from distribution and procurement centers located in Luxembourg for many of ArcelorMittal's European and worldwide operating subsidiaries.

At December 31, 2012, 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 ArcelorMittal will realize the benefits of the deferred tax assets of 8,404 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 8,404 is at least 28,747. Historically, the Company has been able to generate taxable income in sufficient amounts and believes that it will generate sufficient levels of taxable income in upcoming years to permit the Company to utilize tax benefits associated with tax losses carried forward and other deferred tax assets that have been recognized in its financial statements. In the event that a history of recent losses is present, the Company relied on convincing other positive evidence such as the character of (historical) losses and tax planning to support the deferred tax assets recognized.

For investments in subsidiaries, branches and associates and investments, that are not expected to reverse in the foreseeable future, the aggregate amount of deferred tax liabilities that is not recognized is approximately 12,299. Out of that amount 11,141 relates to the potential reversal of the tax deductible write-down on shares, for which ArcelorMittal envisages restructuring in the short term with the result that the tax deductible write-down on shares will become permanent.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 18: Provisions

At January 1, 2011, the Company had recorded a provision amounting to 55 in relation with the fine charged by the European Commission to several subsidiaries involved in the Pre-Stressed Steel case ("Trefileurope"). The amount corresponded to the fine for which the Company was jointly and severally responsible (€31.68 million with respect to French entities and € 8.2 million for the Spanish entities). The provision was released in 2011 upon settlement of the fine.

## Note 19: Accrued expenses and other liabilities

	January 1, 2011	December 31, 2011	December 31, 2012
Accrued interest	342	389	478
Put option in relation with China Oriental shares <sup>1</sup>	399	-	-
Accrued payroll and employee related expenses	13	14	17
Derivative instruments	168	27	6
Suppliers and other	123	106	139
<b>Total</b>	<b>1,045</b>	<b>536</b>	<b>640</b>

<sup>1</sup> On March 25, 2011, the put option liability on the 17.4% stake in China Oriental was reclassified as other long-term obligations, following the renewal of the agreements with ING Bank N.V. and Deutsche Bank Aktiengesellschaft for an additional three year period until April 30, 2014 (see Note 9 and 20).

Balances with related parties are detailed in Note 11.

## Note 20: Other long term obligations

	January 1, 2011	December 31, 2011	December 31, 2012
Put option in relation with China Oriental shares <sup>1</sup>	-	392	397
Conversion option of convertible bonds <sup>2</sup>	841	180	25
Other derivative instruments	6	8	-
Other	10	10	8
<b>Total</b>	<b>857</b>	<b>590</b>	<b>430</b>

<sup>1</sup> The liability is related to the obligations arising from the put option agreements established by the Company with ING Bank N.V. and Deutsche Bank Aktiengesellschaft with respect to a 17.4% stake in China Oriental sold to these banks (see Note 9).

<sup>2</sup> The liability corresponds to the fair value of the conversion option embedded in the €1.25 billion convertible bonds (see Note 13).

## Note 21: Commitments

## Commitments given

	January 1, 2011	December 31, 2011	December 31, 2012
Guarantees on debts <sup>1</sup>	500	500	500
Other commitments <sup>2</sup>	4,834	5,079	24,999
Foreign exchange derivative instrument <sup>3</sup>	11,536	3,525	1,303
<b>Total</b>	<b>16,870</b>	<b>9,104</b>	<b>26,802</b>

<sup>1</sup> Guarantees on debts correspond to the guarantee related to bonds issued by ArcelorMittal USA and for which the Company is the guarantor. They exclude the debt of ArcelorMittal Finance S.C.A. for which the Company is jointly and severally liable (1,589, 1,296 and 1,071 as of January 1, 2011, December 31, 2011 and 2012, respectively).

<sup>2</sup> Other commitments comprise amounts committed with regard to credit lines and guarantees given on behalf of subsidiaries. Other commitments comprise mainly commitments incurred under credit lines granted to subsidiaries (1,378, 478, 478 as of January 1, 2011, December 31, 2011 and 2012, respectively), guarantees given to third parties on behalf of the subsidiaries (1,448, 2,669, 22,756 as of January 1, 2011, December 31, 2011 and 2012, respectively), and commitments incurred under bilateral cash pooling agreement to guarantee the deposits made with ArcelorMittal Treasury SNC by ArcelorMittal Ostrava, ArcelorMittal Tubular Products Ostrava, ArcelorMittal Brasil and ArcelorMittal Inox Brasil for a total amount of 1,502 as of December 31, 2012 (1,554, 1,282 as of January 1, 2011, December 31, 2011 respectively) and commitments given to third parties for the use of the Company. The credit facility amounting to 450 was utilized on December 2012 for a total amount of 168 (334 utilized of a total amount of 500 as of January 1, 2011 and 283 utilized of a total amount of 500 as of December 31, 2011). The Company is jointly and severally liable for the following entities: ArcelorMittal Finance S.C.A., ArcelorMittal Treasury S.N.C., ArcelorMittal Sourcing and ArcelorMittal Energy S.C.A.

<sup>3</sup> Foreign exchange derivative instruments mainly consist of EUR/USD/AUD/CAD currency swaps whose maturity is comprised between January 2013 and June 2013.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

On December 28, 2009, a wholly-owned subsidiary of the Company used the proceeds from the issuance of an unsecured and unsubordinated bond mandatorily convertible into preferred shares of such subsidiary to acquire notes linked to shares of the listed related party Ereğli Demir ve Çelik Fab. T.A.S. (Turkey) and issued by the Company's affiliates Arcelor Investment Services S.A. and Expert Placement Services Ltd. The Company warrants to own directly or indirectly the entire legal and beneficial interest in the share capital of such companies for so long as any notes remain outstanding. ArcelorMittal also undertakes to provide any funding which would be necessary to these affiliates to meet their obligations with respect to the notes.

On April 30, 2008, the Company entered into two put option agreements with ING and Deutsche Bank in connection with the sale of 509,780,740 shares representing approximately 17.40% of the issued share capital of China Oriental. By virtue of these agreements, ING and Deutsche Bank have the right to sell these shares to the Company at the expiring date of the agreement, April 30, 2014.

*Corporate guarantee letter*

On May 28, 2009, in the framework of a legal reorganization in Canada, the Company entered into a support agreement with ArcelorMittal Canada Holdings Inc. whereby it undertakes to take all such actions as necessary to enable ArcelorMittal Canada Holdings Inc. to reacquire the preferred shares held by its shareholder Mittal Steel International Holdings B.V. upon exercise of such right by the latter.

## Note 22: Deferred employee benefit

Certain employees of ArcelorMittal are included in the unfunded defined benefit pension plan managed by the Company's affiliate ArcelorMittal Luxembourg S.A. The Company has a defined benefit obligation with respect to this plan by virtue of a contractual arrangement with ArcelorMittal Luxembourg S.A. Benefits are based on such employees' length of service and applicable pension table under the terms of the agreement. This defined benefit pension plan was closed to new entrants on December 31, 2007 and replaced by a defined contribution pension plan for active members financed by employer and employee contributions.

The following table details the reconciliation of the defined benefit obligation:

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	27	24
Service cost	1	1
Interest cost	1	1
Actuarial loss (benefit)	(2)	6
Benefits paid	(3)	(1)
<b>Benefit obligation at end of period</b>	<b>24</b>	<b>31</b>
Unrecognized actuarial loss	-	(6)
<b>Net amount recognized</b>	<b>24</b>	<b>25</b>

The following table details the components of the pension cost recognized in profit or loss:

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Net periodic pension cost</b>		
Service cost	1	1
Interest cost	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

Service cost is included in general administrative expense. Interest cost is included in financing costs – net.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Assumptions used to determine benefit obligations:

	January 1, 2011	December 31, 2011	December 31, 2012
Discount rate	4.75%	4.90%	3.15%
Rate of compensation increase	3.63%	3.60%	3.86%

## Statements of financial position

Total deferred employee benefits including pension and other benefits are as follows:

	January 1, 2011	December 31, 2011	December 31, 2012
Pension plan benefits	24	24	25
Early retirement benefits	2	-	1
<b>Total</b>	<b>26</b>	<b>24</b>	<b>26</b>

## Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plan (as of December 31, 2012, the defined benefit obligation ("DBO") for pension was 31):

	Effect on 2013 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2012 DBO
<b>Change in assumption</b>		
100 basis point decrease in discount rate	-	3
100 basis point increase in discount rate	-	(3)
100 basis point decrease in rate of compensation	(1)	(5)
100 basis point increase in rate of compensation	1	6

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 three year history of the present value of the DBO is as follows:

	January 1, 2011	December 31, 2011	December 31, 2012
Present value of the defined benefit obligations	(27)	(24)	(31)
Experience adjustments: (increase)/decrease plan liabilities	(1)	1	(1)

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

## Note 23 - Contingencies

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the Significant Shareholder. The plaintiffs alleged in particular that, based on Mittal Steel's and Arcelor's disclosure and public statements, investors had a legitimate expectation that the exchange ratio in the second-step merger would be the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e., 11 Mittal Steel shares for seven Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, inter alia, the cancellation of certain resolutions (of the Board of Directors and of the Shareholders meeting) in connection with the merger, the grant of additional shares or damages in an amount of €180 million. By judgment dated

November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. This judgment was appealed in mid-May 2012. The appeal proceedings are pending.

On May 15, 2012, ArcelorMittal received a writ of summons on behalf of Association Actionnaires d'Arcelor (AAA), a French association of former minority shareholders of Arcelor, to appear before the civil court of Paris. On comparable grounds, AAA claims inter alia damages in an amount of €60,049 and reserves the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris are pending.

On September 12, 2008, Standard Iron Works filed a purported class action complaint in the U.S. District Court in the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA LLC, and other steel manufacturers, alleging that the defendants had conspired to restrict the output of steel products in order to fix, raise, stabilize and maintain prices at

artificially high levels in violation of U.S. antitrust law. Since the filing of the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and have been consolidated with the Standard Iron Works lawsuit. In January 2009, ArcelorMittal and the other defendants filed a motion to dismiss the direct purchaser claims. On June 12, 2009, the court denied the motion to dismiss and the litigation is now in the discovery stage and class certification briefing stage. In addition, two putative class actions on behalf of indirect purchasers have been filed. Both of these have been transferred to the judge hearing the Standard Iron Works cases. It is too early in the proceedings for ArcelorMittal to determine the amount of its potential liability, if any.

In April 2011, a proceeding was commenced before the Ontario (Canada) Superior Court of Justice under the Ontario Class Proceedings Act, 1992, against ArcelorMittal, Baffinland Iron Mines Corporation ("BIM"), and certain other parties relating to the

January 2011 take-over of BIM by ArcelorMittal, Nunavut, Iron Ore Holdings and 1843208 Ontario Inc. The action seeks the certification of a class comprised of all BIM securities holders who tendered their BIM securities, and whose securities were taken up, in connection with the take-over between September 22, 2010 and February 17, 2011, or otherwise disposed of their BIM securities on or after January 14, 2011. The action alleges that the tender offer documentation contained certain misrepresentations and seeks damages in an aggregate amount of CAD 1 billion or rescission of the transfer of the BIM securities by members of the class.

## Notes to financial statements

continued

ArcelorMittal and Subsidiaries (millions of US dollars, except share and per share data)

### Note 24 - Employees and key management personnel

As of December 31, 2012, the Company employed 376 people and the total annual compensation of the Company's employees paid in 2011 and 2012 was as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
<b>Employee information</b>		
Wages and salaries	71	55
Social security costs	7	5
Other staff expenses	18	13
<b>Total</b>	<b>96</b>	<b>73</b>

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2011 and 2012 was as follows:

	Year ended December 31, 2011	Year ended December 31, 2012
Base salary and/or directors fees	3	3
Short-term performance-related bonus	2	1
Post-employment benefits	-	-
Share based compensation	7	3

The fair value of the stock options granted to the ArcelorMittal's key management personnel is recorded as an expense in the statements of operations over the relevant vesting periods (see Note 14).

The Company contributes to a post-employment defined contribution plan on behalf of certain members of key management personnel. The contributions paid amounted to 1.5 and 1.3 for the years ended December 31, 2011 and 2012, respectively.

As of January 1, 2011, December 31, 2011, 2012, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors or key management personnel, and had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

### Note 25 - Expenses related to the réviseur d'entreprise agréé

In 2012, expenses related to the réviseur d'entreprises agréé amounted to 9.

### Note 26 - Subsequent events

ArcelorMittal completed a combined offering of ordinary shares and mandatorily convertible subordinated notes ("MCNs") on January 14, 2013 and January 16, 2013, respectively. The ordinary shares offering represents an aggregate of 1.75 billion representing approximately 104 million ordinary shares at an offering price of \$16.75 (€12.83 at a €/€ conversion rate of 1.3060) per ordinary share. The total proceeds from the issuance of MCNs amount to approximately 2.25 billion. The notes have a maturity of 3 years, are issued at 100% of the principal amount and are mandatorily converted into ordinary shares of ArcelorMittal at maturity unless earlier converted at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The notes will pay a coupon of 6.00% per annum, payable quarterly in arrears. The minimum conversion price of the MCNs will be equal to \$16.75, corresponding to the placement price of shares in the concurrent ordinary shares offering as described above, and the maximum conversion price has been set at approximately 125% of the minimum conversion price (corresponding to \$20.94). The Mittal family participated by placing an order in the combined offering for an aggregate amount of 600 including 300 of MCNs and 300 of ordinary shares. ArcelorMittal intends to use the net proceeds from the combined offering to reduce existing indebtedness.

## Report of the Réviseur d'entreprises agréé

*ArcelorMittal, Société Anonyme (expressed in millions of US dollars, unless otherwise stated)*

To the Shareholders of  
ArcelorMittal, Société Anonyme  
19, Avenue de la Liberté  
Grand Duchy of Luxembourg

### **Report on the financial statements of ArcelorMittal,**

Following our appointment by the General Meeting of the Shareholders held on May 8, 2012, we have audited the accompanying financial statements of ArcelorMittal, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, comprehensive income, changes in equity and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

### *Responsibility of the Board of Directors for the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and including information required to be disclosed under Luxembourg Laws and Regulations, and for such internal control as the Board of Directors' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the réviseur d'entreprises agréé*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the réviseur d'entreprises agréés judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of ArcelorMittal as of December 31, 2012, December 31, 2011 and January 1, 2011 and of its financial performance and its cash flows for the year ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Report on other legal and regulatory requirements**

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit  
*société à responsabilité limitée*  
*Cabinet de révision agréé*

Vafa Moayed, *Réviseur d'entreprises agréé*  
Partner

February 27, 2013  
560, rue de Neudorf  
L-2220 Luxembourg



The following pages do not form part of the company's financial statements. These pages contain further information on the risks that our company is exposed to and further details on our Mining business.

