ArcelorMittal

Annual Report 2018

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Company overview

History and development of the Company

ArcelorMittal is the world's leading integrated steel and mining company. It results from the merger in 2007 of its predecessor companies Mittal Steel Company N.V. and Arcelor, each of which had grown through acquisitions over many years. Since its creation ArcelorMittal has experienced periods of external growth as well consolidation and deleveraging (including through divestments), the latter in particular during the years following the global financial and economic crises of 2008-2010. In recent years ArcelorMittal has punctuated its overall deleveraging focus with targeted acquisitions. These have included the acquisition through a joint venture of the Calvert plant in the United States in 2014 and, in 2018 the acquisition of Votorantim S.A.'s long business in Brazil and Ilva in Italy, Europe's largest single steel site. Most recently the Company is poised (subject to favorable resolution of legal challenges) to acquire ESIL (via a joint venture with NSSMC), its bid having been selected by ESIL's committee of creditors. For more information on the key transactions carried out in 2018, see "—Key transactions and events in 2018" below.

ArcelorMittal's success is built on its core values of sustainability, quality and leadership and the entrepreneurial boldness that has empowered its emergence as the first truly global steel and mining company. Acknowledging that a combination of structural issues and macroeconomic conditions will continue to challenge returns in its sector, the Company has adapted its footprint to the new demand realities, redoubled its efforts to control costs and repositioned its operations with a view toward outperforming its competitors. ArcelorMittal's research and development capability is strong and includes several major research centers as well as strong academic partnerships with universities and other scientific bodies.

Against this backdrop, ArcelorMittal's strategy is to leverage four distinctive attributes that will enable it to capture leading positions in the most attractive areas of the steel industry's value chain, from mining at one end to distribution and first-stage processing at the other: global scale and scope; superior technical capabilities; a diverse portfolio of steel and related businesses, one of which is mining; and financial capabilities.

Geography: ArcelorMittal is the largest steel producer in the Americas, Africa and Europe and is the fifth largest steel producer in the CIS region. ArcelorMittal has steel-making operations in 19 countries on four continents, including 48 integrated and mini-mill steel-making facilities. As of December 31, 2018, ArcelorMittal had approximately 209,000 employees.

ArcelorMittal's steel-making operations have a high degree of geographic diversification. Approximately 38% of its crude steel is produced in the Americas, approximately 48% is produced in Europe and approximately 14% is produced in other countries, such as Kazakhstan, South Africa and Ukraine. In addition, ArcelorMittal's sales of steel products are spread over both developed and developing markets, which have different consumption characteristics. ArcelorMittal's mining operations, present in North and South America, Africa, Europe and the CIS region, are integrated with its global steel-making facilities and are important producers of iron ore and coal in their own right.

Products: ArcelorMittal produces a broad range of high-quality finished and semi-finished steel products ("semis"). Specifically, ArcelorMittal produces flat steel products, including sheet and plate, and long steel products, including bars, rods and structural shapes. In addition, ArcelorMittal 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 approximately 160 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.

As a global steel producer, the Company is able to meet the needs of different markets. Steel consumption and product requirements clearly differ between developed markets and developing markets. Steel consumption in developed economies is weighted towards flat products and a higher value-added mix, while developing markets utilize a higher proportion of long products and commodity grades. To meet these diverse needs, the Company maintains a high degree of product diversification and seeks opportunities to increase the proportion of higher value-added products in its product mix.

Automotive focus: ArcelorMittal has a leading market share in its core markets in the automotive steel business and is a leader in the fast-growing advanced high strength steels segment. ArcelorMittal is the first steel company in the world to embed its own engineers within an automotive customer to provide engineering support. The Company begins working with original equipment manufacturers ("OEMs") as early as five years before a vehicle reaches the showroom, to provide generic steel solutions, co-engineering and help with the industrialization of the project. In November 2016, ArcelorMittal introduced a new generation of advanced high strength steels, including new press hardenable steels and martensitic steels. Together, these new steel grades aim to help automakers further reduce body-in-white weight to improve fuel economy without compromising vehicle safety or performance. In November 2017, ArcelorMittal launched the second generation of its iCARe® electrical steels.

iCARe® steel grades play a central role in the construction of electric motors.

Mining Value Chain: ArcelorMittal has a significant portfolio of raw material and mining assets. In 2018, approximately 49% of ArcelorMittal's iron-ore requirements and approximately 12% of its PCI and coal requirements were supplied from its own mines. The Company currently has iron ore mining activities in Brazil, Bosnia, Canada, Kazakhstan, Liberia, Mexico, Ukraine and the United States. The Company currently has coal mining activities in Kazakhstan and the United States.

In addition, ArcelorMittal produces substantial amounts of direct reduced iron, or DRI, which is a scrap substitute used in its mini-mill facilities to supplement external metallics purchases. ArcelorMittal is also a significant producer of coke, which is produced from metallurgical coal and is a critical raw material for steel-making, satisfying 91% of its coke needs through its own production facilities. ArcelorMittal's facilities have good access to shipping facilities, including through ArcelorMittal's own, or partially owned, 15 deep-water port facilities and linked railway sidings.

ArcelorMittal has its own downstream steel distribution business, primarily run through its Europe segment. It also provides value-added and customized steel solutions through additional processing activities to meet specific customer requirements.

Cautionary statement regarding forward-looking statements

This annual report and the documents incorporated by reference in this annual report contain forward-looking statements based on estimates and assumptions. This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among other things, statements concerning the business, future financial condition, results of operations and prospects of ArcelorMittal, including its subsidiaries. These statements usually contain the words "believes", "plans", "expects", "anticipates", "intends", "estimates" or other similar expressions. For each of these statements, you should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although it is believed that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of ArcelorMittal.

These forward-looking statements speak only as of the date on which the statements were made, and no obligation has been undertaken to publicly update or revise any forward-looking statements made in this annual report or elsewhere as a result of new information, future events or otherwise, except as required by applicable laws and regulations. A detailed discussion of principal risks and uncertainties which may cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk related to the global economy and the mining and steel industry". The Company undertakes no obligation to update or revise publicly any forward-looking statements whether because of new information, future events, or otherwise, except as required by securities and other applicable laws.

Energy market

Solid fuels, electricity and natural gas are some of the primary raw material inputs for a steelmaker. 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. 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.

Oil

In a year which was defined by political turmoil, the global oil market went from a tightening of the supply/demand balance to the prospect of a supply surplus. This came amid the general fear of an economic slowdown beyond 2018 as an intensifying tariff war between the world's biggest economies could dent global demand growth combined with record high shale oil output from the U.S.

In the first quarter of 2016, after tumbling for six quarters in a row, the Brent crude oil price came to a halt just south of $30/barrel ("bbl"). In the following six months, prices climbed back up to levels around $50/bbl. A group of producers led by OPEC (the Organization of the Petroleum Exporting Countries) and Russia agreed at the end of 2016 to cut production and cap output at 1.8 million barrels per day ("bpd"). Initially, the cuts were to last for only six months but got extended in May 2017 and again in November 2017. As a result, in the summer of 2017, the momentum shifted and prices gained 75% year-on-year from $45/bbl in May 2017 to $80/bbl in May 2018. In June 2018, OPEC and its allies decided to increase production by 1 million bpd. This came at a time when the U.S. had just pulled out of the Iran nuclear deal, and was threatening sanctions against any country which further imported Iranian oil. The market reacted with a delayed price hike with the Brent crude oil front month contract peaking at $86/bbl (a 4-year high) in October 2018, only to fall more than 30% in the following month. To stop plummeting prices, a last effort from OPEC and its allies was made in early December, when they jointly decided to cut output by 1.2 million bpd throughout the first

half of 2019. Brent crude oil finished the year at $53.8/bbl, a 15-month low.

The following table shows quarterly average prices of oil and CO2 for the past three years:

Commodities

Source: Thomson Reuters	Brent crude oil spot average price $ per barrel	West Texas intermediate spot average price $ per barrel	European thermal coal import (API2) spot average price $ per ton	European Union allowance spot average price € per ton of CO2 equivalent
Q1 2016	35.21	33.63	44.84	5.64
Q2 2016	47.03	45.64	49.09	5.77
Q3 2016	46.99	44.94	61.84	4.55
Q4 2016	51.06	49.29	81.09	5.52
Q1 2017	54.57	51.78	77.86	5.17
Q2 2017	50.79	48.15	75.71	4.81
Q3 2017	52.17	48.20	86.11	5.91
Q4 2017	61.46	55.30	92.68	7.47
Q1 2018	67.23	62.89	86.09	9.80
Q2 2018	74.97	67.91	89.97	14.49
Q3 2018	75.84	69.43	98.66	18.85
Q4 2018	68.60	59.34	92.45	20.47

CO2

The integrated steel process involves carbon and CO_2, which distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is primarily linked to energy use. Launched in 2005, the European Union Emission Trading System (“EU-ETS”) is currently in its third phase, stretching from 2013 to 2020. After 2020, this system may require ArcelorMittal to incur additional costs to acquire emissions allowances. The EU-ETS is based on a cap-and-trade principle; it sets a cap on greenhouse gas emissions (“GHG”) from covered installations, which is then reduced year after year. Since 2009, a surplus of emission allowances has built up in the EU-ETS, kept prices below €10 per ton of CO2 equivalent (“€/tCO2e”) until 2018. In 2016 and 2017, the price for a European Union Allowance (“EUA”) - which gives the holder the right to emit one ton of carbon dioxide (“CO2”) - ranged between €4/tCO2e and €6/tCO2e.

To boost the EUA price and to provide an incentive to the industry and the power sector to alter their behavior in terms of CO2 emissions, in July 2015 the European Commission proposed a reform of the EU-ETS for the period 2021-2030 (phase 4). More than 2 years later, inter-institutional negotiations were concluded presenting solutions to reduce the current surplus. Consequently, in November 2017 the EUA price crossed the €8/tCO2e mark for the first time since January 2016. With the EU Council’s final approval in February 2018, the ETS reform became law (directive 2018/410). As a result, the EUA price surged up further and only came to a halt after surpassing the historical high of €25/tCO2e in September 2018. This marked a 360% price increase in only nine months. The EUA price has been subsequently trading around the €20/tCO2e mark driven by uncertainties around Brexit and the looming market stability reserve (“MSR”) which started operating in January 2019. See "Risks related to the global economy and the mining and steel industry". 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.

Thermal coal

Thermal coal prices have followed the same commodity super-cycle as crude oil and reached the low levels of $45/t at the beginning of 2016. Throughout 2016, prices had been on the rise and by the end of the year had almost doubled. After a sharp drop during the first two quarters of 2017 prices rebounded and finished the year strong. This came on the back of intensified demand from Asia which was witnessing one of the coldest winters ever recorded. The 2017/2018 winter began with a Chinese campaign aimed at switching millions of households from using coal to natural gas for heating purposes. At the same time, the country tightened imports by banning small ports from receiving foreign coal cargoes. The campaign unexpectedly boosted demand from coal-fired power plants as it created a shortage of natural gas. The tightening of the Asian market had some severe spill-overs to the European market and pushed the spot price for the all publications index number 2 (“API2”) - which reflects the price for imports into ARA (Amsterdam-Rotterdam-Antwerp) - above $90/t, a level not seen since the end of 2012. Throughout the first quarter of 2018, the API2 shed almost 20% as the global supply demand balance softened amid the Chinese New Year holiday. After increasing throughout the second quarter of 2018, the API2 reached a new 6-year high when it surpassed the $100/t mark in the third quarter. This was triggered by utilities replenishing stocks and strong demand from power stations due to a hot and dry summer. In the fourth quarter of 2018, prices remained volatile but decreased almost 20% amid China's imposition of new import restrictions, and Europe benefiting from a mild start to the winter.

Natural gas - Europe

Year after year the natural gas market is turning more into a global commodity due to the continuous development of liquefied natural gas (“LNG”), driven by the construction of new liquefaction units (called trains) in Russia, Australia and in the U.S. The worldwide LNG exports reached 430 billion cubic meters (“bcm”) in 2018, an increase of 8.2%

compared to 2017. Consequently, natural gas is increasingly exposed to the same commodity super-cycles that also affect thermal coal and crude oil, for example. Unlike thermal coal and crude oil, the European natural gas market is showing stronger seasonal patterns.

Despite starting the year at the same price level as 2017, the 2018 TTF Spot Price (the price for natural gas to be delivered the next day, which is traded on a virtual trading platform located in the Netherlands) averaged €22.85 per Megawatt hour ("€/MWh"), which is more than 30% higher than the 2017 average (€17.32/MWh) and far above 2016 when prices settled at €14.03/MWh on average. Several events affected the transportation of natural gas in 2017 (an explosion at the Gas Connect Austria's Baumgarten site in eastern Austria and the shut-down of the Forties pipeline system, both of which happened at the end of year). 2018 started with milder than normal weather but a late cold snap at the end of February brought freezing temperatures from Siberia to Europe. Combined with limited storage flexibility and supply problems across Europe, spot prices at major European hubs skyrocketed to multi-year highs. In the aftermath, northwest European natural gas storage levels dropped well below the 5-year average. Efforts to refill storages, together with strong summer demand from natural gas fired power plants, exceptional high LNG prices and an overall rising energy complex kept supporting European natural gas prices up until the start of the fourth quarter of 2018 (an increase of 50% throughout the first nine months of the year). During the last quarter of the year, the TTF spot price tumbled from €29.5/MWh down to €22.0/MWh on the back of milder than seasonal temperatures, significantly improved storage levels, strong LNG arrivals and pipeline imports from Norway and Russia operating close to their maximum capacity.

Natural gas - United States

In 2018, natural gas production in the U.S. remained strong at a level of 102 billion cubic feet per day ("bcf/d"). In North America, 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. U.S. thermal coal continues to be challenged as a power producing fuel. Gas power plants first took the lead in the generation mix in 2016, which continued in 2017 with around 32% of electricity produced from burning natural gas. This trend accelerated in 2018 with just over 30GW of new capacity entering commercial service.

U.S. LNG export capacity stands at 4.9 bcf/d, almost 2.4 bcf/d added in 2018 compared to 2016 (1.38 bcf/d), the year the U.S. entered the LNG exporting business. Projections show that U.S. LNG export capacity will reach 8.9 billion bcf/d by the end of 2019, making it the third largest in the world behind Australia and Qatar. The rise of U.S. LNG is driven by the strong development of U.S. shale gas. The number of rigs increased significantly compared to 2017 levels, with the Permian basin marking the biggest increase of close to 100 additional rigs compared to 2017.

In 2017, the Henry Hub front month price (the price for gas traded on a U.S. virtual trading platform, for delivery in the next calendar month) increased by 27% as compared to an average of $3.08 per million British Thermal Units ("$/MMBtu") in 2016. In the first nine months of 2018, month ahead prices averaged $2.85/MMBtu, a 6.5% decrease compared to the first nine months of 2017. The recession in natural gas prices that held from the beginning of 2015 until September 2018 changed in the first two weeks of November 2018, as weather-related natural gas demand increased sharply, and the relatively low levels of natural gas in storage could not provide the needed flexibility leading to 60% price hike in only 10 days. In mid-November 2018, the front-month Henry Hub natural gas futures hit a price of $4.8/MMBtu, the highest price since the second quarter of 2014. Consequently, end of November natural gas inventories stood 19% lower than the previous five-year average forcing the Henry Hub Month Ahead price to average $4.0/MMBtu throughout November and December 2018.

Natural gas - Asia

The Platts Japan Korea Marker (JKM) - the LNG benchmark price assessment for spot physical cargoes delivered ex-ship into Japan, South Korea, China and Taiwan - front month contract finished the year 2017 at the highest levels since the first quarter of 2015 ($11.2/MMBtu). Throughout the first quarter of 2018 prices dropped 35% (equivalent to $4/MMBtu) and bottomed at $7.2/MMBtu before entering a period of increasing prices. While prices normally would have relaxed on the back of muted demand from Asian consumers at the end of June 2018, the front month contract again surpassed the 11 USD/MMBtu level ($6/MMBtu higher year-on-year). However, in 2018 strong Asian restocking demand ahead of the winter met strong cooling needs. At the end of the first quarter of 2018, the price spread between the Pacific and the Atlantic basin dropped below $1/MMBtu erasing the arbitrage window and allowing LNG cargoes to sail to Europe. This spread quickly increased to $3.7/MMBtu dragging cargoes away from Europe. After a period of high volatility, the spread stabilized around $2.0/MMBtu by the end of the third quarter and into the fourth quarter, fueled by lackluster Asian demand. At the same time, charter rates for LNG vessels exploded and moved north of $160,000/day (a long way from the lows of 2016 and 2017 when spot rates were hovering at $25,000/

day). This led to trapped LNG supply in the Atlantic basin leading to sharply dropping European natural gas prices.

The following table shows quarterly average spot prices of natural gas for the past three years:

Natural gas			
Source: Thomson Reuters	TTF Spot average price € per MWh	Henry Hub Spot average price $ per MMBtu	JKM Spot average price $ per MMBtu
Q1 2016	12.86	1.98	5.05
Q2 2016	13.21	2.25	4.66
Q3 2016	12.80	2.79	5.62
Q4 2016	17.28	3.18	7.25
Q1 2017	18.42	3.06	7.35
Q2 2017	15.61	3.14	5.85
Q3 2017	16.13	2.95	6.19
Q4 2017	19.13	2.92	9.45
Q1 2018	21.25	2.85	9.35
Q2 2018	21.06	2.83	8.71
Q3 2018	24.56	2.86	10.71
Q4 2018	24.65	3.72	10.24

Electricity - Europe

Unlike the natural gas market, electricity prices are only indirectly influenced by commodity super-cycles. Due to the regional nature of electricity markets prices follow mainly local drivers (i.e. energy mix of the respective country, power generation from renewables, country specific energy policies, etc.). However, unlike previous years, 2018 marked a structural change with the emergence of the carbon price as one of the major price drivers. The forward baseload power contract for the front calendar year (delivery 2019) strongly increased in all European market places throughout the year (e.g. from €40.5 to €59.1/MWh in Belgium (an increase of 46% year-to-date), from €41.75 to €58.45/MWh in France (an increase of 40% year-to-date) and from €36.7 to €52.7/MWh in Germany (an increase of 44% year-to-date). The 2018 price increase was mainly due to the overall fuel price increases, the unreliability of an aging French and Belgian nuclear fleet and a weak year in terms of renewable output.

The following table shows quarterly average spot prices of electricity in Germany, France and Belgium for the past three years:

Electricity			
Source: Thomson Reuters	Germany Baseload spot average price € per MWh	France Baseload spot average price € per MWh	Belgium Baseload spot average price € per MWh
Q1 2016	25.20	28.89	28.51
Q2 2016	24.79	25.89	27.15
Q3 2016	28.33	32.37	32.64
Q4 2016	37.56	59.92	58.18
Q1 2017	41.32	54.77	51.58
Q2 2017	29.76	33.90	35.74
Q3 2017	32.73	34.56	34.17
Q4 2017	32.49	56.19	56.47
Q1 2018	36.05	44.09	45.17
Q2 2018	36.03	36.78	44.10
Q3 2018	53.86	57.58	61.08
Q4 2018	51.89	62.47	71.01

Corporate and other information

ArcelorMittal is a public limited liability company (*société anonyme*) that was incorporated for an unlimited period under the laws of the Grand Duchy of Luxembourg on June 8, 2001. ArcelorMittal is registered at the R.C.S. Luxembourg under number B 82.454.

The mailing address and telephone number of ArcelorMittal's registered office are:

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Internet site

ArcelorMittal maintains an Internet site at www.arcelormittal.com. Information contained on or otherwise accessible through this Internet site is not a part of this annual report. All references in this annual report to this Internet site are inactive textual references to this URL and are for information only.

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, 2018 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. They are significantly affected by general economic conditions, consumption trends as well as by worldwide production capacity and fluctuations in international steel trade 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 consumers of steel. A telling example of the industry cyclicality was the sharp downturn in 2008/2009 after several strong years, which was a result of the global economic crisis.

Weakness in North American and European markets has a significant impact on ArcelorMittal's results, with these markets together accounting for over 60% of ArcelorMittal's deliveries in 2018. Historically, in 2012, the onset of the eurozone crisis caused underlying European steel demand to weaken and, coupled with significant destocking, apparent steel demand fell by over 10%. Since then, deliveries have increased in each of the past six years, rising almost 3% per annum, returning to the average demand levels seen during the period between 2000 to 2005. However, deliveries remain approximately 18% below the 2007 peak. Imports into the European Union ("EU") have also risen more strongly than demand, more than doubling since 2012 to over 31 million tonnes in 2018, meaning domestic European deliveries have lost market share, impacting the ability of ArcelorMittal to serve one of its largest markets. Underlying steel demand in North America increased strongly post-crisis, but apparent demand has been impacted by inventory movements, with high inventory levels resulting in stockists purchasing over six million fewer tonnes in 2015, as compared to 2014, as they sought to reduce inventory levels as steel prices declined. This caused a 10% decline in apparent steel demand in 2015, which negatively impacted the Company's deliveries and profitability. Apparent demand in the United States declined further in 2016 as inventories continued to decrease and demand for Oil and Country Tubular Goods ("OCTG") was still very weak. The situation has since improved, with apparent steel demand growing over 6% year-on-year in 2017, due mainly to growth in pipes and tubes, demand for which was up around 85% year-on-year compared to only 2% growth in flat and a slight decline in longs. Apparent steel demand grew again in 2018 by an estimated 2% and 3% for flat and long products respectively, while demand for pipes and tubes declined slightly. Steel prices also recovered significantly in the United States in 2018, due to the imposition of 25% Section 232 tariffs in the United States, coupled with improving capacity utilization. With the United States expected to be enjoying the longest economic expansion on record by the middle of 2019, and given the frailty of the current global economic outlook, any new economic downturn, especially one having a major negative impact on developed markets, could significantly impact ArcelorMittal's deliveries and profitability. See "Risks related to the global economy and the mining and steel industry."

Demand dynamics in China have also substantially affected the global steel business. Historically, after growing strongly since 2000, Chinese steel demand started to decline in 2015 because of weaker real estate sector construction and machinery production. This decline in domestic demand led to a surge in Chinese steel exports, which more than doubled between 2012 and 2015, increasing by over 56 million tonnes to 112 million tonnes in 2015. This increase in Chinese exports was greater than the growth in world ex-China steel demand over the same period, and had the effect of curtailing domestic production in countries outside of China. A rebound in domestic demand and the beginning of a capacity reduction plan in China in the second half of 2016 led to a decline in exports, by 14% year-on-year in the second half of 2016 and by 3% for the year as whole. While most exports were directed to Asia, and exports to the U.S. were reduced due to the impact of anti-dumping trade cases, a declining but still significant proportion were being directed toward ArcelorMittal's core European markets in 2016. In particular, Chinese exports in 2015 were being sold at prices below cost (China Iron and Steel Association (CISA) reported CISA mills losing an accumulated RMB 65 billion ($10 billion) in 2015), negatively impacting prices and therefore margins in many regions. Chinese producers continued to accumulate losses until April 2016 when domestic and export prices rose sharply as domestic demand surprised producers on the upside, increasing capacity utilization. Since the second half of 2016, not only has demand continued to grow but significant capacity has been closed, consisting of over 150 million tonnes of legal blast furnace capacity and an estimated 120 million tonnes of illegal induction furnaces. This has led to a significantly higher capacity utilization rate, despite a 40 million tonnes reduction in exports over the past few years, translating into a much improved domestic spread of steel prices over raw material costs, and therefore higher export prices. Starting in October 2017, this situation combined with environmental policies which led to temporary capacity restrictions over the winter period, and caused even higher utilization rates in China and an even higher spread of steel prices over raw materials. Although prices have since fallen back as these temporary capacity restrictions were less strictly enforced in October 2018, utilization rates remain high and the risk of a renewed flood of Chinese exports has been reduced; it currently appears likely to occur again only if Chinese capacity were to increase and/or if Chinese demand were to

weaken significantly. Excess capacity and oversupply in the steel industry and in the iron ore mining industry have in the past and may continue in the future to weigh on the profitability of steel producers, including ArcelorMittal."

Unlike many commodities, steel is not completely fungible due to wide differences in its shape, chemical composition, quality, specifications and application, all of which affect sales prices. Accordingly, there is still limited exchange trading and uniform pricing of steel, whereas there is increasing trading of steel raw materials, particularly iron ore. Commodity spot prices can vary, which causes sale prices from exports to fluctuate as a function of the worldwide balance of supply and demand at the time sales are made.

ArcelorMittal's sales are made based on shorter-term purchase orders as well as some longer-term contracts to certain industrial customers, particularly in the automotive industry. Steel price surcharges are often implemented on steel sold pursuant to long-term contracts to recover increases in input costs. However, spot market steel, iron ore and coal prices and short-term contracts are more 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 specifically the extent to which changes in raw material prices are passed through to customers 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 of 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 changes 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 and to hold back from purchasing as raw material prices decline. 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 some of ArcelorMittal's segments, in particular Europe and NAFTA, 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, decreases in steel prices may outstrip decreases in raw material costs in absolute terms, as has occurred numerous times over the past few years, for example in the second quarter of 2013 and fourth quarters of 2015, 2016 and 2018.

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. Volatility on steel margins aside, the results of the Company's mining segment (which sells externally as well as internally) are also directly impacted by iron ore prices, which decreased significantly in 2015, ending the year at $40 per tonne ("/t") and averaging only $56/t. Iron ore prices rebounded from $40/t during December 2015 to an average of $52/t in the first half of 2016, increasing to an average of $64/t during the second half of the year for a yearly average of $58/t. The upward trend continued into the first quarter of 2017 with an average of $86/t, and then fluctuated between $60-75/t during most of the following two years, leading to an annual average of $71/t in 2017 and $69/t in 2018. Despite recent iron ore price weakness, iron ore prices in January 2019 averaged $76/t, at the top of the trading range for the last two years due to the strength of Chinese steel production. If iron ore prices were to decline from these levels due (among other things) to weaker global, and especially Chinese demand, this would negatively impact ArcelorMittal's revenues and profitability. See Risks related to the global economy and the mining and steel industry—Protracted low steel and iron ore prices would likely have an adverse effect on ArcelorMittal's results of operations.

Economic environment[1]

Global GDP growth peaked at 3% in both 2017 and 2018, and is now beginning to moderate as the recovery in trade and manufacturing activity loses steam. Despite ongoing negotiations, trade tensions among major economies remain elevated. These tensions, combined with concerns about softening global growth prospects, have weighed on investor sentiment and contributed to declines in global equity prices. Borrowing costs for emerging market and developing economies ("EMDEs") have increased, in part as major advanced-economy central banks continue to withdraw policy accommodations in varying degrees. A strengthening U.S. dollar, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable countries experiencing substantial financial stress. Energy prices have fluctuated markedly, mainly due to supply factors, with sharp falls experienced towards the end of 2018.

U.S. growth in 2018 is estimated to have picked up to 2.9%, from 2.2% in 2017, mostly reflecting stronger than-expected domestic demand. Activity was bolstered by pro-cyclical fiscal stimulus and still-accommodative monetary policy. The labor market remains robust, with the unemployment rate near a 50-year low, which bolstered consumption. Labor productivity is showing signs of picking up. Nominal wage gains have been outpacing inflation, resulting in modest real wage growth. Long-term inflation expectations have edged up but remain stable. During 2018, the U.S. administration

raised tariffs on about $300 billion worth of imports, mostly from China. As a result, other countries have retaliated with tariffs on about $150 billion worth of U.S. exports. In all, new tariffs have been imposed on about 12% of U.S. goods imports and may expand further, resulting in higher prices and elevated policy uncertainty. See "Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets.

EU GDP growth slowed notably from 2.6% in 2017 to 2% in 2018. Exports have softened, reflecting the earlier appreciation of the euro and slowing external demand. Inflation remains low despite declines in unemployment. The European Central Bank has stopped adding to its balance sheet, although it is expected to maintain its negative interest rate policy until at least mid-2019. Financial system lending and profitability have continued to increase, though some EU banks may be exposed to financial stress in some EMDEs. Across the euro area, fiscal policy is expected to be mildly expansionary. Increased German expenditures are expected to lead to smaller surpluses, while deficits in France and Italy are likely to rise amid public pressures for additional spending and tax relief. Italy's borrowing costs have increased and remain volatile, reflecting uncertainties about the outlook of the country's debt load.

Growth in China is estimated to have slowed from 6.9% in 2017 to a still robust 6.6% in 2018, supported by resilient consumption, although the trend in the fourth quarter of 2018 was down further. A rebound in private fixed investment helped offset a decline in public infrastructure and other state spending. However, industrial production and export growth have decelerated, reflecting easing global manufacturing activity. Import growth continued to outpace export growth, contributing to a shrinking current account surplus. Net capital outflows have resumed, and international reserves have been edging down. Stock prices and the Renminbi have experienced continued downward pressures, and sovereign bond spreads have risen amid ongoing trade tensions and concerns about the growth outlook. New regulations on commercial bank exposures to shadow financing, together with stricter provisions for off-budget borrowing by local governments, have slowed credit growth to the non-financial sector. However, in mid- and late 2018, the Chinese authorities reiterated their intention to pursue looser macroeconomic policies to counter the potential economic impact of trade disputes with the United States. Prices of newly constructed residential buildings have rebounded, including in Tier 1 cities, following several years of correction. Consumer price inflation has generally moved up since mid-2018, partly reflecting currency depreciation and higher energy and food prices in most of last year, but it remains below target.

Growth in Brazil was lackluster in 2018 at 1.2%, reflecting the country's emergence from a severe recession, a truckers' strike mid-year and continued policy uncertainty. In Russia, growth was resilient at 1.6% in 2018, supported by private consumption and exports; however, momentum has slowed, reflecting policy uncertainty, recent oil price declines, and renewed pressures on currency and asset prices. In Turkey, growth slowed down to 2.9% (from 7.4% in 2017) due in part to substantial deterioration in foreign investor confidence. Growth in Argentina plummeted to 2.1% in 2018 (from 2.9% in 2017) following acute financial market stress that resulted in sharp currency depreciation and monetary policy tightening, which have led to Argentina being designated a hyper-inflationary economy. In South Africa, activity contracted in the first half of 2018 and, despite a recovery in the second half, growth remained subdued at 0.7% in 2018 (from 1.3% in 2017), reflecting challenges in mining production, low business confidence, and policy uncertainty.

Global apparent steel consumption ("ASC") grew further in 2018 after a robust growth in 2017, compared to growth of just over 1% in 2016. Growth in 2018 reflected increases in demand in most markets with the notable exceptions of Mexico, South Africa, South Korea, Turkey and Venezuela. Overall, 2018 global ASC is estimated to have grown over 2.8% as Chinese demand was stronger than anticipated, growing approximately 3.5%, supported by the strength of machinery output and a better than expected real estate market. Elsewhere, world-ex-China ASC grew around 2.1% year-on-year, supported by strong growth in Indian sub-continent (7.5%), Latin America (4%), ASEAN (4%), Africa (3.5%) and EU28 (3%). Further regions grew more slowly including CIS (2%) and NAFTA (1%) where growth in the U.S. of almost 2% was offset by declining demand in Mexico. Demand growth in world ex-China was impacted by a sharp decline in Turkish steel demand (a 10% decrease) due to the crisis that hit the economy during the second half of 2018 and a slight decline in developed Asia (a 0.5% decrease).

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[1] GDP and industrial production data and estimates sourced from Oxford Economics January 10, 2019.

Steel production[2]

After reaching a peak of over 1.67 billion tonnes in 2014, world crude steel production declined by 3% in 2015 to 1.62 billion tonnes as output fell in every major steel producing market, except India. In 2016 global output grew marginally as Chinese output increased by under 4 million tonnes and World ex-China growth, which had fallen by 3.6% year-on-year in 2015, rising by 0.4% in 2016 due to higher output from developing countries such as India (+7.2%), Ukraine (+5.4%) and Turkey (+5.2%), although this was partially offset by lower output from South America (-8.4%), EU28 (-2.5%) and developed Asia (-0.6%).

However, over the past two years global steel production grew strongly rising 6.3% in 2017 to 1.73 billion tonnes in line with a strengthening global economy. In 2018, despite concerns about trade protectionism, global production grew a further 4.6% to a new peak of 1.81 billion tonnes. In 2018, China accounted for 52% of global steel production, East Asia 11%, EU28 9%, NAFTA 7%, India 6%, CIS 5% and the rest of the world 9%.

Chinese steel production data over the past few years has been subject to increased uncertainty due to under-reporting and the closure of illegal induction furnaces (IF) around mid-2017. Since IF production was mostly unrecorded in the official figures, as this production is moved to mills whose production is recorded officially, official production estimates are likely stronger than the actual production output as estimated by ArcelorMittal. Although the Company believes that the 2018 official steel production in China of 928 million tonnes is broadly accurate, ArcelorMittal believes that the growth rates recorded by the World Steel Association of 7.8% in 2017 and, to a lesser extent the 6.6% growth recorded in 2018, are higher than what occurred over this period.

World ex-China steel production has risen strongly since 2016 rising 4.8% in 2017 to 859 million tonnes and a further 2.5% in 2018 to 880 million tonnes. In 2017, production was supported by double-digit growth of over 10% year-on-year in Brazil, Egypt, Turkey and Vietnam. By major regions, 2017 production grew by 1.6% year-on-year in East Asia, 3.9% in EU28, 4.6% in North America, 6.3% in India, decreased by 1.2% in CIS and increased by 13.1% in the rest of the world. In contrast, production in 2018 increased by 1.0% in East Asia, decreased 0.3% in EU28, and increased 4.1% in North America, 4.9% in India, 0.3% in CIS and 5.7% in the rest of the world. Production in East Asia has returned to historic highs as intense competition from excess capacity in China has eased, supported by steady growth in global steel demand. Production growth in EU28 has been curtailed by increased import penetration despite continued demand growth and weakness in German steel production. Stronger production growth in North America has been driven by US fiscal stimulus and supported by increasing trade protectionism, initially focused on steel imports like the Section 232 tariffs. Continued growth in Indian steel production reflects continued industrialization supporting strong domestic steel consumption growth. Weakness in CIS steel production is due to persistent weakness in Ukrainian steel production (the 2018 production of 21 million tonnes is a third below the 2011 peak of 35 million tonnes), despite historically high Russian production of nearly 72 million tonnes in 2018. After rising 13.1% to a record 37.5 million tonnes in 2017, Turkish steel production fell slightly by 0.6% in 2018 due to a balance of payment crisis caused by excessive economic policy stimulus in 2017 and triggered by diplomatic tensions with the United States.

Steel prices

Flat products

Steel prices for flat products in Europe improved during the first quarter of 2016 compared to December 2015 levels. In Northern Europe, the price for hot rolled coil ("HRC") improved in the first quarter of 2016, with a similar trend in Southern Europe. The second quarter of 2016 saw a sharp increase in international steel prices, led by China, driving an average increase of approximately €84/t quarter-on-quarter in the North and €97/t in the South. The average HRC prices for the first half of 2016 were at €371/t in Northern Europe and €351/t in Southern Europe compared to the first half of 2015, in which average HRC prices were €405/t in the North and €394/t in the South. Steel prices continued to increase in the third quarter and fourth quarter of 2016.

Steel prices for flat products in Europe were stable in Southern Europe and on a slight upward trend in Northern Europe during the first quarter of 2017 compared to December 2016. Prices of HRC increased in Northern Europe by €69/t quarter-on-quarter and in Southern Europe by €63/t quarter-on-quarter. Prices weakened in the second quarter of 2017 with an average price decline of €47/t in Europe. The average HRC prices for the first half of 2017 were at €545/t in Northern Europe and €513/t in Southern Europe compared to the first half of 2016 as described above. Prices bottomed out in July 2017, thus the downtrend reversed during August and September 2017. In the third quarter of 2017, spot HRC prices in Northern Europe remained €5/t below the second quarter 2017 average, and in Southern Europe there was an average increase of €9/t quarter-on-quarter.

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[2] Annual Global production data is for all 95 countries for which production data is published by the World Steel Association

There was little fluctuation in prices in the fourth quarter of 2017, with a quarter-on-quarter improvement of €22/t in Northern Europe and €11/t in Southern Europe. HRC prices during the second half of 2017 increased €65/t in Northern Europe and €67/t in Southern Europe compared to the second half of 2016.

In the first quarter of 2018, steel prices for flat products in Europe continued their steady upward trend which started in November 2017. HRC prices peaked towards the end of March at €574/t in Northern Europe. In Southern Europe, HRC prices increased from €519/t in January to €558/t at the beginning of March. In the second quarter of 2018, prices decreased sharply in USD terms following the international market trend. However, the depreciation of the euro against USD helped to sustain domestic HRC prices in euro terms, with a low of €561/t in Northern Europe at the beginning of June 2018, €14 below its peak in April 2018. In Southern Europe, HRC prices bottomed out at €514/t by mid-June 2018 from a peak of €544/t in April 2018. Average HRC prices were €564/t in Northern Europe and €538/t in Southern Europe for the first half of 2018, compared to €545/t in Northern Europe and €513/t in Southern Europe for the first half of 2017. The provisional safeguard measures and tariff rate quotas implemented in July 2018 did not create a tangible effect on market protection in Europe and there was very limited improvement in flat products prices during the third quarter of 2018. In Northern Europe HRC prices increased slightly in euro terms compared to the June level but only to reach a quarterly average of €566/t representing a €1/t decrease quarter-on-quarter, while in Southern Europe the price improvement averaged at €537/t representing a €7/t increase over the second quarter level. In USD terms, however, prices declined across the regions due to further euro depreciation against USD. Market seasonality, high inventory levels and imports pressured prices during the fourth quarter of 2018 and HRC prices declined in euro and USD terms both in Northern Europe by €18/t to €548/t and in Southern Europe by €38/t to €499/t compared to the third quarter 2018 average levels. Overall, the second half 2018 HRC prices averaged at €557/t in Northern Europe and at €518/t in Southern Europe, corresponding to a €30/t and €13/t year-on-year increase, respectively.

In the United States, spot HRC prices increased during the first quarter of 2016. The second quarter of 2016 had a strong start and continued to strengthen for a quarter-on-quarter improvement of approximately $184/t. The average HRC price for the first half of 2016 in the United States was $547/t as compared to an average of $541/t in the first half of 2015. The spot HRC prices in the United States started to decrease in July 2016 and continued this downward trend until October 2016. During the third quarter of 2016, the HRC price increased an average of $11/t quarter-on-quarter. The spot HRC prices in the United States reached a low at an average range of $526-552/t in October 2016, but then sharply increased toward the end of the year. In the fourth quarter of 2016, the spot HRC price in the United States decreased approximately $64/t quarter-on-quarter. The average spot HRC price in the second half of 2016 in the United States was $618/t compared to an average of $467/t in the second half of 2015.

In the United States, spot HRC prices increased during the first quarter of 2017 by an average of $106/t quarter-on-quarter. Price levels improved sharply during January, had stability during February and peaked at $725/t by end of March 2017, to reach their highest average level since September 2014. During the second quarter of 2017, HRC spot prices decreased $11/t quarter-on-quarter, with progressive declines until the first week of June 2017, but were followed by a price pickup, sustained by declining inventories and improved international market sentiment. The average HRC price in the United States during the first half of 2017 was $688/t compared to the first half of 2016 at $547/t. The HRC spot price slightly improved in July and August, and stabilized towards the end of the third quarter of 2017, increasing $4/t quarter-on-quarter. Slight declines were recorded during October, but prices picked up during November and December to reach $704/t by the end of 2017. The average prices during the fourth quarter of 2017 decreased $2/t quarter-on-quarter. Overall, in the second half of 2017 prices averaged at $686/t, representing a $68/t increase compared to the second half of 2016.

In the United States, as a consequence of the then-ongoing Section 232 national security investigation which started in April 2017 and the expectation of the imminent implementation of import tariffs on steel, spot HRC prices increased sharply during the first quarter of 2018. Before the release of the investigation report by the Department of Commerce on February 16, 2018, HRC prices reached $830/t from $723/t at the beginning of January 2018. After the release of the report that recommended tariffs in the range of 24 to 53%, prices spiked further to $936/t at the beginning of March 2018. The increase slowed down as 25% tariffs and exceptions went into effect during March 2018, closing the month at a high of $960/t. In the second quarter of 2018, HRC prices surpassed the $1,000/t level in the United States, peaking at $1,012/t by the end of June. The average HRC prices were $907/t for the first half of 2018 in the United States, as compared to $688/t for the first half of 2017, corresponding to a $219/t increase year-on-year. HRC prices hit a 10 year high of $1,014/t at the beginning of July 2018 in the United States. However, market seasonality and weakening of the international prices in the second part of the year coupled with an increase in the domestic capacity utilization rate (thus an increase in domestic supply), resulted in consistent price deterioration, with HRC prices falling to $799/t by the end of the year. Third quarter HRC prices averaged $982/t, still $2/t above the second quarter level, while average prices declined in the fourth quarter by $99/t quarter-on-quarter to

$883/t. Overall, average HRC prices for the second half of 2018 were $932/t as compared to $686/t for the second half of 2017 corresponding to a $246/t increase year-on-year.

In China, spot HRC prices increased during the first quarter of 2017, compared to the average levels of the fourth quarter of 2016, fluctuating on an upward trend until the first part of February 2017, but deteriorated afterwards, in line with raw material basket cost decline. Domestic HRC prices increased during the first quarter of 2017 by an average of $35/t quarter-on-quarter. Prices continued to slide, hitting a bottom level of $374/t, VAT excluded by mid-May, followed however by a rapid recovery to a $439/t, VAT excluded average in June, supported by a new upward trend in raw materials cost, positive market sentiment and local mill interest to ramp up production and maximize profits. HRC spot prices decreased in the second quarter of 2017 on average by $62/t quarter-on-quarter. In the first half 2017, HRC domestic prices in China averaged $427/t, VAT excluded, compared to $317/t, VAT excluded, during the first half of 2016. HRC spot prices in China continued their steady increase in the beginning of September and increased for the third quarter of 2017 by $113/t quarter-on-quarter. The price increases slowed down during the fourth quarter of 2017 with an increase of $29/t quarter-on-quarter. HRC spot prices in China averaged $523/t, VAT excluded in the second half of 2017, an increase of $138/t, VAT excluded from the second half of 2016.

In China, spot HRC prices fluctuated during the first quarter of 2018, peaking at $562/t VAT excluded at the end of February, followed by a sharp decline due to weak demand and high inventories. HRC prices bottomed out at the end of March at $507/t VAT excluded. Production cuts in several regions and mill inspections to ensure compliance with pollution emission standards impacted supply during the second quarter of 2018. These measures supported HRC prices in China, which increased from $524/t VAT excluded at the beginning of April to a high of $581/t VAT excluded by mid-June. However, due to improvements in production levels and seasonal weak demand, HRC prices declined at the end of the month. HRC domestic prices averaged $555/t VAT excluded for the first half of 2018 in China, as compared to $427/t VAT excluded for the first half of 2017.

Despite the implementation of tough environmental controls and positive fiscal policies to expand domestic demand, production continued to increase, sustained by attractive margins, while consumption remained flat during the second half of 2018. This resulted in further pressure on HRC prices in China, which declined by $15/t (during the third quarter 2018) as compared to the second quarter average level to $546/t VAT excluded and by an additional $58/t to $488/t VAT excluded during the fourth quarter of 2018.

HRC domestic prices averaged $517/t VAT excluded in China for the second half of 2018, representing a $7/t decline as compared to $524/t VAT excluded for the second half of 2017.

The following table presents the spot HRC average price range per tonne in Northern and Southern Europe, the United States and China on a quarterly basis from 2016 to 2018.

Flat products				
	Northern Europe	Southern Europe	United States	China
Source: Steel Business Briefing (SBB)	Spot HRC average price per tonne	Spot HRC average price per tonne	Spot HRC average price per tonne	Spot HRC average price per tonne, VAT excluded
Q1 2016	€329	€303	$456	$282
Q2 2016	€413	€400	$639	$353
Q3 2016	€426	€402	$650	$348
Q4 2016	€498	€474	$586	$423
Q1 2017	€569	€537	$694	$458
Q2 2017	€521	€491	$682	$396
Q3 2017	€517	€500	$687	$509
Q4 2017	€538	€510	$685	$538
Q1 2018	€561	€545	$834	$549
Q2 2018	€567	€530	$980	$561
Q3 2018	€566	€537	$982	$546
Q4 2018	€548	€499	$883	$488

Long products

During the first quarter of 2016, long steel products saw a quarter-on-quarter price decline in Europe for both medium sections and rebar. This downward trend reversed during the second quarter of 2016. The average medium sections price for the first half of 2016 in Europe was €481/t compared to €521/t for the first half of 2015. The average rebar price in Europe for the first half of 2016 was €404/t compared to €420/t for the first half of 2015. Long steel product prices weakened again during the third quarter of 2016 for both medium sections and rebar. Prices reached a low in October 2016, and started recovering through year end, reaching an average of €511/t and €454/t in December 2016 for medium sections and rebar, respectively, although the quarterly average prices remained down quarter-on-quarter. The average medium sections price in Europe for the second half of 2016 was €499/t as compared to €498/t for the second half of 2015. The average rebar price in Europe for the second half of 2016 was €432/t as compared to €389/t for the second half of 2015.

Long steel product prices increased in Europe in the beginning of the first quarter of 2017, followed by a decline in mid-February, but with a recovery by the end of March. Prices then weakened during the second quarter of 2017 for both medium sections and rebars, but seemed to bottom out by the end of June with a quarter on quarter decline of €15/t

and €22/t, respectively. The average price for medium sections in Europe during the first half of 2017 was €508/t compared to €481/t in the first half of 2016. The average rebar price in Europe during the first half of 2017 was €452/t compared to €404/t in the first half of 2016. Prices for long steel products were on a steady upward trend toward the end of the year. Medium sections prices increased €29/t quarter-on-quarter, while rebar prices increased €28/t quarter-on-quarter. During the fourth quarter of 2017, medium sections prices further increased €58/t quarter-on-quarter, while rebar prices increased €84/t quarter-on-quarter. The average medium sections price in Europe for the second half of 2017 was €557/t as compared to €499/t for the second half of 2016. The average rebar price in Europe for the second half of 2017 was €517/t as compared to €432/t for the second half of 2016.

Long steel product prices remained relatively stable in Europe in euro terms at the beginning of 2018 compared to the peak level in December 2017, but continued their upward trend in USD terms as the euro strengthened. Prices weakened from mid-February and towards the end of the first quarter 2018 with inventories reaching comfortable levels and a cautious market following the volatility in raw material costs. Medium sections prices declined from €625/t in January to €600/t by the end of March. Similarly, rebar prices declined from €568/t in January to €553/t in March. Prices remained stable again during April 2018 but followed a downward trend until mid-June when medium sections bottomed out at €585/t and rebar at €528/t. Average medium sections prices were €603/t in Europe for the first half of 2018 as compared to an average of €508/t for the first half of 2017. Average rebar prices were €552/t in Europe for the first half of 2018 as compared to €452/t for the first half of 2017. Good market sentiment and strong demand supported an improvement of long product prices during the third quarter of 2018, with medium sections reaching €620/t and rebars €560/t by September corresponding to a €35/t and €32/t increase, respectively, as compared to the bottom level in June, and representing a quarter-on-quarter average improvement of €20/t for medium sections and €6 for rebars. Prices remained relatively stable during the fourth quarter of 2018 as compared to the levels at the end of September despite some weakening in rebars with a quarterly average of €538/t representing a €13/t decrease quarter-on-quarter. The average medium sections prices were €618/t in Europe for the second half of 2018 as compared to €557/t for the second half of 2017. The average rebar prices were €545/t in Europe for the second half of 2018 as compared to €517/t for the second half of 2017.

With respect to scrap prices, in Turkey, even though the average first quarter 2016 price of imported scrap HMS 1&2 at $194/t CFR showed a small improvement of about $6/t against the average of the fourth quarter 2015, the average price of March 2016 at $218/t CFR represented a month-on-month increase of about $40/t. The Turkish rebar export price followed a similar trend. The March 2016 export price of Turkish rebar increased $44/t month-on-month. This upward trend continued during the first two months of the second quarter of 2016 with the export rebar price from Turkey reaching an average range of $451-457/t FOB in April, and $472-479/t FOB in May. In June 2016, rebar prices reduced to an average range of $395-403/t FOB Turkey. The average rebar export price from Turkey in the first half of 2016 was $388/t FOB compared to the first half of 2015, which was at $451/t FOB. The third quarter of 2016 average export price for Turkish rebar decreased followed by improvements in the fourth quarter. The average rebar export price for the second half of 2016 from Turkey was $394/t FOB as compared to $361/t FOB for the second half of 2015.

In the first quarter of 2017, imported scrap HMS 1&2 in Turkey improved by $18/t compared to the fourth quarter of 2016 average of $275/t CFR. Rebar export prices followed closely the evolution of Turkey imported Scrap HMS 1&2, declining in the beginning of 2017 from $430/t FOB in December 2016 to close to an average of $390/t FOB by the end of January 2017, and continued fluctuating towards the end of March 2017. However, Turkish rebar export prices increased during the first quarter of 2017 by $14/t quarter-on quarter. The price fluctuation continued during the second quarter of 2017, but with an uptick towards the end of June with an overall increase of $4/t over the previous quarter. The average price in the first half of 2017 for rebar exported from Turkey was $425/t FOB compared to $388/t FOB in the first half of 2016. From July through the end of 2017, the Turkey rebar FOB price has been fluctuating on an upward trend, closely following HMS 1&2 Turkey CFR price evolution. After hitting a three-year high of $550/t FOB in the beginning of September 2017, rebar prices declined to $508/t FOB by October. This drove an increase in the average price range during the third quarter of 2017 by $80/t quarter-on-quarter. Toward the end of 2017, the Turkey rebar FOB export price reached $570/t, and further improved the quarterly average price by $20/t for the fourth quarter of 2017. The average Turkey rebar export price was $517/t FOB in the second half of 2017, an increase of $123/t compared to $394/t FOB for the second half of 2016.

In the first quarter of 2018, the price of imported scrap HMS 1&2 in Turkey improved by $40/t to an average level of $363/t CFR as compared to the fourth quarter of 2017. Rebar export prices followed closely the evolution of Turkey imported scrap HMS 1&2, declining from $573/t FOB at the beginning of January to $555/t FOB by the end of the month. Rebar export prices then increased to a peak of $590/t FOB by the end of February followed by a downward trend reaching $568/t FOB at the end of March. During the second quarter of 2018, the Turkish export rebar price continued to follow a downward trend alongside the scrap

HMS 1&2 index, ranging between $565/t FOB at the beginning of April to $540/t FOB at the end of May. The average Turkish export rebar price for the first half of 2018 was $562/t FOB, as compared to $425/t FOB for the first half of 2017. With US and European markets blocked for Turkish exporters due to EU safeguard measures and doubling of the Section 232 import tariffs into the U.S., Turkish producers faced increased competition on alternative markets resulting in further pressure on export rebar prices during the first part of the third quarter. Prices seemed to bottom out mid-August at $523/t; however they continued to deteriorate during October to a $500/t level. After a small uptick in November supported by an improvement in scrap prices as well as a strengthening of the Turkish Lira, Turkish export rebar prices dropped by the end of the fourth quarter of 2018 to $455/t, the lowest level since July 2017.

The average Turkish export rebar price for the second half of 2018 was $507/t FOB, as compared to $518/t FOB for the second half of 2017.

Long products			
	Europe medium sections	Europe rebar	Turkish rebar
Source: Steel Business Briefing (SBB)	Spot average price per tonne	Spot average price per tonne	Spot FOB average price per tonne
Q1 2016	€454	€355	$335
Q2 2016	€509	€453	$442
Q3 2016	€511	€440	$379
Q4 2016	€488	€424	$409
Q1 2017	€515	€463	$424
Q2 2017	€501	€441	$427
Q3 2017	€530	€469	$507
Q4 2017	€587	€553	$527
Q1 2018	€614	€558	$572
Q2 2018	€591	€545	$552
Q3 2018	€611	€551	$524
Q4 2018	€626	€538	$490

Current and anticipated trends in steel production and prices

In China, in 2018, ArcelorMittal believes steel production grew approximately 2.5% (despite the 6.6% increase in official figures - see discussion in "—Steel production" above) as demand grew over 3%, yet exports declined by 8%. However, the Company expects production to be stable to slightly down in 2019 as domestic demand contracts around 1% offset by marginally higher exports. The Chinese HRC spread (difference between raw material costs and finished steel prices) in 2017 increased from approximately $150/t in the first half of 2017 to $250/t in the second half supported by an elevated crude steel utilization rate mainly due to a structural steel capacity cut and the winter heating season policy, which temporarily restricted steel supply. The high Chinese HRC spread was sustained at around $255/t in the first quarter of 2018 and increased to approximately $280/t by the middle of the year supported by an elevated crude steel utilization rate as demand was strong but capacity constrained. The spread fell from October until the end of the year to the level of $190-$195/t due to a lower winter capacity constraint compared to last year and negative sentiment on demand. The low spread has continued into the beginning of 2019, but is expected to pick up from March/April when the demand as well as positive sentiment comes back to the market.

Led by a significant increase in pipe and tube demand, U.S. ASC increased around 6% in 2017, which combined with imports relatively stable at a high level, allowed domestic production to increase as some capacity came back online. ASC increased again in 2018 by almost 2%, and with imports falling by around 10% due to the impact of the 25% Section 232 tariffs, production increased by 6.2%. The Company anticipates a small (1 to 2%) further increase in steel demand in 2019, but with imports continuing to be capped by tariffs, steel production is expected to grow at a slightly stronger rate than demand. In the EU, steel demand continues to grow slowly but imports have taken a larger share of demand over the past couple of years. While European mills output improved in 2017, crude steel output was at best only stable in 2018 (decreasing by 0.4% year-on-year) despite a 3% growth in ASC, as imports (especially longs) continued to take market share, growing over 10% year-on-year. In 2019, the Company expects much slower growth in steel consumption, which is why the safeguards measures on steel trade are important to enable European mills to benefit from any improvement in demand.

Overall, ArcelorMittal expects world ex-China ASC to grow again in 2019 due to strong demand growth in South American and developing Asian markets and the waning negative impact of declining Turkish steel demand, despite slightly slower growth in developed markets. Continued capacity restraint and relatively stable production in China, together with continued growth in demand in world ex-China should lead to a gradual improvement in utilization and support the spread of steel prices over raw material costs.

Raw materials

The primary raw material inputs for a steelmaker are iron ore, coking coal, 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.

Throughout 2016, raw material prices became increasingly volatile and impacted by short-term changes in sentiment, mainly related to Chinese market demand sentiment for crude steel and how the government might deal with excess steelmaking capacity. Iron ore and coking coal prices increased by 5.1% and 58.2% year-on-year respectively in 2016 (Metal Bulletin 2016 vs. 2015). The increase in the average reference iron ore and hard coking coal price continued in 2017 due to the impact of induction furnaces capacities closures since 2016. In 2017, iron ore and coking coal prices increased by 22.3% and 31.5% year-on-year respectively (Metal Bulletin 2017 vs. 2016). In 2018, strong steel production in China amid its fight against air pollution and overcapacity kept iron ore and coking coal prices at elevated levels and boosted prices for high-grade qualities as steel mills chased productivity. Though prices for the most common qualities of iron ore decreased 2.2% year-on-year in 2018, the high-grade qualities of iron ore posted a price increase on an annual basis. Coking coal prices increased 10.3% compared to 2017 (Metal Bulletin 2018 vs. 2017).

As for pricing mechanisms, since 2012, quarterly and monthly pricing systems have been the main type of contract pricing mechanisms, but spot purchases also appear to have gained a greater share as steelmakers have developed strategies to benefit from increasing spot market liquidity and volatility. In 2016, 2017 and 2018, the trend for using shorter-term pricing cycles continued. Pricing is generally linked to market price indexes and uses a variety of mechanisms, including current spot prices and average prices over specified periods. Therefore, there may not be a direct correlation between market reference prices and actual selling prices in various regions at a given time.

Iron ore

After reaching $39.50/t (delivered to China Metal Bulletin Index 62% Fe) on January 13, 2016 and averaging $48.70/t for first quarter of 2016, iron ore market reference prices reached a low during the first quarter of 2016. During the second quarter of 2016, the average price was $55.50/t and the period was marked by high volatility, with a peak at $70.50/t on April 21, 2016 and a low of $48.18/t on June 2, 2016. For the third quarter of 2016, the average was $58.40/t with a slight downward trend throughout September. During the fourth quarter of 2016, it increased from a minimum of $55.86/t on October 4, 2016 and reached a maximum of $83.58/t on December 12, 2016, the average for the fourth quarter was of $70.50/t and was marked by high volatility and bullish market sentiment driven by higher steel prices as well as closure announcements by the Chinese authorities in steelmaking based on obsolete induction furnaces using mostly scrap as raw materials.

Iron ore prices recovered to $85.60/t in the first quarter of 2017 following strong demand for steel after the Chinese New Year. The average price for the second quarter of 2017 decreased to $62.90/t; this downward trend was influenced by increased inventory levels at Chinese ports. In the third quarter of 2017, the average price increased to $71.20/t driven by bullish sentiment in the steel market reflected in strong steel PMIs (Purchasing Manager Index) for China. During the fourth quarter of 2017, the price varied from a minimum of $58.52/t on October 31, 2017 and a maximum of $76.36/t December 22, 2017, with the average for the fourth quarter at $65.50/t. The quarter was marked by high volatility driven by environmental regulation announcements by the Chinese authorities to constrain emissions and steel production during the 2017-2018 winter period.

In the first quarter of 2018 iron ore prices recovered at $74.39/t, up 13.6% compared to the fourth quarter of 2017. However, great price disparities were observed. Seaborne iron ore demand was hit by a persistent weakness in downstream steel demand, the trade war developing between China and the U.S. and the extension of winter restrictions in China beyond March 15, 2018 all of which had a significant impact. In March, prices plummeted from the highest quarter price of $79.39/t in the beginning of the month to $64.99/t at the end of the month (Metal Bulletin 2017 & 2018). In the second quarter of 2018, prices decreased and remained stable at an average $65.30/t despite strong steel demand over the period. China iron ore port stocks remained high and concentrate production sharply decreased year-over-year as a result of mine inspections. However, steel PMI remained in expansion at 51.6 points in June. In the third quarter, prices were fairly stable, averaging $66.8/t. Low prices on the seaborne market found support in the fear of an intensification of the trade war between China and the U.S., depreciation of the Chinese currency, low future prices and environmental restriction in China. The last quarter of 2018 saw the iron ore price jumping and averaging $71.6/t. It reached $76.75/t on November 12, 2018 amid strong steel margins depleting stocks at Chinese ports and restocking demand in China before the start of the winter period. Also, the derailment of a BHP train carrying iron ore in Australia in the beginning of

November provided some short-term support to the iron ore price that boosted the November average. However, prices dropped at the end of November, and in the beginning of December, mills corrected for weak off-season demand and reduced steel margins due to less stringent winter restrictions, which led to prices at the end of 2018 at $72.70/t.

Coking coal

In 2016, the spot price (Metal Bulletin Premium Hard Coking Coal FOB Australia index) traded on average at $78.90/t in the first quarter with the market contract price (price settled between major steel producers and suppliers) settling at $81/t for the same quarter; then the second quarter of 2016 had a contract settlement fixed at $84/t with the spot average for that quarter at $90.40/t while the third quarter had a market contract price settled at $92.50/t and the spot index traded between $90.20/t and $94.80/t for the first 15 days but averaged $131.50/t for the third quarter. During the fourth quarter of 2016, the spot price reached a maximum of $308.80/t on November 11, 2016 and decreased through the closing of the year to $231/t on December 30, 2016. The average spot price for the fourth quarter of 2016 was $265.80/t with quarterly market contract prices settled at $200/t. The highly volatile spot index over the second half of 2016 was influenced by the Chinese domestic supply reduction (originating from weather/logistic issues combined with regulations issued by the Chinese government on lower mining working days, from an annual rate of 330 days per year to a lower rate at 276 days, with temporary relief as described above) as well as several maintenance and mining operational issues in Australian coking coal mines during that period. Consequently, the premium HCC FOB Australia quarterly market contract price was settled at $200/t for the fourth quarter of 2016 and at $285/t for the first quarter of 2017.

In the first quarter of 2017, the spot prices (Metal Bulletin Premium Hard Coking Coal FOB Australia index) sharply dropped from $266.50/t in December 2016 (monthly average) to $155.20/t in March 2017 (monthly average) with the average spot price for the first quarter at $166.80/t. The temporary relief of the Chinese working days restriction and fully recovered supply from Australia, as well as expected additional seaborne supply from North America allowed such a sharp drop in prices by the end of the first quarter of 2017. At the beginning of the second quarter of 2017, the cyclone Debbie that unexpectedly hit Australia caused supply disruptions and spot prices spiked. The upward trend of April up to $300/t on April 18, 2017 and a monthly average of $257.80/t was followed by the downward trend in May and June as the Australia mining-rail-port system recovered earlier than expected from the cyclone disruption. The spot price decreased through the second quarter to $175/t in May (monthly average) and $145/t in June 2017 (monthly average), leading to an average spot price for the second quarter of 2017 of $190.60/t.

For the second quarter of 2017, a new index-based methodology was adopted for the premium HCC FOB Australia quarterly contract price between some Japanese steel makers and Australian HCC suppliers. In the third quarter of 2017, the average spot price (Metal Bulletin Premium Hard Coking Coal FOB Australia index) increased to $188.30/t driven by bullish sentiment in the steel market and strong steel PMIs for China. In the fourth quarter, supported by the port congestion in Australia, the price further increased to $203.50/t.

Coking coal prices entered 2018 as a bullish market with record high vessel queues at a key port in Queensland, Australia and Chinese restocking demand high ahead of the Chinese New Year holiday. The spot prices (Metal Bulletin Premium Hard Coking Coal FOB Australia index) averaged $228/t in the first quarter of 2018 increasing 36.8% year-on-year and 12.2% as compared to the fourth quarter of 2017. The elevated prices were then corrected in the second quarter and reached $189/t (quarterly average) due to the extension of Chinese winter restrictions until April and delayed increase of steel demand in China. However, the downward movement was limited by a continued threat of supply disruptions due to Aurizon's announced change in the maintenance plan at its rail system in Australia, and safety check at Chinese mines. The price also found support from Chinese coke prices as domestic coke producers faced environmental crackdowns. In the third quarter, coking coal prices averaged $184/t and $183/t in July and August respectively with no major supply disruption and less demand during Indian monsoon season. The prices rose again in September to $198/t with demand from strong steel production in China amid healthy margins and tight supply of low-Sulphur coking coal in the Chinese domestic market. Prices kept on increasing in the last quarter on the back of strong steel production and threat of supply issues from scheduled maintenance at key Australian ports which increased port queues again to the record levels seen at the end of 2017. The bullish sentiment found support from the breakout of a fire at one Australian mine, rendering it idle for at least six months. The coking coal spot prices increased to a quarterly average of $221/t in the fourth quarter of 2018.

ArcelorMittal has continued to leverage its iron ore and coking coal supply chain and diversified supply portfolio as well as the flexibility provided by contractual terms to mitigate regional supply disruptions and also mitigate part of the market price volatility.

	Iron ore	Coking coal
Source: Metal Bulletin	average price per tonne (Delivered to China, Metal Bulletin index, 62% Fe)	average price per tonne (Premium Hard Coking Coal FOB Australia index)
Q1 2016	48.6	79
Q2 2016	55.5	90
Q3 2016	58.3	131
Q4 2016	70.5	266
Q1 2017	85.6	167
Q2 2017	62.9	191
Q3 2017	71.2	188
Q4 2017	65.5	203
Q1 2018	74.4	228
Q2 2018	65.5	189
Q3 2018	66.9	188
Q4 2018	71.5	221

Scrap

Both Eurofer and German Wirtschaftsvereinigung (“WV”) indexes were discontinued as of January 1, 2016. The German suppliers’ index (“BDSV”) is now used and converted into Delivered at Place (“DAP”), in order to be comparable with historical figures.

During 2018, the German suppliers' index “BDSV” for reference grade E3 was quite stable starting in January 2018 at €290.58/t and reached a yearly maximum of €293.98/t in March 2018. The index dropped continuously until December 2018 down to €279.99/t as Turkey’s requirements for EU scrap decreased at the end of 2018. HMS 1&2 North Europe followed a similar trend starting in January 2018 at €294/t and reached a yearly high of €297/t in March 2018. Unlike the German BDSV index, there were up and down movements from April throughout the rest of the year but the general trend remained down and the HMS 1&2 North Europe ended the year at €238/t in December 2018. European scrap price parity with exports continues. The European E3 price moved following HMS and exchange rate fluctuation. The European E3 price was $4/t below, $4/t above, $8/t above and $8/t below HMS in the first, second, third and fourth quarter of 2018, respectively, but the European E3 price and HMS were at the same average levels in 2018.

Turkey remained the main scrap buying country in the international market in 2018, with approximately 69% of its steel production based on the EAF process, with the other 31% through the blast furnace route, similar to its production in 2017. In 2016, the percentage of Turkey’s steel production through the EAF process and blast furnaces was 66% and 34% respectively. Steel production in Turkey stagnated in 2018 at the same level as 2017 after a 15% increase in 2017 as compared to 2016 and a 5.2% increase in 2016 as compared to 2015. There was a significant reduction of imported billets, which dropped by 46% in 2018 as compared to 2017, following a 50.1% decrease in 2017 as compared to 2016 and a 1.4% increase in 2016 as compared to 2015. As Turkish scrap import volumes increased in 2018 as compared to 2017 at 21 million tonnes, the decrease in billet imports was compensated by local scrap which increased by 7% year-on-year. In 2017, scrap imports into Turkey increased by 19% compared to 2016, with scrap imports totaling 17.7 million tonnes representing an 8.6% increase as compared to the same period in 2015.

In the domestic US market, average scrap prices increased by 20% or $53/t in 2018 as compared to a $61/t increase in 2017, which represented a 29% increase as compared to 2016. The Midwest Index for HMS 1 increased from an average of 208$/t in 2016 to $269/t in 2017 and $322/t in 2018. On the export market, East Coast FOB average prices increased by $40/t from $280/t in 2017 to $320/t in 2018.

Ferro alloys and base metals

Ferro alloys

The underlying price driver for manganese alloys is the price of manganese ore which was at the level of $7.16 per dry metric tonne unit (“dmt”) (for 44% lump ore) on Cost, Insurance and Freight (“CIF”) China for 2018, representing a 20% increase from $5.97/dmt in 2017 ($4.30/dmt in 2016) mainly due to sustained demand of manganese ore from China, reflecting appetite showed by manganese alloys producers.

The prices of high carbon ferro manganese decreased by 7% from $1,428/t in 2017 to $1,330/t in 2018 ($960/t in 2016). Prices of silicon manganese decreased by 8% from $1,343/t in 2017 to $1,235/t in 2018 ($992/t for 2016). Finally, prices for medium carbon ferro manganese stagnated (+1%) in 2018 at $1,930/t as compared to $1,910/t in 2017 ($1,376/t for 2016).

Base metals

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

The average price of zinc for 2018 was $2,926/t, representing a 1% increase as compared to the 2017 average of $2,896/t (the 2016 average was $2,095/t). Stocks registered at the London Metal Exchange (“LME”) warehouses stood at 129,325 tonnes as of December 31, 2018, representing a 29% decrease compared to December

31, 2017 when registered stocks stood at 182,050 tonnes (427,850 tonnes in 2016).

The average price of tin for 2018 was $20,167/t, slightly above the 2017 average of $20,098/t (the 2016 average was $18,006/t).

The average price of aluminum for 2018 was $2,110/t, representing a 7% increase compared to the 2017 average of $1,968/t (the 2016 average was $1,605/t).

The average price of nickel for 2018 was $13,118/t, representing an 26% increase compared to the 2017 average of $10,407/t (the 2016 average was $9,609/t).

Ocean freight[3]

Ocean freight prices increased in 2018 compared to 2017 primarily due to a lack of dry bulk net fleet growth and a flat demand trend, after increasing in 2017 as well. The Baltic Dry Index ("BDI") averaged 1,352 points against 1,145 points in 2017, an 18% increase year-on-year. The Capesize index increased by 9% year-on-year to average 16,529$/day against 15,129$/day in 2017 (7,388$/day in 2016). Meanwhile the Panamax index increased by 19% to average 11,654$/day against 9,766$/day in 2017 (5,562$/day in 2016). Dry bulk fleet growth has been slow because of a lack of deliveries which was due to vessels not being contracted in the low market of 2016. In 2018, new build deliveries reached the lowest rate of deliveries in the last 10 years, which helped to restrict supply. Due to the market being stronger than in previous years, demolition of ships reduced. Net fleet growth was 2.8% in 2018 compared to 2.9% in 2017. Demand of dry cargo was flat in 2018 affected by global political instability and disruptions. The U.S.-China trade tensions created uncertainty in the market while logistical disruptions (like BHP's train derailment in Australia and leaks in Anglo American's Minas Rio pipeline) constricted the supply of cargo in the second half of the year. Chinese imports were down year-on-year for the first time in 7 years. Chinese coal imports were positive in the first half of 2018 but saw a downturn in the second half as the Chinese government's policy preferred domestic production over imports. Year-on-year dry bulk trade growth was 2.3% in 2018 as compared to 4.1% in 2017.

The industry is preparing for the new sulphur cap on marine fuels set by the International Maritime Organization that will apply from 2020 onwards. Ship owners need to decide whether to install air pollution control devices known as scrubbers which will allow owners to continue using dirty marine fuel or waive the installation and use the more expensive cleaner marine fuel oil. This will have an impact on supply and potentially pricing (as shipowners attempt to pass on the increased costs) dynamics from 2019 onwards.

Impact of exchange rate movements

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. 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 having a negative impact on the Company's operating margins, unless the Company is able to pass along the higher cost in the form of higher selling prices. 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 2016, the outcome of the Brexit referendum triggered a move toward safety trades that prompted U.S. dollar strength, supporting the trend towards lower interest rates in the G10 countries. This climate was confirmed later with the U.S. presidential campaign; however, a sharp reversal of market sentiment followed Donald Trump's election, triggered by the expectation of an ambitious fiscal and investment program. As a consequence, the euro depreciated against the U.S. dollar to 1.0541 at the end of 2016 from 1.0898 at the start of the year, further driven by the reduction of the monthly asset purchase program from the European Central Bank.

In 2017, the fluctuations on the foreign exchange markets were broadly driven by the activity of central banks that started to reduce their accommodative monetary policies, including the U.S. Federal Reserve (the "Federal Reserve"), which increased rates three times during the year. The less accommodative policies adopted by the European Central Bank ("ECB"), Bank of Canada ("BoC") and Bank of England ("BoE") were already anticipated by the markets and their respective currencies strengthened even before the banks' monetary decisions. The euro strengthened significantly against the U.S. dollar, from 1.0541 at the beginning of 2017 to 1.1993 at the end of the year.

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[3] Sources: ACM Braemar, Baltic Index, Clarksons Platou

In 2018, the Company designated a portfolio of euro denominated debt (€5.2 billion as of December 31, 2018) as a hedge of certain euro denominated investments (€7.8 billion as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries net assets. The risk arises from the fluctuation in spot exchange rates between EUR/USD, which causes the amount of the net investments to vary. See also note 6.3 to the consolidated financial statements. As a result of the hedge designation, foreign exchange gains and losses related to the portfolio of euro denominated debt are recognized in other comprehensive income.

As of December 31, 2018, the Company is mainly subject to foreign exchange exposure relating to the euro, Brazilian real, Canadian dollar, Indian rupee, Kazakhstani tenge, South African rand, Mexican peso, Polish zloty, Argentine peso and Ukrainian hryvnia against the U.S. dollar resulting from its trade payables and receivables.

In 2018, the protectionism of the U.S. administration in its trade policies and the monetary policy divergence between the United States and G10 countries led to the global appreciation of the U.S. dollar**.** While the Federal Reserve increased rates from 2.25% to 3.00% in 2018, the ECB announced the end of its quantitative easing program and kept rates on hold. Therefore, the euro depreciated from 1.19 at the start of 2018 to 1.14 at the end of the year.

Elsewhere in Europe, the Czech central bank’s rate increase failed to support the Czech koruna in 2018. The Czech central bank was forced to tighten its policy at a faster pace to offset the loosening effect stemming from the Czech koruna's weakness. The Czech koruna weakened from 21.29 against the U.S. dollar on December 31, 2017 to 22.47 on December 31, 2018. In Poland, the national central bank maintained the reference rate unchanged at a record-low level of 1.50%, even though some members of the current monetary policy council voted for a rate increase at the November meeting for the first time since 2015. The Polish zloty weakened against the U.S. dollar at the end of 2018 to 3.76 compared to 3.48 at the beginning of the year.

In Ukraine, contrary to most other emerging markets currencies, the Ukrainian hryvnia appreciated by 6% against the U.S. dollar during the first half of 2018. As the economy did not show any signs of real improvement, this appreciation was probably the result of certain speculative flows. The second half of the year was marked by a tense geopolitical environment and domestic politics. As a consequence, the hryvnia erased the appreciation of the first half of the year and ended 2018 at 27.69 against the U.S. dollar.

In Kazakhstan, after a strong start of the year due to an increase in oil output with the launch of the Kashagan field, the expansion lost steam on slowing growth and trade disputes with Russia. The tenge came under renewed depreciation pressure, preventing inflation from slowing and prompting the national central bank to keep interest rates on hold. The tenge depreciated against the U.S. dollar and reached its weakest level in December 2018 at 384.17.

In India, the balance of payments deficit weighed on the Indian rupee, which depreciated by 15% versus the U.S. dollar from January 2018 to October 2018. However, the decrease in oil prices since October 2018 was particularly beneficial for India's external finances. The Indian rupee weakened against the U.S. dollar from 63.87 at the start of the year to 69.63 in December 2018. In October 2018, the Company entered into hedging programs including non deliverable forwards and non deliverable options for a total nominal amount of $5.9 billion in order to hedge the volatility between Indian Rupee and U.S. dollar in relation to the proposed acquisition of ESIL.See note 6.3 to the consolidated financial statements for further information.

South Africa exited its first half 2018 recession in the third quarter, expanding at an annualized pace of 2.2% quarter on quarter. Strong improvements in manufacturing, agriculture and services were partly offset by weakness in mining. In response to flagging growth, the government announced an economic recovery and stimulus plan in September 2018. Key proposals included visa reform to boost tourism and high-skilled immigration, implementing the mining charter, a new infrastructure fund, telecoms reform, and reviewing administered prices. The South African rand depreciated from 12.40 against the U.S. dollar at the beginning of the year to 14.43 in December 2018.

In North America, another trade battle took place as the United States, Canada and Mexico tried to reshape the North American Free Trade Agreement. The Canadian dollar and the Mexican peso were first weighed down by negative headlines regarding the negotiations and then supported by news suggesting that an agreement could be achieved. The U.S.-Mexico-Canada trade agreement (“USMCA”) was announced on October 1, 2018. Despite the announcement of this trade agreement, the Canadian dollar finally weakened against the U.S. dollar in the context of lower oil prices and risk aversion from 1.2540 in December 2017 to 1.3629 at the end of 2018. In Mexico, the appreciation of the Mexican peso following the announcement of the USMCA was softened by the new government's decision to cancel the Mexico City airport project at Texcoco. The Mexican peso ended 2018 at 19.64 against the U.S. dollar, only 0.6% below its level at the beginning of the year.

In Brazil**,** the real depreciated from 3.31 to 4.17 against the U.S dollar between January and August 2018, in line with fluctuations of other emerging markets currencies. Optimism rose following the election of Jair Bolsonaro. The new president organized an economic cabinet with the nomination of Finance Minister Paulo Guedes. The Brazilian real strengthened and reached 3.87 in December 2018.

In Argentina, the Argentinian peso was subject to a very strong depreciation during the third quarter of 2018 versus the U.S dollar. When President Macri asked the IMF to speed up payments, the Argentinian peso lost more than 36% of its value. In a chain reaction, inflation has increased significantly since early 2018 and the three-year cumulative inflation rate has exceeded 100%. Argentina is now considered as a hyperinflationary economy. Inflation slowly decreased at the end of 2018; however, the current situation in addition to the 2019 general election have led to high volatility of the Argentinian currency. Starting at 18.65 against the U.S. dollar at the beginning of 2018, the Argentinian peso finished the year at 37.70. See note 2.2.2 to the consolidated financial statements for further information.

On February 17, 2016, the Venezuelan government devalued its currency by changing the official rate of the bolivar fuerte from 6.3 to 10 per U.S. dollar. It also announced the elimination of the SICAD rate and starting February 18, 2016, the SIMADI rate (renamed DICOM) was allowed to float freely at a rate of approximately 203 bolivar fuerte per U.S. dollar. The DICOM rate was originally set at 206 bolivars per U.S. dollar on March 10, 2016, before falling to 674 bolivars per U.S. dollar at December 31, 2016. The DICOM rate continued to weaken during 2017 to 3,345 bolivars per U.S. dollar on August 31, 2017, when the Venezuelan government temporarily suspended the sale of U.S. dollars through its DICOM auction system. Effective January 30, 2018, the Venezuelan government eliminated the DIPRO rate and reopened the DICOM auction system auction on February 5, 2018 at the new DICOM rate of 30,987 bolivars per euro (25,000 bolivars per U.S. dollar). DICOM is now the country's only official exchange rate. On August 20, 2018, the bolivar soberano ("VES") replaced the bolivar fuerte ("VEF") at a rate of 1 VES to 100,000 VEF. The VES continued to weaken and reached 638.16 against the U.S. dollar on December 31, 2018. See note 2.2.2 to the consolidated financial statements for further information.

Trade and import competition

Europe[4]

A slowdown in global steel consumption coupled with excess capacity in China led to increased finished steel shipments into Europe in 2015, with import penetration rising to over 16% in 2018. Since then Chinese imports into Europe have fallen back from a peak of 7 million tonnes in 2015 to around 3 million tonnes in 2018. However, this has been more than offset by an increase in imports from Turkey (up from 2 million tonnes in 2015 to 7 million tonnes in 2018) and Developed Asia (2 million tonnes in 2014 to 5 million tonnes in 2018). Meanwhile, CIS imports have remained the largest share but have been relatively stable between 7 and 8 million tonnes since 2014. Overall, this continued a trend of imports growing more strongly than domestic demand. Between 2012 and 2018, Apparent Steel Consumption ("ASC") increased by 18% while over the same period, finished steel imports increased by over 100%, taking market share from domestic producers. Over this period total finished imports have risen from just over 15 million tonnes in 2012 to over 31 million tonnes in 2018, causing import penetration to rise to a record high of almost 20%. Import penetration in flats rose strongly from 2012 (13%) to 2015 (20%). While import penetration in flats has risen slowly since 2015 (up to 22% in 2018), the significant increase recently has been in long products, where import penetration rose to 13% in 2018 up from only 10% the previous year. See "Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets."

United States[5]

Finished steel imports peaked in 2014 at almost 30 million tonnes, declining to below 23 million tonnes in 2016 (or an import penetration of 25%). Imports in 2017 rose 12% year-on-year to around 25.5 million tonnes or an import penetration of over 26%. However, finished steel import penetration fell in 2018 to 23% as finished imports fell by 12% compared to a 2% year-on-year increase in ASC. Imports of semi-finished steel products continued to rise strongly, up by 11% year-on-year in 2018 after an increase of 28% during 2017.

Steel import penetration in 2018 fell back to 23%, close to the average between 2007 and 2013 and much lower than the 28% average import penetration between 2014 and 2016. The decrease in finished steel imports was due to increasing U.S. trade protection measures, despite attractive prices in the U.S. relative to international markets.

In 2018 over a third of imports came from Canada (25%) and Mexico (9%), up from around 29% in 2017. Imports from the rest of the world took a declining share, with 20% of U.S. steel imports coming from developed Asia (down 17% year-on-year), 18% from EU28 (up 1% year-on-year), 5% from Turkey (down 43% year-on-year), 3% from CIS (down 25% year-on-year) and 3% from China (down 10% year-on-year). In 2018, imports only significantly increased from ASEAN (up 13% year-on-year) taking a 5% share, mainly from Vietnam.

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[4] Source: Eurostat trade data to November 2018, Company estimates for December 2018.

[5] Source: American Iron and Steel Association data to October 2018, Company estimates for November and December 2018.

See ""Information on the Company—Business overview—Government regulations—Foreign trade" and "Key information—Risk factors—Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets.

Consolidation in the steel and mining industries

Prior to 2017, consolidation transactions had decreased significantly in terms of number and value in the context of economic uncertainties in developed economies combined with a slowdown in emerging markets.

However, in an effort to reduce the worldwide structural overcapacity, some key consolidation steps were undertaken in 2018 and 2017, specifically in China and in Europe.

Steel industry consolidation in China has remained slow since 2012. As a key initiative of the Chinese central government's five-year plan issued in March 2011, the concentration process of the steel industry was 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. However, that initiative is yet to produce significant tangible results. In 2015, China dropped its target objective for the top ten Chinese steel producers to account for 60% of national production and for at least two producers to reach 100 million tonne capacity in the next few years. A new industry consolidation plan published by China aims at simplifying approval procedures and facilitating acquisition financing for firms in sectors like steel. In late 2016, Baosteel Group and Wuhan Iron and Steel Group completed their merger, creating Baowu Steel Group with an annual production capacity of around 60 million tonnes, also making it the world's second largest steelmaker.

In Europe, 2018 was a landmark year for the consolidation of the steel industry with two major transactions. Following an announcement made in September 2017, Tata Steel and Thyssenkrupp signed a final agreement at the end of June 2018 to consolidate their European steel mills and create the joint venture Thyssenkrupp Tata Steel, Europe's second-largest steel company after ArcelorMittal. The transaction is subject to merger control clearance in several jurisdictions, including the European Union.

In addition, on November 1, 2018, ArcelorMittal completed the acquisition of Ilva, Europe's largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. The transaction was approved by the European Commission on May 7, 2018 subject to the disposal of certain assets in Italy, Romania, North Macedonia, the Czech Republic, Luxembourg and Belgium, for which ArcelorMittal submitted sales offers currently reviewed by the European Commission. See Key transactions and events in 2018.

In the first quarter of 2018, ArcelorMittal signed a joint venture formation agreement with NSSMC in relation to its offer for a competitive resolution plan for ESIL in India setting out a positive future for the bankrupt company, an integrated flat steel producer and the largest steel company in western India. The updated plan would enable ESIL to participate in anticipated steel demand growth in India. Further to ArcelorMittal being named the preferred bidder in October 2018, ESIL's committee of creditors announced in October that the Company has been identified as the successful applicant. ArcelorMittal's resolution plan remains subject to the approval of India's NCLT. See Key transactions and events in 2018.

Further future consolidation should allow the steel industry to perform more consistently through industry cycles by achieving greater efficiencies and economies of scale, and improve bargaining power with customers and, crucially, suppliers, who tend to have higher levels of consolidation.

Critical accounting policies and use of judgments and estimates

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

An overview of ArcelorMittal's critical accounting policies under which significant judgments, estimates and assumptions are made may be found in note 1.2 to the consolidated financial statements.

Key indicators

The following discussion and analysis should be read in conjunction with ArcelorMittal's consolidated financial statements included in this annual report.

ArcelorMittal reports its operations in five reportable segments: NAFTA, Brazil, Europe, ACIS and Mining. The key performance indicators that ArcelorMittal's management

uses to analyze operations are sales, average steel selling prices, crude steel production, steel shipments, iron ore and coal production and operating income. Management's analysis of liquidity and capital resources is driven by net cash provided by operating activities.

This annual report includes net debt and operating working capital, which are alternative performance measures. ArcelorMittal believes net debt and operating working capital to be relevant to enhance the understanding of its financial position and provides additional information to investors and management with respect to the Company's operating cash flows, capital structure and credit assessment. Alternative performance measures should be read in conjunction with and not as an alternative for, ArcelorMittal's financial information prepared in accordance with IFRS. Such alternative performance measures may not be comparable to similarly titled measures applied by other companies.

Years ended December 31, 2018, 2017 and 2016

Sales, operating income, crude steel production, steel shipments, average steel selling prices and mining production

The following tables provide a summary of ArcelorMittal's performance by reportable segment for the year ended December 31, 2018, 2017 and 2016:

	Sales for the year ended December 31,[1]			Operating income (loss) for the year ended December 31,[2]		
Segment	2018 (in $ millions)	2017 (in $ millions)	2016 (in $ millions)	2018 (in $ millions)	2017 (in $ millions)	2016 (in $ millions)
NAFTA	20,332	17,997	15,806	1,889	1,185	2,002
Brazil	8,711	7,755	6,223	1,356	697	614
Europe	40,488	36,208	29,272	1,632	2,359	1,270
ACIS	7,961	7,621	5,885	1,094	508	211
Mining	4,211	4,033	3,114	860	991	366
Others and eliminations	(5,670)	(4,935)	(3,509)	(292)	(306)	(302)
Total	76,033	68,679	56,791	6,539	5,434	4,161

1. Amounts are prior to inter-segment eliminations (except for total) and sales include non-steel sales.
2. Others and eliminations to segment operating income 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 segments. See table below.

	Year ended December 31,		
Adjustments to segment operating income and other	2018 (in $ millions)	2017 (in $ millions)	2016 (in $ millions)
Corporate and shared services [1]	(170)	(199)	(71)
Financial activities	(23)	(23)	(17)
Shipping and logistics	1	(16)	(97)
Intragroup stock margin eliminations [2]	(45)	(41)	(94)
Depreciation and impairment	(55)	(27)	(23)
Total adjustments to segment operating income and other	(292)	(306)	(302)

1. Includes primarily staff and other holding costs and results from shared service activities.
2. In 2017, fourth quarter iron ore prices decreased as compared to the fourth quarter of 2016 leading to lower stock margin eliminations.

Sales

ArcelorMittal had sales of $76.0 billion for the year ended December 31, 2018, representing a 10.7% increase from sales of $68.7 billion for the year ended December 31, 2017, primarily due to a 13.5% increase in the average steel selling prices, partially offset by a 1.6% decrease in steel shipments. In the first half of 2018, sales were $39.2 billion increasing from sales of $33.3 billion in the first half of 2017, primarily due to 16.7% higher average steel selling prices. In the second half of 2018, sales of $36.8 billion represented a 4.2% increase as compared to sales of $35.3 billion in the second half of 2017, primarily driven by a 10.6% increase in average steel selling prices, partially offset by a 4.5% decrease in steel shipments.

ArcelorMittal had sales of $68.7 billion for the year ended December 31, 2017, representing a 20.9% increase from sales of $56.8 billion for the year ended December 31, 2016, primarily due to a 20.4% increase in the average steel selling prices, a 1.6% increase in steel shipments, 22.3% higher seaborne iron ore reference prices and 6.1% higher marketable iron ore shipments. In the first half of 2017, sales were $33.3 billion increasing from sales of $28.1 billion in the first half of 2016, primarily due to 23% higher average steel selling prices and 43% higher seaborne iron ore reference prices. In the second half of 2017, sales of $35.3 billion represented a 23.4% increase as compared to sales of $28.7 billion in the second half of 2016, primarily driven by a 17.5% increase in average steel selling prices, a 5.8% increase in steel shipments and a 6% increase in seaborne iron ore reference prices

Cost of sales

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 and maintenance costs, as well as direct labor costs, depreciation and impairment. Cost of sales for the year ended December 31, 2018 was $67.0 billion as compared to $60.9 billion for the year ended December 31, 2017, primarily due to a 9.4% increase in raw material costs (consistent with the increase in sales) and impairment charges of $1.0 billion primarily related to the remedy asset sales in connection with the Ilva acquisition and the agreed remedy package required for the approval of the Votorantim acquisition, partially offset by the $0.2 billion in gain from a bargain purchase recognized with respect to the acquisition of Ilva. Selling, general and administrative expenses (“SG&A”) were $2.5 billion for the year ended December 31, 2018 compared to $2.4 billion for the year ended December 31, 2017. SG&A as a percentage of sales decreased for the year ended December 31, 2018 (3.2%) as compared to 2017 (3.4%).

Cost of sales for the year ended December 31, 2017 was $60.9 billion as compared to $50.4 billion for the year ended December 31, 2016, primarily due to a 22.3% increase in iron ore reference prices, a 31.5% increase in coal reference prices and impairment charges of $206 million related to a downward revision of cash flow projections across all steel facilities in South Africa partially offset by cost optimization efforts as part of the Action 2020 plan. SG&A were $2.4 billion for the year ended December 31, 2017 compared to $2.2 billion for the year ended December 31, 2016. SG&A as a percentage of sales decreased for the year ended December 31, 2017 (3.4%) as compared to 2016 (3.9%).