---

## Risks related to the global economy and the steel industry

### Risk related to the global economy and the steel industry

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

**ArcelorMittal's business and results are substantially affected by regional and global macroeconomic conditions. Recessions or prolonged periods of weak growth in the global economy or the economies of ArcelorMittal's key selling markets have in the past had and in the future would be likely to have a material adverse effect on the mining and steel industries and on ArcelorMittal's business, results of operations and financial condition.**

The mining and steel industries have historically been highly cyclical. This is due largely to the cyclical nature of the business sectors that are the principal consumers of steel and the industrial raw materials produced from mining, namely the automotive, construction, appliance, machinery, equipment, infrastructure and transportation industries. Demand for minerals and metals and steel products thus generally correlates to macroeconomic fluctuations in the global economy. This correlation and the adverse effect of macroeconomic downturns on metal mining companies and steel producers were evidenced in the 2008/2009 financial and subsequent economic crisis. The results of both mining companies and steel producers were substantially affected, with many steel producers (including ArcelorMittal), in particular, recording sharply reduced revenues and operating losses. Since the severe economic downturn of 2008/2009, macroeconomic conditions have remained uncertain and, in 2012, particularly difficult, due among other things to the continuing Euro-zone sovereign

debt crisis, economic stagnation or slow growth in developed economies and a cooling of emerging market economies. Growth of the Chinese economy, which in recent years has been and is one of the main demand drivers in the mining and steel industries, slowed, as did that of other emerging economies. Continued difficult macroeconomic conditions, a global recession, a recession or anemic growth in North America, a further degradation of the economic situation in Europe (discussed further below) or the continued slowdown in emerging economies that are substantial consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States ("CIS") regions) would likely result in continued and prolonged reduced demand for (and hence price of) minerals and steel and have a material adverse effect on the mining and steel industries in general and on ArcelorMittal's results of operations and financial condition in particular.

**The ongoing weakness of the Euro-zone economy, as well as the ongoing concern over Euro-zone sovereign debt, may continue to adversely affect the steel industry and ArcelorMittal's business, results of operations and financial condition.**

Steel producers with substantial sales in Europe, such as ArcelorMittal, have been deeply affected by macroeconomic conditions in Europe over the 2010–2012 period. The Euro-zone sovereign debt crisis, resulting austerity measures and other factors have led to recession or stagnation in many of the national economies in the Euro-zone. Demand for steel has been depressed as a result, dropping in 2012 to 29% below 2007 levels. Current expectations are for continued weak macroeconomic conditions in Europe in the near to

mid-term (e.g., European Central Bank forecast of December 2012 of a 0.3% decrease in Euro-zone GDP in 2013, IMF forecast of October 2012 of a contraction of 0.4%). Moreover, an aggravation of the Euro-zone sovereign debt crisis would likely further weigh on economic growth. A continuation or worsening of the negative macroeconomic trends in the Euro-zone crisis would most likely result in continued and prolonged reduced demand for (and hence price of) steel in Europe and have a material adverse effect on the European steel industry in general and on ArcelorMittal's results of operations and financial condition in particular.

**Excess capacity and oversupply in the steel industry may weigh on the profitability of steel producers, including ArcelorMittal.**

In addition to economic conditions, the steel industry is affected by global and regional production capacity and fluctuations in steel imports/exports and tariffs. The steel industry globally has historically suffered from structural overcapacity, which is amplified during periods of global or regional economic weakness due to weaker global or regional demand.

In Europe, structural overcapacity is considerable, with studies indicating that European production capacity may exceed European demand by as much as 40%. As noted above, current demand levels in Europe are approximately 29% below those of 2007, widely considered to have been a peak in the industry cycle. Reaching equilibrium would therefore require supply-side reductions. These are difficult and costly to implement in the European context. Moreover, the supply excess could be exacerbated by an increase in imports from emerging market producers.

Outside of Europe, production capacity in certain developing

countries, particularly in China, but also in other countries such as Russia, Ukraine and Turkey, has increased substantially in recent years. Russia has recently joined the World Trade Organization, which will likely lead to an increase in Russian steel exports to Europe. China is now the largest global steel producer by a large margin, and the balance between its domestic production and consumption has been an important factor influencing global steel prices in recent years. Excess capacity from developing countries, such as China, may result in exports of significant amounts of steel and steel products at prices that are at or below their costs of production, putting downward pressure on steel prices in other markets, including the United States and Europe. While growth in Chinese steel production has slowed, the slowdown in the Chinese economy in 2012 resulted in an increase in exports to other markets (mainly Asia).

Given these structural capacity issues, ArcelorMittal remains exposed to the risk of steel production increases in China and other markets outstripping any increases in real demand. This "overhang" will likely weigh on steel prices and therefore exacerbate the "margin squeeze" in the steel industry created by high-cost raw materials, in particular in markets marked by overcapacity such as Europe.

**Volatility in the supply and prices of raw materials, energy and transportation, and mismatches with steel price trends, as well as protracted low raw materials prices, could adversely affect ArcelorMittal's results of operations.**

Steel production consumes substantial amounts of raw materials including iron ore, coking coal and coke. Because the production of direct reduced iron, the production of steel in electric arc furnaces and the re-heating of

## Risks related to the global economy and the steel industry

continued

steel involve the use of significant amounts of energy, steel companies are also sensitive to natural gas and electricity prices and dependent on having access to reliable supplies of energy. Any prolonged interruption in the supply of raw materials or energy would adversely affect ArcelorMittal's results of operation and financial condition.

The prices of iron ore, coking coal, coke and scrap are highly volatile and may be affected by, among other factors: industry structural factors (including the oligopolistic nature of the (sea-borne) iron ore industry and the fragmented nature of the steel industry); demand trends in the steel industry itself and particularly from Chinese steel producers (as the largest group of producers); new laws or regulations; suppliers' allocations to other purchasers; business continuity of suppliers; expansion projects of suppliers; interruptions in production by suppliers; accidents or other similar events at suppliers' premises or along the supply chain; wars, natural disasters, political disruption and other similar events; fluctuations in exchange rates; the bargaining power of raw material suppliers; and the availability and cost of transportation. Although ArcelorMittal has substantial sources of iron ore and coal from its own mines and strategic long-term contracts (the Company's self sufficiency rates were 61% for iron ore and 20% for PCI and coal in 2012) and is expanding output at such mines and also has new mines under development, as a steelmaker it remains exposed to volatility in the supply and price of iron ore, coking coal and coke as it obtains a significant portion of such raw materials under supply contracts from third parties. It is also exposed directly to price volatility in iron ore and coal as it sells such minerals to third parties, and expects to

increase the amount of such sales in the future.

Historically, energy prices have varied significantly, and this trend is expected to continue due to market conditions and other factors beyond the control of steel companies.

Steel and raw material prices have historically been highly correlated. A drop in raw material prices therefore typically triggers a decrease in steel prices. During the 2008/2009 crisis and again in 2012, both steel and raw materials prices dropped sharply. Another risk is embedded in the timing of the production cycle: rapidly falling steel prices can trigger write-downs of raw material inventory purchased when steel prices were higher, as well as of unsold finished steel products. ArcelorMittal recorded substantial write-downs in 2008/2009 as a result of this. Furthermore, a lack of correlation or a time lag in correlation between raw material and steel prices may also occur and result in a "margin squeeze" or "price-cost squeeze" in the steel industry. ArcelorMittal experienced such a squeeze in late 2011, for example, when iron ore prices fell over 30% in three weeks in October 2011 and quickly resulted in a significant fall in steel prices while lower raw material prices had yet to feed into the Company's operating costs and it continued to sell steel products using inventory manufactured with higher priced iron ore. ArcelorMittal experienced similar price-cost squeezes at various points in 2012. Because ArcelorMittal sources a substantial portion of its raw materials through long term contracts with quarterly (or more frequent) formula-based or negotiated price adjustments and sells a substantial part of its steel products at spot prices, it faces the risk of adverse differentials between its own production costs, which are affected by global raw materials prices, scrap prices and

trends for steel prices in regional markets. Exposure to this risk has increased as raw material suppliers have since 2010 moved increasingly toward sales on a shorter term (quarterly or more frequent) basis. In addition to the Company's exposure as a steelmaker, protracted periods of low prices of iron ore and to a lesser extent coal would weigh on the revenues and profitability of the Company's mining business, as occurred in the second half of 2012. For additional details on ArcelorMittal's raw materials supply and self-sufficiency.

### **Protracted low iron ore and steel prices would have a material adverse effect on ArcelorMittal's results, as could price volatility.**

ArcelorMittal sells both iron ore and steel products. Protracted low iron ore prices have a negative effect on the results of its mining business, as a result of lower sale prices and lower margins on such sales. In addition, as indicated above, iron ore prices and steel prices are generally highly correlated, and a drop in iron ore prices therefore typically triggers a decrease in steel prices.

As indicated above, the prices of iron ore and steel products are influenced by many factors, including demand, worldwide production capacity, capacity-utilization rates, global prices and contract arrangements, steel inventory levels and exchange rates. ArcelorMittal's results have shown the material adverse effect of prolonged periods of low prices. Following an extended period of rising prices, global steel prices fell sharply during the financial and economic crisis of 2008/2009. This resulted from the sharp drop in demand and was exacerbated by massive industry destocking (i.e., customer reductions of steel inventories). This had a material adverse effect on ArcelorMittal and other steel producers, who

experienced lower revenues, margins and, as discussed further below, write-downs of finished steel products and raw material inventories. Steel prices gradually recovered in late 2009 and into 2010 while remaining below their pre-financial crisis peaks. Steel prices remained volatile throughout 2011 rising in the first quarter on stronger demand and higher raw material prices but softening in the second half. The softening accelerated in the fourth quarter of 2011 as iron ore prices dropped sharply in October, and customers then started to destock in an uncertain economic environment. While there were some increases in steel price levels in the first half of 2012, steel prices (as well as iron ore prices) generally declined over the second half of 2012, with a particularly sharp drop occurring in the third quarter of 2012. ArcelorMittal's results will likely continue to suffer from low steel prices as any sustained steel price recovery would likely require raw material price support as well as a broad economic recovery in order to underpin an increase in real demand for steel products by end users.

### **Developments in the competitive environment in the steel industry could have an adverse effect on ArcelorMittal's competitive position and hence its business, financial condition, results of operations or prospects.**

The markets in which steel companies operate are highly competitive. Competition—in the form of established producers expanding in new markets, smaller producers increasing production in anticipation of demand increases, amid an incipient recovery, or exporters selling excess capacity from markets such as China—could cause ArcelorMittal to lose market share, increase expenditures or reduce pricing. Any of these developments could have a material adverse effect on its

## Risks related to the global economy and the steel industry

continued

business, financial condition, results of operations or prospects.

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

ArcelorMittal 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 such as China. 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 North America and Europe, in which ArcelorMittal produces and sells its products. Such imports could have the effect of reducing prices and demand for ArcelorMittal products.

In addition, ArcelorMittal has significant exposure to the effects of trade actions and barriers due to the global nature of its operations. Various countries have in the past instituted trade actions and barriers, a recurrence of which could materially and adversely affect ArcelorMittal's business by limiting the Company's access to steel markets.

**Competition from other materials could reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flow and profitability.**

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel,

whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flow and profitability.

**ArcelorMittal is subject to strict environmental laws and regulations that could give rise to a significant increase in costs and liabilities.**

ArcelorMittal is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, environmental laws and regulations can be significant, and compliance with new and more stringent obligations may require additional capital expenditures or modifications in operating practices. Failure to comply can result in civil and or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations, and lawsuits by third parties. Despite ArcelorMittal's efforts to comply with environmental laws and regulations, environmental incidents or accidents may occur that negatively affect the Company's reputation or the operations of key facilities.

ArcelorMittal also 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. ArcelorMittal could become subject to further remediation obligations in the future, as additional contamination is discovered or cleanup standards become more stringent.

Costs and liabilities associated with mining activities include those resulting from tailings and sludge disposal, effluent management, and rehabilitation of land disturbed during mining processes. ArcelorMittal could become subject to unidentified liabilities in the future, such as those relating to uncontrolled tailings breaches or other future events or to underestimated emissions of polluting substances.

ArcelorMittal's operations may be located in areas where individuals or communities may regard its activities as having a detrimental effect on their natural environment and conditions of life. Any actions taken by such individuals or communities in response to such concerns could compromise ArcelorMittal's profitability or, in extreme cases, the viability of an operation or the development of new activities in the relevant region or country.

**Laws and regulations restricting emissions of greenhouse gases could force ArcelorMittal to incur increased capital and operating costs and could have a material adverse effect on ArcelorMittal's results of operations and financial condition.**

Compliance with new and more stringent environmental obligations relating to greenhouse gas emissions may require additional capital expenditures or modifications in operating practices, as well as additional

reporting obligations. The integrated steel process involves carbon and creates carbon dioxide (CO<sub>2</sub>), which distinguishes integrated steel producers from mini-mills and many other industries where CO<sub>2</sub> generation is primarily linked to energy use. The European Union has established greenhouse gas regulations and is revising its emission trading system for the period 2013 to 2020 in a manner that may require us to incur additional costs to acquire emissions allowances. The United States required reporting of greenhouse gas emissions from certain large sources beginning in 2011 and has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act. Further measures, in the European Union, the United States, and many other countries, may be enacted in the future. In particular, a recently adopted international agreement, the Durban Platform for Enhanced Action, calls for a second phase of the Kyoto Protocol's greenhouse gas emissions restrictions to be effective through 2020 and for a new international treaty to come into effect and be implemented from 2020. Such obligations, whether in the form of a national or international cap-and-trade emissions permit system, a carbon tax, emissions controls, reporting requirements, or other regulatory initiatives, could have a negative effect on ArcelorMittal's production levels, income and cash flows. Such regulations could also have a negative effect on the Company's suppliers and customers, which could result in higher costs and lower sales.

Moreover, many developing nations, such as China, India and certain others, have not yet instituted significant greenhouse gas regulations. It is possible that a future international agreement to regulate emissions may provide exemptions and lesser standards for developing nations. In such

## Risks related to the global economy and the steel industry

continued

case, ArcelorMittal may be at a competitive disadvantage relative to steelmakers having more or all of their production in such countries.

In addition, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such events were to occur, they could have an adverse effect on ArcelorMittal's business, financial condition and results of operations.