Operating income

ArcelorMittal’s operating income for the year ended December 31, 2018 was $6.5 billion as compared with an operating income of $5.4 billion for the year ended December 31, 2017 and was primarily driven by improved operating conditions (positive price-cost effect in the steel segments), offset in part by the impact of lower iron ore reference prices and impairment charges of $1.0 billion primarily related to the remedy asset sales in connection with the Ilva acquisition and the agreed remedy package required for the approval of the Votorantim acquisition, partially offset by a $0.2 billion bargain purchase gain relating to the acquisition of Ilva. Operating income for the year ended December 31, 2018 was also impacted by $113 million in charges related to a blast furnace dismantling in Florange (France), $60 million in charges related to the new collective labor agreement in the United States (including a signing bonus), a $146 million provision taken in the first quarter of 2018 in respect of a litigation case that was paid in the third quarter of 2018, offset in part by the recognition in Brazil of $202 million in PIS/Cofins tax credits related to prior periods.

ArcelorMittal's operating income for the year ended December 31, 2017 was $5.4 billion as compared with an operating income of $4.2 billion for the year ended December 31, 2016 and was impacted by an impairment charge of $206 million related to a downward revision of cash flow projections in South Africa. Operating income in 2016 was positively affected by a one-time gain of $832 million on employee benefits following the signing of the new U.S. labor contract and partially offset by an impairment charge of $49 million related to the held for sale classification of the ArcelorMittal Zaragoza facility in Spain and an impairment charge of $156 million mainly related to the Vanderbijlpark plant in South Africa.

Shipments and average steel selling price

ArcelorMittal had steel shipments of 83.9 million tonnes for the year ended December 31, 2018 as compared to steel shipments of 85.2 million tonnes for the year ended December 31, 2017,representing a decrease of 1.6%, primarily due to 10.3% decline in shipments in ACIS (including unplanned maintenance in Ukraine and operational issues in Kazakhstan/Ukraine) offset in part by increases in Brazil (5.8%, including the impact of the Votorantim acquisition), NAFTA (1.0%, including the impact of a slower restart post blast furnace maintenance in Mexico) and Europe (0.2%, including the impact from the Ilva acquisition offset by the effect of a flood in Asturias (Spain), power outage in Fos (France) and slower ramp-up after the blast furnace reline in Poland).

Steel shipments increased 1.3% to 43.1 million tonnes in the first half of 2018 compared to 42.5 million tonnes for the first half of 2017 while steel shipments decreased 4.5% to 40.8 million tonnes in the second half of 2018 compared to 42.7 million tonnes in the second half of 2017.

ArcelorMittal had steel shipments of 85.2 million tonnes for the year ended December 31, 2017 as compared to steel shipments of 83.9 million tonnes for the year ended December 31, 2016, representing an increase of 1.6% primarily due to increase in NAFTA (2.6%), Brazil (0.8%) and Europe (1.7%) offset in part by decline in ACIS (1.3%). Steel shipments declined 2.4% to 42.5 million tonnes in the first half of 2017 compared to 43.6 million tonnes for the first half of 2016 while steel shipments increased 5.8% to 42.7 million tonnes in the second half of 2017 compared to 40.4 million tonnes for the second half of 2016.

Average steel selling price increased by 13.5% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Average steel selling price in the first half of 2018 increased by 16.7% as compared to the first half of 2017 and increased by 10.5% in the second half of 2018 as compared to the second half of 2017.

Average steel selling price increased by 20.4% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Average steel selling price in the first half of 2017 increased by 23.1% as compared to the first half of 2016 and increased by 17.5% in the second half of 2017 as compared to the second half of 2016.

NAFTA	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	20,332	17,997	15,806
Depreciation	522	518	549
Operating income	1,889	1,185	2,002
Crude steel production (thousand tonnes)	22,559	23,480	22,208
Steel shipments (thousand tonnes)	22,047	21,834	21,281
Average steel selling price (USD/tonne)	852	742	672

Sales

Sales in the NAFTA segment were $20.3 billion for the year ended December 31, 2018, representing a 13.0% increase as compared to the year ended December 31, 2017. Sales increased primarily as a result of the increase in average steel selling prices by 14.8% and a 1.0% increase in steel shipments.

Sales in the NAFTA segment were $18.0 billion for the year ended December 31, 2017, representing a 13.9% increase as compared to 2016. Sales increased primarily as a result of the increase in average steel selling prices by 10.3% and a 2.6% increase in steel shipments.

Operating income

Operating income for the NAFTA segment was $1.9 billion for the year ended December 31, 2018 as compared to operating income of $1.2 billion for the year ended December 31, 2017, primarily driven by a 14.8% increase in average steel selling prices. Operating income for the year ended December 31, 2018 included $60 million in charges related to the new collective labor agreement in the United States (which included a signing bonus).

Operating income for the NAFTA segment was $1.2 billion for the year ended December 31, 2017 as compared to operating income of $2.0 billion for the year ended December 31, 2016, affected by a negative price-cost effect for long products partially offset by a positive price-cost effect for flat products and gains from the Action 2020 program. Additionally, operating income for the year ended December 31, 2016 was positively affected by a one-time $832 million gain on employee benefits following the signing of the new U.S. labor contract.

Crude steel production, steel shipments and average steel selling price

Crude steel production decreased 3.9% to 22.6 million for the year ended December 31, 2018 as compared to 23.5 million for the year ended December 31, 2017. Crude steel

production declined in particular in the second half of 2018, primarily due to market slowdown and blast furnace reline delay in Mexico.

Crude steel production increased 5.7% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 driven by improved operational performance.

Steel shipments increased 1.0% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 reflecting improved demand in the first half and a slowdown and the impact of the blast furnace delay in the second half. Shipments were 11.4 million tonnes for the first half of 2018, an increase of 3% from 11 million tonnes in the first half of 2017, in line with available inventory. Shipments decreased 1.1% to 10.7 million tonnes in the second half of 2018 as compared to 10.8 million tonnes in the second half of 2017.

Steel shipments increased 2.6% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with improved demand.

Shipments were 11 million tonnes for the first half of 2017, an increase of 1.1% from 10.9 million tonnes in the first half of 2016 which included shipments from LaPlace and Vinton which were sold in April 2016. Shipments increased 4.1% to 10.8 million tonnes in the second half of 2017 as compared to 10.4 million tonnes in the second half of 2016.

Average steel selling prices increased 14.8% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in particular as a result of imports tariffs on steel implemented in the United States. Average steel selling prices increased 10.5% for the first half of 2018 as compared to the first half of 2017 and 19.4% for the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 10.3% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling price increased 14% for the first half of 2017 as compared to the first half of 2016 and 6.4% for the second half of 2017 as compared to the second half of 2016.

Brazil	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	8,711	7,755	6,223
Depreciation	298	293	258
Impairments	86	—	—
Operating income	1,356	697	614
Crude steel production (thousand tonnes)	12,264	11,210	11,133
Steel shipments (thousand tonnes)	11,464	10,840	10,753
Average steel selling price (USD/tonne)	719	667	536

Sales

In the Brazil segment, sales increased 12.3% to $8.7 billion for the year ended December 31, 2018 as compared to the year ended December 31, 2017, primarily due to a 7.7% increase in average steel selling prices and a 5.8% increase in shipments. Sales for the year ended December 31, 2018 were also negatively impacted by hyperinflation accounting in Argentina.

In the Brazil segment, sales increased 24.6% to $7.8 billion for the year ended December 31, 2017 as compared to the year ended December 31, 2016, primarily due to 24.5% higher average steel selling prices.

Operating income

Operating income for the Brazil segment was $1.4 billion for the year ended December 31, 2018, representing an increase of 94.6% as compared to the year ended December 31, 2017, primarily driven by increased shipments and higher average steel selling prices. Operating income for the year ended December 31, 2018 was negatively affected by foreign exchange translation impact, hyperinflation in Argentina and $86 million impairment related to the agreed remedy package required for the approval of the Votorantim acquisition. It was positively affected by the recognition of $202 million additional PIS/Cofins tax credits in the fourth quarter of 2018 relating to favorable judgments obtained in cases filed by ArcelorMittal Brasil concerning the period of 2005 to 2013. See note 8.3 to the consolidated financial statements for further information on pending cases related to the PIS/Cofins topic.

Operating income for the Brazil segment for the year ended December 31, 2017 was $697 million, an increase of 13.5% as compared to the year ended December 31, 2016, primarily driven by positive price-cost effect and gains from the Action 2020 program.

Crude steel production, steel shipments and average steel selling price

Crude steel production increased 9.4% to 12.3 million tonnes for the year ended December 31, 2018 as compared to 11.2 million tonnes for the year ended December 31, 2017 mainly due to an increase in long products following the integration of Votorantim. Excluding Votorantim, crude steel production increased 4.9%.

Crude steel production increased marginally to 11.2 million tonnes for the year ended December 31, 2017 as compared to the year ended December 31, 2016 due to an increase in flat production offset by long production due to a scheduled reline at Monlevade.

Steel shipments increased to 11.5 million tonnes for the year ended December 31, 2018 as compared to 10.8 million tonnes for the year ended December 31, 2017, reflecting the contribution from the acquisition of Votorantim. Excluding Votorantim, steel shipments increased 0.5%.

Total steel shipments in the Brazil segment increased 9.6% to 5.3 million tonnes for the first half of 2018 as compared to 4.8 million tonnes for the first half of 2017, driven by improved demand in long products and the integration of Votorantim, partially offset by a nationwide truck strike. Total steel shipments in the Brazil segment increased 2.6% to 6.2 million tonnes in the second half of 2018 as compared to 6.0 million tonnes for the second half of 2017.

Steel shipments remained stable for the year ended December 31, 2017 and 2016 at 10.8 million tonnes.

Average steel selling prices increased 7.7% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with international prices. Average steel selling prices in the Brazil segment increased 11.0% for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, in line with domestic and export prices, and 4.9% during the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 24.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling prices increased 34.4% during the first half of 2017 as compared to the first half of 2016 and 16.6% during the second half of 2017 as compared to the second half of 2016.

Europe	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	40,488	36,208	29,272
Depreciation	1,195	1,201	1,184
Impairments	908	—	49
Operating income	1,632	2,359	1,270
Crude steel production (thousand tonnes)	44,693	43,768	42,635
Steel shipments (thousand tonnes)	41,020	40,941	40,247
Average steel selling price (USD/tonne)	787	702	568

Sales

Sales in the Europe segment were $40.5 billion for the year ended December 31, 2018, representing an 11.8% increase as compared to sales of $36.2 billion for the year ended December 31, 2017, primarily due to a 12.2% increase in average steel selling prices, a 0.2% increase in steel shipments and the depreciation of the U.S. dollar against the euro.

Sales in the Europe segment were $36.2 billion for the year ended December 31, 2017, representing a 23.7% increase as compared to sales of $29.3 billion for the year ended December 31, 2016, primarily due to a 23.5% increase in average steel selling prices and a 1.7% increase in steel shipments. Spot prices began improving in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and lagged pricing.

Operating income

Operating income for the Europe segment for the year ended December 31, 2018 decreased to $1.6 billion as compared to $2.4 billion for the year ended December 31, 2017, primarily due to the impairment charges of $908 million mainly related to the remedy asset sales for the acquisition of Ilva (reflecting the adjustment to the carrying amount of the disposal group to the expected sale proceeds based on the offers received) as well as charges of $113 million related to blast furnace dismantling in Florange (France) and a charge of $146 million taken for the German Cartel case which settled in July 2018.Operating income for the Europe segment for the year ended December 31, 2018 was positively impacted by $209 million of bargain purchase gain recognized with respect to the acquisition of Ilva.

Operating income for the Europe segment for the year ended December 31, 2017 increased to $2.4 billion as compared to $1.3 billion for the year ended December 31, 2016, primarily due to higher steel shipments in the flat business, positive price-cost effect in the flat business and gains from the Action 2020 program, partially offset by lower steel shipments and negative price-cost effect in the long business.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the Europe segment increased 2.1% to 44.7 million tonnes for the year ended December 31, 2018 as compared to 43.8 million tonnes for the year ended December 31, 2017, due primarily to the consolidation of Ilva as from November 1, 2018, partially offset by production issues including floods in Asturias (Spain) and blast furnace reline in ArcelorMittal Zenica (Bosnia) in the second quarter and a power outage in ArcelorMittal Méditerranée (Fos-sur-Mer, France) and a slower ramp up following a blast furnace repair in Poland in the third quarter of 2018.

Crude steel production for the Europe segment increased 2.7% to 43.8 million tonnes for the year ended December 31, 2017 as compared to 42.6 million tonnes for the year ended December 31, 2016, reflecting better operational performance.

Steel shipments were 41.0 million tonnes for the year ended December 31, 2018, a 0.2% increase from steel shipments of 40.9 million for the year ended December 31, 2017. In the first half of 2018, steel shipments increased 2.6% to 21.2 million tonnes, from 20.7 million tonnes in the first half of 2017, both for flat and long products partially offset by the operational issues described above, while steel shipments in the second half of 2018 decreased 2.3% to 19.8 million tonnes from 20.3 million tonnes in the second half of 2017 due to weak market conditions in the fourth quarter of 2018, particularly in long products, and the operational issues described above, partially offset by the consolidation of Ilva as from November 1, 2018.

Steel shipments were 40.9 million tonnes for the year ended December 31, 2017, a 1.7% increase from steel shipments for the year ended December 31, 2016. In the first half of 2017, steel shipments decreased 3.1% to 20.7 million tonnes, from 21.3 million tonnes in the first half of 2016, due to weaknesses in long market demand while steel shipments in the second half of 2017 increased 7.1% as compared to the second half of 2016. The decrease in shipments in the first half of 2017 includes the effect of the disposal of ArcelorMittal Zaragoza and the idling of Zumarraga.

Average steel selling prices increased 12.2% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with higher international prices. Average steel selling prices increased 18.8% during the first half of 2018 as compared to the first half of 2017 in line with higher international prices and the depreciation of the U.S. dollar against the euro and 6.0% during the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 23.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with higher international prices. Average steel selling prices increased 23.0% both during the first half of 2017 as compared to the first half of 2016 and during the second half of 2017 as compared to the second half of 2016.

ACIS	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	7,961	7,621	5,885
Depreciation	311	313	311
Impairments	—	206	156
Operating income	1,094	508	211
Crude steel production (thousand tonnes)	13,022	14,678	14,792
Steel shipments (thousand tonnes)	11,741	13,094	13,271
Average steel selling price (USD/tonne)	598	515	395

Sales

Sales in the ACIS segment were $8.0 billion for the year ended December 31, 2018, representing an increase of 4.5% as compared to the year ended December 31, 2017, primarily due to a 16.1% increase in average steel selling prices, partially offset by a 10.3% decrease in steel shipments.

Sales in the ACIS segment were $7.6 billion for the year ended December 31, 2017, representing an increase of 29.5% as compared to the year ended December 31, 2016, primarily due to a 30.5% increase in average steel selling prices, partially offset by a 1.3% decrease in steel shipments.

Operating income

Operating income for the ACIS segment for the year ended December 31, 2018 was $1.1 billion as compared to $508 million for the year ended December 31, 2017, increasing primarily due to a positive price-cost effect and partially offset by the decrease in shipments in 2018.

Operating income for the ACIS segment for the year ended December 31, 2017 was $508 million as compared to $211 million for the year ended December 31, 2016, the increase is primarily driven by a positive price-cost effect in the CIS business including gains from the Action 2020 program, partially offset by negative price-cost effect in ArcelorMittal South Africa and impairment charges of $206 million related to a downward revision of cash flow projections across all steel facilities in ArcelorMittal South Africa.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the ACIS segment decreased by 11.3% to 13.0 million tonnes for the year ended December 31, 2018, from 14.7 million tonnes for the year ended December 31, 2017, primarily due to planned (blast furnace #9) and unplanned maintenance in Ukraine in the first half of 2018 and an explosion at a gas pipeline at Temirtau (Kazakhstan) in the fourth quarter of 2018.

Crude steel production for the ACIS segment decreased marginally by 0.8% to 14.7 million tonnes for the year ended December 31, 2017, from 14.8 million tonnes for the year ended December 31, 2016.

Steel shipments for the year ended December 31, 2018 decreased by 10.3% to 11.7 million tonnes as compared to 13.1 million tonnes for the year ended December 31, 2017 reflecting the operational issues mentioned above. In the first half of 2018, steel shipments decreased 6.1% to 6.1 million tonnes from 6.5 million tonnes in the first half of 2017 due to lower CIS shipments partially offset by higher steel shipments in South Africa, while steel shipments in the second half of 2018 decreased 14.5% to 5.7 million as compared to 6.6 million in the second half of 2017, primarily due to lower steel shipments in CIS following the incidents mentioned above.

Steel shipments for the year ended December 31, 2017 decreased by 1.3% to 13.1 million tonnes as compared to 13.3 million tonnes for the year ended December 31, 2016. Steel shipments decreased 4.3% in the first half of 2017 to 6.5 million tonnes as compared to 6.8 million tonnes for the first half of 2016. In the second half of 2017, steel shipments increased 1.7% to 6.6 million as compared to 6.5 million in the second half of 2016.

Average steel selling prices increased 16.1% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with international prices. Average steel selling prices increased 23.1% and 9.4% in the first and second half of 2018, respectively, as compared to the same periods in 2017.

Average steel selling prices increased 30.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling prices increased 36.9% and 24.7% in the first and second half of 2017, respectively as compared to the same periods in 2016.

Mining		Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	Note	2018	2017	2016
Sales		4,211	4,033	3,114
Depreciation		418	416	396
Operating income		860	991	366
Own iron ore production (million tonnes)		58.5	57.4	55.2
Iron ore shipped externally and internally at market price (million tonnes)	1,2	37.6	35.7	33.6
Iron ore shipment - cost plus basis (million tonnes)	1	20.6	22.2	22.3
Own coal production (million tonnes)		5.9	6.3	6.3
Coal shipped externally and internally at market price (million tonnes)	1,2	2.5	2.8	3.4
Coal shipment - cost plus basis (million tonnes)	1	3.3	3.5	3.4

1. 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).
2. 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.

	Note			Year ended December 31,		
Iron ore production (million metric tonnes)	1	Type	Product	2018	2017	2016
Own mines						
North America	2	Open pit	Concentrate, lump, fines and pellets	36.9	38.1	35.9
South America		Open pit	Lump and fines	2.8	3.2	3.1
Europe		Open pit	Concentrate and lump	1.4	1.6	1.8
Africa		Open pit / Underground	Fines	4.6	2.0	2.1
Asia, CIS & Other		Open pit / Underground	Concentrate, lump, fines and sinter feed	12.8	12.5	12.3
Total own iron ore production				58.5	57.4	55.2
Strategic long-term contracts - iron ore						
North America	3	Open pit	Pellets	—	0.9	6.1
Africa		Open pit	Lump and fines		—	0.8
Total strategic long-term contracts - iron ore				—	0.9	6.9
Total				58.5	58.3	62.1

1. Total of all finished production of fines, concentrate, pellets and lumps.
2. Includes own mines and share of production from Hibbing (United States, 62.30%) and Peña (Mexico, 50%).
3. Consists of a long-term supply contract with Cleveland-Cliffs Inc. which expired in the first quarter of 2017.

	Note	Year ended December 31,		
Coal production (million metric tonnes)		2018	2017	2016
Own mines				
North America		2.09	2.06	1.80
Asia, CIS & Other		3.82	4.25	4.45
Total own coal production		5.91	6.31	6.25

Sales

Sales in the Mining segment were $4.2 billion for the year ended December 31, 2018, representing an increase of 4.4% as compared to the year ended December 31, 2017. Sales were 2.2% higher at $2.1 billion and 6.7% higher at $2.1 billion for the first and second half of 2018, respectively as compared to the same periods in 2017.

Sales in the Mining segment were $4.0 billion for the year ended December 31, 2017, representing an increase of 29.5% as compared to the year ended December 31, 2016. Sales were 45.1% higher at $2.0 billion and 16.6% higher at $2.0 billion for the first and second half of 2017, respectively as compared to the same periods in 2016.

Sales to external customers were $1,009 million for the year ended December 31, 2018, representing an increase of 2.4% as compared to the year ended December 31, 2017,

primarily due to the increase in prices. Iron ore shipments were 58.3 million tonnes for the year ended December 31, 2018, representing a marginal 0.7% increase as compared to 57.9 million for the year ended December 31, 2017. Iron ore shipments to external parties were 12.7 million tonnes for the year ended December 31, 2018 as compared to 11.8 million tonnes for the year ended December 31, 2017. Coal shipments were 5.8 million tonnes for the year ended December 31, 2018 as compared with 6.3 million tonnes for the year ended December 31, 2017.

Sales to external customers were $985 million for the year ended December 31, 2017, representing a 26.1% increase as compared to the year ended December 31, 2016, primarily due to the increase in prices. Iron ore shipments were 57.9 million tonnes for the year ended December 31, 2017, representing an increase of 3.5% as compared to the year ended December 31, 2016, primarily due to the restart of Volcan in Mexico that delivered 1.7 million tonnes in 2017. Iron ore shipments to external parties were 11.8 million tonnes for the year ended December 31, 2017 as compared to 12.3 million tonnes for the year ended December 31, 2016. Coal shipments were 6.3 million tonnes for the year ended December 31, 2017 as compared with 6.8 million tonnes for the year ended December 31, 2016. Shipments in 2016 were higher from Princeton in the U.S. from liquidation of inventory.

The average reference iron ore price was $69.7per tonne in 2018, $71.39 per tonne in 2017 and $58.36 per tonne in 2016 (delivered to China, normalized to Qingdao and 62% Fe US $ per tonne, Metal Bulletin) and the average reference price for hard coking coal increased to $206.62 per tonne in 2018, $187.28 per tonne in 2017 and $142.44 per tonne in 2016 (Premium HCC FOB Aus, Metal Bulletin). The increase in the average reference hard coking coal price, accelerated in the second half of 2016 and continued significant increases in 2017 and 2018. However, there may not be a direct correlation between reference prices and actual selling prices in various regions at a given time.

Operating income

Operating income for the Mining segment was $860 million for the year ended December 31, 2018 as compared to $991 million for the year ended December 31, 2017, primarily driven by the decrease in the iron ore reference prices and lower coal volumes.

Operating income for the Mining segment was $991 million for the year ended December 31, 2017 as compared to $366 million for the year ended December 31, 2016, primarily driven by higher shipments and the increases in the iron ore and coal reference prices.

Production

ArcelorMittal had own iron ore production of 58.5 million tonnes for the year ended December 31, 2018, an increase of 1.9% compared to the year ended December 31, 2017, primarily due to Liberia (production of 4.6 million tonnes in 2018 which, although above the 2017 level, was slightly below the 5 million tonne full year capacity, due to handling/ logistical issues at the new Gangra deposit during the wet season in the second half of 2018), offset in part by lower production in Canada (lower yield from a new mix of ore bodies following a pit wall instability issue which first occurred in the fourth quarter of 2017) and Mexico.

ArcelorMittal had own iron ore production of 57.4 million tonnes for the year ended December 31, 2017, an increase of 4.0% compared to the year ended December 31, 2016, primarily attributed to an increase in production in Mexico (following the restart of the Volcan mine in 2017) and Canada. Liberia production was 2 million tonnes for the year ended December 31, 2017.

ArcelorMittal had own coking coal production of 5.9 million tonnes for the year ended December 31, 2018, a decrease of 6.3% compared to the year ended December 31, 2017 mainly due to lower production in the Kazakhstan mines following operational and geological issues..

ArcelorMittal had own coking coal production of 6.3 million tonnes for the year ended December 31, 2017, an increase of 0.9% compared to the year ended December 31, 2016.

Income or loss from investments in associates, joint ventures and other investments

ArcelorMittal recorded income of $652 million from investments in associates, joint ventures and other investments for the year ended December 31, 2018, as compared to $448 million for the year ended December 31, 2017 and includes a dividend income from Erdemir of $87 million as compared to $45 million in 2017.

ArcelorMittal recorded income of $448 million from investments in associates, joint ventures and other investments for the year ended December 31, 2017, as compared to $615 million for the year ended December 31, 2016 and includes a $133 million gain from disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership and improved performance of Calvert and Chinese investees, offset in part by a loss on dilution of the Company's stake in China Oriental and the recycling of cumulative foreign exchange translation losses to the consolidated statement of operations following the disposal of the Company's 50% stake in Kalagadi ($187 million).

Financing costs-net

Financing costs-net 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 higher at $2.2 billion for the year ended December 31, 2018 as compared to $0.9 billion for the year ended December 31, 2017. Net interest expense (interest expense less interest income) was lower at $0.6 billion for the year ended December 31, 2018 as compared to $0.8 billion for the year ended December 31, 2017, driven by debt reduction including early bond repayments and lower cost of debt.

Foreign exchange losses were $235 million as compared to a gain of $546 million for the years ended December 31, 2018 and 2017, respectively. The foreign exchange losses were primarily due to the effect of the depreciation of the U.S. dollar against the euro on the Company's euro denominated debt in the first quarter of 2018. As of April 1, 2018, the Company designated a portfolio of euro denominated debt (€5,169 million as of December 31, 2018) as a hedge of certain euro denominated investments (€7,804 million as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries' net assets. The risk arises from the fluctuation in spot exchange rates between the U.S. dollar and euro, which causes the amount of the net investments to vary. The hedged risk in the hedge of net investments is a risk of a weakening euro against the U.S. dollar that will result in a reduction in the carrying amount of the Company's net investments in the subsidiaries subject to the hedge. The euro denominated debt is designated as a hedging instrument for the change in the value of the net investments that is attributable to changes in the euro/U.S. dollar spot rate. As a result, the Company's statement of operations no longer includes foreign exchange exposure on such euro denominated debt .

Other net financing costs (including expenses related to true sale of receivables, bank fees, interest on pensions and fair value adjustments of the call option of the mandatorily convertible bond and derivative instruments) were $1.4 billion for the year ended December 31, 2018 compared to $0.6 billion for the year ended December 31, 2017, and included mark-to-market losses related to the mandatory convertible bond call option totaling $0.5 billion as compared to gains of $0.8 billion for the year ended December 31, 2017. Other net financing costs for the year ended December 31, 2018 also included $0.1 billion premium expense on the early redemption of bonds as compared to $0.4 billion for the year ended December 31, 2017. Other net financing costs in 2017 were negatively affected by mark-to-market losses relating to a derivative embedded in a pellet supply agreement in the United States (due to a payment based on the evolution of the price of steel in the United States domestic steel market) of $0.3 billion.

Net financing costs were lower at $0.9 billion for the year ended December 31, 2017 as compared to $2.1 billion for the year ended December 31, 2016. Net interest expense (interest expense less interest income) was lower at $0.8 billion for the year ended December 31, 2017 as compared to $1.1 billion for the year ended December 31, 2016, driven by debt reduction including early bond repayments.

Foreign exchange gains were $546 million as compared to a loss of $3 million for the years ended December 31, 2017 and 2016, respectively. The foreign exchange gains were primarily due to the impact of the U.S. dollar depreciation on euro denominated deferred tax assets, partially offset by foreign exchange losses on euro denominated debt. The U.S. dollar depreciated 13.8% against the euro in 2017.

Other net financing costs (including expenses related to true sale of receivables, bank fees, interest on pensions and fair value adjustments of the call option of the mandatorily convertible bond and derivative instruments) was $0.6 billion for the year ended December 31, 2017 compared to $0.9 billion for the year ended December 31, 2016, and included $0.8 billion mark-to-market gains on derivatives (primarily the call option of the mandatory convertible bond following the market price increase in the underlying shares), mark-to-market losses relating to a derivative embedded in a pellet supply agreement in the United States (due to a payment based on the evolution of the price of steel in the United States domestic steel market) of $0.3 billion, $0.4 billion for premium expense on the early redemption of bonds and an expense of $92 million relating to the extension of the mandatory convertible bond. Other net financing costs in 2016 were negatively affected by premiums and fees of $0.4 billion relating to early redeemed bonds in 2016 and $0.1 billion non-cash expense in connection with the issuance of shares in the context of a B-BBEE transaction in South Africa, partially offset by the fair value adjustment for the mandatory convertible bonds for $0.2 billion.

Income tax expense (benefit)

ArcelorMittal recorded an income tax benefit of $0.3 billion for the year ended December 31, 2018 as compared to income tax expense of $0.4 billion for the year ended December 31, 2017. The current income tax expense of $928 million for the year ended December 31, 2018 as compared to $583 million for the year ended December 31, 2017 was primarily driven by improved results in a number of countries. The deferred tax benefit of $1,277 million for the year ended December 31, 2018 as compared with a deferred tax benefit of $151 million for the year ended

December 31, 2017 included a $1.4 billion deferred tax benefit recorded mainly in Luxembourg, due to the expectation of higher future profits. This benefit included a $0.6 billion deferred tax income in the context of the change in the currency denomination of the Company's tax losses in Luxembourg as the revised taxable income projections in U.S. dollar terms reflect a change in the foreign currency exposure of the different income streams. Following the May 16, 2018 approval of the extraordinary general meeting ("EGM") to change the share capital of the ArcelorMittal parent company from euro to U.S. dollar, the parent company will file consolidated tax returns in U.S. dollar for the main Luxembourg tax integration going forward. The euro denominated tax losses and the related deferred tax asset held by the ArcelorMittal parent company in Luxembourg were translated into U.S. dollar effective as of January 1, 2018.

ArcelorMittal recorded an income tax expense of $0.4 billion for the year ended December 31, 2017 as compared to $1.0 billion for the year ended December 31, 2016. The tax expense for the year ended December 31, 2016 included a derecognition of deferred tax assets for $0.7 billion in Luxembourg largely due to the change in tax rate, while in 2017 a deferred tax asset of $0.3 billion was recorded in Luxembourg following increased expectation of future profits.

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 the pre-tax results of its subsidiaries in each of these countries, which can change from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as enacted in Luxembourg (26.01%), as well as in jurisdictions, mainly in Brazil and Mexico, which have a structurally higher corporate income tax rate.

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, 2018, 2017 and 2016 are as set forth below:

	2018		2017		2016	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	44	21.00%	(98)	21.00%	224	35.00%
Argentina	6	25.00%	15	25.00%	22	35.00%
France	48	25.82%	112	25.82%	17	28.92%
Brazil	271	34.00%	69	34.00%	86	34.00%
Belgium	55	25.00%	105	25.00%	71	33.99%
Germany	(22)	30.30%	7	30.30%	(37)	30.30%
Spain	18	25.00%	(4)	25.00%	(47)	25.00%
Luxembourg	123	26.01%	1,139	26.01%	196	26.01%
Mexico	73	30.00%	(18)	30.00%	53	30.00%
South Africa	19	28.00%	(115)	28.00%	(96)	28.00%
Canada	359	25.90%	190	25.90%	98	26.10%
Kazakhstan	65	20.00%	77	20.00%	36	20.00%
Czech Republic	(51)	19.00%	(21)	19.00%	3	19.00%
Poland	45	19.00%	30	19.00%	33	19.00%
Romania	(44)	16.00%	(7)	16.00%	(11)	16.00%
Ukraine	69	18.00%	47	18.00%	20	18.00%
Trinidad & Tobago	—	25.00%	—	25.00%	66	25.00%
Liberia	(3)	25.00%	(18)	25.00%	6	25.00%
United Kingdom	8	17.00%	(1)	17.00%	15	17.00%
Switzerland	17	7.83%	(67)	7.83%	(13)	7.83%
Others	(57)		(35)		(65)	
Total	1,043		1,407		677	

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

Non-controlling interests

Net income attributable to non-controlling interests was $181 million for the year ended December 31, 2018 as compared to $7 million for the year ended December 31, 2017. Net income attributable to non-controlling interests increased in 2018 primarily as a result of the improved operating performance of ArcelorMittal South Africa.

Net income attributable to non-controlling interests was $7 million for the year ended December 31, 2017 as compared with net loss attributable to non-controlling interests of $45 million for the year ended December 31, 2016. Net income

attributable to non-controlling interests for 2017 was primarily related to income generated by ArcelorMittal Mines and Infrastructure Canada and Belgo Bekaert Arames in Brazil partly offset by losses including impairment losses generated by ArcelorMittal South Africa.

Net income attributable to equity holders of the parent

ArcelorMittal's net income attributable to equity holders of the parent was $5.1 billion $4.6 billion and $1.8 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

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, as well as 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, in particular those in France and in the United States, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralized, and in Brazil, Canada, India, Kazakhstan, South Africa and Ukraine. 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, 2018, ArcelorMittal's cash and cash equivalents, including restricted cash of $182 million, amounted to $2.4 billion as compared to $2.8 billion as of December 31, 2017. In addition, ArcelorMittal had available borrowing capacity of $5.5 billion under its $5.5 billion revolving credit facility as of December 31, 2018 and 2017.

As of December 31, 2018, ArcelorMittal's total debt, which includes long-term debt and short-term debt (including debt classified as held for sale) was $12.6 billion, compared to $12.9 billion as of December 31, 2017.

Net debt (defined as long-term debt ($9.3 billion) plus short-term debt ($3.2 billion) including debt classified as held for sale ($0.1 billion), less cash and cash equivalents and restricted cash ($2.4 billion) was $10.2 billion as of December 31, 2018, up from $10.1 billion at December 31, 2017, comprised of long-term debt ($10.1 billion) plus short-term debt ($2.8 billion), less cash and cash equivalents and restricted cash ($2.8 billion). 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, 2018 was 23% as compared to 25% at December 31, 2017.

The margin applicable to ArcelorMittal's principal credit facilities ($5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings. On February 1, 2018, Standard & Poor's upgraded ArcelorMittal's credit rating to BBB- and placed ArcelorMittal on stable outlook. On June 22, 2018, Moody's upgraded ArcelorMittal's credit rating to Baa3 and placed it on stable outlook. On July 13, 2018, Fitch upgraded ArcelorMittal's credit rating to BBB- and placed it on stable outlook. These upgrades resulted in reduced interest expense.

ArcelorMittal's $5.5 billion revolving credit facility signed on December 19, 2018 and maturing on December 19, 2023 (with two one-year extension options (i.e. the options to extend are in the first and second years, so at end 2019 and at end 2020)), contains 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. The agreement also requires 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 facility) 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, referred to by the Company as the "Leverage ratio". ArcelorMittal's principal credit facilities set this ratio to 4.25 to 1. The Term Facilities Agreement entered into on November 20, 2018 also includes this financial covenant (see "—Financings—Other loans and facilities" below). As of December 31, 2018, the Company was in compliance with the ratio.

Non-compliance with the covenants in the Company's borrowing agreements 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, 2018 and December 31, 2017.

As of December 31, 2018, ArcelorMittal had guaranteed $99 million of debt of its operating subsidiaries. See also note 8.4 to the consolidated financial statements for all other ArcelorMittal guarantees for associates and joint ventures. 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, 2018.

	Repayment amounts per year (in billions of $)						
Type of indebtedness as of December 31, 2018	2019	2020	2021	2022	2023	>2023	Total
Bonds	0.9	1.9	1.3	1.5	0.5	1.6	7.7
Commercial paper	1.3						1.3
Other loans	1.0	1.3	0.5	0.2	0.3	0.3	3.6
Total gross debt	3.2	3.2	1.8	1.7	0.8	1.9	12.6

As of December 31, 2018, the $5.5 billion revolving credit facility was fully available.

The average debt maturity of the Company was 4.0 years as of December 31, 2018, as compared to 5.5 years as of December 31, 2017.

Further information regarding ArcelorMittal's outstanding short-term and long-term indebtedness as of December 31, 2018, including the breakdown between fixed rate and variable rate debt, is set forth in note 6 to the consolidated financial statements. Further information regarding ArcelorMittal's use of financial instruments for hedging purposes is set forth in note 6 to the consolidated financial statements.

Financings

The principal financings of ArcelorMittal and its subsidiaries are summarized below by category. Further information regarding ArcelorMittal's short-term and long-term indebtedness is provided in note 6 to the consolidated financial statements.

Principal credit facilities

On December 19, 2018, ArcelorMittal signed an agreement for a $5.5 billion revolving credit facility (the "Facility"). This Facility replaced the $5.5 billion revolving credit facility dated April 30, 2015, which was amended and extended on December 21, 2016. The agreement incorporates a single tranche of $5.5 billion maturing on December 19, 2023 , with two one-year extension options (i.e. the options to extend are in the first and second years end of 2019 and end of 2020). The Facility may be used for general corporate purposes. As of December 31, 2018, the $5.5 billion revolving credit facility was fully available. The Company makes drawdowns from and repayments on this Facility in the framework of its cash management.

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. The Letter of Credit Facility was amended on October 26, 2012, to reduce its amount to $450 million. On September 30, 2014, the Company refinanced its Letter of Credit Facility by entering into a $350 million revolving multi-currency letter of credit facility, which matures on May 31, 2019.

2018 and early 2019 capital markets, liability management transactions and debt repayments

On March 29, 2018, at maturity, ArcelorMittal repaid the €334 million ($411 million) principal amount that remained outstanding, following the cash tender offers in April 2016 of its €500 million 4.5% unsecured bonds.

On April 9, 2018, at maturity, ArcelorMittal repaid its €400 million ($491 million) 2018 Floating Rate Notes.

On August 7, 2018, pursuant to cash tender offers and financed with existing cash and liquidity, ArcelorMittal purchased:

- $432 million of its U.S. dollar denominated 7.00% Notes due October 15, 2039 (the "2039 Notes") for a total aggregate purchase price (including premiums and accrued interest) of $505 million. Following this purchase, $686 million principal amount of the 2039 Notes remained outstanding.
- $195 million of its U.S. dollar denominated 6.75% Notes due March 1, 2041 (the "2041 Notes") for a total aggregate purchase price (including premiums and accrued interest) of $224 million. Following this purchase, $434 million principal amount of the 2041 Notes remained outstanding.

On January 17, 2019, ArcelorMittal issued €750 million 2.250% Notes due 2024. The Notes were issued under ArcelorMittal's €10 billion wholesale Euro Medium Term Notes Program.

Mandatory convertible bond

On December 14, 2017, the Company extended the conversion date for the $1 billion privately placed mandatory convertible bond (the "MCB") issued by Hera Ermac, a wholly-owned Luxembourg subsidiary. The MCB is mandatorily convertible into preferred shares of such subsidiary. The mandatory conversion date of the bond has been extended to January 29, 2021. The Company has the option to call the mandatory convertible bond until 10 business days before the maturity date. Hera Ermac invested the proceeds of the bond issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to the values of shares of Erdemir and China Oriental. The bond was privately placed with Credit Agricole Corporate and Investment Bank and is not listed. 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 issuances are invested. The other main features of the MCB remain unchanged. See note 10.2 to the consolidated financial statements for additional details.

Commercial paper program

ArcelorMittal has a commercial paper program enabling borrowings of up to €1.5 billion. As of December 31, 2018, the outstanding amount was $1,295 million, compared to $1,125 million as of December 31, 2017.

Other loans and facilities

On December 18, 2018, ArcelorMittal entered into an agreement for financing with a financial institution for net proceeds of CAD 292 million ($214 million) with repayment over several dates in 2019 and 2020. As of December 31, 2018, CAD 295 million ($216 million) was outstanding.

On November 20, 2018, ArcelorMittal entered into a $7 billion term facility agreement with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the joint venture through which the Company expects jointly to own and operate ESIL in partnership with Nippon Steel & Sumitomo Metal Corporation (the "Joint Venture"). Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The agreement includes the same Leverage Ratio financial covenant as that included in the Company's $5.5 billion revolving credit facility and is also subject to certain mandatory prepayment events, including the use of proceeds from debt capital market issuances by the Group or capital raising by the Joint Venture and certain disposals, in each case above $1 billion.See Key transactions and events in 2018.

On August 10, 2018, ArcelorMittal entered into a €300 million ($344 million) term loan with a financial institution maturing on April 30, 2019.

On May 14, 2018, ArcelorMittal entered into a term facility agreement in the amount of $1 billion to make a payment to the financial creditors of Uttam Galva and KSS Petron to clear overdue debts in order that the offer the Company submitted for ESIL on April 2, 2018 would be eligible and considered by ESIL's Committee of Creditors. The facility was drawn on May 14, 2018 in connection with the subsequent payment and was repaid on November 29, 2018 via a drawing under the above-referenced $7 billion term facility.

On January 16, 2018, the Company entered into a fully drawn bilateral term loan due July 16, 2018, for an amount of €400 million ($466 million). The bilateral term loan was fully repaid on July 16, 2018.

On December 21, 2017, ArcelorMittal Kryvyi Rih entered into a $175 million loan agreement with the European Bank for Reconstruction and Development in order to support the upgrade of its production facilities, energy efficiency improvement and environmental impact reduction. The loan agreement also provides for an additional $175 million in loan facilities which are currently uncommitted. As of December 31, 2018, $50 million was drawn under the agreement and the remainder remained fully available.

On October 9, 2017, ArcelorMittal issued a €300 million ($344 million) variable rate loan in the German Schuldschein market. The proceeds of the issuance were used to repay or prepay existing indebtedness.

On May 25, 2017, ArcelorMittal South Africa signed a 4.5 billion South African rand revolving borrowing base finance facility maturing on May 25, 2020. Any borrowings under the facility are secured by certain eligible inventory and receivables, as well as certain other working capital and related assets of ArcelorMittal South Africa. The facility is used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, 0.3 billion South African rand ($21 million) was drawn.

On December 16, 2016, ArcelorMittal signed a €350 million finance contract with the European Investment Bank in order to finance European research, development and innovation projects over the period 2017-2020 within the European Union, namely predominantly France, Belgium and Spain, but also in Czech Republic, Poland, Luxembourg and Romania. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2018, €350 million ($401 million) was fully drawn.

On May 23, 2016, ArcelorMittal USA LLC signed a $1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. Borrowings under the facility are secured

by inventory and certain other working capital and related assets of ArcelorMittal USA and certain of its subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, the facility was fully available.

In 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2015, 2016, 2017 and 2018. As of December 31, 2018, the facilities, totaling approximately $0.9 billion, remained fully available.

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")). As of December 31, 2018, the total amount of trade accounts receivables sold amounted to $4,980 million. 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.

Earnings distribution

On November 6, 2015, ArcelorMittal's Board of Directors proposed the suspension of the dividend for the financial year 2015. This proposal was approved by the shareholders at the annual general meeting held on May 4, 2016. The Company had indicated that a dividend will not be proposed until its leverage had further improved.

ArcelorMittal held 8.3 million shares in treasury as of December 31, 2018, as compared to 2.0 million shares as of December 31, 2017. As of December 31, 2018, the number of shares held by the Company in treasury represented approximately 0.82% of the Company's total issued share capital.

On January 31, 2018, the Company announced that the Board had agreed on a new dividend policy which was approved by the shareholders at the annual general meeting of shareholders in May 2018. Given the current de-leveraging focus, dividends begin at $0.10/share in 2018 (paid from 2017 results). The Company intends to progressively increase the base dividend paid to its shareholders, and, on attainment of the net debt target, return a percentage of net cash provided by operating activities annually. Accordingly, the Board is proposing an increase in the base dividend for 2019 (paid from 2018 earnings) to $0.20 per share to the shareholders at the annual shareholders meeting in May 2019.

Pension/OPEB liabilities

The defined benefit liabilities for employee benefits decreased $0.6 billion to $6.9 billion as of December 31, 2018, as compared to $7.5 billion as of December 31, 2017. The decrease is mainly due to the decrease in the defined benefit obligation due to higher discount rates during 2018. For additional information with respect to the Company's pension plan and OPEB liabilities, including a breakdown by region and by type of plan, see note 7.2 to the consolidated financial statements.

IFRS 16

As described in note 1.3.2. to the consolidated financial statements, IFRS 16 "Leases" applies from January 1, 2019. At December 31, 2018 and 2017, the Company had non-cancellable operating lease commitments on an undiscounted basis of $1,869 million and $1,311 million, respectively (see note 8.4 to the consolidated financial statements). A review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16 and the Company's gross debt and net debt will increase accordingly. As at December 31, 2018, the Company expects to recognize on January 1, 2019 additional lease liabilities (discounted at the incremental borrowing rates at that date) and right-of-use assets for an amount of $1.1 billion.

IFRS 9

In connection with the initial application of IFRS 9, as of January 1, 2018, equity instruments with a carrying amount of $1,471 million were reclassified from assets available-for-sale to financial assets at fair value through other comprehensive income. As a result, unrealized gains and losses of investment in such equity instruments are no longer recycled to the consolidated statement of operations upon disposal but are now reclassified from other comprehensive income to retained earnings within equity upon disposal. The $608 million loss recorded in comprehensive income in 2018 was mainly related to the decrease in the share price of Erdemir.

Research and development, patents and licenses

Cost relating to research and development, patents and licenses were not significant as percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) in 2018, 2017 and 2016, amounted to $290 million, $278 million and $ 239 million, respectively.

Sources and uses of cash

Years ended December 31, 2018, 2017 and 2016

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

Summary of cash flow		For the year ended December 31,	
(in $ millions)	2018	2017	2016
Net cash provided by operating activities	4,196	4,563	2,708
Net cash used in investing activities	(3,759)	(2,830)	(1,143)
Net cash used in financing activities	(689)	(1,731)	(2,926)

Net cash provided by operating activities

For the year ended December 31, 2018, net cash provided by operating activities decreased to $4.2 billion , as compared with $4.6 billion for the year ended December 31, 2017. The decrease in net cash provided by operating activities was mainly due to an investment in operating working capital of $4.38 billion which represented an outflow for trade accounts receivable of $0.65 billion, an outflow for inventories of $4.65 billion and an inflow for trade accounts payable and other of $0.91 billion, partially offset by an increase in operating income driven by the increase in average steel selling prices offset by lower steel shipments. The operating working capital investment for the year ended December 31, 2018 largely reflected the price effect of improved market conditions which impacted operating working capital through higher inventories and higher trade receivables. The investment in operating working capital for the year ended December 31, 2018 reflected a lower than anticipated release of working capital in the fourth quarter of 2018 due to the weaker apparent demand conditions leading to an accumulation of metal stock and raw material volumes.

For the year ended December 31, 2017, net cash provided by operating activities increased to $4.6 billion, as compared with $2.7 billion for the year ended December 31, 2016. The increase in net cash provided by operating activities is mainly due to an increase in operating income driven by the increase in average steel selling prices partially offset by increases in the raw material costs and an investment in operating working capital of $1.88 billion which represented an outflow for trade accounts receivable of $0.62 billion, an outflow for inventories of $2.35 billion and an inflow for trade accounts payable and other of $1.09 billion.

Net cash used in investing activities

Net cash used in investing activities was $3.8 billion for the year ended December 31, 2018 as compared to $2.8 billion for the year ended December 31, 2017. Capital expenditures increased to $3.3 billion for the year ended December 31, 2018 as compared to $2.8 billion for the year ended December 31, 2017. Capital expenditures for the year ended December 31, 2018 was lower than expected due to underspending in certain strategic projects (see "Information on the Company—Property, plant and equipment—Capital expenditure projects") and at Ilva due to the acquisition only being completed in November 2018. Cash used in investing activities for the year ended December 31, 2018 included the acquisition of the Uttam Galva and KSS Petron debt for $1,001 million in the context of the ESIL bidding process, offset in part by the proceeds from the sale of Go Steel Frýdek Místek ($39 million), the second installment of proceeds of $44 million from the disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership, $220 million of sale proceeds following the disposal of the Company's 50% interest in Macsteel and $55 million relating to the release of restricted cash related to the mandatory convertible bond following contractual renegotiation.

Net cash used in investing activities was $2.8 billion for the year ended December 31, 2017 as compared to $1.1 billion for the year ended December 31, 2016. Cash from investing activities for the year ended December 31, 2017 included tangible asset disposals and proceeds from the disposal of U.S. long products Georgetown, the first installment of proceeds of $44 million from the disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership offset by $44 million cash consideration (net of cash

acquired for $14 million and $5 million to be paid upon conclusion of certain business restructuring measures) for the acquisition of a 55.5% stake in Bekaert Sumaré and $110 million deposited in a restricted cash account in ArcelorMittal South Africa in connection with various environmental obligations and true sales of receivables programs.

ArcelorMittal's major capital expenditures in the year ended December 31, 2018 included the following projects: the Mexico hot strip mill, the new LF&CC 2&3 in ArcelorMittal Kryvyi Rih, the modernization of ArcelorMittal Dofasco's hot strip mill, the footprint optimization project at Indiana Harbor and the new walking beam furnaces at Burns Harbor, along with other ongoing projects.

In 2019, capital expenditure is expected to be approximately $4.3 billion reflecting carry over from underspend in 2018 (approximately $0.4 billion), the impact of Ilva and the continued high return investments in Mexico and Brazil and other strategic projects (largely cost optimization). See "Capital Expenditure projects" for more detail.

Net cash used in financing activities

Net cash used in financing activities was $0.7 billion for the year ended December 31, 2018, as compared to $1.7 billion in 2017. In 2018, net cash used by financing activities included $0.2 billion net payments/proceeds for short and long-term debt, dividend payments of $220 million and $226 million outflow related to the share buyback program. Net cash used by financing activities for the year ended December 31, 2017 included net payments/proceeds for short and long-term debt of $1.5 billion. Net cash used by financing activities for the year ended December 31, 2017 included $1.2 billion of bonds repurchased pursuant to cash tender offers, $0.6 billion repayment at maturity of the euro denominated 4.625% Notes, $0.6 billion used to early redeem the 6.125% Notes due June 1, 2018 and $1.0 billion used to early redeem the 9.85% Notes due June 1, 2019, offset in part by a new $0.4 billion Schuldschein loan, a $0.4 billion loan from the European Investment Bank, $0.3 billion drawdown on the 4.5 billion South African rand revolving borrowing base finance facility and $0.6 billion proceeds from the issuance of euro denominated 0.95% Notes due January 17, 2023.

Net cash used by financing activities was $1.7 billion for the year ended December 31, 2017, as compared to $2.9 billion in 2016. In 2016, net cash used in financing activities included $6.0 billion net payments/proceeds for short and long-term debt, partially offset by the $3.1 billion proceeds from the Company's equity offering, while for the year ended December 31, 2017, net payment/proceeds for short and long-term debt was $1.5 billion.

Dividends paid during the year ended December 31, 2018 were $220 million, including $101 million paid to ArcelorMittal shareholders and $119 million paid to non-controlling shareholders in subsidiaries. Dividends paid to non-controlling shareholders in subsidiaries during the year ended December 31, 2017 were $141 million.Dividends paid during the year ended December 31, 2016 were $61 million.

Equity

Equity attributable to the equity holders of the parent increased to $42.1 billion at December 31, 2018, as compared to $38.8 billion at December 31, 2017, primarily due to net income attributable to the equity holders of the parent of $5.1 billion and $0.6 billion actuarial gains partly offset by $2.2 billion foreign exchange losses. See note 10 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2018.

Equity attributable to the equity holders of the parent increased to $38.8 billion at December 31, 2017, as compared to $30.1 billion at December 31, 2016, primarily due to net income attributable to the equity holders of the parent of $4.6 billion, $2.6 billion foreign exchange gains and $1.2 billion in actuarial gains.

Trend information

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".

Outlook

Based on the current economic outlook, ArcelorMittal expects a slight expansion in global ASC in 2019 by +0.5% to +1% (versus growth of +2.8% in 2018). By region: ASC in the United States is expected to grow +0.5% to +1.5% in 2019, with automotive demand to remain broadly stable, growth is driven by continued albeit weaker demand in machinery and construction (a moderation of growth versus +1.7% in 2018). In Europe, continued strength in construction is balanced by stable automotive demand and slower growth in machinery and is expected to support ASC growth of approximately +0.5% to +1.0% in 2019 (a moderation of growth versus +2.9% in 2018). In Brazil, ASC growth in 2019 is forecasted in the range of +3.5% to +4.5% (a moderation of growth versus +7.3% in 2018) as growth in automotive and machinery slows but construction activity grows for the first time since 2013. In the CIS, ASC is expected to grow +1.0% to +2.0% in 2019 (versus +1.8% in 2018). Overall, World ex-China ASC is expected to grow by approximately +2.0% to +3.0% in 2019, slight stronger than in 2018 due to stabilization in Turkey after a significant decline in 2018 (versus +2.1% in 2018). In China, overall demand is expected to decline by between -0.5% to -1.5% in 2019 (versus growth of +3.5% in 2018) as relatively stable demand from automotive and construction is offset by

declining machinery output. Given these demand expectations, as well as the expectation that operational disruptions (both controllable and uncontrollable) that negatively impacted 2018 shipments will not recur, the Company's steel shipments are expected to increase in 2019 versus 2018.

Market-priced iron ore shipments for 2019 are expected to be broadly stable as compared to 2018 with increases in Liberia and AMMC to be offset by lower volume in Mexico (in part due to the end of life of the Volcan mine).

The Company expects capital expenditures to increase by $1.0 billion to $4.3 billion in 2019 from $3.3 billion in 2018, including $0.4 billion carryover from underspend from 2018, the impact of Ilva ($0.4 billion) and the continued investment in higher return projects in Mexico and Brazil. Interest is expected to be stable at $0.6 billion, and cash taxes are expected to increase primarily on account of certain cash tax settlements deferred from 2018.

Due to a smaller than anticipated release in the fourth quarter of 2018, the Company invested more in working capital than expected in 2018 ($4.4 billion versus guidance of $3.0-3.5 billion). The Company expects this additional investment to be released over the course of 2019. The extent of this release will be dictated by market conditions, particularly the price and volume environment in the final weeks.

Disclosures about market risk

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. 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.

See note 6 to ArcelorMittal's consolidated financial statements for quantitative information about risks relating to financial instruments, including financial instruments entered into pursuant to the Company's risk management policies.

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 President and CFO, the Corporate Finance and Tax Committee and the CEO Office.

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. Hedging 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 financial risk 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, currency and commodity 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.

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, South African rand, Argentine peso, Kazakh tenge and Ukrainian hryvnia, 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, unless the Company is able to pass along the higher cost in the form of higher selling prices.

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

The tables below illustrate the impact of an appreciation and a depreciation of the U.S. dollar of 10% against the euro, on the conversion of the net debt of ArcelorMittal into U.S. dollars as of December 31, 2018 and December 31, 2017. The impact on net debt denominated in a currency different than the euro, is computed based on historical data of how such currency would move against the U.S. dollar when the U.S. dollar appreciates/depreciates 10% against the euro. A positive sign means an increase in the net debt.

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
In 2018	in $ equivalent (in millions)	in $ equivalent (in millions)
Argentine peso	7	(23)
Canadian dollar	(9)	10
Euro	(564)	564
Indian rupee	33	(42)
South African rand	25	(38)
Swiss franc	(12)	14
Other	10	(8)

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
In 2017	in $ equivalent (in millions)	in $ equivalent (in millions)
Argentine peso	(6)	5
Bosnia and Herzegovina convertible mark	2	(3)
Chinese renminbi	(8)	9
Euro	(597)	597
Moroccan dirham	3	(4)
Swiss franc	(6)	7
Other	2	(1)

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.

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

For the Company’s tabular presentation of information related to its market risk sensitive instruments, please see note 6 to the consolidated financial statements.

Interest rate sensitivity

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 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.

For the Company’s tabular presentation of the fair values of its short and long term debt, please see note 6 to the consolidated financial statements.

Commodity price risk

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. The residual exposures are managed as appropriate.

Financial instruments related to commodities (base metals, energy, freight and emission rights) 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.

For the Company’s tabular presentation of information related to its market risk sensitive instruments, please see note 6 to the consolidated financial statements.

In respect of non-exchange traded commodities, ArcelorMittal is exposed to volatility 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 almost entirely managed through long-term contracts, however some hedging of iron ore exposures is made through derivative contracts. For a more detailed discussion of ArcelorMittal’s iron ore and coking coal purchases, see "Raw materials".

Group organizational structure

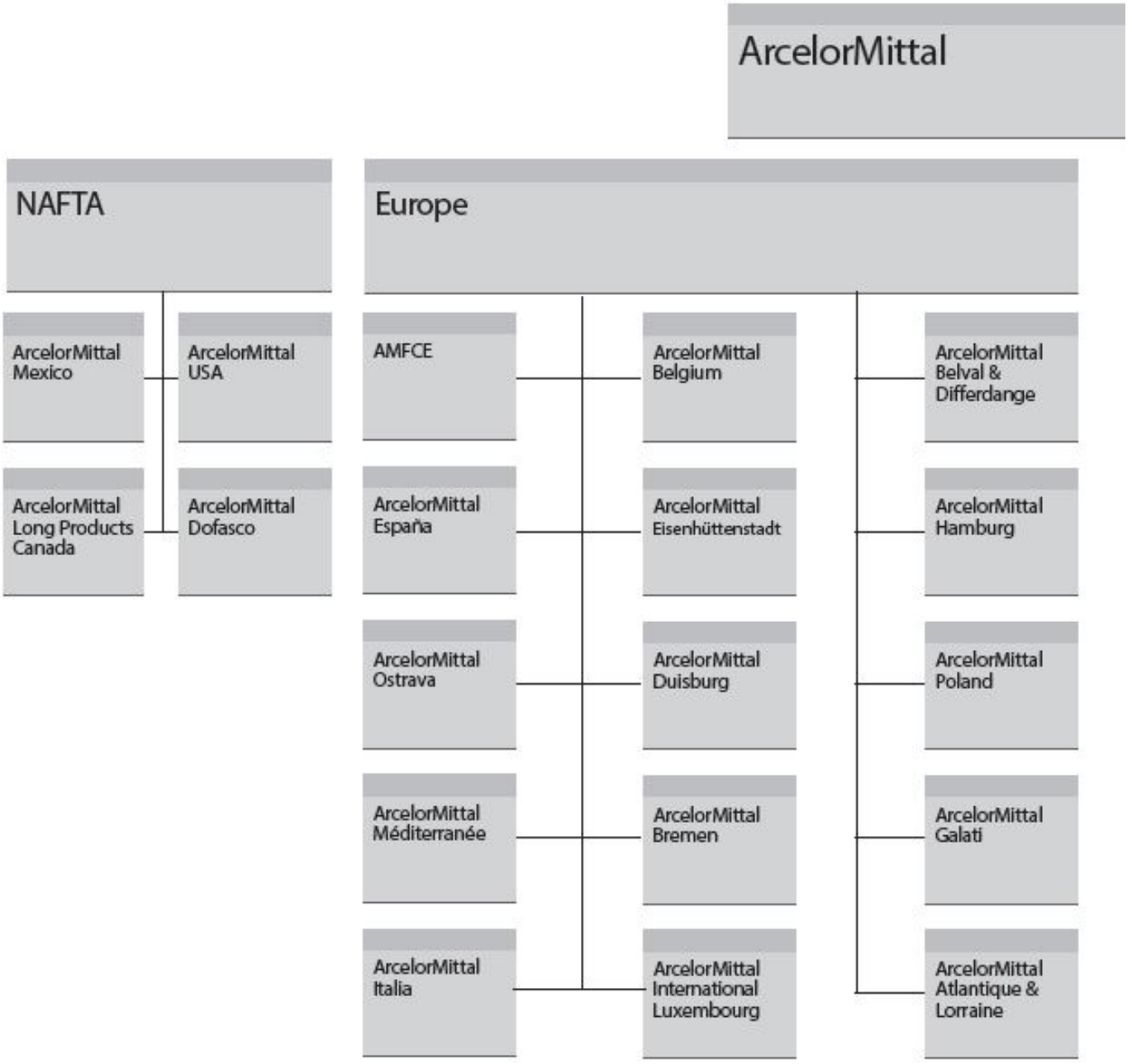
The following table identifies each significant operating subsidiary of ArcelorMittal, including the country of incorporation. Please refer to note 2.2.1 of the consolidated financial statements for the ownership percentages of these subsidiaries. Unless otherwise stated, the subsidiaries as listed have share capital consisting solely of ordinary shares, which are held directly or indirectly by the Company and the proportion of ownership interests held equals to the voting rights held by the Company.

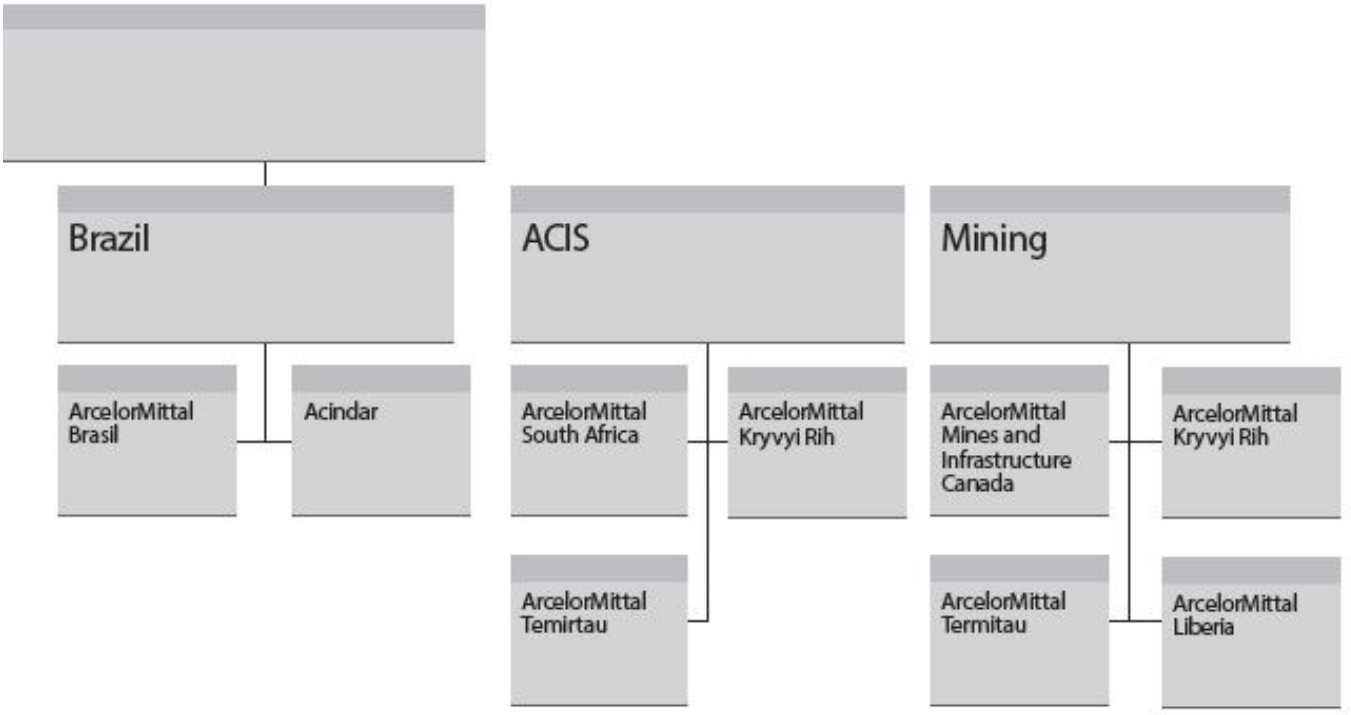
Name of Subsidiary	Abbreviation	Country
NAFTA		
ArcelorMittal Dofasco G.P.	ArcelorMittal Dofasco	Canada
ArcelorMittal México S.A. de C.V.	ArcelorMittal Mexico	Mexico
ArcelorMittal USA LLC	ArcelorMittal USA	USA
ArcelorMittal Long Products Canada G.P.	ArcelorMittal Long Products Canada	Canada
Brazil and neighboring countries ("Brazil")		
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
Europe		
ArcelorMittal Atlantique et Lorraine S.A.S.	ArcelorMittal Atlantique & 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.[1]	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Méditerranée S.A.S.	ArcelorMittal Méditerranée	France
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Ostrava a.s.[1]	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Duisburg GmbH	ArcelorMittal Duisburg	Germany
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg
ArcelorMittal Italia S.p.A.[2]	ArcelorMittal Italia	Italy
Africa and Commonwealth of Independent States ("ACIS")		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine
Mining		
ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure Canada G.P.	ArcelorMittal Mines and Infrastructure Canada	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine

1. ArcelorMittal Galati S.A. and ArcelorMittal Ostrava a.s. were classified as held for sale as of December 31, 2018.

2. On November 1, 2018, ArcelorMittal completed the acquisition of Ilva S.p.A. subsequently renamed ArcelorMittal Italia S.p.A. See Key transactions and events in 2018.

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
NAFTA
Europe
ArcelorMittal Mexico
ArcelorMittal USA
ArcelorMittal Long Products Canada
ArcelorMittal Dofasco
AMFCE
ArcelorMittal España
ArcelorMittal Ostrava
ArcelorMittal Méditerranée
ArcelorMittal Italia
ArcelorMittal Belgium
ArcelorMittal Eisenhüttenstadt
ArcelorMittal Duisburg
ArcelorMittal Bremen
ArcelorMittal International Luxembourg
ArcelorMittal Belval & Differdange
ArcelorMittal Hamburg
ArcelorMittal Poland
ArcelorMittal Galati
ArcelorMittal Atlantique & Lorraine


Brazil
ArcelorMittal Brasil
Acindar
ACIS
ArcelorMittal South Africa
ArcelorMittal Kryvyi Rih
ArcelorMittal Temirtau
Mining
ArcelorMittal Mines and Infrastructure Canada
ArcelorMittal Kryvyi Rih
ArcelorMittal Termitau
ArcelorMittal Liberia

Key transactions and events in 2018

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2018 are summarized below.

Acquisition of Ilva

On November 1, 2018, ArcelorMittal announced that AM InvestCo Italy S.r.l ("AM Investco") completed the acquisition of Ilva, after having been granted merger clearance by the European Commission ("EC") on May 7, 2018 on the basis of the Company's committed divestment package (see below) and fulfilling all of the conditions precedent in ArcelorMittal's contract with the Italian government for the lease and subsequent purchase of Ilva, including the labor agreement with Ilva's trade unions, which was reached on September 6, 2018. Ilva is Europe's largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. As a result of the lease agreement, the assets and liabilities subject to the transaction are leased by subsidiaries of AM InvestCo, including ArcelorMittal Italia S.p.A. The purchase price amounts to €1.8 billion ($2.1 billion) subject to certain adjustments, with annual leasing costs of €180 million ($206 million) to be paid in quarterly installments, with rental payments qualifying as down payments against the purchase price. The lease is for a minimum period of four years. The agreement includes industrial capital expenditure commitments of approximately €1.3 billion ($1.4 billion) over a seven-year period focused on blast furnaces including €0.2 billion revamping of blast furnace #5 intending to bring steel production to 8 million tonnes by 2024, steel shops and finishing lines and environmental capital expenditure commitments of approximately €0.8 billion ($0.9 billion) including €0.3 billion for stock pile coverage, €0.2 billion for reduction of emissions at coke ovens and €0.2 billion in waste water treatment. The agreement also includes environmental remediation obligations of approximately €0.5 billion ($0.6 billion), the latter of which will be funded with funds seized by the Italian Government from the former shareholder. As part of the labor agreement with Ilva's trade unions, of Ilva's 13,800 employees, 10,700 were hired by ArcelorMittal. In addition, between 2023 and 2025, the Company has committed to hire any workers who remain under Ilva's extraordinary administration. The Company has identified synergies of €310 million, which are targeted to be realized by 2020.

ArcelorMittal is the principal partner in AM InvestCo with a 94.45% equity stake in the consortium, with Banca Intesa Sanpaolo ("ISP") holding 5.55%. ISP's interest is subject to put and call option arrangements exercisable by ArcelorMittal and ISP between November 1, 2020 and November 1, 2025 and between November 1, 2021 and November 1, 2025, respectively. Following completion of the transaction, ArcelorMittal has assumed full management control of Ilva, which forms a new business cluster within ArcelorMittal Europe - Flat Products and has been renamed ArcelorMittal Italia. See Note 2.2.4 to ArcelorMittal's consolidated financial statements for further details.

Ilva related Divestments

On October 12, 2018 and November 2, 2018 ArcelorMittal received two binding offers from Liberty House Group ("Liberty House") for the acquisition of ArcelorMittal Ostrava (Czech Republic), ArcelorMittal Galati (Romania), ArcelorMittal Skopje (North Macedonia), ArcelorMittal Piombino (Italy), the Company's only galvanized steel plant in Italy, ArcelorMittal Dudelange (Luxembourg) and the following finishing lines at ArcelorMittal Liège (Belgium): hot dipped galvanizing lines 4 and 5 in Flémalle, hot-rolled pickling, cold rolling and tin packaging lines in Tilleur. All assets are part of a divestment package the Company agreed to with the EC during its merger control investigation into the Company's acquisition of Ilva. On January 23, 2019, the Company submitted to the EC a revised offer from Liberty House in respect of the same package of assets. Transaction closing is conditional on EC approval and the conclusion of consultations with local and European Works Councils.

ESIL

On March 2, 2018, ArcelorMittal announced the signature of a joint venture formation agreement with NSSMC in relation to its offer to acquire ESIL, which was subsequently amended and restated on January 22, 2019. On April 2, 2018, ArcelorMittal submitted an offer (the "Offer") in the re-bidding process for ESIL. On October 17, 2018, following a judgment from the Supreme Court of India on October 4, 2018, ArcelorMittal announced that it had approved a payment of 7,469 crore rupees (approximately $1 billion, subsequently paid) to the financial creditors of Uttam Galva and KSS Petron in order that the Offer would be eligible for consideration by ESIL's Committee of Creditors ("CoC"). ArcelorMittal had previously been a shareholder of Uttam Galva and HSBC Trustee (C. I.) Limited, as trustee of trusts of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries, had previously been a shareholder of KSS Petron. At the time of such payment, neither had any interest in such companies and, in particular, the trusts and their beneficiaries did not have any liability to KSS Petron or its creditors or other stakeholders and hence did not benefit from such payment. On October 19, 2018, ArcelorMittal was evaluated the H1 Resolution

Applicant (the preferred bidder) by the CoC of ESIL and on October 26, 2018, ArcelorMittal announced that the CoC voted to approve the Company's acquisition plan for ESIL (the "Resolution Plan"). ESIL's Resolution Professional, on behalf of the CoC, issued the Company with a Letter of Intent ("LOI") stating that the Company was identified as the "Successful Resolution Applicant".

The Resolution Plan includes an upfront payment of 42,000 crore rupees (approximately $5.7 billion) towards ESIL's debt resolution, with a further 8,000 crore rupees (approximately $1.1 billion) of capital injection into ESIL to support operational improvement, increase production levels and deliver enhanced levels of profitability. The Company provided a $0.6 billion performance guarantee in connection with the execution of the Resolution Plan.

In line with ESIL's corporate insolvency process, ArcelorMittal's Resolution Plan must now be formally accepted by India's National Company Law Tribunal ("NCLT") before completion. The NCLT has completed hearing the CoC's application for the approval of the Resolution Plan, as well as objections and challenges from different parties, including creditors of ESIL and the current shareholder. While it is difficult to predict the timing of an NCLT approval, a decision is expected in the first quarter of 2019 and the amounts of debt payment and capital injection specified in the Resolution Plan would become payable promptly after such approval is obtained.

ESIL is an integrated flat steel producer, and the largest steel company in western India. ESIL's main steel manufacturing facility is located at Hazira, Gujarat in Western India. It also has:

- Two iron ore beneficiation plants close to the mines in Kirandul and Dabuna, with slurry pipelines that then transport the beneficiated iron ore slurry to the pellet plants in the Kirandul-Vizag and Dabuna-Paradeep systems;
- a downstream facility in Pune (including a pickling line, a cold rolling mill, a galvanizing mill, a color coating mill and a batch annealing plant); and
- seven service centers in the industrial clusters of Hazira, Bhuj, Indore, Bahadurgarh, Chennai, Kolkata and Pune. It has a complete range of flat rolled steel products, including value added products, and significant iron ore pellet capacity with two main pellet plant systems in Kirandul-Vizag and Dabuna-Paradeep, which have the potential for expansion. Its facilities are located close to ports with deep draft for movement of raw materials and finished goods.

In terms of iron ore pellet capacity, the Kirandul-Vizag system has 8 million tonnes of annual pellet capacity and the Dabuna-Paradeep system has 6 million tonnes of annual pellet capacity, which is in the process of being expanded to a new capacity level of 12 million tonnes. This expansion would bring pellet capacity above Essar's own requirements and provide the opportunity to improve operating income by fully utilizing such pellet capacity.

The Resolution Plan includes a capital expenditure plan of 18,697 crore (approximately $2.8 billion) to be implemented in two stages over six years. The first stage would involve investments to increase the production of finished steel goods sustainably to 6.5 million tonnes per annum and includes completion of ongoing capital expenditure projects with respect to a coke oven, second sinter plant, third line CSP caster, Paradeep pellet plant and Dabuna beneficiation plant. The first stage will also include investment in maintenance to restore current assets, the implementation of an environmental management plan and the implementation of ArcelorMittal's best practices on raw material sourcing, plant operations, sales and product mix (in particular through greater sophistication of the quality and markets of the steel produced with a focus on developing sales to the automotive industry), people management and health & safety. The second stage would involve investments to increase the production of finished steel goods from 6.5 million tonnes per annum to 8.5 million tonnes per annum by the end of 2024, including asset reconfiguration and the addition of a coke oven, blast furnace and basic oven furnace.

There is also a long-term aspiration to increase finished steel shipments to between 12 and 15 million tonnes tonnes through the addition of new iron and steelmaking assets, so that ESIL can play an active role and fully benefit from the anticipated growth in the Indian steel industry.

After completion, ArcelorMittal expects jointly to own and operate ESIL in partnership with NSSMC, Japan's largest steel producer and the third largest steel producer in the world, in-line with a joint venture formation agreement signed with NSSMC (the "Joint Venture"). ArcelorMittal and NSSMC currently expect to finance the Joint Venture through a combination of partnership equity (one-third) and debt (two-thirds), and ArcelorMittal anticipates that its investment in the Joint Venture will be equity accounted.

On November 20, 2018, ArcelorMittal entered into a $7 billion term facilities agreement (the "Term Facilities Agreement") with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (i.e., until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the Joint Venture. Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The Term Facilities Agreement includes 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 4.25 to one. The Term Facilities Agreement is also subject to certain mandatory prepayment events, including as a result of the use of proceeds from debt capital market issuances by the Group or capital raising by the Joint Venture and certain other disposals, in each case above $1 billion.

ESIL's assets do not include certain assets that are ancillary to the steel plant, such as a slurry pipeline, power plants and port facilities. AM and NSSMC are visiting some of these facilities in light of the planned acquisition of ESIL to understand the supply arrangements for raw materials and power for the steel mill.

Acquisition of Votorantim Siderurgia.

In February 2018, the Brazilian antitrust authority ("CADE") approved the acquisition by ArcelorMittal of Votorantim Siderurgia, subject to certain divestments. The closing of the transaction occurred on April 1, 2018, and Votorantim Siderurgia, under the new corporate name of ArcelorMittal Sul Fluminense ("AMSF"), became a subsidiary of ArcelorMittal Brasil.

The combination of the businesses resulted in a long product steel producer with annual crude steel capacity of 5.1 million metric tonnes. This acquisition aims to create value through cost, logistical and operational synergies totaling approximately $110 million per annum. See Note 2.2.4 to ArcelorMittal's consolidated financial statements for further details. In particular, the combination results in geographically complementary production facilities (i.e., ArcelorMittal's Monelevade, Juiz de Fora and Piracicaba facilities and Votorantim's Barra Mansa and Resende plants and its 50% interest in the joint venture Sitrel in Três Lagoas).

CADE's approval was subject to the fulfillment of certain divestment commitments which were completed in early May. The divestments included ArcelorMittal Brasil's two production sites of Cariacica and Itaúna, as well as some wire drawing equipment. See Note 2.3.1 to ArcelorMittal's consolidated financial statements for further details.

Other Events in 2018

- During 2018, ArcelorMittal completed several debt financing and repayment transactions. See "Liquidity and capital resources—Financings" for a summary of the transactions.
- On May 16, 2018, the extraordinary general meeting of shareholders of ArcelorMittal held in Luxembourg approved the resolution on the agenda to change the currency of the share capital from euro to U.S. dollar.
- On March 26, 2018, ArcelorMittal completed a share buyback program. ArcelorMittal repurchased 7 million shares for a total value €184 million ($226 million) at an average price per share of €26.34.

On March 5, 2018, ArcelorMittal announced that Aditya Mittal, CFO of ArcelorMittal and CEO of ArcelorMittal Europe, was appointed as President, ArcelorMittal, in addition to his current responsibilities. This nomination reflects the increasing global strategic role Aditya Mittal has across the group, supporting the Chairman and CEO, Mr. Lakshmi Mittal. As President and CFO, he will continue to report to the Chairman and CEO. Together, Mr. Mittal and Aditya Mittal comprise the CEO office.

Recent developments

On February 19, 2019, ArcelorMittal announced the completion of its share buyback program on February 15, 2019 (the "2019 Program"). The Company repurchased 4 million shares for a total value of approximately $90 million (€80 million) at an approximate average price per share of €19.89 ($22.42) pursuant to the 2019 Program that was announced on February 7, 2019. The 2019 Program was completed under the authorization given by the annual general meeting of shareholders held on May 5, 2015 and applicable market abuse regulations. The shares acquired under the 2019 Program are intended to meet ArcelorMittal's obligations arising from employee share programs.

Corporate governance

The “Corporate Governance” section of the Company's Annual Report 2018 contains a full overview of its corporate governance practices.

Compensation

Board of Directors

Directors’ fees

The ARCGS Committee of the Board of Directors prepares proposals on the remuneration to be paid annually to the members of the Board of Directors.

At the May 9, 2018 annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive directors for the 2017 financial year, based on the following annual fees (euro denominated amounts are translated into U.S. dollars as of December 31, 2018) :

- Basic director’s remuneration: €144,720 ($165,704);
- Lead Independent Director’s remuneration: €204,120 ($233,717);
- Additional remuneration for the Chair of the Audit & Risk Committee: €28,080 ($32,152);
- Additional remuneration for the other Audit & Risk Committee members: €17,280 ($19,786);
- Additional remuneration for the Chairs of the other committees: €16,200 ($18,549); and
- Additional remuneration for the members of the other committees: €10,800 ($12,366).

The total annual remuneration of the members of the Board of Directors paid in 2018 and 2017 was as follows:

	Year ended December 31,	
(Amounts in $ thousands except Long-term incentives information)	2018	2017
Base salary[1]	1,604	1,505
Director fees	1,509	1,744
Short-term performance-related bonus[1]	2,775	2,333
Long-term incentives [1, 2]	70,302	49,431

1. Chairman and CEO only. Slight differences between the years are possible, due to foreign currency effects.
2. See "Remuneration - Long-term incentives plan".

The annual remuneration paid for 2018 and 2017 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)	2018[1]	2017[1]	2018 Short-term Incentives	2017 Short-term Incentives	2018 Long-term Number of PSUs	2017 Long-term Number of PSUs
Lakshmi N. Mittal	1,604	1,505	2,775	2,333	70,302	49,431
Vanisha Mittal Bhatia	166	174	—	—	—	—
Narayanan Vaghul	_	69	—	—	—	—
Suzanne P. Nimocks	178	187	—	—	—	—
Wilbur L. Ross, Jr.	_	32	—	—	—	—
Lewis B. Kaden	_	95	—	—	—	—
Bruno Lafont	272	255	—	—	—	—
Tye Burt	178	187	—	—	—	—
Karyn Ovelmen	198	203	—	—	—	—
Jeannot Krecké	166	174	—	—	—	—
Michel Wurth	166	174	—	—	—	—
Karel de Gucht	185	194	—	—	—	—
Total	3,113	3,249	2,775	2,333	70,302	49,431

1. Remuneration for non-executive Directors with respect to 2018 (subject to shareholder approval at the annual general meeting to be held on May 7, 2019) will be paid in 2019 and is included in the 2018 column. Remuneration for non-executive Directors with respect to 2017 (paid after shareholder approval at the annual general meeting held on May 9, 2018) is included in the 2017 column. Remuneration for non-executive Directors with respect to 2018 and paid after shareholder approval at the annual general meeting held on May 10, 2017 is included in the 2017 column. Slight differences between the years are possible, due to foreign currency effects.

As of December 31, 2018, ArcelorMittal did not have any loans or advances outstanding to members of its Board of Directors and 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 CEO, 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 and PSUs granted to the Chairman and CEO, who is the sole executive director on the Board of Directors, as of December 31, 2018.

	Options granted in 2010	Options granted in 2009	Options Total		Weighted Average Exercise Price of Options
Lakshmi N. Mittal[1]	18,833	20,000	38,833	$	100.82
Exercise price	91.98	109.14	—	$	100.82
Term (in years)	10	10	—		—
Expiration date	Aug. 3, 2020	Aug. 4, 2019	—		—

1.The options granted in the table above were revised following the completion of the Company's share consolidation of each three existing shares into one share without nominal value on May 22, 2017.

	PSUs granted in 2018	PSUs granted in 2017	PSUs granted in 2016
Lakshmi N. Mittal[2]	70,302	49,431	168,214
Term (in years)	3	3	3+2
Vesting date[1]	January 1, 2022	January 1, 2021	January 1, 2020 and January 1, 2022

1. See "Remuneration - Long-term incentives for vesting conditions".
2. The options granted in the table above were revised following the completion of the Company's share consolidation of each three existing shares into one share without nominal value on May 22, 2017.

The PSUs granted in 2015 gave the right to receive ArcelorMittal shares at the end of the vesting period as the performance conditions set at the date of the grant have been partially met. See “—2018 LTI vesting (2015 grants)” below for more information.

Remuneration at a glance - senior management

The following table provides a brief overview of the Company's remuneration policy for senior management. Additional information is provided below.

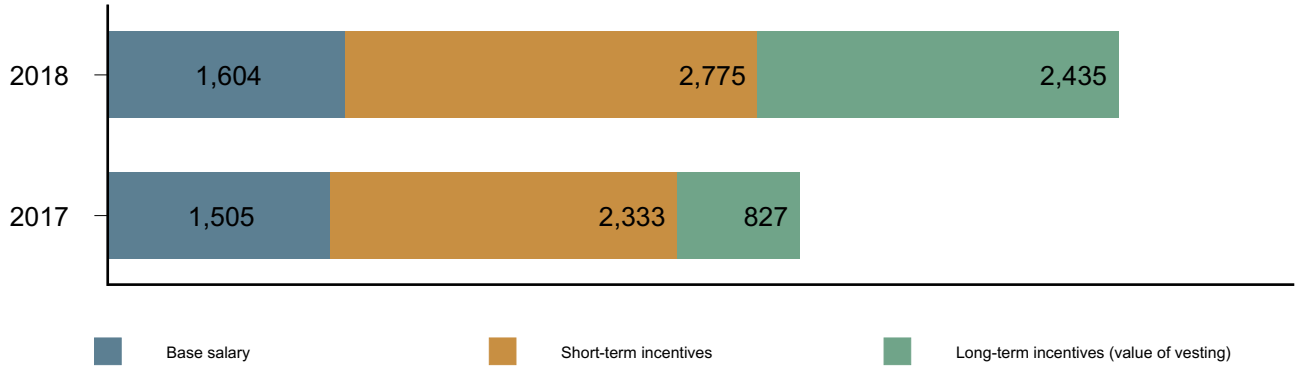
ArcelorMittal's Remuneration Policy			
Remuneration	Period	Strategy	Characteristic
Salary	2018	Recruitment and retention	• Reviewed annually by the ARCGS Committee considering market data • Increases based on Company performance and individual performance
STI	2018	Delivery of strategic priorities and financial success	• Maximum STI award of 270% of base salary for the CEO, 225% of base salary for the CFO and 135% of base salary for other Executive Officers • 100% STI paid in cash • ArcelorMittal's first priority Health and Safety is part of the STI • Overperformance towards competition
LTIP	2019-2021	Encourages long term shareholder return	• Performance share units granted with a face value of 100% of base salary for the CEO and CFO and between 50-60% for Executive Officers • Shares vest after a three-year performance period • Performance related vesting

Key Performance Metrics from 2018		
Metrics	Scheme	Rationale
EBITDA	STI	• Demonstrates growth and operational performance of the underlying businesses
FCF	STI	
ROCE	STI	• Critical factor for long-term success and sustainability of the Company
Gap to competition	STI / LTIP	• Outperform peers
Health & Safety	STI	• Employee health and safety is a core value for the Company
Business Specific measures	STI	• For corporate functions, links reward to strategic priorities of their functions
EPS	LTIP	• Links reward to delivery of underlying equity returns to shareholders
TSR	LTIP	• Creates a direct link between executive pay and shareholder value • Measure is split equally between comparison against S&P 500 index and a peer group of companies

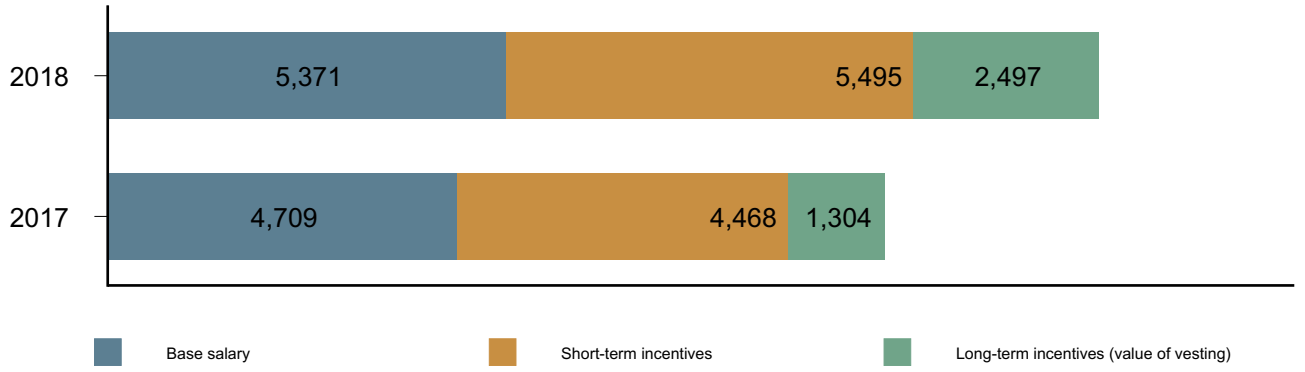
Remuneration at a glance - 2018 Pay outcomes

The following graphics compare the compensation paid to the CEO, CFO and other Executive Officers in 2018 and 2017 in thousands of U.S. dollars. Information with respect to total remuneration paid is provided under "—Renumeration—2018 Total remuneration" below.

Chief Executive Officer



President and Chief Financial Officer and Executive officers



2017 short-term incentives paid in 2018

	Executive	Realization as % of business target
CEO office	Lakshmi Mittal Aditya Mittal	134%
Corporate	Brian Aranha	146%
Corporate	Henri Blaffart[1]	145%
Flat Carbon Europe	Geert van Poelvoorde	135%
Long Carbon South America	Jefferson de Paula	113%
Mining	Simon Wandke	85%
50% NAFTA 50% Calvert	Robrecht Himpe[2]	84%

Note: Individual performance not included in the percent of realization.

1 Mr. Blaffart retired from the Company on April 1, 2018.
2 Mr. Himpe retired from the Company on July 1, 2018.

2018 LTI vesting (2015 grants)

The following tables provide information about the vesting in 2018 of long-term incentives granted to senior management in prior years. See also note 7.3 to the consolidated financial statements.

CEO office

TSR Vesting - 50% of overall opportunity	EPS Vesting - 50% of overall opportunity
• The Company's TSR performance was 36.9% for the three-year performance period	• The Company's EPS performance was higher than 2,000% for the three-year performance period
• This was above the target compared to the S&P 500 and the peer group performance	• This was an over-performance
• As a result, 105.8% of the TSR component of the 2015 LTIP has vested	• As a result, 150% of the EPS component of the 2015 LTIP has vested (as set forth in the table below)

	Number of PSUs granted in 2015 outstanding in 2018	Number of shares vested
CEO	59,773	76,450
President and CFO and other ex-GMB members[1]	94,994	70,389

1. For ex-GMB members the vesting was pro-rata temporis.

Executive Officers

In 2018, the following long-term incentives vested:

Vehicle	Date of vesting	Date of Grant	Number of PSUs/RSUs granted to the Executive Officers and outstanding	Number of Shares acquired by the Executive Officers
PSUs	January 1, 2018 Performance approved by ARCGS Committee on March 6, 2018	December 17, 2014	14,668	16,174
RSUs	December 18, 2018	December 18, 2015	16,002	14,948

Remuneration

Remuneration strategy

The ARCGS Committee assists the Board of Directors to maintain a formal and transparent procedure for setting policy on senior management's remuneration and to determine an appropriate remuneration package for senior management. The ARCGS Committee should ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives while complying with applicable rules and regulations.

Board oversight

To this end, the Board of Directors has established the ARCGS Committee to assist it in making decisions affecting employee remuneration. All members of the ARCGS 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 ARCGS Committee. The ARCGS Committee makes decisions by a simple majority with no member having a casting vote and is chaired by Mr. Bruno Lafont, Lead Independent Director.

Appointments, remuneration, corporate governance and sustainability committee

The primary function of the ARCGS Committee is to assist the Board of Directors with respect to the following:

- review and approve corporate goals and objectives regarding remuneration relevant to the CEO Office and Executive Officers and other members of executive management as deemed appropriate by the committee, 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, the CEO Office and Executive Officers;

- 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 the members of the CEO Office and Executive Officers;
- submit proposals to the Board on the remuneration of the members of the CEO Office and Executive Officers, and on the appointment of new members thereto and new directors; and
- make recommendations to the Board of Directors in respect of the Company's framework of remuneration for the members of the CEO Office and Executive Officers 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. This may include a member's total cost of employment (factoring in equity/long term incentives, any perquisites and benefits in kind and pension contributions).

The ARCGS Committee met six times in 2018. Its members comprise Mr. Bruno Lafont (Chairman), Mrs. Suzanne Nimocks and Mr. Tye Burt.

Regular invitees include Mr. Lakshmi N. Mittal (CEO and Chairman) and Mr. Bart Wille (Head of Group Human Resources and Corporate Services). Mr. Henk Scheffer (Company Secretary) acts as secretary.

Individual remuneration is discussed by the ARCGS Committee without the person concerned being present. The ARCGS Committee Chairman presents its decisions and findings to the Board of Directors after each ARCGS Committee meeting.

Remuneration policy

The ARCGS Committee set policies applied to Senior Management on base salary, short-term incentives and long-term incentives.

Scope

ArcelorMittal's remuneration philosophy and framework apply to the following groups of senior management:

- the CEO and the President and CFO; and
- the other Executive Officers.

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 management is based on the following principles:

- provide total remuneration competitive with executive remuneration levels of peers of similar size, scope and industry;
- encourage and reward performance that will lead to long-term enhancement of shareholder value; and
- promote internal pay equity by providing base pay and total remuneration levels that reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.

Remuneration framework

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

- fixed annual salary;
- short-term incentives (i.e., performance-based bonus); and
- long-term incentives (i.e., stock options (prior to May 2011), RSUs and PSUs (after May 2011), PSUs only as from 2016).

The Company does not have any deferred compensation plans for senior management, including the Chairman and CEO.

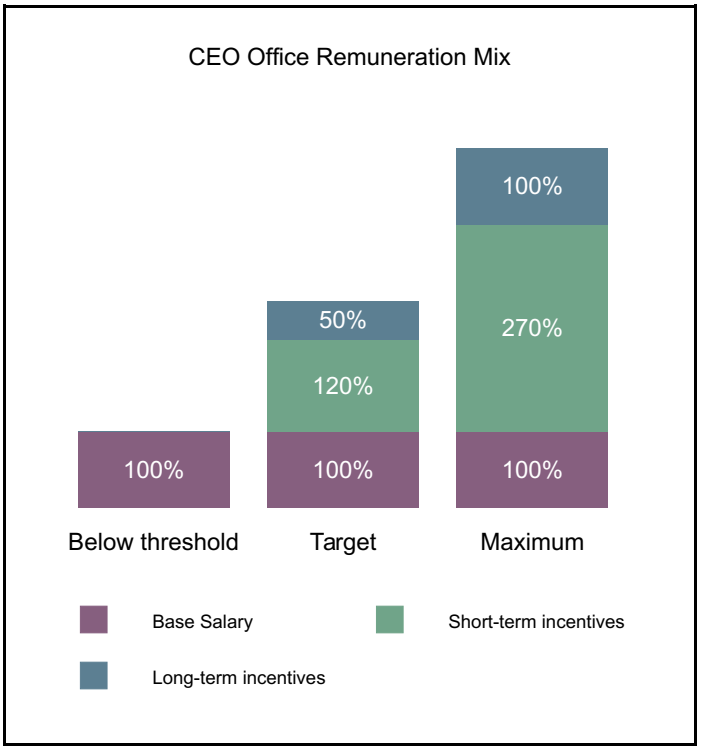
The following table provides an overview of the remuneration policy applied by the ARCGS:

Remuneration component and link to strategy	Operational and performance framework	Opportunity
Fixed annual salary *Competitive base salary to attract and retain high-quality and experienced senior executives*	* Base salary levels are reviewed annually with effect from April 1 (except promotion) compared to the market to ensure that ArcelorMittal remains competitive with market median base pay levels * Reviews are based on market information obtained but not led by benchmarking to comparable roles, changes in responsibility and general economic conditions	The ARCGS does not set a maximum salary, instead when determining any salary increases it takes into account a number of reference points including salary increases across the Company
Benefits *Competitive level to ensure coverage of the executives*	* May include costs of health insurance, death and disability insurances, company car, tax return preparation, etc. * Relocation benefits may be provided where a change of location is made at Company's request	The cost to the Company of providing benefits can change from year to year. The level of benefit provided is intended to remain competitive
Pension *Competitive level of post-employment benefit to attract and retain executives*	* Local benchmark of pension contributions for comparable roles	
Short term incentives (STI) *Motivate the senior executives to achieve stretch performance on strategic priorities*	* Scorecard is set at the commencement of each financial year * Measures and relative weights are chosen by the ARCGS Committee to drive overall performance for the coming year * STI calculations for each executive reflect the performance of ArcelorMittal and /or the performance of the relevant business units, the achievement of specific objectives of the department and the individual executive's overall performance * No STI is paid for a performance below threshold 80%; 100% STI payout for performance achieved at 100%; 150% STI payout for performance achieved at 120% or above	Range for CEO: 0 to 270% with a target at 120% of base salary Range for President and CFO: 0 to 225% with a target at 100% of base salary Range for Executive Officers: 0 to 135% with a target at 60% of base salary
LTIP *Sustain shareholder wealth creation in excess of performance of a peer group and incentivize executives to achieve strategy*	CEO Office LTIP * The vesting is subject to a relative TSR (Total Shareholder Return) compared to the S&P 500 and a peer group and to a relative EPS of a peer group over a three year- period *The peer group is determined by the ARCGS Committee * No vesting will occur below the median for all grants as from 2016 * Performance is determined by the ARCGS Committee Executive Officers LTIP - The vesting is subject to a relative TSR compared to a peer group and eventually an additional strategic priority in some business units (such as Gap to competition or TCOE) in 2018 - The peer group is determined by the ARCGS Committee - No vesting will occur below the median for all grants for the TSR portion - Performance is determined by the ARCGS Committee	Maximum value at grant: 100% of base salary for CEO and President and CFO 50 to 60% of base salary for Executive Officers

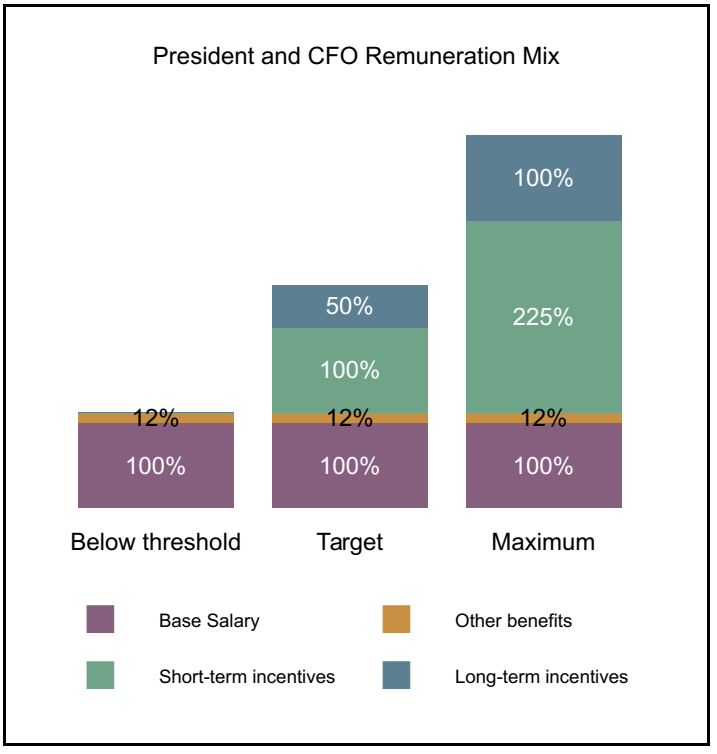
Remuneration mix

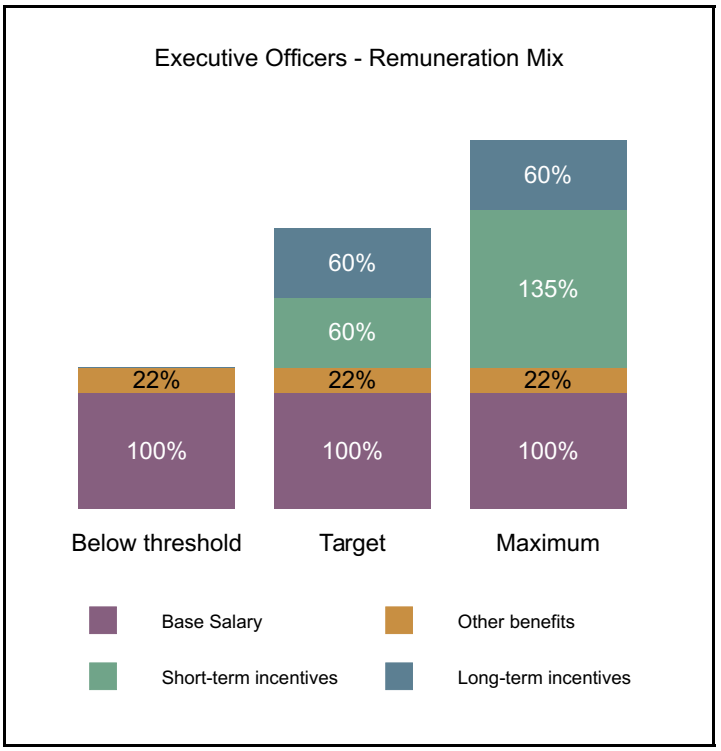
The total remuneration target of the CEO and the President and CFO is structured to attract and retain executives; the amount of the remuneration received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value from relative performance.

The following remuneration charts, which illustrate the various elements of the CEO, the President and CFO and the other Executive Officers' compensation, are applicable for 2018. For each of the charts below, the columns on the left, middle and on the right, respectively, reflect the breakdown of compensation if targets are not met, met and exceeded.



Note: no pension contribution





Note: Other benefits, as shown above, do not include international mobility incentives that may be provided.

2018 Total remuneration

The total remuneration paid in 2018 to members of ArcelorMittal's senior management (including Mr. Lakshmi N. Mittal in his capacity as CEO) was $7.3 million in base salary and other benefits paid in cash (such as health, other insurances, lunch allowances, financial services, gasoline and car allowance) and $8.3 million in short-term performance-related variable remuneration consisting of a short-term incentive linked to the Company's 2017 results. During 2018, approximately $0.9 million 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 2018, and no such loans or advances were outstanding as of December 31, 2018.

The following table shows the remuneration received by the CEO, the President and CFO and the Executive Officers as determined by the ARCGS Committee in relation to 2018 and 2017 including all remuneration components:

		Chief Executive Officer		President and Chief Financial Officer and Executive Officers	
(Amounts in $ thousands except for Long-term incentives)		2018	2017	2018[5]	2017[(5)]
Base salary[1]		1,604	1,505	5,371	4,709
Retirement benefits		—	—	862	849
Other benefits[2]		—	41	314	250
Short-term incentives[3]		2,775	2,333	5,495	4,468
Long-term incentives	- fair value in $ thousands[4]	1,166	1,130	2,702	1,922
	- number of share units	70,302	49,431	141,109	94,553

1. The base salaries of the CEO and President and CFO were increased by 7.5% in 2018, including as a result of the promotion of the CFO and CEO ArcelorMittal Europe to President of ArcelorMittal.
2. Other benefits comprise benefits paid in cash such as lunch allowances, financial services, gasoline and car allowances. Health insurance and other insurances are also included.
3. 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.
4. 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 PSUs granted to the CEO and to the President and CFO and Executive Officers was $4 million (net of reversal of expenses relating to unvested PSUs) for the year ended December 31, 2018. The remuneration expenses recognized for the PSUs granted to the CEO and to the President and CFO and Executive Officers was $3 million (net of reversal of expenses relating to unvested PSUs) for the year ended December 31, 2017.
5. Henri Blaffart is included until March 31, 2018, Robrecht Himpe is included until June 30, 2018.

Short-term incentives

Targets associated with ArcelorMittal's 2018 performance short-term incentive were aligned with its strategic objectives of improving health and safety performance and overall competitiveness.

For the CEO and the President and CFO, the 2018 short-term incentive formula is based on:

- EBITDA at the Group level: 30% (this acts as "circuit breaker" with respect to group-level financial performance measures as explained below);
- FCF at the Group level: 20%;
- ROCE at the Group level: 20%;
- Gap to competition at the Group level: 20%; and
- Health and safety performance at the Group level: 10%.

EBITDA operating as a "circuit breaker" for financial measures means that at least 80% of target must be met to trigger any short-term incentive payment with respect to the EBITDA and FCF performance measures.

For the CEO , the performance short-term incentive at 100% achievement of performance targets linked to the business plan is equal to 120% of his base salary. For the CFO, the performance short-term incentive at 100% achievement of performance targets linked to the business plan is equal to 100% of his base salary.

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

Performance below threshold will result in zero performance short-term incentive payout.

For the other Executive Officers, the 2018 short-term incentive formula has been tailored for their respective positions and is generally based on the following:

- EBITDA at the Group, segment and / or Business unit level: this acts as the "circuit breaker" with respect to financial performance measures except for Mining where the Mining volume is the "circuit breaker";
- FCF at the Group, segment or Business unit level;
- ROCE at the Group level, segment or Business unit level;
- Gap to competition at the Group level, segment or Business unit level;
- Health and safety performance; and
- Business specific measures for corporate functions.

For the other Executive Officers, the performance short-term incentive at 100% achievement of performance targets linked to the business plan is equal to 60% of their base salary.

Individual performance and assessment ratings define the individual short-term incentive multiplier that will be applied to the performance short-term incentive 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 1.5 may cause the performance short-term incentive pay-out to be higher than 150% of the target short-term incentive, up to 270% of the target short-term incentive being the absolute maximum for the CEO. Similarly, a reduction factor will be applied for those at the lower end.

The achievement level of performance for the short-term incentive for the CEO, the President and CFO and the other Executive Officers is summarized as follows:

Functional level	Target achievement threshold @ 80%	Target achievement @ 100%	Target achievement ≥ ceiling @ 120%
Chief Executive Officer	60% of base pay	120% of base pay	180% of base pay
President and Chief Financial Officer	50% of base pay	100% of base pay	150% of base pay
Executive Officers	30% of base pay	60% of base pay	90% of base pay

Long-term incentive plan

ArcelorMittal operates a long-term incentive plan to incentivize shareholder wealth creation in excess of performance of a peer group and incentivize executives to achieve strategy.

On May 10, 2011, the annual general meeting of shareholders approved the ArcelorMittal Equity Incentive Plan, a new equity-based incentive plan that replaced the Global Stock Option Plan (see below and note 7.3 to the consolidated financial statements for a description of the Global Stock Option Plan). The ArcelorMittal Equity Incentive Plan is 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 ArcelorMittal Equity Incentive Plan provides for the grant of RSUs and PSUs to eligible Company employees (including the Executive Officers) and is designed to incentivize employees, improve the Company's long-term performance and retain key employees. On May 8, 2013, the annual general meeting of shareholders approved the GMB PSU Plan, which provides for the grant of PSUs to GMB members (and is now applicable to the CEO Office). Until the introduction of the GMB PSU Plan in 2013, GMB members were eligible to receive RSUs and PSUs under the ArcelorMittal Equity Incentive Plan. In 2016, a special grant was approved in order to align the grant with the Action 2020 plan put in place by ArcelorMittal.

The maximum number of PSUs (and RSUs previously) 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 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders' meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs (10,000,000 after the reverse stock split) may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined. The 2017 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office was approved at the annual shareholders' meeting on May 10, 2017 at a maximum of 3,000,000 shares (9,000,000 before the reverse stock split). The 2018 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office level was approved at the annual shareholders' meeting on May 9, 2018 at a maximum of 1,500,000 (one million five hundred thousand) shares.

In 2016, ArcelorMittal adapted the plan:

- To consider the comments of shareholders that vesting should not happen below the median and
- To adapt to Action 2020 (Special grant)

Conditions of the 2018 grant were as follows:

	CEO Office			**Executive Officers**	
2018 Grant	PSUs with a three year performance period Value at grant 100% of base salary for the CEO and the President and CFO Vesting conditions:			PSUs with a three year performance period Vesting conditions	
		Threshold	**Target**		**Target**
	TSR/EPS vs. peer group	100% median	≥120% median	ROCE	100% target 100% vesting
	TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance	Gap to competition (where applicable)	100% target 100% vesting
	Vesting percentage	50%	100%		

Awards made in previous financial years which have not yet reached the end of the vesting period

The Company's Long-Term Incentive Plan for senior management including Executive Officers follows the Company's strategy.

In 2015, the Company's goal was to achieve ROCE and Mining volumes for the Mining segment and therefore the target was based on these performance measures.

In 2016, a special grant was deployed on a five-year performance period to achieve the Company's Action 2020 plan. ROCE remained a key target and Gap to Competition was added as performing against competition is essential.

The plans in 2015, 2016 and 2017 are summarized below.

<table>
<tr><th></th><th>CEO Office</th><th>Other Executive Officers</th></tr>
<tr><td>2015 Grant</td><td>
• PSUs with a three-year performance period
• Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
• Value at grant: 100% of base salary for the CEO and 80% for the President and CFO
• Vesting conditions:
<table>
<tr><th></th><th>Threshold</th><th>Target</th><th>Stretch</th></tr>
<tr><td>TSR/EPS vs. peer</td><td>80% median</td><td>100% median</td><td>≥120% median</td></tr>
<tr><td>TSR vs. S&P 500</td><td>Performance equal to 80% of Index</td><td>Performance equal to Index</td><td>≥Performance equal to Index + 2% outperformance</td></tr>
<tr><td>Vesting percentage</td><td>50%</td><td>100%</td><td>150%</td></tr>
</table>
</td><td>
• RSUs with a three-year vesting period (2015 grant vested in December 2018)
• PSUs with a three-year performance period
• Performance target: mainly ROCE and mining volume plan for the Mining segment
• One PSU can give right to 0 through up to 1.5 share
• Vesting conditions:
<table>
<tr><th>Performance</th><th>Threshold</th><th>Target</th><th>Stretch</th></tr>
<tr><td>Performance</td><td>80%</td><td>100%</td><td>≥120%</td></tr>
<tr><td>Vesting</td><td>50%</td><td>100%</td><td>1.5</td></tr>
</table>
</td></tr>
<tr><td>2016 Special Grant</td><td>
• PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two-year performance period
• Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
• Value at grant: 150% of base salary for the CEO and the President and CFO
• Vesting conditions:
<table>
<tr><th></th><th>Threshold</th><th>Target</th></tr>
<tr><td>TSR/EPS vs. peer group</td><td>100% median</td><td>≥120% median</td></tr>
<tr><td>TSR vs. S&P 500</td><td>Performance equal to Index</td><td>≥Performance equal to Index + 2% outperformance</td></tr>
<tr><td>Vesting percentage</td><td>50%</td><td>100%</td></tr>
</table>
</td><td>
• PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two-year performance period
• Performance criteria: ROCE and Gap to competition in some areas
one target grant: a share will vest if performance is met at target
one overperformance grant: a share will vest if performance exceeds 120%
• Vesting conditions:
<table>
<tr><th>Performance</th><th>100%</th><th>≥120%</th></tr>
<tr><td>Target award vesting</td><td>100%</td><td>100%</td></tr>
<tr><td>Overperformance award (=20% of target award)</td><td>-</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>2017 Grant</td><td>
• PSUs with a three-year performance period
• Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
• Value at grant: 100% of base salary for the CEO and the President and CFO
• Vesting conditions:
<table>
<tr><th></th><th>Threshold</th><th>Target</th></tr>
<tr><td>TSR/EPS vs. peer group</td><td>100% median</td><td>≥120% median</td></tr>
<tr><td>TSR vs. S&P 500</td><td>Performance equal to Index</td><td>≥Performance equal to Index + 2% outperformance</td></tr>
<tr><td>Vesting percentage</td><td>50%</td><td>100%</td></tr>
</table>
</td><td>
• PSUs with a three-year performance period
• Performance criteria: TSR and Gap to competition in some areas
• Vesting conditions:
<table>
<tr><th>Performance</th><th>Threshold</th><th>Target</th></tr>
<tr><td>TSR vs. peer group</td><td>100% median 50% vesting</td><td>≥120% median 100% vesting</td></tr>
<tr><td>Gap to competition (where applicable)</td><td>-</td><td>100% target 100% vesting</td></tr>
</table>
</td></tr>
</table>

See note 7.3 to the consolidated financial statements for further details on RSUs and PSUs.

Global Stock Option Plan

Prior to the May 2011 annual general shareholders' meeting adoption of the ArcelorMittal Equity Incentive Plan described above, ArcelorMittal's equity-based incentive plan took the form of a stock option plan known as the Global Stock Option Plan.

See note 7.3 to the consolidated financial statements for further details on stock options

Other benefits

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

SOX 304 and clawback policy

Under Section 304 of the Sarbanes-Oxley Act, the SEC may seek to recover remuneration from the CEO and CFO 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 CEO and the CFO may have to reimburse ArcelorMittal for any short-term incentive 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 ARCGS Committee, decided in 2012 to adopt its own clawback policy (the "Clawback Policy") that applies to the members of the former GMB and to the Executive Vice President of Finance of ArcelorMittal. In 2016, the Clawback Policy was updated to reflect the Company's structural changes and now applies to the CEO Office and the Executive Officers.

The Clawback Policy comprises cash short-term incentives 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 short-term incentives, 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.

Directors and senior management

Board of Directors

ArcelorMittal places a strong emphasis on corporate governance. ArcelorMittal has five independent directors on its nine member Board of Directors. The Board's Audit & Risk Committee and Appointments, Remuneration, Corporate Governance and Sustainability Committee ("ARCGS Committee") are each comprised exclusively of independent directors.

The annual general meeting of shareholders on May 9, 2018 acknowledged the expiration of the terms of office of Mrs. Karyn Ovelmen and Mr. Tye Burt.

At the same meeting, the shareholders re-elected Mrs. Karyn Ovelmen and Mr. Tye Burt for a new term of three years each.

The Board of Directors is composed of nine directors, of which eight are non-executive directors and five 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. Bruno Lafont is the Lead Independent Director. In the most recent assessment of the Company's leadership structure, the ARCGS Committee reviewed the key duties and responsibilities of the Company's Chairman and Chief Executive Officer and its Lead Independent Director as follows:

Chairman	Lead Independent Director
* Chairs the Board of Directors' and shareholders' meetings	* Provides independent leadership to the Board of Directors
* Works with the Lead Independent Director to set agenda for the Board of Directors and reviews the schedule of the meetings	* Presides at executive sessions of independent directors
* Serves as a public face of the Board of Directors and of the Company	* Advises the Chairman of any decisions reached and suggestions made at the executive sessions, as appropriate
* Serves as a resource for the Board of Directors	* Coordinates the activities of the other independent directors
* Guides discussions at the Board of Directors meetings and encourages directors to express their positions	* Oversees Board of Directors' governance processes, including succession planning and other governance-related matters
* Communicates significant business developments and time-sensitive matters to the Board of Directors	* Liaison between the Chairman and the other independent directors
* Is responsible for managing day-to-day business and affairs of the Company	* Calls meetings of the independent directors when necessary and appropriate
* Interacts with the CEO Office and Executive Officers of the Company and frequently meets stakeholders and provides feedback to the Board of Directors	* Leads the Board of Directors' self-evaluation process and such other duties as are assigned from time to time by the Board of Directors

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

Name	Age[4]	Date of joining the Board[5]	End of Term	Position within ArcelorMittal
Lakshmi N. Mittal	68	May 1997	May 2020	Chairman of the Board of Directors and Chief Executive Officer
Vanisha Mittal Bhatia	38	December 2004	May 2019	Director
Jeannot Krecké	68	January 2010	May 2019	Director
Suzanne P. Nimocks[2 3]	59	January 2011	May 2019	Director
Bruno Lafont[1 2 3]	62	May 2011	May 2020	Lead Independent Director
Tye Burt[2 3]	61	May 2012	May 2021	Director
Michel Wurth	64	May 2014	May 2020	Director
Karyn Ovelmen[1 3]	55	May 2015	May 2021	Director
Karel de Gucht[1 3]	64	May 2016	May 2019	Director

1. Member of the Audit & Risk Committee.
2. Member of the Appointments, Remuneration, Corporate Governance and Sustainability Committee.
3. Non-executive and independent director.
4. Age as of December 31, 2018.
5. Date of joining the Board of ArcelorMittal or, if prior to 2006, its predecessor Mittal Steel Company NV.

Henk Scheffer is the Company Secretary and, accordingly, acts as secretary of the Board of Directors.

Lakshmi N. Mittal, 68, is the Chairman and Chief Executive of ArcelorMittal, a renowned global businessman who serves on the boards of various advisory councils, and an active philanthropist engaged in the fields of education and child health. Mr. Mittal was born in Sadulpur in Rajasthan in 1950. He graduated from St Xavier's College in Kolkata, where he received a Bachelor of Commerce degree. Having completed his education in India, Mr. Mittal began his career

working in his family's steelmaking business in India before moving to Indonesia in 1976 to set up a small steel company that over time grew to become ArcelorMittal, the world's leading steel company and one of the foremost industrial companies in the world. He is widely recognized for the role he played in restructuring the steel industry towards a more consolidated and globalized model, pursuing and successfully integrating many acquisitions in North America, South America, Europe, South Africa and the CIS. Today ArcelorMittal continues to be the largest and most global steel manufacturer. "Mittal Steel" became the world's leading steel producer in 2004 following the merger of Ispat International and LNM Holdings, and the simultaneous acquisition of International Steel Group. Shortly after, in 2006, Mittal Steel launched an ambitious bid to merge with Arcelor which created ArcelorMittal. Mr. Mittal's contribution to business and global industry has been widely recognized. In 1996 he 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" in 2004 and "Business Person of the year" by the Sunday Times, "International Newsmaker of the Year" by Time Magazine and "Person of the Year" by the Financial Times in 2006 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. In 2007 he also received 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." 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 a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. In April 2018, Mr. Mittal was awarded by the American Iron and Steel Institute with the Gary medal award recognizing his great contribution to the steel industry. In addition to his role at ArcelorMittal, Mr. Mittal is an active participant of various boards and advisory councils. He is Chairman of the board of Aperam and a member of the board of Goldman Sachs. He previously sat on the board of Airbus N.V. He is a member of the Foreign Investment Council in Kazakhstan, the National Investment Council of Ukraine, the Global CEO Council of the Chinese People's Association for Friendship with Foreign Countries, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee, the European Round Table of Industrialists, the Indian School of Business and a member of the board of Trustees of Cleveland Clinic. Mr. Mittal, with his wife Usha Mittal, is also an active philanthropist. The Mittal family recently made a significant gift to Harvard to support the Lakshmi Mittal South Asia Institute and Mr. Mittal is a member of the Global Advisory Council of Harvard University. The Mittal family has also made important gifts to Great Ormond Street Hospital, supporting the Mittal Children's Medical Centre which formally opened in January 2018, and UNICEF, specifically on the topic of child malnutrition in India. Mr. Mittal and his wife Usha Mittal have a son, Aditya Mittal (who is President and Chief Financial Officer of ArcelorMittal), and a daughter, Vanisha Mittal Bhatia (who is a Director of ArcelorMittal). Mr. Mittal is a citizen of India.

Vanisha Mittal Bhatia, 38, is a non-independent Director of ArcelorMittal. She 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, where she worked in the Procurement department leading various initiatives including "total cost of ownership program". She joined Aperam in April 2011 and since has held the position of Chief Strategy Officer. She has a Bachelor of Sciences from the European Business School. She is also the daughter of Mr. Lakshmi N. Mittal and sister of Mr. Aditya Mittal. Ms. Mittal Bhatia is a citizen of India.

Jeannot Krecké, 68, is a non-executive and non-independent Director of ArcelorMittal. He 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 enrolled in various courses, 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 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 retained the portfolio of Minister of the Economy and Foreign Trade on July 23, 2009. As of July 2004, Mr. Krecké represented the Luxembourg government at the Council of Ministers of the EU in the Internal Market and Industry sections of its Competitiveness configuration, as well as in the Economic and Financial Affairs Council, and in the Energy section of its Transport, Telecommunications and Energy configuration. 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 CEO of Key International Strategy Services. He is a member of the boards of JSFC Sistema, of East West United Bank, of Calzedonia Finanziara S.A., Jan De Nul

S.A. and Novenergia Holding Company S.A. Mr. Krecké is a citizen of Luxembourg.

Suzanne P. Nimocks, 59, is a non-executive and independent Director of ArcelorMittal and a member of the Appointments, Remuneration, Corporate Governance and Sustainability Committee. She 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 beginning 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 Plc, and Owens Corning, all listed companies. Encana is a major natural gas exploration and production company, Rowan Companies provides drilling services for the oil and gas industry and Owens Corning is a manufacturer of building products. In the non-profit sector, she is a member of the board of directors of the Houston Zoo and serves as a Trustee of the Texas Children's Hospital. Ms. Nimocks is a citizen of the United States of America.

Bruno Lafont, 62, is Lead Independent Director of ArcelorMittal, a member of the Audit & Risk Committee and chairman of the Appointments, Remuneration, Corporate Governance Committee and Sustainability Committee. He 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 in January 2006, and he was appointed Chairman and Chief Executive Officer in May 2007. In July 2015 Mr. Lafont was appointed Honorary Chairman of Lafarge. He was co-Chairman of the Board of Directors of LafargeHolcim between July 2015 and May 2017. He is presently a board member of EDF and a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD). 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. Mr. Lafont has informed the Company that, on December 8, 2017, he (along with five other former Lafarge officers) was placed under formal investigation (mis en examen) in his capacity as former CEO of Lafarge SA, in relation to alleged payments made by a subsidiary of Lafarge SA (Lafarge Cement Syria) to terrorist groups in Syria, and that alleged violations of EU economic sanctions and French labor law are also being investigated.

Tye Burt, 61, is a non-executive and independent Director of ArcelorMittal and a member of the Appointments, Remuneration, Corporate Governance Committee and Sustainability Committee. He 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 the Chair and Principal at Carbon Arc Capital Investments Corp. and the Life Sciences Research Campaign Chair of the University of Guelph's Better Planet Project. Mr. Burt is a member of the Duke of Edinburgh's Award Charter for Business Board of Governors and is Vice-Chair of the Governors of the Royal Ontario Museum Foundation. He 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.

Michel Wurth, 64, is a non-independent Director of ArcelorMittal. He joined Arbed in 1979 and held a variety of functions before joining the Arbed Group Management Board and becoming its chief financial officer in 1996. 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 CFO of Arcelor. He became a member of ArcelorMittal's Group Management Board in 2006, responsible for Flat Carbon Europe, Global R&D, Distribution Solutions and Long Carbon Worldwide respectively. Michel Wurth retired from the GMB in April 2014 and was elected to ArcelorMittal's board of directors in May 2014. He holds a Law degree from the University of Grenoble, France, and a degree in Political Science from the Institut d'Études Politiques de Grenoble as well as a Master's of Economics from the London School of Economics, UK. Mr. Wurth is also doctor of laws honoris causa of the Sacred Heart University, Luxembourg. Mr. Wurth is Chairman of ArcelorMittal Luxembourg S.A. (a wholly owned subsidiary of ArcelorMittal S.A.) as well as

Vice Chairman of the supervisory board of Dillinger Hütte AG and Dillinger Hütte Saarstahl AG (associates of ArcelorMittal). Mr. Wurth has served as Chairman of the Luxembourg Chamber of Commerce since 2004 and is member of the Council of the Central Bank of Luxembourg. He is also non-executive Chairman of Paul Wurth S.A. and member of the supervisory board of SMS Group (the controlling shareholder of Paul Wurth S.A.) as well as non-executive Chairman of BIP Investment Partners S.A., non-executive Director of BGL BNP Paribas S.A., of SMS Group and of Brasserie Nationale. Paul Wurth S.A. is controlled by SMS Group, a leading family owned equipment and engineering supplier for the steel and non-ferrous metal producing industry. BIP Investment Partners is a Luxembourg based company, mainly invested in private equity, BGL BNP Paribas is a Luxembourg bank, majority owned by BNP of France and Brasserie Nationale is a privately owned brewery based in Luxembourg. Mr. Wurth is a citizen of Luxembourg.

Karyn Ovelmen, 55, is a non-executive and independent Director of ArcelorMittal as well as the chairman of the Audit & Risk Committee. Since January 2019, Mrs. Ovelmen has been the Gas Power Transformation Leader for the General Electric Company. Prior to that, she served as Executive Vice President and Chief Financial Officer of Flowserve, a position that she held from June 2015 to February 2017. Previously, she also served as Chief Financial Officer and Executive Vice President of LyondellBasell Industries NV from 2011 to May 2015, as Executive Vice President and Chief Financial Officer of Petroplus Holdings AG from May 2006 to September 2010 and as Executive Vice President and Chief Financial Officer of Argus Services Corporation from 2005 to 2006. Prior to that, she was Vice President of External Reporting and Investor Relations for Premcor Refining Group Inc. She also spent 12 years with PricewaterhouseCoopers, primarily serving energy industry accounts. Mrs. Ovelmen is a member of the Gates Industrial Corporation plc. Board of Directors as a non-executive director and is a member of their Audit Committee since December 2017. Mrs. Ovelmen holds a Bachelor of Arts degree from the University of Connecticut, USA, and is a Certified Public Accountant ("CPA"). Mrs. Ovelmen is a citizen of the United States of America.

Karel de Gucht, 64, is a non-executive and independent Director. Mr. de Gucht is a Belgian Minister of State. He was the European Commissioner for Trade in the 2nd Barroso Commission from 2010 to 2014 and for Development and Humanitarian Aid in the 1st Barroso Commission from 2009 to 2010. Previously, Mr. De Gucht served as Belgium's Minister of Foreign Affairs from 2004 to 2009 and Vice Prime Minister of Belgium from 2008 to 2009. In addition, in 2006, he was the Chairman in Office of the Organization for Security and Cooperation in Europe (OSCE) and Member of the Security Council of the United Nations from 2007 to 2008. Since 1991, Mr. De Gucht has been a Professor of Law at the VUB (the Dutch-speaking Free University Brussels). He is currently a member of the European Advisory Board of CVC Capital Partners, a member of the board of directors of the listed company Proximus NV and the president of the IES, the Institute of European Studies at the VUB. Mr. de Gucht holds a Master of Law degree from the VUB. Mr. de Gucht is a Belgian citizen.

Senior management

On December 15, 2015, the Company announced that it would simplify its management structure in-line with the ongoing drive to promote a performance-driven culture, empowering the segments to deliver optimum business results. As a result the GMB, which was established to ensure a smooth integration following the creation of ArcelorMittal, was replaced, effective January 1, 2016, with a more flexible structure. As of December 31, 2018, ArcelorMittal's senior management is comprised of the CEO Office supported by five other Executive Officers. ArcelorMittal's CEO Office is comprised of the Chief Executive Officer ("CEO"), Mr. Lakshmi N. Mittal, and the President and Chief Financial Officer ("CFO"), Mr. Aditya Mittal. Together, the Executive Officers are responsible for the implementation of the Company strategy, overall management of the business and all operational decisions.

Name	Age[1]	Position
Lakshmi N. Mittal	68	Chairman and Chief Executive Officer of ArcelorMittal
Aditya Mittal	42	President and Chief Financial Officer of ArcelorMittal, Investor Relations, and Chief Executive Officer of ArcelorMittal Europe
Brian Aranha	63	Executive vice president, head of strategy, CTO, R&D, CCM, and global automotive
Jefferson de Paula	60	Executive vice president, CEO ArcelorMittal South America Long
Geert Van Poelvoorde	53	Executive vice president, CEO ArcelorMittal Europe Flat
Simon C. Wandke	59	Executive vice president, CEO ArcelorMittal Mining
Bart Wille	57	Executive vice president, head of HR

1. Age as of December 31, 2018.

Lakshmi N. Mittal (See "–Board of Directors").

Aditya Mittal, 42, is the President and Chief Financial Officer of ArcelorMittal. He is also the Chief Executive

Officer of ArcelorMittal Europe. Following the formation of ArcelorMittal in 2006, Aditya Mittal held various senior leadership roles, including managerial oversight of the Group's flat carbon steel businesses in the Americas and Europe, in addition to his role as CFO and membership in the Group Management Board. Aditya Mittal joined Mittal Steel in January 1997, serving in various finance and management roles. In 1999, he was appointed Head of Mergers and Acquisitions. In his position, he led the Company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. Subsequently, he was also involved in post-merger integration, turnaround and improvement strategies of the acquired companies. Between 2004 and 2006, Aditya Mittal was the President and CFO of Mittal Steel. In 2006, he initiated and led Mittal Steel's offer for Arcelor, creating the world's first 100 million tonnes plus steel company. In 2008, Aditya Mittal was named 'European Business Leader of the Future' by CNBC Europe and was ranked fourth in Fortune magazine's '40 under 40' list in 2011. He is an active philanthropist with a particular interest in child health. Together with his wife Megha, he is a significant supporter of the Great Ormond Street Children's Hospital in London, having funded the Mittal Children's Medical Centre, and in India, the couple work closely with UNICEF, having funded the first ever country-wide survey into child nutrition, the result of which will be used by the Government of India to inform relevant policy. Aditya Mittal serves on the board of Aperam, Iconiq Capital and Wharton School and is Chairman of India's second largest refinery, HPCL-Mittal Energy Limited (HMEL). He is also a trustee at Brookings Institute and an alumni of the World Economic Forum Young Global Leader's Programme. Aditya Mittal holds a Bachelor's degree in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Aditya Mittal is the son of Mr. Lakshmi N. Mittal and brother of Ms. Vanisha Mittal Bhatia. Aditya Mittal is a citizen of India.

Brian Aranha, 63, is a member of the Group management committee . He joined Dofasco in 1979 as a member of the company's Research and Development Department. In 1989, he was assigned to the American Iron & Steel Institute (AISI) in Washington, D.C. and in 1991 he was part of a Canadian consortium conducting a study for the World Bank on restructuring the Polish steel industry. In 1992, Brian returned to Dofasco where he held various positions in Supply Chain, Quality, Technology and Commercial sections until 2003 when he was named Vice President - Commercial. Mr. Aranha took up additional responsibilities as Vice President, NAFTA automotive, after integration into ArcelorMittal in 2007. He moved to Europe as CMO and head of Global Automotive in 2009 followed by other assignments in NAFTA region in 2012. Currently based in Luxembourg, Mr. Aranha has responsibility for Global Automotive, R&D, Strategy, Commercial Coordination, Corporate Capital Goods Procurement, Corporate Communications and CSR as well as ArcelorMittal's automotive joint ventures in China and the tubular joint venture in Saudi Arabia. Mr. Aranha holds a Bachelor of Applied Science degree from the University of Toronto, Canada. In addition, he has completed the Executive Development Program at Queen's University, School of Business, Canada. Mr. Aranha is a citizen of Canada.

Jefferson de Paula, 60, is a member of the Group management committee who joined the group in 1991 as Meltshop Manager of Cariacica's plant (Brazil) and became the plant's General Manager in 1998. In 2001, he moved to Acindar in Argentina as COO and was appointed its Industrial and Commercial Vice President in 2006. In 2008, he joined Long Carbon Europe as COO of the Sections, Rails and Piles business division, later becoming CEO of Long Carbon Europe - South Division. In 2011, he was named CEO of Long Carbon Americas, which in 2014 became Long Carbon Central & South America. Mr. de Paula holds a Bachelor's Degree in metallurgical engineering from Universidade Federal Fluminense (Brazil), a Master's Degree in finance and marketing from Universidad Austral (Argentina) and has attended to senior executive courses from Insead (France) and from Kellogg - Northwestern University (USA). In addition to his position in the Group, Mr. de Paula is the current vice president and member of the strategic board of Minas Gerais State Industry Association (FIEMG), he sits in the board of directors of Brazil's Steel Association (Aço Brasil) and is the former president and member of Latin American Steel Association board (Alacero). Mr. de Paula is a citizen of Brazil.

Geert Van Poelvoorde, 53, is a member of the Group management committee. He started his career in 1989 as a project engineer at the Sidmar Gent hot strip mill, where he held several senior positions in the automation and process computer department. He moved to Stahlwerke Bremen in 1995 as senior project manager. Between 1998 and 2002, he headed a number of departments, and in 2003 he was appointed director of Stahlwerke Bremen, responsible for operations and engineering. In 2005, Mr. Van Poelvoorde returned to ArcelorMittal Gent to take up the position of Chief Operating Officer. In 2008, he became Chief Executive Officer of ArcelorMittal Gent with direct responsibility for primary operations. He was appointed Chief Executive Officer of the Business Division North within Flat Carbon Europe in 2009 and in January 2014, he was appointed Chief Executive Officer of Flat Carbon Europe and Purchasing. Since November 2015 he is also president of Eurofer, the European steel federation. He graduated from the University of Ghent with a degree in civil engineering and electronics. Mr. Van Poelvoorde is a citizen of Belgium.

Simon C. Wandke, 59, is a member of the Group management committee and the Chief Executive Officer of ArcelorMittal Mining. He joined ArcelorMittal in January 2011

as chief commercial officer of ArcelorMittal Mining. He has over 30 years' experience in the mining and minerals industry, starting his career in 1981 at BHP, where he held positions in mines in Australia and Indonesia and held other commercial offices globally until 2002. He then joined Destra Consulting Group as Partner before becoming Chief Marketing Officer for Ferrexpo plc in 2006 based in Hong Kong, Switzerland & United Kingdom. Simon is a graduate of the Australian Institute of Company Directors with a diploma in Company Directorship. He also holds a post graduate diploma in Corporate Finance from Swinburne University as well as a B.A., Psych, Marketing (Comm) from the University of Melbourne. Mr. Wandke holds dual citizenship in Australia and the United Kingdom.

Bart Wille,57, is a member of the Group management committee. He was appointed head of human resources in January 2018. He joined ArcelorMittal after more than 30 years of global human resources management experience in various multinational companies. Mr. Wille joined Unilever in 1985 with 22 years of service and positions held in Belgium, the United Kingdom, Brazil and the Netherlands. After having joined Puratos (food ingredients) for a short period, Mr. Wille pursued his career with Bekaert as chief human resources officer at the beginning of 2009. As a member of the Bekaert Group Executive Board, Mr. Wille was responsible for human resources and the reorganization agenda of the company worldwide. In this role, he supported the international expansion of the company and he participated in the restructuring and change of the company's organization, as well as the continuous transformation of its culture. Mr. Wille is a graduate in international business administration of UFSIA, the University of Antwerp. Mr. Wille is a citizen of Belgium.

Board practices/corporate governance

This section describes the corporate governance practices of ArcelorMittal for the year ended December 31, 2018.

Board of Directors and senior management

ArcelorMittal is governed by a Board of Directors and managed by the senior management. ArcelorMittal's senior management is comprised of the CEO Office - comprising the CEO, Mr. Lakshmi N. Mittal and the President and CFO, Mr. Aditya Mittal. The CEO Office is supported by a team of five other Executive Officers, who together encompass the key regions and corporate functions.

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 Company N.V.'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 "Memorandum and articles of association".

ArcelorMittal fully complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. 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 CEO, must be non-executive directors. None of the members of the Board of Directors, except for the CEO, 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.

The Board of Directors is comprised of nine members, of which 8 are non-executive directors and one is an executive director. The CEO of ArcelorMittal is the sole executive director. For further information on the composition of the Board of Directors, including the expiration of each Director's term and the period during which each Director has served, see "Directors and Senior Management".

Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors on May 13, 2008. Mr. Mittal is also ArcelorMittal's CEO. Mr. Mittal was re-elected to the Board of Directors for a three-year term at the annual general meeting of shareholders on May 10, 2017.

Five of the 9 members of the Board of Directors are independent. The non-independent directors are Mr. Lakshmi N. Mittal, Ms. Vanisha Mittal Bhatia, Mr. Jeannot Krecké and Mr. Michel Wurth. A director is considered "independent" if:

(a) he or she is independent within the meaning of the New York Stock Exchange Listed Company Manual, 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, which are described in article 8.1 of its Articles of Association.

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, that was amended on November 7, 2017, 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 of Directors. 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 6,000 ordinary shares and each other non-executive director should own a minimum of 4,000 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, 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 that 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 the 12-year rule if the Board of Directors considers it to be in the best interest of the Company based on the contribution of the Director involved and the balance between the knowledge, skills, experience and need for renewal of 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 non-executive director may not serve on the boards of directors of more than four publicly listed companies in addition to the ArcelorMittal Board of Directors. However, a non-executive Director's service on the board of directors of any subsidiary or affiliate of ArcelorMittal or of any non-publicly listed company is not taken into account for purposes of complying with the foregoing limitation.

Although non-executive directors of ArcelorMittal who change their principal occupation or business association are not necessarily required to leave the Board of Directors, the policy requires each non-executive director, in such circumstances, promptly to inform the Board of Directors of the action he or she is contemplating. Should the Board of Directors determine that the contemplated action would generate a conflict of interest, such non-executive director would be asked to tender his or her resignation to the Chairman of the Board of Directors, who would decide to accept the resignation or not.

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 non-executive Directors of the Company signed the Company's Appointment Letter, which confirms the conditions of their appointment by the General Meeting of the Shareholders including compliance with certain non-compete provisions, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Company's Code of Business Conduct.

All members of the Board of Directors are required to sign the Company's Code of Business Conduct upon first joining the Board of Directors 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 as described above under "—Specific characteristics of the director role". These share ownership guidelines have been amended on November 7, 2017.

Operation

General

The Board of Directors and the Board committees 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 two 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 twelve meetings in 2018. The average attendance rate of the directors at the Board of Directors' meetings was 92.59%.

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, except for the decisions of the Board of Directors relating to the issue of any financial instruments carrying or potentially carrying a right to equity pursuant to the authorization conferred by article 5.5 of the Articles of Association, which shall be taken by a majority of two-thirds of the directors present or 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 highlighted above.

Mr. Bruno Lafont was elected by the Board of Directors as ArcelorMittal's second Lead Independent Director and re-elected as a director for a three-year term at ArcelorMittal annual general shareholder's meeting held on May 10, 2017.

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. Five meetings of the independent directors outside the presence of management were held in 2018.

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 ARCGS Committee and presented with recommendations from the ARCGS 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 functioning are implemented during the following year.

The 2018 Board of Directors' self-evaluation was completed by the Board on February 5, 2019. The Board of Directors was of the opinion that it and the management had cooperated successfully during 2018 on important matters including operational and financial performance, the acquisition of Ilva and of Essar Steel, the ongoing strengthening of the balance sheet, strategy, especially on short term strategic planning, sustainability, labor relations and health and safety. The extension of the role of Audit Committee to Risk and of the role of ARCGS Committee to environment and sustainability is proving to be effective. The Board of Directors reviewed the practical implementation of the governance structure and thought it was working well. The Board set new priorities for discussion and review and identified a number of priority topics for 2019.

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. The Board of Directors 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 of Directors 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 of Directors 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 before 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 ARCGS Committee ensures that the Board of Directors 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 of Directors 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 ArcelorMittal operates;
- 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 ArcelorMittal faces.

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

Renewal

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

- 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 of Directors; 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 ARCGS 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 met its goal of increasing the number of women on the Board to at least three by the end of 2015 with the election of Mrs. Karyn Ovelmen in May 2015. Out of 9 members of the Board of Directors, women represent 33.33% in 2018. The ArcelorMittal Board's diversity not only relates to gender, but also to the region, background and industry of its 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.

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 CEO Office 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 the ArcelorMittal business in steel and mining. The Company therefore continuously builds directors' knowledge to ensure that the Board remains up-to-date with developments within the Company's segments, as well as developments in the markets in which the Company operates.

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 the Company's segments. These briefings are provided to the Board of Directors by senior executives, including CEO Office members. The briefings provided during the course of 2018 covered health and safety processes, HR, legal and compliance, corporate responsibility, marketing, steel-making, strategy, international trade trends in steel industry in Europe. Certain business briefings were combined with site visits and thus took place on-site and, in other cases, they took place at Board meetings;
- briefing meetings with Company executives in charge of specific business segments or markets;
- site visits to plants and R&D centers; and
- development sessions on specific topics of relevance, such as health and safety, commodity markets, HR, investor relations, accounting, the world economy, changes in corporate governance standards, directors' duties and shareholder feedback.

The ARCGS 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 of Directors' 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 ARCGS Committee's role in securing the supply of talent to the Board.

Board of Directors committees

The Board of Directors has two committees:

- the Audit & Risk Committee, and
- the ARCGS Committee.

Audit & Risk Committee

In 2015, the Board decided to combine the Audit Committee with the Risk Management Committee in order to provide their members with a more holistic view of ArcelorMittal's current governance, risks and control systems.

- The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing:
- the integrity of the financial reports and other financial information provided by the Company to any governmental body or the public;
- the Company's compliance with legal and regulatory requirements;
- the registered public accounting firm's (Independent Auditor) qualifications and independence;
- the Company's system of internal control regarding finance, accounting, legal compliance, ethics and risk management that management and the Board have established;
- the Company's auditing, accounting and financial reporting processes generally; and
- the identification and management of risks to which the ArcelorMittal group is exposed.

The Audit & Risk 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. The Audit & Risk Committee comprises three members, all of whom must be independent under the company's corporate governance guidelines, the New York Stock Exchange (NYSE) standards as applicable to foreign private issuers and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Audit & Risk Committee makes decisions by a simple majority with no member having a casting vote.

At least one member must qualify as an Audit & Risk Committee "financial expert" as defined by the SEC and determined by the Board.

At least one member must qualify as an Audit & Risk Committee "risk management expert" having experience in identifying, assessing, and managing risk exposures of large, complex companies.

The Audit & Risk Committee currently consists of 3 members: Mrs. Karyn Ovelmen, Mr. Bruno Lafont and Mr. Karel de Gucht, 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 & Risk Committee is Mrs. Ovelmen.

According to its charter, the Audit & Risk Committee is required to meet at least four times a year. During 2018, the Audit & Risk Committee met seven times. The Audit & Risk Committee performs an annual self-evaluation and completed its 2018 self-evaluation on February 5, 2019. The charter of the Audit & Risk Committee is available from ArcelorMittal upon request.

Appointments, Remuneration, Corporate Governance and Sustainability Committee (former ARCG Committee)

The ARCGS Committee is comprised of three directors, each of whom is independent under the New York Stock Exchange standards as applicable to foreign private issuers 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 ARCGS Committee makes decisions by a simple majority with no member having a casting vote.

The Board of Directors has established the ARCGS 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 CEO, the President and CFO and for the five other Executive Officers;
- review and approve succession and contingency plans for key managerial positions at the level of the Executive Officers;
- 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-evaluation process;
- assess the roles of the Chairman and CEO and deliberate on the merits of the Board's leadership structure to ensure that the most efficient and appropriate structure is in place; and

- develop, monitor and review corporate governance principles and corporate responsibility policies applicable to ArcelorMittal, as well as their application in practice.

During its meeting of May 8, 2018, the Board renewed its emphasis on four key areas (health & safety, environment and community relations, climate change and social issues) and added these to the scope of the ARCG Committee to ensure a Board level review of these important topics. Accordingly, the ARCG Committee was renamed the ARCGS Committee ("Appointments, Remuneration, Corporate Governance and Sustainability Committee") to highlight the Company's focus on these key areas. As a result, ArcelorMittal complies with the new Principle 9 on companies' corporate social responsibility introduced subsequently to the revision of the 10 Principles of the Luxembourg Stock Exchange. According to Recommendation 9.3 under the Principles, the Board shall regularly consider the Company's non-financial risks, including social and environmental risks. To this end, the ARCGS Committee oversees the Company's sustainable development plan and associated management systems to ensure that ArcelorMittal is well positioned to meet the evolving expectations of stakeholders including investors, customers, regulators, employees and communities.

The ARCGS 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 ARCGS Committee may seek the advice of outside experts.

The three members of the ARCGS Committee are Mr. Bruno Lafont, Mrs. Suzanne P. Nimocks and Mr. Tye Burt, each of whom is independent in accordance with the NYSE standards applicable to foreign private issuers and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Chairman of the ARCGS Committee is Mr. Lafont.

The ARCGS Committee is required to meet at least twice a year. During 2018, this committee met six times.

The ARCGS Committee performs an annual self-evaluation and completed its 2018 self-evaluation on February 5, 2019.

The charter of the ARCGS Committee is available from ArcelorMittal upon request.

Succession management

Succession management at ArcelorMittal is a systematic, structured process for identifying and preparing employees with potential to fill key organizational positions, should the position become vacant. This process applies to all ArcelorMittal key positions up to and including the CEO Office. Succession management aims to ensure the continued effective performance of the organization by providing for the availability of experienced and capable employees who are prepared to assume these roles as they become available. For each position, candidates are identified based on performance, potential and an assessment of leadership capabilities and their "years to readiness". Development needs linked to the succession plans are discussed, after which "Personal Development Plans" are put in place, to accelerate development and prepare candidates. Regular reviews of succession plans are conducted at different levels of the organization to ensure that they are accurate and up to date, leading to at least once yearly a formal review by the CEO Office, of all key positions. Succession management is a necessary process to reduce risk of vacant positions or skill gap transitions, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation and engagement. This process has been in place for several years and reinforced, widened and made more systematic in all regions of the organization. The responsibility to review and approve succession plans and contingency plans at the highest level rests with the Board's ARCGS 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., EU 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 under the Principles, 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. This is permitted, however, as, unlike the 10 Principles themselves with which ArcelorMittal must comply, the Recommendations are subject to a more flexible "comply or explain" standard.

The nomination of the same person to both positions was approved by the shareholders (with Lumen and Nuavam, companies controlled by the Significant Shareholder abstaining). Since that date, the rationale for combining the positions of CEO 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 2017, when Mr. Lakshmi N. Mittal was re-elected 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, who signed the Company's Appointment Letter in which they acknowledged their duties and obligations. Any new member of the Board of Directors must sign and acknowledge the Code of Conduct upon appointment.

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 participating 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-Our Policies-Code of Business Conduct" section of ArcelorMittal's website at 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 antitrust, anti-corruption, economic sanctions, insider dealing and data protection. 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 & Risk 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 & Risk 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, 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 2018, there were 145 complaints received relating to alleged fraud, which were referred to and duly reviewed by the Company's Internal Assurance Department. Following review by the Audit & Risk 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 & Risk 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 & Risk Committee.

Independent auditors

The appointment and determination of fees of the independent auditors is the direct responsibility of the Audit & Risk Committee. The Audit & Risk 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 & Risk 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 (most recently in January 2019) and in relation to which training is conducted throughout the Group. The IDR's most recent version has been updated in light of the new Market Abuse Regulation and is available on ArcelorMittal's website, www.arcelormittal.com.

The IDR apply to the worldwide operations of ArcelorMittal. The compliance and data protection officer of ArcelorMittal is also 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 Regulation No 596/2014 of the European Parliament and the Council dated 16 April 2014 on market abuse or "MAR" and the Commission Implementing Regulation 2016/347 of 10 March 2016 laying down technical standards with regard to the precise format of insider lists and for updating insider lists in accordance with MAR. 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, as amended in July 2016. An online interactive training tool based on the IDR was developed in 2010 and deployed across the group 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 again reiterated in the Group Policies and Procedures Manual in 2013.

Major shareholders and related party transactions

Major shareholders

The following table sets out information as of December 31, 2018 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[1]	
	Number	%
Significant Shareholder[2]	382,297,751	37.41%
Treasury Shares[3]	8,335,365	0.82%
Other Public Shareholders[4]	631,270,507	61.77%
Total	1,021,903,623	100.00%
Of which: Directors and Senior Management[5]	370,557	0.04%

1 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, 2018 upon exercise of vested portions of stock options. All stock options that have been granted to date by ArcelorMittal have vested.

2 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, 2018, Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, had direct ownership of ArcelorMittal ordinary shares and beneficial ownership (within the meaning set forth in Rule 13d-3 of the Exchange Act), through the Significant Shareholder, of the outstanding equity 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 63,658,348 ArcelorMittal ordinary shares. Lumen, a limited liability company organized under the laws of Luxembourg, was the owner of 318,288,328 ArcelorMittal ordinary shares. Mr. Mittal was the direct owner of 286,742 ArcelorMittal ordinary shares and held options to acquire an additional 38,833 ArcelorMittal ordinary shares, all of which 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 25,500 ArcelorMittal ordinary shares. Mr. Mittal, Mrs. Mittal and the Significant Shareholder shared beneficial ownership of 100% of the outstanding equity 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 382,272,251 ArcelorMittal ordinary shares, Mrs. Mittal was the beneficial owner of 381,972,176 ordinary shares and the Significant Shareholder (when aggregated with ordinary shares of ArcelorMittal and options to acquire ordinary shares of ArcelorMittal held directly by Mr. and Mrs. Mittal) was the beneficial owner of 382,297,751 ordinary shares. Excluding options, Mr. Lakshmi Mittal and Mrs. Usha Mittal together beneficially owned 382,258,918 ArcelorMittal ordinary shares at such date. As of December 31, 2017 and 2016 , the Significant Shareholder (together with Mr. Mittal and Mrs. Mittal) held 37.41% and 37.40% of the Company's ordinary shares respectively.

3 Represents ArcelorMittal ordinary shares repurchased pursuant to share repurchase programs, fractional shares returned in various transactions, and the use of treasury shares in various transactions; includes (1) 138,384 stock options that can be exercised by senior management (other than Mr. Mittal) and (2) 38,833 stock options that can be exercised by Mr. Mittal, in each case within 60 days of December 31, 2018, i.e. 0.02% of the total amount of outstanding shares. If exercised, the shares underlying these options will either have to be delivered out of Treasury shares or by the issuance of additional shares.

4 The Capital Group Companies Inc.'s shareholding increased to 168,541,781 shares, corresponding to an interest of 5.49% on April 11, 2016 and subsequently decreased to 147,321,072 on January 25, 2017, corresponding to an interest of 4.8%. Following the reverse stock split in May 2017, the Capital Group Companies Inc. was the owner of 49,107,024 ArcelorMittal shares on December 31, 2018.

5 Includes shares beneficially owned by directors and members of senior management and excludes shares beneficially owned by Mr. Mittal. Note that (i) stock options included in this item that are exercisable within 60 days are excluded from "Treasury Shares" above (see also note 3 above) and (ii) ordinary shares included in this item are included in "Other Public Shareholders" above.
Aditya Mittal is the direct owner of 120,413 ArcelorMittal ordinary shares and holds options to acquire an additional 31,067 ArcelorMittal ordinary shares, together representing 0.1% of the ArcelorMittal ordinary shares outstanding. Aditya Mittal holds a total of 243,534 PSUs of which 40,653 may vest in 2021, 64,559 may vest in 2022 and 138,322 of which 50% may vest after 3 years in 2020 and 50% may vest after five years in 2022. As the vesting of PSUs is dependent on company performance criteria not fully within the control of the PSU holder, Aditya Mittal does not beneficially own ArcelorMittal ordinary shares by virtue of his ownership of the PSUs. Aditya Mittal is the son of Mr. Mittal and Mrs. Mittal and is Group President and CFO and CEO of ArcelorMittal Europe. Vanisha Mittal Bhatia is the direct owner of 8,500 ArcelorMittal ordinary shares, representing less than 0.1% of the ArcelorMittal ordinary shares outstanding. Vanisha Mittal Bhatia is the daughter of Mr. Mittal and Mrs. Mittal and a member of the Company's Board of Directors.

As of December 31, 2015, 1,817,869 Mandatorily Convertible Notes had been converted at the option of their holders. On January 15, 2016, ArcelorMittal issued 137,967,116 (45,989,039 after reverse stock split mentioned below) new ordinary shares of the Company upon conversion as at such date of the 88,182,131 outstanding Mandatorily Convertible Notes at a conversion ratio of 1.56457. Following this issuance, the share capital of the Company was comprised of 1,803,359,338 (601,119,779 after reverse stock split mentioned below) shares and the Significant Shareholder (when aggregated with ordinary shares of ArcelorMittal and options to acquire ordinary shares of ArcelorMittal held directly by Mr. and Mrs. Mittal) held 37.41% of the outstanding shares.

Following the Company's equity offering authorized by the EGM which closed on April 8, 2016, the Company's issued share capital was increased from 1,803,359,338 (601,119,779 after reverse stock split mentioned below) ordinary shares to 3,065,710,869 (1,021,903,623 after reverse stock split mentioned below) ordinary shares.

The EGM of ArcelorMittal shareholders held on May 10, 2017 approved a reverse stock split. Following this approval, on May 22, 2017 ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result, the aggregate number of shares issued and fully paid up decreased from 3,065,710,869 to 1,021,903,623.

The ArcelorMittal ordinary shares may be held in registered form on the Company's register only. Registered shares are fully fungible and may consist of:

a. ArcelorMittal Registry Shares, which are registered directly on ArcelorMittal's Luxembourg shareholder register,

b. shares traded on Euronext Amsterdam, Euronext Paris, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges, which are held in Euroclear, or

c. shares traded on the NYSE, named New York Registry Shares, which are registered (including in the name of the nominee of DTC) in a register kept by or on behalf of ArcelorMittal by its New York transfer agent.

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, 2018, 2,709 shareholders other than the Significant Shareholder, holding an aggregate of 21,821,253 ArcelorMittal ordinary shares were registered in ArcelorMittal's shareholder register, representing approximately 2.14% of the ordinary shares issued (including treasury shares).

At December 31, 2018, there were 200 registered shareholders holding an aggregate of 57,620,574 New York Shares, representing approximately 5.64% 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, 2018, 571,154,196 ArcelorMittal ordinary shares were held through the Euroclear/Iberclear clearing system in The Netherlands, France, Luxembourg and Spain.

Voting rights

Each share entitles the holder to one vote at the general meeting of shareholders, and no shareholder benefits from specific voting rights. For more information relating to ArcelorMittal shares, see "Memorandum and articles of association, Voting and information rights.

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 11 of ArcelorMittal's consolidated financial statements.

Shareholder's Agreement

Mr. Lakshmi Mittal 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.

Memorandum of Understanding

The Memorandum of Understanding entered into in connection with the Mittal Steel acquisition of Arcelor, certain provisions of which expired in August 2009 and August 2011, is described under "Material contracts, Memorandum of Understanding".

Agreements with Aperam SA post-Stainless Steel Spin-Off

In connection with the spin-off of its stainless steel division into a separately focused company, Aperam SA ("Aperam"), which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam and/ or certain Aperam subsidiaries which are still in force: a purchasing services agreement for negotiation services from ArcelorMittal Purchasing (the "Purchasing Services Agreement") as well as 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 parties agreed to renew a limited number of services where expertise and bargaining power created value for each party. ArcelorMittal will continue to provide certain services in 2019 relating to areas including environmental and technical support.

In the area of research and development at the time of the spin-off, Aperam entered into a framework arrangement with ArcelorMittal to establish a structure for future cooperation in relation to certain ongoing or new research and development programs. Currently, only limited research and development support is implemented through this agreement, but new collaborative endeavors are foreseen in 2019.

Under the terms of the Purchasing Services Agreement, Aperam still relies on ArcelorMittal for services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: operating materials (rolls, electrodes and refractory materials), spare parts, transport, 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. The Purchasing Services Agreement was entered into for an initial term of two years, which was to expire on January 24, 2013. However, since that date, the Purchasing Services Agreement has been extended successively and will remain in force until 2021. Specific IT service agreements have been put in place with Aperam, one for Asset Reliability Maintenance Program (ARMP) in its Brazilian entities, and two others for the use in Europe of ARMP and for the use of the global wide area network (WAN). In Europe, Aperam purchased most of its electricity and natural gas though energy supply contracts put in place for the period 2014-2019 with ArcelorMittal Energy SCA and ArcelorMittal Purchasing SAS.

Purchasing activities will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume. In addition, since 2011, a services agreement has been concluded between ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k. and Aperam for accounting services.

In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between 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 purchasing 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.

Memorandum and Articles of Association

Below is a summary of ArcelorMittal's Articles of Association, filed as an exhibit to this annual report and incorporated by reference herein. The full text of the Company's Articles of Association is also available on www.arcelormittal.com under "Investors—Corporate Governance—Board of Directors."

Corporate purpose

Article 3 of the Articles of Association provides that the corporate purpose of ArcelorMittal is the manufacture, processing and marketing of steel, steel products and all other metallurgical products, as well as all products and materials used in their manufacture, their processing and their marketing, and all industrial and commercial activities connected directly or indirectly with those objects, including mining and research activities and the creation, acquisition, holding, exploitation and sale of patents, licenses, know-how and, more generally, intellectual and industrial property rights.

The Company may realize its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures.

In general, the Company's corporate purpose comprises the participation, in any form whatsoever, in companies and partnerships and the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or in any other manner of shares, bonds, debt securities, warrants and other securities and instruments of any kind.

It may grant assistance to any affiliated company and take any measure for the control and supervision of such companies.

It may carry out any commercial, financial or industrial operation or transaction that it considers to be directly or indirectly necessary or useful in order to achieve or further its corporate purpose.

Form and transfer of shares

The shares of ArcelorMittal are issued in registered form only and are freely transferable. There are no restrictions on the rights of Luxembourg or non-Luxembourg residents to own ArcelorMittal shares.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder and the number of shares held by such shareholder in the shareholders' register. Each transfer of shares is made by a written declaration of transfer recorded in the shareholders' register of ArcelorMittal, dated and signed by the transferor and the transferee or by their duly appointed agent. ArcelorMittal may accept and enter into its shareholders' register any transfer based on an agreement between the transferor and the transferee provided a true and complete copy of the agreement is provided to ArcelorMittal.

The Articles of Association provide that shares may be held through a securities settlement (clearing) system or a professional depositary of securities. Shares held in this manner have the same rights and obligations as the registered shares. Shares held through a securities settlement system or a professional depositary of securities may be transferred in accordance with customary procedures for the transfer of securities in book-entry form.

The ArcelorMittal ordinary shares may be held in registered form on the Company's register only. Registered shares are fully fungible and may consist of:

a. ArcelorMittal Registry Shares, which are registered directly on ArcelorMittal's Luxembourg shareholder register,

b. shares traded on Euronext Amsterdam, Euronext Paris, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges, which are held in Euroclear, or

c. shares traded on the NYSE, named New York Registry Shares, which are registered in a register (including in the name of the nominee of DTC) kept by or on behalf of ArcelorMittal by its New York transfer agent.

Since March 2009, ArcelorMittal has used the services of BNP Paribas Securities Services to assist it with certain administrative tasks relating to the day-to-day administrative management of the shareholders' register.

The law of April 6, 2013 concerning dematerialized securities allows Luxembourg issuers to opt for the full dematerialization of shares. The EGM of ArcelorMittal shareholders held on May 10, 2017 authorized and empowered the Board of Directors to give effect to such dematerialization and to determine its effective date, following which new shares in the Company may only be issued in dematerialized form (the "Effective Date"). Notice of the compulsory dematerialization will be given in accordance with Article 6.9 (i) of the Company's Articles of Association. As from the Effective Date, shareholders would be required to hold their shares in a securities account at a bank or other financial intermediary, which would in turn hold the shares via an account with a securities depository such as Clearstream or Euroclear. Dematerialized securities would be solely represented by account entries with the securities depositary and would therefore exist only in electronic form. It would then no longer be possible for shareholders to hold shares through a direct, nominative registration in the Company's register of shareholders as is currently the case.

Issuance of shares

The issuance of shares by ArcelorMittal requires either an amendment of the Articles of Association approved by an EGM or a decision of the Board of Directors that is within the limits of the authorized share capital set out in the Articles of Association. In the latter case, the Board of Directors may determine the conditions for the issuance of shares, including the consideration (cash or in kind) payable for such shares.

The EGM may not validly deliberate unless at least half of the share capital is present or represented upon the first call. If the quorum is not met, the meeting may be reconvened as described in "–General meeting of shareholders" below. The second meeting will be held regardless of the proportion of share capital represented. At both meetings, resolutions, in order to be adopted, must be carried by at least two-thirds of the votes cast.

Following the mandatory conversion on January 15, 2016 of outstanding Notes of the Company's $2.25 billion 6%

Mandatorily Convertible Subordinated Notes due 2016, the Company's issued share capital increased by €570 million from €6,883 million to €7,453 million represented by 1,803,359,338 shares without nominal value.

On February 5, 2016, the Company announced its intention to increase its capital through a rights issue with shareholders benefiting from non-statutory preferential subscription rights on terms to be determined by the Company. At its meeting on February 3, 2016, the Board of Directors resolved among others and subject to approval by an EGM, to authorize the issue of up to 30,000,000,000 new ordinary shares, to cancel the statutory preferential subscription rights of the existing shareholders and to authorize the granting of preferential subscription rights to existing shareholders on terms to be determined based on market practice and conditions (the "equity offering").

The EGM of ArcelorMittal shareholders, held on March 10, 2016, approved the two resolutions on its agenda:

- to reduce the share capital of the Company without distribution to shareholders, in order to reduce the par value of the shares in the Company to an amount of 10 euro cents per share and
- to increase the Company's authorized share capital including the authorization to limit or cancel the shareholders' preferential subscription rights.

The above authorization expires five years from the date of publication of the EGM minutes in the Official Luxembourg Gazette Mémorial C, which occurred on March 23, 2016. This authorization may be renewed from time to time by an EGM for periods not to exceed five years each.

Following such approval, the Company's share capital decreased on March 10, 2016 from €7,453 million to €180 million represented by 1,803,359,338 ordinary shares without nominal value. The Company's authorized share capital, including the issued share capital, amounted to €3,200 million represented by 31,995,857,213 ordinary shares without nominal value.

As a result of the Company's equity offering authorized by the EGM and which closed on April 8, 2016 at a price of €2.20 per share, the Company's issued share capital increased from €180 million to €306 million represented by 3,065,710,869 ordinary shares without nominal value and remained unchanged at December 31, 2016. The Company's authorized share capital, including the issued share capital, amounted to €337 million represented by 3,372,281,956 ordinary shares without nominal value.

The EGM of ArcelorMittal shareholders held on May 10, 2017 approved a reverse stock split and an increase of the Company's authorized share capital from €337 million to €345 million. Following this approval, on May 22, 2017 ArcelorMittal completed the consolidation of every three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result, the authorized share capital increased from €337 million represented by 3,372,281,956 ordinary shares without nominal value to €345 million represented by 1,151,576,921 ordinary shares without nominal value. There was no change in the issued share capital of ArcelorMittal but the aggregate number of shares issued and fully paid up decreased from 3,065,710,869 to 1,021,903,623.

Articles 4, 5, 7, 8, 9, 11, 13, 14 and 15 of the Articles of Association have been amended to reflect the recent changes in Luxembourg law. Such amendments to the Articles of Association were filed with the Luxembourg Register of Commerce and Companies on May 18, 2017.

The EGM of ArcelorMittal shareholders held on May 16, 2018 approved the change of the currency of the share capital of the Company from euro into U.S. dollar (the "Change of Currency") based on the EUR/USD exchange rate of 1.1883 published by the European Central Bank at about 4 pm CET on May 15, 2018, the day preceding the EGM. As a result, the issued share capital amounts to $364 million represented by 1,021,903,623 ordinary shares fully paid without nominal value. The Company's authorized share capital, including the issued share capital, amounts to $411 million represented by 1,151,576,921 ordinary shares without nominal value.

Articles 5.1, 5.2 and the second paragraph of article 17 of the Articles of Association of the Company have been amended to reflect the Change of Currency. Such amendments to the Articles of Association were filed with the Luxembourg Register of Commerce and Companies on May 31, 2018.

Preemptive rights

Unless limited or cancelled by the Board of Directors as described below or by an EGM, holders of ArcelorMittal shares have a pro rata preemptive right to subscribe for newly issued shares, except for shares issued for consideration other than cash (i.e., in kind).

The Articles of Association provide that preemptive rights may be limited or cancelled by the Board of Directors in the event of an increase in the Company's issued share capital until the date being five years from the date of publication via the online platform called *Recueil électronique des sociétés et associations* ("RESA") which replaced as of June 1, 2016 the Luxembourg official legal gazette, the *Mémorial, Recueil des Sociétés et Associations,* of the relevant meeting minutes, which publication occurred on May 18, 2017 with respect to the minutes of the EGM held on May 10, 2017. This power of the Board of Directors may from time to time be renewed by an EGM for subsequent periods not to exceed five years each.

Repurchase of shares

ArcelorMittal is prohibited by Luxembourg law from subscribing for its own shares. ArcelorMittal may, however, repurchase its own shares or have another person repurchase shares on its behalf, subject to certain conditions, including:

- a prior authorization of the general meeting of shareholders setting out the terms and conditions of the proposed repurchase, including the maximum number of shares to be repurchased, the duration of the period for which the authorization is given (which may not exceed five years) and the minimum and maximum consideration per share;
- the repurchase may not reduce the net assets of ArcelorMittal on a non-consolidated basis to a level below the aggregate of the issued share capital and the reserves that ArcelorMittal must maintain pursuant to Luxembourg law or its Articles of Association;
- only fully paid-up shares may be repurchased. At December 31, 2018, all of ArcelorMittal's issued ordinary shares were fully paid-up; and
- the acquisition offer is made on the same terms and conditions to all the shareholders who are in the same position, it being noted however that listed companies may repurchase their own shares on the stock exchange without an acquisition offer having to be made to the shareholders.

In addition, Luxembourg law allows the Board of Directors to approve the repurchase of ArcelorMittal shares without the prior approval of the general meeting of shareholders if necessary to prevent serious and imminent harm to ArcelorMittal. In such a case, the next general meeting of shareholders must be informed by the Board of Directors of the reasons for and the purpose of the acquisitions made, the number and nominal values, or in the absence thereof, the accounting par value of the shares acquired, the proportion of the issued share capital that they represent, and the consideration paid for them.

The general meeting of shareholders held on May 5, 2015 (the "General Meeting") decided (a) to cancel with effect as of the date of the General Meeting the authorization granted to the Board of Directors by the general meeting of shareholders held on May 11, 2010 with respect to the share buy-back program, and (b) to authorize, effective immediately after the General Meeting, the Board of Directors, with the option to delegate to the corporate bodies of the other companies in the ArcelorMittal group in accordance with the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "Law"), to acquire and sell shares in the Company in accordance with the Law and any other applicable laws and regulations, including but not limited to entering into off-market and over-the-counter transactions and to acquire shares in the Company 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 as repealed and replaced by Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Commission Delegated Regulation (EU) No. 2016/1052 of March 8, 2016 with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures.

Such transactions may be carried out at any time, including during a tender offer period, subject to applicable laws and regulations including Section 10(b) and Section 9(a)(2) of the 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 2020, 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 shares that may be acquired is the maximum allowed by the Luxembourg law of 10 August 1915 on commercial companies in such manner that the accounting par value of the Company's shares held by the Company do not in any event exceed 10% of the Company's issued share capital. 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 461-2 of the Law. The purchase price per share to be paid shall not represent more than 110% 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 110% of the reference 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 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.

Capital reduction

The Articles of Association provide that the issued share capital of ArcelorMittal may be reduced subject to the approval of at least two-thirds of the votes cast at an extraordinary general meeting of shareholders where, at first call, at least 50% of the issued share capital is required to be represented, with no quorum being required at a reconvened meeting.

General meeting of shareholders

The shareholders' rights law of May 24, 2011, which transposes into Luxembourg law Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies of July 14, 2007 came into force on July 1, 2011 (the "Shareholder's Rights Law").

The Shareholders' Rights Law abolished the blocking period and introduced the record date system into Luxembourg law. As set out in the Articles of Association, the record date applicable to ArcelorMittal is the 14th day at midnight before the general meeting date. Only the votes of shareholders who are shareholders of the Company on the record date will be taken into account, regardless of whether they remain shareholders on the general meeting date. Shareholders who intend to participate in the general meeting must notify the Company at the latest on the date indicated in the convening notice of their intention to participate (by proxy or in person).

Ordinary general meetings of shareholders.

At an ordinary general meeting of shareholders there is no quorum requirement and resolutions are adopted by a simple majority, irrespective of the number of shares represented. Ordinary general meetings deliberate on any matter that does not require the convening of an extraordinary general meeting.

Extraordinary general meetings of shareholders.

An extraordinary general meeting must be convened to deliberate on the following types of matters:

- an increase or decrease of the authorized or issued share capital,
- a limitation or exclusion of existing shareholders' preemptive rights,
- the acquisition by any person of 25% or more of the issued share capital of ArcelorMittal,
- approving a merger or similar transaction such as a spin-off, and
- any transaction or matter requiring an amendment of the Articles of Association.

The extraordinary general meeting must reach a quorum of shares present or represented at the meeting of 50% of the share capital in order to validly deliberate. If this quorum is not reached, the meeting may be reconvened and the second meeting will not be subject to any quorum requirement. In order to be adopted by the extraordinary general meeting (on the first or the second call), any resolution submitted must be approved by at least two-thirds of the votes cast except for certain limited matters where the Articles of Association require a higher majority (see "— Amendment of the Articles of Association"). Votes cast do not include votes attaching to shares with respect to which the shareholder has not taken part in the vote, has abstained or has returned a blank or invalid vote.

Voting and information rights

The voting and information rights of ArcelorMittal's shareholders have been further expanded since the entry into force of the Shareholders' Rights Law on July 1, 2011.

There are no restrictions on the rights of Luxembourg or non-Luxembourg residents to vote ArcelorMittal shares. Each share entitles the shareholder to attend a general meeting of shareholders in person or by proxy, to address the general meeting of shareholders and to vote. Each share entitles the holder to one vote at the general meeting of shareholders. There is no minimum shareholding (beyond owning a single share or representing the owner of a single share) required to be able to attend or vote at a general meeting of shareholders.

The Board of Directors may also decide to allow shareholders to vote by correspondence by means of a form providing for a positive or negative vote or an abstention on each agenda item. The conditions for voting by correspondence are set out in the Articles of Association and in the convening notice.

The Board of Directors may decide to arrange for shareholders to be able to participate in the general meeting by electronic means by way, among others, of (i) real-time transmission to the public of the general meeting, (ii) two-way communication enabling shareholders to address the general meeting from a remote location, or (iii) a mechanism allowing duly identified shareholders to cast their votes before or during the general meeting without the need for them to appoint a proxyholder who would be physically present at the meeting.

A shareholder may act at any general meeting of shareholders by appointing another person (who need not be a shareholder) as his or her attorney by means of a written proxy using the form made available on the website of the Company. The completed and signed proxy must be sent to the Company in accordance with the instructions set out in the convening notice.

General meetings of shareholders are convened by the publication of a notice at least 30 days before the meeting date in a Luxembourg newspaper, via the RESA, and by way of press release sent to the major news agencies. Ordinary general meetings are not subject to any minimum shareholder participation level. Extraordinary general meetings, however, are subject to a minimum quorum of 50% of the share capital. In the event the 50% quorum is not met upon the first call, the meeting may be reconvened by way of convening notice published in the same manner as the first notice, at least 17 days before the meeting date. No quorum is required upon the second call.

Shareholders whose share ownership is directly registered in the shareholders' register of the Company must receive the convening notice by regular mail, unless they have accepted to receive it through other means (i.e., electronically). In addition, all materials relating to a general meeting of shareholders must be made available on the website of ArcelorMittal from the first date of publication of the convening notice.

Based on an amendment voted by the extraordinary general meeting of shareholders on May 10, 2017, the Articles of Association provide that the annual general meeting of shareholders is held each year within six months from the end of the previous financial year at the Company's registered office or at any other place in the Grand Duchy of Luxembourg as determined by the Board of Directors and indicated in the convening notice.

Luxembourg law requires the Board of Directors to convene a general meeting of shareholders if shareholders representing in the aggregate 10% of the issued share capital so require in writing with an indication of the requested agenda. In this case, the general meeting of shareholders must be held within one month of the request. If the requested general meeting of shareholders is not so convened, the relevant shareholder or group of shareholders may petition the competent court in Luxembourg to have a court appointee convene the general meeting.

Shareholders representing in the aggregate 5% of the issued share capital may also request that additional items be added to the agenda of a general meeting and may draft alternative resolutions to be submitted to the general meeting regarding existing agenda items. The request must be made in writing and sent either to the electronic address or to the Company's postal address set out in the convening notice.

The Shareholders' Rights Law provides that a company's articles of association may allow shareholders to ask questions prior to the general meeting which will be answered by management during the general meeting's questions and answers session prior to the vote on the agenda items. Although the Articles of Association do not specifically address this point, shareholders may ask questions in writing ahead of a general meeting, which are taken into account in preparing the general meeting's questions and answers session. With regard to the May 9, 2018 general meeting, shareholders were expressly encouraged to send questions and comments to the Company in advance by writing to a dedicated e-mail address indicated in the convening notice.

Election and removal of directors.

Members of the Board of Directors are elected by simple majority of the represented shareholders at an ordinary general meeting of shareholders. Directors are elected for a period ending on a date determined at the time of their appointment. The directors of ArcelorMittal are elected for three-year terms. Any director may be removed with or without cause by a simple majority vote at any general meeting of shareholders.

(a) a director's power to vote on a proposal, arrangement or contract in which the director is materially interested;

If a Director has directly or indirectly a financial interest in a transaction that is submitted to the Board of Directors for approval and this interest conflicts with that of ArcelorMittal (other than transactions which are ordinary business operations and are entered into under normal conditions), the Director must advise the Board of Directors of the existence and nature of the conflict and cause a record of his/her statement to be included in the minutes of the meeting. In addition, the Director may not take part in the discussions on and may not vote on the relevant transaction and he or she shall not be counted for the purposes of whether the quorum is present, in which case the Board of Directors may validly deliberate if at least the majority of the non-conflicted directors are present or represented. At the next following general meeting of shareholders of ArcelorMittal, before any other resolution is put to a vote, a special report will be made by the Board of Directors to the shareholders' meeting on any such transaction.

(b) the directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body;

The remuneration of the Directors is determined each year by the annual general meeting of shareholders subject to Article 17 of the Articles of Association. The annual shareholders meeting of the Company decides on the

directors' remuneration. The Chairman & CEO is not remunerated for his membership on the Board of Directors. The remuneration of the Chairman & CEO is determined by the Board's ARCGS Committee, which consists solely of independent directors. For more information, see "Compensation".

(c) borrowing powers exercisable by the directors and how such borrowing powers can be varied;

Any transaction between ArcelorMittal or a subsidiary of ArcelorMittal and a Director (or an affiliate of a Director) must be conducted on arm's length terms and, if material, must obtain the approval of the Independent Directors.

(d) retirement or non-retirement of directors under an age limit requirement

There is no retirement or non-retirement of directors under an age limit requirement. However, on October 30, 2012, the Board of Directors 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 the 12 years rule if the Board of Directors considers it to be in the best interest of the Company based on the contribution of the Director involved and the balance between the knowledge, skills, experience and need for renewal of the Board.

(e) number of shares, if any, required for director's qualification.

Article 8.2 of the Articles of Association states that the members of the Board of Directors do not have to be shareholders in the Company. However, the Board of Directors introduced on April 27, 2015 a policy that requires members of the Board of Directors to hold 10,000 shares in the Company (15,000 for the Lead Independent Director). For more information, see "Board practices/corporate governance, Specific characteristics of the director role"

ArcelorMittal's Articles of Association provide that the Significant Shareholder is entitled to nominate a number of candidates for election by the shareholders to the Board of Directors in proportion to its shareholding. The Significant Shareholder has not exercised this right to date.

Amendment of the Articles of Association

Any amendments to the Articles of Association must be approved by an extraordinary general meeting of shareholders held in the presence of a Luxembourg notary, followed by the publications required by Luxembourg law.

In order to be adopted, amendments of the Articles of Association relating to the size and the requisite minimum number of independent and non-executive directors of the Board of Directors, the composition of the Audit & Risk Committee, and the nomination rights to the Board of Directors of the Significant Shareholder require a majority of votes representing two-thirds of the voting rights attached to the shares in ArcelorMittal. The same majority rule would apply to amendments of the provisions of the Articles of Association that set out the foregoing rule.

Annual accounts

Each year before submission to the annual ordinary general meeting of shareholders, the Board of Directors approves the stand-alone audited annual accounts for ArcelorMittal, the parent company of the ArcelorMittal group as well as the consolidated annual accounts of the ArcelorMittal group, each of which are prepared in accordance with IFRS. The Board of Directors also approves the management reports on each of the stand-alone audited annual accounts and the consolidated annual accounts, and in respect of each of these sets of accounts a report must be issued by the independent auditors.

The stand-alone audited annual accounts, the consolidated annual accounts, the management reports and the auditor's reports will be available on request from the Company and on the Company's website from the date of publication of the convening notice for the annual ordinary general meeting of shareholders.

The stand-alone audited annual accounts and the consolidated annual accounts, after their approval by the annual ordinary general meeting of shareholders, are filed with the Luxembourg Register of Commerce and Companies.

Dividends

Except for shares held in treasury by the Company, each ArcelorMittal share is entitled to participate equally in dividends if and when declared out of funds legally available for such purposes. The Articles of Association provide that the annual ordinary general meeting of shareholders may declare a dividend and that the Board of Directors may declare interim dividends within the limits set by Luxembourg law.

Declared and unpaid dividends held by ArcelorMittal for the account of its shareholders do not bear interest. Under Luxembourg law, claims for dividends lapse in favor of ArcelorMittal five years after the date on which the dividends have been declared.

Merger and division

A merger whereby the Luxembourg company being acquired transfers to an existing or newly incorporated

Luxembourg company all of its assets and liabilities in exchange for the issuance to the shareholders of the company being acquired of shares in the acquiring company, and a division whereby a company (the company being divided) transfers all its assets and liabilities to two or more existing or newly incorporated companies in exchange for the issuance of shares in the beneficiary companies to the shareholders of the company being divided or to such company, and certain similar restructurings must be approved by an extraordinary general meeting of shareholders of the relevant companies held in the presence of a notary. These transactions require the approval of at least two-thirds of the votes cast at a general meeting of shareholders of each of the companies where at least 50% of the share capital is represented upon first call, with no such quorum being required at a reconvened meeting.

Liquidation

In the event of the liquidation, dissolution or winding-up of ArcelorMittal, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata to their respective shareholdings. The decision to liquidate, dissolve or wind-up requires the approval of at least two-thirds of the votes cast at a general meeting of shareholders where at first call at least 50% of the share capital is represented, with no quorum being required at a reconvened meeting. Irrespective of whether the liquidation is subject to a vote at the first or a subsequent extraordinary general meeting of shareholders, it requires the approval of at least two-thirds of the votes cast at the extraordinary general meeting of shareholders.

Mandatory bid—squeeze-out right—sell-out right

Mandatory bid. The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids (the “Takeover Law”), provides that, if a person acting alone or in concert acquires securities of ArcelorMittal which, when added to any existing holdings of ArcelorMittal securities, give such person voting rights representing at least one third of all of the voting rights attached to the issued shares in ArcelorMittal, this person is obliged to make an offer for the remaining shares in ArcelorMittal. In a mandatory bid situation the “fair price” is in principle considered to be the highest price paid by the offeror or a person acting in concert with the offeror for the securities during the 12–month period preceding the mandatory bid.

ArcelorMittal’s Articles of Association provide that any person who acquires shares giving them 25% or more of the total voting rights of ArcelorMittal must make or cause to be made, in each country where ArcelorMittal’s securities are admitted to trading on a regulated or other market and in each of the countries in which ArcelorMittal has made a public offering of its shares, an unconditional public offer of acquisition for cash to all shareholders for all of their shares and also to all holders of securities giving access to capital or linked to capital or whose rights are dependent on the profits of ArcelorMittal. The price offered must be fair and equitable and must be based on a report drawn up by a leading international financial institution or other internationally recognized expert.

Squeeze-out right. The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of ArcelorMittal and after such offer the offeror holds at least 95% of the securities carrying voting rights and 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a fair price. The price offered in a voluntary offer would be considered a fair price in the squeeze-out proceedings if the offeror acquired at least 90% of the ArcelorMittal shares carrying voting rights that were the subject of the offer. The price paid in a mandatory offer is deemed a fair price. The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining ArcelorMittal shareholders. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

Sell-out right. The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of ArcelorMittal and if after such offer the offeror holds securities carrying more than 90% of the voting rights, the remaining security holders may require that the offeror purchase the remaining securities of the same class. The price offered in a voluntary offer would be considered “fair” in the sell-out proceedings if the offeror acquired at least 90% of the ArcelorMittal shares carrying voting rights and which were the subject of the offer. The price paid in a mandatory offer is deemed a fair price. The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining ArcelorMittal shareholders. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the offer.

Disclosure of significant ownership in ArcelorMittal shares

Holders of ArcelorMittal shares and derivatives or other financial instruments linked to ArcelorMittal shares may be subject to the notification obligations of the Luxembourg law of January 11, 2008, as last amended by the law dated May 10, 2016, on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market (the “Transparency Law”). The following description summarizes these obligations. ArcelorMittal shareholders are advised to consult with their

own legal advisers to determine whether the notification obligations apply to them.