### **ArcelorMittal is subject to stringent health and safety laws and regulations that give rise to significant costs and could give rise to significant liabilities.**

ArcelorMittal is 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 ArcelorMittal's efforts to monitor and reduce accidents at its facilities, health and safety incidents do occur, some of which may result in costs and liabilities and negatively impact ArcelorMittal's reputation or the operations of the affected facility. Such accidents could include explosions or gas leaks, fires or collapses in underground mining operations, vehicular accidents, other accidents involving mobile equipment, or exposure to

radioactive or other potentially hazardous materials. Some of ArcelorMittal's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and ArcelorMittal is therefore subject to the risk of industrial accidents which could have significant adverse consequences for the Company's workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel, the loss of key assets, or put at risk employees (and those of sub-contractors and suppliers) or persons living near affected sites.

ArcelorMittal may continue to be exposed to increased operational costs due to the costs and lost time associated with the HIV/AIDS and malaria infection rates within ArcelorMittal's workforce in Africa and other regions. ArcelorMittal may also be affected by potential outbreaks of flu or other viruses or infectious diseases in any of the regions in which it operates.

Under certain circumstances, authorities could require ArcelorMittal facilities to curtail or suspend operations based on health and safety concerns. For example, in August 2012 a local court in Italy ordered the partial closure of another company's large steel manufacturing facility, based on concerns that its air emissions were harming the health of workers and nearby residents. The industry is concerned that the court decision could lead to more stringent permit and other requirements, particularly at the local level, or to other similar local or national court decisions in the EU.

### **Risks Related to ArcelorMittal** **ArcelorMittal has a substantial amount of indebtedness, which could make it more difficult or expensive to refinance its maturing debt, incur new debt and/or flexibly manage its business.**

As of December 31, 2012, ArcelorMittal had total debt outstanding of \$26.3 billion, consisting of \$4.3 billion of short-term indebtedness (including payables to banks and the current portion of long-term debt) and \$22.0 billion of long-term indebtedness. As of December 31, 2012, ArcelorMittal had \$4.5 billion of cash and cash equivalents, including restricted cash, and \$10 billion available to be drawn under existing credit facilities. As of December 31, 2012, substantial amounts of indebtedness mature in 2013 (\$4.3 billion), 2014 (\$3.9 billion), 2015 (\$2.6 billion) and 2016 (\$2.5 billion).

If the mining and steel markets deteriorate further, consequently reducing operating cash flows, ArcelorMittal's gearing (long-term debt, plus short-term debt, less cash and cash equivalents and restricted cash, divided by total equity) would likely increase, absent sufficient asset disposals. In such a scenario, ArcelorMittal may have difficulty accessing financial markets to refinance maturing debt on acceptable terms or, in extreme scenarios, come under liquidity pressure. ArcelorMittal's access to financial markets for refinancing also depends on conditions in the global capital and credit markets which are volatile and are sensitive in particular to developments in the Euro-zone sovereign debt situation. Financial markets could conceivably deteriorate sharply, including in response to significant political or financial news, such as large credit losses at a systemically important financial institution or the bankruptcy of a large company, a default or heightened risk of default by a sovereign country in Europe or elsewhere, or worse, the

voluntary exit or expulsion of certain countries from the Euro currency block and/or a collapse of the Euro-zone financial system, which would be a deeply disruptive global economic event. Under such circumstances, the Company could experience difficulties in accessing the financial markets on acceptable terms or at all.

ArcelorMittal's high level of debt outstanding could have adverse consequences more generally, including by impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, and limiting its flexibility to adjust to changing market conditions or withstand competitive pressures, resulting in greater vulnerability to a downturn in general economic conditions. While ArcelorMittal is targeting a reduction in "net debt" (i.e., long-term debt net of current portion plus payables to banks and current portion of long-term debt, less cash and cash equivalents, restricted cash and short-term investments), there is no assurance that it will succeed.

Moreover, ArcelorMittal could, in order to increase its financial flexibility and strengthen its balance sheet, implement capital raising measures such as equity offerings (as was done in January 2013), which could (depending on how they are structured) dilute the interests of existing shareholders. In addition, ArcelorMittal is pursuing a policy of asset disposals in order to reduce debt. These asset disposals are subject to execution risk and may fail to materialize, and the proceeds received from them may not reflect values that management believes are achievable and/or cause substantial accounting losses (particularly if the disposals are done in difficult market conditions). In addition, to the extent that the asset disposals include the sale of all or part of core assets (including

## Risks related to the global economy and the steel industry

continued

through an increase in the share of minority interests, such as the ArcelorMittal Mines Canada transaction announced on January 2, 2013), this could reduce ArcelorMittal's consolidated cash flows and or the economic interest of ArcelorMittal shareholders in such assets, which may be cash-generative and profitable ones.

In addition, credit rating agencies could downgrade ArcelorMittal's ratings either due to factors specific to ArcelorMittal, a prolonged cyclical downturn in the steel industry or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. In this respect, Standard & Poor's, Moody's and Fitch downgraded the Company's rating to below "investment grade" in August, November and December 2012, respectively, and Standard & Poor's and Moody's currently have ArcelorMittal's credit rating on negative outlook. The margin under ArcelorMittal's principal credit facilities and certain of its outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings, and the August, November and December 2012 downgrades resulted in increased interest expense. Any further downgrades in ArcelorMittal's credit ratings would result in a further increase in its cost of borrowing and could significantly harm its financial condition and results of operations as well as hinder its ability to refinance its existing indebtedness on acceptable terms.

ArcelorMittal's principal credit facilities contain restrictive covenants. These covenants limit, inter alia, encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. ArcelorMittal's

principal credit facilities also include the following financial covenant: ArcelorMittal must ensure that the "Leverage Ratio", being the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to certain adjustments as defined in the facilities), at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of ArcelorMittal), is not greater than a ratio of 3.5 to one. As of December 31, 2012, the Company was in compliance with the Leverage Ratio.

The restrictive and financial covenants could limit ArcelorMittal's operating and financial flexibility. Failure to comply with any covenant would enable the lenders to accelerate ArcelorMittal's repayment obligations. Moreover, ArcelorMittal's debt facilities have provisions whereby certain events relating to other borrowers within the ArcelorMittal group could, under certain circumstances, lead to acceleration of debt repayment under such credit facilities. Any invocation of these cross-acceleration clauses could cause some or all of the other debt to accelerate, creating liquidity pressures. In addition, even market perception of a potential breach of any financial covenant could have a negative impact on ArcelorMittal's ability to refinance its indebtedness on acceptable conditions.

Furthermore, some of ArcelorMittal's debt is subject to floating rates of interest and thereby exposes ArcelorMittal to interest rate risk (i.e., if interest rates rise, ArcelorMittal's debt service obligations on its floating rate indebtedness would increase). Depending on market conditions, ArcelorMittal from time to time

uses interest-rate swaps or other financial instruments to hedge a portion of its interest rate exposure either from fixed to floating or floating to fixed. After taking into account interest-rate derivative financial instruments, ArcelorMittal had exposure to 93% of its debt at fixed interest rates and 7% at floating rates as of December 31, 2012.

Finally, ArcelorMittal has foreign exchange exposure in relation to its debt, approximately 30% of which is denominated in euros as of December 31, 2012, while its financial statements are denominated in U.S. dollars. This creates balance sheet exposure, with a depreciation of the U.S. dollar against the euro leading to an increase in debt (including for covenant compliance measurement purposes).

**ArcelorMittal's growth strategy includes greenfield and brownfield projects that are inherently subject to completion and financing risks.**

As a part of its growth strategy, the Company plans to expand its steel-making capacity and raw materials production through a combination of brownfield growth, new greenfield projects and acquisitions, mainly in emerging markets. To the extent that these plans proceed, these projects would require substantial capital expenditures and their timely completion and successful operation may be affected by factors beyond the control of ArcelorMittal. These factors include receiving financing on reasonable terms, obtaining or renewing required regulatory approvals and licenses, securing and maintaining adequate property rights to land and mineral resources (especially in connection with mining projects in certain developing countries in which security of title with respect to mining concessions and property rights remains weak), local opposition to land acquisition or

project development (as experienced, for example, in connection with the Company's projects in India), managing relationships with or obtaining consents from other shareholders, 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. The Company cannot guarantee that it will be able to execute its greenfield or brownfield development projects, and to the extent that they proceed, that it will be able to complete them on schedule, within budget, or achieve an adequate return on its investment.

Greenfield projects can also, in addition to general factors, have project-specific factors that increase the level of risk. For example, the Company has acquired (along with a partner) Baffinland Iron Mines Corporation ("Baffinland") in view of developing the Mary River iron ore deposit in the northern end of Baffin Island in the Canadian Arctic. Baffinland was originally owned 70% by the Company and 30% by its partner; in December 2012 agreements were entered into to revise the shareholding percentages to 50/50. The scale of this project, which is at the feasibility development stage, and the location of the deposit raise unique challenges, including extremely harsh weather conditions, lack of transportation and other infrastructure and environmental concerns. Similar to other greenfield development projects, it is subject to construction and permitting risks, including the risk of significant cost overruns and delays in construction, infrastructure development, start-up and commissioning. The region is known for its harsh and unpredictable weather conditions resulting in periods of limited access and general lack of infrastructure. Other specific risks the project is subject to include,

## Risks related to the global economy and the steel industry

continued

but are not limited to (i) delays in obtaining, or conditions imposed by, regulatory approvals; (ii) risks associated with obtaining amendments to existing regulatory approvals or permits and additional regulatory approvals or permits which will be required; (iii) existing litigation risks; (iv) fluctuations in prices for iron ore affecting the future profitability of the project; and (v) risks associated with the Company and its partner being in a position to finance their respective share of project costs and/or obtaining financing on commercially reasonable terms. As a result, there can be no assurance that the development or construction activities of the Mary River Project will commence or proceed in accordance with current expectations.

### **ArcelorMittal's mining operations are subject to risks associated with mining activities.**

ArcelorMittal operates mines and has substantially increased the scope of its mining activities in recent years. Mining operations are subject to hazards and risks usually associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with open-pit mining operations include, among others:

- flooding of the open pit;
- collapse of the open-pit wall;
- accidents associated with the operation of large open-pit mining and rock transportation equipment;
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations;
- production disruptions due to weather; and
- hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination.

Hazards associated with underground mining operations, of which ArcelorMittal has several, include, among others:

- underground fires and explosions, including those caused by flammable gas;
- gas and coal outbursts;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- flooding;
- sinkhole formation and ground subsidence;
- other accidents and conditions resulting from drilling;
- difficulties associated with mining in extreme weather conditions, such as the Arctic; and
- blasting, removing, and processing material from an underground mine.

ArcelorMittal is exposed to all of these hazards. For example, in 2012, there was a gas outburst at the Kazakhstanskaya Mine in Kazakhstan, in development roadways of unpredictable geology, resulting in one employee being fatally injured and in extended disruption of operations. The reoccurrence of any of these events, or the occurrence of any of those listed above, could delay production, increase production costs and result in death or injury to persons, damage to property and liability for ArcelorMittal, some or all of which may not be covered by insurance, as well as substantially harm ArcelorMittal's reputation as a company focused on ensuring the health and safety of its employees.

### **ArcelorMittal's reserve estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.**

ArcelorMittal's reported reserves are estimated quantities of ore and metallurgical coal that it has determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including factors beyond ArcelorMittal's control. Reserve engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore or coal will be recovered or that it will be recovered at the anticipated rates. Estimates may vary, and results of mining and production subsequent to the date of an estimate may lead to revisions of estimates. Reserve estimates and estimates of mine life may require revisions based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates, mining duties or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

### **Drilling and production risks could adversely affect the mining process.**

Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore and coal;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the ore or coal or extract the minerals from the ore or coal.

If a project proves not to be economically feasible by the time ArcelorMittal is able to exploit it, ArcelorMittal may incur substantial losses and be obliged to recognize impairments. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in delays and cost overruns that may render the project not economically feasible.

### **ArcelorMittal faces rising extraction costs over time as reserves deplete.**

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer, pits become steeper and underground operations become deeper. As a result, over time, ArcelorMittal usually experiences rising unit extraction costs with respect to each mine.

## Risks related to the global economy and the steel industry

continued

**ArcelorMittal has grown through acquisitions and may continue to do so. Failure to manage external growth and difficulties integrating acquired companies and subsequently implementing steel and mining development projects could harm ArcelorMittal's future results of operations, financial condition and prospects.**

ArcelorMittal results from Mittal Steel Company N.V.'s 2006 acquisition of, and 2007 merger with, Arcelor, a company of approximately equivalent size. Arcelor itself resulted from the combination of three steel companies, and Mittal Steel had previously grown through numerous acquisitions over many years. ArcelorMittal made numerous acquisitions in 2007 and 2008. While the Company's large-scale M&A activity has been less extensive since the 2008 financial crisis, it could make substantial acquisitions at any time.

The Company's past growth through acquisitions has entailed significant investment and increased operating costs, as well as requiring greater allocation of management resources away from daily operations. Managing growth has required the continued development of ArcelorMittal's financial and management information control systems, the integration of acquired assets with existing operations, the adoption of manufacturing best practices, attracting and retaining qualified management and personnel (particularly to work at more remote sites where there is a shortage of skilled personnel) as well as the continued training and supervision of such personnel, and the ability to manage the risks and liabilities associated with the acquired businesses. Failure to continue to manage such growth could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects. In particular, if integration of

acquisitions is not successful, ArcelorMittal could lose key personnel and key customers, and may not be able to retain or expand its market position.

**A Mittal family trust has the ability to exercise significant influence over the outcome of shareholder votes.**

As of December 31, 2012, a trust (HSBC Trust (C.I.) Limited, as trustee), of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries, beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) shares amounting (when aggregated with ordinary shares of ArcelorMittal and options to acquire ordinary shares held directly by Mr. and Mrs. Mittal) to 638,102,530 shares, representing 40.88% of ArcelorMittal's outstanding shares. Giving effect as of December 31, 2012 to the completion of the share offering that occurred in January 2013, this percentage becomes 39.39%. The trust has the ability to significantly influence the decisions adopted at the ArcelorMittal general meetings 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 trust also has the ability to significantly influence a change of control of ArcelorMittal.

**The loss or diminution of the services of the Chairman of the Board of Directors and Chief Executive Officer of ArcelorMittal could have an adverse effect on its business and prospects.**

The Chairman of the Board of Directors and Chief Executive Officer of ArcelorMittal, Mr. Lakshmi N. Mittal, has for over a quarter of a century contributed significantly to shaping and implementing the business strategy of Mittal Steel and subsequently ArcelorMittal. His strategic vision

was instrumental in the creation of the world's largest and most global steel group. The loss or any diminution of the services of the Chairman of the Board of Directors and Chief Executive Officer could have an adverse effect on ArcelorMittal's business and prospects. ArcelorMittal does not maintain key person life insurance on its Chairman of the Board of Directors and Chief Executive Officer.

**ArcelorMittal is a holding company that 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 ArcelorMittal 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. Significant cash or cash equivalent balances may be held from time to time at the Company's international operating subsidiaries, including in particular those in France, where the Company maintains a cash management system under which most of its cash and cash equivalents are centralized, and in Algeria, Argentina, Brazil, China, Kazakhstan, Morocco, South Africa, Ukraine and Venezuela. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity.

Repatriation of funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Company operates, though none of these policies are currently significant in the context of ArcelorMittal's

overall liquidity. Under the laws of Luxembourg, ArcelorMittal 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 earnings and cash flows of its operating subsidiaries are substantially reduced, ArcelorMittal may not be in a position to meet its operational needs or to make shareholder distributions in line with announced proposals.

**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.**

At each reporting date, ArcelorMittal reviews the carrying amounts of its tangible and intangible assets (excluding goodwill, which is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) 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 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

## Risks related to the global economy and the steel industry

continued

(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 consolidated statements of operations.

Goodwill represents the excess of the amounts ArcelorMittal paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Goodwill has been allocated at the level of the Company's eight operating segments; the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the levels of the groups of cash generating units which correspond to the operating segments during the fourth quarter, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash generating units are determined on the basis of value in use calculations, which depend on certain key assumptions. These include assumptions regarding the shipments, 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. See Notes 2 and 9 to ArcelorMittal's consolidated financial statements.

If management's estimates change, the estimate of the recoverable amount of goodwill or the asset could fall significantly and result in impairment. While impairment does not affect reported cash

flows, the decrease of the estimated recoverable amount and the related non-cash charge in the consolidated statements of operations could have a material adverse effect on ArcelorMittal's results of operations or financial condition. For example, in 2012, the Company recorded an impairment charge of \$4.3 billion with respect to goodwill in its European businesses (\$2.5 billion, \$1 billion and \$0.8 billion in the Flat Carbon Europe, Long Carbon Europe and Distribution Solutions segments, respectively). Following these impairment charges, substantial amounts of goodwill and other intangible assets remain recorded on its balance sheet (there was \$8.2 billion of goodwill and \$1.4 billion of other intangibles on the balance sheet at December 31, 2012). No assurance can be given as to the absence of significant further impairment losses in future periods, particularly if market conditions continue to deteriorate. In particular, management believes that reasonably possible changes in key assumptions would cause an additional impairment loss to be recognized in respect of the Flat Carbon Europe, Long Carbon Europe and Distribution Solutions segments, which account for \$0.6 billion of goodwill at December 31, 2012. See Note 9 to ArcelorMittal's consolidated financial statements.

### **The Company's investment projects may add to its financing requirements and adversely affect its cash flows and results of operations.**

The steelmaking and mining businesses are capital intensive requiring substantial ongoing maintenance capital expenditure. In addition, ArcelorMittal has plans to continue certain investment projects and has certain capital expenditure obligations from transactions entered into in the past. See Note 23 to ArcelorMittal's consolidated financial statements. ArcelorMittal expects to fund these capital

expenditures primarily through internal sources. Such sources may not suffice, however, depending on the amount of internally generated cash flow and other uses of cash. If not, ArcelorMittal may need to choose between incurring external financing, further increasing the Company's level of indebtedness, or foregoing investments in projects targeted for profitable growth.

### **Underfunding of pension and other post-retirement benefit plans at some of ArcelorMittal's operating subsidiaries could require the Company to make substantial cash contributions to pension plans or to pay for employee healthcare, which may reduce the cash available for ArcelorMittal's business.**

ArcelorMittal's principal operating subsidiaries in Brazil, Canada, Europe, South Africa and the United States provide defined benefit pension plans to their employees. Some of these plans are currently underfunded. At December 31, 2012, the value of ArcelorMittal USA's pension plan assets was \$2.5 billion, while the projected benefit obligation was \$3.9 billion, resulting in a deficit of \$1.4 billion. At December 31, 2012, the value of the pension plan assets of ArcelorMittal's Canadian subsidiaries was \$3.2 billion, while the projected benefit obligation was \$4.0 billion, resulting in a deficit of \$0.8 billion. At December 31, 2012, the value of the pension plan assets of ArcelorMittal's European subsidiaries was \$0.8 billion, while the projected benefit obligation was \$2.8 billion, resulting in a deficit of \$2.0 billion. ArcelorMittal USA, ArcelorMittal's Canadian subsidiaries, and ArcelorMittal's European subsidiaries also had partially underfunded post-employment benefit obligations relating to life insurance and medical benefits as of December 31, 2012. The consolidated obligations totaled \$6.7 billion as of December 31, 2012, while underlying plan assets

were only \$0.7 billion, resulting in a deficit of \$6.0 billion. See Note 24 to ArcelorMittal's consolidated financial statements. Starting in January 2013, new accounting rules with respect to deferred employee benefits (IAS 19 amendments) have taken effect, the result of which will be an increase of deferred employee benefit liabilities against a charge to equity in the amount of the funding deficit (net of tax), which would have the near-term effect of an increase in gearing.

ArcelorMittal's funding obligations depend upon future asset performance, which is tied to equity markets to a substantial extent, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes and government regulation. Because of the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for ArcelorMittal's pension plans and other post-employment benefit plans could be significantly higher than current estimates. In these circumstances funding requirements could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.

### **ArcelorMittal could experience labor disputes that may disrupt its operations and its relationships with its customers and its ability to rationalize operations and reduce labor costs in certain markets may be limited in practice or encounter implementation difficulties.**

A majority of the employees of ArcelorMittal and of its contractors are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to, or during, the negotiations preceding

## Risks related to the global economy and the steel industry

continued

new collective bargaining agreements, during wage and benefits negotiations or during other periods for other reasons, in particular in connection with any announced intentions to close certain sites. ArcelorMittal periodically experiences strikes and work stoppages at various facilities. Prolonged strikes or work stoppages, which may increase in their severity and frequency, may have an adverse effect on the operations and financial results of ArcelorMittal.

Faced with temporary or structural overcapacity in various markets, particularly developed ones, ArcelorMittal has in the past sought and may in the future seek to rationalize operations through temporary shutdowns and closures of plants. These initiatives have in the past and may in the future lead to protracted labor disputes and political controversy. A recent example is the announced closure of the liquid phase of ArcelorMittal's plant in Florange, France, which attracted substantial media and political attention – even at one stage involving the threat of nationalization. Such situations carry the risk of delaying or increasing the cost of production rationalization measures, harming ArcelorMittal's reputation and business standing in given markets and even the risk of nationalization.

**ArcelorMittal is subject to economic policy risks and political, social and legal uncertainties in certain of the emerging markets in which it operates or proposes to operate, and these uncertainties may have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.**

ArcelorMittal operates, or proposes to operate, in a large number of emerging markets. In recent years, many of these countries have implemented measures aimed at improving the business environment and providing a stable

platform for economic development. ArcelorMittal's business strategy has been developed partly on the assumption that this modernization, restructuring and upgrading of the business climate and physical infrastructure will continue, but this cannot be guaranteed. Any slowdown in the development of these economies could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects, as could insufficient investment by government agencies or the private sector in physical infrastructure. For example, the failure of a country to develop reliable electricity and natural gas supplies and networks, and any resulting shortages or rationing, could lead to disruptions in ArcelorMittal's production.

Moreover, some of the countries in which ArcelorMittal operates have been undergoing substantial political transformations from centrally-controlled command economies to market-oriented systems or from authoritarian regimes to democratically-elected governments and vice-versa. Political, economic and legal reforms necessary to complete such transformation may not progress sufficiently. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, wide-scale civil disturbances and military conflict. The political systems in these countries are vulnerable to their populations' dissatisfaction with their government, reforms or the lack thereof, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries. Certain of ArcelorMittal's operations are also located in areas where acute drug-related violence

(including executions and kidnappings of non-gang civilians) occurs and the largest drug cartels operate, such as the states of Michoacan, Sinaloa and Sonora in Mexico.

In addition, the legal systems in some of the countries in which ArcelorMittal operates remain less than fully developed, particularly with respect to property rights, the protection of foreign investment and bankruptcy proceedings, generally resulting in a lower level of legal certainty or security for foreign investment than in more developed countries. ArcelorMittal may encounter difficulties in enforcing court judgments or arbitral awards in some countries in which it operates among other reasons because those countries may not be parties to treaties that recognize the mutual enforcement of court judgments. Assets in certain countries where ArcelorMittal operates could also be at risk of expropriation or nationalization, and compensation for such assets may be below fair value. For example, the Venezuelan government has implemented a number of selective nationalizations of companies operating in the country to date. Although ArcelorMittal believes that the long-term growth potential in emerging markets is strong, and intends them to be the focus of the majority of its near-term growth capital expenditures, legal obstacles could have a material adverse effect on the implementation of ArcelorMittal's growth plans and its operations in such countries.

**ArcelorMittal's results of operations could be affected by fluctuations in foreign exchange rates, particularly the euro to U.S. dollar exchange rate, as well as by exchange controls imposed by governmental authorities in the countries where it operates.** ArcelorMittal operates and sells products globally, and, as a result, its business, financial condition,

results of operations or prospects could be adversely affected by fluctuations in exchange rates. A substantial portion of ArcelorMittal's assets, liabilities, operating costs, sales and earnings are denominated in currencies other than the U.S. dollar (ArcelorMittal's reporting currency). Accordingly, fluctuations in exchange rates to the U.S. dollar, could have an adverse effect on its business, financial condition, results of operations or prospects.

ArcelorMittal operates in several countries whose currencies are, or have in the past been, subject to limitations imposed by those countries' central banks, or which have experienced sudden and significant devaluations. In Europe, the ongoing crisis raises the risk of a substantial depreciation of the euro against the U.S. Dollar. Currency devaluations, the imposition of new exchange controls or other similar restrictions on currency convertibility, or the tightening of existing controls, in the countries in which ArcelorMittal operates could adversely affect its business, financial condition, results of operations or prospects.

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

Steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or furnace breakdowns. ArcelorMittal's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events, such as the fire that occurred in February 2013 at the Vanderbijlpark plant of ArcelorMittal South Africa. To the

## Risks related to the global economy and the steel industry

continued

extent that lost production as a result of such a disruption could not be compensated for by unaffected facilities, such disruptions could have an adverse effect on ArcelorMittal's operations, customer service levels and financial results.

### **Natural disasters could damage ArcelorMittal's production facilities.**

Natural disasters could significantly damage ArcelorMittal's production facilities and general infrastructure. For example, ArcelorMittal Lázaro Cárdenas's production facilities located in Lázaro Cárdenas, Michoacán, Mexico and ArcelorMittal Galati's production facilities in Romania are located in or close to regions prone to earthquakes of varying magnitudes. The Lázaro Cárdenas area has, in addition, been subject to a number of tsunamis in the past. ArcelorMittal Point Lisas is located in Trinidad & Tobago, an area vulnerable to both hurricanes and earthquakes. The ArcelorMittal wire drawing operations in the United States are located in an area subject to tornados. Although risk mitigation efforts have been incorporated in plant design and operations, extensive damage in the event of a tornado cannot be excluded. Extensive damage to the foregoing facilities or any of ArcelorMittal's other major production complexes and potential resulting staff casualties, whether as a result of floods, earthquakes, hurricanes, tsunamis or other natural disasters, could, to the extent that lost production could not be compensated for by unaffected facilities, severely affect ArcelorMittal's ability to conduct its business operations and, as a result, reduce its future operating results.

### **ArcelorMittal's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.**

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects. ArcelorMittal maintains insurance on property and equipment and product liability insurance in amounts believed to be consistent with industry practices but it is not fully insured against all such risks. ArcelorMittal's 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 ArcelorMittal's property and equipment policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. ArcelorMittal also maintains various other types of insurance, such as directors' and officers' liability insurance, workmen's compensation insurance and marine insurance.

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

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

### **Product liability claims could have a significant adverse financial impact on ArcelorMittal.**

ArcelorMittal sells products to major manufacturers engaged in manufacturing and selling a wide range of end products. ArcelorMittal also from time to time offers advice to these manufacturers. Furthermore, ArcelorMittal's products are also sold to, and used in, certain safety-critical applications, such as, for example, pipes used in gas or oil pipelines and in automotive applications. There could be significant consequential damages resulting from the use of or defects in such products. ArcelorMittal has a limited amount of product liability insurance coverage, and a major claim for damages related to ArcelorMittal products sold and, as the case may be, advice given in connection with such products could leave ArcelorMittal uninsured against a portion or the entirety of the award and, as a result, materially harm its financial condition and future operating results.

### **ArcelorMittal is subject to regulatory risk, and may incur liabilities arising from investigations by governmental authorities, litigation and fines, among others, regarding its pricing and marketing practices or other antitrust matters.**

ArcelorMittal is the largest steel producer in the world. As a result of this position, ArcelorMittal may be subject to exacting scrutiny from regulatory authorities and private parties, particularly regarding its trade practices and dealings with customers and counterparties. As a result of its position in the steel markets and its historically acquisitive growth strategy, ArcelorMittal 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 ArcelorMittal's business, operating results, financial condition and prospects. ArcelorMittal and certain of its

subsidiaries are currently under investigation by governmental entities in several countries, and are named as defendants in a number of lawsuits relating to various antitrust matters. For example, in September 2008, Standard Iron Works filed a class action complaint in U.S. federal court against ArcelorMittal, ArcelorMittal USA LLC and other steel manufacturers, alleging that the defendants had conspired to restrict the output of steel products in order to affect steel prices. Since the filing of the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and consolidated with the Standard Iron Works law suit. In addition, class actions on behalf of indirect purchasers have been filed. A motion by ArcelorMittal and the other defendants to dismiss the direct purchaser claims was denied in June 2009, and the litigation is now in the discovery and class certification briefing stage. Antitrust proceedings and investigations involving ArcelorMittal subsidiaries are also currently pending in Brazil and South Africa.