The Transparency Law provides that, if a person acquires or disposes of a shareholding in ArcelorMittal, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, one-third, 50% or two-thirds of the total voting rights existing when the situation giving rise to a declaration occurs, the relevant person must simultaneously notify ArcelorMittal and the CSSF (the Luxembourg securities regulator) of the proportion of voting rights held by it further to such event within four Luxembourg Stock Exchange trading days of the day of execution of the transaction triggering the threshold crossing.

A person must also notify ArcelorMittal of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the above mentioned thresholds as a result of events changing the breakdown of voting rights.

The above notification obligations also apply to persons who directly or indirectly hold financial instruments linked to ArcelorMittal shares. Pursuant to article 12 a. of the Transparency Law, persons who hold ArcelorMittal shares and financial instruments linked to ArcelorMittal Shares must aggregate their holding.

ArcelorMittal's Articles of Association also provide that the above disclosure obligations also apply to:

- any acquisition or disposal of shares resulting in the threshold of 2.5% of voting rights in ArcelorMittal being crossed upwards or downwards,
- any acquisition or disposal of shares resulting in the threshold of 3.0% of voting rights in ArcelorMittal being crossed upwards or downwards, and
- with respect to any shareholder holding at least 3.0% of the voting rights in ArcelorMittal, to any acquisition or disposal of shares resulting in successive thresholds of 1.0% of voting rights being crossed upwards or downwards.

Pursuant to the Articles of Association, any person who acquires shares giving him or her 5% or more or a multiple of 5% or more of the voting rights must inform ArcelorMittal within 10 Luxembourg Stock Exchange trading days following the date on which the threshold was crossed by registered letter with return receipt requested as to whether he or she intends to acquire or dispose of shares in ArcelorMittal within the next 12 months or intends to seek to obtain control over ArcelorMittal or to appoint a member to ArcelorMittal's Board of Directors.

The sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the Transparency Law as amended from time to time, 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).

For the purposes of calculating the percentage of a shareholder's voting rights in ArcelorMittal, the following are taken into account:

- voting rights held by a third party with whom that person or entity has concluded an agreement and which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards ArcelorMittal;
- voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to shares pledged as collateral with that person or entity, provided the person or entity controls the voting rights and declares its intention to exercise them;
- voting rights attaching to shares in which a person or entity holds a life interest;
- voting rights which are held or may be exercised within the meaning of the four foregoing points by an undertaking controlled by that person or entity;
- voting rights attaching to shares deposited with that person or entity which the person or entity may exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity may exercise the voting rights in its sole discretion.

In addition, the Articles of Association provide that, for the purposes of calculating a person's voting rights in ArcelorMittal, the voting rights attached to shares underlying any other financial instruments owned by that person (such as convertible notes) must be taken into account for purposes of the calculation described above.

Disclosure of insider dealing transactions

Members of the Board of Directors and the members of the CEO Office, Executive Officers and other executives fulfilling senior management responsibilities within ArcelorMittal and falling with the definition of “Persons Discharging Senior Managerial Responsibilities” set out below and persons closely associated with them must disclose to the CSSF and to ArcelorMittal all transactions relating to shares or debt instruments of ArcelorMittal or derivatives or other financial instruments linked to any shares or debt instruments of ArcelorMittal (together the “Financial Instruments”) conducted by them or for their account.

Such notifications shall be made promptly and not later than three business days after the date of the transaction.

“Persons Discharging Senior Managerial Responsibilities” within ArcelorMittal are the members of the Board of Directors, and the CEO Office, the Executive Officers, and other executives occupying a high level management position with regular access to non-public material information relating, directly or indirectly, to ArcelorMittal and have the authority to make management decisions about the future development of the Company and its business strategy (see "Key Transactions and events in 2018" for a description of senior management). Persons closely associated with them include their respective family members.

Both information on trading in Financial Instruments by “Persons Discharging Senior Managerial Responsibilities” and ArcelorMittal’s Insider Dealing Regulations are available on www.arcelormittal.com under “Investors—Corporate Governance—Share Transactions by Management”.

In 2018, nine notifications were received by ArcelorMittal from such persons and filed with the CSSF.

Publication of regulated information

Since January 2009, disclosure to the public of “regulated information” (within the meaning of the Luxembourg Transparency Law) concerning ArcelorMittal has been made by publishing the information through the centralized regulated information filing and storage system managed by the Luxembourg Stock Exchange and accessible in English and French on www.bourse.lu, in addition to the publication by ArcelorMittal of the information by way of press release. All news and press releases issued by the Company are available on www.arcelormittal.com in the “News and Media” section.

Limitation of directors’ liability/indemnification of Directors and the members of the CEO Office

The Articles of Association provide that ArcelorMittal will, to the broadest extent permitted by Luxembourg law, indemnify every director and member of the CEO Office as well as every former director or member of the CEO Office for fees, costs and expenses reasonably incurred in the defense or resolution (including a settlement) of all legal actions or proceedings, whether civil, criminal or administrative, he or she has been involved in his or her role as former or current director or member of the CEO Office.

The right to indemnification does not exist in the case of gross negligence, fraud, fraudulent inducement, dishonesty or for a criminal offense, or if it is ultimately determined that the director or members of the CEO Office has not acted honestly, in good faith and with the reasonable belief that he or she was acting in the best interests of ArcelorMittal.

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 the European Parliament and the Council of 21 April 2004 on takeover bids (the “Takeover Law”). The Articles of Association of the Company are available on 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 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 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

amended from time to time (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 Takeover 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 05, 2015 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 as repealed and replaced by Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Commission Delegated Regulation (EU) No. 2016/1052 of March 8, 2016 with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures 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, including Section 10(b) and Section 9(a)(2) of the 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 2020, or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration the five-year period. 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 461-2 of the Grand-Ducal Regulation coordinating the amended law of 10 August 1915 on commercial companies. The purchase price per share to be paid shall not represent more than 110% 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 110% of the reference 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 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.

Material contracts

The following are material contracts, not entered into in the ordinary course of business, to which ArcelorMittal has been a party during the past two years.

ArcelorMittal Equity Incentive Plan, Performance Share Unit Plan and Special Grant

For a description of such plans, please refer to "Compensation."

Memorandum of Understanding

Mr. Lakshmi Mittal, Mrs. Usha Mittal, Lumen Investments S.à r.l., Nuavam Investments S.à r.l. (together, the "MoU Group") and the Company are parties to a Memorandum of Understanding ("MoU"), dated June 25, 2006, to combine Mittal Steel and Arcelor in order to create the world's leading steel company. (Lumen Investments S.à r.l. and Nuavam Investments S.à r.l. became parties following the assumption of the obligations of original parties to the MoU that have since ceased to hold Company shares). 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 under "Board practices/

corporate governance, Operation, 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 and on August 1, 2011. 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 2018.

Standstill

The MoU Group 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 MoU Group. Notwithstanding the above, if (and whenever) the MoU Group holds, directly and indirectly, less than 45% of the then-issued Company shares, the MoU Group may purchase (in the open market or otherwise) Company shares up to such 45% limit. In addition, the MoU Group 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 MoU Group did not vote or by the Company's Board of Directors with a majority of independent directors voting in favor.

Once the MoU Group 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 MoU Group 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.

Finally, the MoU Group 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 MoU Group or (2) the MoU Group acquires such shares in an offer for all of the shares of the Company.

Non-compete

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

Additional information

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, to the Investors menu, under Financial Reports.

Sustainable development

ArcelorMittal's sustainable development information is detailed in the online Annual Review that will be published during the second quarter of 2019 and available on http://annualreview2018.arcelormittal.com.

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.

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.

Other listings

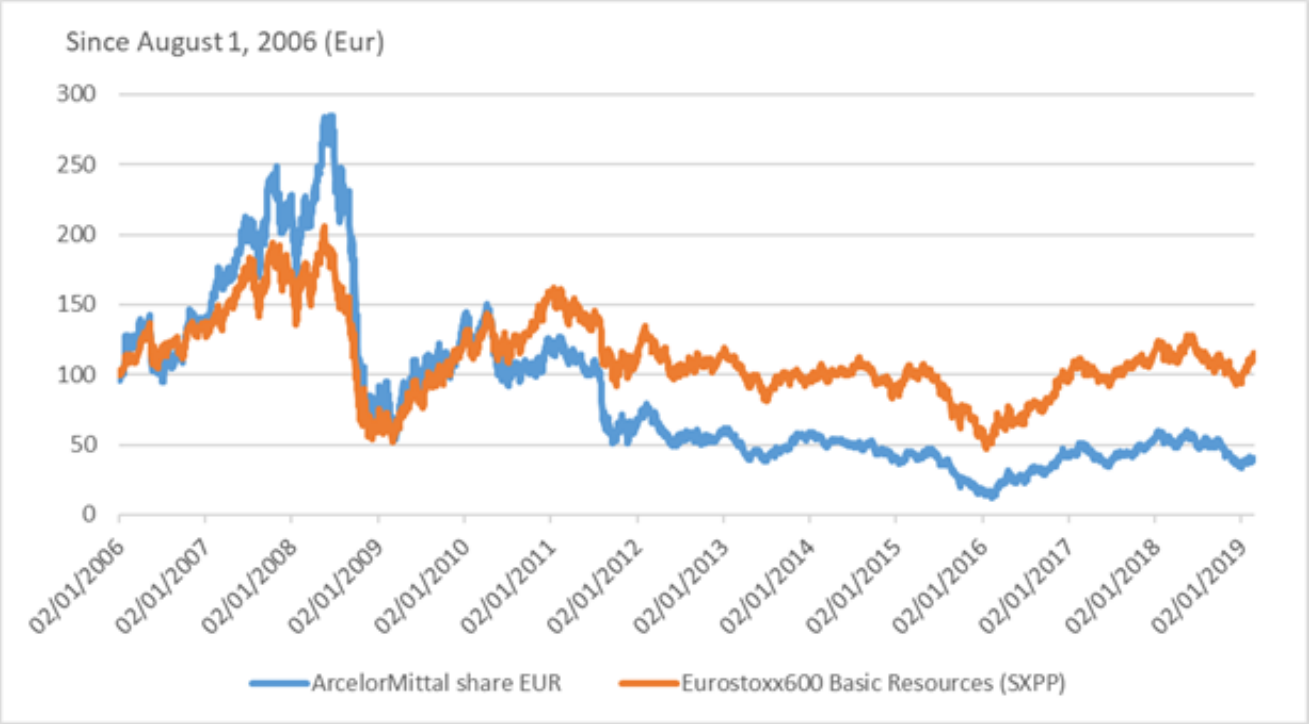
ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

Indexes

ArcelorMittal is a member of more than 120 indices including the following leading indices: DJ SOTXX 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 commitments to sustainable development, ArcelorMittal is also included in the FTSE4Good Index and the Bloomberg Gender Equality Index. Further, ArcelorMittal has been participating in CDP since 2005 (currently a 'B' grade) and the United National Global Compact since 2003. It was awarded a Gold rating by Ecovadis in 2018.

Share price performance

During 2018, the price of ArcelorMittal shares increased by 40% in dollar terms compared to 2017; the chart below shows a comparison between the performance of ArcelorMittal's shares and the Eurostoxx600 Basic Resource (SXPP).



Dividend

ArcelorMittal intends to progressively increase the base dividend paid to its shareholders, and, on attainment of the net debt target, return a percentage of free cash flow annually. Accordingly, the Board proposes an increase in the base dividend for 2019 (paid from 2018 earnings) to $0.20 per share which will be proposed to the shareholders at the AGM in May 2019.

Investor relations

As the world's leading steel company and major investment vehicle in the steel sector, ArcelorMittal has a dedicated investor relations team at the disposal of analysts and investors. By implementing high standards of financial information disclosure and providing clear, regular, transparent and even-handed information to all its shareholders, ArcelorMittal aims to be the first choice for investors in the sector.

To meet this objective and provide information to fit the needs of all parties, 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.

ArcelorMittal's senior management plans to meet investors and shareholder associations in road shows throughout 2019.

Depending on their geographical location, investors may use the following e-mails or contact numbers to reach the investor relations team:

institutionalsamericas@arcelormittal.com	+1 312 899 3985
investor.relations@arcelormittal.com	+352 4792 2484
privateinvestors@arcelormittal.com	+352 4792 3198
creditfixedincome@arcelormittal.com	+33 1 7192 1026

Sustainable responsible investors

The Investor Relations team is also a source of information for the growing sustainable responsible investment community. The team organizes special events on ArcelorMittal's corporate responsibility strategy and answers all requests for information sent to the Group crteam@arcelormittal.com or may be contacted at +44 207 543 1132.

Financial calendar

The schedule is available on ArcelorMittal's website www.arcelormittal.com under Investor>Financial calendar.

*Financial results**

February 7, 2019 - Results for the 4th quarter 2018 and 12 months 2018.

May 9, 2019 - Results for the 1st quarter 2019.

August 1, 2019 - Results for the 2nd quarter 2019 and 6 months 2019.

November 7, 2019 - Results for the 3rd quarter 2019.

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

Meeting of shareholders

May 7, 2019 - Annual General Meeting of Shareholders.

Contact the investor relations team on the information detailed above or please visit www.arcelormittal.com/corp/investors/contact.

Controls and procedures

Disclosure controls and procedures

Management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, 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.

Management carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2018. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2018 so as to provide reasonable assurance that (1) information required to be disclosed by the Company in the reports that the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and its 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.

The Company's 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 the Company's 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, 2018 based upon the framework in *Internal Control—Integrated Framework* (2013) 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, 2018.

On November 1, 2018, ArcelorMittal completed the acquisition of Ilva S.p.A. and certain of its subsidiaries ("Ilva"). Management acknowledges that it is responsible for establishing and maintaining a system of internal controls over financial reporting for Ilva. ArcelorMittal is in the process of integrating Ilva and accordingly a number of processes and controls will be changed.ArcelorMittal excluded Ilva from its assessment of the effectiveness of internal controls over financial reporting as of December 31, 2018. Ilva represents 3% of the Company's total assets as of December 31, 2018 and less than 1% of the Company's sales and consolidated net income for the year ended December 31, 2018. The transaction has not materially affected nor is expected to materially affect ArcelorMittal's internal control over financial reporting. The Company expects its internal control system to be fully implemented at Ilva in 2019 and, accordingly, to evaluate it for effectiveness at that time.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the year ending December 31, 2018 that have materially affected or are reasonably likely to have materially affected the Company's internal control over financial reporting.

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.

Chief executive officer

Lakshmi N. Mittal

March 1, 2019

Chief financial officer

Aditya Mittal

March 1, 2019

ArcelorMittal

Consolidated Financial Statements

ArcelorMittal and Subsidiaries
Consolidated Statements of Operations
(millions of U.S. dollars, except share and per share data)

		Year Ended December 31,		
	Notes	2018	2017	2016
Sales	4.1 and 11.1	76,033	68,679	56,791
(including 8,259, 7,503 and 5,634 of sales to related parties for 2018, 2017 and 2016, respectively)				
Cost of sales	4.2 and 11.2	67,025	60,876	50,428
(including 1,116, 1,033 and 1,390 of purchases from related parties for 2018, 2017 and 2016, respectively)				
Gross margin		9,008	7,803	6,363
Selling, general and administrative expenses		2,469	2,369	2,202
Operating income		6,539	5,434	4,161
Income from investments in associates, joint ventures and other investments	2.6	652	448	615
Financing costs - net	6.2	(2,210)	(875)	(2,056)
Income before taxes		4,981	5,007	2,720
Income tax (benefit) / expense	9.1	(349)	432	986
Net income (including non-controlling interests)		5,330	4,575	1,734
Net income attributable to equity holders of the parent		5,149	4,568	1,779
Net income / (loss) attributable to non-controlling interests		181	7	(45)
Net income (including non-controlling interests)		5,330	4,575	1,734

		Year Ended December 31,		
		2018	2017	2016
Earnings per common share (in U.S. dollars) [1]				
Basic		5.07	4.48	1.87
Diluted		5.04	4.46	1.86
Weighted average common shares outstanding (in millions)	10.3			
Basic		1,015	1,020	953
Diluted		1,021	1,024	955

1. Following the completion of the Company's share consolidation of each three existing shares into one share without nominal value on May 22, 2017, the earnings (loss) per common share and corresponding basic and diluted weighted average common shares outstanding for prior periods has been recast in accordance with IFRS. Please refer to note 10 for more information.

The accompanying notes are an integral part of these consolidated financial statements.

ArcelorMittal and Subsidiaries
Consolidated Statements of Other Comprehensive Income
(millions of U.S. dollars, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
Net income (including non-controlling interests)	5,330	4,575	1,734
Items that can be recycled to the consolidated statements of operations			
Available-for-sale-investments:			
Gain arising during the period	—	497	333
Reclassification adjustments for loss (gain) included in the consolidated statements of operations	—	—	(74)
	—	497	259
Derivative financial instruments:			
Gain (loss) arising during the period	755	(340)	40
Reclassification adjustments for loss (gain) included in the consolidated statements of operations	353	28	(14)
	1,108	(312)	26
Exchange differences arising on translation of foreign operations:			
(Loss) gain arising during the period	(1,996)	2,025	(398)
Reclassification adjustments for gain included in the consolidated statements of operations	(15)	(21)	(13)
	(2,011)	2,004	(411)
Share of other comprehensive income (loss) related to associates and joint ventures			
(Loss) gain arising during the period	(239)	341	(79)
Reclassification adjustments for (gain) loss included in the consolidated statements of operations	(123)	217	86
	(362)	558	7
Income tax benefit (expense) related to components of other comprehensive income (loss) that can be recycled to the consolidated statements of operations	(274)	167	(26)
Items that cannot be recycled to the consolidated statements of operations			
Investments in equity instruments at FVOCI:			
Loss arising during the period	(603)	—	—
Share of other comprehensive loss related to associates and joint ventures	(5)	—	—
	(608)	—	—
Employee benefits - Recognized actuarial gains	344	1,098	9
Share of other comprehensive income (loss) related to associates and joint ventures	—	29	(24)
Income tax benefit related to components of other comprehensive income that cannot be recycled to the consolidated statements of operations	228	42	1
Total other comprehensive (loss) income	(1,575)	4,083	(159)
Total other comprehensive (loss) income attributable to:			
Equity holders of the parent	(1,478)	4,037	(186)
Non-controlling interests	(97)	46	27
	(1,575)	4,083	(159)
Total comprehensive income	3,755	8,658	1,575
Total comprehensive income attributable to:			
Equity holders of the parent	3,671	8,605	1,593
Non-controlling interests	84	53	(18)
Total comprehensive income	3,755	8,658	1,575

The accompanying notes are an integral part of these consolidated financial statements.

ArcelorMittal and Subsidiaries
Consolidated Statements of Financial Position
(millions of U.S. dollars, except share and per share data)

	Notes	December 31, 2018	2017
ASSETS			
Current assets:			
Cash and cash equivalents	6.1.3	2,172	2,574
Restricted cash	6.1.3	182	212
Trade accounts receivable and other (including 366 and 406 from related parties at December 31, 2018 and 2017, respectively)	4.3 and 11.1	4,432	3,863
Inventories	4.4	20,744	17,986
Prepaid expenses and other current assets	4.5	2,834	1,931
Assets held for sale	2.3.2	2,111	179
Total current assets		32,475	26,745
Non-current assets:			
Goodwill and intangible assets	5.1	5,728	5,737
Property, plant and equipment and biological assets	5.2	35,638	36,971
Investments in associates and joint ventures	2.4	4,906	5,084
Other investments	2.5	855	1,471
Deferred tax assets	9.4	8,287	7,055
Other assets	4.6	3,360	2,234
Total non-current assets		58,774	58,552
Total assets		91,249	85,297
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term debt and current portion of long-term debt	6.1.2.1	3,167	2,785
Trade accounts payable and other (including 201 and 260 to related parties at December 31, 2018 and 2017, respectively)	4.7 and 11.2	13,981	13,428
Short-term provisions	8.1	539	410
Accrued expenses and other liabilities	4.8	4,709	4,505
Income tax liabilities		238	232
Liabilities held for sale	2.3.2	821	50
Total current liabilities		23,455	21,410
Non-current liabilities:			
Long-term debt, net of current portion	6.1.2.2	9,316	10,143
Deferred tax liabilities	9.4	2,374	2,684
Deferred employee benefits	7.2	6,982	7,630
Long-term provisions	8.1	1,995	1,612
Other long-term obligations	8.2	3,019	963
Total non-current liabilities		23,686	23,032
Total liabilities		47,141	44,442
Contingencies and commitments	8.3 and 8.4		
Equity:	10		
Common shares (no par value, 1,151,576,921 and 1,151,576,921 shares authorized, 1,021,903,623 and 1,021,903,623 shares issued, and 1,013,568,258 and 1,019,916,787 shares outstanding at December 31, 2018 and 2017, respectively)		364	401
Treasury shares (8,335,365 and 1,986,836 common shares at December 31, 2018 and 2017, respectively, at cost)		(569)	(362)
Additional paid-in capital		34,894	34,848
Retained earnings		25,611	20,635
Reserves		(18,214)	(16,733)
Equity attributable to the equity holders of the parent		42,086	38,789
Non-controlling interests		2,022	2,066
Total equity		44,108	40,855
Total liabilities and equity		91,249	85,297

The accompanying notes are an integral part of these consolidated financial statements.

ArcelorMittal and Subsidiaries
Consolidated Statements of Changes in Equity
(millions of U.S. dollars, except share and per share data)

							Reserves						
							Items that can be recycled to the Consolidated Statements of Operations		Items that cannot be recycled to the Consolidated Statements of Operations				
	Shares[1]	Share capital	Treasury Shares	Mandatorily convertible notes	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains (Losses) on Investments in Equity Instruments at FVOCI	Recognized actuarial (losses) gains	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
Balance at December 31, 2015	553	10,011	(377)	1,800	20,294	13,902	(15,793)	114	51	(4,730)	25,272	2,298	27,570
Net income (including non-controlling interests)	—	—	—	—	—	1,779	—	—	—	—	1,779	(45)	1,734
Other comprehensive income (loss)	—	—	—	—	—		(471)	28	271	(14)	(186)	27	(159)
Total comprehensive income (loss)	—	—	—	—	—	1,779	(471)	28	271	(14)	1,593	(18)	1,575
Equity offering (note 10.1)	421	144	—	—	2,971	—	—	—	—	—	3,115	—	3,115
Reduction of the share capital par value (note 10.1)	—	(10,376)	—	—	10,376	—	—	—	—	—	—	—	—
Conversion of the mandatorily convertible notes (note 10.2)	46	622	—	(1,800)	1,178	—	—	—	—	—	—	—	—
Recognition of share-based payments (note 7.3)	—	—	6	—	7	—	—	—	—	—	13	—	13
Dividend (note 10.4)	—	—	—	—	—	—	—	—	—	—	—	(63)	(63)
Equity offering in ArcelorMittal South Africa ("AMSA") (note 10.5.2)	—	—	—	—	—	437	(301)	—	—	—	136	(80)	56
Equity share option plan in AMSA (note 10.5.2)	—	—	—	—	—	(36)	21	—	—	—	(15)	15	—
AMSA B-BBEE transaction (note 10.5.2)	—	—	—	—	—	44	—	—	—	—	44	19	63
Other movements	—	—	—	—	—	(77)	—	—	—	54	(23)	19	(4)
Balance at December 31, 2016	1,020	401	(371)	—	34,826	16,049	(16,544)	142	322	(4,690)	30,135	2,190	32,325
Net income (including non-controlling interests)	—	—	—	—	—	4,568	—	—	—	—	4,568	7	4,575
Other comprehensive income (loss)	—	—	—	—	—	—	2,602	(235)	501	1,169	4,037	46	4,083
Total comprehensive income (loss)	—	—	—	—	—	4,568	2,602	(235)	501	1,169	8,605	53	8,658
Recognition of share-based payments (note 7.3)	—	—	9	—	22	—	—	—	—	—	31	—	31
Dividend (note 10.4)	—	—	—	—	—	—	—	—	—	—	—	(145)	(145)
Acquisition of Sumaré (note 2.2.4)	—	—	—	—	—	—	—	—	—	—	—	48	48
Mandatory convertible bonds extension (note 10.2)	—	—	—	—	—	—	—	—	—	—	—	(83)	(83)
Other movements	—	—	—	—	—	18	—	—	—	—	18	3	21
Balance at December 31, 2017	1,020	401	(362)	—	34,848	20,635	(13,942)	(93)	823	(3,521)	38,789	2,066	40,855
Net income (including non-controlling interests)	—	—	—	—	—	5,149	—	—	—	—	5,149	181	5,330
Other comprehensive income (loss)	—	—	—	—	—	—	(2,174)	732	(608)	572	(1,478)	(97)	(1,575)
Total comprehensive income (loss)	—	—	—	—	—	5,149	(2,174)	732	(608)	572	3,671	84	3,755
Recognition of share-based payments (note 7.3)	—	—	19	—	9	—	—	—	—	—	28	—	28
Dividend (note 10.4)	—	—	—	—	—	(101)	—	—	—	—	(101)	(115)	(216)
Share buyback (note 10.1)	(7)	—	(226)	—	—	—	—	—	—	—	(226)	—	(226)
Change in share capital currency (note 10.1)	—	(37)	—	—	37	—	—	—	—	—	—	—	—
Acquisition of non-controlling interests (note 10.5)	—	—	—	—	—	(55)	—	—	—	—	(55)	(13)	(68)
Other movements	1	—	—	—	—	(17)	—	—	(3)	—	(20)	—	(20)
Balance at December 31, 2018	1,014	364	(569)	—	34,894	25,611	(16,116)	639	212	(2,949)	42,086	2,022	44,108

1. Amounts are in millions of shares (treasury shares are excluded). On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of outstanding shares decreased from 3,058 to 1,020 and all prior periods have been recast in accordance with IFRS. Please refer to note 10 for further information.

The accompanying notes are an integral part of these consolidated financial statements.

ArcelorMittal and Subsidiaries
Consolidated Statements of Cash Flows
(millions of U.S. dollars, except share and per share data)

	Notes	December 31, 2018	2017	2016
Operating activities:				
Net income (including non-controlling interests)		5,330	4,575	1,734
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	5.1 and 5.2	2,799	2,768	2,721
Impairment	5.2 and 5.3	994	206	205
Bargain purchase gain	2.2.4	(209)	—	—
Interest expense	6.2	687	879	1,172
Interest income	6.2	(72)	(56)	(58)
Income tax (benefit)/ expense	9.1	(349)	432	986
Remeasurement loss (gain) relating to US deferred employee benefits	7.2	15	—	(832)
Net gain on disposal of subsidiaries	2.3.1	(16)	(18)	(23)
Income from investments in associates, joint ventures and other investments	2.6	(652)	(448)	(615)
Provision on pensions and OPEB	7.2	463	555	439
Change in fair value adjustment on call option on mandatory convertible bonds and pellet purchase agreement	6.2	572	(578)	(138)
Unrealized foreign exchange effects		152	(541)	486
Write-downs (reversal) of inventories to net realizable value, provisions and other non-cash operating expenses net	4.4	789	781	(201)
Changes in assets and liabilities that provided (required) cash, net of acquisitions:				
Trade accounts receivable		(646)	(620)	(373)
Inventories	4.4	(4,652)	(2,347)	(2,055)
Trade accounts payable and other	4.7	914	1,094	1,405
Interest paid		(749)	(947)	(1,354)
Interest received		67	57	60
Income taxes paid		(629)	(506)	(296)
Dividends received from associates, joint ventures and other investments		360	232	176
Cash contributions to plan assets and benefits paid for pensions and OPEB	7.2	(472)	(496)	(395)
VAT and other amounts received (paid) from/to public authorities		(544)	(177)	46
Other working capital and provisions movements		44	(282)	(382)
Net cash provided by operating activities		4,196	4,563	2,708
Investing activities:				
Purchase of property, plant and equipment and intangibles		(3,305)	(2,819)	(2,444)
Disposals of net assets of subsidiaries, net of cash disposed of 1, 13 and nil in 2018, 2017 and 2016, respectively	2.3.1	65	6	185
Acquisitions of net assets of subsidiaries, net of cash acquired of 13, 617 and 63 in 2018, 2017 and 2016, respectively	2.2.4	(39)	16	7
Acquisition of Uttam Galva and KSS Petron debt	4.6	(1,001)	—	—
Disposals of associates and joint ventures	2.4.1 and 2.5	220	—	1,017
Disposals of financial assets	2.6	44	44	165
Other investing activities net		257	(77)	(73)
Net cash used in investing activities		(3,759)	(2,830)	(1,143)
Financing activities:				
(Acquisition)/ Disposal of non-controlling interests	10.5.2	(68)	—	56
Proceeds from put and call option on shares	2.2.4	115	—	—
Proceeds from short-term debt	6.1.3	2,319	1,859	1,516
Proceeds from long-term debt	6.1.3	1,138	1,407	110
Payments of short-term debt	6.1.3	(2,871)	(2,102)	(2,721)
Payments of long-term debt	6.1.3	(798)	(2,691)	(4,912)
Equity offering	10.1	—	—	3,115
Share buyback	10.1	(226)	—	—
Dividends paid (includes 119, 141 and 61 of dividends paid to non-controlling shareholders in 2018, 2017 and 2016, respectively)		(220)	(141)	(61)
Other financing activities net	6.1.3	(78)	(63)	(29)
Net cash used in financing activities		(689)	(1,731)	(2,926)
Net increase (decrease) in cash and cash equivalents		(252)	2	(1,361)
Effect of exchange rate changes on cash		(140)	58	(127)
Cash and cash equivalents:				
At the beginning of the year		2,574	2,501	4,002
Reclassification of the period-end cash and cash equivalents from (to) held for sale	2.3	(10)	13	(13)
At the end of the year		2,172	2,574	2,501

The accompanying notes are an integral part of these consolidated financial statements.

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

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

Note 1: Accounting principles

ArcelorMittal (“ArcelorMittal” or the “Company”), together with its subsidiaries, owns and operates steel manufacturing and mining facilities in Europe, North and South America, Asia and Africa. Collectively, these subsidiaries and facilities are referred to in the consolidated financial statements as the “operating subsidiaries”. These consolidated financial statements were authorized for issuance on March 1, 2019 by the Company’s Board of Directors.

1.1 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and trade receivables at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVTPL"), derivative financial instruments, biological assets and certain assets and liabilities held for sale, which are measured at fair value less cost to sell, inventories, which are measured at the lower of net realizable value or cost, and the financial statements of the Company’s Venezuelan tubular production facilities Industrias Unicon CA (“Unicon”) and the Company's Argentinian operation Acindar Industria Argentina de Aceros S.A. ("Acindar"), for which hyperinflationary accounting is applied (see note 2.2.2). 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 the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

1.2 Use of judgment and estimates

The preparation of consolidated financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the critical accounting judgments requires 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 or obtaining new information or more experience may result in revised estimates, and actual results could differ from those estimates.

The following summary provides further information about the Company’s critical accounting policies under which significant judgments, estimates and assumptions are made. It should be read in conjunction with the notes mentioned in the summary:

- Deferred tax assets (note 9.4): The Company assesses the recoverability of deferred tax assets based on future taxable income projections, which are inherently uncertain and may be subject to changes over time. Judgment is required to assess the impact of such changes on the measurement of these assets and the time frame for their utilization. In addition, the Company applies judgment to recognize income tax liabilities when they are probable and can be reasonably estimated depending on the interpretation, which may be uncertain, of applicable tax laws and regulations. ArcelorMittal periodically reviews its estimates to reflect changes in facts and circumstances.

- Provisions for pensions and other post-employment benefits (note 7.2): Benefit obligations and plan assets can be subject to significant volatility, in particular due to changes in market conditions and actuarial assumptions. Such assumptions differ by plan, take local conditions into account and include discount rates, expected rates of compensation increases, health care cost trend rates, mortality and retirement rates. They are determined following a formal process involving the Company's expertise and independent actuaries. Assumptions are reviewed annually and adjusted following actuarial and experience changes.

- Provisions (note 8): Provisions, which result from legal or constructive obligations arising as a result of past events, are recognized based on the Company's, and in certain instances, third-party's best estimate of costs when the obligation arises. They are reviewed periodically to take into consideration changes in laws and regulations and underlying facts and circumstances.

- Impairment of tangible and intangible assets, including goodwill (note 5.3): In the framework of the determination of the recoverable amount of assets, the estimates, judgments and assumptions applied for the value in use calculations relate primarily to growth rates, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Discount rates are reviewed annually.

- Business combinations (note 2.2.4): Assets acquired and liabilities assumed as part of a business combination are recorded at their acquisition-date fair values. Similarly, consideration including consideration receivable and contingent consideration is measured at fair value. Determining the fair value of identifiable assets and liabilities requires the use of valuation techniques which may include judgment and estimates and which may affect the allocation of the amount of consideration paid to the assets and liabilities acquired and goodwill or gain from a bargain purchase recorded as part of the business combination.

- Financial instruments (note 6.1.5) and financial amounts receivable (note 4.6): Certain of the Company's financial

instruments are classified as Level 3 as they include unobservable inputs. In particular, the Company uses estimates to compute unobservable historical volatility based on movements of stock market prices for the fair valuation of the call option on the 1,000 mandatory convertible bonds and unobservable inputs such as discounted cash flow model for the fair valuation of financial amounts receivable relating to Uttam Galva and KSS Petron.

- Mining reserve estimates (note 5.2): Proven iron ore and coal reserves are those quantities whose recoverability can be determined with reasonable certainty from a given date forward and under existing government regulations, economic and operating conditions; probable reserves have a lower degree of assurance but high enough to assume continuity between points of observation. Their estimates and the estimates of mine lives have been prepared by ArcelorMittal experienced engineers and geologists and detailed independent verifications of the methods and procedures are conducted on a regular basis by external consultants. Reserves are updated annually and calculated using a 3-year average reference price duly adjusted for quality, ore content, logistics and other considerations. In order to estimate reserves, estimates are required for 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.

1.3 Accounting standards applied

1.3.1 Adoption of new IFRS standards, amendments and interpretations applicable from January 1, 2018

On January 1, 2018, the Company adopted the following standards which have an impact on the disclosures in the consolidated financial statements of the Company:

- IFRS 9 “Financial Instruments” issued on July 24, 2014, which replaces IAS 39 and modifies substantially the classification and measurement of financial instruments. The final version of the standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified and measured by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to IAS 39, however there are differences in the requirements regarding the recognition of an entity's own credit risk for financial liabilities designated as FVTPL.

- Impairment: The standard introduces an 'expected credit loss' model replacing the current incurred loss model for the measurement of the impairment of financial assets; it is therefore no longer necessary for a credit event to have occurred before a credit loss is recognized.

- Hedge accounting: The standard introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures, which may result in the increased application of hedge accounting.

- Derecognition: The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognized at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized at January 1, 2018. Comparative amounts in relation to instruments that have not been derecognized at January 1, 2018 have been recast where appropriate.

The classification, measurement and impairment requirements of IFRS 9 have been applied retrospectively while hedge accounting requirements have been applied prospectively. The adoption of IFRS 9 did not result in a material impact on the consolidated financial statements of the Company. Unrealized gains and losses from investments in equity instruments at FVOCI are no longer recycled to the consolidated statement of operations upon disposal. Furthermore, trade receivables subject to programs for sales without recourse (see note 4.3) have changed from loans and receivables measured at amortized cost to fair value through other comprehensive income. Additional required disclosures are presented in note 6. As permitted by the transition provisions of IFRS 9, the Company has not restated comparatives.

- IFRS 15 “Revenue from Contracts with Customers” issued on May 28, 2014, which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11

"Construction Contracts" and a number of revenue-related interpretations. On April 12, 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation, determine whether a company is a principal or an agent. The Company's revenue is predominantly derived from the single performance obligation to transfer steel and mining products under arrangements in which the transfer of risks and rewards of ownership and the fulfillment of the Company's performance obligation occur at the same time. As part of the adoption process, the Company established revised processes and controls and assessed its performance obligations underlying the revenue recognition, estimation of variable considerations including rebates, methods for estimating warranties, customized products and principal versus agent considerations. The adoption of this standard did not have a material impact on the consolidated financial statements of the Company. The additional required disclosures are presented in note 3.4 and 4.1.

On January 1, 2018, the Company adopted the following amendments which did not have any material impact on the consolidated financial statements of the Company:

- Amendments to IFRS 2 "Share-based Payment" issued on June 20, 2016, which clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the treatment of share-based payment transactions with a net settlement feature for withholding tax obligations; and the treatment of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- Amendments to IFRS 4 "Insurance Contracts" issued on September 12, 2016, which propose two approaches (an overlay approach and a deferral approach) in order to address temporary volatility in reported results arising from the timing difference between the implementation of IFRS 9 and IFRS 17 "Insurance Contracts" that will replace IFRS 4. These amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" issued on December 8, 2016. This interpretation provides guidance about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

1.3.2 New IFRS standards and amendments applicable from 2019 onward

On January 13, 2016, the IASB issued IFRS 16 "Leases" which will replace IAS 17 "Leases". This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied. At December 31, 2018 and 2017, the Company has non-cancellable operating lease commitments on an undiscounted basis of 1,869 and 1,311, respectively (see note 8.4). A review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16. The Company will apply the modified retrospective transition approach with right-of-use assets measured at an amount equal to the lease liability recognized at January 1, 2019. In addition, it will apply the practical expedient to grandfather the definition of a lease on transition and accordingly apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Hence, the Company will recognize a right-of-use asset and corresponding liability in respect of the net present value of these leases unless they qualify for short-term leases or relate to low-value assets upon the application of IFRS 16.

As at December 31, 2018 the above mentioned operating lease commitments of 1,869 includes undiscounted amounts of 20 for short-term leases and 58 of leases of low-value assets that will remain being recognized on a straight-line basis as expenses in profit and loss. For the remaining undiscounted operating lease commitments of 1,791 (of which 29 relating to entities presented as held for sale), the Company expects to recognize on January 1, 2019 additional lease liabilities (discounted at the incremental borrowing rates at that date) and right-of-use assets for an amount of 1.1 billion.

On June 7, 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. This interpretation is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this interpretation will have a material impact to its consolidated financial statements.

On October 12, 2017, the IASB issued an amendment to IFRS 9 in respect of prepayment features with negative compensation, which amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment is effective for annual periods

beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this interpretation will have a material impact to its consolidated financial statements.

Also, on October 12, 2017, the IASB issued an amendment to IAS 28 “Investments in Associates and Joint Ventures” in relation to long-term interests in associates and joint ventures. The amendment clarifies that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This amendment is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this amendment will have a material impact to its consolidated financial statements.

The Company does not plan to early adopt the new accounting standards, amendments and interpretations.

These amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

1.3.3 New IFRS standards, amendments and interpretations not yet endorsed by the European Union

On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts", which is designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations and is effective for periods beginning on or after January 1, 2021, with earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company does not expect that the adoption of this interpretation will have a material impact to its consolidated financial statements.

On December 12, 2017 the IASB issued Annual Improvements 2015–2017 to make amendments to the following standards:

- IFRS 3 "Business Combinations" clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- IFRS 11 "Joint Arrangements" clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 "Income Taxes" clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.
- IAS 23 "Borrowing Costs" clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

On February 7, 2018, the IASB issued amendments to IAS 19 “Employee benefits” which clarify that current service cost and net interest after a remeasurement resulting from a plan amendment, curtailment or settlement should be determined using the assumptions applied for the remeasurement. In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On March 29, 2018, the IASB published its revised 'Conceptual Framework for Financial Reporting', which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The Company does not expect that the adoption of this amendment, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its consolidated financial statements.

On October 22, 2018, the IASB issued amendments to IFRS 3 'Business Combinations', which includes the definition of a business aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Company does not expect that the adoption of these amendments, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its consolidated financial statements.

On October 31, 2018, the IASB issued amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The Company does not expect that the adoption of these amendments, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its consolidated financial statements.

The Company does not plan to early adopt the new accounting standards, amendments and interpretations.

These amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

Note 2: Scope of consolidation

2.1 Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and its interests in associated companies and joint arrangements. Subsidiaries are consolidated from the date the Company obtains control (ordinarily the date of acquisition) until the date control ceases. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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. Joint arrangements, which include joint ventures and joint operations, are those over whose activities the Company has joint control, typically under a contractual arrangement. In joint ventures, ArcelorMittal exercises joint control and has rights to the net assets of the arrangement. The investment is accounted for under the equity method and therefore recognized at cost at the date of acquisition and subsequently adjusted for ArcelorMittal's share in undistributed earnings or losses since acquisition, less 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 considered as goodwill. The goodwill, if any, is included in the carrying amount of the investment and is evaluated for impairment as part of the investment. The consolidated statements of operations include the Company's share of the profit or loss of associates and joint ventures from the date that significant influence or joint control commences until the date significant influence or joint control 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 not been recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in the relevant reserve within equity.

The Company assesses the recoverability of its investments accounted for under the equity method whenever there is an indication of impairment. In determining the value in use of its investments, the Company estimates its share in the present value of the projected future cash flows expected to be generated by operations of associates and joint ventures. The amount of any impairment is included in income (loss) from investments in associates, joint ventures and other investments in the consolidated statements of operations (see also note 2.6).

For investments in joint operations, in which ArcelorMittal exercises joint control and has rights to the assets and obligations for the liabilities relating to the arrangement, the Company recognizes its assets, liabilities and transactions, including its share of those incurred jointly.

Investments in other entities, over which the Company and/or its operating subsidiaries do not have the ability to exercise significant influence, are accounted for as investments in equity instruments at FVOCI with any resulting gain or loss, net of related tax effect, recognized in the consolidated statements of other comprehensive income. Realized gains and losses from the sale of investments in equity instruments at FVOCI are reclassified from other comprehensive income to retained earnings within equity upon disposal.

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 6.1.2, 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.

Intercompany balances and transactions, including income, expenses and dividends, are eliminated in the consolidated financial statements. Gains and losses resulting from intercompany 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.

2.2 Investments in subsidiaries

2.2.1 List of subsidiaries

The table below provides a list of the Company's principal operating subsidiaries at December 31, 2018. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares or voting interests in the case of partnerships, which are held directly or indirectly by the Company and the proportion of ownership interests held equals to the voting rights held by the Company. The country of incorporation corresponds to their principal place of operations.

Name of Subsidiary	Country	% of Ownership	
NAFTA			
ArcelorMittal Dofasco G.P.	Canada	100.00%	
ArcelorMittal México S.A. de C.V.	Mexico	100.00%	
ArcelorMittal USA LLC	United States	100.00%	
ArcelorMittal Long Products Canada G.P.	Canada	100.00%	
Brazil and neighboring countries ("Brazil")			
ArcelorMittal Brasil S.A.	Brazil	97.01%	1
Acindar Industria Argentina de Aceros S.A.	Argentina	100.00%	
Europe			
ArcelorMittal Atlantique et Lorraine S.A.S.	France	100.00%	
ArcelorMittal Belgium N.V.	Belgium	100.00%	
ArcelorMittal España S.A.	Spain	99.85%	
ArcelorMittal Flat Carbon Europe S.A.	Luxembourg	100.00%	
ArcelorMittal Galati S.A.	Romania	99.70%	2
ArcelorMittal Poland S.A.	Poland	100.00%	
ArcelorMittal Eisenhüttenstadt GmbH	Germany	100.00%	
ArcelorMittal Bremen GmbH	Germany	100.00%	
ArcelorMittal Méditerranée S.A.S.	France	100.00%	
ArcelorMittal Belval & Differdange S.A.	Luxembourg	100.00%	
ArcelorMittal Hamburg GmbH	Germany	100.00%	
ArcelorMittal Ostrava a.s.	Czech Republic	100.00%	2
ArcelorMittal Duisburg GmbH	Germany	100.00%	
ArcelorMittal International Luxembourg S.A.	Luxembourg	100.00%	
ArcelorMittal Italia S.p.A.	Italy	94.45%	3
Africa and Commonwealth of Independent States ("ACIS")			
ArcelorMittal South Africa Ltd. ("AMSA")	South Africa	69.22%	
JSC ArcelorMittal Temirtau	Kazakhstan	100.00%	
PJSC ArcelorMittal Kryvyi Rih ("AM Kryvyi Rih")	Ukraine	95.13%	
Mining			
ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure G.P.("AMMIC")	Canada	85.00%	
ArcelorMittal Liberia Ltd	Liberia	85.00%	
JSC ArcelorMittal Temirtau	Kazakhstan	100.00%	
PJSC ArcelorMittal Kryvyi Rih	Ukraine	95.13%	

1. On April 1, 2018, ArcelorMittal Brasil issued preferred shares to Votorantim S.A. representing a 2.99% ownership interest. See note 2.2.4.
2. ArcelorMittal Galati S.A. and ArcelorMittal Ostrava a.s. are classified held for sale as of December 31, 2018. See note 2.3.2.
3. On November 1, 2018, ArcelorMittal completed the acquisition of Ilva S.p.A. subsequently renamed ArcelorMittal Italia S.p.A. See note 2.2.4.

2.2.2 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 principal operating subsidiaries is the local currency, except for ArcelorMittal México, AMMIC and ArcelorMittal International Luxembourg, whose functional currency is the U.S. dollar and ArcelorMittal Poland, ArcelorMittal Ostrava 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 translation 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 translation gains and losses are reported in the consolidated statements of comprehensive income.

Upon consolidation, the results of operations of ArcelorMittal's subsidiaries, associates and joint arrangements 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, associate or joint arrangement.

As of July 1, 2018, Argentina has been considered a highly inflationary country and therefore the financial statements of the Company's long production facilities Acindar Industria Argentina de Aceros S.A. ("Acindar") in Argentina, using a historical cost approach, are adjusted prospectively to reflect the changes in the general purchasing power of the local currency before being translated into U.S. dollars at the year end exchange rate. The Company used an estimated general price index (Consumer Price Index "IPC") of 47.9% for the year ended December 31, 2018 for this purpose. As a result of the inflation-related adjustments on non-monetary items, a gain of 45 was recognized in net financing costs for the year ended December 31, 2018.

Since 2010 Venezuela has been considered a hyperinflationary economy and therefore the financial statements of Unicon are adjusted to reflect the changes in the general purchasing power of the local currency before being translated into U.S. dollars. The Company used estimated general price indices of 213,605%, 2,056% and 534% for the years ended December 31, 2018, 2017 and 2016, respectively, for this purpose. As a result of the inflation-related adjustments on non-monetary items, losses of 6, 31 and 8 were recognized in net financing costs for the years ended December 31, 2018, 2017 and 2016, respectively.

Effective January 1, 2016, the Company applied the DICOM rate to translate its Venezuelan operations. As a result of this change, ArcelorMittal's net equity in Unicon decreased from 628 to 43 at January 1, 2016. The DICOM rate was originally set at 206 bolivars per U.S. dollar on March 10, 2016, before falling to 674 bolivars per U.S. dollar at December 31, 2016. The DICOM rate continued to weaken during 2017 to 3,345 bolivars per U.S. dollar on August 31, 2017, when the Venezuelan government temporarily suspended the sale of U.S. dollars through its DICOM auction system. On February 5, 2018, the Venezuelan government reopened the auction at the new DICOM rate of 30,987 bolivars per euro (25,000 bolivars per U.S. dollar). On August 20, 2018, the Venezuelan government launched the new bolivar soberano currency, with one bolivar soberano worth 100,000 previous bolivars.

The Company continued to translate its Unicon's operations at the DICOM rate. At December 31, 2018, ArcelorMittal's net investment in Unicon was 8. The foreign exchange controls in Venezuela may limit the ability to repatriate earnings and ArcelorMittal's Venezuelan operations' ability to remit dividends and pay intercompany balances at any official exchange rate or at all.

2.2.3 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. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

2.2.4 Acquisitions

Ilva

On November 1, 2018, ArcelorMittal completed the acquisition of Ilva S.p.A. and certain of its subsidiaries ("Ilva") following the signature on June 28, 2017 of a lease agreement with an obligation to purchase between the Italian Government and AM InvestCo Italy S.r.l. ("AM InvestCo"), a consortium formed by ArcelorMittal and Intesa San Paolo S.p.A. ("ISP") with respective interests of 94.45% and 5.55%. The completion of the acquisition followed ArcelorMittal's notification to the European Commission of AM InvestCo's proposed acquisition of Ilva on September 21, 2017 and the submission of commitments on October 19, 2017. The European Commission initiated a Phase II review of AM InvestCo's proposed acquisition of Ilva on November 8, 2017 and approved the transaction on May 7, 2018 subject to the fulfillment of divestment commitments (see note 2.3.2) and the exit of Marcegaglia from AM InvestCo (Marcegaglia held initially a 15% interest in AM InvestCo) completed on November 9, 2018 (see note 10.5.2).

Ilva is Europe's largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. As a result of the lease agreement, the assets and liabilities subject to the transaction are leased by subsidiaries of AM InvestCo, including ArcelorMittal Italia S.p.A., which combines the sites of Taranto, Novi Ligure and Genova. The nominal purchase price amounts to €1.8 billion ($2.10 billion) subject to certain adjustments including working capital adjustment, with annual leasing costs of €180 million (206) to be paid in quarterly installments resulting in a present value of 1,540 at acquisition date. The total consideration includes a 54 liability corresponding to environmental capital expenditures already completed by Ilva and which will be refunded by ArcelorMittal to Ilva. In September 2018, Ilva's trade unions ratified a labour agreement following which ArcelorMittal committed to initially hire 10,700 workers based on their existing contractual terms of employment. In addition, between 2023 and 2025, the Company has committed to hire any workers who remain under Ilva's extraordinary administration. Ilva's business units are initially leased with rental payments qualifying as down payments against the purchase price and are part of the Europe reportable segment. The lease period is for a minimum of four years followed by a subsequent purchase obligation. The Company accounted for this transaction as a business combination as it obtained control of the business subject to the lease.

ISP's interest is subject to put and call option arrangements exercisable by ArcelorMittal and ISP between November 1, 2020 and November 1, 2025 and between November 1, 2021 and November 1, 2025, respectively. The Company determined that it has a present ownership interest in the shares subject to the put option. Accordingly, it recognized at acquisition date a 122 financial liability measured at the present value of the redemption amount.

Following the recent closing of the transaction, the acquisition-date fair value of the identifiable assets and liabilities of Ilva has been determined on a provisional basis, in particular with respect to property, plant and equipment, environmental provisions, indemnification asset, tax implications and working capital balances at closing date. The Company expects to complete its accounting during the first half of 2019. ArcelorMittal recognized provisions of 517 in connection with environmental remediation obligations. As the latter will be funded with funds seized by the Italian Government from the former shareholder, the Company recognized an indemnification asset for the same amount, of which 365 classified as non-current assets. Current assets include trade receivables of 439 with gross contract amounts receivable of 503 and contractual cash flows not expected to be collected of 64. Intangible assets include 201 relating to CO_2 emission rights held by Ilva at acquisition date (the Company also recognized liabilities of 158 relating to estimated emissions for the first 10 months of 2018) and favorable land lease contracts for 76. ArcelorMittal recognized a 209 bargain purchase gain in cost of sales mainly as a result of the preliminary €0.4 billion (0.5 billion) working capital reduction while the total fair value of net assets acquired remained substantially driven by the economic obsolescence applied to property, plant and equipment. Revenue and net loss of Ilva since acquisition date were 398 and (49), respectively. The Company recognized acquisition-related costs of 25 in selling, general and administrative expenses. The agreement includes industrial capital expenditure commitments of approximately €1.3 billion (1.4 billion) over a seven-year period focused on blast furnaces, steel shops and finishing lines and environmental capital expenditure commitments of approximately €0.8 billion (0.9 billion).

Votorantim

On April 1, 2018, ArcelorMittal completed the acquisition of Votorantim Siderurgia (subsequently renamed ArcelorMittal Sul Fluminense "AMSF"), Votorantim S.A.'s long steel business in Brazil pursuant to which Votorantim Siderurgia became a wholly-owned subsidiary of ArcelorMittal Brasil. The combination of ArcelorMittal Brasil's long steel business

and AMSF aims to create cost, logistical and operational synergies. The combined operations include ArcelorMittal Brasil's production sites at Monlevade, Juiz de Fora and Piracicaba, and AMSF's production sites at Barra Mansa, Resende and its 50% interest in the joint venture Sitrel in Três Lagoas. On February 7, 2018, the Brazilian antitrust authority CADE approved the transaction, conditioned to the fulfillment of divestment commitments by ArcelorMittal Brasil (see note 2.3).

The acquisition was completed through the issuance of preferred shares to Votorantim S.A. representing a 2.99% interest in ArcelorMittal Brasil. Pursuant to the shareholders' agreement, such preferred shares are subject to put and call option arrangements exercisable by Votorantim S.A. and ArcelorMittal Brasil between July 1, 2019 and December 31, 2022 and between January 1, 2023 and December 31, 2024, respectively. The Company determined that it has a present ownership interest in the preferred shares subject to the put option. Accordingly, it recognized at acquisition date a 328 financial liability at amortized cost and measured at the present value of the redemption amount. Following the recent closing of the transaction, the acquisition-date fair value of the identifiable assets and liabilities of AMSF has been determined on a provisional basis as of December 31, 2018, in particular with respect to unfavorable contracts and contingent liabilities. Other non-current assets include an 83 indemnification asset towards Votorantim S.A. relating to contingent liabilities of 85 and an 82 investment in Sitrel. Other liabilities include unfavorable contracts for 293 and borrowings of 211. Current assets include cash and receivables for 13 and 141, respectively (including trade receivable of 92 with gross contractual amounts of 108 and contractual cash flows not expected to be collected of 16). The Company expects to complete its accounting during the first quarter of 2019. Revenue and net loss of AMSF since acquisition date were 285 and (108), respectively. The Company recognized acquisition-related costs of 8 in selling, general and administrative expenses.

Revenue and net income attributable to the equity holders of the parent of the Company for the year ended December 31, 2018 were 79,192 and 4,801 respectively, as though the acquisition date for Ilva and Votorantim had been as of January 1, 2018.

Other

On December 21, 2017, the Company acquired from Alcatel Lucent the reinsurance company Electro-Re S.A. for total consideration of €246 million (290; cash inflow was 35 net of cash acquired of 325).

On June 21, 2017, as a result of the extension of the partnership between ArcelorMittal and Bekaert Group ("Bekaert") in the steel cord business in Brazil, the Company completed the acquisition from Bekaert of a 55.5% controlling interest in Bekaert Sumaré Ltda. subsequently renamed ArcelorMittal Bekaert Sumaré Ltda. ("Sumaré"), which subsequently merged into Belgo-Mineira Bekaert Artefatos de Arames Ltda. a manufacturer of metal ropes for automotive tires located in the municipality of Sumaré/SP, Brazil. The Company agreed to pay total cash consideration of €56 million (63; 49, net of cash acquired of 14) of which €52 million (58) settled on closing date and €4 million (5) to be paid subsequently upon conclusion of certain business restructuring measures by Bekaert. Sumaré is part of the Brazil reportable segment.

On May 18, 2017, the Company acquired from Crédit Agricole Assurances the reinsurance company Crédit Agricole Reinsurance S.A. for consideration of €186 million (208; cash inflow was 20, net of cash acquired of 228).

On January 18, 2017, the Company acquired from Parfinada B.V. the reinsurance company Artzare S.A. for total consideration of €43 million (45; cash inflow was 5, net of cash acquired of 50). The reinsurance company is incorporated in Luxembourg and operates through a series of reinsurance agreements with the Company's subsidiaries.

On December 21, 2016, ArcelorMittal acquired from Skanska Financial Services AB the reinsurance company SCEM Reinsurance S.A. ("SCEM") for total consideration of €54 million (56; cash inflow was 7, net of cash acquired of 63).

The Company concluded that the acquisitions of Electro-Re S.A., SCEM, Artzare S.A. and Crédit Agricole Reinsurance S.A. were not business combinations mainly as the transactions did not include the acquisition of any strategic management processes, operational processes and resource management processes.

The table below summarizes the estimated acquisition-date fair value of the assets acquired and liabilities assumed in respect of Ilva, AMSF and Sumaré in 2018 and 2017:

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

		2018	2017
	AMSF	Ilva	Sumaré
Current assets	262	1,273	50
Property, plant and equipment	600	1,026	69
Intangible assets	19	300	21
Other non-current assets	252	375	7
Total assets acquired	1,133	2,974	147
Deferred tax liabilities	(45)	—	(23)
Other liabilities	(784)	(1,225)	(29)
Total liabilities acquired	(829)	(1,225)	(52)
Net assets acquired	304	1,749	95
Non-controlling interests	—	—	(48)
Consideration paid, net	—	52	44
Consideration payable	328	1,488	5
Goodwill/(bargain purchase gain)	24	(209)	2

2.3 Divestments and assets held for sale

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The non-current asset, or disposal group, is classified as held for sale only when the sale is highly probable and is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale are presented separately in the consolidated statements of financial position and are not depreciated. Gains (losses) on disposal of subsidiaries are recognized in cost of sales, whereas gains (losses) on disposal of investments accounted for under the equity method are recognized in income (loss) from investments in associates, joint ventures and other investments.

2.3.1 Divestments

Divestments in 2018

On February 28, 2018, ArcelorMittal completed the sale of Go Steel Frýdek Místek ("Frýdek Místek"), for consideration of 49 (net of cash disposed of 1) of which 10 remained outstanding at December 31, 2018. Frýdek Místek was part of the Europe segment. The fair value measurement was determined using the contract price, a Level 3 unobservable input.

On February 7, 2018, the Brazilian Antitrust Authority (CADE) approved the acquisition of Votorantim subject to divestment commitments (see note 2.2.4). Accordingly, in May 2018, ArcelorMittal Brasil disposed of its two production sites Cariacica and Itaúna as well as some wire drawing equipment in Brazil (the “Votorantim remedies”), which were part of the Brazil reportable segment. Prior to the disposal, the Company recorded an impairment charge in cost of sales of 86 to adjust the carrying amount of the disposal group to the sale proceeds of 84 (net of cash disposed of 1) of which 58 remained outstanding as of December 31, 2018. The fair value measurement of these Votorantim remedies was determined using the contract price, a Level 3 unobservable input.

Divestments in 2017

On December 15, 2017, ArcelorMittal completed the sale of its 100% shareholding in ArcelorMittal Georgetown Inc. ("Georgetown"), a wire rod mill in Georgetown in the United States for total cash consideration of 19 and the result on disposal was 18. The fair value measurement of Georgetown, which was part of the NAFTA reportable segment, was determined using the contract price, a Level 3 unobservable input.

On March 13, 2017, ArcelorMittal and the management of ArcelorMittal Tailored Blanks Americas (“AMTBA”), comprising the Company’s tailored blanks operations in Canada, Mexico and the United States, entered into a joint venture agreement following which the Company recognized an investment of 65 in AMTBA accounted for under the equity method. AMTBA was part of the NAFTA reportable segment and was classified as held for sale at December 31, 2016.

On February 10, 2017, ArcelorMittal completed the sale of certain ArcelorMittal Downstream Solutions entities in the Europe segment following its commitment to sell such operations in December 2015. The Company recorded an impairment charge of 18 in cost of sales in 2015. The assets and liabilities subject to the sale were classified as held for sale at December 31, 2016. The fair value measurement of these operations, which were part of the Europe reportable segment, was determined using the contract price, a Level 3 unobservable input.

Divestments in 2016

On September 30, 2016, ArcelorMittal completed the sale of its wholly owned subsidiary ArcelorMittal Zaragoza in Spain to Megasa Siderúrgica S.L. for total consideration of €80 million (89). Prior to the disposal, the Company recorded an impairment charge of 49 (of which 2 related to allocated goodwill) in cost of sales to write the net carrying amount down to the net proceeds from the sale. The fair value measurement of ArcelorMittal Zaragoza was determined using the contract price, a Level 3 unobservable input. ArcelorMittal Zaragoza was part of the Europe reportable segment.

On August 7, 2016, ArcelorMittal completed the sale of the Company’s 49% interest in its associates ArcelorMittal Algérie and ArcelorMittal Tebessa and its 70% interest in its

subsidiary ArcelorMittal Pipes and Tubes Algeria, which was announced on October 7, 2015 as part of an outline agreement for restructuring the shareholding of its Algerian activities. As part of the agreement, ArcelorMittal transferred such interests to IMETAL, an Algerian state-owned entity. ArcelorMittal Pipes and Tubes Algeria and ArcelorMittal Algérie were part of the ACIS reportable segment while ArcelorMittal Tebessa was part of the Mining reportable segment.

On April 4, 2016, ArcelorMittal completed the sale of the LaPlace and Vinton Long Carbon facilities in the United States. The total consideration was 96 and the result on The table below summarizes the significant divestments:

disposal was nil. In 2015, the Company recorded an impairment charge of 231 (of which 13 relating to allocated goodwill) in cost of sales to write the carrying amount of the LaPlace, Steelton and Vinton facilities down to the expected net proceeds from the sale. The fair value measurement of the Long Carbon facilities in the United States was determined using the contract price, a Level 3 unobservable input. These facilities were part of the NAFTA reportable segment. The assets and liabilities of the Steelton facility remained classified as held for sale at December 31, 2017 and 2016 (see note 2.3.2).

	2018		2017					2016
	Frýdek Místek	Votorantim remedies	AMTBA	Downstream Solutions Europe	Georgetown	ArcelorMittal Zaragoza	ArcelorMittal Tubular Products Algeria	LaPlace and Vinton Long Carbon facilities
Cash and cash equivalents	—	—	13	—	—	—	—	—
Other current assets	48	40	46	38	—	53	15	118
Property, plant and equipment	35	48	55	2	4	74	2	13
Other assets	—	—	10	17	—	—	—	7
Total assets	83	88	124	57	4	127	17	138
Current liabilities	31	4	52	18	1	38	16	33
Other long-term liabilities	4	—	7	12	2	—	12	9
Total liabilities	35	4	59	30	3	38	28	42
Total net assets/(liabilities)	48	84	65	27	1	89	(11)	96
% of net assets sold	100%	100%	100%	100%	100%	100%	100%	100%
Total net assets/(liabilities) disposed of	48	84	65	27	1	89	(11)	96
Cash consideration	39	26	65	6	19	89	—	96
Consideration receivable	10	58	—	—	—	—	—	—
Reclassification of foreign exchange translation difference	15	—	—	21	—	8	4	—
Gain on disposal	16	—	—	—	18	8	15	—

2.3.2 Assets held for sale

On May 7, 2018, the European Commission approved the acquisition of Ilva (see note 2.2.4). As part of the approval, ArcelorMittal agreed to divest certain of its European assets (“Ilva remedies”) which are part of the Europe reportable segment.

The Ilva remedies are comprised of the following three divestment packages.

The Dudelange and Liège divestment package is composed of ArcelorMittal Dudelange and certain finishing facilities including the hot dipped galvanizing lines 4 and 5 in Flémalle, hot-rolled pickling, cold rolling and tin packaging lines in Tilleur of ArcelorMittal Liège in Belgium.

The Galati divestment package is mainly composed of the integrated steel making site of ArcelorMittal Galati S.A., ArcelorMittal Tubular Products Galati SRL, both in Romania, ArcelorMittal Skopje AD in North Macedonia and ArcelorMittal Piombino S.p.A. in Italy, the Company’s only galvanizing steel plant in Italy.

The Ostrava divestment package is mainly composed of the integrated steel making site of ArcelorMittal Ostrava a.s. and its subsidiaries, ArcelorMittal Tubular Products Ostrava a.s.

On October 12, 2018 and November 2, 2018, ArcelorMittal received two binding offers from Liberty House Group ("Liberty") for the acquisition of the combined Ostrava and Galati divestment package and the Dudelange and Liège divestment package, respectively. The European

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

Commission is currently reviewing revised offers from Liberty submitted by the Company on January 23, 2019. Transaction closing is conditional on EU approval and the conclusion of information consultations with local and European Works Councils.

At December 31, 2018, the carrying amount of assets and liabilities subject to the Ilva remedies was classified as held for sale. Based on the offers received, the Company recorded an impairment charge (see note 5.3) in cost of sales of 888 to adjust the carrying amount of the disposal group to the expected sale proceeds. The fair value measurement was determined using the selling price, a Level 3 unobservable input. The Company expects to complete the disposal of the divestment packages during the first half of 2019.

In addition, the assets and liabilities of the Steelton facility in the United States remained classified as held for sale at December 31, 2018 (see note 2.3.1).

The details for the entities classified as held for sale as at December 31, 2017, which have been disposed during 2018 are disclosed in note 2.3.1.

The tables below provide details of the assets and liabilities held for sale after elimination of intra-group balances in the consolidated statements of financial position:

	December 31, 2018		
	Ilva remedies	Steelton	Total
Current Assets:			
Cash and cash equivalents	10	—	10
Trade accounts receivable, prepaid expenses and other current assets	291	28	319
Inventories	1,011	23	1,034
Total Current Assets	1,312	51	1,363
Non-current Assets:			—
Property, plant and equipment	638	78	716
Other assets	32	—	32
Total Non-current Assets	670	78	748
Total Assets	1,982	129	2,111
Current Liabilities:			
Trade accounts payables, accrued expenses and other liabilities	542	21	563
Total Current Liabilities	542	21	563
Non-current Liabilities:			
Long-term debt	77	—	77
Other long-term liabilities	164	17	181
Total Non-current Liabilities	241	17	258
Total Liabilities	783	38	821

The tables below provide details of the assets and liabilities held for sale after elimination of intra-group balances in the consolidated statements of financial position:

	December 31, 2017		
	Frýdek Místek	Steelton	Total
ASSETS			
Current assets:			
Trade accounts receivable and other	—	23	23
Inventories	25	21	46
Total current assets	25	44	69
Non-current assets:			
Property, plant and equipment	34	76	110
Total non-current assets	34	76	110
Total assets	59	120	179
LIABILITIES			
Current liabilities:			
Trade accounts payable and other	5	17	22
Accrued expenses and other liabilities	2	5	7
Total current liabilities	7	22	29
Non-current liabilities:			
Long-term provisions	4	17	21
Total non-current liabilities	4	17	21
Total liabilities	11	39	50

2.4 Investments in associates and joint arrangements

The carrying amounts of the Company's investments accounted for under the equity method were as follows:

	December 31,	
Category	2018	2017
Joint ventures	1,011	1,249
Associates	2,871	2,854
Individually immaterial joint ventures and associates[1]	1,024	981
Total	4,906	5,084

1 Individually immaterial joint ventures and associates represent in aggregate less than 20% of the total carrying amount of investments in joint ventures and associates at December 31, 2018 and 2017, and none of them have a carrying value exceeding 100 at December 31, 2018 and 2017.

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

2.4.1 Joint ventures

The following tables summarize the latest available financial information and reconcile it to the carrying value of each of the Company's material joint ventures, as well as the income statement of the Company's material joint ventures:

					December 31, 2018
Joint Ventures	Calvert	VAMA	Tameh	Borçelik	Total
Place of incorporation and operation [1]	United States	China	Poland	Turkey	
Principal Activity	Automotive steel finishing	Automotive steel finishing	Energy production and supply	Manufacturing and sale of steel [2,3,4]	
Ownership and voting rights at December 31, 2018	50.00%	50.00%	50.00%	50.00%	
Current assets	1,490	329	205	519	2,543
of which cash and cash equivalents	76	85	90	67	318
Non-current assets	1,282	688	540	282	2,792
Current liabilities	824	491	208	398	1,921
of which trade and other payables and provisions	173	180	176	263	792
Non-current liabilities	853	217	226	49	1,345
of which trade and other payables and provisions	—	—	22	—	22
Net assets	1,095	309	311	354	2,069
Company's share of net assets	548	156	156	177	1,037
Adjustments for differences in accounting policies and other	6	—	—	(32)	(26)
Carrying amount in the statements of financial position	554	156	156	145	1,011
Revenue	3,295	625	467	1,328	5,715
Depreciation and amortization	(62)	(32)	(31)	(22)	(147)
Interest income	1	1	—	2	4
Interest expense	(40)	(26)	(4)	(20)	(90)
Income tax benefit (expense)	—	(1)	(8)	(18)	(27)
Profit or loss from continuing operations	312	5	30	6	353
Other comprehensive income (loss)	—	—	3	1	4
Total comprehensive income (loss)	312	5	33	7	357
Cash dividends received by the Company	48	—	4	34	86

1. The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic.
2. Ownership interest in Borçelik was 45.33% and 50.00% based on issued shares and outstanding shares, respectively, at December 31, 2018; voting interest was 48.01% at December 31, 2018
3. The non-current liabilities include 43 deferred tax liability.
4. Adjustment in Borçelik relates primarily to differences in accounting policies regarding revaluation of fixed assets.

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

						December 31, 2017
Joint Ventures	Calvert	Macsteel	VAMA	Tameh	Borçelik	Total
Place of incorporation and operation[1]	United States	Netherlands	China	Poland	Turkey	
Principal Activity	Automotive steel finishing	Steel trading and shipping	Automotive steel finishing	Energy production and supply	Manufacturing and sale of steel[2, 3]	
Ownership and voting rights at December 31, 2017	50.00%	50.00%	49.00%	50.00%	45.33%	
Current assets	1,135	739	283	158	519	2,834
of which cash and cash equivalents	13	95	71	57	7	243
Non-current assets	1,303	389	754	476	296	3,218
Current liabilities	612	404	449	132	357	1,954
of which trade and other payables and provisions	118	235	190	118	244	905
Non-current liabilities	947	43	277	189	46	1,502
of which trade and other payables and provisions	—	3	—	20	—	23
Net assets	879	681	311	313	412	2,596
Company's share of net assets	440	341	152	156	187	1,276
Adjustments for differences in accounting policies and other	6	(3)	—	—	(30)	(27)
Carrying amount in the statements of financial position	446	338	152	156	157	1,249
Revenue	2,870	2,775	489	330	1,234	7,698
Depreciation and amortization	(62)	(1)	(30)	(27)	(22)	(142)
Interest income	—	14	1	—	1	16
Interest expense	(35)	(10)	(28)	4	(12)	(81)
Income tax benefit (expense)	—	(5)	—	(7)	(20)	(32)
Profit or loss from continuing operations	270	31	5	42	65	413
Other comprehensive income (loss)	—	2	—	(1)	(1)	—
Total comprehensive income (loss)	270	33	5	41	64	413
Cash dividends received by the Company	20	—	—	4	30	54

1. The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic and Macsteel whose countries of operation are mainly the United States, the United Arab Emirates and China.
2. The non-current liabilities include 40 deferred tax liability.
3. Adjustment in Borçelik relates primarily to differences in accounting policies regarding revaluation of fixed assets.

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

							December 31, 2016
Joint Ventures	Calvert	Macsteel	Baffinland	VAMA	Tameh	Borçelik	Total
Place of incorporation and operation[1]	United States	Netherlands	Canada	China	Poland	Turkey	
Principal Activity	Automotive steel finishing	Steel trading and shipping	Extraction of iron ore[2]	Automotive steel finishing	Energy production and supply	Manufacturing and sale of steel	
Ownership and voting rights at December 31, 2016	50.00%	50.00%	44.54%	49.00%	50.00%	45.33%	
Revenue	2,358	2,353	116	335	254	845	6,261
Depreciation and amortization	(59)	(1)	(3)	(30)	(20)	(20)	(133)
Interest income	—	12	—	1	—	1	14
Interest expense	(31)	(9)	(20)	(28)	(1)	(7)	(96)
Income tax benefit (expense)	—	(4)	(26)	18	(10)	(28)	(50)
Profit or loss from continuing operations	148	15	(43)	(58)	29	75	166
Other comprehensive income (loss)	—	10	—	—	3	—	13
Total comprehensive income (loss)	148	25	(43)	(58)	32	75	179
Cash dividends received by the Company	19	—	—	—	6	16	41

1. The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic and Macsteel whose countries of operation are mainly the United States, the United Arab Emirates and China.
2. During 2017, ArcelorMittal lost joint control but maintained significant influence over Baffinland and as such the investment was reclassified to an associate (refer to note 2.4.2)

Macsteel

On May 28, 2018, ArcelorMittal announced the sale of its 50% shareholding in Macsteel International Holdings B.V. (“Macsteel”), a joint venture between Macsteel Holdings Luxembourg S.à r.l. and ArcelorMittal South Africa, which provided the Company with an international network of traders and trading channels including the shipping of steel. The Company recorded a 132 impairment to adjust the carrying amount of the investment to the expected sale proceeds partially offset by a 142 gain following the recycling upon closing of the sale on October 31, 2018 of accumulated foreign exchange translation gains from other comprehensive income to income (loss) from investments in associates, joint ventures and other investments. The fair value measurement was determined using the contract price, a Level 3 unobservable input.

VAMA

Valin ArcelorMittal Automotive Steel (“VAMA”) is a joint venture between ArcelorMittal and Hunan Valin which produces steel for high-end applications in the automobile industry. VAMA supplies international automakers and first-tier suppliers as well as Chinese car manufacturers and their supplier networks.

Calvert

AM/NS Calvert ("Calvert"), a joint venture between the Company and Nippon Steel & Sumitomo Metal Corporation ("NSSMC"), is a steel processing plant in Calvert, Alabama, United States. Calvert had a 6-year agreement to purchase 2 million tonnes of slabs annually from ThyssenKrupp Steel USA ("TK CSA"), an integrated steel mill complex located in Rio de Janeiro, Brazil, using a market-based price formula. TK CSA had an option to extend the agreement for an additional 3 years on terms that are more favorable to the joint venture, as compared with the initial 6-year period. In December 2017 and in connection with the acquisition of TK CSA by Ternium S.A., the agreement was amended to (i) extend the term of the agreement to December 31, 2020, (ii) make a corresponding reduction in the annual slab purchase obligation so that the aggregate slab purchase obligation over the full term of the agreement remained the same and (iii) eliminate TK CSA’s extension option. The remaining slabs for Calvert's operations are sourced from ArcelorMittal plants in the United States, Brazil and Mexico. ArcelorMittal is principally responsible for marketing the product on behalf of the joint venture. Calvert serves the automotive, construction, pipe and tube, service center, and appliance/ HVAC industries.

Tameh

Tameh is a joint venture between ArcelorMittal and Tauron Group including four energy production facilities located in Poland and the Czech Republic. Tameh’s objective is to ensure energy supply to the Company’s steel plants in these countries as well as the utilization of steel plant gases for energy production processes.

Borçelik

Borçelik Çelik Sanayii Ticaret Anonim Şirketi ("Borçelik"), incorporated and located in Turkey, is a joint venture between ArcelorMittal and Borusan Holding involved in the manufacturing and sale of cold-rolled and galvanized flat steel products.

2.4.2 Associates

The following table summarizes the financial information and reconciles it to the carrying amount of each of the Company's material associates, as well as the income statement of the Company's material associates:

					December 31, 2018
Associates	China Oriental	DHS Group	Gonvarri Steel Industries	Baffinland	Total
Financial statements reporting date	June 30, 2018	September 30, 2018	September 30, 2018	December 31, 2018	
Place of incorporation and operation[1]	Bermuda	Germany	Spain	Canada	
Principal Activity	Iron and steel manufacturing	Steel manufacturing[3]	Steel manufacturing[4]	Extraction of iron ore[5]	
Ownership and voting rights at December 31, 2018	37.02%	33.43%	35.00%	28.76%	
Current assets	2,516	1,528	2,183	390	6,617
Non-current assets	1,443	3,062	1,526	1,949	7,980
Current liabilities	1,426	480	1,134	399	3,439
Non-current liabilities	35	1,005	677	694	2,411
Non-controlling interests	45	136	219	—	400
Net assets attributable to equity holders of the parent	2,453	2,969	1,679	1,246	8,347
Company's share of net assets	908	992	588	358	2,846
Adjustments for differences in accounting policies and other	—	27	(52)	22	(3)
Other adjustments[2]	44	(4)	(12)	—	28
Carrying amount in the statements of financial position	952	1,015	524	380	2,871
Revenue	3,370	1,959	3,544	320	9,193
Profit or loss from continuing operations	474	20	60	(98)	456
Other comprehensive income (loss)	—	5	(37)	—	(32)
Total comprehensive income (loss)	474	25	23	(98)	424
Cash dividends received by the Company	92	5	16	—	113

1. The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.
2. Other adjustments correspond to the difference between the carrying amount at December 31, 2018 and the net assets situation corresponding to the latest financial statements ArcelorMittal is permitted to disclose as of the reporting dates described in the table above.
3. The amount for DHS Group includes an adjustment to align the German GAAP financial information with the Company's accounting policies and is mainly linked to property, plant and equipment, inventory and pension.
4. Adjustments in Gonvarri Steel Industries primarily relate to differences in accounting policies regarding revaluation of fixed assets.
5. Adjustments in Baffinland primarily relate to differences in accounting policies regarding revaluation of fixed assets and locally recognized goodwill.

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

					December 31, 2017
Associates	China Oriental	DHS Group	Gonvarri Steel Industries	Baffinland	Total
Financial statements reporting date	June 30, 2017	September 30, 2017	September 30, 2017	December 31, 2017	
Place of incorporation and operation[1]	Bermuda	Germany	Spain	Canada	
Principal Activity	Iron and steel manufacturing	Steel manufacturing[3]	Steel manufacturing[4]	Extraction of iron ore[5]	
Ownership and voting rights at December 31, 2017	39.02%	33.43%	35.00%	31.07%	
Current assets	1,737	1,699	1,967	355	5,758
Non-current assets	1,336	3,096	1,372	1,698	7,502
Current liabilities	1,261	555	889	302	3,007
Non-current liabilities	119	1,121	446	531	2,217
Non-controlling interests	23	136	220	—	379
Net assets attributable to equity holders of the parent	1,670	2,983	1,784	1,220	7,657
Company's share of net assets	652	997	624	379	2,652
Adjustments for differences in accounting policies and other	—	32	(54)	23	1
Other adjustments[2]	183	22	(4)	—	201
Carrying amount in the statements of financial position	835	1,051	566	402	2,854
Revenue	2,944	1,773	2,862	341	7,920
Profit or loss from continuing operations	275	(4)	122	(20)	373
Other comprehensive income (loss)	(1)	(5)	(9)	—	(15)
Total comprehensive income (loss)	274	(9)	113	(20)	358
Cash dividends received by the Company	49	—	18	—	67

1. The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.
2. Other adjustments correspond to the difference between the carrying amount at December 31, 2017 and the net assets situation corresponding to the latest financial statements ArcelorMittal is permitted to disclose.
3. The amount for DHS Group includes an adjustment to align the German GAAP financial information with the Company's accounting policies, and is mainly linked to property, plant and equipment, inventory and pension.
4. Adjustments in Gonvarri Steel Industries primarily relate to differences in accounting policies regarding revaluation of fixed assets.
5. Adjustments in Baffinland primarily relate to differences in accounting policies regarding revaluation of fixed assets and locally recognized goodwill.

				December 31, 2016
Associates	China Oriental	DHS Group	Gonvarri Steel Industries	Total
Financial statements reporting date	June 30, 2016	September 30, 2016	September 30, 2016	
Place of incorporation and operation[1]	Bermuda	Germany	Spain	
Principal Activity	Iron and steel manufacturing	Steel manufacturing	Steel manufacturing	
Ownership and voting rights at December 31, 2016	46.99%	33.43%	35.00%	
Revenue	1,751	1,396	2,258	5,405
Profit or loss from continuing operations	83	(96)	145	132
Other comprehensive income (loss)	—	(3)	4	1
Total comprehensive income (loss)	83	(99)	149	133
Cash dividends received by the Company	—	—	16	16

1. The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.

China Oriental

China Oriental Group Company Limited (“China Oriental”) is a Chinese integrated iron and steel company listed on the Hong Kong Stock Exchange (“HKEx”). On January 27, 2017, in order to restore the minimum free float requirement, China Oriental issued 586,284,000 new shares resulting in a decrease of the Company’s interest from 46.99% to 39.02%. As a result, ArcelorMittal recorded a loss of 67 upon dilution partially offset by a gain of 23 following the recycling of accumulated foreign exchange translation gains from other comprehensive income to income from investments in associates, joint ventures and other investments. The trading of China Oriental’s shares, which had been suspended since April 29, 2014, resumed on February 1, 2017.

In January 2018, China Oriental issued 192 million new shares to fulfill its obligations under its share-based compensation plans. As a result, ArcelorMittal’s interest in China Oriental decreased to 37.02%. ArcelorMittal recorded a loss of 20 upon dilution partially offset by a gain of 8 following the recycling of accumulated foreign exchange translation gains in income from investments in associates, joint ventures and other investments.

DHS Group

DHS - Dillinger Hütte Saarstahl AG (“DHS Group”), incorporated and located in Germany, is a leading producer of heavy steel plates, cast slag pots and semi-finished products, such as pressings, pressure vessel heads and shell sections in Europe. The DHS Group also includes a further rolling mill operated by Dillinger France in Dunkirk (France).

Gonvarri Steel Industries

Holding Gonvarri SL (“Gonvarri Steel Industries”) is dedicated to the processing of steel. The entity is a European leader in steel service centers and renewable energy components, with strong presence in Europe and Latin America.

Baffinland

Baffinland owns the Mary River project, which has direct shipping, high grade iron ore on Baffin Island in Nunavut (Canada). During 2017, ArcelorMittal's shareholding in Baffinland decreased from 44.54% to 31.07% following capital calls exclusively fulfilled by Nunavut Iron Ore ("NIO"), the other shareholder, and the conversion of preferred shares held by NIO into equity. As a result ArcelorMittal recognized a loss on dilution of 22 including the recycling of accumulated foreign exchange translation losses of 52 loss in income (loss) from investments in associates, joint ventures and other investments. During 2018, ArcelorMittal’s shareholding in Baffinland decreased from 31.07% to 28.76% following capital calls exclusively fulfilled by NIO.

2.4.3 Other associates and joint ventures that are not individually material

The Company has interests in a number of other joint ventures and associates, none of which are regarded as individually material. The following table summarizes the financial information of all individually immaterial joint ventures and associates that are accounted for using the equity method:

	December 31, 2018			December 31, 2017		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
Carrying amount of interests in associates and joint ventures	310	714	1,024	337	644	981
Share of:						
Income (loss) from continuing operations	8	80	88	16	23	39
Other comprehensive income (loss)	(5)	2	(3)	—	10	10
Total comprehensive income (loss)	3	82	85	16	33	49

In 2018, the Company’s share of net losses reduced the carrying amount of its 40.80% interest in the joint venture ArcelorMittal Tubular Products Jubail (“Al Jubail”) to nil. Furthermore, the Company granted shareholder loans to Al Jubail for 140 and 140 as of December 31, 2018 and 2017, respectively. During 2018, the Company’s share of net losses reduced the carrying amount of its investment in Al Jubail to nil and 9 were recognized against the Company's shareholder loans in Al Jubail reducing the total carrying amount to 131 at December 31, 2018 as compared to 152 at December 31, 2017.

2.4.4 Impairment of associates and joint ventures

For the years ended December 31, 2018 and 2017, the Company identified an impairment indicator with respect to its shareholder loans in Al Jubail. Accordingly, it performed a value in use calculation and concluded the carrying amount of the investment and shareholder loans was recoverable.

For the remaining investments, the Company concluded there were no impairment triggers.

For the year ended December 31, 2016, the Company recorded an impairment charge of 14 of its shareholder loan to Kalagadi Manganese (Proprietary) Ltd ("Kalagadi Manganese"). The Company sold its 50% interest in this joint venture with Kalahari Resource (Proprietary) Ltd that is engaged in exploring, mining, ore processing and smelting manganese in the Kalahari Basin in South Africa in 2017. In addition, the Company recorded an impairment charge of 14 of its 28.24% interest in Comvex, a deep sea harbor facility on the Black Sea in Romania. For the remaining investments, the Company concluded there were no impairment triggers.

For the year ended December 31, 2016, the Company's unrecognized share of accumulated losses in Kalagadi Manganese was 9.

The Company is not aware of any material contingent liabilities related to associates and joint ventures for which it 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 8.4 for disclosure of commitments related to associates and joint ventures.

2.4.5 Investments in joint operations

The Company had investments in the following joint operations as of December 31, 2018 and 2017:

Peña Colorada

Peña Colorada is an iron ore mine located in Mexico in which ArcelorMittal holds a 50.00% interest. Peña Colorada operates an open pit mine as well as concentrating facility and two-line pelletizing facility.

Hibbing Taconite Mines

The Hibbing Taconite Mines in which the Company holds a 62.31% interest are iron ore mines located in the USA and operations consist of open pit mining, crushing, concentrating and pelletizing.

I/N Tek

I/N Tek in which the Company holds a 60.00% interest operates a cold-rolling mill in the United States.

Double G Coatings

ArcelorMittal holds a 50.00% interest in Double G Coating, a hot dip galvanizing and Galvalume facility in the United States.

Hibbing Taconite Mines and Peña Colorada are part of the Mining segment; other joint operations are part of NAFTA.

2.5 Other investments

Other investments include those investments in equity instruments for which the Company does not have significant influence. Following the adoption of IFRS 9 as of January 1, 2018, the Company irrevocably elected to present the changes in fair value of such equity instruments, which are not held for trading, in other comprehensive income (see detail in note 6.1.1). Other investments include the following:

	December 31,	
	2018	2017[1]
Erdemir	577	—
Stalprodukt S.A.	101	—
Gerdau	115	—
Other investments	62	—
Investments in equity instruments at FVOCI	855	—
Erdemir	—	1,118
Stalprodukt S.A.	—	171
Gerdau	—	112
Other investments	—	43
Available-for-sale securities (at fair value)	—	1,444
Investments in equity instruments at cost	—	27
Total	855	1,471

1. Following the adoption of IFRS 9, available-for-sale investments are classified as investments in equity instruments at FVOCI as of January 1, 2018.

The Company's significant equity instruments at FVOCI at December 31, 2018 and 2017 are the following:

Ereğli Demir ve Çelik Fabrikalari T.A.S. ("Erdemir")

Erdermir is the leading steel producer in Turkey and produces plates, hot and cold rolled, tin chromium and zinc coated flat steel and supplies basic inputs to automotive, white goods, pipes and tubes, rolling, manufacturing, electrics-electronics, mechanical engineering, energy, heating equipment, shipbuilding, defense and packaging industries. Unrealized gains (losses) recognized in other comprehensive income were 127 and 658 for the year ended December 31, 2018 and 2017, respectively.

Stalprodukt S.A.

Stalprodukt S.A. is a leading manufacturer and exporter of highly processed steel products based in Poland.

Following the sale of 729,643 shares including the subsequent capital reduction of Stalprodukt S.A. during the first six months of 2016, for total cash consideration of 46, ArcelorMittal's ownership interest and voting rights in Stalprodukt S.A. decreased from 28.47% to 21.20% and from 28.26% to 11.61%, respectively.

As of December 31, 2018 and 2017, the fair value of ArcelorMittal's stake in Stalprodukt S.A. was 101 and 171, respectively. Unrealized gains recognized in other comprehensive income were 11 and 77 for the year ended December 31, 2018 and 2017, respectively.

Gerdau

Gerdau is the largest producer of long steel in the Americas and is headquartered in Brazil. Unrealized gains recognized in other comprehensive income were 48 and 42 for the year ended December 31, 2018 and 2017, respectively.

Unconsolidated structured entities

ArcelorMittal has operating lease arrangements for two vessels (Panamax Bulk Carriers) involving structured entities whose main purpose is to hold legal title of the two vessels and to lease them to the Company. Such entities are wholly-owned and controlled by a financial institution and are funded through equity instruments by the financial institution. Operating lease arrangements began for one vessel in 2013 and for the second vessel in 2014.

The aforesaid operating leases have been agreed for a 12 year period, during which the Company is obliged to pay the structured entities minimum fees equivalent to approximately 4 per year and per vessel. In addition, ArcelorMittal holds call options to buy each of the two vessels from the structured entities at pre-determined dates and prices as presented in the table below. The structured entities hold put options enabling them to sell each of the vessels at the end of the lease terms at 6 each to the Company.

							Call option strike prices	
Exercise dates	at the 60th month	at the 72nd month	at the 84th month	at the 96th month	at the 108th month	at the 120th month	at the 132nd month	at the 144th month
Amounts per vessel [1]								
First vessel	29	27	26	24	22	20	17	14
Second vessel	31	30	28	27	26	24	20	14

1. If the actual fair value of each vessel is higher than the strike price at each of the exercise dates, ArcelorMittal is obliged to share 50% of the gain with the structured entities.

In addition, pursuant to these arrangements, the Company had a receivable (classified as "Other assets") of 22 and 26 at December 31, 2018 and 2017, respectively, which does not bear interest, is forgiven upon default and will be repaid by the structured entities quarterly in arrears throughout the lease term. The outstanding balance will be used to offset payment of any interim call options, if exercised.

2.6 Income (loss) from investments in associates, joint ventures and other investments

Income (loss) from investments in associates, joint ventures and other investments consisted of the following:

	Year Ended December 31,		
	2018	2017	2016
Share in net earnings of equity-accounted companies	567	537	207
Impairment charges	(132)	(26)	(28)
Gain (loss) on disposal	126	(117)	377
Dividend income	91	54	59
Total	652	448	615

For the year ended December 31, 2018, impairment charges include 132 relating to Macsteel in connection with the sale completed on October 31, 2018 (see note 2.4.1).