Because of the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigations, negative outcomes are possible. An adverse ruling in the proceedings described above or in other similar proceedings in the future could subject ArcelorMittal to substantial administrative penalties and/or civil damages. In cases relating to other companies, civil damages have ranged as high as hundreds of millions of U.S. dollars in major civil antitrust proceedings during the last decade. With respect to the pending U.S. federal court litigation, ArcelorMittal could be subject to treble damages. Unfavorable outcomes in current and potential future litigation and investigations could reduce ArcelorMittal's liquidity and negatively affect its financial performance and its financial condition.

## Risks related to the global economy and the steel industry

continued

**ArcelorMittal's business is subject to an extensive, complex and evolving regulatory framework and its governance and compliance processes may fail to prevent regulatory penalties and reputational harm, whether at operating subsidiaries, joint ventures and associates.**

ArcelorMittal operates in a global environment, and its business straddles multiple jurisdictions and complex regulatory frameworks, at a time of increased enforcement activity and enforcement initiatives worldwide. Such regulatory frameworks, including but not limited to the area of economic sanctions, are constantly evolving, and ArcelorMittal may as a result become subject to increasing limitations on its business activities and to the risk of fines or other sanctions for non-compliance. Moreover, ArcelorMittal's governance and compliance processes, which include the review of internal controls over financial reporting, may not prevent breaches of law, accounting or governance standards at the Company or its subsidiaries. Risks of violations are also present at the Company's joint ventures and associates where ArcelorMittal has only a non-controlling stake and does not control governance practices or accounting and reporting procedures. In addition, ArcelorMittal may be subject to breaches of its Code of Business Conduct, other rules and protocols for the conduct of business, 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, litigation, loss of operating licenses and reputational harm.

**The income tax liability of ArcelorMittal 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 ArcelorMittal 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 national or local government budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on ArcelorMittal'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 ArcelorMittal 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. See Note 20 to ArcelorMittal's consolidated financial statements.

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

It is possible that tax authorities in the countries in which ArcelorMittal operates will introduce additional revenue raising measures. The introduction of any such provisions may affect the overall tax

efficiency of ArcelorMittal 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.

ArcelorMittal may 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 ArcelorMittal's cash flows, liquidity and ability to pay dividends.

**If ArcelorMittal were unable to utilize fully its deferred tax assets, its profitability and future cash flows could be reduced.**

At December 31, 2012, ArcelorMittal had \$8.1 billion recorded as deferred tax assets on its consolidated statements of financial position. These assets can be utilized only if, and only to the extent that, ArcelorMittal's 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, 2012, the amount of future income required to recover ArcelorMittal's deferred tax assets of \$8.1 billion was at least \$30.6 billion at certain operating subsidiaries.

ArcelorMittal's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If ArcelorMittal generates lower taxable income than the amount it has assumed in determining its deferred tax assets, then the value of deferred tax assets will be reduced. In addition, changes in tax law may result in a reduction in the value of deferred tax assets.

**ArcelorMittal's reputation and business could be materially harmed as a result of data breaches, data theft, unauthorized access or successful hacking.**

ArcelorMittal's operations depend on the secure and reliable performance of its information technology systems. An increasing number of companies, including ArcelorMittal, have recently experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. ArcelorMittal's corporate website was the target of a hacking attack in January 2012, which brought the website down for several days. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures.

If unauthorized parties attempt or manage to bring down the Company's website or force access to its information technology systems, they may be able to misappropriate confidential information, cause interruptions in the Company's operations, damage its computers or otherwise damage its reputation and business. In such circumstances, the Company could be held liable or be subject to regulatory or other actions for breaching confidentiality and personal data protection rules. Any compromise of the security of the Company's information technology systems could result in a loss of confidence in the Company's security measures and subject it to litigation, civil or criminal penalties, and adverse publicity that could adversely affect its reputation, financial condition and results of operations.

## Mining

### Mining

ArcelorMittal's mining segment has production facilities in North and South America, Africa, Europe and CIS. The following table provides an overview by type of facility of ArcelorMittal's principal mining operations:

Unit	Country	Locations	ArcelorMittal interest (%)	Type of mine	Type of product
<b>Iron ore</b>					
ArcelorMittal Mines Canada	Canada	Mont-Wright	100	Iron ore mine (open pit)	Concentrate and pellets
Minorca Mines	USA	Virginia, MN	100	Iron ore mine (open pit)	Pellets
Hibbing Taconite Mines	USA	Hibbing, MN	62.31	Iron ore mine (open pit)	Pellets
ArcelorMittal Lázaro Cárdenas Volcan Mines	Mexico	Sonora	100	Iron ore mine (open pit)	Concentrate
ArcelorMittal Lázaro Cárdenas Peña Colorada	Mexico	Minatitlán	50	Iron ore mine (open pit)	Concentrate and pellets
ArcelorMittal Las Truchas	Mexico	Lázaro Cárdenas	100	Iron ore mine (open pit)	Concentrate, lump and fines
ArcelorMittal Brasil Andrade Mine	Brazil	State of Minas Gerais	100	Iron ore mine (open pit)	Fines
ArcelorMittal Mineração Serra Azul	Brazil	State of Minas Gerais	100	Iron ore mine (open pit)	Lump and fines
ArcelorMittal Tebessa	Algeria	Annaba	70	Iron ore mine (open pit and underground)	Fines
ArcelorMittal Prijedor	Bosnia and Herzegovina	Prijedor	51	Iron ore mine (open pit)	Concentrate and lump
ArcelorMittal Kryviy Rih	Ukraine	Kryviy Rih	95.13	Iron ore mine (open pit and underground)	Concentrate, lump and sinter feed
ArcelorMittal Temirtau	Kazakhstan	Lisakovski, Kentobe, Atasu, Atansore	100	Iron ore mine (open pit and underground)	Concentrate, lump and fines
ArcelorMittal Liberia	Liberia	Yekapa	70	Iron ore mine (open pit)	Fines
<b>Coal</b>					
ArcelorMittal Princeton	USA	McDowell, WV; Tazewell, VA	100	Coal mine (open pit and underground)	Coking and PCI coal
ArcelorMittal Temirtau	Kazakhstan	Karaganda	100	Coal mine (underground)	Coking coal and thermal coal
ArcelorMittal Kuzbass	Russia	Kemerovo	98.64	Coal mine (underground)	Coking coal

### Iron Ore

#### ArcelorMittal Mines Canada

ArcelorMittal Mines Canada is a major North American producer of iron ore concentrate and several types of pellets. It holds mining rights over 74,000 hectares of land in the province of Quebec, Canada. ArcelorMittal Mines Canada operates the Mont-Wright Mine and concentrator at Fermont in northeastern Quebec. Mont-Wright is located 416km north of the port of Port-Cartier, the site of the pelletizing plant and shipping terminal on the north shore of the Gulf of St Lawrence, and approximately 1,000km northeast of Montreal. A private railway connects the mine and concentrator with Port-Cartier. The railway and the port are owned and operated by ArcelorMittal Mines Canada. The Mont-Wright mine and the town of Fermont are connected by Highway 389 to Baie Comeau on the North Shore of the Gulf of St Lawrence, a distance of 570km. The property was first explored in 1947 and the project was constructed by Quebec Cartier Mining (QCM) between 1970 and 1975 and began operating in 1976. In 2006, QCM was purchased by ArcelorMittal when it acquired control of Dofasco.

ArcelorMittal Mines Canada also owns mining rights to iron ore deposits in Fire Lake and Mont Reed. Fire Lake, located approximately 53km south of Mont-Wright, is a seasonal operation from which approximately 2.5 million tonnes of crude ore are transported by rail to the Mont-Wright concentrator annually. The Mont Reed deposit is currently not mined. In addition, ArcelorMittal Mines Canada holds surface rights over the land on which the Mont-Wright and Port Cartier installations are located, with the exception of a small area which remains the property of the Quebec Government, but in no way compromises the mining rights.

The expiration dates of the mining leases range from 2015 to 2025. These leases are renewable for three periods of ten years provided the lessee has performed mining operations for at least two years in the previous ten years of the lease.

The Mont-Wright and Fire Lake mines are part of the highly-folded and metamorphosed southwestern branch of the Labrador trough. The most important rock type in the area is the specular hematite iron formation forming wide massive deposits that

## Mining

continued

often form the crest of high ridges extending for many kilometers in the Quebec-Labrador area.

The Mont-Wright operation consists of open pit mines and a concentrator. The ore is crushed in two gyratory crushers and the concentrator operates with six lines of three stage spiral classifiers and horizontal filters. The concentrator has a production capacity of 16 million tonnes of concentrate a year. The Port-Cartier pellet plant produces acid and flux pellets that operate six ball mills, ten balling discs and two induration machines. The pelletizing plant has a capacity of 9 million tonnes of pellets. The mine produced 9.01 million tonnes of pellets and 6.03 million tonnes of concentrate in 2012.

Electric power for Mont-Wright and the town of Fermont is supplied by Hydro-Quebec via a 157km line. In the event of an emergency, the Hart Jaune Power plant, also connected to the Hydro-Quebec grid, can supply sufficient power to maintain the operations of the essential processing facilities.

On December 31, 2012, ArcelorMittal entered into an agreement pursuant to which its wholly owned subsidiary, ArcelorMittal Mines Canada Inc. ("AMMC"), and a consortium led by POSCO and China Steel Corporation ("CSC") will create joint ventures partnerships to hold ArcelorMittal's Labrador Trough iron ore mining and infrastructure assets. The consortium, which also includes certain financial investors, will acquire a 15% interest in the joint ventures for total consideration of \$1.1 billion in cash, with AMMC and its affiliates retaining an 85% interest. As part of the transaction, POSCO and CSC will enter into long-term iron ore off-take agreements proportionate to their joint venture interests. The transaction is subject to various closing conditions, including regulatory clearance by the

Taiwanese and Korean governments, and is expected to close in two steps in the first and second quarters of 2013.

*ArcelorMittal USA Iron Ore Mines*  
ArcelorMittal USA operates an iron ore mine through its wholly-owned subsidiary ArcelorMittal Minorca, and owns a majority stake in Hibbing Taconite Company, which is managed by Cliffs Natural Resources.

ArcelorMittal Minorca holds mining rights over 13,210 acres and leases an additional 3,350 acres of land to support its operations located approximately three kilometers north of the town of Virginia in the northeast of Minnesota. The Minorca operations control all the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. ArcelorMittal Minorca operates a concentrating and pelletizing facility, along with two open pit iron ore mines – Laurentian and East Pits located 12 kilometers from the processing facilities. The processing operations consist of a crushing facility, a three-line concentration facility and a single-line straight grate pelletizing plant. The Minorca pelletizing facility produced 2.9 million metric tonnes of fluxed pellets in 2012. Pellets are transported by rail to ports on Lake Superior. Lake vessels are used to transport the pellets to Indiana Harbor. The Minorca taconite plant was constructed and operated by Inland steel between 1977 and 1998 when it was purchased by then ISPAT International, a predecessor company of ArcelorMittal.

The Hibbing Taconite Company holds mining rights over 7,380 acres in 43 contiguous mineral leases, and is located six kilometers north of Hibbing in the northeast of Minnesota. The Hibbing operations are jointly owned by ArcelorMittal USA (62.3%), Cliffs Natural Resources (23.0%) and U.S. Steel (14.7%), and Cliffs

Natural Resources is the operator of the joint venture mine and processing facilities. The Hibbing Taconite Company controls all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. The operations consist of open pit mining, crushing, concentrating and pelletizing. The finished pellets are then transported by rail to the port of Allouez at Superior, Wisconsin, a distance of 130 kilometers and then over the Great Lakes by lake vessels to ArcelorMittal's integrated steelmaking plants, principally Burns Harbor. The Hibbing Taconite Company began operating in the third quarter of 1976. The mine produced 8.1 million metric tonnes of taconite pellets in 2012 (of which 62.3% is ArcelorMittal's share).

Both the Minorca and Hibbing mines are located in the Mesabi iron range where iron ore has been extracted for over 100 years. The ore bodies are within the Biwabik Iron Formation, a series of shallow dipping Precambrian sedimentary rocks known as taconite with a total thickness in excess of 200 meters and running for approximately 200 kilometers. Although the first deposits mined in the Mesabi iron range consisted of oxidized hematite ores, production was shortened in the mid 1950s to low grade magnetic taconite ores. The processing of this ore involves a series of grinding and magnetic separation stages to remove the magnetite from the silica. Electric power constitutes the sole source of energy for both Minorca and Hibbing and is provided from the Minnesota state power grid.

*ArcelorMittal Lázaro Cardenas Mining Assets*

AMLC operates three iron ore mines in Mexico, the El Volcan and Las Truchas mines and, through a joint ownership with Ternium S.A, the Peña Colorada mine.

Peña Colorada  
Peña Colorada holds mining rights over 68,209 acres located at about 60 kilometers by highway to the northeast of the port city of Manzanillo, in the province of Minatitlán in the northwestern part of the State of Colima, Mexico. ArcelorMittal owns 50% of Peña Colorada Ltd., and Ternium S.A. owns the other 50% of the company.

Peña Colorada operates an open pit mine as well as a concentrating facility and a two-line pelletizing facility. The beneficiation plant is located at the mine, whereas the pelletizing plant is located in Manzanillo. Major processing facilities include a primary crusher, a dry cobbing plant, one autogenous mill, horizontal and vertical ball mills and several stages of magnetic separation. The concentrate is sent as a pulp through a pipeline from the mineral processing plant. Peña Colorada has operated since 1974. The Peña Colorada mine receives electrical power from the Comisión Federal de Electricidad (CFE), which is a federal government company that serves the entire country.

The Peña Colorada pelletizing facility produced 4.07 million tonnes of pellets and 0.43 million tonnes of concentrate in 2012 (of which 50% is ArcelorMittal's share). Both magnetite concentrate and iron ore pellets are shipped from Manzanillo to ArcelorMittal Lázaro Cardenas and for export, as well as to Ternium's steel plants, by ship and by rail.

Peña Colorada is a complex polyphase iron ore deposit. The iron mineralization at Peña Colorada consists of banded to massive concentrations of magnetite within breccia zones and results from several magmatic, metamorphic and hydrothermal mineralization stages with associated skarns, dykes and late faults sectioning the entire deposit.

## Mining

continued

## El Volcan

ArcelorMittal holds mining rights over 1,050 hectares to support its El Volcan operations located approximately 68 kilometers northwest of the city of Obregon and 250 kilometers from the Guaymas port facility in the state of Sonora, Mexico. The El Volcan operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves.

ArcelorMittal operates a concentrating facility along with an open pit mine and a pre-concentration facility at the mine site. The mine site is accessible by a 90-kilometer road from the city of Obregon, where the concentrator is located.