For the year ended December 31, 2017, impairment charges include 17 and 9 relating to the write down of receivables from associates and joint ventures.

For the year ended December 31, 2016, impairment charges include 14 and 14 relating to Kalagadi Manganese and Comvex, respectively (see note 2.4.4).

For the year ended December 31, 2018, gain (loss) on disposal included mainly a 142 gain from the recycling of the currency translation reserve following the sale of Macsteel and a 12 loss on the dilution of the Company's interest from 39.02% to 37.02% in China Oriental (see note 2.4).

For the year ended December 31, 2017, gain (loss) on disposal includes a gain of 133 (the cash settlement occurs through three annual installments of 44 of which one is outstanding as of December 31, 2018) on the disposal of the Company's 21% shareholding in Empire Iron Mining Partnership ("EIMP"), a loss of 44 on dilution of the Company's share in China Oriental (see note 2.4), a loss of 22 on dilution of the Company's interest in Baffinland (see note 2.4), a loss of 187 as a result of the reclassification of the accumulated foreign exchange translation losses from other comprehensive income to the statements of operations following the completion of the sale of the Company's 50% shareholding in Kalagadi Manganese to Kgalagadi Alloys (Proprietary) Ltd on August 25, 2017. As per sales agreement signed on October 21, 2016, ArcelorMittal received a contingent consideration to be paid during the life of the mine, which is capped at 150 and contingent upon the financial performance of the mine and cash flow availability.

For the year ended December 31, 2016, gain (loss) on disposal mainly includes a gain of 329 relating to the disposal of Gestamp (see note 2.4), a loss of 26 relating to the disposal of Stalprodukt S.A. shares (see note 2.5) and a gain of 74 following the sale of its 10.08% interest in Hunan Valin to a private equity fund. The Company transferred the Hunan Valin shares and simultaneously received the full proceeds of 165 (RMB1,103 million) on September 14, 2016.

Note 3: Segment reporting

3.1 Reportable segments

The Company is organized in five operating and reportable 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. As of January 1, 2016, the Group Management Board “GMB” (ArcelorMittal’s previous CODM) was replaced by the CEO Office - comprising the CEO, Mr. Lakshmi N. Mittal and the President and CFO, Mr. Aditya Mittal.

These operating segments include the attributable goodwill, intangible assets, property, plant and equipment, and certain 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 and is not directly attributable to individual operating segments or geographical areas.

ArcelorMittal’s segments are structured as follows:

- NAFTA represents the flat, long and tubular facilities of the Company located in North America (Canada, United States and Mexico). NAFTA produces flat products such as slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following sectors: automotive, energy, construction, packaging and appliances and via distributors or processors. NAFTA also produces long products such as wire rod, sections, rebar, billets, blooms and wire drawing, and tubular products;

- Brazil includes the flat operations of Brazil and the long and tubular operations of Brazil and neighboring countries including Argentina, Costa Rica and Venezuela. Flat products include slabs, hot-rolled coil, cold-rolled coil and coated steel. Long products consist of wire rod, sections, bar and rebar, billets, blooms and wire drawing;

- 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. 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 and packaging sectors. Europe also produces long products consisting of sections, wire rod, rebar, billets, blooms and wire drawing, and tubular products. In addition, it includes Downstream

Solutions, primarily an in-house trading and distribution arm of ArcelorMittal. Downstream Solutions also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements;

- ACIS produces a combination of flat, long and tubular products. Its facilities are located in Africa and the Commonwealth of Independent States; and
- Mining comprises all mines owned by ArcelorMittal in the Americas (Canada, United States, Mexico and Brazil), Asia (Kazakhstan), Europe (Ukraine and Bosnia & Herzegovina) and Africa (Liberia). It provides the Company's steel operations with high quality and low-cost iron ore and coal reserves and also sells limited amounts of mineral products to third parties.

The following table summarizes certain financial data for ArcelorMittal's operations by reportable segments.

	NAFTA	Brazil	Europe	ACIS	Mining	Others [1]	Elimination	Total
Year ended December 31, 2016								
Sales to external customers	15,769	5,526	28,999	5,675	781	41	—	56,791
Intersegment sales [2]	37	697	273	210	2,333	260	(3,810)	—
Operating income (loss)	2,002	614	1,270	211	366	(208)	(94)	4,161
Depreciation and amortization	(549)	(258)	(1,184)	(311)	(396)	(23)	—	(2,721)
Impairment	—	—	(49)	(156)	—	—	—	(205)
Capital expenditures	445	237	951	397	392	22	—	2,444
Year ended December 31, 2017								
Sales to external customers	17,893	6,571	35,825	7,323	985	82	—	68,679
Intersegment sales [2]	104	1,184	383	298	3,048	303	(5,320)	—
Operating income (loss)	1,185	697	2,359	508	991	(288)	(18)	5,434
Depreciation and amortization	(518)	(293)	(1,201)	(313)	(416)	(27)	—	(2,768)
Impairment	—	—	—	(206)	—	—	—	(206)
Capital expenditures	466	263	1,143	427	495	25	—	2,819
Year ended December 31, 2018								
Sales to external customers	20,145	7,041	40,247	7,506	1,009	85	—	76,033
Intersegment sales [2]	187	1,670	241	455	3,202	307	(6,062)	—
Operating income (loss)	1,889	1,356	1,632	1,094	860	(247)	(45)	6,539
Depreciation and amortization	(522)	(298)	(1,195)	(311)	(418)	(55)	—	(2,799)
Bargain purchase gain[3]	—	—	209	—	—	—	—	209
Impairment	—	(86)	(908)	—	—	—	—	(994)
Capital expenditures	669	244	1,336	534	485	37	—	3,305

1. Others include all other operational and non-operational items which are not segmented, such as corporate and shared services, financial activities, and shipping and logistics.
2. 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.
3. See note 2.2.4.

The reconciliation from operating income to net income (including non-controlling interests) is as follows:

	Year ended December 31,		
	2018	2017	2016
Operating income	6,539	5,434	4,161
Income from investments in associates and joint ventures	652	448	615
Financing costs - net	(2,210)	(875)	(2,056)
Income before taxes	4,981	5,007	2,720
Income tax expense (benefit)	(349)	432	986
Net income (including non-controlling interests)	5,330	4,575	1,734

The Company does not regularly provide a measure of total assets and liabilities for each reportable segment to the CODM.

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

3.2 Geographical information

Geographical information, by country or region, 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. Unless otherwise stated in the table heading as a segment disclosure, these disclosures are specific to the country or region stated. 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.

Sales (by destination)

	Year ended December 31,		
	2018	2017	2016
Americas			
United States	16,271	14,367	12,284
Brazil	4,982	4,149	3,506
Canada	3,563	3,034	2,818
Mexico	1,970	2,251	1,806
Argentina	960	1,230	858
Others	1,322	1,005	935
Total Americas	29,068	26,036	22,207
Europe			
Germany	6,757	5,933	4,768
Poland	4,518	3,746	2,997
France	4,431	4,051	3,655
Spain	4,265	3,751	3,015
Italy	3,333	2,711	2,067
Czech Republic	1,782	1,400	1,107
Turkey	1,683	1,937	1,789
United Kingdom	1,471	1,370	1,159
Belgium	1,309	1,129	929
Netherlands	1,209	1,117	1,030
Russia	1,144	1,204	688
Romania	708	621	526
Others	5,653	4,948	3,886
Total Europe	38,263	33,918	27,616
Asia & Africa			
South Africa	2,742	2,560	2,026
Morocco	628	596	498
Egypt	206	310	499
Rest of Africa	1,257	1,033	658
China	608	622	549
Kazakhstan	496	392	350
South Korea	365	259	184
India	92	163	85
Rest of Asia	2,308	2,790	2,119
Total Asia & Africa	8,702	8,725	6,968
Total	76,033	68,679	56,791

Revenues from external customers attributed to the country of domicile (Luxembourg) were 162, 111 and 88 for the years ended December 31, 2018, 2017 and 2016, respectively.

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

Non-current assets[1] per significant country:

	December 31,	
	2018	2017
Americas		
Canada	5,187	5,368
Brazil	4,259	4,466
United States	4,022	4,029
Mexico	1,163	978
Argentina	252	137
Venezuela	10	100
Others	19	20
Total Americas	14,912	15,098
Europe		
France	4,363	4,738
Germany	2,607	2,737
Belgium[3]	2,526	2,827
Poland	2,356	2,421
Ukraine	2,219	2,077
Spain	1,971	2,035
Italy[2]	1,365	171
Luxembourg	1,229	1,277
Bosnia and Herzegovina	205	202
Romania[3]	86	633
Czech Republic[3]	24	621
Others	235	264
Total Europe	19,186	20,003
Asia & Africa		
Kazakhstan	1,309	1,322
South Africa	625	677
Liberia	148	93
Morocco	93	103
Others	107	119
Total Asia & Africa	2,282	2,314
Unallocated assets	22,394	21,137
Total	58,774	58,552

1. Non-current assets do not include goodwill (as it is not allocated to the individual countries), deferred tax assets, investments in associates and joint ventures, other investments and other non-current financial assets. Such assets are presented under the caption “Unallocated assets”.
2. Increase relates mainly to the Ilva acquisition (see note 2.2.4).
3. ArcelorMittal Ostrava, ArcelorMittal Galati and certain assets of ArcelorMittal Belgium are classified as held for sale as December 31, 2018 (see note 2.3.2).

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

3.3 Sales by type of products

The table below presents sales to external customers by product type. In addition to steel produced by the Company, amounts include material purchased for additional transformation and sold through distribution services. Others mainly include non-steel and by-products sales, manufactured and specialty steel products sales, shipping and other services.

	Year ended December 31,		
	2018	2017	2016
Flat products	46,734	43,065	34,215
Long products	15,751	13,685	12,104
Tubular products	2,158	1,810	1,500
Mining products	1,009	985	781
Others	10,380	9,134	8,191
Total	76,033	68,679	56,791

3.4 Disaggregated revenue

Disaggregated revenue

The tables below summarize the disaggregated revenue recognized from contracts with customers:

Year ended December 31, 2018	NAFTA	Brazil	Europe	ACIS	Mining	Others	Total
Steel sales	19,372	6,582	36,603	6,748	—	—	69,305
Non-steel sales [1]	148	31	882	243	968	—	2,272
By-product sales [2]	124	115	947	182	—	—	1,368
Other sales [3]	501	313	1,815	333	41	85	3,088
Total	20,145	7,041	40,247	7,506	1,009	85	76,033

Year ended December 31, 2017	NAFTA	Brazil	Europe	ACIS	Mining	Others	Total
Steel sales	17,210	6,128	32,676	6,661	—	—	62,675
Non-steel sales [1]	121	77	817	188	947	—	2,150
By-product sales [2]	98	89	683	159	—	—	1,029
Other sales [3]	464	277	1,649	315	38	82	2,825
Total	17,893	6,571	35,825	7,323	985	82	68,679

Year ended December 31, 2016	NAFTA	Brazil	Europe	ACIS	Mining	Others	Total
Steel sales	15,158	5,148	26,134	5,190	—	—	51,630
Non-steel sales [1]	84	38	803	160	741	—	1,826
By-product sales [2]	92	79	568	105	—	—	844
Other sales [3]	435	261	1,494	220	40	41	2,491
Total	15,769	5,526	28,999	5,675	781	41	56,791

1. Non-steel sales mainly relate to iron ore, coal, scrap and electricity;
2. By-product sales mainly relate to slag, waste and coke by-products;
3. Other sales are mainly comprised of shipping and other services.

Note 4: Operating data

4.1 Revenue

The Company's revenue is derived from the single performance obligation to transfer primarily steel and mining products under arrangements in which the transfer of control of the products and the fulfillment of the Company's performance obligation occur at the same time. Revenue from the sale of goods is recognized when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

Whether the customer has obtained control over the asset depends on when the goods are made available to the carrier or the buyer takes possession of the goods, depending on the delivery terms. For the Company's steel producing operations, generally the criteria to recognize revenue has been met when its products are delivered to its customers or to a carrier who will transport the goods to its customers, this is the point in time when the Company has completed its performance obligations. Revenue is measured at the transaction price of the consideration received or receivable, the amount the Company expects to be entitled to.

Additionally, the Company identifies when goods have left its premises, not when the customer receives the goods. Therefore, the Company estimates, based on its historical experience, the amount of goods in-transit when the transfer of control occurs at the destination and defers the revenue recognition.

The Company's products must meet customer specifications. A certain portion of the Company's products are returned or have claims filed against the sale because the products contained quality defects or other problems. Claims may be either of the following:

- Product Rejection - Product shipped and billed to an end customer that did not meet previously agreed customer specifications. Claims typically result from physical defects in the goods, goods shipped to the wrong location, goods produced with incorrect specifications and goods shipped outside acceptable time parameters.
- Consequential Damages - Damages reported by the customer not directly related to the value of the rejected goods (for example: customer processing cost or mill down time, sampling, storage, sorting, administrative cost, replacement cost, etc.).

The Company estimates the variable consideration for such claims using the expected value method and reduces the amount of revenue recognized.

Warranties:

The warranties and claims arise when the product fails on the criteria mentioned above. Sales-related warranties associated with the goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (see note 8)

Periodically, the Company enters into volume or other rebate programs where once a certain volume or other conditions are met, it refunds the customer some portion of the amounts previously billed or paid. For such arrangements, the Company only recognizes revenue for the amounts it ultimately expects to realize from the customer. The Company estimates the variable consideration for these programs using the most likely amount method or the expected value method, whichever approach best predicts the amount of the consideration based on the terms of the contract and available information and updates its estimates each reporting period.

The Company's payment terms range from 30 to 90 days from date of delivery, depending on the market and product sold. The Company has applied the practical expedient in IFRS 15 (C5) (d). In 2018, the Company received 364 as advances from its customers which are classified as unsatisfied performance obligations and recognized as liabilities in line with IFRS 15. The Company expects 100% of the unsatisfied performance obligations as of December 31, 2018 to be recognized as revenue during 2019 as the Company's contracts have an original expected duration of one year or less.

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

The tables below summarize the movements relating to the Company's trade receivable and other for the years ended December 31, 2018, 2017 and 2016.

	Year ended December 31,		
	2018	2017	2016
Trade accounts receivable and other - opening balance	3,863	2,974	2,679
Performance obligations satisfied	76,033	68,679	56,791
Payments received	(75,387)	(68,059)	(56,418)
Impairment of receivables (net of write backs)	(8)	—	(16)
Reclassification of the period-end receivables to held for sale	(182)	—	(39)
Acquisitions through business combinations	532	33	—
Foreign exchange and others	(419)	236	(23)
Trade accounts receivable and other - closing balance	4,432	3,863	2,974

4.2 Cost of sales

Cost of sales includes the following components:

	Year ended December 31,		
	2018	2017	2016
Materials	46,842	42,813	34,276
Labor costs [1]	9,206	8,842	7,572
Logistic expenses	4,974	4,161	3,760
Depreciation and amortization	2,799	2,768	2,721
Gain on bargain purchase[2]	(209)	—	—
Impairment	994	206	205
Other	2,419	2,086	1,894
Total	67,025	60,876	50,428

1. In 2016, labor costs included an 832 gain relating to changes in post-employment benefit plans in the United States (see note 7.2).
2. See note 2.2.4

4.3 Trade accounts receivable and other

Trade accounts receivable are initially recorded at their transaction price and do not carry any interest. ArcelorMittal maintains an allowance for lifetime expected credit loss at an amount that it considers to be a reliable estimate of expected credit losses resulting from the inability of its customers to make required payments. In judging the adequacy of the allowance for expected credit losses, ArcelorMittal considers multiple factors including historical bad debt experience, the current and forward looking economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for expected credit losses are recognized as gains in selling, general and administrative expenses.

ArcelorMittal's policy is to record an allowance for expected lifetime credit losses and a charge in selling, general and administrative expense when a specific account is deemed uncollectible. The Company concluded that a trade receivable is in default when they are overdue by more than 180 days. Based on historical experience and analysis, the Company concluded that there is a risk of default as such receivables are generally not recoverable and therefore provided for, unless it can be clearly demonstrated that the receivable is still collectible.

Trade accounts receivable and allowance for lifetime expected credit losses

	December 31,	
	2018	2017
Gross amount	4,605	4,056
Allowance for lifetime expected credit losses	(173)	(193)
Total	4,432	3,863

The carrying amount of the trade accounts receivable and other approximates their 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 reportable 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 is as follows:

	December 31,	
	2018	2017
NAFTA	579	343
Brazil	864	857
Europe	2,348	2,052
ACIS	531	546
Mining	110	65
Total	4,432	3,863

Aging of trade accounts receivable

	December 31,			December 31,		
	2018			2017		
	Gross	Allowance under lifetime expected credit loss model (IFRS 9)	Total	Gross	Allowance under incurred loss model (IAS 39)	Total
Not past due	3,377	(3)	3,374	3,134	(4)	3,130
Overdue 1-30 days	691	(3)	688	538	(9)	529
Overdue 31-60 days	178	(1)	177	106	(1)	105
Overdue 61-90 days	97	(1)	96	34	—	34
Overdue 91-180 days	59	(4)	55	46	(13)	33
More than 180 days	203	(161)	42	198	(166)	32
Total	4,605	(173)	4,432	4,056	(193)	3,863

The movements in the allowance are calculated based on lifetime expected credit loss model for 2018 and incurred loss model for 2017 and 2016. The allowances in respect of trade accounts receivable during the periods presented is as follows:

Balance as of December 31, 2015	Additions	Deductions/ Releases	Foreign exchange and others	Balance as of December 31, 2016
170	34	(25)	5	184
Balance as of December 31, 2016	**Additions**	**Deductions/ Releases**	**Foreign exchange and others**	**Balance as of December 31, 2017**
184	34	(38)	13	193
Balance as of December 31, 2017	**Additions**	**Deductions/ Releases**	**Foreign exchange and others**	**Balance as of December 31, 2018**
193	35	(29)	(26)	173

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

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")). 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 derecognized from the consolidated statements of financial position at the moment of sale. Upon adoption of IFRS 9 as of January 1, 2018, the Company classified trade receivables subject to TSR programs as financial assets that are held to collect or to sell and recognized them at FVOCI. The fair value measurement was determined based on the invoice amount net of TSR expense payable, a Level 3 unobservable input. The TSR expense is insignificant due to the rate applicable and the short timeframe between the time of sale and the invoice due date. Any loss allowance for these trade receivables is recognized in OCI.

4.4 Inventories

Inventories are carried at the lower of cost or 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, shipping, handling as well as any other costs incurred in bringing the inventories to their present location and condition. Interest charges, if any, on purchases have been recorded as financing costs. 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.

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. Net realizable value is estimated based on the most reliable evidence available at the time the estimates were made of the amount that the inventory is expected to realize, taking into account the purpose for which the inventory is held.

Previous write-downs are reversed in case the circumstances that previously caused inventories to be written down below cost no longer exist.

Inventories, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 1,168 and 1,239 as of December 31, 2018 and 2017, respectively, are comprised of the following:

	December 31,	
	2018	2017
Finished products	7,464	6,321
Production in process	4,596	4,049
Raw materials	6,822	5,883
Manufacturing supplies, spare parts and other [1]	1,862	1,733
Total	20,744	17,986

1. This consists of spare parts of 1.3 billion and 1.3 billion, and manufacturing and other of 0.6 billion and 0.4 billion as of December 31, 2018 and 2017, respectively.

Note 4.2 discloses the cost of inventories (materials) recognized as an expense during the year.

The movement in the inventory reserve is as follows:

Balance as of December 31, 2015	Additions [1]	Deductions / Releases [2]	Foreign exchange and others	Balance as of December 31, 2016
1,707	473	(964)	(119)	1,097
Balance as of December 31, 2016	**Additions [1]**	**Deductions / Releases [2]**	**Foreign exchange and others**	**Balance as of December 31, 2017**
1,097	442	(404)	104	1,239
Balance as of December 31, 2017	**Additions [1]**	**Deductions / Releases [2]**	**Foreign exchange and others**	**Balance as of December 31, 2018**
1,239	423	(382)	(112)	1,168

1. Additions refer to write-downs of inventories including those utilized or written back during the same financial year.
2. Deductions/releases correspond to write-backs and utilizations related to the current and prior periods.

4.5 Prepaid expenses and other current assets

	December 31,	
	2018	2017
VAT receivables	1,049	822
Prepaid expenses and non-trade receivables	416	321
Financial amounts receivable	304	219
Income tax receivable	106	176
Receivables from public authorities	125	147
Receivables from sale of financial and intangible assets	149	118
Derivative financial instruments	617	87
Other [1]	68	41
Total	2,834	1,931

1. Other includes mainly advances to employees, accrued interest and other miscellaneous receivables.

4.6 Other assets

Other assets consisted of the following:

	December 31,	
	2018	2017
Derivative financial instruments	609	995
Financial amounts receivable	1,679	345
Long-term VAT receivables	322	198
Cash guarantees and deposits	185	190
Receivables from public authorities	172	173
Accrued interest	86	96
Receivables from sale of financial and intangible assets	61	93
Income tax receivable	18	14
Other [1]	228	130
Total	3,360	2,234

1. Other mainly includes assets in pension funds and other amounts receivable.

Following the Indian Supreme Court ruling dated October 4, 2018, ArcelorMittal completed a series of payments to the financial creditors of Uttam Galva ("UG") and KSS Petron to clear overdue debts so that the Company's offer submitted for Essar Steel India Limited ("ESIL") remains eligible and can be considered by ESIL's Committee of Creditors. At December 31, 2018, financial amounts receivable included 844 and 193 related to such payments to UG and KSS Petron, respectively, measured at fair value through profit or loss as of December 31, 2018 (a Level 3 fair value estimate). The fair value of the UG payments was determined on the basis of market multiples and a discounted cash flow model including market participant synergies. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available and include primarily the discount rate, growth rate, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market.

4.7 Trade accounts payable and other

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.

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

4.8 Accrued expenses and other liabilities

Accrued expenses and other liabilities are comprised of the following as of:

	December 31,	
	2018	2017
Accrued payroll and employee related expenses	1,613	1,787
Accrued interest and other payables	976	794
Payable from acquisition of intangible, tangible & financial assets	1,332	943
Other amounts due to public authorities	540	587
Derivative financial instruments	190	325
Unearned revenue and accrued payables	58	69
Total	4,709	4,505

Note 5: Goodwill, intangible and tangible assets

5.1 Goodwill and intangible assets

The carrying amounts of goodwill and intangible assets are summarized as follows:

	December 31,	
	2018	2017
Goodwill on acquisitions	4,986	5,294
Concessions, patents and licenses	293	275
Customer relationships and trade marks	90	118
Other[1]	359	50
Total	5,728	5,737

1. Other includes 201 relating to CO2 emission rights and 76 favorable land lease contracts held by Ilva at acquisition date (please refer to note 2.2.4)

Goodwill

Goodwill arising on an acquisition is recognized as previously described within the business combinations section in note 2.2.3. Goodwill is allocated to those groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level, which represents the lowest level at which goodwill is monitored for internal management purposes.

Goodwill acquired in business combinations for each of the Company's operating segments is as follows:

	December 31, 2016	Divestments and assets held for sale	Foreign exchange differences and other movements [1]	December 31, 2017
NAFTA	2,202	—	47	2,249
Brazil	1,668	—	(28)	1,640
Europe	529	—	53	582
ACIS	849	—	(26)	823
Total	5,248	—	46	5,294

1. The movements for Brazil includes 2 related to Sumaré acquisition (please refer to note 2.2.4)

	December 31, 2017	Divestments and assets held for sale [2]	Foreign exchange differences and other movements [1]	December 31, 2018
NAFTA	2,249	—	(51)	2,198
Brazil	1,640	(18)	(218)	1,404
Europe	582	(16)	(16)	550
ACIS	823	—	11	834
Total	5,294	(34)	(274)	4,986

1. The movements for Brazil includes 24 related to Votorontim Siderurgia acquisition (please refer to note 2.2.4)
2. See note 2.3.1 and 2.3.2

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 initially recorded at fair value at the date of the business combination. These primarily include the cost of technology and licenses purchased from third parties and operating authorizations granted by governments 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 cost of sales.

ArcelorMittal's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ("CO2") emission rights, effective as of January 1, 2005, are located primarily in Belgium, Czech Republic, France, Germany, Luxembourg, Poland, Romania, Spain and Italy. ArcelorMittal's operations in Ontario, Canada are subject to the "Climate Change Mitigation and Low-carbon Economy Act, 2016", a cap and trade program regulation effective from July 1, 2016. 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.

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

Other intangible assets are summarized as follows:

	Concessions, patents and licenses	Customer relationships and trade marks	Other	Total
Cost				
At December 31, 2016	676	1,100	56	1,832
Acquisitions	6	21	34	61
Disposals	(1)	—	—	(1)
Foreign exchange differences	83	97	9	189
Transfers and other movements[1]	20	(1)	(3)	16
Fully amortized intangible assets [2]	(18)	(3)	—	(21)
At December 31, 2017	766	1,214	96	2,076
Acquisitions	22	—	39	61
Acquisitions through business combinations (note 2.2.4)	2	—	317	319
Disposal	—	—	(5)	(5)
Foreign exchange differences	(61)	(83)	(4)	(148)
Transfers to assets held for sale (note 2.3)	(32)	—	—	(32)
Transfers and other movements [1]	64	1	—	65
Fully amortized intangible assets [2]	(16)	(4)	—	(20)
At December 31, 2018	745	1,128	443	2,316
Accumulated amortization and impairment losses				
At December 31, 2016	424	980	25	1,429
Amortization charge	31	31	16	78
Foreign exchange differences	58	89	5	152
Transfers and other movements[1]	(4)	(1)	—	(5)
Fully amortized intangible assets [2]	(18)	(3)	—	(21)
At December 31, 2017	491	1,096	46	1,633
Amortization charge	47	22	42	111
Foreign exchange differences	(44)	(76)	(3)	(123)
Transfers to assets held for sale (note 2.3)	(27)	—	—	(27)
Transfers and other movements[1]	1	—	(1)	—
Fully amortized intangible assets [2]	(16)	(4)	—	(20)
At December 31, 2018	452	1,038	84	1,574
Carrying amount				
At December 31, 2017	275	118	50	443
At December 31, 2018	293	90	359	742

1. Transfers and other movements correspond mainly to transfer from assets under construction into patents and licenses in 2018 and 2017.
2. Fully amortized assets correspond mainly to licenses in 2018 and 2017.

Research and development costs not meeting the criteria for capitalization are expensed as incurred. These costs amounted to 290, 278 and 239 for the years ended December 31, 2018, 2017, and 2016, respectively and were recognized in selling, general and administrative expenses.

5.2 Property, plant and equipment and biological assets

Property, plant and equipment is 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 and assets used in mining activities, property, plant and equipment is depreciated using the straight-line method over the useful lives of the related assets as presented in the table below.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Property plant & equipment	15 to 50 years
Auxiliary facilities	15 to 45 years
Other facilities	5 to 20 years

The Company's annual review of useful lives leverages on the experience gained from an in-depth review performed every five years, any significant change in the expected pattern of consumption embodied in the asset, and the specialized knowledge of ArcelorMittal's network of chief technical officers. The chief technical officer network includes engineers with facility-specific expertise related to plant and equipment used in the principal production units of the Company's operations. The most recent in-depth review took place in 2014, during which the Company performed a review of the useful lives of its assets and determined its maintenance and operating practices enabled an extension of the useful lives of plant and equipment. In performing this review, the Company gathered and evaluated data, including commissioning dates, designed capacities, maintenance records and programs, and asset performance history, among other attributes. In accordance with IAS 16, Property, Plant and Equipment, the Company considered this information at the level of components significant in relation to the total cost of the item of plant and equipment. Other factors the Company considered in its determination of useful lives included the expected use of the assets, technical or commercial obsolescence, and operational factors that led to improvements in monitoring and process control that contribute to longer asset lives. In addition, the Company considered the accumulated technical experience and knowledge sharing programs that allowed for the exchange of best practices within the chief technical officer network and the deployment of these practices across the Company's principal production units.

Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are expensed as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment under construction is recorded as construction in progress until it is ready for its intended use; thereafter it is transferred to the related class of property, plant and equipment and depreciated over its estimated useful life. 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 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.

Mining assets comprise:

- Mineral rights acquired;
- Capitalized developmental stripping (as described below 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. 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 ceases 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.

Mining Reserves

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 for 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.

Stripping and overburden removal costs

In open pit and underground mining operations, it is often 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.

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 the stripping costs should be attributed to the individual pit or to the combined output from 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 commences when the production stage of mining operations begins and continues throughout the life of a mine.

Capitalization of developmental stripping costs ends when the commercial production of the minerals commences.

Production stripping costs are incurred to extract the ore in the form of inventories and/or to improve access to an additional component of an ore body or deeper levels of material. Production stripping costs are accounted for as inventories to the extent the benefit from production stripping activity is realized in the form of inventories. Production stripping costs are recognized as a non-current asset ("stripping activity assets") to the extent it is probable that future economic benefit in terms of improved access to ore will flow to the Company, the components of the ore body for which access has been improved can be identified and the costs relating to the stripping activity associated with that component can be measured reliably.

All stripping costs assets (either stripping activity assets or capitalized developmental stripping costs) are presented within a specific “mining assets” class of property, plant and equipment and then depreciated on a units-of-production basis.

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 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.

Biological assets

Biological assets are part of the Brazil operating segment and consist of eucalyptus forests located in the Brazilian state of Minas Gerais 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 in some of the Company’s blast furnaces in Brazil.

Biological assets are measured at their fair value, net of estimated costs to sell at the time of harvest. The fair value (level 3 in the fair value hierarchy) 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. In determining the fair value of biological assets, a discounted cash flow model was used, with a harvest cycle of six to seven years.

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

Property, plant and equipment and biological assets are summarized as follows:

	Land, buildings and Improvements	Machinery, equipment and other [2]	Construction in progress	Mining Assets	Total
Cost					
At December 31, 2016	11,108	43,317	3,257	3,751	61,433
Additions	90	357	2,441	50	2,938
Foreign exchange differences	1,629	5,560	154	—	7,343
Disposals	(97)	(853)	(7)	(1)	(958)
Divestments (note 2.3)	(7)	(40)	—	—	(47)
Transfers to assets held for sale (note 2.3)	(21)	(95)	—	—	(116)
Other movements [1]	143	1,928	(2,113)	75	33
At December 31, 2017	12,845	50,174	3,732	3,875	70,626
Additions	36	282	3,064	28	3,410
Acquisitions through business combinations (see note 2.2.4)	358	1,210	58	—	1,626
Foreign exchange differences	(888)	(4,006)	(220)	(100)	(5,214)
Disposals	(120)	(535)	(113)	(13)	(781)
Divestments (note 2.3)	(43)	(215)	(2)	—	(260)
Transfers to assets held for sale (note 2.3)	(1,434)	(4,532)	(143)	—	(6,109)
Other movements [1]	125	1,684	(2,013)	111	(93)
At December 31, 2018	10,879	44,062	4,363	3,901	63,205
Accumulated depreciation and impairment					
At December 31, 2016	3,138	19,980	993	2,491	26,602
Depreciation charge for the year	329	2,249	—	112	2,690
Impairment (note 5.3)	10	196	—	—	206
Disposals	(61)	(820)	(1)	—	(882)
Foreign exchange differences	940	4,080	18	2	5,040
Divestments (note 2.3)	(4)	(39)	—	—	(43)
Transfers to assets held for sale (note 2.3)	(18)	(64)	—	—	(82)
Other movements [1]	22	118	(22)	6	124
At December 31, 2017	4,356	25,700	988	2,611	33,655
Depreciation charge for the year	356	2,212	—	120	2,688
Impairment (note 5.3)	21	930	9	—	960
Disposals	(110)	(494)	—	(13)	(617)
Foreign exchange differences	(484)	(2,715)	(7)	(81)	(3,287)
Divestments (note 2.3)	(31)	(181)	—	—	(212)
Transfers to assets held for sale (note 2.3)	(989)	(4,456)	(26)	—	(5,471)
Other movements [1]	(6)	(158)	17	(2)	(149)
At December 31, 2018	3,113	20,838	981	2,635	27,567
Carrying amount					
At December 31, 2017	8,489	24,474	2,744	1,264	36,971
At December 31, 2018	7,766	23,224	3,382	1,266	35,638

1. Other movements predominantly represent transfers from construction in progress to other categories and retirement of fully amortized assets.
2. Machinery, equipment and other includes biological assets of 49 and 36 as of December 31, 2018 and 2017 respectively, and bearer plants of 38 and 35 as of December 31, 2018 and 2017, respectively.

The carrying amount of temporarily idle property, plant and equipment at December 31, 2018 and 2017 was 260 and 325 including 244 and 297 in Brazil, 14 and 6 in NAFTA and 2 and 22 in the Europe segment, respectively.

The carrying amount of property, plant and equipment retired from active use and not classified as held for sale was 51 and 51 at December 31, 2018 and 2017, respectively. Such assets are carried at their recoverable amount.

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 depends 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 consolidated statements of financial position. Payments made under operating leases are recognized in cost of sales in the consolidated statements of operations on a straight-line basis over the lease terms.

The carrying amount of capitalized leases was 363 and 415 as of December 31, 2018 and 2017,respectively including 232 and 364 related to machinery and equipment, 93 and 51 to buildings and 38 and 0 to land, respectively.

The total future minimum lease payments related to finance leases for the year ended December 31, 2018 were as follows:

2019	121
2020 – 2023	392
2024 and beyond	86
Total minimum lease commitments	599
Less: future finance charges	176
Present value of minimum lease payments	423

The total future minimum lease payments related to finance leases for the year ended December 31, 2017 were as follows:

2018	144
2019 – 2022	440
2023 and beyond	160
Total minimum lease commitments	744
Less: future finance charges	256
Present value of minimum lease payments	488

The present value of the future minimum lease payments was 423 and 488 for the year ended December 31, 2018 and 2017, respectively. The 2018 calculation is based on an average discount rate of 12.5% (13.2% in 2017) considering maturities from 1 to 13 years (from 1 to 14 years in 2017) including the renewal option when intended to be exercised.

5.3 Impairment of intangible assets, including goodwill, and tangible assets

Impairment charges recognized, were as follows:

	Year ended December 31,		
Type of asset	2018	2017	2016
Goodwill	34	—	—
Tangible assets	960	206	205
Total	994	206	205

Impairment test of goodwill

Goodwill is tested for impairment annually, as of October 1 or whenever changes in circumstances indicate that the carrying amount may not be recoverable, at the level of the groups of cash-generating units ("GCGU") which correspond to the operating segments representing the lowest level at which goodwill is monitored for internal management purposes. 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. Until the year ended December 31, 2017, the Company performed its annual impairment test of goodwill using October 31 as the measurement date. Effective September 2018, the Company changed its impairment test date to October 1 in order to better align with its internal strategic and financial planning 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.

The recoverable amounts of the GCGUs are mainly determined based on their value in use. The value in use of each GCGU is determined by estimating future cash flows. The 2018 impairment test of goodwill did not include the GCGU corresponding to the Mining segment as goodwill allocated to this GCGU was fully impaired in 2015. 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. In addition, with respect to raw material price assumptions, the Company applied a range of $60 per tonne to $65 per tonne for iron ore and $130 per tonne to $192 per tonne for coking coal. Cash flow forecasts adjusted for the risks specific to the tested assets are derived from the most recent financial plans approved by management 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 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.

	NAFTA	Brazil	Europe	ACIS
GCGU weighted average pre-tax discount rate used in 2018 (in %)	12.9	15.5	10.6	15.4
GCGU weighted average pre-tax discount rate used in 2017 (in %)	11.9	15.6	11.0	16.3

Once recognized, impairment losses for goodwill are not reversed.

There was no impairment charge recognized with respect to goodwill following the Company's impairment test as of October 1, 2018. The total value in use calculated for all GCGUs increased overall in 2018 as compared to 2017. The Company recognized a 18 and 16 impairment loss in connection with the sale of the Votorantim remedies (see note 2.3.1.) and the intended sale of the Ilva remedies (see note 2.3.2.).

In validating the value in use determined for the GCGUs, the Company performed a sensitivity analysis of key assumptions used in the discounted cash-flow model (such as discount rates, average selling prices, shipments and terminal growth rate).

In 2017, the following changes in key assumptions in projected earnings in every year of initial five-year period and perpetuity, at the GCGU level, assuming unchanged values for the other assumptions, would have caused the recoverable amount to equal respective carrying value as of the impairment test date (i.e.: October 31, 2017).

	2017	
	ACIS	Brazil
Excess of recoverable amount over carrying amount	272	1,307
Increase in pre-tax discount rate (change in basis points)	72	140
Decrease in average selling price (change in %)	0.49	1.37
Decrease in shipments (change in %)	2.16	4.11

In 2018, given the overall increase in value in use, the Company did not identify any reasonably possible change in key assumptions which could cause an impairment loss to be recognized.

Impairment test of property, plant and equipment

At each reporting date, ArcelorMittal reviews the carrying amounts of its intangible assets (excluding goodwill) and tangible assets 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 estimating 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, 2018, the Company determined it has 61 cash-generating units.

An impairment loss, related to intangible assets other than goodwill and tangible assets 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.

Impairment charges relating to property, plant and equipment were as follows for the years ended December 31, 2018, 2017 and 2016:

2018

In 2018, the Company recognized a total impairment charge related to property, plant and equipment of 960 including 872 in connection with the intended sale of the Ilva remedies (see note 2.3.2) and 68 in relation to the sale of the Votorantim remedies (see note 2.3.1).

2017

In 2017, the Company recognized a total impairment charge related to property, plant and equipment in AMSA (ACIS) amounting to 206.

During the six months ended June 30, 2017, management performed a test for impairment relating to the Long Carbon cash-generating unit of ArcelorMittal South Africa as a result of a downward revision of cash flow projections. Accordingly, the Company recognized an impairment charge of 46 consisting of the following:

Cash-Generating Unit	Country	Operating Segment	Impairment Recorded	2017 Pre-Tax Discount Rate	2016 Pre-Tax Discount Rate	Carrying amount of property, plant and equipment as of June 30, 2017
Long Steel Products	South Africa	ACIS	46	17.12%	16.63%	325

In connection with management's annual test for impairment of goodwill, property, plant and equipment was also tested for impairment at that date. As of December 31, 2017, the Company concluded that the value in use of property, plant and equipment in AMSA was lower than its carrying amount in the context of the appreciation of the rand against U.S. dollar and the uncertainties about demand outlook. Accordingly, the Company recognized a total impairment charge of 160 consisting mainly of the following:

Cash-Generating Unit	Country	Operating Segment	Impairment Recorded	2017 Pre-Tax Discount Rate	2016 Pre-Tax Discount Rate	Carrying amount of property, plant and equipment as of December 31, 2017
Vanderbijlpark facility	South Africa	ACIS	86	15.23%	14.97%	296
Long Steel Products	South Africa	ACIS	33	15.24%	15.22%	306

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

2016

In 2016, the Company recognized a total impairment charge of property, plant and equipment amounting to 205.

This charge included 49 in connection with the sale of the ArcelorMittal Zaragoza facility in Spain (Europe segment) on September 30, 2016 (see note 2.3.1).

In connection with management's annual test for impairment of goodwill as of October 31, 2016, property, plant and equipment was also tested for impairment at that date. The Company concluded that the value in use of property, plant and equipment in AMSA was lower than its carrying amount following a revised competitive outlook. Accordingly, the Company recognized a total impairment charge of 156 consisting mainly of the following:

Cash-Generating Unit	Country	Operating Segment	Impairment Recorded	2016 Pre-Tax Discount Rate	2015 Pre-Tax Discount Rate	Carrying amount of property, plant and equipment as of December 31, 2016
Vanderbijlpark facility	South Africa	ACIS	125	14.97%	14.71%	330

Note 6: Financing and financial instruments

6.1 Financial assets and liabilities

Financial assets and liabilities mainly comprise:

- fair values versus carrying amounts (see note 6.1.1)
- gross debt (see note 6.1.2)
- cash and cash equivalents, restricted cash and reconciliations of cash flows (see note 6.1.3)
- net debt (see note 6.1.4)
- derivative financial instruments (see note 6.1.5)
- other non-derivative financial assets and liabilities (see note 6.1.6)

6.1.1 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. On January 1, 2018 (the date of initial application of IFRS 9), the Company has assessed which business model applies to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of IFRS 9 requirements) is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognized at January 1, 2018 have been reclassified where appropriate.

Equity investments previously classified as available-for-sale and at cost

The Company elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale and at cost, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, on January 1, 2018, assets with a carrying amount of 1,444 and 27 were reclassified from assets available-for-sale and investments at cost, respectively, to financial assets at FVOCI.

Trade accounts receivable previously classified as loans and receivables

Trade receivables subject to TSR programs with a carrying amount of 594 were reclassified on January 1, 2018 from loans and receivables at amortized cost to financial assets at FVOCI (see note 4.3).

The main impact of the adoption of IFRS 9 relates to financial assets as the requirements for financial liabilities remained substantially unchanged from IAS 39. On the date of initial application, the Company's financial instruments were as follows, with any applicable reclassifications:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Change
Current financial assets					
Trade accounts receivable and other	Loans and receivables	Amortized cost	3,269	3,269	—
Trade accounts receivable and other subject to TSR programs	Loans and receivables	FVOCI	594	594	—
Cash and cash equivalents	Loans and receivables	Amortized cost	2,574	2,574	—
Restricted cash	Loans and receivables	Amortized cost	212	212	—
Prepaid expenses and other current assets	Loans and receivables	Amortized cost	574	574	—
Derivatives	Fair value recognized in profit or loss	Fair value recognized in profit or loss	87	87	—
Non-current financial assets					
Other assets	Loans and receivables	Amortized cost	834	834	—
Other investments	Available-for-sale	FVOCI	1,444	1,444	—
Other investments	Investments at cost	FVOCI	27	27	—
Derivatives	Fair value recognized in profit or loss	Fair value recognized in profit or loss	989	989	—

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

The following tables summarize assets and liabilities based on their categories.

	December 31, 2018					
	Carrying amount in the consolidated statements of financial position	Non-financial assets and liabilities	Assets/ Liabilities at amortized cost	Fair value recognized in profit or loss	Fair value recognized in OCI	Derivatives
ASSETS						
Current assets:						
Cash and cash equivalents	2,172	—	2,172	—	—	—
Restricted cash	182	—	182	—	—	—
Trade accounts receivable and other	4,432	—	3,957	—	475	—
Inventories	20,744	20,744	—	—	—	—
Prepaid expenses and other current assets	2,834	1,405	812	—	—	617
Assets held for sale	2,111	2,111	—	—	—	—
Total current assets	32,475	24,260	7,123	—	475	617
Non-current assets:						
Goodwill and intangible assets	5,728	5,728	—	—	—	—
Property, plant and equipment and biological assets	35,638	35,589	—	49	—	—
Investments in associates and joint ventures	4,906	4,906	—	—	—	—
Other investments	855	—	—	—	855	—
Deferred tax assets	8,287	8,287	—	—	—	—
Other assets	3,360	526	1,188	1,037	—	609
Total non-current assets	58,774	55,036	1,188	1,086	855	609
Total assets	91,249	79,296	8,311	1,086	1,330	1,226
LIABILITIES AND EQUITY						
Current liabilities:						
Short-term debt and current portion of long-term debt	3,167	—	3,167	—	—	—
Trade accounts payable and other	13,981	—	13,981	—	—	—
Short-term provisions	539	528	11	—	—	—
Accrued expenses and other liabilities	4,709	1,212	3,307	—	—	190
Income tax liabilities	238	238	—	—	—	—
Liabilities held for sale	821	821	—	—	—	—
Total current liabilities	23,455	2,799	20,466	—	—	190
Non-current liabilities:						
Long-term debt, net of current portion	9,316	—	9,316	—	—	—
Deferred tax liabilities	2,374	2,374	—	—	—	—
Deferred employee benefits	6,982	6,982	—	—	—	—
Long-term provisions	1,995	1,984	11	—	—	—
Other long-term obligations	3,019	457	1,854	—	—	708
Total non-current liabilities	23,686	11,797	11,181	—	—	708
Equity:						
Equity attributable to the equity holders of the parent	42,086	42,086	—	—	—	—
Non-controlling interests	2,022	2,022	—	—	—	—
Total equity	44,108	44,108	—	—	—	—
Total liabilities and equity	91,249	58,704	31,647	—	—	898

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

	December 31, 2017					
	Carrying amount in the consolidated statements of financial position	Non-financial assets and liabilities	Assets/ Liabilities at amortized cost	Fair value recognized in profit or loss	Available-for-sale assets	Derivatives
ASSETS						
Current assets:						
Cash and cash equivalents	2,574	—	2,574	—	—	—
Restricted cash	212	—	212	—	—	—
Trade accounts receivable and other	3,863	—	3,863	—	—	—
Inventories	17,986	17,986	—	—	—	—
Prepaid expenses and other current assets	1,931	1,270	574	—	—	87
Assets held for sale	179	179	—	—	—	—
Total current assets	26,745	19,435	7,223	—	—	87
Non-current assets:						
Goodwill and intangible assets	5,737	5,737	—	—	—	—
Property, plant and equipment and biological assets	36,971	36,935	—	36	—	—
Investments in associates and joint ventures	5,084	5,084	—	—	—	—
Other investments	1,471	—	—	—	1,471	—
Deferred tax assets	7,055	7,055	—	—	—	—
Other assets	2,234	411	834	—	—	989
Total non-current assets	58,552	55,222	834	36	1,471	989
Total assets	85,297	74,657	8,057	36	1,471	1,076
LIABILITIES AND EQUITY						
Current liabilities:						
Short-term debt and current portion of long-term debt	2,785	—	2,785	—	—	—
Trade accounts payable and other	13,428	—	13,428	—	—	—
Short-term provisions	410	394	16	—	—	—
Accrued expenses and other liabilities	4,505	1,080	3,100	—	—	325
Income tax liabilities	232	232	—	—	—	—
Liabilities held for sale	50	50	—	—	—	—
Total current liabilities	21,410	1,756	19,329	—	—	325
Non-current liabilities:						
Long-term debt, net of current portion	10,143	—	10,143	—	—	—
Deferred tax liabilities	2,684	2,684	—	—	—	—
Deferred employee benefits	7,630	7,630	—	—	—	—
Long-term provisions	1,612	1,612	—	—	—	—
Other long-term obligations	963	204	415	—	—	344
Total non-current liabilities	23,032	12,130	10,558	—	—	344
Equity:						
Equity attributable to the equity holders of the parent	38,789	38,789	—	—	—	—
Non-controlling interests	2,066	2,066	—	—	—	—
Total equity	40,855	40,855	—	—	—	—
Total liabilities and equity	85,297	54,741	29,887	—	—	669

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured at fair value have been classified into three levels based upon a fair value hierarchy that reflects

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

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 that the entity can access at the measurement date;

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

The following tables summarize the bases used to measure certain Financial assets and Financial liabilities at their fair value on recurring basis.

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Investments in equity instruments at FVOCI	793	—	62	855
Trade accounts receivable and other subject to TSR programs*	—	—	475	475
Derivative financial current assets	—	617	—	617
Derivative financial non-current assets	—	126	483	609
Total assets at fair value	793	743	1,020	2,556
Liabilities at fair value:				
Derivative financial current liabilities	—	75	115	190
Derivative financial non-current liabilities	—	131	577	708
Total liabilities at fair value	—	206	692	898

*The fair value of TSR program receivables equals carrying amount due to the short time frame between the initial recognition and time of sale.

As of December 31, 2017

	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets	1,444	—	—	1,444
Derivative financial current assets	—	87	—	87
Derivative financial non-current assets	—	5	984	989
Total assets at fair value	1,444	92	984	2,520
Liabilities at fair value:				
Derivative financial current liabilities	—	247	78	325
Derivative financial non-current liabilities	—	158	186	344
Total liabilities at fair value	—	405	264	669

Investments in equity instruments at FVOCI classified as Level 1 refer to listed securities quoted in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. 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 decrease in investments in equity instruments at FVOCI in 2018 is mainly related to the decrease in the share price of Erdemir and China Oriental.

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates, foreign exchange rates, raw materials (base metals), freight, energy and emission rights, see note 6.1.5 for further information.

Derivative financial assets and liabilities classified as Level 3 are described in note 6.1.5.

6.1.2 Gross debt

Gross debt includes bank debt, debenture loans and finance lease obligations and is 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.

6.1.2.1 Short-term debt

Short-term debt, including the current portion of long-term debt, consisted of the following:

	December 31,	
	2018	2017
Short-term bank loans and other credit facilities including commercial paper [1]	1,968	1,735
Current portion of long-term debt	1,130	976
Lease obligations	69	74
Total	3,167	2,785

1. The weighted average interest rate on short-term borrowings outstanding was 1.3% and 3.1% as of December 31, 2018 and 2017, respectively.

In 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2016, 2017 and 2018. As of December 31, 2018, the facilities, totaling approximately 0.9 billion, remain fully available.

On January 16, 2018, the Company entered into a fully drawn bilateral term loan due July 16, 2018, for an amount of €400 million (466). The bilateral term loan was fully repaid at maturity on July 16, 2018.

On August 10, 2018, the Company entered into a €300 million (344) term loan with a financial institution maturing on April 30, 2019.

On December 18, 2018, ArcelorMittal entered into an agreement for financing with a financial institution for net proceeds of CAD 292 million (214) with repayment over several dates in 2019 and 2020. As of December 31, 2018, CAD 295 million (216) was outstanding.

Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1.5 billion. As of December 31, 2018 and 2017, the outstanding amount was 1,295 and 1,125, respectively.

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

6.1.2.2 Long-term debt

Long-term debt is comprised of the following:

	Year of maturity	Type of Interest	Interest rate[1]	December 31, 2018	2017
Corporate					
5.5 billion Revolving Credit Facility	2023	Floating		—	—
€500 million Unsecured Notes[2]	2018	Fixed	5.75%	—	400
€400 million Unsecured Notes[3]	2018	Floating	1.70%	—	480
€750 million Unsecured Notes	2019	Fixed	3.00%	858	897
500 Unsecured Notes	2020	Fixed	5.13%	324	323
CHF 225 million Unsecured Notes	2020	Fixed	2.50%	228	230
€600 million Unsecured Notes	2020	Fixed	2.88%	685	715
1.0 billion Unsecured Bonds	2020	Fixed	5.25%	623	622
1.5 billion Unsecured Notes	2021	Fixed	5.50%	754	753
€500 million Unsecured Notes	2021	Fixed	3.00%	570	597
€750 million Unsecured Notes	2022	Fixed	3.13%	856	895
1.1 billion Unsecured Notes[4]	2022	Fixed	6.25%	656	655
€500 million Unsecured Notes	2023	Fixed	0.95%	568	593
500 Unsecured Notes	2025	Fixed	6.13%	497	497
1.5 billion Unsecured Bonds[4]	2039	Fixed	7.00%	670	1,092
1.0 billion Unsecured Notes[4]	2041	Fixed	6.75%	428	619
Other loans	2019-2021	Fixed	1.25% - 3.46%	114	53
EIB loan	2025	Fixed	1.16%	401	420
7 billion Term Facility	2020	Floating	3.31%	1,000	—
Other loans	2019 - 2035	Floating	0.0% - 5.03%	639	672
Total Corporate				9,871	10,513
Americas					
Other loans	2019 - 2025	Fixed/Floating	2.25% - 10.00%	84	107
Total Americas				84	107
Europe, Asia & Africa					
EBRD Facility	2024	Floating	4.77% - 5.07%	50	—
Other loans	2019 - 2029	Fixed/Floating	0.00% - 2.62%	86	85
Total Europe, Asia & Africa				136	85
Total				10,091	10,705
Less current portion of long-term debt				(1,130)	(976)
Total long-term debt (excluding lease obligations)				8,961	9,729
Long-term lease obligations[5]				355	414
Total long-term debt, net of current portion				9,316	10,143

1. Rates applicable to balances outstanding at December 31, 2018, including the effect of step-downs following rating changes. For debt that has been redeemed in its entirety during 2018, the interest rates refer to the rates at repayment date.
2. Amount outstanding was repaid at the original maturity, March 29, 2018.
3. Amount outstanding was repaid at the original maturity, April 9, 2018.
4. Bonds or Notes partially repurchased on August 22, 2018 and September 6, 2018, pursuant to cash tender offer.
5. Net of current portion of 69 and 74 as of 2018 and 2017, respectively.

Corporate

5.5 billion Revolving Credit Facility

On December 19, 2018, ArcelorMittal signed an agreement for a $5.5 billion revolving credit facility (the "Facility"). This Facility amends and restates the $5.5 billion revolving credit facility dated April 30, 2015 and which was amended and extended on December 21, 2016. The new agreement incorporates a single tranche of $5.5 billion maturing on December 19, 2023. The Facility may be used for general

corporate purposes. As of December 31, 2018, the $5.5 billion revolving credit facility was fully available.The Company makes drawdowns from and repayments on this Facility in the framework of its cash management.

Bonds

On March 29, 2018, at maturity, ArcelorMittal repaid the €334 million (411) principal amount that remained outstanding, following the cash tender offers in April 2016 of its €500 million 4.5% unsecured bonds.

On April 9, 2018, at maturity, ArcelorMittal repaid its €400 million (491) 2018 Floating Rate Notes.

On August 7, 2018, pursuant to cash tender offers and financed with existing cash and liquidity, ArcelorMittal purchased:

- 195 of its U.S. dollar denominated 6.75% Notes due March 1, 2041 (the "USD 2041 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 224. Following this purchase, 434 principal amount of the USD 2041 Notes remained outstanding.
- 432 of its U.S. dollar denominated 7.00% Notes due October 15, 2039 (the "2039 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 505. Following this purchase, 686 principal amount of the USD 2039 Notes remained outstanding.

As a result of the above mentioned early redemptions, net financing costs for the year ended December 31, 2018 included 104 of premiums.

On January 17, 2019, ArcelorMittal issued €750 million (854) 2.25% Notes due 2024. The Notes were issued under ArcelorMittal's €10 billion wholesale Euro Medium Term Notes Program.

The margin applicable to ArcelorMittal's principal credit facilities ($5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings. The following table provides details of the outstanding bonds on maturity, the original coupons and the current interest rates for the bonds impacted by changes in the long-term credit rating:

Nominal value	Date of issuance	Repayment date	Original/Current interest rate[1]	Issued at
€750 million Unsecured Notes	Mar 25, 2014	Mar 25, 2019	3.00%	99.65%
500 million Unsecured Notes	Jun 1, 2015	Jun 1, 2020	5.13%	100.00%
CHF 225 million Unsecured Notes	Jul 3, 2015	Jul 3, 2020	2.50%	100.00%
€600 million Unsecured Notes	Jul 4, 2014	Jul 6, 2020	2.88%	99.18%
1.0 billion Unsecured Bonds	Aug 5, 2010	Aug 5, 2020	5.25%	98.46%
1.5 billion Unsecured Notes	Mar 7, 2011	Mar 1, 2021	5.50%	99.36%
€500 million Unsecured Notes	Apr 9, 2015	Apr 9, 2021	3.00%	99.55%
€750 million Unsecured Notes	Jan 14, 2015	Jan 14, 2022	3.13%	99.73%
1.1 billion Unsecured Notes	Feb 28, 2012	Feb 25, 2022	6.25%	98.28%
€500 million Unsecured Notes	Dec 4, 2017	Jan 17, 2023	0.95%	99.38%
500 million Unsecured Notes	Jun 1, 2015	Jun 1, 2025	6.13%	100.00%
1.0 billion Unsecured Bonds	Oct 8, 2009	Oct 15, 2039	7.00%	95.20%
500 million Unsecured Bonds	Aug 5, 2010	Oct 15, 2039	7.00%	104.84%
1.0 billion Unsecured Notes	Mar 7, 2011	Mar 1, 2041	6.75%	99.18%

1. Rates applicable at December 31, 2018.

European Investment Bank ("EIB") Loan

On December 16, 2016, ArcelorMittal signed a €350 million finance contract with the European Investment Bank in order to finance European research, development and innovation projects over the period 2017-2020 within the European Union, namely predominantly France, Belgium and Spain, but also in Czech Republic, Poland, Luxembourg and Romania. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2018, €350 million (401) was fully drawn.

Other loans

On November 20, 2018, ArcelorMittal entered into a 7 billion term facility agreement with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the joint venture through which the Company

expects jointly to own and operate ESIL in partnership with Nippon Steel & Sumitomo Metal Corporation (the "Joint Venture"). Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The Term Facilities Agreement includes the same Leverage Ratio financial covenant as that included in the Company's 5.5 billion revolving credit facility. The Term Facilities Agreement is also subject to certain mandatory prepayment events, including the use of proceeds from debt capital market issuances by the Group or capital raising by the JV group and certain disposals, in each case above 1 billion.

On May 14, 2018, ArcelorMittal entered into a term facility agreement in the amount of 1 billion to make a payment to the financial creditors of Uttam Galva and KSS Petron to clear overdue debts in order that the offer the Company submitted for ESIL on April 2, 2018 would be eligible and considered by ESIL's Committee of Creditors. The facility was drawn on May 14, 2018 in connection with the payment and was repaid on November 29, 2018 via a drawing under the above-referenced 7 billion term facility.

Other loans relate to various debt with banks and public institutions.

On October 9, 2017, ArcelorMittal completed the offering of €300 million (344) variable rate loan in the German Schuldschein market. The proceeds of the issuance were used to repay or prepay existing indebtedness.

Americas

1 billion senior secured asset-based revolving credit facility

On May 23, 2016, ArcelorMittal USA LLC signed a 1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. Borrowings under the facility are secured by inventory and certain other working capital and related assets of ArcelorMittal USA and certain of its subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, the facility is fully available.

Other loans

Other loans relate mainly to loans contracted by ArcelorMittal Brazil with different counterparties.

Europe, Asia and Africa

On December 21, 2017, ArcelorMittal Kryvyi Rih entered into a 175 loan agreement with the European Bank for Reconstruction and Development in order to support the upgrade of its production facilities, energy efficiency improvement and environmental impact reduction. The loan agreement also provides for an additional 175 in loan facilities which are currently uncommitted. As of December 31, 2018, 50 was drawn under the agreement and the remainder remains fully available.

On May 25, 2017, ArcelorMittal South Africa signed a 4.5 billion South African rand revolving borrowing base finance facility maturing on May 25, 2020. Any borrowings under the facility are secured by certain eligible inventory and receivables, as well as certain other working capital and related assets of ArcelorMittal South Africa. The facility is used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, 0.3 billion South African rand (21) was drawn.

Other loans

Other loans mainly relate to loans contracted by ArcelorMittal in Spain with different counterparties.

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 the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

Hedge of net investments

As of April 1, 2018, the Company designated a portfolio of euro denominated debt (€5,169 million as of December 31, 2018) as a hedge of certain euro denominated investments (€7,804 million as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries' net assets. The risk arises from the fluctuation in spot exchange rates between the U.S. dollar and euro, which causes the amount of the net investments to vary. The hedged risk in the hedge of net investments is a risk of a weakening euro against the U.S. dollar that will result in a reduction in the carrying amount of the Company's net investments in the subsidiaries subject to the hedge. The euro denominated debt is designated as a hedging instrument for the change in the value of the net investments that is attributable to changes in the euro/U.S. dollar spot rate.

To assess the hedge effectiveness, the Company determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt portfolio that are attributable to a change in the spot rate with changes in the net investments in the foreign operations due to movements in the spot rate.

As of December 31, 2018, the Company recognized 474 foreign exchange gains arising on the translation of the euro denominated debt designated as a hedge of the euro

denominated net investments in foreign operations in other comprehensive income within the foreign exchange translation reserve.

As of December 31, 2018 the scheduled maturities of short-term debt, long-term debt and long-term lease obligations, including their current portion are as follows:

Year of maturity	Amount
2019	3,167
2020	3,163
2021	1,769
2022	1,690
2023	808
Subsequent years	1,886
Total	12,483

The carrying amount and the estimated fair value of the Company's short and long-term debt is:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Instruments payable bearing interest at fixed rates	8,692	9,078	9,862	11,084
Instruments payable bearing interest at variable rates	1,823	1,759	1,331	1,301
Total long-term debt, including current portion	10,515	10,837	11,193	12,385
Short term bank loans and other credit facilities including commercial paper	1,968	1,967	1,735	1,731

The following tables summarize the Company's bases used to estimate its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

As of December 31, 2018	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	8,692	8,029	1,049	—	9,078
Instruments payable bearing interest at variable rates	1,823	—	1,759	—	1,759
Total long-term debt, including current portion	10,515	8,029	2,808	—	10,837
Short term bank loans and other credit facilities including commercial paper	1,968	—	1,967	—	1,967

As of December 31, 2017	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	9,862	9,946	1,138	—	11,084
Instruments payable bearing interest at variable rates	1,331	481	820	—	1,301
Total long-term debt, including current portion	11,193	10,427	1,958	—	12,385
Short term bank loans and other credit facilities including commercial paper	1,735	—	1,731	—	1,731

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. The fair value of the debt is based on estimated future cash flows converted into U.S. dollar at the forward rate and discounted using current U.S. dollar zero coupon rates and ArcelorMittal's credit spread quotations for the relevant maturities.

There were no instruments payable classified as Level 3.

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

6.1.3 Cash and cash equivalents, restricted cash and reconciliations of cash flows

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.

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 and the United States, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralized. Other subsidiaries which may hold significant cash balances, include those in Brazil, Canada, India, Kazakhstan, South Africa and Ukraine. 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.

Cash and cash equivalents consisted of the following:

	December 31,	
	2018	2017
Cash at bank	1,832	1,701
Term deposits	283	297
Money market funds[1]	57	576
Total	2,172	2,574

1. Money market funds are highly liquid investments with a maturity of 3 months or less from the date of acquisition.

Restricted cash represents cash and cash equivalents not readily available to the Company, mainly related to insurance deposits, cash accounts in connection with environmental obligations and true sale of receivables programs, as well as 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.

Restricted cash of 182 as of December 31, 2018 included 103 relating to various environmental obligations and true sales of receivables programs in ArcelorMittal South Africa. Restricted cash included 20 and 75 in connection with the mandatory convertible bonds as of December 31, 2018 and December 31, 2017, respectively (see note 10.2).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company's consolidated statements of cash flows from financing activities.

	Long-term debt, net of current portion	Short-term debt and current portion of long term debt
Balance as of December 31, 2016	11,789	1,885
Proceeds from long-term debt	1,407	—
Payments of long-term debt	(2,691)	—
Amortized cost	19	22
Unrealized foreign exchange effects	589	190
Proceeds from short-term debt	—	1,859
Payments of short-term debt[1]	—	(2,164)
Current portion of long-term debt	(976)	976
Other movements[2]	6	17
Balance as of December 31, 2017 (note 6.1.2)	10,143	2,785
Proceeds from long-term debt	1,138	—
Payments of long-term debt	(798)	—
Amortized cost	9	18
Unrealized foreign exchange effects	(240)	(219)
Proceeds from short-term debt	—	2,319
Payments of short-term debt[1]	—	(2,949)
Current portion of long-term debt	(1,130)	1,130
Debt acquired through business combinations	174	69
Debt classified as held for sale (2.3.2)	(77)	—
Other movements[2]	97	14
Balance as of December 31, 2018 (note 6.1.2)	9,316	3,167

1. Cash payments decreasing the outstanding liability relating to finance leases are classified under other financing activities in the Company's consolidated statements of cash flows.
2. Others movements include non-current and current obligations under finance leases.

6.1.4 Net debt

The Company monitors its net debt in order to manage its capital. The following tables present the structure of the Company's net debt by original currency at December 31, 2018 and December 31, 2017:

As of December 31, 2018	Total USD	EUR	USD	CHF	INR	CAD	Other (in USD)
Short-term debt and current portion of long-term debt	3,167	2,566	338	—	8	151	104
Long-term debt, net of current portion	9,316	3,530	5,405	228	—	69	84
Cash and cash equivalents including restricted cash	(2,354)	(454)	(1,017)	(2)	(307)	(29)	(545)
Net debt	10,129	5,642	4,726	226	(299)	191	(357)

As of December 31, 2017	Total USD	EUR	USD	CHF	ZAR	CAD	Other (in USD)
Short-term debt and current portion of long-term debt	2,785	1,875	291	—	304	191	124
Long-term debt, net of current portion	10,143	4,831	5,044	230	4	1	33
Cash and cash equivalents including restricted cash	(2,786)	(724)	(1,387)	(1)	(249)	(17)	(408)
Net debt	10,142	5,982	3,948	229	59	175	(251)

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

6.1.5 Derivative financial instruments

The Company uses derivative financial instruments principally to manage its exposure to fluctuations in interest rates, exchange rates, prices of raw materials, energy and emission rights allowances arising from operating, financing and investing activities. Derivative financial instruments are classified as current or non-current assets or liabilities based on their maturity dates and are accounted for at the trade date. Embedded derivatives are separated from the host contract and accounted for separately if they are not closely related to the host contract. 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 designated and qualify for cash flow or net investment hedge accounting.

Changes in the fair value of a derivative 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 (see note 6.3 Cash flow hedges).

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 effective in offsetting changes in fair values or cash flows of hedged items. When a hedging instrument is sold, terminated, expired or 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 (see note 6.3 Net investment hedge).

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 position, risk limits and/or the characteristics of the counter-party. The Company does not generally grant to or require guarantees from its counterparties for the risks incurred. Allowing for exceptions, the Company's counterparties are part of its financial partners and the related market transactions are governed by framework agreements (mainly International Swaps and Derivatives Association agreements which allow netting only in case of counterparty default). Accordingly, derivative assets and derivative liabilities are not offset.

Derivative financial instruments classified as Level 2:

The following tables summarize this portfolio:

	December 31, 2018			
	Assets		Liabilities	
Foreign exchange rate instruments	Notional Amount	Fair Value	Notional Amount	Fair Value
Forward purchase contracts	2,005	66	1,258	(13)
Forward sale contracts	5,810	252	724	(9)
Currency swaps purchases	—	—	—	—
Currency swaps sales	—	—	1,000	(101)
Exchange option purchases	2,000	71	43	—
Exchange options sales	234	3	1,000	(35)
Total foreign exchange rate instruments		392		(158)
Raw materials (base metals), freight, energy, emission rights				
Term contracts sales	79	4	24	(6)
Term contracts purchases	1,524	347	739	(42)
Total raw materials (base metals), freight, energy, emission rights		351		(48)
Total		743		(206)

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

	December 31, 2017					
	Assets			Liabilities		
	Notional Amount	Fair Value	Average Rate [1]	Notional Amount	Fair Value	Average Rate [1]
Interest rate swaps - fixed rate borrowing/loans	6	—	0.98%		—	1.01%
Foreign exchange rate instruments						
Forward purchase contracts	586	8		3,939	(140)	
Forward sale contracts	525	17		774	(11)	
Currency swaps purchases	—	—		9	(7)	
Currency swaps sales	—	—		1,000	(157)	
Exchange option purchases	—	—		338	(7)	
Exchange options sales	—	—		319	(5)	
Total foreign exchange rate instruments		25			(327)	
Raw materials (base metals), freight, energy, emission rights						
Term contracts sales	20	1		467	(38)	
Term contracts purchases	796	65		534	(40)	
Option sales/purchases	9	1		—	—	
Total raw materials (base metals), freight, energy, emission rights		67			(78)	
Total		92			(405)	

1. The average rate is determined for fixed rate instruments on basis of the U.S. dollar and foreign currency rates and for variable rate instruments generally on basis of Euribor or Libor.

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates, foreign exchange rates, raw materials (base metals), 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 instruments classified as Level 3:

Derivative financial non-current assets classified as Level 3 refer to the call option on the 1,000 mandatory convertible bonds (see note 10.2). The fair valuation of Level 3 derivative instruments is established at each reporting date and compared to the prior period. ArcelorMittal's valuation policies for Level 3 derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

ArcelorMittal establishes the fair valuation of the call option on the 1,000 mandatory convertible bonds through the use of binomial valuation models based on the estimated values of the underlying equity spot price of $219 and volatility of 24.33%. Binomial valuation models use an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the binomial model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices of Erdemir and China Oriental, European Central Bank foreign exchange fixing rates and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available. Specifically the Company computes unobservable volatility data based mainly on the movement of Erdemir and China Oriental stock market prices observable in the active market over 90 working days, which is particularly sensitive for the valuation resulting from the model. A 10% increase or decrease in Hera Ermac share prices would result in a 28% and 26% increase and decrease of the fair value of the call option at December 31, 2018, respectively.

Derivative financial liabilities classified as Level 3 relate to a pellet purchase agreement that contains a special payment that varies according to the price of steel in the United States domestic market ("domestic steel price"). The Company concluded that this payment feature was an embedded derivative not closely related to the host contract. ArcelorMittal establishes the fair valuation of the special

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

payment by comparing the current forecasted domestic steel price to the projected domestic steel price at the inception of the contract. Observable input data includes third-party forecasted domestic steel prices. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available or not consistent with the Company's views on future prices and refer specifically to domestic steel prices beyond the timeframe of available third-party forecasts. A U.S. dollar one change per metric ton in the price of hot rolled steel would result in a U.S. dollar ten cents per metric ton change in the price of iron ore. Any significant increase in the steel price would result in a significant increase in fair value, and vice versa. As of December 31, 2018, the fair valuation of the pellet purchase agreement was based on the future average US domestic steel price of $633 per metric ton.

Derivative financial liabilities classified as Level 3 relate also to the put option granted to ISP in the context of the acquisition of Ilva (see note 2.2.4). The option exercise price is the higher of a reference operating income projection and the net present value of ISP's initial €100 million equity contribution bearing interest at a contractually agreed rate at the put option exercise date. The fair value of the put option liability is sensitive to unobservable inputs such as ArcelorMittal Italia's future cash flow projections. Observable inputs include ISP's credit rating.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the put option granted to ISP , the call option on the 1,000 mandatory convertible bonds and the fair value of the special payment included in the pellet purchase agreement:

	Put option with ISP[1]	Call option on 1,000 mandatory convertible bonds	Special payment in pellet purchase agreement	Total
Balance as of December 31, 2016	—	175	(33)	142
Change in fair value	—	809	(231)	578
Balance as of December 31, 2017	—	984	(264)	720
Change in fair value	(124)	(501)	(304)	(929)
Balance as of December 31, 2018	(124)	483	(568)	(209)

1. The change in fair value was recognized through the business combination (see note 2.2).

The fair value movement on Level 3 derivative instruments is recorded in the consolidated statements of comprehensive income. The decrease in the fair value of the call option on 1,000 mandatory convertible bonds is due to a decrease in the share price of Erdemir and China Oriental, which impacts the value of the notes in which Hera Ermac, a wholly-owned subsidiary, invested the bonds proceeds (see note 10.2).

6.1.6 Other non-derivative financial assets and liabilities

Other non-derivative financial assets and liabilities include cash and cash equivalents and restricted cash (see note 6.1.3), trade and certain other receivables (see note 4.3, 4.5 and 4.6), investments in equity instruments at FVOCI (see note 2.5), trade payables and certain other liabilities (see notes 4.7 and 4.8). These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial assets 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. Non-derivative financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expired).

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under IAS 39. The ECL model requires the Group to account for expected credit losses and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition.

In the case of investments in equity instruments at FVOCI, all fair value movements, including the difference between the acquisition cost and the current fair value are recorded in OCI and are no longer reclassified to the consolidated statements of operations. Equity investments at FVOCI are exempted from the annual impairment test under IFRS 9

because the fair value of the equity investments recorded in OCI are not recycled to Profit and Loss.

Financial assets are tested for expected credit losses annually or whenever changes in circumstances indicate that there is a change in credit risk . Any expected credit loss is recognized in the consolidated statements of operations. An expected credit loss related to financial assets is reversed if and to the extent there has been a change in the factors 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 expected credit loss had been recognized. Reversals of expected credit losses are recognized in net income except for investments in equity instruments at FVOCI, for which all fair value movements are recognized in OCI.

6.2 Financing costs - net

Financing costs - net recognized in the years ended December 31, 2018, 2017 and 2016 are as follows:

	Year ended December 31,		
	2018	2017	2016
Interest expense	(687)	(879)	(1,172)
Interest income	72	56	58
Change in fair value adjustment on call option on mandatory convertible bonds and pellet purchase agreement (note 6.1.5)	(572)	578	138
Accretion of defined benefit obligations and other long term liabilities	(349)	(353)	(435)
Net foreign exchange result	(235)	546	(3)
Other [1]	(439)	(823)	(642)
Total	(2,210)	(875)	(2,056)

1. Other mainly includes expenses related to true sale of receivables ("TSR") programs and bank fees. It also includes premiums and fees of 104 relating to the bonds early redeemed in 2018 (389 and 399 of premiums and fees relating to bonds early redeemed in 2017 and 2016, respectively). In 2017, other also includes expenses relating to the extension of the mandatory convertible bonds (see note 10.2) of 92.

6.3 Risk management policy

The Company's operations expose it to a variety of financial risks: interest rate risk, foreign exchange risk, liquidity risk and risks in fluctuations in prices of raw materials, freight and energy. The Company actively monitors and seeks to reduce volatility of these exposures through a diversity of financial instruments, where considered appropriate. The Company has formalized how it manages these risks within the Treasury and Financial Risk Management Policy, which has been approved by Management.

Capital management

The Company's objective when managing capital is to safeguard continuity, maintain a strong credit rating and healthy capital ratios to support its business and provide adequate return to shareholders through continuing growth.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirement is met through a combination of equity, bonds and other long-term and short-term borrowings.

The Company monitors capital using a gearing ratio, being the ratio of net debt as a percentage of total equity.

	December 31,	
	2018	2017
Total equity	44,108	40,855
Net debt (including 67 cash and debt classified as held for sale as of December 31, 2018)	10,196	10,142
Gearing	23.1%	24.8%

Interest rate risk

The Company is exposed to interest rate risk on short-term and long-term floating rate instruments and on refinancing of fixed rate debt. The Company's policy is to maintain a balance of fixed and floating interest rate borrowings, which is adjusted depending on the prevailing market interest rates and outlook. As at December 31, 2018, the long-term debt was comprised of 83% fixed rate debt and 17% variable rate debt (note 6.1.2). 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 borrowing. The Company and its counterparties 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.

Foreign exchange rate risk

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. 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 an exposure to fluctuations and depreciation 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, Polish Zloty, Kazakh tenge, South African rand and Ukrainian hryvnia, 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 financial position, cash flows and 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 having a negative impact on the Company's operating margins, unless the Company is able to pass along the higher cost in the form of higher selling prices.

Following its Treasury and Financial Risk Management Policy, the Company hedges a portion of its net exposure to foreign exchange rates through forwards, options and swaps.

ArcelorMittal also faces foreign currency translation risk, which arises when ArcelorMittal translates the statements of operations of its subsidiaries, its corporate net debt (note 6.1.4) and other items denominated in currencies other than the U.S. dollar, for inclusion in the consolidated financial statements. The Company manages translation risk arising from its investments in subsidiaries by monitoring the currency mix of the consolidated statements of financial position. The Company may enter into derivative transactions to hedge the residual exposure, and currently designated an EUR/USD cross currency swap with a notional of 1,000 to hedge euro denominated net investments in foreign operations (see "—Net investment hedge").

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 associated with certain monetary assets denominated in a foreign currency other than the functional currency.

In October 2018, the Company entered into hedging programs including non deliverable forwards and non deliverable options for a nominal amount of $5.9 billion in order to hedge the volatility between Indian Rupee and U.S. dollar in relation to the proposed acquisition of ESIL.

Foreign currency sensitivity analysis

As of December 31, 2018, the Company is mainly subject to foreign exchange exposure relating to the euro, Brazilian real, Canadian dollar, Kazakhstani tenge, South African rand, Mexican peso, Polish zloty, Argentine peso and Ukranian hryvnia against the U.S. dollar resulting from its trade payables and receivables.

	December 31, 2018	
	Trade receivables	Trade payables
USD	1,115	5,723
EUR	1,630	5,585
BRL	656	686
CAD	76	488
KZT	43	106
ZAR	166	424
MXN	94	96
UAH	54	129
PLN	135	323
ARS	73	—
Other (non-USD)	390	421
Total	4,432	13,981

The sensitivity analysis carried out by the Company considers the effects on its trade receivables and trade payables of a 10% increase or decrease between the relevant foreign currencies and the U.S. dollar.

	10% increase		10% decrease	
	Trade receivables	Trade payables	Trade receivables	Trade payables
EUR	1,793	6,144	1,467	5,027
BRL	722	755	590	617
CAD	84	537	68	439
KZT	47	117	39	95
ZAR	183	466	149	382
MXN	103	106	85	86
UAH	59	142	49	116
PLN	149	355	122	291
ARS	80	—	66	—

The use of a 10% sensitivity rate is used when reporting foreign currency exposure internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes trade receivables and trade payables denominated in a currency other than the U.S. dollar and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit, and a negative number a decrease in profit.

Hedge accounting policy

The Company determines the economic relationship between the hedged item and the hedging instrument by analyzing the critical terms of the hedge relationship. In case critical terms do not match and fair value changes in the hedging instrument cannot be expected to perfectly offset changes in the fair value of the hedged item, further qualitative analysis may be performed. Such analysis serves to establish whether the economic relationship is sufficiently strong to comply with the Company's risk management policies.

The hedge ratio is set out in the Company's risk management strategy and may be individually tailored for each hedging program in the risk management objective. Hedge ratios below 100% would usually be applied on hedging of forecast exposures with the hedge ratio typically reducing where there is uncertainty due to long hedging tenors or volatility in the underlying exposure.

The most frequent sources of hedge ineffectiveness relate to changes in the hedged item (such as maturity, volume and pricing indices), basis spread and significant changes in the credit risk. Such sources are analyzed at hedge initiation and monitored throughout the life of a hedge.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash. ArcelorMittal Treasury is responsible for the Company's funding and liquidity management. 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 the level of its operating subsidiaries. The Company actively manages its liquidity. Following the Company's 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 contractual maturities of the below financial liabilities include estimated loan repayments, interest payments and settlement of derivatives, excluding any impact of netting agreements. The cash flows are calculated based on market data as of December 31, 2018, and as such are sensitive to movements in mainly forex exchange rates and interest rates. The cash flows are non-discounted, except for derivative financial liabilities where the cash flows equal their fair values.

	December 31, 2018					
	Carrying amount	Contractual Cash Flow	2019	2020	from 2021 to 2023	After 2023
Non-derivative financial liabilities						
Bonds	(7,807)	(10,277)	(1,200)	(2,166)	(3,898)	(3,013)
Loans over 100	(2,322)	(2,505)	(639)	(1,153)	(629)	(84)
Trade and other payables	(13,981)	(13,999)	(13,999)	—	—	—
Other loans	(2,354)	(2,456)	(1,783)	(228)	(310)	(135)
Total	(26,464)	(29,237)	(17,621)	(3,547)	(4,837)	(3,232)
Derivative financial liabilities						
Equity contracts (Put options)	(124)	(124)	—	—	(124)	—
Foreign exchange contracts	(158)	(158)	(52)	(41)	(3)	(62)
Other commodities contracts[1]	(616)	(616)	(138)	(148)	(217)	(113)
Total	(898)	(898)	(190)	(189)	(344)	(175)

1. Commodity contracts include base metals, freight, energy and emission rights.

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

	December 31, 2017					
	Carrying amount	Contractual Cash Flow	2018	2019	from 2020 to 2022	After 2022
Non-derivative financial liabilities						
Bonds	(9,458)	(13,514)	(1,309)	(1,306)	(5,658)	(5,241)
Loans over 100	(1,371)	(1,546)	(549)	(118)	(676)	(203)
Trade and other payables	(13,428)	(13,448)	(13,448)	—	—	—
Other loans	(2,099)	(2,232)	(1,444)	(263)	(258)	(267)
Total	(26,356)	(30,740)	(16,750)	(1,687)	(6,592)	(5,711)
Derivative financial liabilities						
Foreign exchange contracts	(327)	(327)	(170)	—	(64)	(93)
Other commodities contracts[1]	(342)	(342)	(156)	(37)	(68)	(81)
Total	(669)	(669)	(326)	(37)	(132)	(174)

1. Commodity contracts include base metals, freight, energy and emission rights.

The sensitivity analysis carried out by the Company considers the effects on its trade receivables and trade payables of a 10% increase or decrease between the relevant foreign currencies and the U.S. dollar.

The use of a 10% sensitivity rate is used when reporting foreign currency exposure internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes trade receivables and trade payables denominated in a currency other than the U.S. dollar and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit, and a negative number a decrease in profit.

Cash flow hedges

The following tables present the periods in which the derivatives designated as cash flows hedges are expected to mature:

	December 31, 2018					
	Assets/ (liabilities)	(Outflows)/inflows				
	Fair value	3 months and less	3-6 months	6-12 months	2020	After 2020
Foreign exchange contracts	329	329	4	—	(1)	(3)
Commodities	(20)	(8)	(1)	—	(3)	(8)
Emission rights	317	—	—	206	111	—
Total	626	321	3	206	107	(11)

	December 31, 2017					
	Assets/ (liabilities)	(Outflows)/inflows				
	Fair value	3 months and less	3-6 months	6-12 months	2019	After 2019
Foreign exchange contracts	(118)	(83)	(25)	(10)	—	—
Commodities	20	9	4	6	1	—
Emission rights	(37)	—	—	(37)	—	—
Total	(135)	(74)	(21)	(41)	1	—

Associated gains 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 the realized and unrealized gains or losses on derivatives designated as cash flows hedges recognized in other comprehensive income, net of tax, are expected to impact the consolidated statements of operations:

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

	December 31, 2018					
	Assets/ (liabilities)	(Expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	2020	After 2020
Foreign exchange contracts	4	—	—	4	—	—
Commodity contracts	(390)	(34)	(32)	(59)	(115)	(150)
Emission rights	778	46	47	93	87	505
Total	392	12	15	38	(28)	355

	December 31, 2017					
	Assets/ (liabilities)	(Expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	2019	After 2019
Foreign exchange contracts	(141)	(95)	(26)	(20)	—	—
Commodity contracts	19	9	4	5	1	—
Emission rights	84	—	—	7	33	44
Total	(38)	(86)	(22)	(8)	34	44

The following tables summarize the effect of hedge accounting on ArcelorMittal's consolidated statement of financial position, statement of comprehensive income and statement of changes in equity.

	December 31, 2018					
Hedging Instruments	Nominal amount of the hedging instrument	Assets carrying amount	Liabilities carrying amount	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculated hedge ineffectiveness	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
Cash flow hedges						
Foreign exchange risk - Option/Forward contracts	7,465	332	—	Prepaid expenses and other current assets	—	n/a
Price risk - Commodities forwards	350	—	(124)	Accrued expenses and other liabilities	—	n/a
Price risk - Commodities forwards	491	—	(454)	Other long-term obligations	—	n/a
Price risk - Energy forwards	765	—	(9)	Other long-term obligations	—	n/a
Price risk - Emission rights forwards	1,091	205	—	Prepaid expenses and other current assets	(1)	Financing costs - net
Price risk - Emission rights forwards	79	112	—	Other assets	—	n/a
Total	10,241	649	(587)		(1)	

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

	December 31, 2018			
Hedging Instruments	Hedging gains or losses of the reporting period that were recognized in OCI	Change in value used for calculating hedge ineffectiveness for 2018	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	Cash flow hedge reserve
Cash flow hedges				
Foreign exchange risk - Option/Forward contracts	469	—	n/a	282
Price risk - Commodities forwards	(28)	—	n/a	(9)
Price risk - Energy forwards	(9)	—	n/a	(9)
Price risk - Emission rights forwards	694	(1)	Financing costs - net	778
Total	1,126	(1)		1,042

	December 31, 2017					
Hedging Instruments	Nominal amount of the hedging instrument	Assets carrying amount	Liabilities carrying amount	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculated hedge ineffectiveness	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness
Cash flow hedges						
Foreign exchange risk - Option contracts	4,460	—	(113)	Accrued expenses and other liabilities	—	n/a
Price risk - Option/ Commodities forwards	317	—	(23)	Accrued expenses and other liabilities	—	n/a
Price risk - Emission rights forwards	484	—	(37)	Accrued expenses and other liabilities	(2)	Financing costs - net
Total	5,261	—	(173)		(2)	

	December 31, 2017			
Hedging Instruments	Hedging gains or losses of the reporting period that were recognized in OCI	Change in value used for calculating hedge ineffectiveness for 2017	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	Cash flow hedge reserve
Cash flow hedges				
Foreign exchange risk - Option contracts	(198)	—	n/a	(141)
Price risk - Commodities forwards	(1)	—	n/a	18
Price risk - Emission rights forwards	62	(2)	Financing costs - net	84
Total	(137)	(2)		(39)

Net investment hedge

In December 2014, the Company entered into euro/U.S. dollar cross currency swaps ("CCS") to hedge an euro denominated net investment in foreign operations amounting to €303 million, and designated them as a net investment hedge. The euro/U.S. dollar CCS with a notional of 375 were unwound on January 14, 2016. A deferred gain of 83, net of a deferred tax expense of 24, will be recycled to the consolidated statements of operations when the hedged assets are disposed of.

On May 27, 2015, the Company entered into additional euro/U.S. dollar CCS with a notional of 1,000 to hedge an euro denominated net investment in foreign operations amounting to €918 million, and designated them as a net investment hedge. As of December 31, 2018 and 2017, the euro/U.S. dollar CCS have a fair value loss of 101, net of a deferred tax of 28, and a fair value loss of 157, net of a deferred tax of 44, respectively. Fair value movements have been recorded in the consolidated statements of other comprehensive income. The fair value of the CCS is included in other long-term obligations in the consolidated statements of financial position. The CCS is categorized as Level 2.

As of April 1, 2018, the Company designated a portfolio of euro denominated debt (€5,169 million as of December 31, 2018) as a hedge of certain euro denominated investments (€7,804 million as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries net assets. The risk arises from the fluctuation of the euro/U.S dollar spot rate, which causes the amount of the net investments to vary. The euro denominated debt is designated as hedging instrument for the change in the value of the net investments that is attributable to changes in the euro/U.S dollar spot rate. As of December 31, 2018, the Company recognized 474 foreign exchange gains arising on the translation of the euro denominated debt designated as a hedge of the euro denominated net investments in foreign operations in other comprehensive income within the foreign exchange translation reserve. The hedge is categorized as Level 2.

Hedging instruments in net investment hedges are as follows:

					December 31, 2018
Derivatives	Notional amount	Date traded	Fair value at December 31, 2017	Change in fair value	Fair value as of December 31, 2018[1]
CCS 5Y	500	May 27, 2015	(64)	29	(35)
CCS 10Y	300	May 27, 2015	(56)	17	(39)
CCS 10Y	160	May 27, 2015	(30)	9	(21)
CCS 10Y	40	May 27, 2015	(7)	1	(6)
Total	1,000		(157)	56	(101)

1. The net investment hedges were fully effective. As such, the change in fair value is entirely recorded in other comprehensive income.

							December 31, 2018
Hedging Instruments	Nominal amount of the hedging instrument	Assets carrying amount	Liabilities carrying amount	Line item in the statement of financial position where the hedging instrument is located	Change in value used for calculating hedge ineffectiveness for 2018	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	Cash flow hedge reserve
Net investment hedges							
Foreign exchange risk - Cross Currency Swap	1,000	—	(101)	Other long-term obligations	—	n/a	28
Foreign exchange risk - EUR debt	5,931	—	(5,918)	Short-term debt and current portion of long-term debt; long-term debt, net of current portion	—	n/a	474
Total	6,931	—	(6,019)		—		502

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

			December 31, 2017		
Derivatives	Notional amount	Date traded	Fair value at December 31, 2016	Change in fair value	Fair value as of December 31, 2017[1]
CCS 5Y	500	May 27, 2015	3	(67)	(64)
CCS 10Y	300	May 27, 2015	(14)	(42)	(56)
CCS 10Y	160	May 27, 2015	(8)	(22)	(30)
CCS 10Y	40	May 27, 2015	(2)	(5)	(7)
Total	1,000		(21)	(136)	(157)

1. The net investment hedges were fully effective. As such, the change in fair value is entirely recorded in other comprehensive income.

					December 31, 2017		
Hedging Instrument	Nominal amount of the hedging instrument	Assets carrying amount	Liabilities carrying amount	Line item in the statement of financial position in which the hedged item is located	Change in value used for calculating hedge ineffectiveness for 2017	Line item in the statement of comprehensive income that includes the recognized hedge ineffectiveness	Cash flow hedge reserve
Net investment hedge							
Foreign exchange risk - Cross Currency Swap	1,000	—	(157)	Other long-term obligations	—	n/a	(56)
Total	1,000	—	(157)		—		(56)

Raw materials, freight, energy risks and emission rights

The Company is exposed to risks in fluctuations in prices of raw materials (including base metals such as zinc, nickel, aluminum, tin, copper and iron ore), freight and energy, both through the purchase of raw materials and through sales contracts. The Company uses financial instruments such as forward purchases or sales, options and swaps in order to manage the volatility of prices of certain raw materials, freight and energy.

Fair values of raw material, freight, energy and emission rights instruments categorized as Level 2 are as follows:

	December 31,	
	2018	2017
Base metals	(9)	26
Freight	—	—
Energy (oil, gas, electricity)	(5)	—
Emission rights	317	(37)
Total	303	(11)
Derivative assets associated with raw materials, energy, freight and emission rights	351	67
Derivative liabilities associated with raw materials, energy, freight and emission rights	(48)	(78)
Total	303	(11)

ArcelorMittal consumes large amounts of raw materials (the prices of which are related to the London Metals Exchange price index, the Steel Index and Platts Index), ocean freight (the price of which is related to a Baltic Exchange Index), and energy (the prices of which are mainly related to the New York Mercantile Exchange energy index (NYMEX), the European Energy Exchange (EEX) power indexes, the powernext gas indexes). 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 contracts. In accordance with its risk management policy, ArcelorMittal hedges a part of its exposure related to raw materials procurements.

Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, as amended by the European Directive 2009/29/EC of April 23, 2009, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (mainly forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2018 and 2017, the Company had a net notional position of 1,170 with a net positive fair value of 317 and a net notional position of 484 with a net negative fair value of 37, 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 are discussed in note 4.3.

Sensitivity analysis

Foreign currency sensitivity

The following tables detail the Company's derivative financial instruments' sensitivity to a 10% strengthening and a 10% weakening in the U.S. dollar against the euro. 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.

The sensitivity analysis includes the Company's complete portfolio of foreign currency derivatives outstanding. The impact on the non €/$ derivatives reflects the estimated move of such currency pairs, when the U.S. dollar appreciates or depreciates 10% against the euro, based on computations of correlations in the foreign exchange markets in 2018 and 2017.

	December 31, 2018	
	Income	Other Equity
10% strengthening in U.S. dollar	132	(422)
10% weakening in U.S. dollar	(148)	674

	December 31, 2017	
	Income	Other Equity
10% strengthening in U.S. dollar	(24)	497
10% weakening in U.S. dollar	13	(511)

Cash flow sensitivity analysis for variable rate instruments

The following tables detail the Company's variable interest rate instruments' sensitivity. 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, 2018	
	Floating porting of net debt[1]	Interest Rate Swaps/ Forward Rate Agreements
100 bp increase	1	—
100 bp decrease	(1)	—

	December 31, 2017	
	Floating porting of net debt[1]	Interest Rate Swaps/ Forward Rate Agreements
100 bp increase	11	—
100 bp decrease	(11)	—

1. Please refer to note 6.1.4 for a description of net debt (including fixed and floating portion)

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

Base metals, energy, freight, emissions rights

The following tables detail 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 derivative instruments either held for trading at fair value through the consolidated statements of operations or designated in hedge accounting relationships.

	December 31, 2018	
	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices		
Base Metals	(1)	19
Iron Ore	—	1
Freight	3	—
Emission rights	—	149
Energy	—	75
-10% in prices		
Base Metals	1	(19)
Iron Ore	—	(1)
Freight	(3)	—
Emission rights	—	(149)
Energy	—	(75)

	December 31, 2017	
	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices		
Base Metals	4	30
Iron Ore	—	—
Emission rights	—	45
Energy	1	—
-10% in prices		
Base Metals	(4)	(30)
Iron Ore	—	—
Emission rights	—	(45)
Energy	(1)	—

Note 7: Personnel expenses and deferred employee benefits

7.1 Employees and key management personnel

As of December 31, 2018, 2017 and 2016, ArcelorMittal had approximately 209,000, 197,000 and 199,000 employees, respectively, and the total annual compensation of ArcelorMittal's employees in 2018, 2017 and 2016 was as follows:

	Year Ended December 31,		
Employee Information	2018	2017	2016
Wages and salaries	8,176	7,912	7,675
Pension cost (see note 7.2)	264	265	124
Loss/(gain) following new labor agreement in the U.S. (see note 7.2)	15	—	(832)
Other staff expenses	2,004	1,791	1,591
Total	10,459	9,968	8,558

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, expensed in 2018, 2017 and 2016 was as follows:

	Year Ended December 31,		
	2018	2017	2016
Base salary and directors fees	8	8	12
Short-term performance-related bonus	8	7	2
Post-employment benefits	1	1	1
Share-based compensation	4	3	2

The fair value of the stock options granted and shares allocated based on Restricted Share Unit ("RSU") and Preference Share Unit ("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, 2018, 2017 and 2016, ArcelorMittal did not have any outstanding loans or advances to members of its Board of Directors or key management personnel, and, as of December 31, 2018, 2017 and 2016, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

7.2 Deferred employee benefits

ArcelorMittal's operating subsidiaries sponsor different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits, that are principally post-retirement healthcare plans. These benefits are broken down into defined contribution plans and defined benefit plans.

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.

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 each fiscal year.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Current service cost, which is the increase of the present value of the defined benefit obligation resulting from the employee service in the current period, is recorded as an expense as part of cost of sales and selling, general and administrative expenses in the consolidated statements of operations. The net interest cost, which is the change during the period in the net defined benefit liability or asset that arises from the passage of time, is recognized as part of financing costs net in the consolidated statements of operations.

The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or a curtailment. Past service cost is recognized immediately in the consolidated statements of operations in the period in which it arises.

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 following the decision of the employee 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 that have taken or contractually agreed to take early retirement and are discounted using an interest rate that corresponds to that of high quality 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 can no longer withdraw the offer or, if earlier, when it has a detailed formal plan which 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 in the period in which they arise.

The expense associated with the above pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the consolidated statements of financial position are based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, 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 by a recognized rating agency). In countries where there is no deep market in such bonds, the market rates on government bonds are used. 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 wage rate increases for represented hourly employees.
- 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.

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Total deferred employee benefits including pension or other post-employment benefits, are as follows:

	December 31,	
	2018	2017
Pension plan benefits	3,034	3,067
Other post-employment benefits	3,600	4,140
Early retirement benefits	222	280
Defined benefit liabilities	6,856	7,487
Termination benefits	126	143
Total	6,982	7,630

The early retirement benefits and termination benefits are mainly related to European countries (Belgium, Spain, Germany and Luxembourg).

Pension plans

A summary of the significant defined benefit pension plans is as follows:

U.S.

ArcelorMittal USA's pension plan is a non-contributory defined benefit plan covering approximately 13% of its employees. Certain non-represented salaried employees hired before 2003 receive pension benefits which are determined under a "Cash Balance" formula as an account balance which grows with interest credits and allocations based on a percentage of pay. Certain wage and salaried employees represented by a union hired before November 2005 receive a monthly benefit at retirement based on a fixed rate and years of service. These plans are closed to new participants.

Represented employees hired after November 2005 and employees at locations which were acquired from International Steel Group Inc. receive defined pension benefits through a multi-employer pension plan that is accounted for as a defined contribution plan, due to the limited information made available to each of the 483 (as of December 31, 2017) different participating employers. ArcelorMittal USA's labor agreement with the United Steelworkers ("USW") on September 1, 2018 increased the contributions to the multi-employer plan to $3.50 per contributory hour from $2.80. Changes to the defined pension plan under the new labor agreement, principally for a higher monthly benefit rate for certain periods of service,

resulted in an expense of 25 recorded in cost of sales in the consolidated statements of operations in 2018

Canada

The primary pension plans are those of ArcelorMittal Dofasco, AMMIC and ArcelorMittal Long Products 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 defined benefit pension plan was closed for new hires on December 31, 2010 and replaced by a new defined contribution pension plan with contributions related to age, service and earnings.

At the end of 2012, ArcelorMittal Dofasco froze and capped benefits for the majority of its hourly and salaried employees who were still accruing service under the defined benefit plan and began transitioning these employees to the new defined contribution pension plan for future pension benefits.

The AMMIC defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on an employee's length of service for union employees. This plan was closed for new non-union hires on December 31, 2009 and replaced by a defined contribution pension plan with contributions related to age and service. Effective January 1, 2015, AMMIC implemented a plan to transition its non-union employees who were still benefiting under the defined benefit plan to a defined contribution pension plan. Transition dates can extend up to January 1, 2025 depending on the age and service of each member.

ArcelorMittal Long Products Canada sponsors several defined benefit and defined contribution pension plans for its various groups of employees, with most defined benefit plans closed to new entrants several years ago. The primary defined benefit pension plan sponsored by ArcelorMittal Long Products Canada provides certain unionized employees with a flat dollar pension depending on an employee's length of service.

ArcelorMittal Long Products Canada entered into a six-year collective labor agreement during the third quarter of 2014 with its Contrecoeur-West union group. The defined benefit plan was closed to new hires. A new defined contribution type arrangement was established for new hires.

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. On December 28, 2018, the Brazilian Autarchy that oversees pension funds called PREVIC (Complementary Pension National Superintendence) approved a planned settlement of the major defined benefit plans. This settlement is expected to be effective in 2019

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 contribution pension plans for active members financed by employer and employee contributions.

As from December 2015 new Belgian legislation modifies the minimum guaranteed rates of return applicable to Belgian defined contribution plans. For insured plans, the rates of 3.25% on employer contributions and 3.75% on employee contributions will continue to apply to the accumulated pre-2016 contributions. For contributions paid as from January 1, 2016, a new variable minimum guaranteed rate of return applies. For 2016, 2017 and 2018, the minimum guaranteed rate of return was 1.75% and this is also the best estimate for 2019. Due to the statutory minimum guaranteed return, Belgian defined contribution plans do not meet the definition of defined contribution plans under IFRS. Therefore, the Belgian defined contribution plans are classified as defined benefit plans.

On April 25, 2016, the Company agreed with unions in France to cap the annual indexation of the IRUS pension plan until 2026 and to pay a lump sum amount to cover the indexation obligation for subsequent years. These changes resulted in a gain of 96 recorded in cost of sales and selling, general and administrative expenses in the statements of operations.

Others

A very limited number of defined benefit plans are in place in other countries (such as South Africa, Mexico, Kazakhstan, Ukraine and Morocco).

On January 1, 2018, ArcelorMittal South Africa settled its defined benefit plan. This discontinued its participation in the fund and, therefore, ArcelorMittal South Africa no longer has any financial obligation to ensure the funding of the remaining plan. Accordingly, the related benefit obligation, the plan assets and unrecoverable surplus were derecognized from the 2018 consolidated statements of financial position. The only remaining pension plans for ArcelorMittal South Africa are defined contribution pension plans that are financed by employer and employee contributions.

The majority of the funded defined benefit pension plans described earlier provide benefit payments from trustee-administered funds. ArcelorMittal also sponsors a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. Plan assets held in trusts are legally separated from the Company and are governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the governing bodies and their composition. In general terms, governing bodies are required by law to act in the best interest of the plan members and are responsible for certain tasks related to the plan (e.g. setting the plan's investment policy).

In case of the funded pension plans, the investment positions are managed within an asset-liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations of the pension plans.

A long-term investment strategy has been set for ArcelorMittal’s major funded pension plans, with its asset allocation comprising of a mixture of equity securities, fixed income securities, real estate and other appropriate assets. This recognizes that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, in particular, that investments are adequately diversified.

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

The following tables detail the reconciliation of defined benefit obligation (“DBO”), plan assets, irrecoverable surplus and statements of financial position.

	Year ended December 31, 2018					
	Total	United States	Canada	Brazil	Europe	Other
Change in benefit obligation						
Benefit obligation at beginning of the period	10,835	3,508	3,481	766	2,990	90
Current service cost	136	31	25	3	68	9
Interest cost on DBO	360	120	110	68	42	20
Past service cost - Plan amendments	25	25	—	—	—	—
Plan participants’ contribution	3	—	1	—	2	—
Settlements	(76)	—	(61)	—	—	(15)
Actuarial (gain) loss	(290)	(159)	(72)	50	(104)	(5)
Demographic assumptions	*20*	*9*	*1*	*—*	*10*	*—*
Financial assumptions	*(311)*	*(163)*	*(75)*	*38*	*(92)*	*(19)*
Experience adjustment	*1*	*(5)*	*2*	*12*	*(22)*	*14*
Benefits paid	(671)	(259)	(203)	(48)	(144)	(17)
Termination benefits	6	—	—	—	6	—
Foreign currency exchange rate differences and other movements	(456)	—	(280)	(115)	(144)	83
Benefit obligation at end of the period	9,872	3,266	3,001	724	2,716	165
Change in plan assets						
Fair value of plan assets at beginning of the period	7,822	2,993	3,167	723	924	15
Interest income on plan assets	267	92	97	63	15	—
Return on plan assets greater/(less) than discount rate	(333)	(197)	(142)	20	(15)	1
Employer contribution	151	42	59	6	44	—
Plan participants’ contribution	3	—	1	—	2	—
Settlement	(78)	—	(63)	—	—	(15)
Benefits paid	(550)	(254)	(203)	(48)	(45)	—
Foreign currency exchange rate differences and other movements	(405)	—	(252)	(109)	(43)	(1)
Fair value of plan assets at end of the period	6,877	2,676	2,664	655	882	—
Present value of the wholly or partly funded obligation	(8,537)	(3,238)	(2,988)	(723)	(1,500)	(88)
Fair value of plan assets	6,877	2,676	2,664	655	882	—
Net present value of the wholly or partly funded obligation	(1,660)	(562)	(324)	(68)	(618)	(88)
Present value of the unfunded obligation	(1,335)	(28)	(13)	(1)	(1,216)	(77)
Prepaid due to unrecoverable surpluses	(27)	—	(21)	(3)	(3)	—
Net amount recognized	(3,022)	(590)	(358)	(72)	(1,837)	(165)
Net assets related to funded obligations	12	—	9	—	3	—
Recognized liabilities	(3,034)	(590)	(367)	(72)	(1,840)	(165)
Change in unrecoverable surplus						
Unrecoverable surplus at beginning of the period	(34)	—	(23)	(3)	(6)	(2)
Interest cost on unrecoverable surplus	(1)	—	(1)	—	—	—
Change in unrecoverable surplus in excess of interest	6	—	2	(1)	3	2
Exchange rates changes	2	—	1	1	—	—
Unrecoverable surplus at end of the period	(27)	—	(21)	(3)	(3)	—

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

	Year ended December 31, 2017					
	Total	United States	Canada	Brazil	Europe	Other
Change in benefit obligation						
Benefit obligation at beginning of the period	10,054	3,627	3,053	704	2,582	88
Current service cost	125	32	26	4	60	3
Interest cost on DBO	397	142	119	79	46	11
Past service cost - Plan amendments	14	—	13	—	1	—
Plan participants' contribution	3	—	1	—	2	—
Actuarial (gain) loss	323	(28)	237	40	72	2
Demographic assumptions	*(131)*	*(130)*	*1*	*—*	*(2)*	*—*
Financial assumptions	*418*	*154*	*188*	*22*	*54*	*—*
Experience adjustment	*36*	*(52)*	*48*	*18*	*20*	*2*
Benefits paid	(656)	(265)	(197)	(49)	(130)	(15)
Foreign currency exchange rate differences and other movements	575	—	229	(12)	357	1
Benefit obligation at end of the period	10,835	3,508	3,481	766	2,990	90
Change in plan assets						
Fair value of plan assets at beginning of the period	7,048	2,768	2,795	684	777	24
Interest income on plan assets	292	94	107	75	15	1
Return on plan assets greater/(less) than discount rate	468	274	169	16	17	(8)
Employer contribution	249	117	83	8	41	—
Plan participants' contribution	3	—	1	—	2	—
Benefits paid	(545)	(260)	(196)	(49)	(37)	(3)
Foreign currency exchange rate differences and other movements	307	—	208	(11)	109	1
Fair value of plan assets at end of the period	7,822	2,993	3,167	723	924	15
Present value of the wholly or partly funded obligation	(9,352)	(3,477)	(3,463)	(765)	(1,635)	(12)
Fair value of plan assets	7,822	2,993	3,167	723	924	15
Net present value of the wholly or partly funded obligation	(1,530)	(484)	(296)	(42)	(711)	3
Present value of the unfunded obligation	(1,483)	(31)	(18)	(1)	(1,355)	(78)
Prepaid due to unrecoverable surpluses	(34)	—	(23)	(3)	(6)	(2)
Net amount recognized	(3,047)	(515)	(337)	(46)	(2,072)	(77)
Net assets related to funded obligations	20	—	17	—	3	—
Recognized liabilities	(3,067)	(515)	(354)	(46)	(2,075)	(77)
Change in unrecoverable surplus						
Unrecoverable surplus at beginning of the period	(34)	—	(18)	(3)	(4)	(9)
Interest cost on unrecoverable surplus	(1)	—	(1)	—	—	—
Change in unrecoverable surplus in excess of interest	2	—	(3)	—	(2)	7
Exchange rates changes	(1)	—	(1)	—	—	—
Unrecoverable surplus at end of the period	(34)	—	(23)	(3)	(6)	(2)

The following tables detail the components of net periodic pension cost:

					Year ended December 31, 2018	
Net periodic pension cost (benefit)	Total	United States	Canada	Brazil	Europe	Others
Current service cost	136	31	25	3	68	9
Past service cost - Plan amendments	25	25	—	—	—	—
Past service cost - Settlements	2	—	2	—	—	—
Cost of termination benefits	6	—	—	—	6	—
Net interest cost/(income) on net DB liability/(asset)	94	28	14	5	27	20
Total	263	84	41	8	101	29

					Year ended December 31, 2017	
Net periodic pension cost (benefit)	Total	United States	Canada	Brazil	Europe	Others
Current service cost	125	32	26	4	60	3
Past service cost - Plan amendments	14	—	13	—	1	—
Net interest cost/(income) on net DB liability/(asset)	106	48	13	4	31	10
Total	245	80	52	8	92	13

					Year ended December 31, 2016	
Net periodic pension cost (benefit)	Total	United States	Canada	Brazil	Europe	Others
Current service cost	112	31	25	2	50	4
Past service cost - Plan amendments	(80)	12	4	—	(96)	—
Past service cost - Curtailments	(6)	—	—	—	—	(6)
Net interest cost/(income) on net DB liability/(asset)	108	47	15	2	35	9
Total	134	90	44	4	(11)	7

Other post-employment benefits and other long-term employee benefits ("OPEB")

ArcelorMittal's principal operating subsidiaries in the United States, Canada, Europe and certain other countries, provide other post-employment benefits and other long-term employee benefits, including medical benefits and life insurance benefits, work medals and retirement indemnity plans, to employees and retirees. Substantially all union-represented ArcelorMittal USA employees hired before June 2016 are covered under post-employment life insurance and medical benefit plans that require a level of cost sharing 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.

ArcelorMittal's USA labor agreement with the United Steelworkers ("USW") was ratified in 2016. This labor agreement is valid until September 1, 2018. ArcelorMittal performed a number of changes mainly related to healthcare post-employment benefits in its subsidiary ArcelorMittal USA. Also, in accordance with the new agreement, required payments into an existing Voluntary Employee Beneficiary Association ("VEBA") trust were fixed at 5% of ArcelorMittal USA's operating income after the first quarter of 2018. The changes resulted in a gain of 832 recorded in cost of sales in the consolidated statements of operations in 2016.

ArcelorMittal's USA new labor agreement with the USW was ratified in 2018. This labor agreement is in effect until September 1, 2022. There were minor changes for OPEB in the new contract mainly related to healthcare post-employment premiums paid by participants. The changes resulted in a gain of 10 recorded in cost of sales in the consolidated statement of operations in 2018.

The Company has significant assets mostly in the VEBA post-employment benefit plan. These assets consist of 71% in fixed income and 29% in equities. The total fair value of the assets in the VEBA trust was 451 as of December 31, 2018.

(millions of U.S. 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, 2018				
	Total	United States	Canada	Europe	Others
Change in benefit obligation					
Benefit obligation at beginning of the period	4,686	3,269	679	579	159
Current service cost	85	49	10	25	1
Interest cost on DBO	155	120	21	12	2
Past service cost - Plan amendments	(13)	(10)	(1)	(2)	—
Past service cost - Curtailments	(2)	—	—	(2)	—
Plan participants' contribution	32	32	—	—	—
Actuarial (gain) loss	(395)	(365)	(32)	3	(1)
Demographic assumptions	*(11)*	*(14)*	*2*	*1*	*—*
Financial assumptions	*(320)*	*(285)*	*(24)*	*(8)*	*(3)*
Experience adjustment	*(64)*	*(66)*	*(10)*	*10*	*2*
Benefits paid	(266)	(188)	(34)	(41)	(3)
Foreign currency exchange rate differences and other movements	(184)	—	(52)	(43)	(89)
Benefit obligation at end of the period	4,098	2,907	591	531	69
Change in plan assets					
Fair value of plan assets at beginning of the period	546	538	—	8	—
Interest income on plan assets	17	17	—	—	—
Return on plan assets greater/(less) than discount rate	(33)	(32)	—	(1)	—
Employer contribution	(3)	(3)	—	—	—
Plan participants' contribution	32	32	—	—	—
Benefits paid	(63)	(61)	—	(2)	—
Foreign currency exchange rate differences and other movements	2	—	—	2	—
Fair value of plan assets at end of the period	498	491	—	7	—
Present value of the wholly or partly funded obligation	(589)	(528)	—	(61)	—
Fair value of plan assets	498	491	—	7	—
Net present value of the wholly or partly funded obligation	(91)	(37)	—	(54)	—
Present value of the unfunded obligation	(3,509)	(2,379)	(591)	(470)	(69)
Net amount recognized	(3,600)	(2,416)	(591)	(524)	(69)

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

	Year ended December 31, 2017				
	Total	United States	Canada	Europe	Others
Change in benefit obligation					
Benefit obligation at beginning of the period	5,400	4,183	592	492	133
Current service cost	100	58	9	26	7
Interest cost on DBO	226	181	23	11	11
Past service cost - Plan amendments	4	—	1	2	1
Plan participants' contribution	29	29	—	—	—
Actuarial (gain) loss	(942)	(1,005)	45	7	11
Demographic assumptions	*(153)*	*(168)*	*2*	*3*	*10*
Financial assumptions	*(680)*	*(728)*	*40*	*9*	*(1)*
Experience adjustment	*(109)*	*(109)*	*3*	*(5)*	*2*
Benefits paid	(258)	(177)	(32)	(42)	(7)
Foreign currency exchange rate differences and other movements	127	—	41	83	3
Benefit obligation at end of the period	4,686	3,269	679	579	159
Change in plan assets					
Fair value of plan assets at beginning of the period	599	592	—	7	—
Interest income on plan assets	22	22	—	—	—
Return on plan assets greater/(less) than discount rate	17	15	—	2	—
Employer contribution	(44)	(44)	—	—	—
Plan participants' contribution	12	12	—	—	—
Benefits paid	(61)	(59)	—	(2)	—
Foreign currency exchange rate differences and other movements	1	—	—	1	—
Fair value of plan assets at end of the period	546	538	—	8	—
Present value of the wholly or partly funded obligation	(757)	(689)	—	(68)	—
Fair value of plan assets	546	538	—	8	—
Net present value of the wholly or partly funded obligation	(211)	(151)	—	(60)	—
Present value of the unfunded obligation	(3,929)	(2,580)	(679)	(511)	(159)
Net amount recognized	(4,140)	(2,731)	(679)	(571)	(159)

The following tables detail the components of net periodic other post-employment cost:

	Year ended December 31, 2018				
Components of net periodic OPEB cost (benefit)	Total	United States	Canada	Europe	Others
Current service cost	85	49	10	25	1
Past service cost - Plan amendments	(13)	(10)	(1)	(2)	—
Past service cost - Curtailments	(2)	—	—	(2)	—
Net interest cost/(income) on net DB liability/(asset)	138	103	21	12	2
Actuarial (gains)/losses recognized during the year	7	—	—	7	—
Total	215	142	30	40	3

	Year ended December 31, 2017				
Components of net periodic OPEB cost (benefit)	Total	United States	Canada	Europe	Others
Current service cost	100	58	9	26	7
Past service cost - Plan amendments	4	—	1	2	1
Net interest cost/(income) on net DB liability/(asset)	204	159	23	11	11
Actuarial (gains)/losses recognized during the year	2	—	—	2	—
Total	310	217	33	41	19

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

	Year ended December 31, 2016				
Components of net periodic OPEB cost (benefit)	Total	United States	Canada	Europe	Others
Current service cost	100	59	7	27	7
Past service cost - Plan amendments	(851)	(844)	(3)	(4)	—
Net interest cost/(income) on net DB liability/(asset)	223	177	25	12	9
Actuarial (gains)/losses recognized during the year	1	—	—	1	—
Total	(527)	(608)	29	36	16

The following tables detail where the expense is recognized in the consolidated statements of operations:

	Year ended December 31,		
	2018	2017	2016
Net periodic pension cost	263	245	134
Net periodic OPEB cost	215	310	(527)
Total	478	555	(393)
Cost of sales	212	220	(725)
Selling, general and administrative expenses	34	23	—
Financing costs - net	232	312	332
Total	478	555	(393)

Plan Assets

The weighted-average asset allocations for the funded defined benefit plans by asset category were as follows:

	December 31, 2018			
	United States	Canada	Brazil	Europe
Equity Securities	35%	42%	—	3%
- Asset classes that have a quoted market price in an active market	*12%*	*33%*	—	*3%*
- Asset classes that do not have a quoted market price in an active market	*23%*	*9%*	—	—
Fixed Income Securities (including cash)	46%	50%	78%	72%
- Asset classes that have a quoted market price in an active market	—	*44%*	*78%*	*67%*
- Asset classes that do not have a quoted market price in an active market	*46%*	*6%*	—	*5%*
Real Estate	5%	6%	1%	—
- Asset classes that have a quoted market price in an active market	—	—	*1%*	—
- Asset classes that do not have a quoted market price in an active market	*5%*	*6%*	—	—
Other	14%	2%	21%	25%
- Asset classes that have a quoted market price in an active market	*4%*	*2%*	*21%*	*4%*
- Asset classes that do not have a quoted market price in an active market [1]	*10%*	—	—	*21%*
Total	100%	100%	100%	100%

1. The percentage consists primarily of assets from insurance contracts in Belgium.

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

	December 31, 2017				
	United States	Canada	Brazil	Europe	Others
Equity Securities	53%	56%	—	3%	41%
- Asset classes that have a quoted market price in an active market	26%	47%	—	3%	41%
- Asset classes that do not have a quoted market price in an active market	27%	9%	—	—	—
Fixed Income Securities (including cash)	34%	42%	97%	71%	49%
- Asset classes that have a quoted market price in an active market	4%	33%	97%	67%	49%
- Asset classes that do not have a quoted market price in an active market	30%	9%	—	4%	—
Real Estate	—	2%	1%	—	2%
- Asset classes that have a quoted market price in an active market	—	—	1%	—	2%
- Asset classes that do not have a quoted market price in an active market	—	2%	—	—	—
Other	13%	—	2%	26%	8%
- Asset classes that have a quoted market price in an active market	4%	—	2%	3%	8%
- Asset classes that do not have a quoted market price in an active market [1]	9%	—	—	23%	—
Total	100%	100%	100%	100%	100%

1. The percentage consists primarily of assets from insurance contracts in Belgium.

These assets include investments in ArcelorMittal stock of approximately 1, but not in property or other assets occupied or used by ArcelorMittal. These assets may also include ArcelorMittal shares held by mutual fund investments. The invested assets produced an actual loss of 82 in 2018 and a return of 799 in 2017.

The Finance and Retirement Committees of the Boards of Directors for the respective operating subsidiaries have general supervisory authority over the respective trust funds. These committees have established asset allocation targets for the period as described below. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed upon.

	December 31, 2018			
	United States	Canada	Brazil	Europe
Equity Securities	38%	49%	—	3%
Fixed Income Securities (including cash)	45%	44%	78%	72%
Real Estate	3%	6%	1%	—
Other	14%	1%	21%	25% [1]
Total	100%	100%	100%	100%

1. The percentage consists primarily of assets from insurance contracts in Belgium.

Assumptions used to determine benefit obligations at December 31,

	Pension Plans			Other Post-employment Benefits		
	2018	2017	2016	2018	2017	2016
Discount rate						
Range	1.75% - 16.00%	1.50% - 15.00%	1.60% - 16.00%	1.75% - 9.50%	1.30% - 7.65%	0.90% - 7.65%
Weighted average	3.80%	3.45%	3.92%	3.98%	3.60%	4.19%
Rate of compensation increase						
Range	2.00% - 10.00%	1.80% - 9.00%	1.80% - 10.00%	2.00% - 4.80%	2.00% - 4.50%	2.00% - 32.00%
Weighted average	2.85%	2.81%	3.11%	3.24%	3.32%	3.38%

	Other Post-employment Benefits		
	2018	2017	2016
Healthcare cost trend rate assumed			
Range	1.80% - 8.00%	1.80% - 5.00%	1.80% - 5.60%
Weighted average	4.46%	4.48%	4.51%

Cash contributions and maturity profile of the plans

In 2019, the Company expects its cash contributions to amount to 194 for pension plans, 231 for other post-employment benefits plans, 116 for defined contribution plans and 67 for United States multi-employer plans. Cash contributions to defined contribution plans and to United States multi-employer plans sponsored by the Company, were respectively 123 and 65 in 2018.

At December 31, 2018, the weighted average duration of the liabilities related to the pension and other post-employment benefits plans were 12 years (2017: 12 years) and 14 years (2017: 14 years), respectively.

Risks associated with defined benefit plans

Through its defined benefit pension plans and OPEB plans, ArcelorMittal is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. In most countries with funded plans, plan assets hold a significant portion of equities, which are expected to outperform corporate bonds in the long-term but contribute to volatility and risk in the short-term. As the plans mature, ArcelorMittal intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, ArcelorMittal believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of a long-term strategy to manage the plans efficiently.

Life expectancy

Most plans provide benefits for the life of the covered members, so increases in life expectancy will result in an increase in the plans' benefit obligations.

Assumptions regarding future mortality rates have been set considering published statistics and, where possible, ArcelorMittal's own experience. In 2017, ArcelorMittal USA updated the company specific tables it uses to value most of its postretirement liabilities. These tables were projected forward using the most recent projection scales issued by the Society of Actuaries. Use of these new mortality assumptions resulted in reducing the 2017 pension and OPEB liabilities by 95 and 51 respectively.

The current longevities at retirement underlying the values of the defined benefit obligation were approximately 22.

Healthcare cost trend rate

The majority of the OPEB plans' benefit obligations are linked to the change in the cost of various health care components. Future healthcare cost will vary based on several factors including price inflation, utilization rate, technology advances, cost shifting and cost containing mechanisms. A higher healthcare cost trend would lead to higher OPEB plan benefit obligations.

In 2017, the Company changed its provider of insured coverage of Medicare eligible participants in the United States. This resulted in significantly lowering the premiums and resulted in reducing the OPEB defined benefit obligations by 1,061. In 2017, the healthcare cost trend rate assumption in the United States was adjusted, which resulted in increasing the OPEB defined benefit obligations by 117.

Sensitivity analysis

The following information illustrates the sensitivity to a change of the significant actuarial assumptions related to ArcelorMittal's pension plans (as of December 31, 2018, the defined benefit obligation for pension plans was 9,872):

	Effect on 2019 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect on December 31, 2018 DBO
Change in assumption		
100 basis points decrease in discount rate	(42)	1,204
100 basis points increase in discount rate	33	(987)
100 basis points decrease in rate of compensation	(14)	(173)
100 basis points increase in rate of compensation	15	177
1 year increase of the expected life of the beneficiaries	11	250

The following table illustrates the sensitivity to a change of the significant actuarial assumptions related to ArcelorMittal's OPEB plans (as of December 31, 2018 the defined benefit obligation for post-employment benefit plans was 4,098):

	Effect on 2019 Pre-Tax OPEB Expense (sum of service cost and interest cost)	Effect on December 31, 2018 DBO
Change in assumption		
100 basis points decrease in discount rate	—	610
100 basis points increase in discount rate	2	(487)
100 basis points decrease in healthcare cost trend rate	(27)	(407)
100 basis points increase in healthcare cost trend rate	39	506
1 year increase of the expected life of the beneficiaries	9	142

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.

Multi-employer plans

ArcelorMittal participates in one material multi-employer pension plan in the United States. Under multi-employer plans, several participating employers make contributions into a pension plan. The assets of the plan are not limited to the participants of a particular employer. If an employer is unable to make required contributions to the plan, any unfunded obligations may be borne by the remaining employers. Additionally, if an employer withdraws from the plan, it may be required to pay an amount based on the underfunded status of the plan. As of December 31, 2017, which is the latest period for which information is available, the multi-employer pension plan had a total actuarial liability of 5,272 and assets with market value of 4,758 for a funded ratio of about 90%. ArcelorMittal represented approximately 30% of total contributions made to the plan in the past three years.

7.3 Share-based payments

ArcelorMittal issues equity-settled share-based payments to certain employees, including stock options, RSUs and PSUs. 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, RSUs and PSUs, 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. Where the fair value calculation requires modeling of the Company's performance against other market index, fair value is measured using the Monte Carlo pricing model to estimate the forecasted target performance goal for the company and its peer companies. 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. 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. For the RSUs and PSUs, 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.

On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the outstanding number of stock options, PSUs and RSUs per employee has been recast for prior periods.

Stock Option Plans

Prior to the May 2011 annual general shareholders' meeting adoption of the ArcelorMittal Equity Incentive Plan described below, 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 common shares to senior management of ArcelorMittal and its associates for up to 100,000,000 (33,333,333 shares after reverse stock split) 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 ("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.

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

Date of grant	Exercise prices (per option)
August 2010	$91.98
August 2009	109.14

No options were granted during the years ended December 31, 2018, 2017, and 2016.

The compensation expense recognized for stock option plans was nil for each of the years ended December 31, 2018, 2017 and 2016.

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, 2018, 2017 and 2016:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2015	5,730,800	63.42 – 235.32	148.06
Expired	(1,048,266)	91.98 – 235.32	125.17
Outstanding, December 31, 2016	4,682,534	63.42 – 235.32	153.19
Expired	(1,397,659)	63.42 – 235.32	170.40
Outstanding, December 31, 2017	3,284,875	63.42 – 235.32	145.86
Expired	(1,295,500)	63.42 – 235.32	215.77
Outstanding, December 31, 2018	1,989,375	91.98 – 109.14	100.33
Exercisable, December 31, 2016	4,682,534	63.42 – 235.32	153.19
Exercisable, December 31, 2017	3,284,875	63.42 – 235.32	145.86
Exercisable, December 31, 2018	1,989,375	91.98 – 109.14	100.33

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2018:

			Options Outstanding	
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
$91.98	1,021,058	1.59	1,021,058	August 3, 2020
109.14	968,317	0.59	968,317	August 4, 2019
$91.98 - $109.14	1,989,375	1.11	1,989,375	

Long-Term Incentives: Equity-Based Incentives (Share Unit Plans)

On May 10, 2011, the annual general meeting of shareholders approved the ArcelorMittal Equity Incentive Plan, a new equity-based incentive plan that replaced the Global Stock Option Plan. The ArcelorMittal Equity Incentive Plan is 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 ArcelorMittal Equity Incentive Plan provides for the grant of RSUs and PSUs to eligible Company employees (including the Executive Officers) and is designed to incentivize employees, improve the Company's long-term performance and retain key employees. On May 8, 2013, the annual general meeting of shareholders approved the GMB PSU Plan, which provides for the grant of PSUs to GMB members (and is now applicable to the CEO Office). Until the introduction of the GMB PSU Plan in 2013, GMB members were eligible to receive RSUs and PSUs under the ArcelorMittal Equity Incentive Plan. In 2016, a special grant was approved in order to align the grant with the Action 2020 plan put in place by ArcelorMittal.

The maximum number of PSUs (and RSUs previously) 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 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders' meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs (10,000,000 PSU's after the reverse stock split) may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined. The 2017 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office level was approved at the annual shareholders' meeting on May 10, 2017 at a maximum of 3,000,000 shares. The 2018 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office level, was approved at the annual shareholders' meeting on May 9, 2018 at a maximum of 1,500,000 shares.

ArcelorMittal Equity Incentive Plan

RSUs granted under the ArcelorMittal Equity Incentive Plan are designed to provide a retention incentive to eligible employees. RSUs are 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 Company.

The grant of PSUs under the ArcelorMittal Equity Incentive Plan aims to serve as an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards in connection with PSUs are subject to the fulfillment of cumulative performance criteria (such as return on capital employed ("ROCE"), total shareholders return ("TSR"), earnings per share ("EPS") and gap to competition) over a three year period from the date of the PSU grant. The employees eligible to receive PSUs are a sub-set of the group of employees eligible to receive RSUs. The target group for PSU grants initially included the Chief Executive Officer and the other GMB members. However, from 2013 onwards, the Chief Executive Officer and other GMB members (and in 2016, the CEO Office) received PSU grants only under the GMB PSU Plan instead of the ArcelorMittal Equity Incentive Plan.

The Conditions of the 2018 grant were as follows:

	CEO Office			Executive Officers and other qualifying employees	
2018 Grant	• PSUs with a three year performance period			PSUs with a three year performance period	
	• Value at grant 100% of base salary for the CEO and the President and CFO				
	• Vesting conditions:			• Vesting conditions	
		Threshold	Target		Target
	TSR/EPS vs. peer group	100% median	≥120% median	ROCE	100% target 100% vesting
	TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance	Gap to competition (where applicable)	100% target 100% vesting
	Vesting percentage	50%	100%		

Awards made in previous financial years which have not yet reached the end of the vesting period

The Company's Long-Term Incentive Plan for senior management including Executive Officers follows the Company's strategy.

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

In 2014 and 2015, the Company's goal was to achieve ROCE and Mining volume for the Mining segment and therefore the target was based on these performance measures.

In 2016, in order to ensure achievement of the Action 2020 plan, ArcelorMittal made a special grant (“Special Grant”) to qualifying employees (including the Executive Officers), instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment within the ArcelorMittal group and to yearly performance of ROCE targets and other strategic objectives within the business units.

The plans in 2017, 2016 and 2015 are summarized below:

2015 Grant

CEO Office

- PSUs with a three-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 100% of base salary for the CEO and 80% for the President and CFO
- Vesting conditions:

	Threshold	Target	Stretch
TSR/EPS vs. peer group	80% median	100% median	≥120% median
TSR vs. S&P 500	Performance equal to 80% of Index	Performance equal to Index	≥Performance equal to Index + 2% outperformance
Vesting percentage	50%	100%	150%

Other Executive Officers

- RSUs with a three-year vesting period (2015 grant vested in December 2018)
- PSUs with a three-year performance period
- Performance target: mainly ROCE and mining volume plan for the Mining segment
- One PSU can give right to 0 up to 1.5 share
- Vesting conditions:

Performance	Threshold	Target	Stretch
Performance	80%	100%	≥120%
Vesting	50%	100%	150%

2016 Special Grant

CEO Office

- PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 150% of base salary for the CEO and the President and CFO
- Vesting conditions:

	Threshold	Target
TSR/EPS vs. peer group	100% median	≥120% median
TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance
Vesting percentage	50%	100%

Other Executive Officers

- PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two-year performance period
- Performance criteria: ROCE and Gap to competition in some areas
  one target grant: a share will vest if performance is met at target
  one overperformance grant: a share will vest if performance exceeds 120%
- Vesting conditions:

Performance	100%	≥120%
Target award vesting	100%	100%
Overperformance award (=20% of target award)	-	100%

2017 Grant

CEO Office

- PSUs with a three-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 100% of base salary for the CEO and the President and CFO
- Vesting conditions:

	Threshold	Target
TSR/EPS vs. peer group	100% median	≥120% median
TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance
Vesting percentage	50%	100%

Other Executive Officers

- PSUs with a three-year performance period
- Performance criteria: TSR and Gap to competition in some areas
- Vesting conditions:

	Threshold	Target
TSR vs. peer group	100% median 50%	≥120% median 100%
Gap to competition (where applicable)	-	100% target 100% vesting

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

The following table summarizes the Company's share unit plans outstanding December 31, 2018:

At Grant date						Number of shares issued as of December 31, 2018		
Grant date	Type of plan	Number of shares	Number of beneficiarie	Maturity	Fair value per share	Shares outstanding	Shares exited	Shares forfeited
December 20, 2018	PSU	1,358,750	524	January 1, 2022	21.31	1,358,750	—	—
December 20, 2018	CEO Office	134,861	2	January 1, 2022	16.58	134,861	—	—
December 20, 2017	PSU	1,081,447	527	January 1, 2021	18.42	1,046,816	—	34,631
December 20, 2017	CEO Office	90,084	2	January 1, 2021	22.85	90,084	—	—
June 30, 2016	PSU II	3,472,355	554	January 1, 2021	13.17	3,105,045	—	367,310
June 30, 2016	CEO PSU II	153,268	2	January 1, 2022	16.62	153,268	—	—
June 30, 2016	PSU I	3,472,355	554	January 1, 2019	13.74	3,105,045	—	367,310
June 30, 2016	CEO PSU I	153,268	2	January 1, 2020	10.68	153,268	—	—
December 18, 2015	PSU	295,935	322	January 1, 2019	11.49	223,323	—	72,612
Total		10,212,323			$10.68 – $22.85	9,370,460	—	841,863

The compensation expense recognized for RSUs and PSUs was 31, 31 and 13 for the years ended December 31, 2018, 2017 and 2016.

Share unit plan activity is summarized below as of and for each year ended December 31, 2018, 2017 and 2016:

	RSUs		PSUs	
	Number of shares	Fair value per share	Number of shares	Fair value per share
Outstanding, December 31, 2015	1,320,654	28.78	1,370,675	33.32
Granted [2]	—	—	7,252,814	13.46
Exited	(564,679)	38.24	(19,816)	37.11
Forfeited	(105,721)	26.12	(564,179)	37.76
Outstanding, December 31, 2016	650,254	21.00	8,039,494	15.08
Granted [2]	—	—	1,199,338	19.25
Exited	(303,550)	30.69	(204,855)	43.34
Forfeited	(40,699)	20.32	(437,141)	18.33
Outstanding, December 31, 2017	306,005	11.49	8,596,836	14.83
Granted [1]	—	—	1,577,865	21.32
Exited	(288,721)	11.49	(412,893)	28.98
Forfeited	(17,284)	11.49	(391,348)	16.41
Outstanding, December 31, 2018	—		9,370,460	15.34

1. Including 56,606 over-performance shares granted for the targets achievement of the PSU grant September 17, 2014 and 27,648 of the GMB PSU grant June 30, 2015
2. Including 27,807 over-performance shares granted for the targets achievement of the PSU grant September 27, 2013 in 2017 (1,567 over-performance shares for the PSU grant March 29, 2013 in 2016).

Note 8: Provisions, contingencies and commitments

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. Future operating expenses or losses are excluded from recognition as provisions as they do not meet the definition of a liability. Contingent assets and contingent liabilities are excluded from recognition in the consolidated statements of financial position.

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. Assets dedicated to the onerous contracts are tested for impairment before recognizing a separate provision for the onerous contract.

Provisions for restructuring are recognized when and only when a detailed formal plan exists and a valid expectation in

those affected by the restructuring has been raised, by starting to implement the plan or announcing its main features.

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. Subsequently, when reliably measurable, ARO is recorded on the consolidated statements of financial position increasing the cost of the asset and the fair value of the related obligation. Foreign exchange gains or losses on AROs denominated in foreign currencies are recorded in the consolidated statements of operations.

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.

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 reliably 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.

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 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 write backs or additional provisions 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.

ArcelorMittal is currently and may in the future be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitration proceedings are recorded in accordance with the principles described above.

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, ArcelorMittal may be unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, ArcelorMittal has disclosed information with respect to the nature of the contingency. ArcelorMittal has not accrued a provision for the potential outcome of these cases.

For cases in which the Company was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss, it 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 has disclosed information with respect to the nature of the contingency, but has not disclosed its estimate of the range of potential loss.

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.

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

These assessments can involve 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 have a material adverse effect on its results of operations in any particular period. The Company considers it highly unlikely, however, that any such judgments could have a material adverse effect on its liquidity or financial condition.

8.1 Provisions overview

	Balance at December 31, 2017	Additions[1]	Deductions/ Payments	Effects of foreign exchange and other movements	Balance at December 31, 2018
Environmental (see note 8.3)	815	24	(90)	479 [2]	1,228
Asset retirement obligations (see note 8.3)	427	26	(11)	(20)	422
Site restoration	40	117	(13)	(3)	141
Staff related obligations	183	75	(46)	(11)	201
Voluntary separation plans	79	3	(56)	12	38
Litigation and other (see note 8.3)	328	79	(76)	38	369
Tax claims	126	13	(14)	(5)	120
Other legal claims	202	66	(62)	43	249
Commercial agreements and onerous contracts	24	14	(20)	16	34
Other	126	19	(32)	(12)	101
	2,022	357	(344)	499	2,534
Short-term provisions	410				539
Long-term provisions	1,612				1,995
	2,022				2,534

	Balance at December 31, 2016	Additions[1]	Deductions/ Payments	Effects of foreign exchange and other movements	Balance at December 31, 2017
Environmental (see note 8.3)	745	64	(57)	63	815
Asset retirement obligations (see note 8.3)	358	60	(9)	18	427
Site restoration	43	—	(9)	6	40
Staff related obligations	168	48	(41)	8	183
Voluntary separation plans	79	22	(44)	22	79
Litigation and other (see note 8.3)	413	64	(173)	24	328
Tax claims	211	11	(109)	13	126
Other legal claims	202	53	(64)	11	202
Commercial agreements and onerous contracts	26	18	(22) –	2	24
Other	115	39	(37)	9	126
	1,947	315	(392)	152	2,022
Short-term provisions	426				410
Long-term provisions	1,521				1,612
	1,947				2,022

1. Additions exclude provisions reversed or utilized during the same year.
2. Other movements primarily relate to the provisions in connection with environmental remediation obligations in Italy (see note 8.3).
3. Deductions and payments for commercial agreements and onerous contracts reflect the increase in raw materials and steel prices.

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.

Provisions for site restoration are related to costs incurred for dismantling of site facilities, mainly in France. In the fourth quarter of 2018, the agreement between ArcelorMittal and the French government regarding a six year idling period of the Florange liquid phase expired. The Company will proceed with the definitive closure of the facility and recorded accordingly a 113 provision for the dismantling of the facility.

Provisions for staff related obligations primarily concern the United States and Brazil and are related to various employees' compensation.

Provisions for voluntary separation plans primarily concern plans in Spain, Czech Republic, Belgium and the United States which are expected to be settled within one year.

Provisions for litigation include losses relating to a present legal obligation that are considered to be probable. Further detail regarding legal matters is provided in note 8.3.

Other mainly includes provisions for technical warranties and guarantees.

8.2 Other long-term obligations

	December 31,	
	2018	2017
Derivative financial instruments	708	344
Payable from acquisitions	1,506	35
Unfavorable contracts	217	—
Other	588	584
Total	3,019	963

Derivative financial instruments include 124 as of December 31, 2018 relating to the fair value of the put option granted to ISP in the framework of the acquisition of Ilva (see note 2.2.4).

Payable from acquisitions include 1,245 relating to the non-current portion of the consideration payable with respect to the acquisition of Ilva and 253 relating to the financial liability with respect to the acquisition of Votorantim (see note 2.2.4).

Unfavorable contracts include 217 as of December 31, 2018 relating to the acquisition of Votorantim Siderurgia (see note 2.2.4).

8.3 Environmental liabilities, asset retirement obligations and legal proceedings

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, 2018, excluding asset retirement obligations, ArcelorMittal had established provisions of 1,228 for environmental remedial activities and liabilities. The provisions for all operations by geographic area were 930 in Europe, 132 in the United States, 135 in South Africa and 31 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 132 (exclusive of asset retirement obligations) to address existing environmental liabilities, of which 15 is expected to be spent in 2019. The environmental provisions principally relate to the investigation, monitoring and remediation of soil and groundwater at ArcelorMittal's current and former facilities. ArcelorMittal USA continues to have significant environmental provisions relating to investigation and remediation at Indiana Harbor, Lackawanna, and its closed coal mining operations in southwestern Pennsylvania. ArcelorMittal USA's environmental provisions also include 33, with anticipated spending of 2 during 2019, to specifically address the removal and disposal of asbestos-containing materials and polychlorinated biphenyls ("PCBs").

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

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 historical sites where ArcelorMittal has a continuing obligation. In other cases, ArcelorMittal USA is required to conduct studies to determine the extent of contamination, if any, that exists at these sites.

ArcelorMittal USA's Indiana Harbor facility was party to a lawsuit filed by the United States Environmental Protection Agency (the "EPA") under the United States Resource Conservation and Recovery Act ("RCRA"). An ArcelorMittal USA predecessor company 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. ArcelorMittal USA entered into a Consent Decree Amendment 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 7 for such sediment assessment and remediation, and 5 for RCRA Corrective Action at the Indiana Harbor facility itself. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor, but the potential costs of any such remediation cannot yet be reasonably estimated at this time.

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 requires the Company to perform a Remedial Facilities Investigation ("RFI"), a Corrective Measures Study, to implement appropriate interim and final remedial measures, and to perform required post-remedial closure activities. 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 for other site remediation activities. ArcelorMittal USA's provisions for environmental liabilities include 29 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 CMS remedial measures likely to be required, including excavation 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. 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, which reached the target value in 2017. This target value is based on average spending over the last three years. The trust had a market value of 45 as of December 31, 2018. ArcelorMittal can be reimbursed from the fund for the continuing cost of treatment of acid mine drainage. ArcelorMittal USA's provisions for environmental liabilities include 32 for this matter.

In 2011, the United States EPA Region V issued Notices of Violations ("NOVs") to Indiana Harbor, Burns Harbor and Cleveland alleging operational noncompliance based primarily on self-reported Title V permit concerns. Comprehensive settlement discussions with the United States EPA and affected state agencies involving all NOVs are ongoing and a comprehensive settlement with the United States EPA and affected state agencies, which is anticipated to encompass self-reported non-compliance through September 30, 2018 was finalized pending approvals by the government parties which are anticipated in early 2019. The settlement will include payment of penalties and injunctive relief. Liabilities associated with this comprehensive settlement are estimated at 7.

In 2014, the ArcelorMittal Monessen coke plant was re-started after having been idled since 2008. Since re-start, state regulatory authorities ("PADEP") issued numerous NOVs, the majority of which concerns Clean Air Act violations. United States EPA Region 3 also issued an NOV and, in addition, issued an information request seeking detailed testing and information concerning air compliance related issues. PADEP issued a proposed penalty assessment of 1 for alleged violations occurring from April 2014 through May 2015. Penalties were finalized as part of comprehensive Consent Decree negotiations with PADEP and United States EPA enforcement officials and with Penn Environment, a local environmental group which filed a Citizen Suit under the Clean Air Act in 2015. The litigation was stayed in 2016. A Consent Decree was executed on February 2, 2018 requiring civil penalty payment and injunctive relief. The total payment of 2 was paid and injunctive relief requirements, including a caustic scrubber demonstration, are being performed.

Europe

Environmental provisions for ArcelorMittal's operations in Europe total 930 and are mainly related to the investigation and remediation of environmental contamination at current and former operating sites in France (74), Belgium (229), Luxembourg (47), Poland (25), Germany (25), Italy (523) and Spain (7). 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 74, 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, Moyeuvre Grande, Homecourt, Hagondange and Micheville sites, and is related to treatment of soil and groundwater. At Moyeuvre Petite, the recovery process of the slag is ongoing and ArcelorMittal is responsible for closure and final rehabilitation of the rest of the site. At other sites, ArcelorMittal is responsible for monitoring the concentration of heavy metals in soil and groundwater.

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 and to the mothballing of the liquid phase in Florange (prior to the dismantling of the facility see note 8.1), including study and surveillance of soil and water to prevent environmental damage, treatment and elimination of waste and financial guarantees demanded by Public Authorities. 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.

ArcelorMittal Atlantique et Lorraine also 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: the stocking areas at the Dunkirk site need to be restored to comply with local law.

Industeel France has an environmental provision that principally relates to ground remediation at the Le Creusot site and to the rehabilitation of waste disposal areas at the Châteauneuf site.

Belgium

In Belgium, there is an environmental provision of 229 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 47, 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 liable to clean the site and move approximately 400,000 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 Mondercange, Differdange and Dommeldange. In addition, ArcelorMittal Luxembourg has secured the disposal of laddle slag, sludge and certain other residues coming from different sites at the Differdange dump for a total volume of 1,300,000 cubic meters until mid 2023. A provision of 40 covers these obligations.

ArcelorMittal Belval and Differdange has an environmental provision of 7 to clean historical landfills in order to meet the requirements of the Luxembourg Environment Administration and to cover dismantling and soil cleaning costs of the former PRIMOREC installation.

Poland

ArcelorMittal Poland S.A.'s environmental provision of 25 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 under the new environmental law; waste storage time cannot exceed 1 year.

Germany

In Germany, the environmental provision of 25 essentially relates to ArcelorMittal Bremen's post-closure obligations mainly established for soil remediation, groundwater

treatment and monitoring at the Prosper coke plant in Bottrop.

Italy

In Italy, ArcelorMittal Italia has environmental provisions of 523.

A provision of 309 relates to remediation activities to be carried out in the site of Taranto derived from obligations on the previous operator that have been transferred to ArcelorMittal Italia through the environmental permit, the most significant elements being the waterproofing of certain areas to confine historical pollution, the removal of historical accumulation of process materials mainly consisting of blast furnace ("BF") and basic oxygen furnace ("BOF") dusts and sludges and scales, an action plan for the removal and disposal of asbestos-containing materials present on site, the dismantling of several installations no longer in operation, the dredging of the discharge channel and disposal of the sludge removed, the decontamination of high depth groundwater in the primary yards area and the capping of an exhausted landfill.

Provisions of 214 are allocated to the implementation of preventive measures, permanent safety measures and clean up measures in relation to historical pollution of soil and groundwater, not derived from obligations in the environmental permit, but that ArcelorMittal Italia undertook to implement as a contractual obligation vis-a-vis the previous operator.

Spain

In Spain, ArcelorMittal España has environmental provisions of 7 due to obligations of sealing landfills basically located in the Asturias site and post-closure obligations in accordance with national legislation. These obligations include the collection and treatment of leachates that can be generated during the operational phase and a period of 30 years after the closure.

South Africa

AMSA has environmental provisions of 135 to be used over 18 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.

A provision of 37 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. AMSA transformed this old plant into an industrial hub for light industry since 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, but other remediation works continued at a slow pace as remediation actions for these sites are long-term in nature due to a complex legal process that needs to be followed with authorities and surrounding landowners.

The Vanderbijlpark Works site, the main flat carbon steel operation of AMSA, 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. 19 of the provision is allocated to this site.

The Newcastle Works site is the main long carbon steel operation of AMSA. A provision of 20 is allocated to this site. As with all operating sites of AMSA, 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 air quality improvements.

A provision of 51 relates to the environmental rehabilitation of the Thabazimbi Mine. On November 1, 2018, the Thabazimbi mine was acquired from Sishen Iron Ore Company (Pty) Ltd, enabling AMSA to control the environmental rehabilitation process. In terms of the sales agreement, AMSA is liable for all environmental remediation obligations. The acquisition did not have a significant impact on the environmental obligations of AMSA as it has always been contractually responsible for the majority of the rehabilitation cost relating to the Thabazimbi Mine. As part of the acquisition, AMSA acquired an asset in the form of an environmental trust which holds investments for a value of 22. These investments will be used for rehabilitation purposes.

The remainder of the obligation of 8 relates to Vereeniging site for the historical pollution that needs to be remediated at waste disposal sites, waste water dams and groundwater aquifers.

Canada

In Canada, ArcelorMittal Dofasco has an environmental provision of 27 for the expected cost of remediating toxic sediment located in the Company’s East Boatslip site, of which 5 is expected to be spent in 2019. ArcelorMittal Long Products Canada has an environmental provision of 4 for future 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, 2018, ArcelorMittal had established provisions for asset retirement obligations of 422, including mainly 42 for Ukraine, 121 for Canada, 80 for the United States, 57 for Mexico, 15 for Belgium, 37 for Germany, 14 for South Africa, 12 for Spain, 13 for Brazil, 12 for Kazakhstan and 17 for Liberia.

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 the accumulation area of mineral substances at the facility of Port-Cartier in Quebec, upon closure of the mine pursuant to the restoring plan of the mines.

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 following the closure of the Las Truchas, El Volcan and the joint operation of Pena Colorada iron ore mines.

In Belgium, the AROs are to cover the demolition costs for primary facilities at the Liège sites.

In Spain, the AROs relate to the discontinuance of the activities of various assets within the upstream installations.

In Germany, AROs principally relate to the Hamburg site, which operates 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, restoring the layer and stabilizing the shoreline at the harbor.

The AROs in South Africa are for the Pretoria, Vanderbijlpark, Saldanha, Newcastle as well as the 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 2024 and 2029, respectively.

In Kazakhstan, the AROs relate to the restoration obligations of the iron ore and coal mines.

In Liberia, the AROs relate to iron ore mine and associated infrastructure and mine related environmental damage and compensation. They cover the closure and rehabilitation plan under both the current operating phase and the not yet completed Phase 2 expansion project.

Tax Claims

ArcelorMittal is a party to various tax claims. As of December 31, 2018, ArcelorMittal had recorded provisions in the aggregate of 120 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, 2018, (ii) that constitute a contingent liability, (iii) that were resolved in 2018 or (iv) that were resolved and had a financial impact in 2017 or 2016, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against the pending claims discussed below.

Brazil

In 2003, the 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 Federal Revenue Service. The Federal Revenue Service issued a tax assessment in this regard for 451 in December 2007. 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, thereby ending this case except for 6, which is still pending a final decision. 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 163 as of December 31, 2018. 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 at that time) was due. Both parties have filed an appeal with the administrative tribunal of second instance. In February 2018, the administrative tribunal of second instance found in favor of ArcelorMittal Brasil and, in June 2018, the Federal Revenue Service filed an appeal with the administrative tribunal of the third instance. In January 2019, the administrative tribunal of the third instance found in favor of ArcelorMittal Brasil.

In 2011, ArcelorMittal Brasil (at the time SOL Coqueria Tubarão S.A.) received 21 tax assessments from the Revenue Service of the State of Espirito Santo for ICMS (a value-added tax) in the total amount of 30 relating to a tax incentive (INVEST) it used. The dispute concerns the

definition of fixed assets. In August 2015, the administrative tribunal of first instance upheld 21 of the tax assessments. In September 2015, ArcelorMittal Brasil filed appeals with respect to each of the administrative tribunal's decisions. As of December 31, 2018, there have been final unfavorable decisions at the administrative tribunal level in 15 of the 21 cases, each of which ArcelorMittal Brasil has appealed to the judicial instance. In March 2018, the administrative tribunal of third instance found in favor of ArcelorMittal Brasil sending the six other cases back to the administrative tribunal of second 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 the expenses were incurred to buy shares of its own company and (iv) CSL over profits of controlled companies in Argentina and Costa Rica. The amount claimed totals 524. On January 31, 2014, the administrative tribunal of first instance found in partial favor of ArcelorMittal Brasil, reducing the penalty component of the assessment from, according to ArcelorMittal Brasil's calculations, 266 to 141 (as calculated at the time of the assessment), while upholding the remainder of the assessment. The Federal Revenue Service has appealed the administrative tribunal's decision to reduce the amount of the original penalty. ArcelorMittal Brasil has also appealed the administrative tribunal's decision to uphold the tax authority's assessment (including the revised penalty component). In September 2017, the administrative tribunal of second instance found largely in favor of the Federal Revenue Service. In January 2018, ArcelorMittal Brasil filed a motion for clarification of this decision. In February 2018, the motion for clarification was rejected and, in March 2018, an appeal was filed to the administrative tribunal of third instance.

In 2013, ArcelorMittal Brasil received a tax assessment in relation to the 2008-2010 tax years for IRPJ and CSL in relation to (i) the amortization of goodwill on the acquisition of Mendes Júnior Siderurgia, Dedini Siderurgia and CST, (ii) the amortization of goodwill arising from the mandatory tender offer made by ArcelorMittal to minority shareholders of Arcelor Brasil following the two-step merger of Arcelor and Mittal Steel N.V. and (iii) CSL and IRPJ over profits of controlled companies in Argentina, Costa Rica, Venezuela and the Netherlands. The amount claimed totals 457. In October 2014, the administrative tribunal of first instance found in favor of the Federal Revenue Service and ArcelorMittal Brasil filed its appeal in November 2014. In September 2017, the administrative tribunal of second instance found in favor of the Federal Revenue Service. ArcelorMittal Brasil filed a motion for clarification with respect to this decision, which was denied, and thereafter filed an appeal to the administrative tribunal of third instance.

In April 2016, ArcelorMittal Brasil received a tax assessment in relation to (i) the amortization of goodwill resulting from Mittal Steel's mandatory tender offer to the minority shareholders of Arcelor Brasil following Mittal Steel's merger with Arcelor in 2007 and (ii) the amortization of goodwill resulting from ArcelorMittal Brasil's acquisition of CST in 2008. While the assessment, if upheld, would not result in a cash payment as ArcelorMittal Brasil did not have any tax liability for the fiscal years in question (2011 and 2012), it would result in the write-off of 249 worth of ArcelorMittal Brasil's net operating loss carryforwards and as a result could have an effect on net income over time. In May 2016, ArcelorMittal Brasil filed its defense, which was not accepted at the first administrative instance. On March 10, 2017, ArcelorMittal Brasil filed an appeal to the second administrative instance.

In December 2018, ArcelorMittal Brasil received a tax assessment for 151 for the 2013-2014 tax years, principally in relation to the amortization of goodwill resulting from Mittal Steel's mandatory tender offer to the minority shareholders of Arcelor Brasil following Mittal Steel's merger with Arcelor in 2007. ArcelorMittal Brasil filed a defense in the first administrative instance in January 2019.

In 2013, ArcelorMittal Brasil filed a lawsuit against the Federal Revenue Service disputing the basis of calculation of a tax called *additional freight for the renewal of the Brazilian Merchant Navy* ("AFRMM"), amounting to 55. The dispute is related to the inclusion of the unloading and land transport costs of the imported goods after landing to calculate AFRMM. In June 2013, ArcelorMittal Brasil obtained a preliminary decision allowing the Company not to pay such amount until a final decision was rendered. In February 2017, ArcelorMittal Brasil obtained a favorable decision at the judicial first instance but this decision is subject to further mandatory review. In November 2018, a related tax assessment was received from the Federal Revenue Service claiming 22 as a penalty for alleged failure to comply with formal requirements in the import declarations delivered by the Company in the years 2013-2018, which were the subject matter of the preliminary decision of June 2013. In December 2018, ArcelorMittal Brasil presented its defense in the first administrative instance. In February 2019, the Judicial Court of Appeals upheld the favorable first instance decision. The decision is subject to further appeals.

For over 18 years, ArcelorMittal Brasil has been challenging the basis of the 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 are calculated), in an amount of 4. ArcelorMittal Brasil 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 49 as of December 31, 2018. In March 2017, the Supreme Court decided a separate case, not involving ArcelorMittal Brasil, on the same subject in favor of the relevant taxpayers. Such separate Supreme Court decision, which is of binding precedential value with respect to all similar cases, including those of ArcelorMittal Brasil, is being appealed by the Federal Revenue Service. In July 2018, the second judicial instance found in favor of ArcelorMittal Brasil after applying the Supreme Court's precedent. In December 2018, the Federal Revenue Service brought an appeal of the second judicial instance's decision to the Supreme Court.

In the period from 2014 to 2018, ArcelorMittal Brasil received 4 tax assessments from the Federal Revenue Service in the amount of 51 disputing its use of credits for PIS and COFINS social security taxes in 2010, 2011 and 2013. The dispute relates to the concept of production inputs in the context of these taxes. In 2017, in the first and second twocases, the administrative tribunal of second instance found partially in favor of ArcelorMittal Brasil, and ArcelorMittal Brasil filed an appeal to the administrative tribunal of third instance. In the third case, the administrative tribunal of first instance upheld the tax assessment, and ArcelorMittal Brasil appealed to the administrative tribunal of second instance. In the fourth case, ArcelorMittal Brasil filed a defense in March 2018. In March, 2018, the Superior Court decided a leading case, not involving ArcelorMittal Brasil, that established that the restrictive concept of inputs adopted by the tax authorities is illegal and that credits over inputs must be accepted on the basis of the criteria of essentiality or relevance towards the production process of each taxpayer. In September 2018, the Federal Union published an internal orientation for its attorneys, expressing a restrictive view of the Superior Court's decision and determining that each individual case would be analyzed in order to decide whether the items are essential or not. In that sense, ArcelorMittal Brasil's cases will be submitted for review by the Federal Union Attorney's office before further decisions are taken.

In May 2014, ArcelorMittal Comercializadora de Energia received a tax assessment from the state of Minas Gerais alleging that the Company did not correctly calculate tax credits on interstate sales of electricity from February 2012 to December 2013. The amount claimed totals 51. ArcelorMittal Comercializadora de Energia filed its defense in June 2014. Following an unfavorable administrative decision in November 2014, ArcelorMittal filed an appeal in December 2014. In March 2015, there was a further unfavorable decision at the second administrative level. Following the conclusion of this proceeding at the administrative level, the Company received the tax enforcement notice in December 2015 and filed its defense in February 2016. In April 2016, ArcelorMittal Comercializadora de Energia received an additional tax assessment in the amount, after taking account of a reduction of fines mentioned below, of 57, regarding the same matter, for infractions which allegedly occurred during the 2014 to 2015 period, and filed its defense in May 2016. In May 2017, there was a further unfavorable decision at the second administrative level in respect of the tax assessment received in April 2016. In June 2017, ArcelorMittal Comercializadora de Energia filed an appeal to the second administrative instance. This appeal was rejected in August 2017. In October and November 2017, the Company appealed in relation to both tax assessments to the judicial instance. In November 2017, the Company received a notice from the tax authority informing it of the reduction of the fines element by 18, due to the retroactive application of a new law.

In the period from May to July 2015, ArcelorMittal Brasil received nine tax assessments from the state of Rio Grande do Sul alleging that the Company, through its branches in that state, had not made advance payments of ICMS on sales in that state covering the period from May 2010 to April 2015. The amount claimed totals 88. The administrative tribunal of first instance upheld the tax assessments in each of the nine cases, and ArcelorMittal Brasil appealed each of the administrative tribunal's decisions. Each case was decided unfavorably to ArcelorMittal Brasil at the administrative tribunal of second instance, and ArcelorMittal Brasil has appealed the cases to the judicial instance.

On May 17, 2016, ArcelorMittal Brasil received a tax assessment from the state of Santa Catarina in the amount of 138 alleging that it had used improper methods to calculate the amount of its ICMS credits. ArcelorMittal Brasil filed its defense in July 2016. In December 2016, ArcelorMittal Brasil received an unfavorable decision at the first administrative level, in respect of which it filed an appeal.In March 2018, the administrative tribunal of second instance found against ArcelorMittal Brasil and, in April 2018, ArcelorMittal Brasil filed an appeal to the administrative tribunal of third instance.

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 69 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 17, 11 and 5 are due in respect of profit-sharing schemes, stock options and professional fees, respectively. These amounts cover the audits for 2006, 2007 and 2008. In March 2013, the Company filed appeals against the decisions relating to the profit-sharing schemes and stock options.

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 150 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. In its decision dated April 24, 2013, the arbitration committee reduced the amount claimed by 29. The dispute then entered into a judicial phase before the *Tribunal des Affaires de Sécurité Sociale* ("TASS"). At a hearing on January 12, 2017 before the TASS, the parties signed a conciliation agreement settling the audits covered by the above two cases.

Mexico

In 2015, the Mexican Tax Administration Service issued a tax assessment to ArcelorMittal Mexico, alleging that ArcelorMittal Mexico owes 160 with respect to 2008, principally due to improper interest deductions relating to certain loans, and unpaid corporate income tax for interest payments that the tax authority has categorized as profit. In November 2015, ArcelorMittal Mexico filed an administrative appeal in respect of this assessment, which was dismissed by the tax authority. In November 2017, ArcelorMittal Mexico filed an annulment complaint before a Federal Administrative and Tax Justice Court, which has not been determined.

With respect to 2007 and 2009, the Mexican Tax Administration Service also challenged the interest deduction related to the aforementioned loans and issued tax assessments to ArcelorMittal Mexico for 21 and 25, respectively. In November 2018, a Federal Administrative and Tax Justice Court ruled against the annulment complaint filed by ArcelorMittal Mexico in relation to the 2007 tax assessment and in December 2018, ArcelorMittal Mexico filed an appeal before the Collegiate Tribunal For Administrative Matters. With respect to the 2009 tax assessment, in November 2016 ArcelorMittal Mexico filed an administrative appeal before the Administrative Authority on Federal Tax Matters, which has not been determined.

In 2013, the Mexican Tax Administration Service issued a tax assessment to ArcelorMittal Las Truchas, alleging that ArcelorMittal Las Truchas owes 63 in respect of (i) non-payment of withholding tax on capitalized interest, (ii) non-deduction of accrued interest regarding certain loans, and (iii) reduction of assets tax taxable basis in 2007. In 2015, ArcelorMittal Las Truchas filed an administrative appeal in respect of the aforementioned assessment, which the tax authority dismissed. In October 2015, ArcelorMittal Las Truchas filed an annulment complaint before the Federal Administrative and Tax Justice Court, which ruled in favor of ArcelorMittal Las Truchas in October 2018. The tax authority filed an application for judicial review in January 2019.

In October 2018, the Mexican Tax Administration Service issued a tax assessment to ArcelorMittal Las Truchas, alleging that ArcelorMittal Las Truchas owes 85 with respect to 2013 due to: (i) improper interest deductions relating to certain loans and (ii) non-deduction of advanced rent payments. In November 2018, ArcelorMittal Las Truchas filed an administrative appeal before the Administrative Authority on Federal Tax Matters.

Competition/Antitrust Claims

ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2018, 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, (ii) that were resolved in 2018 or (iii) that were resolved and had a financial impact in 2017 or 2016, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

Brazil

In September 2000, two construction trade organizations filed a complaint with Brazil's Administrative Council for Economic Defense ("CADE") 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, CADE issued its final decision against ArcelorMittal Brasil, imposing a fine of 58. ArcelorMittal Brasil appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a guarantee letter and obtained an injunction to suspend enforcement of this decision pending the court's judgment. In September 2017, the Court found against ArcelorMittal Brasil. In October 2017, ArcelorMittal Brasil filed a motion for clarification of this decision, which was dismissed. In December 2017, ArcelorMittal Brasil filed an appeal to the second judicial instance.

There is also a related class action commenced by the Federal Public Prosecutor of the state of Minas Gerais

against ArcelorMittal Brasil for damages in an amount of 62 based on the alleged violations investigated by CADE.

A further related lawsuit was commenced in February 2011 by four units of Sinduscons, a civil construction trade organization, in federal court in Brasilia against, *inter alia*, ArcelorMittal Brasil claiming damages 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) benefited from artificially low tariffs, the European Commission opened a formal investigation into alleged state aid in April 2012. The European Commission announced on June 12, 2015 that electricity supply contracts signed by Hidroelectrica with certain electricity traders and industrial customers (including the one entered by ArcelorMittal Galati) did not involve state aid within the meaning of the EU rules. In March 2017, the European Commission's decision was officially published. As no challenge was filed within two months of publication, the decision has become definitive.

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 Competition Commission sought an order declaring that ArcelorMittal South Africa's pricing in 2000-2003 in respect of low carbon wire rod amounted to price discrimination 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. 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 (in the year preceding any final decision) and exports from South Africa for 2008. ArcelorMittal filed an application to access the file of the Competition Commission that was rejected. ArcelorMittal appealed the decision to reject the application, and 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 appealed the decision of the CAC, and, on May 31, 2013, the Supreme Court of Appeal dismissed the appeal of the Competition Commission and confirmed the decision of the CAC. In 2014, ArcelorMittal South Africa requested the documents from the Competition Commission, which provided an index thereof. On July 7, 2011, ArcelorMittal filed an application before the Competition Tribunal to set aside the complaint referral based on procedural irregularities but this application was withdrawn by notice dated August 7, 2014.

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 in respect of certain flat carbon steel products over a period of 10 years (1999-2009) in contravention of the South African Competition Act.

In August 2013, the South African Competition Commission referred a complaint against four scrap metal purchasers in South Africa, including ArcelorMittal South Africa, to the South African Competition Tribunal for prosecution. The complaint alleged collusion among the purchasers to fix the price and other trading conditions for the purchase of scrap over a period from 1998 to at least 2008.

In relation to all these cases, following an extensive engagement, ArcelorMittal South Africa reached an agreement on an overall settlement with the Competition Commission for an amount of 1.5 billion South African rand (approximately 110). In October 2016, Barnes Fencing filed an application with the Competition Tribunal to review and set aside the said settlement agreement in respect of the Barnes matters. In addition, Barnes filed an objection to the settlement agreement and an application to stay. The settlement agreement, as amended to exclude the Barnes case referred to above, was approved, subject to minor amendments, by the Competition Tribunal, on November 16, 2016.

Germany

In the first half of 2016, the German Federal Cartel Office carried out unannounced investigations of ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH following alleged breaches of antitrust rules. ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH cooperated with the German Federal Cartel Office in its investigation and, in July 2018, as a result of a settlement process, the Company and the Federal Cartel Office reached agreement as to a 146 fine to be paid by ArcelorMittal Commercial Long Deutschland GmbH. The fine was paid in August 2018 ending the investigation as concerns the ArcelorMittal entities.

In August 2017, the German Federal Cartel Office carried out unannounced investigations of ArcelorMittal Bremen, ArcelorMittal Eisenhüttenstadt GmbH and ArcelorMittal Berlin Holding GmbH principally relating to alleged breaches of antitrust rules concerning (i) agreement between flat steel producers regarding extras from June 2006 - March 2016 (ii) impermissible exchanges of sensitive information between competitors from 1986 - 2016 and (iii) agreement to continue market and price structure introduced by the European Coal and Steel Community from 2002-2016. ArcelorMittal has not, to the date of this annual report, received subsequent communications from the German Federal Cartel Office in this respect.

Other Legal Claims

ArcelorMittal is a party to various other legal claims. As of December 31, 2018, ArcelorMittal had recorded provisions of 249 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, 2018, (ii) that constitute a contingent liability, (iii) that were resolved in 2018, or (iv) that were resolved and had a financial impact in 2017 or 2016, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the claims discussed below that remain pending.

Argentina

Over the course of 2007 to 2018, the Argentinian Customs Office Authority (Aduana) notified Acindar, the Company's Argentinian subsidiary, of certain inquiries that it was conducting with respect to prices declared by Acindar related to iron ore imports. The Customs Office Authority was seeking to determine whether Acindar incorrectly declared prices for iron ore imports from several different Brazilian suppliers and from ArcelorMittal Sourcing originally on 39 different claims concerning several shipments made between 2002 and 2014. 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. In March 2018, the Customs Office Authority issued a general instruction that orders customs to withdraw current claims related to the difference between import prices in Argentina and export prices of iron ore when exiting Brazil. This will have a material impact on the claims made against Acindar although the exact impact cannot be quantified at this stage. As of February 2019, the aggregate amount claimed by the Customs Office Authority in respect of all iron ore shipments is 139 in 26 different cases. Of these 26 cases, 8 are still in the administrative branch of the Customs Office Authority and the other 18 cases, in which the administrative branch of the Customs Office Authority ruled against Acindar, have been appealed to the Argentinian National Fiscal Court.

Canada

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, and certain other parties relating to the January 2011 take-over of Baffinland by ArcelorMittal, Nunavut Iron Ore Holdings and 1843208 Ontario Inc. The action alleges that the tender offer document contained certain misrepresentations and seeks damages in an aggregate amount of 734(CAD 1 billion) or rescission of the transfer of the Baffinland securities by members of a class comprised of all Baffinland securities holders who tendered their Baffinland 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 Baffinland securities on or after January 14, 2011. The class certification hearings were held in January 2018, and the court certified the class in a decision dated May 18, 2018. The court also certified the statutory circular misrepresentation, insider trading, unjust enrichment and oppression claims. The court included in the class persons who tendered their Baffinland securities to the take-over bid and, for purposes of the oppression claims only, persons who sold their Baffinland securities in the secondary market after January 13, 2011. The court excluded from the class those persons who disposed of their Baffinland securities pursuant to a court ordered plan of arrangement.

Italy

In January 2010, ArcelorMittal received notice of a claim filed by Finmasi S.p.A. relating to a memorandum of agreement ("MoA") entered into between ArcelorMittal Distribution Services France ("AMDSF") and Finmasi in 2008. The MoA provided that AMDSF would acquire certain of Finmasi's businesses for an amount not to exceed 106, subject to the satisfaction of certain conditions precedent, which, in AMDSF's view, were not fulfilled. Finmasi sued for (i) enforcement of the MoA, (ii) damages of 16 to 27 or (iii) recovery costs plus quantum damages for Finmasi's alleged lost opportunity to sell to another buyer. In September 2011, the court rejected Finmasi's claims other than its second claim. The court appointed an expert to determine the quantum of damages. In May 2013, the expert's report was issued and valued the quantum of damages in the range of 47 to 68. ArcelorMittal appealed the decision on the merits. In May 2014, the Court of Appeal issued a decision rejecting ArcelorMittal's appeal. On June 20, 2014, ArcelorMittal filed an appeal of the Court of Appeal's judgment with the Italian Court of Cassation. On April 11, 2018, the Court of Cassation rejected the appeal on the merits and upheld the Court of Appeal's decision. On December 18, 2014, the Court of Milan issued a decision on the quantum of the damages and valued the quantum of damages in the sum of 27 plus interest. In June 2015, both parties served appeals of the decision on the quantum, with ArcelorMittal also seeking the suspension of the enforceability of the decision. On July 1, 2015, Finmasi formally notified to AMDSF the declaration of enforcement of the decision of December 18, 2014. On July 28, 2015, AMDSF filed an appeal against such declaration with the Court of Appeal of Reims in France. At a hearing on December 1, 2015, the Italian Court of Appeal accepted the suspension of the enforcement of the decision of December 18, 2014, following the agreement of AMDSF to provide a guarantee for its value. In March 2016, on the joint application of the parties, the Court of Appeal of Reims ordered the suspension of the proceedings. On July 19, 2018, the Court of Appeal upheld the Court of Milan's decision on quantum dated December 18, 2014. In September 2018, ArcelorMittal filed an appeal to the Court of Cassation. In January 2019, Finmasi called on the AMDSF guarantee issued in the context of the enforcement proceedings that were suspended in 2015.

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 (bearing in mind that other former employees may bring similar claims) is 68. Given the similarities in the claims, the parties agreed to limit the pending proceedings to four test claims. In April 2013, the Esch-sur-Alzette labor court rejected two of these test claims. The relevant plaintiffs are appealing these decisions. In November 2013, the Luxembourg city labor court rejected the two other test claims, which are also being appealed.

France

Certain subsidiaries of the ArcelorMittal group are parties to proceedings, dating from 2010, against Engie and Engie Thermique France which claim damages in the amount of 156 or alternatively 165 for an alleged wrongful termination of a contract for the transformation of steel production gas into electricity. The ArcelorMittal subsidiaries have filed a counterclaim in the amount of 139. The contract had been entered into in 2006 for a term of 20 years. ArcelorMittal Méditerranée terminated it in July 2010 on the basis that Engie was solely responsible for the delay in the commissioning of the power plant (which suffered from significant malfunctions) constructed for the transformation of steel production gas into electricity. Engie claims that ArcelorMittal was in breach of the contract at the time of the termination due to certain alleged issues with the furnishing and quality of its steel production gas, and therefore unable to terminate the contract based on the sole breaches of Engie. The case is before the Commercial Court of Nanterre. ArcelorMittal is vigorously defending itself in this matter and vigorously pursuing its counterclaim.

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 made by Social Security, changes in the regulations 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, 2018 was 367 as compared to 404 at December 31, 2017. The range of amounts claimed for the year ended December 31, 2018 was $35,000 to $745,000. The aggregate costs and settlements for the year ended December 31, 2018 were 7.67, of which 0.27 represented legal fees and 7.4 represented damages paid to the claimant. The aggregate costs and settlements for the year ended December 31, 2017 were 6.4, of which 0.25

represented legal fees and 6.1 represented damages paid to the claimant.

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 that the exchange ratio and merger 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.

Set out below is a summary of ongoing matters in this regard. Several other claims brought before other courts and regulators were dismissed and are definitively closed.

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 including Mr. Lakshmi Mittal, as well as on Mrs. Usha Mittal, among other parties. 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 7 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 216. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. The judgment was appealed in May 2012. By judgment dated February 15, 2017, the Luxembourg Court of Appeal declared all but one of the plaintiffs' claims inadmissible, remanded the proceedings on the merits to the lower court with respect to the admissible claimant and dismissed all other claims. In June 2017, the plaintiffs filed an appeal of this decision to the Court of Cassation. The Court of Cassation confirmed the Court of Appeal's judgment on May 18, 2018. The proceedings remain pending before the lower court with the admissible claimant who claims 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 25.

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. In such writ of summons, AAA claimed (on grounds similar to those in the Luxembourg proceedings summarized above) inter alia damages in a nominal amount and reserved the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris have been stayed, pursuant to a ruling of such court on July 4, 2013, pending a preparatory investigation (*instruction préparatoire*) by a criminal judge magistrate (*juge d'instruction*) triggered by the complaints (*plainte avec constitution de partie civile*) of AAA and several hedge funds (who quantified their total alleged damages at 282), including those who filed the claims before the Luxembourg courts described (and quantified) above. The dismissal of charges (non-lieu) ending the preparatory investigation became final in March 2018.

8.4 Commitments

	December 31,	
	2018	2017
Purchase commitments	24,594	24,734
Guarantees, pledges and other collateral	5,527	5,021
Non-cancellable operating leases	1,869	1,311
Capital expenditure commitments	697	878
Other commitments	3,516	1,206
Total	36,203	33,150

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, scrap and freight. In addition to those purchase commitments disclosed above, the Company enters into purchasing contracts as part of its normal operations which have minimum volume requirements but for which there are no take-or-pay or penalty clauses included in the contract. The Company does not believe these contracts have an adverse effect on its liquidity position.

Purchase commitments include commitments given to associates for 405 and 520 as of December 31, 2018 and 2017, respectively. Purchase commitments include commitments given to joint ventures for 2,246 and 1,550 as of December 31, 2018 and 2017, respectively. Commitments given to joint ventures include 1,489 and 1,481 related to purchase of the output from Tameh as of December 31, 2018 and 2017 respectively, and 711 related to purchase of the output from Enerfos as of December 31, 2018.

Purchase commitments include commitments given by Ilva remedies classified as held for sale for 910 as of December 31, 2018.

Guarantees, pledges and other collateral

Guarantees related to financial debt and credit lines given on behalf of third parties were 235 and 266 as of December 31, 2018 and 2017, respectively. Additionally, 7 and 13 were related to guarantees given on behalf of associates as of December 31, 2018 and 2017, respectively. Guarantees of 1,079 and 1,022 were given on behalf of joint ventures as of December 31, 2018 and 2017, respectively. Guarantees given on behalf of joint ventures include 348 and 406 for the guarantees issued on behalf of Calvert and 397 and 382 for the guarantees issued on behalf of Al Jubail as of December 31, 2018 and 2017, respectively. Due to the failure of other shareholders to provide requisite equity funding by December 31, 2018, the Al Jubail joint venture's indebtedness became technically in default as of such date. ArcelorMittal's guarantee of such indebtedness has not been called by the lenders, and ArcelorMittal does not currently expect it to be called. ArcelorMittal is working with the other shareholders in the joint venture to resolve the situation through their contribution of the requisite equity and currently expects the technical default to be cured in the near term. The technical default relates only to the indebtedness of the joint venture and is not expected to affect the availability or maturity of any borrowings of ArcelorMittal.

Pledges and other collateral mainly relate to inventories and receivables pledged to secure the South African Rand revolving borrowing base finance facility for the amount drawn of 21, ceded bank accounts to secure environmental obligations, true sale of receivables programs and the revolving base finance facility in South Africa of 122 and mortgages entered into by the Company's operating subsidiaries.Pledges of property, plant and equipment were 225 and 282 as of December 31, 2018 and 2017, respectively. Other sureties, first demand guarantees, letters of credit, pledges and other collateral included 380 and 419 of commitments given on behalf of associates as of December 31, 2018 and 2017, respectively. Other sureties, first demand guarantees, letters of credit, pledges and other collateral included 154 and 164 of commitments given on behalf of joint ventures as of December 31, 2018 and 2017, respectively.

In addition, other sureties, first demand guarantees, letters of credit, pledges and other collateral included 567 in relation to a performance guarantee provided by the Company for the execution of the ESIL resolution plan as of December 31, 2018.

Other sureties, first demand guarantees, letters of credit, pledges and other collateral include commitments given by Ilva remedies classified as held for sale for 18 as of December 31, 2018.

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, 2018 and 2017 according to maturity periods are as follows:

	December 31,	
	2018	2017
Less than 1 year	322	315
1-3 years	414	412
4-5 years	262	252
More than 5 years	871	332
Total	1,869	1,311

Non-cancellable operating leases include time charter arrangements for shipping activities and usufruct of land in Poland. The operating leases expense was 564, 542 and 521 in 2018, 2017 and 2016, respectively out of which 77, 42 and 98 are related to contingent rents. The non-cancellable operating leases commitments at December 31, 2018 are related to plant, machinery and equipment (778), buildings (181), land (871) and other (39).

Capital expenditure commitments

Capital expenditure commitments mainly relate to commitments associated with investments in expansion and improvement projects by various subsidiaries.

In 2016, AMSA committed to an investment program in connection with the competition commission settlement. The remaining capital expenditure commitment was 171 as of December 31, 2018.

Capital expenditure commitments also include 413 for the1000 three-year investment program at the Company's Mexican operations announced in 2017, which is focused on building ArcelorMittal Mexico's downstream capabilities. The main investment will be the construction of a new hot strip mill with capacity of approximately 2.5 million tonnes.

Other commitments

Other commitments given comprise mainly commitments incurred for gas supply to electricity suppliers.

As of September 21, 2018 an Environmental Commitment Agreement ("ECA") has been executed between ArcelorMittal Brasil, local government and the Brazilian environmental authorities. ArcelorMittal Brasil committed to carry out, over the next 5 years, a series of environmental operational and capital investments with the aim to reduce atmospheric emissions from the Company's Tubarão site. To comply with the ECA requirements, ArcelorMittal Brasil may need to acquire new equipment and change some of its current operating methods and processes. The underlying costs to implement those investments are still being estimated by ArcelorMittal Brasil and the outcome of this estimate could be material. The non-compliance with ECA would lead to fines amounting to a maximum of 26.

The agreement relating to the Ilva acquisition includes 1,439 industrial capital expenditure commitments over a seven-year period focused on blast furnaces, steel shops and finishing lines and 917 environmental capital expenditure commitments.

Commitments to sell

In addition to the commitments presented above, the Company has firm commitments to sell for which it also has firm commitments to purchase included in purchase commitments for 201 and 286 as of December 31, 2018 and 2017, respectively, and mainly related to natural gas and electricity.

Note 9: Income taxes

The current tax payable (recoverable) is based on taxable profit (loss) 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 or are never taxable or deductible. The Company's current income tax expense (benefit) is calculated using tax rates that have been enacted or substantively enacted as of the date of the consolidated statements of financial position.

Tax is charged or credited to the consolidated statements of operations, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognized in other comprehensive income or in equity.

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 deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carry forwards 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 non-deductible 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 profit reported in the consolidated statements of operations.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except if 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and 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 at the consolidated statements of financial position date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would result 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 statements 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. The Company reviews the deferred tax assets in the different jurisdictions in which it operates 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

9.1 Income tax expense (benefit)

The components of income tax expense (benefit) are summarized as follows:

	Year Ended December 31,		
	2018	2017	2016
Total current tax expense (benefit)	928	583	255
Total deferred tax expense (benefit)	(1,277)	(151)	731
Total income tax expense (benefit)	(349)	432	986

The following table reconciles the expected tax expense (benefit) at the statutory rates applicable in the countries where the Company operates to the total income tax expense (benefit) as calculated:

	Year Ended December 31,		
	2018	2017	2016
Net income (loss) (including non-controlling interests)	5,330	4,575	1,734
Income tax expense (benefit)	(349)	432	986
Income (loss) before tax	4,981	5,007	2,720
Tax expense (benefit) at the statutory rates applicable to profits (losses) in the countries[1]	1,043	1,407	677
Permanent items	(421)	(522)	(5,940)
Rate changes	—	(94)	593
Net change in measurement of deferred tax assets	(1,301)	(281)	5,344
Tax effects of foreign currency translation	(47)	(157)	73
Tax credits	(17)	(66)	(21)
Other taxes	151	90	126
Others	243	55	134
Income tax expense (benefit)	(349)	432	986

1. Tax expense (benefit) at the statutory rates is based on income (loss) before tax excluding income (loss) from investments in associates and joint ventures.