The pre-concentration facilities at the mine include one primary crusher, one secondary crusher, a dry cobbing high intensity magnetic pulley and three tertiary crushers. The concentration plant includes two ball mills on line, a magnetic separation circuit, flotation systems, a belt conveyor filter and a disposal area for tails. The major port installations include a tippler for railroad cars, a conveyor, transfer towers and two ship loading systems. The mine exploitation and crushing operations and all transport activities are performed by contractors. The concentrate and port operations are operated with ArcelorMittal's own resources. The concentrate is transported by rail to the Pacific port of Guaymas and then shipped to the Lázaro Cárdenas steel plant or exported. The mining operation uses two Caterpillar 3516B electric generators in continuous operation, with one generator operating 24 hours per day at an average consumption of 540 kilowatt hours while the second generator is on standby. The concentration facility uses electric power from the national grid.

The Volcan mine concession was bought from the Sonora provincial

government in 2004, followed by exploration of the property in 2005. The development of the mine started in 2007. Mining operations were halted during the 2008–2009 crisis and on several occasions due to structural problems in the crushing facilities. Operations have resumed without interruption since 2010. The Volcan operations produced 2.15 million tonnes of concentrate in 2012.

The iron mineralization at the El Volcan deposit presents many similarities with Peña Colorada, with magnetite rich skarn associated to the intrusion and extrusion of magmas rich in iron and formed in a volcanic environment. An active exploration program aims to extend the estimated remaining four-year mine life of the current open pit mine both through defining the down-dip extension of the mineralization zone being currently mined and by exploring other regional targets.

## Las Truchas

The Las Truchas mine holds mining rights over 14,489 hectares to support its operations located approximately 27 kilometers southeast of the town of Lazaro Cardenas in the State of Michoacán, Mexico. The Las Truchas operations are accessible by public highway and control all the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves.

The Las Truchas mine is an integrated iron ore operation. It began operating in 1976 as a government enterprise (Sicartsa), and its mining activities consist of an open pit mine exploitation, crushing, dry cobbing preconcentrate and concentration plant. The aggregated 2012 production concentrate, lumps and fines totaled 2.93 million tonnes. The concentrator includes one primary crusher, two secondary crushers and three tertiary

crushers, one ball mill and one bar mill and two wet magnetic separation circuits. The electrical energy supplier for the Las Truchas mine is a state-owned company, Federal Commission of Electricity (CFE). The concentrated ore is pumped from the mine site through a 26-kilometer slurry pipeline to the steel plant facility in Lazaro Cardenas.

The Las Truchas deposits consist of massive concentrations of magnetite of irregular morphology. The main Las Truchas deposits occur along a trend of about seven kilometers long and about two kilometers wide. The Las Truchas mineral deposits have been classified as hydrothermal deposits, which may have originated from injections of late stage-plutonic-activity through older sedimentary rocks. The mineralization of the Las Truchas iron deposits occurs in disseminated and irregular massive concentrations of magnetite within metamorphic rocks and skarns. The mineralization also occurs as fillings of faults, breccia zones, and fractures.

*ArcelorMittal Brasil – Andrade mine*

ArcelorMittal Brazil holds mining rights over the central claims of the Andrade deposit located approximately 80 kilometers east of Belo Horizonte in the Minas Gerais state of Brazil. ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. ArcelorMittal operates an open pit mine and a crushing facility. The mine site is accessible by 110 kilometers of public highway from Belo Horizonte. Power is mostly generated from hydroelectric power plants and supplied by CEMIG, an open capital company controlled by the Government of the State of Minas Gerais.

The Andrade mine supplies sinter feed to ArcelorMittal Long Carbon – João Monlevade integrated plant

through an internal railway of 11 kilometers. Companhia Siderurgica Belgo-Mineira (CSBM) initiated mining operations at the property in 1944 in order to facilitate the supply of ore to its steel plant in Joao Monlevade. The mine was managed by CSBM until 2000. In 2000, Vale acquired the property, although the mine continued to be operated by CSBM until Vale entered into a 40-year lease for the Andrade mineral rights in 2004 (subject to the condition that the supply to CSBM would be assured). In November 2009, Vale returned the Andrade mine to CSBM, which then transferred it to ArcelorMittal. In 2012, the Andrade mine produced 2.34 million tonnes of sinter feed. The increase of the mine's production capacity to 3.5 million tonnes per year of sinter feed was completed in 2012

*ArcelorMittal Mineração Serra Azul*

ArcelorMittal Mineração Serra Azul holds mining rights over the central and east claims of the Serra Azul deposit, located approximately 50 kilometers southwest of the town of Belo Horizonte in the Minas Gerais state of Brazil.

ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. ArcelorMittal operates an open pit mine and a concentrating facility. The mine site is accessible by 80 kilometers of public highway from Belo Horizonte.

In addition to the open pit mine, processing operations consist of a crushing facility and a three-line concentration facility including screening, magnetic separation, spirals separators and jiggling. Production is transported either by truck for local clients of lump, or by truck to two railway terminals located 35 and 50 kilometers, respectively, from the mine site for selling to local clients of sinter feed or for export through third-party port facilities located in the Rio de Janeiro State. Sinter feed production is shipped to

## Mining

continued

ArcelorMittal's plants in Europe as well as to the local Brazilian market including the ArcelorMittal Brasil integrated plants. The Companhia Energética de Minas Gerais (CEMIG) supplies power through a 13,800 volt line from Mateus Leme, located 20 kilometers from the mine. The electricity is locally transformed into 380 volts by six transformers spread around the operation. Minas Itatiaucu (MIL) initiated mining operations at the property in 1946. In 2007, London Mining Brazil Mineracao Ltda (London Mining) purchased the mineral rights from MIL. Following the acquisition of the property from London Mining, ArcelorMittal has operated the mine since 2008. In 2012, ArcelorMittal Serra Azul produced 1.72 million tonnes of lumps and sinter fines.

Both the Andrade and Serra Azul mines are located in the Iron Quadrangle (Quadrilatero Ferrifero), a widely-explored and mined region. The mineralization occurs as Itabirites, banded hematite-silica rocks, with varying weathering degrees. While the Serra Azul ore reserve estimates are constituted of rich friable Itabirites requiring some beneficiation, the Andrade ore reserve estimates are dominated by directly shippable hematite ore.

*ArcelorMittal Tebessa*

ArcelorMittal Tebessa holds mining rights over two main areas to support its iron ore mining operations: the Ouenza open pit mine and the Boukhadra underground mine located 150 and 180 kilometers, respectively, from the Annaba ArcelorMittal steel plant in southeast Algeria near the Tunisian border. Both mines can be accessed by road and by electrified railways that run between the mines and the ArcelorMittal Annaba steel plant.

Processing at the mines is limited to primary crushing. The two mines produced 1.44 million metric tonnes of lumps and sinter fines in

2012. Electric power constitutes the sole source of energy for both mines and the crushing facilities and is provided from the state power grid. In 1913, the Societe de L'Ouenza was created and mining of the ore began in 1921. The mines were nationalized in 1966 following Algeria's independence from France. In 1983, the Ferphos Company was created and, in 1990, it became autonomous from the government. Since October 2001, both the Ouenza mine and the Boukhadra mine have been owned by ArcelorMittal and Ferphos, an Algerian public sector company, with each entity holding 70% and 30%, respectively.

Although both the Ouenza and Boukhadra mines have been producing iron ore for several decades, no iron ore reserves are reported for these mines in 2012 due to deficiencies in the drilling data recording and archiving process. ArcelorMittal intends to conduct drilling campaigns at the two mines in accordance with industry best practices. The Ouenza and Boukhadra deposits principally consist of hematite that results from the oxidization of siderites and pyrites.

*ArcelorMittal Prijedor*

ArcelorMittal Prijedor, located near Prijedor in the Republic of Srpska in Bosnia and Herzegovina, is an iron ore mining operation that is 51% -owned by ArcelorMittal. ArcelorMittal Prijedor holds mining rights over 2,000 hectares to support ArcelorMittal's steel-making operations located approximately 243 kilometers south of Prijedor in northern Bosnia (Zenica). ArcelorMittal Prijedor's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. The operation is in close proximity to long-established public roads. The production process includes crushing, with hydro-cyclones and magnetic separation at the concentration plant. The plant is

close to the mine site, and materials are transported through a conveyor. Power is supplied from the national grid through a local power distribution company. In 2012, ArcelorMittal Prijedor produced 2.08 million tonnes of aggregated lumps and fines.

In 1916, Austrian mining companies established the first industrial production of iron ore in the Prijedor area. The mines were nationalized in the 1950s, and were then owned by Iron Mines Luubija Company until Mittal Steel acquired 51% of the company in 2004.

The Omarska deposit is composed of two ore bodies: Jezero and Buvac. The Jezero open pit began operating in 1983 and, following an interruption in production during the Bosnian civil war in the 1990s, production resumed in 2004.

However, since 2011, ore has only been produced at the Buvac pit. The Buvac pit was opened in 2008 and is located within a carboniferous clastic and carbonates sediments containing iron mineralization in the form of beds concordant with host rocks or in the form of massive irregular blocks. The genesis of this deposit is attributed to hydrothermal replacement and syn-sedimentary processes. Buvac ore body is mainly composed of limonite-goethite mineralization, which was formed during weathering oxidization of the primary siderite bodies.

*ArcelorMittal Kryviy Rih*

ArcelorMittal Kryviy Rih ("AMKR") holds mining and surface rights to support its operations located roughly within the limits of the city of Kryviy Rih, 150 kilometers southwest of Dnepropetrovsk, Ukraine. AMKR's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves. AMKR operates a concentrating facility, along with

two open pit and one underground iron ore mines. The iron ore deposits are located within the southern part of the Krivorozhsky iron-ore basin. Access to the mines is via public roads, which are connected by a paved highway to Dnepropetrovsk. The area is well served by rail. Power is supplied by the Ukraine government and is generated from a mix of nuclear, gas and coal-fired power stations. ArcelorMittal Kryviy Rih has two iron ore mines: an open pit mine feeding a concentration plant that produced 9.79 million tonnes of concentrate in 2012, known as the Kryviy Rih open cast, and an underground mine with production of 0.91 million tonnes of lump and sinter feed in 2012, known as the Kryviy Rih underground mine.

The iron ore extracted from Kryviy Rih open cast is first processed at the mine site through primary crushing. After initial processing, the product is loaded on a rail-loading facility and transported to the nearby concentrator. The concentrator production process includes crushing, hydroclassifiers and low intensity magnetic separation. The iron ore extracted from Kryviy Rih's underground mine by a modified sub-level caving method is crushed on surface and transported by rail to the steel plant. The main consumer of the sinter and concentrate products is the ArcelorMittal Kryviy Rih steel plant, with some concentrate being shipped to other ArcelorMittal affiliates in Eastern Europe, as well as to third parties. Operations began at Kryviy Rih open cast in 1959 and at Kryviy Rih underground mine in 1933. ArcelorMittal acquired the operations in October 2005 from the State Property Fund of Ukraine.

The iron mineralization is hosted by early Proterozoic rocks containing seven altered ferruginous quartzite strata with shale layers. The major iron ore bearing units in the open pit mines have carbonate-silicate-magnetite composition. In addition,

## Mining

continued

oxidized quartzite is mined simultaneously with primary ore but cannot be processed at present and is stored separately for future possible processing. Only the magnetite mineralization is included in the 2012 open pit iron ore reserve estimates. The underground mine is hosted by a ferruginous quartzite with martite and jaspilite.

### *Lisakovsk, Kentobe, Atasu, Atansore (Temirtau iron ore)*

ArcelorMittal Temirtau (formerly known as Ispat Karmet, Kazakhstan) has four iron ore mining operations in Kazakhstan. The mines are Lisakovsk, Kentobe, Atasu and Atansore. The four mines are connected by all-weather roads and railways. Dispatch of ore from these mines to the ArcelorMittal steel plant is by railway. ArcelorMittal Temirtau's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2012 iron ore reserves.

Lisakovsk is an open pit operation located in northwest Kazakhstan about 1,100 kilometers from Temirtau, with production of 2.27 million tonnes of concentrate in 2012. This mine was initially commissioned in 1976 and was acquired by ArcelorMittal in 1999. The production process comprises crushing, screening, grinding, wet jigging and wet magnetic separation. The iron mineralization at Lisakovsk occurs as oolite containing mainly hygoethite and goethite. The phosphorous content in the mineralization limits its utilization in the steel-making process. At Lisakovsk, natural gas is supplied by KazTransGazAimak JSC and transmitted through the local grid. Electric power for the other facilities is supplied by Stroinvest and Sarbai Interregional.

Kentobe is an open pit operation located about 300 kilometers southeast of Temirtau, initially started in 1994, with production of 0.68 million tonnes of concentrate

in 2012. It was acquired by ArcelorMittal in 2001. Ore processing is performed by crushing and dry magnetic separation, producing coarse concentrate. The Kentobe mine is located in the Balkhash metallogenic province hosting numerous volcanic, sedimentary and hydrothermal deposits. The mineralization at Kentobe includes two types of iron ore: oxidized and primary magnetite. The magnetite mineralization constitutes the vast majority of the 2012 estimated ore reserves. Electric power is supplied to the Kentobe operations by Karaganda Energosbyit LLP.

Atasu is an underground mine operation located about 400 kilometers south/southwest from Temirtau with production of 0.64 million tonnes of lump and fines in 2012. The mine began operating in 1956 with open pit exploitation of near surface reserves. Surface operations ended in 1980. Underground operations commenced in 1976. ArcelorMittal Temirtau acquired the mine in 2003 and operations continue to consist of underground mining. Processing comprises of crushing and wet jigging. The Atasu mine is hosted by the West Karazhal deposit, which is a primary magnetite ore with associated manganese mineralization. Studies have indicated that the deposit could have a sedimentary-volcanogenic origin caused by underwater hydrothermal activity. The mine receives electric power from the Prometei-2003 grid via NovoKarazhal substation.

Atansore is an open pit operation located about 500 kilometers northeast of Temirtau with production of 0.44 million tonnes of concentrate and fines in 2012. The mining lease was obtained by ArcelorMittal in 2004. The Atansore deposit is located within skarn zones related to a volcanic intrusion that can be traced for more than 1.5 kilometer along strike. The mineralization includes both

martitic oxidized ore and primary magnetite ore. A new concentrator is processing the magnetite portion of the ore by simple dry crushing and magnetic separation while the low-grade oxidized portion of the ore is sold as fines to a third party for further beneficiation. The dry magnetic separation plant was commissioned in 2012 and the Company is still working towards the rated capacity of 300t/h. At the Atansore operations, electric power is provided from the Kokshetauenergo center.