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 the pre-tax results of its subsidiaries in each of these countries, which can change from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as enacted in Luxembourg (26.01%), as well as in jurisdictions, mainly in Brazil and Mexico, which have a structurally higher corporate income tax rate.

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

Permanent items

	Year Ended December 31,		
	2018	2017	2016
Tax deductible write-downs on shares and receivables	(498)	(652)	(5,971)
Juros sobre o Capital Próprio ("JSCP")	(73)	(4)	(2)
Non taxable gain on bargain purchase	(60)	—	—
Taxable income (tax loss) of AMTFS	47	(34)	20
Taxable dividends	—	65	19
Other permanent items	163	103	(6)
Total permanent items	(421)	(522)	(5,940)

Tax deductible write-downs on shares and receivables: in connection with the Company's impairment test for goodwill and property, plant and equipment ("PP&E"), the recoverability of the carrying amounts of investments in shares and intragroup receivables is also reviewed annually, resulting in tax deductible write-downs of the values of loans and shares of consolidated subsidiaries in Luxembourg.

Juros sobre o Capital Próprio ("JSCP"): Corporate taxpayers in Brazil, which 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.

Non taxable gain on bargain purchase: in 2018 ArcelorMittal recognized a 209 gain on bargain purchase upon acquisition of Ilva (see note 2.2.4).

Taxable income of AMTFS: ArcelorMittal Treasury Financial Services S.à r.l. ("AMTFS"), a subsidiary of ArcelorMittal Treasury Americas LLC ("AMTAUS"), is a limited liability company organized under the laws of Luxembourg subject to taxation in Luxembourg on its worldwide income. AMTFS has filed an election to be treated as a disregarded entity for United States federal income tax purposes.

Taxable dividends: the dividends received from some of the ArcelorMittal subsidiaries are subject to tax in the receiving countries with the corresponding (foreign) tax credits available.

Rate changes

The 2017 tax benefit from rate changes of (94) is mainly due to the impact of the decrease in the future income tax rate on deferred tax liabilities in Belgium (60), France (31), Argentina and USA.

The 2016 tax expense from rate changes of 593 is mainly due to the impact of the decrease in the future income tax rate on deferred tax assets in Luxembourg resulting in tax expense of 647, partly offset by a tax benefit of (50) in France.

Net change in measurement of deferred tax assets

The 2018 net change in measurement of deferred tax assets of (1,301) primarily consists of tax benefit of (1,842) due to additional recognition of deferred tax assets for losses and other deductible temporary differences of previous years, and a tax expense of 541 due to non-recognition and derecognition of other deferred tax assets in other tax jurisdictions. In 2018, the Company recognized 1.3 billion of previously unrecognized deferred tax assets relating to the Luxembourg tax integration. The recognition in Luxembourg includes a 0.8 billion increase in projections of future taxable income in Luxembourg driven primarily by the higher operational and financial income, and 0.6 billion effect of the elimination of the current USD exposure of Luxembourgish deferred tax assets denominated in euro.

The 2017 net change in measurement of deferred tax assets of (281) primarily consists of tax expense of 652 due to the unrecognized part of deferred tax assets on write-downs of the value of shares and loans of consolidated subsidiaries in Luxembourg, tax expense of 364 due to non-recognition and derecognition of other deferred tax assets in other tax jurisdictions, partially offset by an additional recognition of deferred tax assets for losses and other deductible temporary differences of previous years of (1,297). In 2017, the Company recognized 1.1 billion of previously unrecognized deferred tax assets relating to the Luxembourg tax integration. The recognition in Luxembourg includes a 0.3 billion increase in projections of future taxable income in Luxembourg driven primarily by the improved market conditions of the steel industry and higher financial income mainly from further reduction in the forecasted interest expense following improved credit rating.

The 2016 net change in measurement of deferred tax assets of 5,344 primarily consists of tax expense of 5,971 due to the unrecognized part of deferred tax assets on write-downs of the value of shares and loans of consolidated subsidiaries in Luxembourg, tax expense of 285 due to non-recognition and derecognition of other deferred tax assets in other tax jurisdictions, partially offset by additional recognition of deferred tax assets for losses

and other deductible temporary differences of previous years of (912). In 2016, the Company recognized 0.4 billion of previously unrecognized deferred tax assets relating to the Luxembourg tax integration. The recognition in Luxembourg includes a 0.8 billion increase in projections of future taxable income in Luxembourg driven primarily by the improved market conditions of the steel industry and higher interest income from favorable foreign exchange rate relating to the funding of the Group subsidiaries as well as further reduction in the forecasted interest expense following debt repayment. This recognition is partially offset by a derecognition of 0.7 billion related to revised expectations of euro denominated deferred tax assets recoverability in U.S. dollars terms.

Tax effects of foreign currency translation

The tax effects of foreign currency translation of (47), (157) and 73 at December 31, 2018, 2017 and 2016 respectively, refer mainly to deferred tax assets and liabilities of certain entities with a different functional currency than the currency applied for tax filing purposes. The 2018 effect is impacted by the elimination of the currency exposure on the deferred tax assets in ArcelorMittal parent company following the change in the currency denomination of the tax losses. In 2017, the effects are mainly due to the depreciation of the U.S. dollar against the euro.

Tax credits

The tax credits are mainly attributable to the Company's operating subsidiaries in Brazil, Mexico and Spain. They relate to credits claimed on foreign investments, credits for research and development and tax sparing credits.

Other taxes

Other taxes mainly include withholding taxes on dividends, services, royalties and interests as well as mining duties in Canada and Mexico, and state tax and Base Erosion and Anti-Abuse Tax ("BEAT") in the United States.

Others

	Year Ended December 31,		
	2018	2017	2016
Tax contingencies/settlements	183	7	149
Prior period taxes	21	(7)	(18)
Others	39	55	3
Total	243	55	134

In 2018 and 2016, Others of 243 and 134 primarily consist of uncertain tax positions respectively for 183, mainly related to Europe, and 149, mainly related to Europe and North America.

9.2 Income tax recorded directly in equity

	Year Ended December 31,		
	2018	2017	2016
Recognized in other comprehensive income on:			
Deferred tax expense (benefit)			
Unrealized gain (loss) on derivative financial instruments	380	(77)	(1)
Recognized actuarial gain (loss)	(228)	(42)	(1)
Foreign currency translation adjustments	(106)	(90)	27
	46	(209)	25
Recognized directly in equity on:			
Deferred tax expense (benefit)			
Others	—	9	—
Total	46	(200)	25

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

9.3 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 in complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are 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 (see note 8 "Provisions, contingencies and commitments").

9.4 Deferred tax assets and liabilities

The origin of the deferred tax assets and liabilities is as follows:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Intangible assets	29	63	(744)	(869)	(715)	(806)
Property, plant and equipment	271	235	(5,098)	(5,334)	(4,827)	(5,099)
Inventories	286	291	(251)	(179)	35	112
Financial instruments	124	129	(424)	(559)	(300)	(430)
Other assets	460	203	(572)	(336)	(112)	(133)
Provisions	1,728	1,577	(512)	(424)	1,216	1,153
Other liabilities	461	359	(331)	(225)	130	134
Tax losses and other tax benefits carried forward	10,384	9,381	—	—	10,384	9,381
Tax credits carried forward	104	127	—	—	104	127
Untaxed reserves	—	—	(2)	(68)	(2)	(68)
Deferred tax assets / (liabilities)	13,847	12,365	(7,934)	(7,994)	5,913	4,371
Deferred tax assets					8,287	7,055
Deferred tax liabilities					(2,374)	(2,684)

The deferred tax assets recognized by the Company as of December 31, 2018 are analyzed as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses and other tax benefits carried forward	110,769	28,642	10,384	18,258
Tax credits carried forward	722	722	104	618
Other temporary differences	16,923	4,117	3,359	758
Total		33,481	13,847	19,634

The deferred tax assets recognized by the Company as of December 31, 2017 are analyzed as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses and other tax benefits carried forward	111,880	28,569	9,381	19,188
Tax credits carried forward	778	778	127	651
Other temporary differences	17,417	3,978	2,857	1,121
Total		33,325	12,365	20,960

As of December 31, 2018, the majority of the deferred tax assets not recognized relates to tax losses carried forward attributable to various subsidiaries located in different jurisdictions (primarily Germany, Luxembourg, Spain, South Africa and the United States) with different statutory tax rates. As of each reporting date, ArcelorMittal considers existing evidence, both positive and negative, including the earnings history and results of recent operations, reversals of deferred tax liabilities, projected future taxable income, and planning strategies, that could impact the view with regard to future realization of these deferred tax assets. Given the current and anticipated future earnings of the

ArcelorMittal U.S. operations, there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to allow ArcelorMittal to reach a conclusion that a significant portion of the unrecognized deferred tax assets of the U.S. operations, related to tax losses and temporary differences, may be recognized.

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 consolidation group to which it belongs. The utilization of tax losses carried forward also may be restricted by the character of the income, expiration dates and limitations on the yearly use of tax losses against taxable income.

As at December 31, 2018 the total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounted to approximately 80.6 billion, of which 34.1 billion was considered realizable, resulting in the recognition of 8.9 billion of deferred tax assets at the applicable income tax rate in Luxembourg. As at December 31, 2017, the total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounted to approximately 80.8 billion, of this amount 30.8 billion was considered realizable, resulting in the recognition of 7.6 billion of deferred tax assets at the applicable income tax rate in Luxembourg. Under the Luxembourg tax legislation, tax losses generated before 2017 can be carried forward indefinitely and are not subject to any specific yearly loss utilization limitations. The tax losses carried forward relate primarily to tax deductible write-down charges taken on investments in shares of consolidated subsidiaries recorded by certain of ArcelorMittal's holding companies in Luxembourg. Of the total tax losses carried forward, 28.8 billion may be subject to recapture in the future if the write-downs that caused them are reversed creating taxable income unless the Company converts them to permanent through sales or other organizational restructuring activities.

The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for tax losses carried forward in Luxembourg. As part of its recoverability assessment the Company has taken into account (i) its most recent forecast approved by management and the Board of Directors, (ii) the likelihood that the factors that have contributed to past losses in Luxembourg will not recur, (iii) the fact that ArcelorMittal in Luxembourg is the main provider of funding to the Company's consolidated subsidiaries, leading to significant amounts of taxable interest income, (iv) the implementation of an Industrial Franchising Arrangement between ArcelorMittal and numerous worldwide operating subsidiaries, and (v) other significant and reliable sources of operational income earned from ArcelorMittal's European and worldwide operating subsidiaries for centralized distribution and procurement activities performed in Luxembourg. In performing the assessment, the Company estimates at which point in time its earnings projections are no longer reliable, and thus taxable profits are no longer probable. Accordingly, the Company has established consistent forecast periods for its different income streams for estimating probable future taxable profits, against which the unused tax losses can be utilized in Luxembourg.

At December 31, 2018, 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 8.3 billion recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 8.3 billion is at least 32 billion. Historically, the Company has been able to generate sufficient taxable income and believes that it will generate sufficient levels of taxable income in the coming years to allow 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. Where the Company has had a history of recent losses, it relied on convincing other evidence such as the character of (historical) losses and planning opportunities to support the deferred tax assets recognized.

For the period ended December 31, 2018 ArcelorMittal recorded approximately 80 (December 31, 2017: 59) of deferred income tax liabilities in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realized in the foreseeable future. No deferred tax liability has been recognized in respect of other temporary differences on investments in subsidiaries, associates and interests in joint ventures because the Company is able to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The amount of these unrecognized deferred tax liabilities is approximately 938.

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

9.5 Tax losses, tax credits and other tax benefits carried forward

At December 31, 2018, the Company had total estimated tax losses carried forward and other tax benefits of 110.8 billion.

This includes net operating losses and other tax benefits of 7.5 billion primarily related to subsidiaries in Basque Country in Spain, Liberia, Luxembourg, Switzerland and the United States, which expire as follows:

Year expiring	Recognized	Unrecognized	Total
2019	32	68	100
2020	46	268	314
2021	4	872	876
2022	2	628	630
2023	6	490	496
2024 - 2038	90	5,021	5,111
Total	180	7,347	7,527

The remaining tax losses carried forward and other tax benefits for an amount of 103.3 billion (of which 39.3 billion are recognized and 64 billion are unrecognized) are carried forward for unlimited period of time and primarily relate to the Company's operations in Brazil, France, Germany, Luxembourg and Spain.

At December 31, 2018, the Company also had total estimated tax credits carried forward of 722.

Such amount includes tax credits of 568 primarily attributable to subsidiaries in Basque Country in Spain of which 49 recognized and 519 unrecognized, which expire as follows:

Year expiring	Recognized	Unrecognized	Total
2019	—	5	5
2020	—	3	3
2021	—	2	2
2022	—	2	2
2023	—	1	1
2024 - 2038	49	506	555
Total	49	519	568

The remaining tax credits for an amount of 154 (of which 55 are recognized and 99 are unrecognized) are indefinite and primarily attributable to the Company's operations in Brazil, Spain and the United States.

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 10: Equity

10.1 Share details

On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of issued shares decreased from 3,065,710,869 to 1,021,903,623 and all prior periods have been recast in accordance with IFRS.

The Company's shares consist of the following:

	December 31, 2016	Movement in year	December 31, 2017	Movement in year	December 31, 2018
Issued shares	1,021,903,623	—	1,021,903,623	—	1,021,903,623
Treasury shares	(2,407,480)	420,644	(1,986,836)	(6,348,529)	(8,335,365)
Total outstanding shares	1,019,496,143	420,644	1,019,916,787	(6,348,529)	1,013,568,258

On January 15, 2016, following the maturity of the mandatorily convertible notes (see 10.2 below), the Company increased share capital by €570 million (622) from €6,883 million (10,011) to €7,453 million (10,633) through the issuance of 137,967,116 (45,989,039 after reverse stock split) new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 1,803,359,338 (601,119,779 after reverse stock split).

Following the extraordinary general meeting held on March 10, 2016, ArcelorMittal decreased share capital by €7,273 million (10,376) from €7,453 million (10,633) to €180 million (257) through a reduction of the accounting par value per share to €0.10 without any distribution to shareholders, the balance being allocated to additional paid-in capital.

On April 8, 2016, ArcelorMittal completed an equity offering with net proceeds of 3,115 (net of transaction costs of 40) by way of the issuance of 1,803,359,338 (601,119,779 after reverse stock split) non-statutory preferential subscription rights with a subscription price of €2.20 per share at a ratio of 7 shares for 10 rights subsequently to the adoption of enabling resolutions by the extraordinary general meeting of shareholders on March 10, 2016. The Company increased share capital by €126 million (144) from €180 million (257) to €306 million (401) through the issuance of 1,262,351,531 (420,783,844 after reverse stock split) new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 3,065,710,869 (1,021,903,623 after reverse stock split).

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 (52 after reverse stock split), or approximately 10% of ArcelorMittal's outstanding capital. Following this approval, which is valid for 5 years, the total authorized share capital was €7.7 billion represented by 1,773,091,461 (591,030,487 after reverse stock split) shares without par value.

At the Extraordinary General Meeting held on May 8, 2013, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €524 million represented by 223 million shares (74 after reverse stock split), or approximately 8% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €8.2 billion represented by 1,995,857,213 (665,285,738 after reverse stock split) shares without par value.

At the Extraordinary General Meeting held on March 10, 2016, the shareholders approved a decrease of the authorized share capital of the Company by €8,049 million through a reduction of the accounting par value per share to €0.10 and a subsequent increase by €3 billion. Following the completion of the equity offering on April 8, 2016, the Company's authorized share capital was decreased by €2.9 billion. As a result of the approval given by the shareholders on March 10, 2016 and which is valid for five years, the total authorized share capital was €337 million represented by 3,372,281,956 (1,124,093,985 after reverse stock split) shares without par value.

At the Extraordinary General Meeting held on May 10, 2017, the shareholders approved a reverse stock split and an increase of the authorized share capital to €345 million. Following this approval, on May 22, 2017 ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result, the authorized share capital increased with a decrease in representative shares from €337 million represented by 3,372,281,956 ordinary shares without nominal value as of December 31, 2016 to €345 million represented by 1,151,576,921 ordinary shares without nominal value.

At the Extraordinary General Meeting of shareholders held on May 16, 2018, the shareholders approved the change of currency of the Company's share capital from euro to U.S. dollar. Following this approval, the authorized share capital amounts to 411 represented by 1,151,576,921 ordinary shares without nominal value. As a result of this change, the issued share capital amounts to 364 as of December 31, 2018, based on the exchange rate published by the European Central Bank on May 15, 2018. The difference has been transferred to additional paid-in capital. There was no change in the aggregate number of shares issued and fully paid up which continues to amount to 1,021,903,623 as of December 31, 2018 and December 31, 2017.

Share buyback

On March 26, 2018, ArcelorMittal completed a share buyback program under the authorization given at the annual general meeting of shareholders held on May 5, 2015. ArcelorMittal repurchased 7 million shares for a total value of €184 million (226) at an average price per share of €26.34 (equivalent to $32.36). The buyback shares as part of buyback program are accounted as the part of the treasury share.

Treasury shares

ArcelorMittal held, indirectly and directly, 8.3 million and 2.0 million treasury shares as of December 31, 2018 and December 31, 2017, respectively.

10.2 Equity instruments and hybrid instruments

Mandatorily convertible notes

Mandatorily convertible notes issued by the Company were accounted for as compound financial instruments. The net present value of the coupon payments at issuance date was

recognized as a long-term obligation and carried at amortized cost. The value of the equity component was determined based upon the difference of the cash proceeds received from the issuance of the notes and the net present value of the financial liability component on the date of issuance and was included in equity.

On January 16, 2013, ArcelorMittal issued mandatorily convertible subordinated notes ("MCNs") with net proceeds of 2,222. The notes had a maturity of 3 years, were issued at 100% of the principal amount and were mandatorily converted into ordinary shares of ArcelorMittal at maturity unless converted earlier at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The MCNs paid a coupon of 6.00% per annum, payable quarterly in arrears. The minimum conversion price of the MCNs was set at $16.75 (prior to reverse stock split), corresponding to the placement price of shares in the concurrent ordinary shares offering as described above, and the maximum conversion price was set at approximately 125% of the minimum conversion price (corresponding to $20.94 prior to reverse stock split). The minimum and maximum conversion prices were subject to adjustment upon the occurrence of certain events, and were, as of December 31, 2015, $15.98 and $19.98, respectively (prior to reverse stock split). The Company determined the notes met the definition of a compound financial instrument and as such determined the fair value of the financial liability component of the bond was 384 on the date of issuance and recognized it as a long-term obligation. The value of the equity component of 1,838 was determined based upon the difference of the cash proceeds received from the issuance of the bond and the fair value of the financial liability component on the date of issuance and was included in equity.

During the fourth quarter of 2015, the Company delivered 2,275,026 treasury shares (758,342 after reverse stock split) against 1,817,869 notes converted at the option of their holders. As a result of such voluntary conversions, the carrying amount of MCNs decreased by 38. On January 15, 2016, upon final maturity of the MCNs, the remaining outstanding 88,182,131 notes were converted into 137,967,116 new common shares (45,989,039 after reverse stock split). Accordingly, share capital and additional paid-in-capital increased by 622 and 1,178, respectively and the carrying amount of MCNs decreased by 1,800.

Mandatory convertible bonds

On December 28, 2009, the Company issued through Hera Ermac, a wholly-owned subsidiary, 750 unsecured and unsubordinated 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 has the option to call the mandatory convertible bonds until 10 business days before the maturity date. Hera Ermac invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to the values of shares of Erdemir and China Oriental. 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. On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000. The Company further extended the conversion date for the mandatory convertible bonds on December 18, 2012 and January 17, 2014 to January 31, 2014 and January 29, 2016, respectively.

On November 20, 2015, the conversion date of the 1,000 mandatory convertible bonds was extended from January 29, 2016 to January 31, 2018. 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 880 (net of cumulative tax and fees) and other liabilities for 106. The derecognition of the previous instrument and the recognition at fair value of the new instrument resulted in a 79 expense included in financing costs-net in the consolidated statement of operations and a 20 decrease in non-controlling interests.

On December 14, 2017, the conversion date of the 1,000 mandatory convertible bonds was extended from January 31, 2018 to January 29, 2021. 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 797 (net of cumulative tax and fees) and other liabilities for 184. The derecognition of the previous instrument and the recognition at fair value of the new instrument resulted in a 92 expense included in financing costs-net in the consolidated statement of operations and a 83 decrease in non-controlling interests.

10.3 Earnings per common share

Basic earnings per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Net income (loss) 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 (loss) available to equity holders by the weighted average number of common shares and potential common shares from share unit plans and outstanding stock options as well as potential common shares from the conversion of certain convertible bonds whenever the conversion results in a dilutive effect.

On April 8, 2016, the Company issued 1,262,351,531 (420,783,844 after reverse stock split) new shares at a subscription price of €2.20 (prior to reverse stock split) per share representing a 35% discount compared to the theoretical ex-right price ("TERP") of €3.40 (prior to reverse stock split) based on the closing price of ArcelorMittal's shares on Euronext Amsterdam on March 10, 2016. In accordance with IFRS, such a rights issue includes a bonus element increasing the number of ordinary shares outstanding to be used in calculating basic and diluted earnings per share for all periods before the rights issue.

On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of outstanding shares for the prior periods have been recast in accordance with IFRS.

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, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
Net income (loss) attributable to equity holders of the parent	5,149	4,568	1,779
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,015	1,020	953
Incremental shares from assumed conversion of restricted share units and performance share units (in millions)	6	4	2
Weighted average common shares outstanding (in millions) for the purposes of diluted earnings per share	1,021	1,024	955

10.4 Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's financial statements ("ArcelorMittal SA") which are prepared in accordance with IFRS, as endorsed by the European Union. ArcelorMittal SA has no significant manufacturing operations of its own and generates its own profit mostly from financing activities and the management fees / industrial franchise agreements within Group Companies. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, profit generated by its own activities, 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.

Description	Approved by	Dividend per share (in $)	Payout date	Total (in millions of $)
Dividend for financial year 2015	Annual General Shareholders' meeting on May 4, 2016	—	—	—
Dividend for financial year 2016	Annual General Shareholders' meeting on May 4, 2017	—	—	—
Dividend for financial year 2017	Annual General Shareholders' meeting on May 9, 2018	0.10	June 13, 2018	101

The Board has agreed on a new dividend policy which will be proposed to shareholders at the annual general meeting in May 2019, dividends will begin at $0.20 per share in 2019 (paid from 2018 results).

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

10.5 Non-controlling interests

10.5.1 Non-wholly owned subsidiaries that have material non-controlling interests

The tables below provide a list of the principal subsidiaries which include non-controlling interests at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016.

Name of Subsidiary	Country of incorporation and operation	% of non-controlling interests and non-controlling voting rights at December 31, 2018	% of non-controlling interests and non-controlling voting rights at December 31, 2017	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2018	Non-controlling interests at December 31, 2018	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2017	Non-controlling interests at December 31, 2017	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2016
AMSA	South Africa	30.78%	30.78%	29	170	(124)	195	(103)
Sonasid[1]	Morocco	67.57%	67.57%	2	107	3	107	(5)
ArcelorMittal Kryvyi Rih	Ukraine	4.87%	4.87%	15	182	10	164	5
Belgo Bekaert Arames ("BBA")	Brazil	45.00%	45.00%	28	136	25	146	23
Hera Ermac[2]	Luxembourg	—	—	—	797	—	797	—
AMMIC[3]	Canada	15.00%	15.00%	91	484	91	479	28
Arceo[4]	Belgium	62.86%	62.86%	4	158	4	168	5
ArcelorMittal Liberia Ltd	Liberia	15.00%	15.00%	(2)	(268)	(11)	(266)	(5)
Other				14	256	9	276	7
Total				181	2,022	7	2,066	(45)

1. Sonasid - ArcelorMittal holds a controlling stake of 50% in Nouvelles Sidérurgies Industrielles. ArcelorMittal controls Nouvelles Sidérurgies Industrielles on the basis of a shareholders' agreement which includes deadlock arrangements in favor of the Company. Nouvelles Sidérurgies Industrielles holds a 64.86% stake in Sonasid. The total non-controlling interests in Sonasid of 67.57% are the result of ArcelorMittal's indirect ownership percentage in Sonasid of 32.43% through its controlling stake in Nouvelles Sidérurgies Industrielles.
2. Hera Ermac - The non-controlling interests correspond to the equity component of the mandatory convertible bonds maturing on January 29, 2021 (see note 10.2)
3. AMMIC - On March 15, 2013 and May 30, 2013, a consortium led by POSCO and China Steel Corporation acquired a 15% non-controlling interest in joint venture partnerships holding ArcelorMittal's Labrador Trough iron ore mining and infrastructure assets.
4. Arceo - On June 1, 2015, the Company signed an agreement with Sogepa, an investment fund of the Walloon Region in Belgium, to restructure the research and development activities of their combined investment in Arceo, an investment previously accounted for under the equity method by the Company. On June 11, 2015, Sogepa made a capital injection into Arceo, decreasing the Company's percentage ownership from 50.1% to 37.7%. Following the signed agreement to restructure the activities of Arceo, the Company obtained control and fully consolidated the investment, which resulted in an increase in non-controlling interests by 148. Additionally, on December 13, 2016, Sogepa made a capital injection into Arceo, decreasing the Company's percentage ownership from 37.7% to 37.1%.

The tables below provide summarized statements for the above-mentioned subsidiaries of financial position as of December 31, 2018 and 2017 and the summarized statements of operations and summarized statements of cash flows for the year ended December 31, 2018, 2017 and 2016.

Summarized statements of financial position

	December 31, 2018							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Current assets	1,307	194	1,408	240	251	1,144	93	113
Non-current assets	672	100	2,947	158	2,492	3,113	166	114
Total assets	1,979	294	4,355	398	2,743	4,257	259	227
Current liabilities	1,056	106	535	109	84	331	2	1,816
Non-current liabilities	372	34	308	28	335	539	1	41
Net assets	551	154	3,512	261	2,324	3,387	256	(1,630)

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

Summarized statements of operations

	December 31, 2018							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Revenue	3,440	396	2,497	771	—	2,396	—	132
Net income (loss)	95	4	340	59	(555)	636	6	(12)
Total comprehensive income (loss)	(40)	5	331	62	(555)	642	6	(12)

Summarized statements of cash flows

	December 31, 2018							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Net cash provided by / (used in) operating activities	69	22	313	47	38	735	10	(18)
Net cash provided by / (used in) investing activities	132	(5)	(346)	(14)	(38)	(134)	14	(29)
Net cash provided by / (used in) financing activities	(260)	—	50	(27)	—	(579)	(9)	47
Impact of currency movements on cash	(10)	—	(4)	—	—	—	(1)	—
Cash and cash equivalents:								
At the beginning of the year	141	38	60	5	—	158	13	—
At the end of the year	72	55	73	11	—	180	27	—
Dividend to non-controlling interests	—	—	—	(18)	—	(87)	(7)	—

Summarized statements of financial position

	December 31, 2017							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Current assets	1,457	181	1,228	220	210	1,050	56	107
Non-current assets	1,047	108	2,801	190	3,350	3,135	213	93
Total assets	2,504	289	4,029	410	3,560	4,185	269	200
Current liabilities	1,399	100	598	93	67	316	2	1,783
Non-current liabilities	470	34	266	21	616	555	1	35
Net assets	635	155	3,165	296	2,877	3,314	266	(1,618)

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

Summarized statements of operations

	December 31, 2017							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Revenue	2,926	371	2,486	698	—	1,943	—	56
Net income (loss)	(403)	6	209	52	1,130	617	6	(71)
Total comprehensive income (loss)	(421)	4	210	52	1,130	613	6	(71)

Summarized statements of cash flows

	December 31, 2017							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Net cash provided by / (used in) operating activities	(119)	(7)	194	63	(12)	947	10	(69)
Net cash provided by / (used in) investing activities	(193)	(3)	(234)	(9)	12	(301)	3	(63)
Net cash provided by / (used in) financing activities	330	(4)	—	(61)	—	(656)	(8)	132
Impact of currency movements on cash	13	1	(2)	—	—	—	1	—
Cash and cash equivalents:								
At the beginning of the year	110	51	102	12	—	168	7	—
At the end of the year	141	38	60	5	—	158	13	—
Dividend to non-controlling interests	—	(2)	—	(26)	—	(98)	(5)	—

Summarized statements of operations

	December 31, 2016							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Revenue	2,228	300	2,068	627	—	1,472	—	56
Net income (loss)	(335)	(7)	98	53	402	(66)	7	(29)
Total comprehensive income (loss)	(349)	(8)	106	49	402	(74)	7	(29)

Summarized statements of cash flows

	December 31, 2016							
	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Net cash provided by / (used in) operating activities	11	28	159	63	28	279	4	(45)
Net cash provided by / (used in) investing activities	(149)	(6)	(156)	(15)	(28)	(283)	(78)	(73)
Net cash provided by / (used in) financing activities	80	(32)	—	(50)	—	(24)	80	117
Impact of currency movements on cash	29	—	(5)	2	—	—	—	—
Cash and cash equivalents:								
At the beginning of the year	139	61	104	12	—	196	1	1
At the end of the year	110	51	102	12	—	168	7	—
Dividend to non-controlling interests	—	(6)	—	(25)	—	(30)	—	—

10.5.2 Transactions with 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.

Transactions with non-controlling interests in 2018 were as follows:

On November 9, 2018, ArcelorMittal completed the acquisition of Marcegaglia's 15% non-controlling interest in AM InvestCo and 11% non-controlling interest in BRE.M.A Warmwalz GmbH & Co KG for a 28 and 40 consideration, respectively. The Company recorded a decrease of 55 directly in equity.

Transactions with non-controlling interests in 2016 were as follows:

AMSA

On January 15, 2016, AMSA completed a rights offering fully underwritten by ArcelorMittal. The total cash proceeds amounted to ZAR 4.5 billion. ArcelorMittal subscribed the capital increase through repayment of an outstanding intragroup loan of ZAR 3.2 billion and an additional cash injection of ZAR 0.5 billion. As a result of the rights issue, ArcelorMittal's shareholding in AMSA increased from 52% to 70.55% and non-controlling interests decreased by 80.

Effective October 17, 2016, ArcelorMittal's interest in AMSA decreased to 69.22%. In the framework of AMSA's transformation initiatives in order to maximize its score under the Broad-Based Black Economic Empowerment ("B-BBEE") Codes of Good Practice, it launched on October 1, 2015 an employee share ownership plan following which the Ikageng Broad-Based Employee Share Trust obtained an ownership interest of 1.33% in AMSA to be attributed to qualifying employees upon vesting date of the plan.

In addition, on September 28, 2016, AMSA announced that it had entered into agreements to implement a transaction which includes the issuance of a 17% shareholding in AMSA using a new class of notionally funded shares to a special purpose vehicle owned by Likamva Resources Proprietary Limited ("Likamva"). Likamva has undertaken to introduce broad-based social and community development organizations as shareholders to hold an effective 5% interest (of the 17%, leaving Likamva with a 12% shareholding) within 24 months. The transaction also includes the issuance of a 5.1% shareholding in AMSA using another new class of notionally funded shares to the ArcelorMittal South Africa Employee Empowerment Share Trust for the benefit of AMSA employees and AMSA management. All the shares have certain restrictions on disposal for a period of 10 years thereby promoting long-term sustainable B-BBEE in AMSA. The shares were issued on December 7, 2016. The Company concluded that the transaction does not correspond to a share issue but qualifies as an in substance option (resulting in the recognition of an expense of 63, which is recognized in financing costs - net and corresponds to the fair value at inception). The shares give the holders rights to notional dividends which will be used to repay the notional funding and voting rights for up to 10 years, resulting in a decrease of ArcelorMittal's voting rights to 53.92%. The Company will recognize non-controlling interests at the end of the 10 year period depending on the value of the shares based on a pre-defined formula.

	2016
Non-controlling interests	80
Purchase price (selling price), net [1]	(56)
Adjustment to equity attributable to the equity holders of the parent	136

1. Amount paid in by non-controlling shareholders in AMSA following the rights issue

Transactions with non-controlling interests include also the mandatory convertible bonds (see note 10.2).

Note 11: Related parties

The related parties of the Group are predominately subsidiaries, joint operations, joint ventures, associates and key management personnel (see note 7.1) of the Group. Transactions between the parent company, its subsidiaries and joint operations are eliminated on consolidation and are not disclosed in this note. Related parties include the Significant Shareholder, which is a trust of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries and which owns 37.4% of ArcelorMittal's ordinary shares.

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

Transactions with related parties of the Company mainly relate to sales and purchases of raw materials and steel products and were as follows:

11.1 Sales and trade receivables

		Year Ended December 31,			December 31,	
				Sales	Trade receivables	
Related parties and their subsidiaries where applicable	Category	2018	2017	2016	2018	2017
Calvert	Joint Venture	2,207	2,030	1,400	33	13
Gonvarri Steel Industries[1]	Associate	2,022	1,666	1,210	78	92
Macsteel[4]	Other	470	521	399	2	38
ArcelorMittal CLN Distribuzione Italia S.r.l.	Joint Venture	511	472	414	38	18
Borçelik	Joint Venture	536	426	240	20	11
Bamesa	Associate	383	397	371	27	35
I/N Kote L.P.	Joint Venture	329	321	346	10	7
Aperam Société Anonyme ("Aperam")	Other	278	262	189	29	32
AM RZK	Joint Venture	136	235	163	5	15
C.L.N. Coils Lamiere Nastri S.p.A.	Associate	265	233	203	6	5
Tuper S.A.[2]	Joint Venture	155	154	13	45	45
WDI[3]	Associate	148	127	151	1	4
Tameh	Joint Venture	110	67	51	4	3
Al Jubail	Joint Venture	115	66	38	1	11
Other		594	526	446	67	77
Total		8,259	7,503	5,634	366	406

1. Gonvarri Steel Industries includes ArcelorMittal Gonvarri Brasil Productos Siderúrgicos which is a joint venture.
2. The joint venture Tuper S.A. was acquired on October 6, 2016.
3. WDI includes Westfälische Drahtindustrie Verwaltungsgesellschaft mbH & Co. KG and Westfälische Drahtindustrie GmbH.
4. Macsteel was sold on October 31, 2018.

11.2 Purchases and trade payables

		Year Ended December 31,			December 31,	
				Purchases	Trade payables	
Related parties and their subsidiaries where applicable	Category	2018	2017	2016	2018	2017
Tameh	Joint Venture	344	286	236	2	45
Baffinland[1]	Associate	28	142	75	16	22
Aperam	Other	85	94	65	6	11
Calvert	Joint Venture	107	65	15	23	11
CFL Cargo S.A.	Associate	59	60	58	9	13
Exeltium S.A.S.	Associate	54	53	71	—	—
Baycoat Limited Partnership	Joint Venture	43	42	41	5	5
EIMP[2]	Other	—	36	310	—	—
Gonvarri Steel Industries[3]	Associate	35	19	146	31	51
Other		361	236	373	109	102
Total		1,116	1,033	1,390	201	260

1. Baffinland was classified as an associate as of October 31, 2017 (see note 2).
2. In addition to trade payables and purchases with related parties as defined by IAS 24, the Company also discloses this information for EIMP due to the close relationship with this entity. The Company's 21% stake in the EIMP was disposed of on August 7, 2017.
3. Gonvarri Steel Industries includes ArcelorMittal Gonvarri Brasil Productos Siderúrgicos which is a joint venture.

11.3 Other transactions with related parties

At December 31, 2018, the shareholder loans granted by the Company to Al Jubail, with various maturity dates, had a carrying value of 131 (see note 2.4.3).

As of March 13, 2017, the Company granted a credit facility to AMTBA bearing compound interest (Libor 3 months + margin) maturing on February 28, 2018 for a maximum aggregated amount of 35. The facility was fully repaid during the year.

As of December 3, 2014, ArcelorMittal Calvert LLC signed a member capital expenditure loan agreement with the joint venture Calvert and as of December 31, 2018, the loans amounted to 149 including accrued interest. The loans bear interest from 3% to 3.95% and have various maturity dates range from less than 1 to 25 years.

In May 2014, ArcelorMittal entered into a 5-year off take agreement with its associate Baffinland (the "AM Sourcing Contract"), whereby it will buy the lesser of 50% of the annual quantity of iron ore produced by Baffinland or 2 million tonnes of iron ore per year. The AM Sourcing Contract has been extended to December 31, 2021 and the maximum quantity shall increase to the lesser of 50% of the annual quantity of iron ore produced by Baffinland or 4 million tonnes per contract year, after completion of the Rail Expansion project. The purchase price includes a premium to reference prices based on high iron ore content. ArcelorMittal paid advances to Baffinland for an amount equivalent to the value of iron ore stockpiled by Baffinland outside the salable season until August 31, 2017. From September 1, 2017 to December 31, 2021, ArcelorMittal will not pay advances to Baffinland anymore as payments for the purchases will occur upon loading on vessel for shipment at port of Milne.

In May 2014, ArcelorMittal also entered into an additional contract with Baffinland whereby it agreed to act as a sales agent (“Marketing agreement”) for all of Baffinland’s iron ore (excluding the shipments subject to the offtake agreement mentioned above). The Company also entered into an agreement to advance 80% of the lesser of 50% of the annual quantity of iron ore produced by Baffinland or 1.5 million tonnes of iron ore per year. The contract expired on the extended maturity at April 30, 2016. On August 24, 2016, Baffinland entered into an agreement with a bank to finance an amount which does not exceed the lesser of 50% of iron ore stockpiled by Baffinland outside the salable season and 2.3 million tonnes in any contract year. This agreement expired on the extended maturity at October 20, 2017. On December 1, 2017, Baffinland entered into a new agreement with a bank to finance up to 4 million tonnes at 78% of the value of the iron ore produced and hauled to the port by Baffinland (the "EXW Purchase Contract"). The EXW Purchase Contract matured on October 20, 2018. Under this agreement, the bank purchased product from Baffinland up to 50% which was then sold to ArcelorMittal under a separate back-to-back contract (“AM Purchase Contract”). ArcelorMittal contracted with third-party steel mills for onward sale of the product purchased from the bank under the AM Purchase Contract. The remaining 50% of product purchased by the bank under the EXW Purchase Contract was sold to ArcelorMittal under the AM Sourcing Contract as a result of Baffinland assigning its rights under that contract to the bank on December 22, 2017. On December 4, 2018, Baffinland entered into a new agreement with a bank to finance up to 6 million tonnes at 78% of the value of the iron ore produced and hauled to the port by Baffinland up to a limit of 400.

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

Note 12: Principal accountant 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, 2018 and 2017. Set forth below is a breakdown of fees for services rendered in 2018 and 2017.

Audit fees in 2018 and 2017 included 26.7 and 23.6, respectively, for the audits of financial statements, and 0.5 and 0.2 in 2018 and 2017, respectively, for regulatory filings.

Audit-related fees in 2018 and 2017 were 0.9 and 1.0, respectively. Audit-related fees primarily include fees for employee benefit plan audits.

Fees relating to tax planning, advice and compliance in 2018 and 2017 were 0.4 and 0.4, respectively.

Fees in 2018 and 2017 for all other services were 0.2 and 0.2, respectively. All other fees relate to services not included in the first three categories.

Note 13: Subsequent events

On March 2, 2018, ArcelorMittal signed a joint venture formation agreement with NSSMC in relation to its offer to acquire ESIL, which was subsequently amended and restated on January 22, 2019. On April 2, 2018, ArcelorMittal submitted an offer in the re-bidding process for ESIL. The offer has faced various legal challenges at the National Company Law Tribunal and more recently at the National Company Law Appellate Tribunal ("NCLAT").

On October 26, 2018, ArcelorMittal announced that ESIL Committee of Creditors (‘CoC’) has voted to approve the Company’s acquisition of ESIL. ESIL’s Resolution Professional, on behalf of the CoC, issued the Company with a Letter of Intent ("LOI") stating that the Company has been identified as the ‘Successful Applicant’. Further to ArcelorMittal being named the H1 Resolution Applicant (the preferred bidder) on October 19, 2018, ESIL’s CoC approved the Company’s acquisition plan for ESIL (the "Resolution Plan"), with the "LOI" identifying it as the ‘Successful Resolution Plan’. The Resolution Plan set out a detailed industrial plan for ESIL aimed at improving its performance and profitability and ensuring it can participate in the anticipated growth of steel demand in India. It includes an upfront payment of 42,000 crore rupees (approx. $5.7 billion) towards ESIL’s debt resolution, with a further 8,000 crore rupees (approx. $1.1 billion) of capital injection into ESIL to support operational improvement, increase production levels and deliver enhanced levels of profitability.

The process to restore ESIL would involve a multi-staged approach: initial steps would be to stabilize the operations and increase production of finished steel goods to 6.5 million tonnes per annum in the medium-term followed by an increase to 8.5 million tonnes per annum by the end of 2024 and ultimately have long-term aspirations to produce between 12-15 million tonnes per annum.

In line with ESIL’s corporate insolvency process, ArcelorMittal’s Resolution Plan must now be formally accepted by India’s National Company Law Tribunal (“NCLT”) before completion. The NCLT has completed hearing the CoC's application for the approval of the Resolution Plan, as well as objections and challenges from different parties, including creditors of ESIL and the current shareholder. While it is difficult to predict the timing of an NCLT approval, a decision is expected in the first quarter of 2019 and the amounts of debt payment and capital injection specified in the Resolution Plan would become payable promptly after such approval is obtained.

On February 19, 2019, ArcelorMittal announced the completion of its share buyback program on February 15, 2019 (the "2019 Program"). The Company repurchased 4 million shares for a total value of approximately 90 (€80 million) at an approximate average price per share of €19.89 ($22.42) pursuant to the 2019 Program that was announced on February 7, 2019. The 2019 Program was completed under the authorization given by the annual general meeting of shareholders held on May 5, 2015 and applicable market abuse regulations. The shares acquired under the 2019 Program are intended to meet ArcelorMittal's obligations arising from employee share programs.

To the Shareholders of

ArcelorMittal Société Anonyme

24-26, Boulevard d'Avranches

L-1160 Luxembourg

Grand Duchy of Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ArcelorMittal and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ilva Acquisition - Refer to Note 2.2 to the Consolidated Financial Statements

Key Audit Matter Description

The Group's agreement with the Italian Government to lease and subsequently purchase certain business units of Ilva S.p.A (an Italian steel company under extraordinary administration) (the "Agreement") became effective on November 1, 2018. The Group accounted for the transaction as a business combination in accordance with IFRS 3 Business Combinations.

Fair value of the consideration payable in the business combination amounted to $1,540 million. Assets acquired and liabilities assumed as of the business combination date amounted to $2,974 million and $1,225 million, respectively (including fixed assets of $1,026 million). The transaction resulted in the recognition of gain on bargain purchase of $209 million.

Given the nature of the agreement, determining whether the transaction represented a business combination, particularly whether

(1) the leased business units represented a business and (2) the Group obtained control over such business upon lease inception, involved especially complex auditor judgment.

Auditing the transaction also involved especially subjective judgment in determining the reasonableness of key inputs used in the valuation of assets acquired, particularly fixed assets, and liabilities assumed.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to determination of whether the transaction represented a business combination, and reasonableness of the key inputs used in the valuation of assets acquired and liabilities assumed, included the following, among others:

- We tested the effectiveness of controls over management's accounting assessment for the transaction and determination of the key inputs used in the valuation of assets acquired, including fixed assets, and liabilities assumed.
- We evaluated the terms of the Agreement to determine whether the transaction qualified as a business combination.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the key inputs used in the valuation, particularly, the adjustments needed to reflect economic and other obsolescence by developing a range of independent estimates and comparing those to the estimates selected by management.

Impairment of Goodwill and Property, Plant & Equipment - Refer to Note 5.3 to the Consolidated Financial Statements

Key Audit Matter Description

The Group's evaluation of goodwill (at the group of cash-generating units ("GCGU") level), and property, plant and equipment ("PP&E") (as part of the relevant cash-generating unit ("CGU")) for impairment involves a comparison of the recoverable amount of each GCGU or CGU to its carrying amount.

Recoverable amount is defined as the higher of fair value less costs of disposal and the value-in-use for each GCGU or CGU. The Group primarily used a discounted cash flow model to determine the recoverable amount, which requires management to make significant assumptions related to estimates of future cash flows.

The key assumption with the most significant impact on the cash flow forecasts was average selling prices. Changes in this assumption could have a significant impact on the determination of the recoverable amount of a GCGU or CGU, and subsequently the amount of the impairment charge.

The goodwill and PP&E balances were $4,986 million and $35,638 million, respectively, as of December 31, 2018. Impairment charges relating to goodwill and PP&E were $34 million and $960 million, respectively, for the year ended December 31, 2018.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the key assumptions used in estimates of future cash flows included the following, among others:

- We tested the effectiveness of controls over management's valuation methodology and assumptions used, and estimates of future cash flows.
- We evaluated management's ability to accurately forecast cash flows by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's cash flow forecasts by considering macroeconomic conditions and internal communications to management and the Board of Directors.
- We evaluated the impact of changes in management's forecasts from October 1, 2018, annual measurement date for testing impairment of goodwill to December 31, 2018.
- With the assistance of our fair value specialists, we (1) evaluated the reasonableness of management's valuation methodology, (2) tested the underlying source information and the mathematical accuracy of the discount rate calculations, and (3) developed a range of independent estimates for the discount rates and compared those to the discount rates selected by management.

Provision for Pension and Other Post-Employment Benefit Plans - Refer to Note 7.2 to the Consolidated Financial Statements

Key Audit Matter Description

The Group provides employee benefits including defined benefit pension plans and other post-employment benefits ("OPEB") plans at certain of its subsidiaries. Total deferred employee benefits including pension and OPEB plans were $6,982 million as of December 31, 2018.

The Group's determination of expenses and carrying amounts of the liabilities/assets related to its employee benefits, including defined benefit pension plans and OPEB, is based on the present value of benefit obligations as of the reporting date.

The Group uses a discounted cash flow model to estimate the present value of the benefit obligations, which requires management to make significant estimates and assumptions related to the discount rates and healthcare cost trend rates (applicable to OPEB plans only). Given the nature of these assumptions and that changes in these assumptions could have a significant impact on the valuation of pension and OPEB liabilities, auditing such assumptions involved especially subjective judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation of pension and OPEB liabilities, particularly as it relates to discount rates and healthcare cost trend rates, included the following, among others:

- We tested the effectiveness of controls over management's process for the valuation of pension and OPEB liabilities, including those over the determination of assumptions.
- With the assistance of our actuarial specialists, we evaluated the reasonableness of the valuation methodology and tested management's assumptions related to the discount rates and healthcare cost trend rates (applicable to OPEB plans only) by performing an independent valuation based on market indices and other externally derived data, and assessing the sensitivity of the valuation to changes in the significant actuarial assumptions.

Valuation of Deferred Tax Assets - Refer to Note 9.4 to the Consolidated Financial Statements

Key Audit Matter Description

The Group's Luxembourg tax integration, headed by the parent company ArcelorMittal S.A., has deferred tax assets primarily related to tax losses carried forward. Under current tax law in Luxembourg, tax losses accumulated before January 1, 2017 never expire and are recoverable against future taxable income. The valuation of deferred tax assets requires management to make significant estimates related to the future taxable income of the tax integration and the amounts of deferred tax assets expected to be realized based on the future taxable income. Further, the assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment.

The Group recognized deferred tax assets amounting to $8,287 million as of December 31, 2018. Given the complexity of management's valuation process, auditing management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized involved especially subjective judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to estimates of future taxable income and determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested effectiveness of controls over management's valuation of deferred tax assets, including those over estimates of future taxable income.
- With the assistance of our tax specialists knowledgeable in Luxembourg-specific and international tax planning matters, we evaluated whether management's estimates of future taxable income were consistent with available evidence related to management's assessment of the likelihood of future taxable profits being available and the length of the forecast period.
- We evaluated management's ability to accurately estimate future taxable income by comparing actual results to management's historical forecasts, and considered the results in evaluating the current-year estimated future taxable income.

- We evaluated the group's proposed tax planning strategies, potential tax implications of material current year or future planned transactions (acquisitions, divestitures, finance and shareholding restructuring) and the related impact on management's determination of the forecast period and amounts of deferred tax assets recognized.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement, and further information on the risks that the Group is exposed to and details on the Group’s Mining business, but does not include the consolidated financial statements and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities 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 IFRSs 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d’Entreprises Agréé" for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “Réviseur d’Entreprises Agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on May 9, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 12 years.

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit,
Société à responsabilité limitée
Cabinet de Révision Agréé

Olivier Lefèvre, *Réviseur d’Entreprises Agréé*
Partner

March 1, 2019
560, rue de Neudorf
L-2220 Luxembourg

ArcelorMittal

Annual Report 2018 of ArcelorMittal parent company

Management report of ArcelorMittal as parent company: Please refer to pages 4 to 92 and the following:

ArcelorMittal as Parent Company

ArcelorMittal (the “Parent Company”) was incorporated as a “Société Anonyme” under Luxembourg law on June 8, 2001 for an unlimited period. The Parent Company has its registered office in 24-26 boulevard d’Avranches, Luxembourg City and is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

The Parent 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 Parent Company realizes its corporate goal either directly or through the creation of companies or the acquisition and holding of interests in companies, partnerships, associations, consortia and joint ventures. In addition, ArcelorMittal is the head of the main tax integration in Luxembourg and the main funding vehicle of ArcelorMittal group. Also, ArcelorMittal implemented an industrial franchise agreement with group subsidiaries whereby the Parent Company licenses its business model for manufacturing, processing and distributing steel to group subsidiaries. The business model includes the ArcelorMittal business intelligence, which is a package of business solutions and implementation support combined with the development and maintenance of intangibles such as the ArcelorMittal brand, ArcelorMittal global information technology solutions, ArcelorMittal global research & development and ArcelorMittal global purchase agreements.

ArcelorMittal generated net income of $10,911 million and $8,162 million in 2018 and 2017, respectively. Operating income amounted to $445 million in 2018 as compared to operating income of $326 million in 2017. Operating income is mainly related to income from industrial franchise agreement fees ($1,113 million and $916 million for the years ended December 31, 2018 and 2017, respectively). Income from subsidiaries and associates amounted to $905 million in 2018 as compared to $836 million in 2017. The Company recognized net impairment reversals of investments of $9,170 million and $5,086 million in 2018 in 2017, respectively. The 2018 net impairment reversal reflected mainly higher future cash flow projections due to improved market conditions. Financing costs-net were $1,302 million in 2018 as compared to income of $1,101 million in 2017. The increase in financing costs-net in 2018 mainly resulted from the $501 million loss related to the change in fair value of the call option on the mandatory convertible bonds as compared to a $809 million gain in 2017 and to the $647 million net foreign exchange loss for the year ended December 31, 2018 as compared to a $755 million net foreign exchange gain for the year ended December 31, 2017.

Updates on recent developments for ArcelorMittal group and Parent Company

- On March 11, 2019, ArcelorMittal issued $750 million 4.550% Notes due 2026 (the “Notes”). The proceeds to ArcelorMittal (before expenses), amounting to approximately $745 million, will be applied towards repayment of existing debt including the $1 billion outstanding under a $7 billion term facilities agreement entered into in connection with the proposed acquisition of Essar Steel India Limited through a joint venture with Nippon Steel and Sumitomo Metal Corporation.
- On March 11, 2019, ArcelorMittal submitted to the European Commission ("EC") a revised offer from Liberty House in respect of the divestment package the Company agreed to with the EC during its merger control investigation into the Company's acquisition of Ilva. Transaction closing is conditional on EC approval and the conclusions of consultations with local and European Works Councils.
- On March 8, 2019, the National Company Law Tribunal gave a conditional approval to the Essar Resolution Plan. This approval has been appealed and is being reviewed by the National Company Law Appellate Tribunal, where hearings are ongoing.

Chief executive officer and chief financial officer's responsibility statement

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

1. the financial statements of ArcelorMittal parent company 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
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.

Chief executive officer

Lakshmi N. Mittal

March 26, 2019

Chief financial officer

Aditya Mittal

March 26, 2019

ArcelorMittal

Financial Statements of ArcelorMittal parent company

ArcelorMittal

Statements of financial position

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

ASSETS	December 31, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents (note 4)	388	799
Current loans to related parties (note 11)	1,459	1,749
Prepaid expenses and other current assets, including 1,356 and 1,035 with related parties at December 31, 2018 and 2017, respectively (notes 5 and 11)	1,448	1,064
Assets held for sale (note 9)	663	48
Total current assets	3,958	3,660
Non-current assets:		
Tangible and intangible assets (note 6)	10	17
Investments in subsidiaries (note 7)	57,544	49,659
Investments in associates and joint ventures (note 8)	513	461
Non-current loans to related parties (note 11)	13,094	11,493
Deferred tax assets (note 17)	8,817	7,517
Other assets (note 10)	648	1,005
Total non-current assets	80,626	70,152
Total assets	84,584	73,812

LIABILITIES AND EQUITY	December 31, 2018	December 31, 2017
Current liabilities:		
Short-term debt and current portion of long-term debt (note 12)	2,904	2,263
Current loans from related parties (note 11)	5,322	6,499
Accrued expenses and other liabilities, including 266 and 240 with related parties at December 31, 2018 and 2017, respectively (notes 11 and 18)	484	463
Total current liabilities	8,710	9,225
Non-current liabilities:		
Long-term debt, net of current portion (note 12)	8,755	9,563
Non-current loans from related parties (note 11)	4,598	3,418
Deferred employee benefits (note 21)	20	20
Long-term provisions and other obligations (note 19)	340	245
Total non-current liabilities	13,713	13,246
Total liabilities	22,423	22,471
Commitments and contingencies (notes 20 and 22)		
Equity: (note 14)		
Common shares	364	401
Treasury shares	(9)	(7)
Additional paid-in capital	33,891	33,835
Retained earnings	27,875	17,072
Legal reserve	40	40
Total equity	62,161	51,341
Total liabilities and equity	84,584	73,812

The accompanying notes are an integral part of these financial statements.

ArcelorMittal

Statements of operations and statements of other comprehensive income

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

	Year ended December 31,	
	2018	2017
Income from industrial franchise agreement fees (note 11)	1,113	916
General and administrative expenses, including 534 and 472 with related parties in 2018 and 2017 (notes 11)	(668)	(590)
Operating income	445	326
Income from subsidiaries and associates (note 16)	905	836
Impairment reversal of investments (notes 7, 8 and 9)	9,170	5,086
Impairment of loans (note 11)	(20)	(129)
Financing costs - net, including 581 and 590 from related parties in 2018 and 2017, respectively (notes 11 and 15)	(1,302)	1,101
Income before taxes	9,198	7,220
Income tax benefit (note 17)	1,713	942
Net income	10,911	8,162

	Year ended December 31,	
	2018	2017
Earnings (loss) per common share (in U.S. dollars)		
Basic	5.07	4.48
Diluted	5.04	4.46
Weighted average ordinary shares outstanding (in millions)		
Basic	1,015	1,020
Diluted	1,021	1,024

	Year ended December 31,	
	2018	2017
Net income	10,911	8,162
Other comprehensive income (loss)	—	—
Total comprehensive income (loss)	10,911	8,162

The accompanying notes are an integral part of these financial statements.

ArcelorMittal

Statements of Changes in Equity

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

						Reserves	
	Shares [1]	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Legal reserve	Total Equity
Balance at December 31, 2016	1,022	401	(7)	33,813	7,951	1,001	43,159
Net income	—	—	—	—	8,162	—	8,162
Other comprehensive income (loss)	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	8,162	—	8,162
Reduction of legal reserve (note 14)	—	—	—	—	961	(961)	—
Acquisition of treasury shares	—	—	(9)	—	—	—	(9)
Recognition of share-based payments (note 14)	—	—	9	22	—	—	31
Other	—	—	—	—	(2)	—	(2)
Balance at December 31, 2017	1,022	401	(7)	33,835	17,072	40	51,341
Net income	—	—	—	—	10,911	—	10,911
Other comprehensive income (loss)	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	401	(7)	33,835	27,983	40	62,252
Share buy back (note 14)	(7)	—	(226)	—	—	—	(226)
Change in share capital currency (note 14)	—	(37)	—	37	—	—	—
Reduction of legal reserve (note 14)	—	—	—	—	—	—	—
Acquisition of treasury shares	—	—	(21)	—	—	—	(21)
Sale of treasury shares	7	—	226	—	—	—	226
Recognition of share-based payments (note 14)	—	—	19	15	—	—	34
Dividend (note 14)	—	—	—	—	(101)	—	(101)
Directors fees	—	—	—	—	(2)	—	(2)
Other	—	—	—	4	(5)	—	(1)
Balance at December 31, 2018	1,022	364	(9)	33,891	27,875	40	62,161

1. Amounts are in millions of shares (treasury shares are excluded). On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of outstanding shares decreased from 3,065 to 1,022 and all prior periods have been recast in accordance with IFRS. Please refer to note 14 for further information.

The accompanying notes are an integral part of these financial statements.

ArcelorMittal

Statements of Cash Flows

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

	Year ended December 31,	
	2018	2017
Operating activities:		
Net income	10,911	8,162
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation of intangible and tangible assets (note 6)	9	9
Impairment (reversal) of investments (notes 7, 8 and 9)	(9,170)	(5,086)
Impairment of financial loans (note 11)	20	129
Interest expense (note 15)	862	998
Interest income (note 15)	(985)	(985)
Income tax benefit (note 17)	(1,713)	(942)
Change in fair value adjustments on call option on the mandatory convertible bonds (note 13)	501	(809)
Change in fair value adjustments on put option with ISP (note 13)	124	—
(Gain) loss on disposal of investments (note 15)	68	(46)
Income from subsidiaries and associates (note 16)	(905)	(836)
Net (gain) loss on other derivative instruments (note 15)	(55)	132
Unrealized foreign exchange effects, other provisions and non-cash operating expenses, net	516	94
Changes in assets and liabilities that provided (required) cash:		
Interest paid	(771)	(939)
Interest received	870	936
Taxes received	351	522
Dividends received	914	836
Payables for services related to industrial franchise agreement	21	(169)
Receivables for services related to industrial franchise agreement	(204)	41
Premiums and fees related to early redemption of bonds	(104)	(389)
Other working capital and provisions movements	39	44
Net cash provided by operating activities	1,299	1,702
Investing activities:		
Purchase of property, plant and equipment and intangible assets (note 6)	(1)	(1)
Acquisitions of investments (note 7 and 8)	(1,614)	(272)
Disposals of financial assets	2,195	488
Proceeds from loans granted to related parties	1,822	4,262
Loans granted to related and third parties	(4,227)	(6,366)
Net cash used in investing activities	(1,825)	(1,889)
Financing activities:		
Proceeds from short-term debt	3,085	3,709
Proceeds from long-term debt	1,139	1,378
Payments of short-term debt	(3,380)	(2,449)
Payments of long-term debt	(626)	(2,689)
Dividends paid	(103)	—
Other financing activities net	—	(2)
Net cash used in financing activities	115	(53)
Net decrease in cash and cash equivalents	(411)	(240)
Cash and cash equivalents:		
At the beginning of the year	799	1,039
At the end of the year	388	799

The accompanying notes are an integral part of these financial statements.

Note 1: General

ArcelorMittal Parent Company (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 24-26 boulevard d'Avranches, 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, partnerships, associations, consortia and joint ventures.

These financial statements correspond to the separate financial statements of the ArcelorMittal Parent Company and were authorized for issuance on March 26, 2019 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

Note 2: Basis of Presentation

Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the European Union and in particular with IAS 27 Separate Financial Statements as well as in accordance with chapter IIbis and art 72bis of the Luxembourg amended law of December 19, 2002.

Adoption of new IFRS standards, amendments and interpretations applicable from January 1, 2018

On January 1, 2018, the Company adopted the following standards which have an impact on the disclosures in the financial statements of the Company:

IFRS 9 "Financial Instruments" issued on July 24, 2014, which replaces IAS 39 and modifies substantially the classification and measurement of financial instruments. The final version of the standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified and measured by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to IAS 39, however there are differences in the requirements regarding the recognition of an entity's own credit risk for financial liabilities designated as FVTPL.

- Impairment: The standard introduces an 'expected credit loss' model replacing the current incurred loss model for the measurement of the impairment of financial assets; it is therefore no longer necessary for a credit event to have occurred before a credit loss is recognized.

- Hedge accounting: The standard introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures, which may result in the increased application of hedge accounting.

- Derecognition: The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognized at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized at January 1, 2018. Comparative amounts in relation to instruments that have not been derecognized at January 1, 2018 have been recast where appropriate.

The classification, measurement and impairment requirements of IFRS 9 have been applied retrospectively while hedge accounting requirements have been applied prospectively. The adoption of IFRS 9 did not result in a material impact on the financial statements of the Company. Additional required disclosures are presented in note 13. As permitted by the transition provisions of IFRS 9, the Company has not restated comparatives.

IFRS 15 "Revenue from Contracts with Customers" issued on May 28, 2014, which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. On April 12,

2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation, determine whether a company is a principal or an agent. The Company's revenue corresponds only to income from industrial franchise agreement fees resulting from the licensing of its business model for manufacturing, processing and distributing steel to group subsidiaries. The adoption of this standard did not have a material impact on the financial statements of the Company.

On January 1, 2018, the Company adopted the following amendments which did not have any material impact on the financial statements of the Company:

- Amendments to IFRS 2 "Share-based Payment" issued on June 20, 2016, which clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the treatment of share-based payment transactions with a net settlement feature for withholding tax obligations; and the treatment of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- Amendments to IFRS 4 "Insurance Contracts" issued on September 12, 2016, which propose two approaches (an overlay approach and a deferral approach) in order to address temporary volatility in reported results arising from the timing difference between the implementation of IFRS 9 and IFRS 17 "Insurance Contracts" that will replace IFRS 4. These amendments to IFRS 4 supplement existing options in the standard that can already be used to address the temporary volatility.

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" issued on December 8, 2016. This interpretation provides guidance about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

New IFRS standards, amendments and interpretation applicable from 2019 onward

On January 13, 2016, the IASB issued IFRS 16 "Leases" which will replace IAS 17 "Leases". This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied. At December 31, 2018 and 2017, the Company has non-cancellable operating lease commitments on an undiscounted basis of 12 and 25, respectively (see note 20). A review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16. The Company will apply the modified retrospective transition approach with right-of-use assets measured at an amount equal to the lease liability recognized at January 1, 2019. In addition, it will apply the practical expedient to grandfather the definition of a lease on transition and accordingly apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Hence, the Company will recognize a right-of-use asset and corresponding liability in respect of the net present value of these leases unless they qualify for short-term leases or relate to low-value assets upon the application of IFRS 16.

The Company expects to recognize on January 1, 2019 lease liabilities (discounted at the incremental borrowing rates at that date) and right-of-use assets for an amount of 12.

On June 7, 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. This interpretation is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this interpretation will have a material impact to its financial statements.

On October 12, 2017, the IASB issued an amendment to IFRS 9 in respect of prepayment features with negative compensation, which amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. This amendment is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this interpretation will have a material impact to its financial statements.

Also, on October 12, 2017, the IASB issued an amendment to IAS 28 "Investments in Associates and Joint Ventures" in relation to long-term interests in associates and joint ventures. The amendment clarifies that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. This amendment is effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of this

amendment will have a material impact to its financial statements.

On December 12, 2017 the IASB issued Annual Improvements 2015–2017 to make amendments to the following standards:

- IFRS 3 "Business Combinations" clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- IFRS 11 "Joint Arrangements" clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 "Income Taxes" clarifies that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.
- IAS 23 "Borrowing Costs" clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

On February 7, 2018, the IASB issued amendments to IAS 19 “Employee benefits” which clarify that current service cost and net interest after a remeasurement resulting from a plan amendment, curtailment or settlement should be determined using the assumptions applied for the remeasurement. In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

The Company does not plan to early adopt the new accounting standards, amendments and interpretations.

These amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

New IFRS standards and amendments not yet endorsed by the European Union

On May 18, 2017, the IASB issued IFRS 17 "Insurance Contracts", which is designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations and is effective for periods beginning on or after January 1, 2021, with earlier adoption permitted if both IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have also been applied. The Company does not expect that the adoption of this standard will have a material impact to its financial statements.

On March 29, 2018, the IASB published its revised 'Conceptual Framework for Financial Reporting', which includes revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. The Company does not expect that the adoption of this amendment, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its financial statements.

On October 22, 2018, the IASB issued amendments to IFRS 3 'Business Combinations', which includes the definition of a business aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Company does not expect that the adoption of these amendments, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its financial statements.

On October 31, 2018, the IASB issued amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The Company does not expect that the adoption of these amendments, which are effective for annual periods beginning on or after January 1, 2020, will have a material impact to its financial statements.

The Company does not plan to early adopt the new accounting standards and amendments.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, financial assets measured at fair value through profit or loss ("FVTPL") and investments held for sale, which are measured at fair value less cost to sell.

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 earnings per share data.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 within financing costs-net in the statements of operations.

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) Fair value

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured 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 that the entity can access at the measurement date;

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.

(c) 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 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 control of the financial asset are transferred. Any control 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.

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 receivables from other

ArcelorMittal group entities, 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.

(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.

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 settled 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. 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 they are not closely related to the host contract. 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.

(d) Investments in subsidiaries, associates, joint ventures and other investments

Subsidiaries are those companies over which the Company exercises control. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. Joint ventures are those companies over which the Company exercises joint control and has rights to the net assets of the arrangement. Investments in associates in which ArcelorMittal has the ability to exercise significant influence and joint ventures 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 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.

The Company reviews all its investments at each reporting date to determine whether there is an indicator that the investment may be impaired. If 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.

(e) Impairment

Financial assets are assessed at each reporting date to determine whether there is any evidence that it is impaired or whenever changes in circumstances indicate that the carrying amount may not be recoverable. A financial asset is impaired if 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.

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.

The recoverable amount of investments is the greater of value in use and 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 investment.

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 or if there has been a change in the estimates used to determine the recoverable amount, the decrease in impairment loss is reversed through the statements of operations.

(f) Assets held for sale

Non-current assets that are classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale are presented separately in the statement of financial position. Gains (losses) on disposal are presented in financing costs-net.

(g) 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.

(h) 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.

(i) Income taxes

The Company is the head of a tax integration and is fully liable for the overall tax liability of the tax integration. 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 current income tax expense (benefit) is calculated using tax rates that have been enacted or substantively enacted as of the statements of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities, in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences. Deferred tax assets are recognized for net operating loss carry forwards of all entities within the tax integration to the extent that it is probable that taxable profits will be available against which those carry forwards can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to enable all or part of the asset to be recovered.

(j) Financing costs-net

Financing costs-net include mainly interest income and expense, gains (losses) on disposal of investments, fair value adjustments of the call option on mandatory convertible bonds, gains (losses) on other derivative instruments, premiums and fees on borrowings and foreign exchange gains and losses.

(k) Income from investments and from industrial franchise agreement

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. Income from contractually arranged corporate services is deducted from general and administrative expenses.

In connection with an industrial franchise agreement ("IFA") with group subsidiaries, the Company licenses its business model for manufacturing, processing and distributing steel to group subsidiaries. The business model includes the ArcelorMittal business intelligence, which is a package of business solutions and implementation support combined with the development and maintenance of intangibles such as the ArcelorMittal brand, ArcelorMittal global information technology solutions, ArcelorMittal global research & development and ArcelorMittal global purchase agreements. The industrial franchise fee is calculated as a percentage of the steel sales of the franchisee entities after deduction of purchases of steel products from other franchisee entities.

(l) Earnings per common share

Basic earnings per common share is computed by dividing net income (loss) available to equity holders as per the consolidated financial statements by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income (loss) available to equity holders as per the consolidated financial statements by the weighted average number of common shares and potential common shares from share unit plans and outstanding stock options as well as potential common shares from the conversion of certain convertible bonds whenever the conversion results in a dilutive effect.

(m) 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.

Note 4: Cash, cash equivalents and reconciliation of cash flows

Cash and cash equivalents consisted of the following:

	December 31,	
	2018	2017
Cash at bank interest bearing	388	500
Money market funds[1]	—	299
Total	388	799

1. Money market funds are highly liquid investments with a maturity of 3 months or less from the date of acquisition.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Company's statement of cash flows from financing activities.

	Third parties		Related parties	
	Long-term debt, net of current portion	Short-term debt and current portion of long term debt	Non-current loans from related parties	Current loans from related parties
Balance as of December 31, 2017 (see notes 11 and 12)	9,563	2,263	3,418	6,499
Proceeds from long-term debt	1,069	—	70	—
Payments of long-term debt	(626)	—	—	—
Amortized cost	9	18	—	—
Unrealized foreign exchange effects	(50)	(204)	(155)	—
Proceeds from short-term debt	—	2,210	—	875
Payments of short-term debt	—	(2,593)	—	(787)
Current portion of long-term debt	(1,210)	1,210	1,265	(1,265)
Balance as of December 31, 2018 (see notes 11 and 12)	8,755	2,904	4,598	5,322

Note 5: Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2018	2017
Receivables from related parties - tax integration	270	169
Receivables from related parties - corporate services	964	860
Derivative financial instruments (note 13)	90	3
Other	124	32
Total	1,448	1,064

Receivables from related parties on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Receivables from related parties for corporate services are mainly related to income from IFA fees.

Balances with related parties are detailed in note 11.

The tables below summarize the movements relating to the Company trade receivable and other for the years ended December 31, 2018 and 2017:

	Year ended December 31,	
	2018	2017
Trade accounts receivable and other - opening balance	1,064	1,148
Performance obligations satisfied (IFA)	1,113	916
Payments received (IFA)	(711)	(902)
Impairment of receivables (net of write backs)	4	—
Foreign exchange and others	(22)	(98)
Trade accounts receivable and other - closing balance	1,448	1,064

Note 6: Tangible and intangible assets

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Other fixtures and fittings, tools and equipment	Total
Cost			
December 31, 2016	37	11	48
Disposal	—	(1)	(1)
December 31, 2017	37	10	47
December 31, 2018	37	10	47
Accumulated depreciation and impairment			
December 31, 2016	(36)	(10)	(46)
Depreciation charge for the year	—	(1)	(1)
Disposal	—	1	1
December 31, 2017	(36)	(10)	(46)
Depreciation charge for the year	(1)	—	(1)
Disposal	—	—	—
December 31, 2018	(37)	(10)	(47)
Carrying amount			
December 31, 2017	1	—	1
December 31, 2018	—	—	—

Intangible assets are summarized as follows:

	Patents and licenses
Cost	
December 31, 2016	55
Additions	2
December 31, 2017	57
Additions	1
December 31, 2018	58
Accumulated amortization and impairment	
December 31, 2016	(32)
Amortization charge for the year	(8)
December 31, 2017	(40)
Amortization charge for the year	(8)
December 31, 2018	(48)
Carrying amount	
December 31, 2017	17
December 31, 2018	10

Note 7: Investments in subsidiaries

Investments in subsidiaries are summarized as follows:

Cost	
At December 31, 2016	145,602
Acquisition in cash	272
Disposals	(2,450)
Transfer to assets held for sale	(44)
Other	26
December 31, 2017	143,406
Capital increase [6,7]	1,177
Acquisition in cash [1,7]	428
Disposals	(9,726)
Capital decrease	(9)
Transfer to assets held for sale [2]	(1,013)
Other	29
December 31, 2018	134,292

Accumulated impairment	
At December 31, 2016	(100,745)
Impairment reversal for the year	4,990
Disposals	2,008
At December 31, 2017	(93,747)
Impairment reversal for the year	9,477
Disposals	7,522
At December 31, 2018	(76,748)

Carrying amount	
At December 31, 2017	49,659
At December 31, 2018	57,544

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

Subsidiary	Registered office	Ownership (%) as of December 31, 2018	Carrying amount December 31, 2018	Carrying amount December 31, 2017	Capital and reserves (including result for 2018)* and based on % of ownership	Result for 2018* and based on % of ownership
AM Global Holding S.a.r.l.	Luxembourg (Luxembourg)	100.00%	44,177	35,408	29,729	897
ArcelorMittal Spain Holding S.L.	Madrid (Spain)	100.00%	6,839	4,897	3,947	223
ArcelorMittal Poland S.A.	Dabrowa Gornicza (Poland)	100.00%	3,473	3,395	2,599	161
Arcelor Investment SA [1]	Luxembourg (Luxembourg)	5.68%	988	2,517	957	19
Ispat Inland S.à.r.l.	Luxembourg (Luxembourg)	100.00%	505	1,194	873	(214)
ArcelorMittal Ostrava a.s. [2]	Ostrava (Czech Republic)	—	—	1,013	—	—
Hera Ermac S.A.	Luxembourg (Luxembourg)	100.00%	576	576	1,508	(555)
ArcelorMittal Tubular Products Ostrava a.s. [3]	Ostrava (Czech Republic)	—	—	180	—	—
Oakey Holding BV [4]	Amsterdam (The Netherlands)	—	—	128	—	—
ArcelorMittal Tubular Products Karvina a.s. [5]	Ostrava (Czech Republic)	100.00%	92	92	31	3
ArcelorMittal Cyprus Holding Limited [6]	Nicosia (Cyprus)	100.00%	89	89	123	(364)
ArcelorMittal Canada Holding Inc.	Contrecoeur (Canada)	1.18%	75	75	64	1
AM InvestCo Italy S.p.A [7]	Milano (Italy)	37.78%	713	—	776	(11)
Other subsidiaries			17	95	—	—
Total			57,544	49,659		

*In accordance with unaudited annual accounts and IFRS reporting packages.

Please find below the description of the main movements occurred during the year:

1. Arcelor Investment SA

On December 20, 2018, the Company acquired a 2.36% interest in Arcelor Investment SA from AM Global Holding for € 350 (399).

On July 3, 2018, the Company sold a 10.83% interest in Arcelor Investment SA with a net carrying amount of 1,896 to AM Global Holding Bis. The total consideration received amounted to € 1,600 (1,862) and resulted in a loss on disposal of 34.

On December 15, 2017, the Company sold a 2.8% interest in Arcelor Investment SA with a net carrying amount of 425 to various group subsidiaries. The total consideration received amounted to € 403 (477) and resulted in a gain on disposal of 52.

2. ArcelorMittal Ostrava a.s.

The Company's investment in ArcelorMittal Ostrava a.s. was classified as held for sale at December 31, 2018 (see note 9).

The Company's investment in ArcelorMittal Ostrava a.s. decreased by 44 on December 1, 2017 following a spin off resulting in the incorporation of Go Steel Frydek Místek ("Frydek Místek") . At December 31, 2017, the investment in Frydek Místek was classified as held for sale (see note 9).

3. ArcelorMittal Tubular Products Ostrava a.s.

On December 20, 2018, the Company sold its wholly-owned subsidiary ArcelorMittal Tubular Products Ostrava a.s for CZK 3.415 (151) to ArcelorMittal Ostrava a.s. and recognized a 29 loss on disposal.

On January 20, 2017, the Company acquired a 100% interest in ArcelorMittal Tubular Products Ostrava a.s from ArcelorMittal Ostrava a.s. for CZK 3.945 million (180).

4. Oakey Holding BV

On February 7, 2018, the Company sold its investment in Oakey Holding BV to ArcelorMittal Belval and Differdange for its carrying amount of 128.

5. ArcelorMittal Tubular Products Karvina a.s.

On January 20, 2017, the Company acquired a 100% interest in ArcelorMittal Tubular Products Karvina a.s. from ArcelorMittal Ostrava a.s. for CZK 2.021 million (92).

6. ArcelorMittal Cyprus Holding Limited

On November 27, 2018, the Company subscribed to a capital increase in ArcelorMittal Cyprus Holding Limited for an amount of 400.

7. AM InvestCo Italy S.p.A

On November 9, 2018, ArcelorMittal completed the acquisition of Marcegaglia's 15% non-controlling interest in AM InvestCo Italy S.p.A for € 25 (29).

On October 26 and October 1, 2018, the Company subscribed to capital increases in AM InvestCo Italy S.p.A for € 625 (714) and € 55 (63), respectively.

Impairment

The Company assesses at the end of each reporting period whether there is any indication that its investments in subsidiaries may be impaired. As the Company's investments in subsidiaries correspond mainly to holding companies, in making this assessment, the Company considered indicators of impairment of steel and mining operations held directly and indirectly by such holding companies such as significant declines in operational results or changes in the outlook of future profitability, among other potential indicators. As of December 31, 2018, the Company determined that there was an indication that some of its investments in subsidiaries may be impaired or subject to an impairment reversal.

When an indication of impairment exists, the Company estimates the recoverable amount of the investments in subsidiaries measured based on the value in use of underlying steel and mining operations. The value in use 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. With respect to steel 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. Regarding mining operations, the key assumptions for the value in use calculations are primarily the discount rates, capital expenditure, expected changes to average 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 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 business range from 10.6% to 15.5% and vary by geographic location.

In 2018, the Company recognized a total net impairment reversal of 9,477 with respect to investments in subsidiaries based on value in use mainly as a result of higher future cash flow projections due to improved market conditions. The total net impairment reversal included 8,740 related to the Company's investment in AM Global Holding S.à.r.l. It included also impairment reversals of 1,942 and 78 related to the Company's investments in ArcelorMittal Spain Holding S.L. and ArcelorMittal Poland S.A., respectively. The Company also recognized impairment losses of 1,283 including mainly 689, 400, 93 and 52 related to its investments in Ispat Inland S.à.r.l., ArcelorMittal Cyprus Holding Limited, AM InvestCo Italy S.p.A and ArcelorMittal Italy Holding S.r.l., respectively. 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, 2018.

In 2017, the Company recognized a total net impairment reversal of 4,990 with respect to investments in subsidiaries based on value in use as a result of higher future cash flow projections due to improved market conditions and the increase in the value in use of euro denominated investments in connection with the appreciation of the euro against the U.S. dollar. The total net impairment reversal included 5,372 related to the Company's investment in AM Global Holding S.à.r.l. It included also impairment reversals of 390, 69, 27 and 23 related to the Company's investments in Arcelor Investment S.A., Oakey Holding BV, ArcelorMittal Cyprus Holding Limited and ArcelorMittal Canada Holdings Inc., respectively. The Company also recognized impairment losses of 589, 214, 78 and 10 related to its investments in ArcelorMittal Spain Holding S.L., Ispat Inland S.à.r.l., ArcelorMittal Poland S.A. and ArcelorMittal Italy Holding S.r.l., respectively. 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, 2017.

Note 8: Investments in associates, joint ventures and other investments

Investments in associates, joint ventures and other investments are summarized as follows:

	December 31,	
	2018	2017
Investments accounted for at cost	513	461
Total	513	461

Investments accounted for at cost	
Cost	
December 31, 2016	614
December 31, 2017	614
Capital increase	9
December 31, 2018	623

Accumulated impairment	
December 31, 2016	(249)
Impairment reversal for the year	96
December 31, 2017	(153)
Impairment reversal for the year	43
December 31, 2018	(110)

Carrying amount	
December 31, 2017	461
December 31, 2018	513

Investee	Category	Registered office	Ownership (%) as of December 31, 2018	Carrying amount December 31,	
				2018	2017
VAMA[1]	Joint venture	Loudi (China)	50.00%	161	152
China Oriental[2]	Associate	Hamilton (Bermuda)	13.69%	352	309
Total				513	461

1. VAMA

Valin ArcelorMittal Automotive Steel Co. Ltd. (“VAMA”) is a joint venture between the Company and Hunan Valin and produces steel for high-end applications in the automobile industry. VAMA supplies international automakers and first-tier suppliers as well as Chinese car manufacturers and their supplier networks.

On August 10, 2018, following a legal reorganization, ArcelorMittal's interest in VAMA increased from 49% to 50%. The Company subscribed to a capital increase for CNY 59 (9).

In 2017, the Company assessed the recoverability of its investment and recognized an impairment reversal of 11.

2. China Oriental

China Oriental Group Company Limited (“China Oriental”) is a Chinese integrated iron and steel conglomerate listed on the Hong Kong Stock Exchange (“HKEx”). On January 27, 2017, in order to restore the minimum free float requirement, China Oriental issued 586,284,000 new shares resulting in a decrease of the Company’s interest from 17.39% to 14.44%. Public trading resumed on February 1, 2017. In January 2018, China Oriental issued 192 million new shares to fulfill its obligations under its share-based compensation plan. As a result, the Company's interest decreased from 14.44% to 13.69%. For the years ended December 31, 2018 and 2017, the Company assessed the recoverability of its investment and recognized impairment reversals of 43 and 85, respectively.

Note 9: Assets held for sale

On May 7, 2018, the European Commission approved the acquisition of Ilva S.p.A. and certain of its subsidiaries ("Ilva"). Ilva is Europe’s largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. As part of the approval, ArcelorMittal agreed to divest certain of its European assets (“Ilva remedies”) including ArcelorMittal Ostrava a.s. On October 12, 2018, ArcelorMittal received a binding offer from Liberty House Group ("Liberty") for the acquisition, amongst others, of Ostrava a.s. The European Commission is currently reviewing revised offers from Liberty submitted by the Company on January 23, 2019, which were subsequently amended on March 11, 2019. Transaction closing is conditional on EU approval and the conclusion of information consultations with local and European Works Councils. At December 31, 2018, the carrying amount of the investment in Ostrava a.s. was classified as held for sale. Based on the offer received, the Company recorded a 350 impairment charge to adjust the carrying amount of the investment to the expected sale proceeds. The fair value measurement was determined using the selling price, a Level 3 unobservable input. The Company expects to complete the disposal of the investment during the first half of 2019.

On December 15, 2017, ArcelorMittal committed to a plan to sell its wholly owned subsidiary Go Steel Frýdek Místek ("Frýdek Místek"). Accordingly, the Company classified the investment as held for sale at December 31, 2017. The fair value measurement was determined using the contract price, a Level 3 unobservable input. The sale was completed on February 28, 2018 for consideration of 49.

Note 10: Other assets

Other assets are summarized as follows:

	December 31,	
	2018	2017
Call option on mandatory convertible bonds[1]	483	984
Other derivative financial instruments	13	—
Financial amounts receivable	136	—
Other	16	21
Total	648	1,005

1. The Company holds the option to call the mandatory convertible bonds (see note 13).

Following the Indian Supreme Court ruling dated October 4, 2018, ArcelorMittal completed a series of payments to the financial creditors of Uttam Galva ("UG") to clear overdue debts so that the Company's offer submitted for Essar Steel India Limited ("ESIL") remains eligible and can be considered by ESIL's Committee of Creditors. At December 31, 2018, financial amounts receivable of 136 are related to such payments to UG and are measured at fair value through profit or loss (a Level 3 fair value estimate) as of December 31, 2018. The fair value of the UG payments was determined on the basis of market multiples and a discounted cash flow model including market participant synergies. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available and include primarily the discount rate, growth rate, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market.

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 (directly or indirectly) including their associates and joint ventures, their shareholders and key management personnel. Related parties include the Significant Shareholder, which is a trust of which Mr. Lakshmi N. Mittal and Mrs. Usha Mittal are the beneficiaries and which owns 37.4% of ArcelorMittal's ordinary shares.

Transactions with related parties were as follows:

Current loans to related parties

		December 31,	
Related party	Category	2018	2017
Oakey Holding B.V.	Subsidiary	1,133	—
ArcelorMittal Brasil S.A.	Subsidiary	224	90
ArcelorMittal Canada Holdings Inc.	Subsidiary	5	84
Quadra International Services B.V.	Subsidiary	1	1,260
Global Chartering Limited	Subsidiary	—	220
Other		96	95
Total		1,459	1,749

The following table presents the current loans to related parties in original currencies:

	Presented in USD by original currency as at December 31, 2018					
	Total USD	BRL	CAD	EUR	USD	Other
Current loans to related parties	1,459	224	5	1,134	8	88

	Presented in USD by original currency as at December 31, 2017					
	Total USD	EUR	USD	BRL	CAD	Other
Current loans to related parties	1,749	1,260	284	90	88	27

Accrued interests associated with the loans to related parties are also included in the above table.

In 2018 and 2017, the Company assessed the recoverability of loans granted to related parties and recorded accordingly impairment losses of 20 and 129, of which 20 and 129 relating to loans granted to ArcelorMittal Liberia Holdings Limited, respectively.

Other current assets

		December 31,	
Related party	Category	2018	2017
ArcelorMittal USA LLC	Subsidiary	211	—
ArcelorMittal Energy S.C.A.	Subsidiary	153	4
ArcelorMittal Germany Holding GmbH	Subsidiary	118	92
ArcelorMittal Treasury S.N.C.	Subsidiary	102	—
ArcelorMittal Atlantique et Lorraine	Subsidiary	101	91
PJSC ArcelorMittal Kryvyi Rih	Subsidiary	77	177
ArcelorMittal Belgium	Subsidiary	75	64
ArcelorMittal South Africa Limited	Subsidiary	65	51
JSC ArcelorMittal Temirtau	Subsidiary	35	85
ArcelorMittal Sourcing	Subsidiary	32	89
ArcelorMittal España, S.A.	Subsidiary	—	53
Other		387	329
Total		1,356	1,035

Non-current loans to related parties

		December 31,	
Related party	Category	2018	2017
ArcelorMittal Brasil S.A.	Subsidiary	3,811	2,748
ArcelorMittal Canada Holdings Inc.	Subsidiary	2,907	3,163
ArcelorMittal USA Holdings Inc.	Subsidiary	1,700	1,700
ArcelorMittal Treasury Americas LLC	Subsidiary	1,200	2,298
ArcelorMittal Italy Holding S.r.l.	Subsidiary	1,145	—
Quadra International Services B.V.	Subsidiary	843	—
ArcelorMittal Tesoreria, S.A. de C.V., Sofom, E.N.R.	Subsidiary	767	754
JSC ArcelorMittal Temirtau	Subsidiary	435	447
ArcelorMittal South Africa Limited	Subsidiary	187	218
ArcelorMittal Poland S.A.	Subsidiary	61	108
Other		38	57
Total		13,094	11,493

The following table presents the non-current loans to related parties in original currencies:

	Presented in USD by original currency as at December 31, 2018								
	Total USD	BRL	CAD	EUR	KZT	MXN	PLN	USD	ZAR
Non-current loans to related parties	13,094	3,811	2,907	1,996	435	767	61	2,930	187

	Presented in USD by original currency as at December 31, 2017							
	Total USD	USD	BRL	CAD	KZT	MXN	PLN	ZAR
Non-current loans to related parties	11,493	1,757	2,748	5,461	447	754	108	218

Current loans from related parties

		December 31,	
Related party	Category	2018	2017
ArcelorMittal Treasury S.N.C.[1]	Subsidiary	2,939	3,833
ArcelorMittal Canada Holdings Inc.[1]	Subsidiary	876	—
ArcelorMittal USA LLC	Subsidiary	600	—
ArcelorMittal International FZE	Subsidiary	450	620
Ferrosure (Isle of Man) Insurance Co. Ltd	Subsidiary	440	440
ArcelorMittal Luxembourg S.A.[1]	Subsidiary	17	17
ArcelorMittal Holdings AG	Subsidiary	—	840
Expert Placements Services Limited	Subsidiary	—	425
ArcelorMittal Treasury Financial Services S.à r.l.	Subsidiary	—	324
Total		5,322	6,499

1. Current loans correspond to cash pooling balances.

The following table presents the current loans from related parties in original currencies:

	Presented in USD by original currency as at December 31, 2018				
	Total USD	CAD	EUR	USD	Other
Current loans from related parties	5,322	376	17	4,926	3

	Presented in USD by original currency as at December 31, 2017			
	Total USD	EUR	USD	Other
Current loans from related parties	6,499	17	6,481	1

Accrued expenses and other liabilities

Accrued expenses and other liabilities with related parties correspond mainly to payables to IFA service provided (research & development, IT, purchasing and segment costs).

		December 31,	
Related party	Category	2018	2017
ArcelorMittal Europe	Subsidiary	77	74
ArcelorMittal Maizières Research SA	Subsidiary	31	26
Other		158	140
Total		266	240

Non-current loans from related parties

		December 31,	
Related party	Category	2018	2017
ArcelorMittal Finance	Subsidiary	3,263	3,418
ArcelorMittal Holdings AG	Subsidiary	840	—
Expert Placements Services Limited	Subsidiary	495	—
Total		4,598	3,418

The following table presents the non-current loans from related parties in original currencies:

		Presented in USD by original currency as at December 31, 2018	
	Total USD	EUR	USD
Non-current loans from related parties	4,598	3,263	1,335

In 2017, the original currency of the non-current loans from related parties is euro.