*ArcelorMittal Liberia*  
ArcelorMittal (Liberia) Holdings Limited ("AMLH"), through its agent (and subsidiary) ArcelorMittal Liberia Limited ("AML"), has started to extract 'direct shippable' iron ore from the first of three deposits in the Mt. Tokadeh, Mt. Gangra and Mt. Yuelliton mountain ranges in northern Nimba, Liberia. Mining commenced in June 2011. AML signed a Mineral Development Agreement (MDA) in 2005 with the Government of Liberia ("GOL") that is valid for 25 years and renewable for an additional 25-year period. The MDA covers three deposits to support AML's operations located approximately 300 kilometers northeast of Monrovia, Liberia. These three deposits are grouped under the name "Western Range Project", which includes the Tokadeh, Gangra and Yuelliton deposits. In addition to the rights to explore and mine iron ore, the GOL has granted the right to develop, use and operate and maintain the Buchanan to Yekapa railroad and Buchanan port. A phased approach has been taken to establish the final project configuration. Currently only high grade ore reserves of oxidized iron ore (direct shipping ore, or DSO) are mined. This ore only requires crushing and screening to make it suitable for export.

The materials-handling operation consists of stockyards at both the

mine and port areas, linked by a 250-kilometer single track railway running from Tokadeh to the port of Buchanan. Production in 2012 was at 3.25 million tonnes. The power for the current Liberia DSO operations is obtained from a combination of diesel and electric sources. Planning and construction of the project were commenced in 1960 by a group of Swedish companies, which ultimately became the Liberian American-Swedish Minerals Company (LAMCO), and production commenced on the Nimba deposit in 1963. Production reached a peak of 12 million metric tonnes in 1974 but subsequently declined due to market conditions. Production started at Mt. Tokadeh in 1985 to extend the life of the Nimba ore bodies to 1992 when operations ceased due to the Liberian civil war. In 2005, Mittal Steel won a bid to resume operations and signed the MDA with the GOL. Rehabilitation work on the railway started in 2008 and, in June 2011, ArcelorMittal started mining operations at Tokadeh, followed by a first shipment of iron ore in September 2011.

The Nimba Itabirites is a 250 to 450 meter thick recrystallized iron formation. Although the iron deposits at Tokadeh, Gangra and Yuelliton fit the general definition of Itabirite as laminated metamorphosed oxide-facies iron formation, they are of lower iron grade than the ore previously mined at Mount Nimba. Tropical weathering has caused the decomposition of the rock forming minerals resulting in enrichment in the iron content that is sufficient to support a DSO operation.

### **Coal**

#### *ArcelorMittal Princeton*

The ArcelorMittal Princeton ("AMP") properties are located in McDowell County, West Virginia and Tazewell County, Virginia, approximately 30 miles west of the city of Princeton, West Virginia, where AMP's corporate office is

## Mining

continued

located. The properties consist of two operating areas: the Low Vol operations and the Mid Vol operations, which are situated south of U.S. Route 52. High-voltage power lines, typically 12,500 volts, deliver power to work stations where transformers reduce voltage for specific equipment requirements.

The larger Low Vol operations are located in McDowell County, West Virginia, near the communities of Northfork, Keystone, Eckman, Gary, Berwind, and War. The Eckman Plant, Dans Branch Loadout, Eckman 2 and Redhawk 1 surface mines are also located here, as well as the following deep mines: XMV Mine Nos. 32, 35, 36, 37, 39, 40 and 42.

The Mid Vol operations are in southeastern McDowell County, West Virginia and northwestern Tazewell County, Virginia. The nearest communities are Horsepen and Abbs Valley, Virginia as well as Anawalt, West Virginia. The mine operations office is located at Horsepen, Virginia near the Mid Vol operations.

The property has a long history of coal mining, mostly by predecessors in title to AMP. Significant underground mining of some of the deeper coal seams on the properties have occurred, notably the Pocahontas no. 3 and no. 4 seams. In addition, a substantial amount of the thicker coal outcrops have been previously contour mined, providing access for highwall mining and on-bench storage of excess spoil from future, larger-scale surface mining. AMP was created in 2008 when the Mid-Vol Coal Group and the Concept Mining Group were integrated.

The properties are located in the Pocahontas Coalfields of the Central Appalachian Coal Basin. The Carboniferous age coal deposits are situated in the Pottsville Group, New River and Pocahontas

Formations. The rock strata, including the coal deposits, are sedimentary rocks formed by alluvial, fluvial, and deltaic sediments deposited in a shallow, subsiding basin. The most common rock types are various types of sandstone and shale. The coal deposits are typically in relatively thin coal beds, one to five feet thick.

The combined production of the mines in 2012 was 2.44 million tonnes of washed and directly shippable coal.

#### *Karaganda coal mines (Temirtau coal)*

ArcelorMittal Temirtau has eight underground coal mines and two coal preparation plants (CPP "Vostochnaya" and Temirtau Washery-2). The coal mines of ArcelorMittal Temirtau are located in the Karaganda Coal Basin. The basin is more than 3,000 square kilometers and was formed by strata of Upper Devonian and Carbonic ages, Mesozoic and Cainozoic formations. Due to structural peculiarities, the coal basin is divided into three geology-based mining areas: Karagandinskiy, Sherubay-Nurinskiy and Tentekskiy.

The mines are located in an area with well-developed infrastructure around the regional center of Karaganda city. Within a distance of 10 to 60 kilometers are the following satellite towns: Shakhtinsk, Saran and Abay, as well as Shakhan and Aktas. All mines are connected to the main railway, and coal is transported by railway to the coal wash plants and power stations.

The Kostenko mine began operations in 1934 and merged with the neighboring Stakhanovskaya mine in 1998. The field of Kostenko mine falls within the Oktyabrskiy district of Karaganda city.

The Kuzembaeva mine was established in 1998. The nearest

communities are Saran, Abay and Shakhtinsk, which are located 18 kilometers to the northeast, 15 kilometers to the southeast and 12 kilometers to the west, respectively. The eastern part of the mine falls within the center of Karaganda City.

The Saranskaya mine began operations in 1955. It merged with the Sokurskaya mine in mid-1997 and the Aktasskaya mine in 1998. The nearest communities are Saran, Abay and Shakhtinsk, which are located 18 kilometers to the northeast, 15 kilometers to the southeast and 12 kilometers to the west, respectively. Karaganda City is located approximately 35 kilometers to the northeast.

Kostenko, Kuzembaeva and Saranskaya mines receive energy from public district networks through transforming substations of Karagandaenergo Company.

The Abayskaya mine began operations in 1961. In 1996, it was merged with the Kalinina mine. The nearest communities are Saran, Abay and Shakhtinsk, which are located 18 kilometers to the northeast, 15 kilometers to the southeast and 20 kilometers to the west, respectively. Karaganda City is located approximately 30 kilometers to the northeast.

The Kazakhstanskaya mine began operations in 1969. The nearest community is Shakhtinsk. Karaganda City is located approximately 50 kilometers to the northeast. The railway station at MPS-Karabas is located approximately 35 kilometers to the southeast.

The Lenina mine was put in operation in 1964 and was subsequently merged with Naklonnaya no. 1/2 mine in 1968. The nearest community is Shakhtinsk, located seven kilometers to the southeast, and Karaganda City, is located 50 kilometers to the northeast. The

railway station MPS-Karabas is located 35 kilometers to the southeast.

The Shakhtinskaya mine began operations in 1973. The nearest community is Shakhtinsk, which is located 10 kilometers to the southeast, and Shakhan, which is located seven kilometers to the north. Saran is located 18 kilometers to the east. Karaganda City is located approximately 35 kilometers to the east.

The Tentekskaya mine began operations in 1979. The nearest community is Shakhtinsk. Karaganda City is located approximately 50 kilometers to the northeast. The railway station MPS-Karabas is located approximately 35 kilometers to the southeast.

Abayskaya, Shakhtinskaya, Lenina, Tentekskaya and Kazakhstanskaya mines receive energy from high-voltage lines of Karaganda.

The mines produce primarily coking coal used in steel-making at ArcelorMittal Temirtau as well as thermal coal for ArcelorMittal Temirtau's power plants. For beneficiation of coking coal, two washeries are operated. Surplus coal is supplied to group steel plants, mainly to ArcelorMittal Kryviy Rih in Ukraine. In 2012, the Karaganda Coal Mines produced 4.54 million tonnes of metallurgical coal and approximately 1.74 million tonnes of thermal coal consumed by the Temirtau steel operations.

#### *Kuzbass coal mines*

ArcelorMittal Northern Kuzbass in Siberia, Russia includes the Berezovskaya and Pervomayskaya mines, as well as the Severnaya coal washery. ArcelorMittal holds approximately 98.64% of these mines. Power is supplied to JSC "Ugolnaya Kompaniya "Severnii Kuzbass" from the wholesale market by the national grid

## Mining

continued

company FSK (Federal Grid Company) Russia through grids of MRSK (Interregional Distribution Grid Company) Siberia.

The Berezovskaya mine began operations in 1958 and is located in the northeastern part of the Kemerovo district of Kuzbass, 30 kilometers from the city of Kemerovo. The mines' administrative division is located in the town of Berezovsky. There is a well-developed highway system in the region and the Novosibirsk-Achinsk federal highway connects to the mine via an asphalt road approximately 2.5 kilometers from the mine site. The mine is located within the boundaries of the Berezovo-Biryulinsky coal deposit in the Kuznetsk intermountain trough on the eastern side of the Kemerovo syncline.

The Pervomayskaya mine began operations in 1975 and is located in the northern part of the Kemerovo district of Kuzbass, 40 kilometers from the city of Kemerovo. The mine is located in an area that has a well-developed highway system. The Berezovsky – Anzhero-Sudzhensk highway is situated north of the mine.

The Severnaya wash plant is located adjacent to the Berezovskaya mine and began operations in 2006. It processes all of the coal from ArcelorMittal Kuzbass' mines. Coal is transported from the Berezovskaya mine and from the Pervomayskaya mine via rail.

The main consumers of the coking coal produced are ArcelorMittal Kryviy Rih and some local coke producers. In 2012, Kuzbass produced 1.23 million tonnes of metallurgical coal.

### Capital expenditure projects

The following tables summarize the Company's principal growth and optimization projects involving significant capital expenditure completed in 2012 and those that are currently ongoing.

#### Completed projects

Segment	Site	Project	Capacity/particulars	Actual Completion
Mining	Andrade Mines (Brazil)	Andrade expansion	Increase iron ore production to 3.5mt / year	Q4 2012

#### Ongoing projects<sup>1</sup>

Segment	Site	Project	Capacity/particulars	Actual Completion
Mining	Liberia mines	Phase 2 expansion project	Increase production capacity to 15mt/ year (iron ore concentrate)	2015 <sup>2</sup>
Mining	ArcelorMittal Mines Canada	Replacement of spirals for enrichment	Increase iron ore production by 0.8mt/year	Q12013
Mining	ArcelorMittal Mines Canada	Expansion project	Increase concentrator capacity by 8mt/year (16 to 24mt/y)	H12013

<sup>1</sup> Ongoing projects refer to projects for which construction has begun (excluding various projects that are under development), or have been placed on hold pending improved operating conditions.

<sup>2</sup> The Company's Board of Directors has approved the Phase 2 expansion of Liberia project that would lead to annual concentrate production capacity of 15 million tonnes per annum. The first concentrate production is expected in 2015, replacing the Phase 1 – 4 million tonnes per annum direct-shipped operation.

### Reserves and resources (iron ore and coal)

#### Introduction

ArcelorMittal has both iron ore and metallurgical coal reserves and resources. The company's iron ore mining operations are located in the USA, Canada, Mexico, Brazil, Liberia, Bosnia, Ukraine, Algeria and Kazakhstan. In Canada, the company is developing a large greenfield project on Baffin Island. The company's metallurgical coal mining operations are located in the USA, Kazakhstan and Russia.

The estimates of proven and probable ore reserves and mineral resources at our mines and projects and the estimates of the mine life included in this annual report have been prepared by ArcelorMittal's experienced engineers and geologists. Marshall Miller & Associates, Inc. prepared the estimates of reserves for our Princeton underground and open pit operations. The reserve calculations were prepared in compliance with the requirements of USA Securities and Exchange Commission's ("SEC") Industry Guide 7 and the mineral resource estimates were prepared in accordance with the requirements of Canadian National Instrument NI 43-101, under which:

## Mining

continued

- Reserves are the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. The demonstration of economic viability is established through the application of a life-of-mine plan for each operation or project providing a positive net present value on a cash-forward looking basis.
- Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The mineral resource estimates constitute the part of a mineral deposit that have the potential to be economically and legally extracted or produced at the time of the resource determination. The potential for economic viability is established through high level and conceptual engineering studies.

A 'measured mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate

application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

An 'indicated mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

An 'inferred mineral resource' is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The ore reserve and mineral resource estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. Our reserve estimates are of in-place material after adjustments for mining depletion and mining

losses and recoveries, with no adjustments made for metal losses due to processing. The mineral resource estimates are of in-situ wet metric tonnage material prior to adjustments for mining recovery and dilution factors and reported exclusive (in addition to ore reserve estimates).

For a description of risks relating to reserves and resource estimates, see the risk factor entitled 'ArcelorMittal's reserve and resource estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine'.

Detailed independent verifications of the methods and procedures used are conducted on a regular basis by external consultants. Sites are reviewed on a rotating basis; all our operations with significant ore reserve and mineral resource estimates as at December 31, 2011 were independently audited in 2012 by Roscoe Postle Associates, SRK Consulting and AMEC and no material changes to the 2011 year-end iron ore and coal reserve and mineral resource estimates were recommended by the auditors.

ArcelorMittal owns less than 100% of certain mining operations; reserve and resource estimates have not been adjusted to reflect lower ownership interests. All of the reserve figures presented represent estimates at December 31, 2012 (unless otherwise stated).

Mine life is derived from the life-of-mine plans and corresponds to the duration of the mine production scheduled from ore reserve estimates only.

Our mineral leases are of sufficient duration (or convey a legal right to

renew for sufficient duration) to enable all ore reserves on the leased properties to be mined in accordance with current production schedules. Our ore reserves may include areas where some additional approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the timeframe required by the current life-of-mine schedule.

In eastern Europe (Bosnia) and the Commonwealth of Independent States (CIS), ArcelorMittal has conducted in-house and independent reconciliations of ore reserve and mineral resource estimate classifications based on Industry Guide 7, National Instrument NI 43-101 and standards used by the State Committee on reserves, known as the GKZ in the CIS. The GKZ constitute the legal framework for reserve and resource reporting in several former Soviet Union countries where ArcelorMittal operates mines. On the basis of these reconciliations, ArcelorMittal's mineral resources have been classified as measured for categories A and B, indicated for category C1 and inferred for category C2. Ore reserves have been estimated by applying mine planning, technical and economic assessments defined as categories A, B and C1 only according to the CIS standards. In general, provided Guide 7's economic criteria for reserves are met (which is the case here), A+B is equivalent to 'proven' and C1 is equivalent to 'probable'.

The reported iron ore and coal reserves contained in this annual report do not exceed the quantities that we estimate could be extracted economically if future prices were at similar levels to the average contracted price for the

## Mining

continued

three years ended to December 31, 2012. The average iron ore reference price for the last three years (2010 – 2012) was \$148.6/dmt CFR China duly adjusted for quality, Fe content, logistics and other considerations. For the same period, the average coal reference price was \$231.64/tonne FOB Australia. The Company establishes optimum design and future operating cut-off grade based on its forecast of commodity prices and operating and sustaining capital costs. The cut-off grade varies from operation to operation and during the life of each operation in order to optimize cash flow, return on investments and the sustainability of the mining operations. Sustainability in turn depends on expected future operating and capital costs.

Tonnage and grade estimates are reported as "Run of Mine". Tonnage is reported on a wet metric basis.

*Iron ore reserve and resource estimates*

The tables below detail ArcelorMittal's estimated iron ore reserves and resources as at December 31, 2012. The classification of the iron ore reserve estimates as proven or probable and of the iron ore resource estimates as measured, indicated or inferred reflects the variability in the mineralization at the selected cut-off grade, the mining selectivity and the production rate and ability of the operation to blend the different ore types that may occur within each deposit. Proven iron ore reserve and measured mineral resource estimates are based on drill hole spacing ranging from 25m x 25m to 100m x 100m, and probable iron ore reserve and indicated mineral resource estimates are based on drill hole spacing ranging from 50m x 50m to 300m x 300m. Inferred mineral resource estimates are based on drill hole spacing ranging from 100m x 100m to 500m x 500m.

Business units	As at December 31, 2012						As at December 31, 2011	
	Proven ore reserves		Probable ore reserves		Total ore reserves		Total ore reserves	
	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe
Canada (excluding Baffinland)	1,484	27.5	468	31.3	1,952	28.4	1,965	28.8
Baffinland – Canada	160	64.4	215	64.9	375	64.7	375	64.7
Minorca – USA	147	23.3	4	23.2	151	23.3	159	23.1
Hibbing – USA	300	19.1	21	18.9	321	19.1	387	19.0
Mexico (excluding Peña Colorada)	59	33.1	77	27.3	136	29.8	108	31.0
Peña Colorada – Mexico	126	24.2	133	23.0	259	23.6	182	27.0
Brazil	102	59.3	19	52.5	121	58.2	131	57.8
Liberia	-	-	526	48.4	526	48.4	14	59.5
Bosnia	-	-	32	45.8	32	45.8	35	45.8
Ukraine open pit	245	33.0	-	-	245	33.0	268	34.0
Ukraine underground	24	55.0	-	-	24	55.0	25	55.0
Kazakhstan open pit	129	39.9	21	36.3	150	39.4	154	40.1
Kazakhstan underground	-	-	37	42.3	37	42.3	37	42.2
<b>Total</b>					<b>4,331</b>	<b>35</b>	<b>3,840</b>	<b>33</b>

Business units	As at December 31, 2012				As at December 31, 2011			
	Measured and indicated resources		Inferred resources		Measured and indicated resources		Inferred resources	
	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe
Canada (Excluding Baffinland)	4,931	29	1,082	29	4,862	30	1,066	30
Baffinland – Canada	41	65	444	66	41	66	444	65
Minorca – USA	161	23	91	23	41	23	90	23
Hibbing – USA	260	18	1	16	-	-	-	-
Mexico (Excluding Pena Colorada)	55	28	73	28	51	30	88	28
Pena Colorada – Mexico	90	25	5	24	66	28	-	-
Brazil	321	38	131	36	321	38	130	37
Liberia	39	44	1,968	40	427	48	2,182	40
Algeria	-	-	93	53	-	-	95	53
Bosnia	-	-	-	-	-	-	-	-
Ukraine Open Pit	823	37	-	-	823	37	-	-
Ukraine Underground	43	55	-	-	43	55	-	-
Kazakhstan Open Pit	1,018	35	93	29	1,022	35	-	-
Kazakhstan Underground	437	52	30	51	456	51	30	51
<b>Total</b>	<b>8,219</b>	<b>32</b>	<b>4,010</b>	<b>39</b>	<b>8,153</b>	<b>34</b>	<b>4,125</b>	<b>40</b>

## Mining

continued

**Supplemental information on iron ore operations**

The table below provides supplemental information on the producing mines:

Operations/Projects	% ownership	In operation since	2012 Run of mine production (million tonnes) <sup>4</sup>	2012 Saleable production <sup>1</sup> (million tonnes) <sup>4</sup>	Estimated mine life <sup>2</sup> (years)
Canada (Excluding Baffinland)	100	1976	46.9	15.0	28
Baffinland - Canada	70	Project in development			21
Minorca - USA	100	1977	8.9	2.9	17
Hibbing - USA	62.31	1976	29.5	8.1	11
Mexico (Excluding Pena Colorada)	100	1976	8.2	5.1	20
Pena Colorada - Mexico	50	1974	8.4	4.5	19
Brazil	100	1944	5.4	4.1	20
Algeria	70	1921	1.3	1.4	N/A <sup>3</sup>
Liberia	70	2011	3.3	3.3	20
Bosnia	51	2008	3.0	2.1	11
Ukraine Open Pit	95.13	1959	24.1	9.8	8
Ukraine Underground	95.13	1933	0.8	0.9	16
Kazakhstan Open Pit	100	1976	6.4	3.4	27
Kazakhstan Underground	100	1956	1.7	0.6	19

<sup>1</sup> Saleable production is constituted of a mix of direct shipped ore (DSO), concentrate, pellet feed and pellet products which have an iron content of approximately 65% to 66%. Exceptions in 2012 included the DSO produced in Bosnia, Ukraine underground and the Kazakh mines which have an iron content ranging between 55% to 60% and are solely for internal use at ArcelorMittal's regional steel plants. The DSO produced from Liberia had an average iron content of approximately 60% in 2012 while the sinter fines produced for external customers in Brazil from our Serra Azul operations averaged approximately 62% and the lumps averaged 61%.

<sup>2</sup> The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2012 year-end iron ore reserve estimates only. The production varies for each operation during the mine life and as a result the mine life is not the total reserve tonnage divided by the 2012 production. ArcelorMittal believes that the life of these operations will be significantly expanded as exploration and engineering studies confirm the economic potential of the additional mineralization already known to exist in the vicinity of these iron ore reserve estimates.

<sup>3</sup> Estimated mine life from iron ore reserve estimates is not available by end of 2012 due to deficiencies in the drilling data recording and archiving process.

<sup>4</sup> Represents 100% of production.

*Changes in iron ore reserve estimates: 2012 versus 2011*

Our iron ore reserve estimates have increased between December 31, 2011 and 2012 by 491 million metric tonnes of Run of Mine. This increase is mostly due to the finalization of a mine plan and new feasibility study for our expansion project (Phase 2) in Liberia resulting in a net increase of 512 million metric tonnes and an update of the mine plan of the Mexican operations resulting in the addition of 112 million metric tonnes. This increase was partially offset by approximately 160 million tonnes from the 2012 mining depletion and by other minor re-evaluations of our ore reserves totaling a net increase of 27 million tonnes between the 2011 and the 2012 year-end reserve estimates. The average Fe grade increased by 1.3% on an absolute basis essentially due to the addition of high grade iron ore reserves in Liberia.

*Changes in iron mineral resource estimates: 2012 versus 2011*

Our iron measured and indicated mineral resource estimates have increased between December 31, 2011 and 2012 by 66 million metric tonnes of run-of-mine. A 525 million tonnes reduction in Liberia due to the conversion of resource estimates to iron ore reserve estimates at the was offset by conversion of inferred resource estimates in Liberia and by additions of resources through re-evaluation of known mineralization in Canada, Hibbing, Minorca and Pena Colorada.

Our iron inferred mineral resource estimates have decreased between December 31, 2011 and 2012 by 115 million tonnes of run-of-mine. This change includes a 214 million tonnes reduction in Liberia due to a conversion of inferred resource estimates to measured and indicated resource estimates partially offset by the addition of 99 million tonnes through additional drilling and re-evaluations in Canada and at the Kazakhstan open pit operations.

*Metallurgical coal reserve estimates*

The table below details ArcelorMittal's estimated metallurgical coal reserves and resources as at December 31, 2012. The classification of coal reserve estimates as proven or probable and of coal resource estimates as measured, indicated or inferred reflects the variability in the coal seams thickness and quality, the mining selectivity and the planned production rate for each deposit. Proven coal reserve and measured coal resource estimates are based on drill hole spacing ranging from 50m x 50m to 500m x 500m and Probable coal reserve and indicated coal resource estimates are based on drill hole spacing ranging from 100m x 100m to 1,000m x 1,000m. Measured coal resource estimates are based on drill hole spacing ranging from 200m x 200m to 2,000 x 2,000m.

## Mining

continued

Business units	As at 31 December 2012									As at 31 December 2011	
	Proven Coal Reserves		Probable Coal Reserves		Total Coal Reserves					Total Coal Reserves	
	ROM millions of tonnes	Wet Recoverable millions tonnes <sup>1</sup>	Millions of tonnes	Wet Recoverable millions tonnes <sup>1</sup>	Millions of tonnes	Wet Recoverable millions tonnes <sup>1</sup>	Ash (%)	Sulfur (%)	Volatile (%)	Millions of tonnes	Wet Recoverable millions tonnes <sup>1</sup>
North America											
Princeton – USA	104	62	13	6	116	69	6.5	0.7	17.1	110	70
Central Asia <sup>1</sup>											
Karaganda – Kazakhstan	12	6	161	77	173	83	10.5	0.7	27.0	182	80
Kuzbass – Russia	16	10	13	8	29	19	9.8	0.7	24.7	31	20
<b>Total</b>					<b>318</b>	<b>170</b>	<b>8.8</b>	<b>0.7</b>	<b>22.7</b>	<b>323</b>	<b>170</b>

<sup>1</sup> Washed or directly shipped saleable tonnage. This tonnage does not include the production in Kazakhstan of approximately 2 million tonnes annually and 30 million tonnes for the life of the Kazakhstan mines of run-of-mine high ash coal which is sold internally within ArcelorMittal as thermal coal.

	As at 31 December 2012				As at 31 December 2011			
	Measured & Indicated Coal Resources		Inferred Coal Resources		Measured & Indicated Coal Resources		Inferred Coal Resources	
	ROM millions of tonnes	Wet Recoverable million tonnes	Millions of tonnes	Wet Recoverable million tonnes	Millions of tonnes	Wet Recoverable million tonnes	Millions of tonnes	Wet Recoverable million tonnes
Princeton – USA	92	52	4	2	93	50	4	2
Karaganda – Kazakhstan	551	260	8	5	588	279	8	5
Kuzbass – Russia	60	53	38	32	226	143	32	20
<b>Total</b>	<b>703</b>	<b>365</b>	<b>50</b>	<b>39</b>	<b>907</b>	<b>472</b>	<b>44</b>	<b>27</b>

### Supplemental information on metallurgical coal operations

The table below provides supplemental information on the producing mines:

Operations/Projects	% ownership	In operation since	2012 Run of Mine production (Million Tonnes)	2012 Wet Recoverable production (Million Tonnes) <sup>1</sup>	Estimated mine life <sup>2</sup> (Years)
Princeton – USA	100	1995	3.6	2.4	36
Karaganda – Kazakhstan	100	1934	10.7	4.5	15
Kuzbass – Russia	98.64	1958	2.0	1.2	16

<sup>1</sup> Washed or directly shipped saleable tonnage. This tonnage does not include the production in Kazakhstan of approximately 2 million tonnes annually and 30 million tonnes for the life of the Kazakhstan mines of run-of-mine high ash coal which is sold internally within ArcelorMittal as thermal coal.

<sup>2</sup> The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2012 year-end metallurgical coal reserve estimates only. The production varies for each operation during the mine life and as a result the mine life is not the total reserve tonnage divided by the 2012 production. ArcelorMittal believes that the life of these operations will be significantly expanded as exploration and engineering studies confirm the economic potential of the additional mineralization already known to exist in the vicinity of these estimated coal reserves.

### Changes in metallurgical coal reserve estimates: 2012 versus 2011

Our metallurgical coal reserve estimates have decreased between December 31, 2011 and 2012 by approximately 5 million metric tonnes of Run of Mine tonnes due to an annual mining depletion of 16 million tonnes partially offset by an addition of 11 million metric tonnes of coal reserves at the Princeton operations through re-evaluation of the mine plan. No other material changes have occurred between the 2011 and the 2012 year-end reserve estimates.

### Changes in coal resource estimates: 2012 versus 2011

Our iron measured and indicated mineral resource estimates have decreased between December 31, 2011 and 2012 by 206 million tonnes of run-of-mine due to the conversion of 37 million tonnes of run-of-mine coal in Kazakhstan to reserve estimates and a re-evaluation resulting in the exclusion of resources from the Konyukhtinsky Zapadny license in Kuzbass. There was an increase of 6 million tonnes of run-of-mine coal inferred resource estimates between December 31, 2011 and 2012 due to a reclassification of measured and indicated resource estimates at Kuzbass.

### Cautionary note concerning reserve and resource estimates:

With regard to ArcelorMittal's reported resources, investors are cautioned not to assume that any part or all of ArcelorMittal's estimated mineral deposits that constitute either 'measured mineral resources', 'indicated mineral resources' or 'inferred mineral resources' (calculated in accordance with the guidelines set out in Canadian National Instrument 43-101) will ever be converted into reserves. There is a particularly great deal of uncertainty as to the existence of 'inferred mineral resources' as well as with regard to their economic and legal feasibility and it should not be assumed that all or part of an 'inferred mineral resource' will ever be upgraded to a higher category.





Published in February 2013  
To receive a copy of the Annual Report, please contact :

ArcelorMittal  
19, avenue de la Liberté  
L-2930 Luxembourg  
Grand-Duchy of Luxembourg  
T. +352 4792 3198

[www.arcelormittal.com](http://www.arcelormittal.com)