IFA fees

		Year ended December 31,	
Related party	Category	2018	2017
ArcelorMittal USA LLC	Subsidiary	217	190
ArcelorMittal Germany Holding GmbH	Subsidiary	110	92
ArcelorMittal Atlantique et Lorraine	Subsidiary	102	92
ArcelorMittal Belgium	Subsidiary	86	79
ArcelorMittal Poland S.A.	Subsidiary	83	73
ArcelorMittal Dofasco G.P.	Subsidiary	70	63
PJSC ArcelorMittal Kryvyi Rih	Subsidiary	59	—
ArcelorMittal Spain Holding, S.L.U	Subsidiary	39	—
ArcelorMittal España, S.A.	Subsidiary	37	60
Other		310	267
Total		1,113	916

General and administrative expenses

General and administrative expenses are net of income from contractually arranged corporate services.

		Year ended December 31,	
Related party	Category	2018	2017
ArcelorMittal Europe	Subsidiary	233	204
ArcelorMittal Maizières Research SA	Subsidiary	119	102
Other		182	166
Total		534	472

Financing costs – net

Financing costs – net included the following income from related parties for the year ended December 31, 2018 and 2017:

		Year ended December 31,	
Related party (income)/expenses	Category	2018	2017
ArcelorMittal Finance	Subsidiary	144	141
ArcelorMittal Holdings AG	Subsidiary	55	40
ArcelorMittal Treasury S.N.C.	Subsidiary	28	180
Quadra International Services B.V.	Subsidiary	(7)	(70)
JSC ArcelorMittal Temirtau	Subsidiary	(53)	(64)
ArcelorMittal USA Holdings Inc.	Subsidiary	(86)	(94)
ArcelorMittal Canada Holdings Inc.	Subsidiary	(103)	(59)
ArcelorMittal Treasury Americas LLC	Subsidiary	(109)	(294)
ArcelorMittal Tesoreria, S.A. de C.V., Sofom, E.N.R.	Subsidiary	(112)	(5)
ArcelorMittal Brasil S.A.	Subsidiary	(391)	(314)
Other		53	(51)
Total		(581)	(590)

Note 12: Short-term and long-term debt

Short-term debt, including the current portion of long-term debt, consisted of the following:

	December 31,	
	2018	2017
Short-term bank loans and other credit facilities including commercial paper	1,788	1,313
Current portion of long-term debt	1,116	950
Total	2,904	2,263

In 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2016, 2017 and 2018. As of December 31, 2018, the facilities, totaling approximately 0.9 billion, remain fully available.

On January 16, 2018, the Company entered into a fully drawn bilateral term loan due July 16, 2018, for an amount of €400 million (466). The bilateral term loan was fully repaid at maturity on July 16, 2018.

On August 10, 2018, the Company entered into a €300 million (344) term loan with a financial institution maturing on April 30, 2019.

On December 18, 2018, ArcelorMittal entered into an agreement for financing with a financial institution for net proceeds of CAD 292 million (214) with repayment over several dates in 2019 and 2020. As of December 31, 2018, CAD 295 million (216) was outstanding.

Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1.5 billion. As of December 31, 2018, and 2017, the outstanding amount was 1,295 and 1,125, respectively.

Long-term debt is comprised of the following:

	Year of maturity	Type of Interest	Interest rate[1]	December 31, 2018	December 31, 2017
5.5 billion Revolving Credit Facility	2023	Floating		—	—
€500 million Unsecured Notes [2]	2018	Fixed	5.75 %	—	400
€400 million Unsecured Notes [3]	2018	Floating	1.70 %	—	480
€750 million Unsecured Notes	2019	Fixed	3.00 %	858	897
500 Unsecured Notes	2020	Fixed	5.13 %	324	323
CHF 225 million Unsecured Notes	2020	Fixed	2.50 %	228	230
€600 million Unsecured Notes	2020	Fixed	2.88 %	685	715
1.0 billion Unsecured Bonds	2020	Fixed	5.25 %	623	622
1.5 billion Unsecured Notes	2021	Fixed	5.50 %	754	753
€500 million Unsecured Notes	2021	Fixed	3.00 %	570	597
€750 million Unsecured Notes	2022	Fixed	3.13 %	856	895
1.1 billion Unsecured Notes [4]	2022	Fixed	6.25 %	656	655
€500 million Unsecured Notes	2023	Fixed	0.95 %	568	593
500 Unsecured Notes	2025	Fixed	6.13 %	497	497
1.5 billion Unsecured Bonds [4]	2039	Fixed	7.00 %	670	1,092
1.0 billion Unsecured Notes [4]	2041	Fixed	6.75 %	428	619
Other loans	2019 - 2021	Fixed	1.25% - 3.46%	114	53
EIB loan	2025	Fixed	1.16 %	401	420
7 billion Term Facility	2020	Floating	3.31 %	1,000	—
Other loans	2019 - 2035	Floating	0.0% - 5.03%	639	672
Total				9,871	10,513
Less current portion of long-term debt				(1,116)	(950)
Total long-term debt, net of current portion				8,755	9,563

1. Rates applicable to balances outstanding at December 31, 2018, including the effect of step-downs following rating changes. For debt that has been redeemed in its entirety during 2018, the interest rates refer to the rates at repayment date
2. Amount outstanding was repaid at the original maturity, March 29, 2018.
3. Amount outstanding was repaid at the original maturity, April 9, 2018
4. Bonds or Notes partially repurchased on August 22, 2018 and September 6, 2018, pursuant to cash tender offer.

5.5 billion Revolving Credit Facility

On December 19, 2018, ArcelorMittal signed an agreement for a 5.5 billion revolving credit facility (the "Facility"). This Facility amends and restates the 5.5 billion revolving credit facility dated April 30, 2015 and which was amended and extended on December 21, 2016. The new agreement incorporates a single tranche of 5.5 billion maturing on December 19, 2023. The Facility may be used for general corporate purposes. As of December 31, 2018, the 5.5 billion revolving credit facility was fully available. The Company makes drawdowns from and repayments on this Facility in the framework of its cash management.

Bonds

On March 29, 2018, at maturity, ArcelorMittal repaid the €334 million (411) principal amount that remained outstanding, following the cash tender offers in April 2016 of its €500 million 4.5% unsecured bonds.

On April 9, 2018, at maturity, ArcelorMittal repaid its €400 million (491) 2018 Floating Rate Notes.

On August 7, 2018, pursuant to cash tender offers and financed with existing cash and liquidity, ArcelorMittal purchased:

- 195 of its U.S. dollar denominated 6.75% Notes due March 1, 2041 (the “USD 2041 Notes”) for a total aggregate purchase price (including premiums and accrued interest) of 224. Following this purchase, 434 principal amount of the USD 2041 Notes remained outstanding.
- 432 of its U.S. dollar denominated 7.00% Notes due October 15, 2039 (the “2039 Notes”) for a total aggregate purchase price (including premiums and accrued interest) of 505. Following this purchase, 686 principal amount of the USD 2039 Notes remained outstanding.

As a result of the above mentioned early redemptions, net financing costs for the year ended December 31, 2018 included 104 of premiums.

On January 17, 2019, ArcelorMittal issued €750 million (854) 2.25% Notes due 2024. The Notes were issued under ArcelorMittal's €10 billion wholesale Euro Medium Term Notes Program.

The margin applicable to ArcelorMittal's principal credit facilities ($5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings. The following table provides details of the outstanding bonds on maturity, the original coupons and the current interest rates for the bonds impacted by changes in the long-term credit rating:

Nominal value	Date of issuance	Repayment date	Original/Current interest rate [1]	Issued at
€750 million Unsecured Notes	March 25, 2014	March 25, 2019	3.00%	99.65%
500 million Unsecured Notes	June 1, 2015	June 1, 2020	5.13%	100%
CHF 225 million Unsecured Notes	July 3, 2015	July 3, 2020	2.50%	100%
€600 million Unsecured Notes	July 4, 2014	July 6, 2020	2.88%	99.18%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2020	5.25%	98.46%
1.5 billion Unsecured Notes	March 7, 2011	March 1, 2021	5.50%	99.36%
€500 million Unsecured Notes	April 9, 2015	April 9, 2021	3.00%	99.55%
€750 million Unsecured Notes	January 14, 2015	January 14, 2022	3.13%	99.73%
1.1 billion Unsecured Notes	February 28, 2012	February 25, 2022	6.25%	98.28%
€500 million Unsecured Notes	December 4, 2017	January 17, 2023	0.95%	99.38%
500 million Unsecured Notes	June 1, 2015	June 1, 2025	6.13%	100%
1.0 billion Unsecured Bonds	October 8, 2009	October 15, 2039	7.00%	95.2%
500 Unsecured Bonds	August 5, 2010	October 15, 2039	7.00%	104.84%
1.0 billion Unsecured Notes	March 7, 2011	March 1, 2041	6.75%	99.18%

1. Rates applicable at December 31, 2018.

European Investment Bank ("EIB") Loan

On December 16, 2016, ArcelorMittal signed a €350 million finance contract with the European Investment Bank in order to finance European research, development and innovation projects over the period 2017-2020 within the European Union, namely predominantly France, Belgium and Spain, but also in Czech Republic, Poland, Luxembourg and Romania. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2016, the facility remains fully available. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2018, €350 million (401) was fully drawn.

Other loans

On November 20, 2018, ArcelorMittal entered into a 7 billion term facility agreement with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the joint venture through which the Company expects jointly to own and operate ESIL in partnership with Nippon Steel & Sumitomo Metal Corporation (the "Joint Venture"). Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The Term Facilities Agreement includes the same Leverage Ratio financial covenant as that included in the Company's 5.5 billion revolving credit facility. The Term Facilities Agreement is also subject to certain mandatory prepayment events, including the use of proceeds from debt capital market issuances by the Group or capital raising by the JV group and certain disposals, in each case above 1 billion.

On May 14, 2018, ArcelorMittal entered into a term facility agreement in the amount of 1 billion to make a payment to the financial creditors of Uttam Galva and KSS Petron to clear overdue debts in order that the offer the Company submitted for ESIL on April 2, 2018 would be eligible and considered by ESIL's Committee of Creditors. The facility was drawn on May 14, 2018 in connection with the payment and was repaid on November 29, 2018 via a drawing under the above-referenced 7 billion term facility.

Other loans relate to various debt with banks and public institutions.

On October 9, 2017, ArcelorMittal completed the offering of €300 million (344) variable rate loan in the German Schuldschein market. The proceeds of the issuance were used to repay or prepay existing indebtedness.

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.

As of December 31, 2018 the scheduled maturities of short-term debt and long-term debt including its current portion are as follows:

2019	2,904
2020	3,031
2021	1,664
2022	1,579
2023	713
Subsequent	1,768
Total	11,659

The Company monitors its net debt in order to manage its capital. The following table presents the structure of the Company's net debt by original currencies:

		Presented in USD by original currency as at December 31, 2018			
	Total USD	EUR	USD	CHF	Other
Short-term debt including the current portion of long-term debt	2,904	2,517	239	—	148
Long-term debt	8,755	3,401	5,058	228	68
Cash and cash equivalents	(388)	(81)	(302)	—	(5)
Net debt	11,271	5,837	4,995	228	211

The carrying value of short-term bank loans and commercial paper approximate their fair value. The carrying amount and the estimated fair value of the Company's short and long-term debt is:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	8,231	8,534	9,363	10,420
Instruments payable bearing interest at variable rates	1,640	1,585	1,150	1,119
Total long-term debt, including current portion	9,871	10,119	10,513	11,539
Short term bank loans and other credit facilities including commercial paper	1,788	1,788	1,313	1,313

The following tables summarize the Company's bases used to measure its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	As of December 31, 2018				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	8,231	8,029	505	—	8,534
Instruments payable bearing interest at variable rates	1,640	—	1,585	—	1,585
Total long-term debt, including current portion	9,871	8,029	2,090	—	10,119
Short term bank loans and other credit facilities including commercial paper	1,788		1,788		1,788

	As of December 31, 2017				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	9,363	9,946	474	—	10,420
Instruments payable bearing interest at variable rates	1,150	481	638	—	1,119
Total long-term debt, including current portion	10,513	10,427	1,112	—	11,539
Short term bank loans and other credit facilities including commercial paper	1,313		1,313		1,313

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. The fair value of the debt is based on estimated future cash flows converted into U.S. dollar at the forward rate and discounted using current U.S. dollar zero coupon rates and ArcelorMittal's credit spread quotations for the relevant maturities.

There were no instruments payable classified as Level 3.

Note 13: Financial instruments

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. On January 1, 2018 (the date of initial application of IFRS 9), the Company has assessed which business model applies to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of IFRS 9 requirements) is January 1, 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognized at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized at January 1, 2018. Comparative amounts in relation to instruments that continue to be recognized at January 1, 2018 have been reclassified where appropriate.

The main impact of the adoption of IFRS 9 relates to financial assets as the requirements for financial liabilities remained substantially unchanged from IAS 39. On the date of initial application, the Company's financial instruments were as follows, with any applicable reclassifications:

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Change
Current financial assets					
Cash and cash equivalents	Loans and receivables	Amortized cost	799	799	—
Current loans to related parties	Loans and receivables	Amortized cost	1,749	1,749	—
Prepaid expenses and other current assets	Loans and receivables	Amortized cost	304	304	—
Derivatives	Fair value recognized in profit or loss	Fair value recognized in profit or loss	3	3	—
Non-current financial assets					
Other assets	Loans and receivables	Amortized cost	21	21	—
Non-current loans to related parties	Loans and receivables	Amortized cost	11,493	11,493	—
Derivatives	Fair value recognized in profit or loss	Fair value recognized in profit or loss	984	984	—

The following table summarizes assets and liabilities based on their categories at December 31, 2018:

	Carrying amount in statement of financial position	Non-financial assets and liabilities	Assets/ Liabilities at amortized cost	Fair value recognized in profit or losses	Derivatives
ASSETS					
Current assets:					
Cash and cash equivalent	388	—	388	—	—
Current loans to related parties	1,459	—	1,459	—	—
Prepaid expenses and other current assets	1,448	1,088	270	—	90
Assets held for sale	663	663	—	—	—
Total current assets	3,958	1,751	2,117	—	90
Non-current assets:					
Tangible and intangible assets	10	10	—	—	—
Investments in subsidiaries	57,544	57,544	—	—	—
Investments in associates and joint ventures	513	513	—	—	—
Non-current loans to related parties	13,094	—	13,094	—	—
Deferred tax assets	8,817	8,817	—	—	—
Other assets	648	—	16	136	496
Total non-current assets	80,626	66,884	13,110	136	496
Total assets	84,584	68,635	15,227	136	586
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current portion of long-term debt	2,904	—	2,904	—	—
Current loans from related parties	5,322	—	5,322	—	—
Accrued expenses and other liabilities	484	183	259	—	42
Total current liabilities	8,710	183	8,485	—	42
Non-current liabilities:					
Long-term debt, net of current portion	8,755	—	8,755	—	—
Non-current loans from related parties	4,598	—	4,598	—	—
Deferred employee benefits	20	20	—	—	—
Long-term provisions and other obligations	340	86	—	—	254
Total non-current liabilities	13,713	106	13,353	—	254
Total equity	62,161	62,161	—	—	—
Total liabilities and equity	84,584	62,450	21,838	—	296

The following table summarizes assets and liabilities based on their categories at December 31, 2017:

	Carrying amount in statement of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Derivatives
ASSETS					
Current assets:					
Cash and cash equivalent	799	—	799	—	—
Current loans to related parties	1,749	—	1,749	—	—
Prepaid expenses and other current assets	1,064	757	304	—	3
Assets held for sale	48	48	—	—	—
Total current assets	3,660	805	2,852	—	3
Non-current assets:					
Tangible and intangible assets	17	17	—	—	—
Investments in subsidiaries	49,659	49,659	—	—	—
Investments in associates and joint ventures	461	461	—	—	—
Non-current loans to related parties	11,493	—	11,493	—	—
Deferred tax	7,517	7,517	—	—	—
Other assets	1,005	—	21	—	984
Total non-current assets	70,152	57,654	11,514	—	984
Total assets	73,812	58,459	14,366	—	987
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current portion of long-term debt	2,263	—		2,263	—
Current loans from related parties	6,499	—		6,499	—
Accrued expenses and other liabilities	463	162		299	2
Total current liabilities	9,225	162	—	9,061	2
Non-current liabilities:					
Long-term debt, net of current portion	9,563	—		9,563	—
Non-current loans from related parties	3,418	—		3,418	—
Deferred employee benefits	20	20	—	—	—
Other long-term obligations	245	88	—	—	157
Total non-current liabilities	13,246	108	—	12,981	157
Total equity	51,341	51,341	—	—	—
Total liabilities and equity	73,812	51,611	—	22,042	159

The Company classifies the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried or measured 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 that the entity can access at the measurement date;

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

The following tables summarize the bases used to measure certain assets and liabilities at their fair value.

As of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Derivative financial current assets	—	90	—	90
Derivative financial non-current assets	—	13	483	496
Total assets at fair value	—	103	483	586
Liabilities at fair value:				
Derivative financial current liabilities	—	42	—	42
Derivative financial non-current liabilities	—	130	124	254
Total liabilities at fair value	—	172	124	296

As of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Derivative financial current assets	—	3	—	3
Derivative financial non-current assets	—	—	984	984
Total assets at fair value	—	3	984	987
Liabilities at fair value:				
Derivative financial current liabilities	—	(2)	—	(2)
Derivative financial non-current liabilities	—	(157)	—	(157)
Total liabilities at fair value	—	(159)	—	(159)

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in foreign exchange rates, raw materials (base metal) and energy. The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well-established and recognized vendors of market data 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 non-current assets classified as Level 3 refer to the call option on the 1,000 mandatory convertible bonds (see below). The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. ArcelorMittal's valuation policies for Level 3 derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

ArcelorMittal establishes the fair valuation of the call option on the 1,000 mandatory convertible bonds through the use of binomial valuation models based on the estimated values of the underlying equity spot price of $219 and volatility of 24.33%. Binomial valuation models use an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the binomial model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices of Erdemir and China Oriental, European Central Bank foreign exchange fixing rates and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available. Specifically the Company computes unobservable volatility data based mainly on the movement of Erdemir and China Oriental stock market prices observable in the active market over 90 working days, which is particularly sensitive for the valuation resulting from the model. A10% increase or decrease in Hera Ermac share prices would result in a 28% and 26% increase and decrease of the fair value of th call option at December 31, 2018 respectively.

Derivative financial liabilities classified as Level 3 relate also to the put option granted to Intesa San Paolo ("ISP") in the context of the acquisition of Ilva. ISP's 5.55% interest in AM InvestCo Italy is subject to put and call option arrangements exercisable by ArcelorMittal and ISP between November 1, 2020 and November 1, 2025 and November 1, 2021 and November 1, 2025, respectively. The Company determined that it has a present ownership interest in the shares subject to the put option and recognized a financial liability measured at the present value of the redemption amount. The option exercise price is the higher of a reference operating income projection and the net present value of ISP's initial €100 million equity contribution bearing interest at a contractually agreed rate at the put option exercise date. The fair value of the put option liability is sensitive to unobservable inputs such as ArcelorMittal Italia's future cash flow projections. Observable inputs include ISP's credit rating.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the put option granted to ISP and the call option on the 1,000 mandatory convertible bonds for the year ended December 31, 2018 and 2017, respectively:

	Put option with ISP	Call option on 1,000 mandatory convertible bonds	Total
Balance as of December 31, 2016	—	175	175
Change in fair value	—	809	809
Balance as of December 31, 2017	—	984	984
Change in fair value	(124)	(501)	(625)
Balance as of December 31, 2018	(124)	483	359

The fair value movement on Level 3 derivative instruments is recorded in the statements of operations. The decrease in the fair value of the call option on 1,000 mandatory convertible bonds is due to an decrease in the share price of Erdemir and China Oriental, which impacts the value of the notes in which Hera Ermac, a wholly-owned subsidiary, invested the bonds proceeds.

Portfolio of Derivatives

Except for the call options on the 1,000 mandatory convertible bond, certain cross currency swaps and some other limited exceptions, the Company’s portfolio of derivatives consists of transactions with ArcelorMittal Treasury, which in turn enters into offsetting position with counterparties external to ArcelorMittal.

The portfolio associated with derivative financial instruments as of December 31, 2018 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase of contracts	199	14	—	—
Forward sale of contracts	269	2	701	(11)
Currency swaps sales	—	—	1,000	(101)
Foreign exchange option purchases	2,000	71	—	—
Foreign exchange option sales	—	—	1,000	(35)
Total foreign exchange instruments		87		(147)
Raw materials (base metal) and energy				
Term contracts purchases	256	16	497	(25)
Total raw materials (base metal) and energy		16		(25)
Total		103		(172)

The portfolio associated with derivative financial instruments as of December 31, 2017 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward sales of contracts	169	3	7	(2)
Currency swap sales	—	—	1,000	(157)
Total		3		(159)

Risk management policy

The Company's operations expose it to a variety of financial risks including interest rate risk, foreign exchange risk, liquidity risk and risks in fluctuations in prices of raw materials and energy. The Company actively monitors and seeks to reduce volatility of these exposures through a diversity of financial instruments, where considered appropriate. The Company has formalized how it manages these risks within the Treasury and Financial Risk Management Policy, which has been approved by Management.

Capital management

The Company's objective when managing capital are to safeguard continuity, maintain a strong credit rating and healthy capital ratios to support its business and provide adequate return to shareholders through continuing growth.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirement is met through a combination of equity, bonds and other long-term and short-term borrowings.

The Company monitors capital using a gearing ratio, being the ratio of net debt as a percentage of total equity.

	December 31,	
	2018	2017
Total equity	62,161	51,341
Net debt	11,271	11,027
Gearing	17.58%	21.48%

Interest rate risk

The Company is exposed to interest rate risk on short-term and long-term floating rate instruments and on refinancing of fixed rate debt. The Company's policy is to maintain a balance of fixed and floating interest rate borrowings, which is adjusted depending on the prevailing market interest rates and outlook. As at December 31, 2018, the long-term debt was comprised of 83% fixed rate debt and 17% variable rate debt (see note 12). The Company may utilize 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 borrowing. The Company and its counterparties 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.

Foreign 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, 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 financial position and results of operations.

ArcelorMittal faces transaction 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 may enter into derivative transactions to hedge the residual exposure, and currently designated an EUR/USD cross currency swaps with a notional of 1,000 to hedge euro denominated net investments in foreign operations (see “Cross currency swaps”).

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 associated with certain monetary assets denominated in a foreign currency other than the functional currency.

In October 2018, the Company entered into hedging programs including non deliverable forwards and non deliverable options for a nominal amount of $1.0 billion in order to hedge the volatility between Indian Rupee and U.S. dollar in relation to the proposed acquisition of ESIL.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting its obligations associated with financial liabilities that are settled by delivering cash. ArcelorMittal Treasury is responsible for the Company's funding and liquidity management. ArcelorMittal’s principal sources of liquidity are cash generated from its operations and its credit lines. The Company actively manages its liquidity. Following the Company's 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 contractual maturities of the below financial liabilities include estimated loan repayments, interest payments and settlement of derivatives, excluding any impact of netting agreements. The cash flows are calculated based on market data as of December 31, 2018, and as such are sensitive to movements in mainly forex exchange rates and interest rates. The cash flows are non-discounted, except for derivative financial liabilities where the cash flows equal their fair values.

			December 31, 2018			
	Carrying amount	Contractual Cash Flow	2019	2020	from 2021 to 2023	After 2023
Non-derivative financial liabilities						
Bonds	(7,807)	(10,277)	(1,200)	(2,166)	(3,898)	(3,013)
Loans over 100	(2,158)	(2,246)	(591)	(1,095)	(476)	(84)
Other non-derivative financial liabilities	(1,694)	(1,707)	(1,510)	(107)	(90)	—
Loans from related parties	(6,088)	(6,580)	(1,740)	(3,494)	(1,346)	—
Cash pooling	(3,832)	(3,832)	(3,832)	—	—	—
Total	(21,579)	(24,642)	(8,873)	(6,862)	(5,810)	(3,097)
Derivative financial liabilities						
Equity contracts (put options)	(124)	(124)	—	—	(124)	—
Foreign exchange contracts	(147)	(147)	(42)	(37)	(3)	(65)
Other commodities contracts	(25)	(25)	—	(7)	(18)	—
Total	(296)	(296)	(42)	(44)	(145)	(65)

			December 31, 2017			
	Carrying amount	Contractual Cash Flow	2018	2019	from 2020 to 2022	After 2022
Non-derivative financial liabilities						
Bonds	(9,458)	(13,514)	(1,309)	(1,306)	(5,658)	(5,241)
Loans over 100	(892)	(931)	(206)	(61)	(504)	(160)
Other non-derivative financial liabilities	(1,476)	(1,496)	(1,200)	(163)	(50)	(83)
Loans from related parties	(6,067)	(6,670)	(2,020)	(190)	(4,460)	—
Cash pooling	(3,850)	(3,850)	(3,850)	—	—	—
Total	(21,743)	(26,461)	(8,585)	(1,720)	(10,672)	(5,484)
Derivative financial liabilities						
Foreign exchange contracts	(159)	(159)	(2)	—	(64)	(93)
Total	(159)	(159)	(2)	—	(64)	(93)

Cross currency swaps

In December 2014, the Company entered into EUR/USD cross currency swaps (“CCS”) to hedge an euro denominated net investment in foreign operations amounting to €303 million in the Company's consolidated financial statements, and designated them as a net investment hedge. The EUR/USD CCS with a notional of 375 were unwound on January 14, 2016.

On May 27, 2015, the Company entered into additional EUR/USD CCS with a notional of 1,000 to hedge an euro denominated net investment in foreign operations amounting to €918 million in the Company's consolidated financial statements, and designated them as a net investment hedge. As of December 31, 2018 and 2017, the EUR/USD CCS have a fair value loss of 101 and a fair value loss of 157, respectively. The variation of 56 was recorded in the statements of operations. The fair value of the net investment hedge is included in long-term provisions and other obligations in the statements of financial position. The CCS is categorized as Level 2.

Cross currency swaps are as follows:

					December 31, 2018
Derivatives	Notional amount	Date traded	Fair value at December 31, 2017	Change in fair value	Fair value as of December 31, 2018
CCS 5Y	500	May 27, 2015	(64)	29	(35)
CCS 10Y	300	May 27, 2015	(56)	17	(39)
CCS 10Y	160	May 27, 2015	(30)	9	(21)
CCS 10Y	40	May 27, 2015	(7)	1	(6)
Total	1,000		(157)	56	(101)

					December 31, 2017
Derivatives	Notional amount	Date traded	Fair value at December 31, 2016	Change in fair value	Fair value as of December 31, 2017
CCS 5Y	500	May 27, 2015	3	(67)	(64)
CCS 10Y	300	May 27, 2015	(14)	(42)	(56)
CCS 10Y	160	May 27, 2015	(8)	(22)	(30)
CCS 10Y	40	May 27, 2015	(2)	(5)	(7)
Total	1,000		(21)	(136)	(157)

Foreign currency sensitivity

The following tables detail the Company's derivative financial instruments' sensitivity as it relates to derivative financial instruments to a 10% strengthening and a 10% weakening in the U.S. dollar against the euro. 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.

The sensitivity analysis includes the Company's complete portfolio of foreign currency derivatives outstanding. The impact on the non €/$ derivatives reflects the estimated move of such currency pairs, when the U.S. dollar appreciates or depreciates 10% against the euro, based on computations of correlations in the foreign exchange markets in 2018.

	December 31, 2018
	Income
10% strengthening in U.S. dollar	30
10% weakening in U.S. dollar	78

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, 2018
	Floating portion of net debt[1]	Interest Rate Swaps/Forward Rate Agreements
100 bp increase	(16)	—
100 bp decrease	16	—

1. Please refer to note 12 for a description of total net debt (including fixed and floating portion)

		December 31, 2017
	Floating portion of net debt[1]	Interest Rate Swaps/Forward Rate Agreements
100 bp increase	(4)	—
100 bp decrease	4	—

1. Please refer to note 12 for a description of total net debt (including fixed and floating portion)

Note 14: Equity

On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of issued shares decreased from 3,065,710,869 to 1,021,903,623 and all prior periods have been recast in accordance with IFRS.

The Company's shares consist of the following:

	December 31, 2016	Movement in year	December 31, 2017	Movement in year	December 31, 2018
Issued shares	1,021,903,623	—	1,021,903,623	—	1,021,903,623
Treasury shares	(403,103)	120,644	(282,459)	(25,529)	(307,988)

1. Refer to the mandatorily convertible notes described below (137,967,116 or 45,989,039 after reverse stock split).

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 (52 after reverse stock split), or approximately 10% of ArcelorMittal's outstanding capital. Following this approval, which is valid for 5 years, the total authorized share capital was €7.7 billion represented by 1,773,091,461 (591,030,487 after reverse stock split) shares without par value.

At the Extraordinary General Meeting held on May 8, 2013, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €524 million represented by 223 million shares (74 after reverse stock split), or approximately 8% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €8.2 billion represented by 1,995,857,213 (665,285,738 after reverse stock split) shares without par value.

At the Extraordinary General Meeting held on March 10, 2016, the shareholders approved a decrease of the authorized share capital of the Company by €8,049 million through a reduction of the accounting par value per share to €0.10 and a subsequent increase by €3 billion. Following the completion of the equity offering on April 8, 2016, the Company's authorized share capital was decreased by €2.9 billion. As a result of the approval given by the shareholders on March 10, 2016 and which is valid for five years, the total authorized share capital was €337 million represented by 3,372,281,956 shares (1,124,093,985 after reverse stock split) without par value.

At the Extraordinary General Meeting held on May 10, 2017, the shareholders approved a reverse stock split and an increase of the authorized share capital to €345 million. Following this approval, on May 22, 2017 ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result, the authorized share capital increased with a decrease in representative shares from €337 million represented by 3,372,281,956 ordinary shares without nominal value as of December 31, 2016 to €345 million represented by 1,151,576,921 ordinary shares without nominal value.

At the Extraordinary General Meeting of shareholders held on May 16, 2018, the shareholders approved the change of currency of the Company's share capital from euro to U.S. dollar. Following this approval, the authorized share capital amounts to 411 represented by 1,151,576,921 ordinary shares without nominal value. As a result of this change, the issued share capital amounts to 364 as of December 31, 2018, based on the exchange rate published by the European Central Bank on May 15, 2018. The difference has been transferred to additional paid-in capital. There was no change in the aggregate number of shares issued and fully paid up which continues to amount to 1,021,903,623 as of December 31, 2018 and December 31, 2017.

Share capital

On January 15, 2016, following the maturity of the mandatorily convertible notes (see below), the Company increased share capital by €570 million (622) from €6,883 million (10,011) to €7,453 million (10,633) through the issuance of 137,967,116 (45,989,039 after reverse stock split) new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 1,803,359,338 (601,119,779 after reverse stock split).

Following the extraordinary general meeting held on March 10, 2016, ArcelorMittal decreased share capital by €7,273 (10,376) from €7,453 (10,633) to €180 (257) through a reduction of the accounting par value per share to €0.10 without any distribution to shareholders, the balance being allocated to additional paid-in capital.

On April 8, 2016, ArcelorMittal completed an equity offering with net proceeds of 3,115 (net of transaction costs of 40) by way of the issuance of 1,803,359,338 (601,119,779 after reverse stock split) non-statutory preferential subscription rights with a subscription price of €2.20 per share at a ratio of 7 shares for 10 rights subsequently to the adoption of enabling resolutions by the extraordinary general meeting of shareholders on March 10, 2016. The Company increased share capital by €126 (144) from €180 (257) to €306 (401) through the issuance of 1,262,351,531 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 3,065,710,869 (1,021,903,623 after reverse stock split).

Share buyback

On March 26, 2018, ArcelorMittal completed a share buyback program under the authorization given at the annual general meeting of shareholders held on May 5, 2015. ArcelorMittal repurchased 7 million shares for a total value of €184 million (226) at an average price per share of €26.34 (equivalent to $32.36). The buyback shares as part of buyback program are accounted as the part of the treasury shares.

Treasury shares

As of December 31, 2018 and 2017, the Company held 307,988 and 282,459 treasury shares, respectively.

Legal reserve

In accordance with Luxembourg Company Law, the Company is required to transfer a minimum of 5% of its net profit 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. Following the annual general meeting held on May 10, 2017, the legal reserve decreased by 961 to 40 corresponding to 10% of the subscribed capital.

Earnings per common share

On April 8, 2016, the Company issued 1,262,351,531 (420,783,844 after reverse stock split) new shares at a subscription price of €2.20 (prior to reverse stock split) per share representing a 35% discount compared to the theoretical ex-right price (“TERP”) of €3.40 (prior to reverse stock split) based on the closing price of ArcelorMittal’s shares on Euronext Amsterdam on March 10, 2016. In accordance with IFRS, such a rights issue includes a bonus element increasing the number of ordinary shares outstanding to be used in calculating basic and diluted earnings per share for all periods before the rights issue. Accordingly, the table below presents the numerators, a reconciliation of the weighted average common shares outstanding for the purposes of basic and diluted earnings per share for the year ended December 31, 2017 and as retrospectively adjusted for the above mentioned bonus element for the year ended December 31, 2016.

On May 22, 2017, ArcelorMittal completed the consolidation of each three existing shares in ArcelorMittal without nominal value into one share without nominal value. As a result of this reverse stock split, the number of outstanding shares for the prior periods have been recast in accordance with IFRS.

	Year ended December 31,	
	2018	2017
Net income (loss) attributable to equity holders of the parent	5,149	4,568
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,015	1,020
Incremental shares from assumed conversion of restricted share units and performance share units (in millions)	6	4
Weighted average common shares outstanding (in millions) for the purposes of diluted earnings per share	1,021	1,024

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 from the share premium received from the issuance of ordinary shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

Description	Approved by	Dividend per share (in $)	Payout date	Total (in millions of $)
Dividend for financial year 2015	Annual General Shareholders' meeting on May 4, 2016	—	—	—
Dividend for financial year 2016	Annual General Shareholders' meeting on May 4, 2017	—	—	—
Dividend for financial year 2017	Annual General Shareholders' meeting on May 9, 2018	0.10	June 13, 2018	101

There was no dividend paid for the financial year 2016 and 2017. The Board has agreed on a new dividend policy which will be proposed to shareholders at the annual general meeting in May 2019, dividends will begin at $0.20/share in 2018 (paid from 2018 results).

Stock Option Plans

Prior to the May 2011 annual general shareholders' meeting adoption of the ArcerlorMittal Equity Incentive Plan described below, 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 common shares to senior management of ArcelorMittal and its associates for up to 100,000,000 (33,333,333 shares after reverse stock split) 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 ("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.

Dates of grant and exercise prices are as follows:

Date of grant	Exercise prices (per option)
August 2010	91.98
August 2009	109.14
November 2008	63.42
August 2008	235.32

No options were granted during the years ended December 31, 2018 and 2017.

The compensation expense recognized for stock option plans was nil for each of the years ended December 31, 2018 and 2017, respectively.

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, 2018 and 2017:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2016	4,682,534	63.42 - 235.32	153.19
Expired	(1,397,659)	63.42 - 235.32	170.40
Outstanding, December 31, 2017	3,284,875	63.42 - 235.32	145.86
Expired	(1,295,500)	63.42 - 235.32	215.77
Outstanding, December 31, 2018	1,989,375	91.98 - 109.14	100.33
Exercisable, December 31, 2017	3,284,875	63.42 - 235.32	145.86
Exercisable, December 31, 2018	1,989,375	91.98 - 109.14	100.33

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2018:

				Options Outstanding
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
$91.98	1,021,058	1.59	1,021,058	August 3, 2020
109.14	968,317	0.59	968,317	August 4, 2019
$91.98 - $109.14	1,989,375	1.11	1,989,375	

Long-Term Incentives: Equity-Based Incentives (Share Unit Plans)

On May 10, 2011, the annual general meeting of shareholders approved the ArcelorMittal Equity Incentive Plan, a new equity-based incentive plan that replaced the Global Stock Option Plan. The ArcelorMittal Equity Incentive Plan is 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 ArcelorMittal Equity Incentive Plan provides for the grant of RSUs and PSUs to eligible Company employees (including the Executive Officers) and is designed to incentivize employees, improve the Company's long-term performance and retain key employees. On May 8, 2013, the annual general meeting of shareholders approved the GMB PSU Plan, which provides for the grant of PSUs to GMB members (and is now applicable to the CEO Office). Until the introduction of the GMB PSU Plan in 2013, GMB members were eligible to receive RSUs and PSUs under the ArcelorMittal Equity Incentive Plan. In 2016, a special grant was approved in order to align the grant with the Action 2020 plan put in place by ArcelorMittal.

The maximum number of PSUs (and RSUs previously) 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 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders' meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs (10,000,000 PSU's after the reverse stock split) may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined. The 2017 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office level was approved at the annual shareholders' meeting on May 10, 2017 at a maximum of 3,000,000 shares. The 2018 Cap for the number of PSUs that may be allocated to the CEO Office and other retention based grants below the CEO Office level, was approved at the annual shareholders' meeting on May 9, 2018 at a maximum of 1,500,000 shares.

ArcelorMittal Equity Incentive Plan

RSUs granted under the ArcelorMittal Equity Incentive Plan are designed to provide a retention incentive to eligible employees. RSUs are 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 Company.

The grant of PSUs under the ArcelorMittal Equity Incentive Plan aims to serve as an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards in connection with PSUs are subject to the fulfillment of cumulative performance criteria (such as return on capital employed ("ROCE"), total shareholders return ("TSR"), earnings per share ("EPS") and gap to competition) over a three year period from the date of the PSU grant. The employees eligible to receive PSUs are a sub-set of the group of employees eligible to receive RSUs. The target group for PSU

grants initially included the Chief Executive Officer and the other GMB members. However, from 2013 onwards, the Chief Executive Officer and other GMB members (and in 2016, the CEO Office) received PSU grants only under the GMB PSU Plan instead of the ArcelorMittal Equity Incentive Plan.

Conditions of the 2018 grant were as follows:

	CEO Office			Executive Officers and other qualifying employees	
	• PSUs with a three-year performance period • Value at grant: 100% of base salary for the CEO and the President and CFO • Vesting conditions:			• PSUs with a three-year performance period	
		Threshold	Target		Target
2018 Grant	TSR/EPS vs. peer group	100% median	≥120% median	ROCE	100% target 100% vesting
	TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance	Gap to competition (where applicable)	100% target 100% vesting
	Vesting percentage	50%	100%		

Awards made in previous financial years which have not yet reached the end of the vesting period

The Company's Long-Term Incentive Plan for senior management including Executive Officers follows the Company's strategy.

In 2014 and 2015, the Company's goal was to achieve ROCE and Mining volume for the Mining segment and therefore the target was based on these performance measures.

In 2016, in order to ensure achievement of the Action 2020 plan, ArcelorMittal made a special grant (“Special Grant”) to qualifying employees (including the Executive Officers), instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment within the ArcelorMittal group and to yearly performance of ROCE targets and other strategic objectives within the business units.

The plans in 2017, 2016 and 2015 are summarized below:

2015 Grant

CEO Office

- PSUs with a three-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 100% of base salary for the CEO and 80% for the President and CFO
- Vesting conditions:

	Threshold	Target	Stretch
TSR/EPS vs. peer group	80% median	100% median	≥120% median
TSR vs. S&P 500	Performance equal to 80% of Index	Performance equal to Index	≥Performance equal to Index + 2% out performance
Vesting percentage	50%	100%	150%

Other Executive Officers

- RSUs with a three-year vesting period (2015 grant vested in December 2018)
- PSUs with a three-year performance period
- Performance target: mainly ROCE and mining volume plan for the Mining segment
- One PSU can give right to 0 shares up to 1.5 shares
- Vesting conditions:

	Threshold	Target	Stretch
Performance	80%	100%	≥120%
Vesting	50%	100%	150%

2016 Grant

- PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 150% of base salary for the CEO and the President and CFO
- Vesting conditions:

	Threshold	Target
TSR/EPS vs. peer group	100% median	≥120% median
TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance
Vesting percentage	50%	100%

- PSUs with a five-year performance period, 50% vesting after three-year performance period and 50% after additional two year performance period
- Performance criteria: ROCE and Gap to competition in some areas
  one target grant: a share will vest if performance is met at target
  one overperformance grant: a share will vest if performance exceeds 120%
- Vesting conditions:

Performance	100%	≥120%
Target award vesting	100%	100%
Overperformance award (=20% of target award)	—	100%

2017 Special Grant

- PSUs with a three-year performance period
- Performance criteria: 50% TSR (½ vs. S&P 500 and ½ vs. peer group) and 50% EPS vs. peer group
- Value at grant: 150% of base salary for the CEO and the President and CFO
- Vesting conditions:

	Threshold	Target
TSR/EPS vs. peer group	100% median	≥120% median
TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance
Vesting percentage	50%	100%

- PSUs with a three-year performance period
- Performance criteria: TSR and Gap to competition in some areas
- Vesting conditions:

	Threshold	Target
TSR vs. peer group	100% median 50% vesting	≥120% median 100% vesting
Gap to competition (where applicable)	—	100% target 100% vesting

The following table summarizes the Company's share unit plans outstanding December 31, 2018:

At Grant date						Number of shares as of December 31, 2018		
Grant date	Type of plan	Number of shares	Number of beneficiaries	Maturity	Fair value per share	Shares outstanding	Shares exited	Shares forfeited
December 20, 2018	PSU	1,358,750	524	January 1, 2022	21.31	1,358,750	—	—
December 20, 2018	CEO Office	134,861	2	January 1, 2022	16.58	134,861	—	—
December 20, 2017	PSU	1,081,447	527	January 1, 2021	18.42	1,046,816	—	34,631
December 20, 2017	CEO Office	90,084	2	January 1, 2021	22.85	90,084	—	—
June 30, 2016	PSU II	3,472,355	554	January 1, 2021	13.17	3,105,045	—	367,310
June 30, 2016	CEO PSU II	153,268	2	January 1, 2022	16.62	153,268	—	—
June 30, 2016	PSU I	3,472,355	554	January 1, 2019	13.74	3,105,045	—	367,310
June 30, 2016	CEO PSU I	153,268	2	January 1, 2020	10.68	153,268	—	0
December 18, 2015	PSU	295,935	322	January 1, 2019	11.49	223,323	—	72,612
Total		10,212,323			$10.68 – $22.85	9,370,460	—	841,863

The compensation expense recognized for RSUs and PSUs was immaterial for the years ended December 31, 2018 and 2017.

Share unit plan activity is summarized below as of and for each year ended December 31, 2018 and 2017:

	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, 2015	1,320,654	28.78	1,370,675	33.32
Granted [2]	—	—	7,252,814	13.46
Exited	(564,679)	38.24	(19,816)	37.11
Forfeited	(105,721)	26.12	(564,179)	37.8
Outstanding, December 31, 2016	650,254	21.00	8,039,494	15.08
Granted [2]	—	—	1,199,338	19.25
Exited	(303,550)	30.69	(204,855)	43.34
Forfeited	(40,699)	20.32	(437,141)	18.33
Outstanding, December 31, 2017	306,005	11.49	8,596,836	14.83
Granted [1]	—	—	1,577,865	21.32
Exited	(288,721)	11.49	(412,893)	28.98
Forfeited	(17,284)	11.49	(391,348)	16.41
Outstanding, December 31, 2018	—	—	9,370,460	15.34

1. Including 56,606 over-performance shares granted for the targets achievement of the PSU grant September 17, 2014 and 27,648 of the GMB PSUgrant June 30, 2015.
2. Including 27,807 over-performance shares granted for the targets achievement of the PSU grant September 27, 2013 in 2017 (1,567 overperformance shares for the PSU grant March 29, 2013 in 2016).

Note15: Financing costs-net

Financing costs-net were as follows:

	Year ended December 31,	
	2018	2017
Interest expense	(862)	(998)
Interest income	985	985
Gain (loss) on disposal of investments [1]	(68)	46
Change in fair value adjustment on call option on mandatory convertible bonds (note 13)	(501)	809
Change in fair value of put option with ISP (note 13)	(124)	—
Net gain (loss) on other derivative instruments	55	(132)
Net foreign exchange result	(647)	755
Premiums and fees [2]	(104)	(389)
Other	(36)	25
Total	(1,302)	1,101

[1] Includes mainly a 34 loss related to the disposal of a 10.83% interest in Arcelor Investment SA and a 29 loss on disposal related to the sale of ArcelorMittal Tubular Products Ostrava a.s. for the year ended December 31, 2018; includes a 52 gain related to the disposal of a 2.8 % interest in Arcelor Investment SA for the year ended December 31, 2017 (see note 7).

[2] Premiums and fees are mainly related to early redemption of bonds.

Transactions with related parties are detailed in note 11.

Note 16: Income from subsidiaries and associates

Income from subsidiaries and associates of 905 in 2018 were dividends received in cash mainly from ArcelorMittal Spain Holdings for € 336 million (394), ArcelorMittal Germany Holding for € 192 million (218), ArcelorMittal Ostrava a.s. for CZK 3,236 million (144), ArcelorMittal Poland S.A for PLN 312 million (84) and China Oriental for HKD 265 million (34).

Income from subsidiaries and associates of 836 in 2017 were dividends received in cash mainly from ArcelorMittal Canada Holdings Inc. for CAD 559 million (436), ArcelorMittal Ostrava a.s. for CZK 6,760 million (308), ArcelorMittal Poland S.A. for PLN 250 million (69) and from China Oriental Group Company Limited for HKD 143 million (18), respectively.

Note 17: Income tax

Income tax expense (benefit)

The components of the income tax expense (benefit) for each of the years ended December 31, 2018 and 2017 are summarized below:

	Year ended December 31,	
	2018	2017
Total current tax expense (benefit)	(413)	(381)
Total deferred tax expense (benefit)	(1,300)	(561)
Total income tax expense (benefit)	(1,713)	(942)

The following table reconciles the income tax expense (benefit) to the statutory tax expense (benefit) as calculated:

	Year ended December 31,	
	2018	2017
Net income	10,911	8,162
Income tax expense (benefit)	(1,713)	(942)
Income (loss) before tax :	9,198	7,220
Tax expense (benefit) at the statutory rate*	2,392	1,878
Permanent items	(2,247)	(1,651)
Taxable results transferred from subsidiaries included in the tax integration	51	(81)
Net change in measurement of deferred tax assets	(1,946)	(916)
Effects of foreign currency translation	—	(220)
Other taxes	37	48
Income tax expense (benefit)	(1,713)	(942)

* Tax expense (benefit) at the statutory rates is based on income (loss) before tax. The future statutory tax rate of 26,01%, as enacted in 2016, has been used.

Permanent items

The permanent items consist of:

	2018	2017
Non-tax deductible impairment charges (reversals)	(2,066)	(1,425)
Exempted dividend income	(227)	(213)
Other permanent items	46	(13)
Total permanent items	(2,247)	(1,651)

Non tax-deductible impairment charges (reversals): Write-down charges taken on investments in shares of subsidiaries are generally tax deductible under the Luxembourg tax legislation. However the write-down charges are not tax-deductible if they (i) are neutralized with exempt dividend income, exempt capital gains and mark to market valuation, or (ii) arise within the tax consolidation. Similarly, write-backs of previously recorded charges are generally taxable, unless they relate to impairments that arose within the tax consolidation. These non tax-deductible charges (reversals) amount to (7,943) and (5,480) for 2018 and 2017, respectively.

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 shareholding of at least 10% or having an acquisition cost of at least €1.2 million) for an uninterrupted period of at least 12 months.

Net change in measurement of deferred tax assets

The 2018 net change in measurement of deferred tax assets of (1,946) consists of (i) tax benefit of (576) related to the recognition of additional deferred tax assets up to the amount utilized during the year, (ii) recognition of deferred tax assets for (767) resulting from the increase in projections of future operational and financial taxable income, and (603) effect of elimination of the current USD exposure of euro denominated deferred tax assets in Luxembourg.

The 2017 net change in measurement of deferred tax assets of (916) consists of (i) tax benefit of (641) related to the recognition of additional deferred tax assets up to the amount utilized during the year and (ii) recognition of deferred tax assets for (275) resulting from the increase in projections of future taxable income driven primarily by improved market conditions in the steel industry and higher financial income mainly from further reduction in the forecasted interest expense following improved credit rating.

Effects of foreign currency translation

Effects of foreign currency translation of nil and (220) for 2018 and 2017, respectively, are related to the functional currency of the Company different from the currency applied for tax filing purposes. There is no effect in 2018 following the elimination of the currency exposure on the deferred tax assets in Luxembourg as a result of the change in the currency denomination of the tax losses.

Uncertain tax positions

ArcelorMittal takes 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	
	December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017
Concession, patents, licenses	—	—	—	—	—	—
Provisions	—	—	—	—	—	—
Tax losses carried forward	8,817	7,517	—	—	8,817	7,517
Deferred tax assets / (liabilities)	8,817	7,517	—	—	8,817	7,517

Deferred tax assets not recognized by the Company as of December 31, 2018 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	79,048	20,560	8,817	11,744
Tax credits	15	15	—	15
Other temporary differences	—	—	—	—
Total		20,575	8,817	11,759

Deferred tax assets not recognized by the Company as of December 31, 2017 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	80,454	20,481	7,517	12,964
Other temporary differences	—	—	—	—
Total		20,481	7,517	12,964

As of December 31, 2018, 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 total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounts to 79,048 as of December 31, 2018. Of this amount 33,899 is considered realizable, resulting in the recognition of 8,817 of deferred tax assets at the applicable income tax rate in Luxembourg. The total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounted to 80,454 as of December 31, 2017. Of this amount 30,613 was considered realizable, resulting in the recognition of 7,517 of deferred tax assets at the applicable income tax rate in Luxembourg. Under the Luxembourg tax legislation the tax losses generated until the end of 2016 can be carried forward indefinitely and are not subject to any specific yearly loss utilization limitations. The tax losses carried forward relate primarily to tax deductible write-down charges taken on investments in shares of consolidated subsidiaries recorded by certain of the ArcelorMittal group's holding companies in Luxembourg. Of the total tax losses carried forward, 21,785 may be subject to recapture in the future if the write-downs that caused them are reversed creating taxable income unless the Company converts them to permanent through sales or other organizational restructuring activities.

The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for tax losses carried forward in Luxembourg. As part of its recoverability assessment the Company has taken into account (i) its most recent forecast approved by management and the Board of Directors, (ii) the likelihood that the factors that have contributed to past losses in Luxembourg will not recur, (iii) the fact that ArcelorMittal in Luxembourg is the main provider of funding to the Group's consolidated subsidiaries, leading to significant amounts of taxable interest income, (iv) the implementation in 2015 of an Industrial Franchising Arrangement between ArcelorMittal and numerous worldwide operating subsidiaries, and (v) other significant and reliable sources of operational income earned from ArcelorMittal's European and worldwide operating subsidiaries for centralized distribution and procurement activities performed in Luxembourg. In performing the assessment, the Company estimates at which point in time its earnings projections are no longer reliable, and thus taxable profits are no longer probable. Accordingly, the Company has established consistent forecast periods for its different income streams for estimating probable future taxable profits, against which the unused tax losses can be utilized in Luxembourg.

At December 31, 2018, 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 8,817 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 8,817 is at least 33,899. Historically, the Company has been able to generate taxable income in sufficient amounts and believes that it will generate sufficient levels of taxable income 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.

At December 31, 2017, 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 7,517 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 7,517 is at least 30,075. 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.

Note 18: Accrued expenses and other liabilities

Accrued expenses and other liabilities are summarized as follows:

	December 31,	
	2018	2017
Payable on R&D and other IFA expenses	183	169
Accrued interest	164	188
Suppliers and other	76	87
Derivative financial instruments (note 13)	42	2
Accrued payroll and employee related expenses	19	17
Total	484	463

Amounts with related parties are detailed in note 11.

Note 19: Long-term provisions and other obligations

Long-term provisions and other obligations are summarized as follows:

	December 31,	
	2018	2017
Derivative financial instruments (note 13)	254	157
Provision for financial guarantee[1]	86	86
Other	—	2
Total	340	245

1. The provision for financial guarantee is related to the unrecoverable overdraft of a subsidiary of ArcelorMittal group in the framework of the guarantee issued by the Company in favor of ArcelorMittal Treasury in relation with bilateral cash management and financial transactions (see note 20).

Note 20: Commitments

Commitments given are summarized as follows:

	December 31,	
	2018	2017
Guarantees given to third parties on behalf of subsidiaries, associates and joint ventures	4,032	3,386
Credit lines granted to subsidiaries and associates	1,100	1,104
Letter of credit facilities[1]	278	367
Guarantees given to third parties	10	26
Total	5,420	4,883

1. The notional amount of the letter of credit facilities amounted to 475 and 475 as of December 31, 2018 and 2017, respectively.

The Company is jointly and severally liable for the following entities: ArcelorMittal Finance, ArcelorMittal Treasury, ArcelorMittal Sourcing and ArcelorMittal Energy S.C.A.

Guarantees given

Guarantees given to third parties on behalf of subsidiaries, associates and joint ventures included 348 and 406 for the guarantees issued on behalf of Calvert and 324 and 306 for the guarantees issued on behalf of ArcelorMittal Tubular Products Jubail's as of December 31, 2018 and 2017, respectively. Due to the failure of other shareholders to provide requisite equity funding by December 31, 2018, the Al Jubail joint venture's indebtedness became technically in default as of such date. ArcelorMittal's guarantee of such indebtedness has not been called by the lenders, and ArcelorMittal does not currently expect it to be called. ArcelorMittal is working with the other shareholders in the joint venture to resolve the situation through their contribution of the requisite equity and the technical default was cured in March 2019. The technical default related only to the indebtedness of the joint venture and did not affect the availability or maturity of any borrowings of ArcelorMittal.

Guarantees given to third parties on behalf of subsidiaries, associates and joint ventures included also 567 corresponding to the performance guarantee provided by the Company in connection with the execution of the

resolution plan set out for the acquisition of ESIL via a joint venture with Nippon Steel & Sumitomo Metal Corporation.

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.

Others

On April 3, 2014, the Company issued a guarantee in relation with bilateral cash management and financial transaction in favor of ArcelorMittal Treasury for a maximum amount of € 20 billion, covering overdraft granted by ArcelorMittal Treasury to group subsidiaries for 9,497 and 8,768 as of December 31, 2018 and 2017, respectively.

On December 28, 2009 and January 17, 2012, a wholly-owned subsidiary of the Company used the proceeds from the issuance of an unsecured and unsubordinated bonds mandatorily convertible into preferred shares of such subsidiary to acquire notes linked to shares of the listed related parties Erdemir and China Oriental. The notes were issued by the Company's affiliates Arcelor Investment Services S.A., Expert Placement Services Ltd and ArcelorMittal Holdings AG. 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.

Note 21: Deferred employee benefits

Certain employees of ArcelorMittal are included in the unfunded defined benefit pension plan managed by the Company's affiliate ArcelorMittal Luxembourg. The Company has a defined benefit obligation with respect to this plan by virtue of a contractual arrangement with ArcelorMittal Luxembourg. 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.

As of December 31, 2018 and 2017, the pension plan benefits were 20 and 20 respectively.

The following table details the reconciliation of the defined benefit pension obligation:

	Year ended December 31,	
	2018	2017
Change in benefit obligation		
Benefit obligation at beginning of period	20	17
Service cost	1	1
Experience adjustment	1	—
Foreign currency exchange rate differences and other movements	(1)	3
Benefits paid	(1)	(1)
Benefit obligation at end of period	20	20

The following table details the components of the pension cost recognized in the statements of operations:

	Year ended December 31,	
	2018	2017
Net periodic pension cost		
Service cost	1	1
Interest cost	—	—
Total	1	1

Service cost is included in general administrative expense. Interest cost is included in financing costs – net.

Assumptions used to determine benefit obligations

	December 31,	
	2018	2017
Discount rate	1.75%	1.50%
Rate of compensation increase	2.71%	2.71%

Cash contributions and maturity profile of the plans

In 2019, the Company expects its cash contributions to amount to 2 for pension plans.

At December 31, 2018, the duration of the liabilities related to the pension plan was 9 years (2017: 9 years).

Risks associated with defined benefit plans

Through its defined benefit pension plans, ArcelorMittal is exposed to a number of risks, the most significant of which is the change in bond yields. A decrease in corporate bond yields will increase plan liabilities.

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plan (as of December 31, 2018, the defined benefit obligation ("DBO") for pension was 20):

	Effect on 2018 Pre-Tax Pension Expense (sum of service cost and interest cost)[1]	Effect on December 31, 2018 DBO
Change in assumption		
100 basis point decrease in discount rate	—	2
100 basis point increase in discount rate	—	(1)
100 basis point decrease in rate of compensation	—	(2)
100 basis point increase in rate of compensation	—	2

1. Amounts are not disclosed as they are below 1 and rounded to nearest million.

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.

Note 22: Contingencies

The Company is currently and may in the future 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 3.

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 including Mr. Lakshmi Mittal, as well as on Mrs. Usha Mittal, among other parties. 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 7 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 216. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. The judgment was appealed in May 2012. By judgment dated February 15, 2017, the Luxembourg Court of Appeal declared all but one of the plaintiffs' claims inadmissible, remanded the proceedings on the merits to the lower court with respect to the admissible claimant and dismissed all other claims. In June 2017, the plaintiffs filed an appeal of this decision to the Court of Cassation. The Court of Cassation confirmed the Court of Appeal's judgment on May 18, 2018. The proceedings remain pending before the lower court with the admissible claimant who claims 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 25.

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. In such writ of summons, AAA claimed (on grounds similar to those in the Luxembourg proceedings summarized above) inter alia damages in a nominal amount and reserved the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris have been stayed, pursuant to a ruling of such court on July 4, 2013, pending a preparatory investigation (*instruction préparatoire*) by a criminal judge magistrate (*juge d'instruction*) triggered by the complaints (*plainte avec constitution de partie civile*) of AAA and several hedge funds (who quantified their total alleged damages at 282), including those who filed the claims before the Luxembourg courts described (and quantified) above. The dismissal of charges (non-lieu) ending the preparatory investigation became final in March 2018.

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, and certain other parties relating to the January 2011 take-over of Baffinland by ArcelorMittal, Nunavut Iron Ore Holdings and 1843208 Ontario Inc. The action alleges that the tender offer document contained certain misrepresentations and seeks damages in an aggregate amount of 734(CAD 1 billion) or rescission of the transfer of the Baffinland securities by members of a class comprised of all Baffinland securities holders who tendered their Baffinland 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 Baffinland securities on or after January 14, 2011. The class certification hearings were held in January 2018, and the court certified the class in a decision dated May 18, 2018. The court also certified the statutory circular misrepresentation, insider trading, unjust enrichment and oppression claims. The court included in the class persons who tendered their Baffinland securities to the take-over bid and, for purposes of the oppression claims only, persons who sold their Baffinland securities in the secondary market after January 13, 2011. The court excluded from the class those persons who disposed of their Baffinland securities pursuant to a court ordered plan of arrangement.

In the first half of 2016, the German Federal Cartel Office carried out unannounced investigations of ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH following alleged breaches of antitrust rules. ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH cooperated with the German Federal Cartel Office in its investigation and, in July 2018, as a result of a settlement process, the Company and the Federal Cartel Office reached agreement as to a 146 fine to be paid by ArcelorMittal Commercial Long Deutschland GmbH. The fine was paid in August 2018 ending the investigation as concerns the ArcelorMittal entities.

Note 23: Employee and key management personnel

As of December 31, 2018, the Company employed 203 people and the total annual compensation of the Company's employees paid in 2018 and 2017 was as follows:

	Year ended December 31,	
	2018	2017
Employee Information		
Wages and salaries	37	36
Social security costs	3	3
Other staff expenses	11	14
Total	51	53

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2018 and 2017 was as follows:

	Year ended December 31,	
	2018	2017
Base salary and/or directors fees	2	1
Short-term performance-related bonus	2	—

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 statements of operations over the relevant vesting periods (see note 14).

As of December 31, 2018 and 2017, 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 24: Expenses related to the réviseur d'entreprises agréé

In 2018 and 2017, expenses related to the réviseur d'entreprises agréé amounted to 8 and 8, respectively.

Note 25: Subsequent events

On March 2, 2018, ArcelorMittal signed a joint venture formation agreement with NSSMC in relation to its offer to acquire ESIL, which was subsequently amended and restated on January 22, 2019. On April 2, 2018, ArcelorMittal submitted an offer in the re-bidding process for ESIL. The offer has faced various legal challenges at the National Company Law Tribunal ("NCLT") and more recently at the National Company Law Appellate Tribunal ("NCLAT").

On October 26, 2018, ArcelorMittal announced that ESIL Committee of Creditors ('CoC') has voted to approve the Company's acquisition of ESIL. ESIL's Resolution Professional, on behalf of the CoC, issued the Company with a Letter of Intent ("LOI") stating that the Company has been identified as the 'Successful Applicant'. Further to ArcelorMittal being named the H1 Resolution Applicant (the preferred bidder) on October 19, 2018, ESIL's CoC approved the Company's acquisition plan for ESIL (the "Resolution Plan"), with the "LOI" identifying it as the 'Successful Resolution Plan'. The Resolution Plan set out a detailed industrial plan for ESIL aimed at improving its performance and profitability and ensuring it can participate in the anticipated growth of steel demand in India. It includes an upfront payment of 42,000 crore rupees (approx. $5.7 billion) towards ESIL's debt resolution, with a further 8,000 crore rupees (approx. $1.1 billion) of capital injection into ESIL to support operational improvement, increase production levels and deliver enhanced levels of profitability.

The process to restore ESIL would involve a multi-staged approach: initial steps would be to stabilize the operations and increase production of finished steel goods to 6.5 million tonnes per annum in the medium-term followed by an increase to 8.5 million tonnes per annum by the end of 2024 and ultimately have long-term aspirations to produce between 12-15 million tonnes per annum.

In line with ESIL's corporate insolvency process, ArcelorMittal's Resolution Plan must be formally approved by the NCLT before completion. The NCLT completed hearing the CoC's application for the approval of the Resolution Plan, as well as objections and challenges from different parties, including creditors of ESIL and the current shareholder, and on March 8, 2019 gave a conditional approval to the Resolution Plan. This approval has been appealed and is being reviewed by the NCLAT, where hearings are ongoing. While it is difficult to predict the timing of an definitive approval, a decision is expected in the second quarter of 2019 and the amounts of debt payment and capital injection specified in the Resolution Plan would become payable promptly after such approval is obtained.

On February 19, 2019, ArcelorMittal announced the completion of its share buyback program on February 15, 2019 (the "2019 Program"). The Company repurchased 4 million shares for a total value of approximately 90 (€80 million) at an approximate average price per share of €19.89 ($22.42) pursuant to the 2019 Program that was announced on February 7, 2019. The 2019 Program was completed under the authorization given by the annual general meeting of shareholders held on May 5, 2015 and applicable market abuse regulations. The shares acquired under the 2019 Program are intended to meet ArcelorMittal's obligations arising from employee share programs.

To the Shareholders of

ArcelorMittal Société Anonyme

24-26, Boulevard d'Avranches

L-1160 Luxembourg

Grand Duchy of Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Financial Statements of ArcelorMittal Société Anonyme

Opinion

We have audited the financial statements of ArcelorMittal SA (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the "Responsibilities of "*Réviseur d'Entreprises Agréé*" for the Audit of the Financial Statements" section of our report. We are also independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries - Refer to Note 7 Investments in subsidiaries

Key Audit Matter Description

Management's assessment of the recoverable amount of investments in subsidiaries requires estimation and judgment around the assumptions used in the valuation. The determination of the recoverable amount of investments mainly depends on the estimation of the values of the underlying steel and mining operations which are directly and indirectly held by the Company and its subsidiaries.

Recoverable amounts of steel and mining operations are based on assumptions related to future cash flow forecasts, which are affected by, amongst others, expected future market and economic conditions. The key assumptions with the most significant impact were:

- The discount rate, which is based on the weighted average cost of capital ("WACC");
- Business assumptions, including but not limited to projected shipments and selling prices.

Changes to the assumptions could lead to material changes in estimated recoverable amounts, and could result in either impairment or reversal of impairment taken in prior years.

The valuation of investments in subsidiaries was significant to our audit because of the amounts of investments in subsidiaries of $57.5 billion as of December 31, 2018, which are material to the financial statements.

How the Key Audit Matter Was Addressed in the Audit

Our procedures included the assessment of the methodology used by management to estimate the recoverable value of each investment in subsidiaries for which an impairment test was performed. This included the testing of the valuation of the underlying steel and mining assets.

- We tested the effectiveness of controls over management's valuation methodology and assumptions used.
- With the assistance of our fair value specialists, we evaluated the reasonableness of management's valuation methodology and assumptions used, in particular those relating to the methodology and data used to estimate the WACC used in the determination of the recoverable amounts.
- We audited the future projected cash flows forecasts to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the operations, against external data, historical performance and forecasts.
- We also audited the appropriateness of the related disclosures.

Valuation of Deferred Tax Assets - Refer to Note 17 Income Tax

Key Audit Matter Description
The main Luxembourg tax integration, headed by the Company, has deferred tax assets primarily related to tax losses carried forward. Under current tax law in Luxembourg, tax losses accumulated before January 1, 2017 never expire and are recoverable against future taxable income. The valuation of deferred tax assets requires management to make significant estimates related to the future taxable income of the tax integration and the amounts of deferred tax assets expected to be realized based on the future taxable income. Further, the assessment of the likelihood of future taxable profits being available and the length of the forecast period also require significant management judgment.

The Company recognized deferred tax assets amounting to $8.8 billion as of December 31, 2018. Given the complexity of management's valuation process, auditing management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized involved especially subjective judgment.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to estimates of future taxable income and determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested effectiveness of controls over management's valuation of deferred tax assets, including those over estimates of future taxable income.
- With the assistance of our tax specialists knowledgeable in Luxembourg-specific and international tax planning matters, we evaluated whether management's estimates of future taxable income were consistent with available evidence related to management's assessment of the likelihood of future taxable profits being available and the length of the forecast period.
- We evaluated management's ability to accurately estimate future taxable income by comparing actual results to management's historical forecasts, and considered the results in evaluating the current-year estimated future taxable income.

- We evaluated the company's proposed tax planning strategies, potential tax implications of material current year or future planned transactions (acquisitions, divestitures, finance and shareholding restructuring) and the related impact on management's determination of the forecast period and amounts of deferred tax assets recognized.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate Governance Statement but does not include the financial statements and our report of "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the « *Réviseur d'Entreprises Agréé* » for the Audit of the Financial Statements

The objectives of our audit are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N°537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our report of Réviseur d'Entreprises Agréé to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of Réviseur d'Entreprises Agréé. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as Réviseur d'Entreprises Agréé by the General Meeting of the Shareholders on May 9, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 12 years.

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the management report, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit,
Société à responsabilité limitée
Cabinet de Révision Agréé

Olivier Lefèvre, *Réviseur d'Entreprises Agréé*
Partner

March 27, 2019

The following pages do not form part of the Company's financial statements. These pages contain further information on the risks that ArcelorMittal is exposed to and further details on the Company's Mining business.

Risks related to the global economy and the mining and steel industry

ArcelorMittal's business, financial condition, results of operations, reputation or prospects could be materially adversely affected by one or more 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 results of operations and financial condition.

The mining and steel industries have historically been highly volatile largely due to the cyclical nature of the business sectors that are the principal consumers of steel as described above. Demand for minerals, 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, for example, during which the results of both mining companies and steel producers were substantially affected, with many steel producers (including ArcelorMittal) recording sharply reduced revenues and operating losses.

Global steel demand has improved since 2015, when global apparent steel consumption contracted notably in China and most of ArcelorMittal's core markets except Europe. Global economic growth was particularly strong during the second half of 2017 and the first half of 2018. Growth slowed less than anticipated in China in 2018 as strength in real estate and machinery partially offset weakness in automotive growth and a slowdown in infrastructure. There is, however, a risk of a significant slowdown in Chinese growth in 2019 due in particular to the potential fall-out from the trade dispute with the United States and the real estate market likely having reached a peak. In Europe, a major market for ArcelorMittal, results have suffered in prior years from recession and stagnation. After a period of robust industrial activity in late 2017 and early 2018, momentum has eased amid moderating export growth and less accommodative policies. Slowing global trade and increased uncertainty have negatively impacted industry, with the weakness amplified by a larger-than-expected temporary decline in automotive output due to regulatory changes. While economic conditions have improved in recent periods in many of ArcelorMittal's other markets, including Brazil and the CIS, such improvements may prove fragile. Economic conditions have remained challenging in some of the Company's other markets, including South Africa, which suffered a technical recession during the first half of 2018 but has since gradually recovered.

Overall, the short-term outlook for 2019 global GDP growth is an expected slowdown to 2.7% down from 3.0% in 2018. Leading indicators support a slowdown in growth in the U.S. to a still robust 2.4%, despite the fading fiscal stimulus and tighter financial conditions. While growth in Europe weakened sharply during the second half of 2018, growth is still expected to recover to average 1.7% in 2019 as consumer expenditure is supported by low unemployment and weak inflation. Chinese growth is also expected to slow, and while growth in some emerging markets is likely to improve, notably Brazil, others are likely to see growth capped by rising borrowing costs as interest rates rise. More generally, there are many risks to the global macro-economic outlook in 2019, including (among other things) monetary policy uncertainty; geopolitical tensions globally; political tensions in Europe; unsolved sovereign debt issues in many southern European countries; threats to globalization by renewed protectionism, including rising trade tensions stemming from the U.S imposition of tariffs on steel and aluminum imports and international responses thereto; the lack of progress in Brexit negotiations raising the risk of a disruptive exit with potential far-reaching consequences including the imposition of potential trade barriers, custom duties, logistic issues and restrictions to the free movement of goods and people; high levels of government, corporate and consumer indebtedness in various countries (including high levels of indebtedness in emerging markets) and a potentially significant slowdown in Chinese growth. A materialization of any of these risks could depress demand for (and hence the price of) steel and iron ore and therefore have a material adverse effect on ArcelorMittal's results of operations and financial condition.

Excess capacity and oversupply in the steel industry and in the iron ore mining industry have in the past and may continue in the future to weigh on the profitability of steel producers, including ArcelorMittal.

The steel industry is affected by global and regional production capacity and fluctuations in steel imports and exports, which are themselves affected by the existence and amounts of tariffs and customer stocking and destocking cycles. The steel industry globally has historically suffered from structural overcapacity, and the current global steelmaking capacity exceeds the current global consumption of steel. This overcapacity is amplified during periods of global or regional economic weakness due to weaker global or regional demand. In particular, China is both the largest global steel consumer and 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, such as in 2015, when Chinese domestic steel demand weakened resulting in a surge in Chinese steel exports. While the structural imbalance between Chinese

supply and demand has been reduced by capacity eliminations in recent years, if Chinese capacity were to increase again, and/or if Chinese demand were to weaken significantly, there could be a renewed flood of Chinese steel exports. Other developing markets (such as Brazil, Russia and Ukraine) continue to show structural overcapacity after domestic demand fell sharply during recent recessions, and developed Asia continues to exhibit overcapacity and the need to export significant volumes onto world markets. Regional steel markets are also vulnerable at times of economic crisis in countries with significant steel making capacity. One such example is Turkey where a currency crisis has caused domestic demand to decline sharply during the second half of 2018 and leading to a pick-up in exports, particularly for long steel products. In Europe, while the rebound in demand has lessened the structural imbalance between capacity and demand, a decrease in demand would mean a return to the structural overcapacity issues that have plagued the EU 28 for years. Finally, in the United States, improved economic conditions and the pricing support from the Section 232 tariffs have led to new capacity being built and previously idled capacity re-opened, increasing the risk of oversupply and overcapacity in the event of a market downturn.

The overcapacity of steel production in the developing world and in China in particular has weighed on global steel prices at times over the past decade, as exports have surged to Europe and NAFTA, ArcelorMittal's principal markets, often at low prices that may be at or below the cost of production, depressing steel prices in regional markets world-wide. See "Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets." If global demand were to weaken, such a phenomenon could happen again.

Finally, excess iron ore supply coupled with decreased demand in iron ore consuming industries, such as steel, has led to a prolonged depression of iron ore prices at various points in recent years, in particular in 2015, which in turn weighed on steel prices as iron ore is a principal raw material in steelmaking. While the supply/demand balance has improved more recently, no assurance can be given that it will not deteriorate again, particularly if Chinese steel demand declines or worldwide capacity increases due to new construction or the restart of production. A renewed phase of steel and iron ore oversupply would likely have a material adverse effect on ArcelorMittal's results of operations and financial condition.

Protracted low steel and iron ore prices would likely have an adverse effect on ArcelorMittal's results of operations.

As an integrated producer of steel and iron ore, ArcelorMittal's results of operations are sensitive to the market prices of steel and iron ore in its markets and globally. The impact of market steel prices on its results is direct. The impact of market iron ore prices is both direct, as ArcelorMittal sells iron ore on the market to third parties, and indirect as iron ore is a principal raw material used in steel production and fluctuations in its market price are typically and eventually passed through to steel prices. Steel prices and iron ore prices are affected by supply trends (see above), demand trends and inventory cycles. In terms of demand, steel and iron ore prices are sensitive to trends in cyclical industries, such as the automotive, construction, appliance, machinery, equipment and transportation industries, which are significant markets for ArcelorMittal's products. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. In addition, as indicated above, excess supply relative to demand in local markets generally results in increased exports and drives down global prices. In terms of inventory, steel stocking and destocking cycles affect apparent demand for steel and hence steel prices and steel producers' profitability. For example, steel distributors may accumulate substantial steel inventories in periods of low prices and, in periods of rising real demand for steel from end-users, steel distributors may sell steel from inventory (destock), thereby delaying the effective implementation of steel price increases. Conversely, steel price decreases can sometimes develop their own momentum, as customers adopt a "wait and see" attitude and destock in the expectation of further price decreases.

As a result of these factors, steel and iron ore prices came under pressure at various points in recent periods and particularly in 2015, when both steel and iron ore reached their lowest prices over the last decade. This had a pronounced negative effect on ArcelorMittal's results of operations, in the form of significant declines in revenues and operating income for 2015. Moreover, the particularly sharp decline in steel prices in the second half of 2015 triggered inventory related losses of $1.3 billion, and the significant decline in iron ore and coal prices led to a $3.4 billion impairment of mining assets and goodwill in the fourth quarter of 2015.

While steel and iron ore prices have generally improved more recently, the timing and extent of continued price recovery, maintenance of improved price levels or a return to prior low levels cannot be predicted. In particular, while the imposition of tariffs in the United States and Europe at a rate of 25% has resulted in higher steel prices or in preventing significant drops in steel prices, further tariffs on a widening list of imported products and retaliatory protectionist measures by other countries risk having a significant negative impact on global trade and ultimately economic growth, steel demand and steel and iron ore prices. A renewed scenario of prolonged low steel and iron

ore prices would have a material adverse effect on ArcelorMittal's results of operations and financial condition.

Volatility in the supply and prices of raw materials, energy and transportation, and volatility in steel prices or mismatches between steel prices and raw material prices could adversely affect ArcelorMittal's results of operations.

The prices of steel, iron ore, coking coal and scrap have been highly volatile in recent years. Volatility in steel and raw material prices can result from many factors including: trends in demand for iron ore in the steel industry itself, and particularly from Chinese steel producers (as the largest group of producers); industry structural factors (including the oligopolistic nature of the seaborne iron ore industry and the fragmented nature of the steel industry); the expectation or imposition of corrective trade measures such as tariffs; massive stocking and destocking activities (sudden drops in prices can lead end-users to delay orders pushing prices down further); speculation; new laws or regulations; changes in the supply of iron ore, in particular due to new mines coming into operation; business continuity of suppliers; changes in pricing models or contract arrangements; expansion projects of suppliers; worldwide production, including interruptions thereof by suppliers; capacity-utilization rates; 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.

As a producer and seller of steel, the Company is directly exposed to fluctuations in the market price for steel, iron ore, coking coal and other raw materials, energy and transportation. In particular, steel production consumes substantial amounts of raw materials including iron ore, coking coal and coke, and the production of direct reduced iron, the production of steel in EAFs and the re-heating of steel involve the use of significant amounts of energy, making steel companies dependent on the price of and their reliable access to supplies of raw materials and energy. Although ArcelorMittal has substantial sources of iron ore and coal from its own mines (the Company's self-sufficiency rates were 49% for iron ore and 12% for PCI and coal in 2018), it nevertheless remains exposed to volatility in the supply and price of iron ore and coking coal given that it obtains a significant portion of such raw materials under supply contracts from third parties.

Furthermore, while steel and raw material (in particular iron ore and coking coal) price trends have historically been correlated, a lack of correlation or an abnormal lag in the corollary relationship between raw material and steel prices may also occur and result in a "price-cost effect" in the steel industry. ArcelorMittal has experienced price-cost effect at various points in recent years and may continue to do so. In some of ArcelorMittal's segments, in particular Europe and NAFTA, there are several months between raw material purchases and sales of steel products incorporating those materials, rendering them particularly susceptible to price-cost effect. For example, coking coal sourced from Australia takes several weeks to reach Europe (e.g. ~4 weeks sailing time, plus loading/unloading time at ports), creating a structural lag. Sudden spikes in raw materials, such as coking coal, have occurred in the past and may occur in the future. 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 as a steel producer 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 and scrap prices, on the one hand, and trends for steel prices in regional markets, on the other hand.

Another area of exposure to price volatility is transportation. Freight costs (i.e., shipping) are a substantial component of ArcelorMittal's cost of goods sold. In particular, if freight costs were to increase before iron ore or steel prices, this would directly and mechanically weigh on ArcelorMittal's profitability (although it would make imports less competitive).

Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various 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. In periods of lower global demand for steel, there is an increased risk of additional volumes of unfairly-traded steel exports into various markets, including North America and Europe and other markets such as South Africa, in which ArcelorMittal produces and sells its products. Such imports have had and could in the future have the effect of further reducing prices and demand for ArcelorMittal's products.

Against this backdrop of increasing dumping and other unfair trade and pricing pressures, China is lobbying members of the World Trade Organization ("WTO") for immediate "Market Economy Status" ("MES") in light of the expiry on December 11, 2016 of certain protocols to its 2001 accession to the WTO. MES is a bilateral designation that is granted individually by a given country and can be made on the basis of a legal or political determination. Several countries, including several in markets in which ArcelorMittal operates, have already granted China MES. Disputes are ongoing before the WTO with respect to China's MES and the methodologies used to calculate dumping margins. No

assurance can be given as to whether or when the U.S., Brazil or other countries will grant MES to China. A country's decision to grant MES to China or whether anti-dumping measures that have been adopted will withstand disputes could substantially reduce the anti-dumping duty margins that may be applied against China pursuant to the rules of WTO, which would encourage or at least fail to discourage China's exportation of unfairly traded steel products into several markets in which ArcelorMittal operates.

An increase in exports of low-cost steel products from developing countries, along with a lack of effective remedial trade policies, could depress steel prices in various markets globally, including in ArcelorMittal's key markets. Conversely, ArcelorMittal is exposed to the effects of trade sanctions, barriers and protectionist policies due to the global nature of its operations. Various countries have instituted, and may institute trade sanctions and barriers that could, depending on the nature of the measures adopted, adversely affect ArcelorMittal's business by limiting the Company's access to or competitiveness in steel markets. While such protectionist measures can help the producers in the adopting country, they may be ineffective, raise the risk of exports being directed to markets where no such measures are in place and/or result in retaliatory measures. For example, the adoption of protectionist measures in the United States in March 2018 in the form of Section 232 25% import tariffs on all steel product categories led to a surge of steel imports in other markets (for example, exports from Turkey in particular surged in Europe in the first half of 2018) and consequently provoked retaliatory safeguard measures by other countries (the European Commission, Turkey, Canada and the Eurasian Economic Union all adopted provisional safeguard measures in the form of tariff quotas on steel products during 2018). See "Information on the Company—Business overview—Government Regulations—Foreign trade" for more information. It is unclear what impact these protectionist measures will have in 2019, whether they will be effective in increasing or maintaining steel prices in the adopting country or countries and whether they will have an overall negative impact on global macroeconomic conditions. With regard to ArcelorMittal in particular, the measures may cause a reduction of its exports from Canada and Mexico into the United States and a redirection of cheaper exports from the U.S. market to Europe, the negative effects of which could offset the positive effect of increased selling prices in the United States for the Company's U.S. plants. In 2018, the positive effect of the Section 232 tariffs in the United States was partially offset by the negative effects on ArcelorMittal's exports from Canada and Mexico into the United States.

In February 2019, President Trump received from the US Department of Commerce the findings of another Section 232 investigation into whether imported vehicles pose a national security threat to the United States and will have 90 days to decide on any action such as tariffs. The imposition of such tariffs could weigh significantly on US demand for imported vehicles, particularly from Europe and hence on demand for steel from European auto manufacturers who are among ArcelorMittal Europe's principal clients. The overall adverse impact on ArcelorMittal would depend in part on the extent to which this decrease in demand is offset by an increase in demand from US auto manufacturer clients (who would benefit from the protectionist tariffs) as well as from ones based in Canada and Mexico (which countries would benefit under existing agreements from a partial exemption from such tariffs), all of which would benefit ArcelorMittal NAFTA's operations.

In addition, the Trump administration and the U.S. Congress may make substantial changes in legislation, regulation and government policy directly affecting ArcelorMittal's business or indirectly affecting the Company because of impacts on its customers and suppliers. In particular, the Company's exports from Canada or Mexico into the United States may be negatively affected by the implementation of the Trump administration's replacement of the NAFTA trade agreement with Canada and Mexico. More generally, actions further to President Trump's suggestions that he may seek to renegotiate other free trade agreements or withdraw the United States from the WTO could have an adverse effect on the Company's operations. All of the above, including escalating tariffs on steel imports or a more general trade war, pose a degree of uncertainty which could have a significant adverse effect on steel demand, ArcelorMittal's results of operations and global macroeconomic conditions generally.

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 or amid recoveries, 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 business, financial condition, results of operations or prospects.

Competition from other materials could reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flows and profitability.

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum, concrete, composites, glass, plastic and wood. In particular, as a result of increasingly stringent regulatory requirements,

as well as developments in alternative materials, designers, engineers and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight and alternative materials, such as aluminum, composites and plastics in their products.

In the automotive area, ArcelorMittal has introduced new advanced high-strength steel products, such as Usibor® 2000, Ductibor® 1000 and Fortiform® a new 3rd generation AHSS for cold stamping, new engineering S-in motion® projects and a dedicated electric iCARe® range to respond to the shift toward electric cars loss of market share to substitute materials, increased government regulatory initiatives favoring the use of alternative materials, as well as the development of additional new substitutes for steel products could significantly reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flows 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. For example, the failure of a tailings ponds dam at ArcelorMittal's mines could cause significant damage, including death, injury and environmental harm. While the Company carries out assessments of its facilities, it cannot guarantee that failures or breaches of a tailings ponds dam will not occur in the future. For example, in February 2019, the Company decided to implement the evacuation plan related to its dormant Serra Azul tailing dam with a 5.8Mm^3 tailings volume in Brazil, evacuating the 119 person community situated downstream to the dam as a precautionary measure based on an updated site-based assessment following recent incidents in the Brazilian mining sector in order to undertake further testing and implement any necessary mitigation measures.

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_2"), which distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is primarily linked to energy use. The EU has established greenhouse gas regulations and has revised its emission trading system for the period after 2020 in a manner that may require ArcelorMittal to incur additional costs to acquire emissions allowances. Delegated regulations in this regard are expected. In Kazakhstan, the government has installed a domestic trading system which currently is in a pilot phase but would be similar to the EU system. South Africa envisages to start with a CO_2 tax system in 2019. The United States required reporting of greenhouse gas emissions from certain large sources beginning in 2011. Although at the federal level the current administration is seeking to delay further regulation of greenhouse gas emissions, emissions trading regimes and other initiatives are continuing to be pursued at the state and regional level.

Various regulations are in consideration or recently implemented in Argentina, Ukraine and Canada.

Further measures may be enacted in the future. In particular, in December 2015, the 195 countries participating in the United National Framework Convention on Climate Change reached an international agreement (the "Paris Agreement"). The Paris Agreement aims to implement the necessary drivers to achieve drastic reductions of carbon emissions. The Company takes this message seriously and investigates its possibilities to contribute to this by developing research and development programs, investigating its technical possibilities to reduce emissions (the Company's emission footprint in 2017 was approximately 200 million tonnes) and following the state of knowledge on climate change closely.

Such obligations, whether in the form of a national or international cap-and-trade emissions permit system, a carbon tax or acquisition of emission rights at market prices, 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, the EU Commission's decision to further reduce the allocation of CO_2 emission rights to companies could negatively impact the global steel industry, as the amount of such rights is currently at the edge of covering technically achievable operating conditions. CO_2 emissions regulations have already resulted in increased costs in Europe, and ArcelorMittal expects costs will continue to increase with the implementation of Phase IV of the European Union's Emission Trading Scheme ("ETS") starting in 2021.

Furthermore, many developing nations have not yet instituted significant greenhouse gas regulations, and the Paris Agreement specifically recognized that peaking of greenhouse gas emissions will occur later in developing countries. As the Paris Agreement recognizes that the Intended Nationally Determined Contributions ("INDC") for developing nations may be less stringent in light of different national circumstances, ArcelorMittal may be at a competitive disadvantage relative to steelmakers having more or all of their production in such countries. Depending on the extent of the difference between the requirements in developed regions (such as Europe) and developing regions (such as China or the CIS), this competitive disadvantage could be severe and render production in the developed region structurally unprofitable.

In addition, as regulators and investors increasingly focus on climate change issues, the Company is exposed to the risk of frameworks and regulations being adopted that are ill-adapted to its operations. For example, the most established framework for carbon pricing and emissions trading schemes is currently the European Union's ETS. The Company has highlighted the importance that a carbon border adjustment be included in order to avoid competitive distortions (i.e., European steel becoming overpriced due to European carbon policy, prompting the market to outsource its steel from other regions where carbon is less expensive). With respect to investors, the European Commission has presented a package of measures to implement key actions with respect to its sustainable finance plan, including a proposed regulation to create a unified classification system ("taxonomy") on what can be considered an environmentally sustainable economic activity, as a step in the efforts to channel investments into sustainable activities. If the metrics adopted in the taxonomy are not appropriate for the Company or if investors begin to view investments in steel and mining as undesirable, it may become more difficult and/or more expensive for the Company to obtain financing. While the Company has taken significant steps and continues to adapt its operations in light of climate change and the need for sustainability, such steps may not be in line with future frameworks or regulations or market views of investment suitability.

ArcelorMittal is subject to stringent health and safety laws and regulations that give rise to significant costs and could give rise to significant liabilities and/or negatively impact ArcelorMittal's reputation.

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. In addition, under certain circumstances authorities could require ArcelorMittal facilities to curtail or suspend operations based on health and safety concerns.

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, and 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.

See note 8.3 to ArcelorMittal's consolidated financial statements.

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, 2018, ArcelorMittal had total debt outstanding of $12.5 billion ($12.6 billion including debt classified as held for sale), including $3.2 billion of short-term indebtedness (including payables to banks and the current portion of long-term debt) and $9.3 billion of long-term indebtedness. As of December 31, 2018, ArcelorMittal had $2.4 billion of cash and cash equivalents, including restricted cash of $0.2 billion, and $5.5 billion available to be drawn under existing credit facilities. The Company also relies on its true sale of receivables programs ($5.0 billion of trade receivables sold and outstanding at December 31, 2018), as a way to manage its working capital cycle.

An increase in ArcelorMittal's level of debt outstanding could have adverse consequences, including 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. Substantial increases in the Company's gearing could affect its ability to, and the conditions under which it might, access financial markets to refinance maturing debt on acceptable terms. ArcelorMittal's access to financial markets for refinancing also depends on the conditions in the global capital and credit markets, which are volatile. Under such circumstances as occurred during the 2008/2009 financial and economic crisis and again at the height of the eurozone sovereign debt crisis in 2012, the Company could experience difficulties in accessing the financial markets on acceptable terms or at all.

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 May 2009, January 2013 and April 2016), which could (depending on how they are structured) dilute the interests of existing shareholders or require them to invest further funds to avoid such dilution. In addition, ArcelorMittal has undertaken and may undertake further 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 such disposals 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 through an increase in the share of non-controlling interests), 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 and mining industries, macroeconomic trends (such as global or regional recessions) or trends in credit and capital markets more generally, and any future downgrades could lead to an increase in its cost of borrowing. 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 downgrades that occurred in 2012 and 2015 resulted in increased interest expense.

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 4.25 to one. As of December 31, 2018, the Company was in compliance with the Leverage Ratio.

These 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 the 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, the mere 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 from floating to fixed. ArcelorMittal had exposure to 83% of its long-term debt at fixed interest rates and 17% at floating rates as of December 31, 2018.

See “Operating and financial review and prospects—Liquidity and capital resources”.

ArcelorMittal’s level of profitability and cash flow currently is and, depending on market and operating conditions, may in the future be, substantially affected by its ability to reduce costs and improve operating efficiency.

The steel industry has historically been cyclical, periodically experiencing difficult operating conditions. In light of this, ArcelorMittal has historically and increasingly in recent periods, taken initiatives to reduce its costs and increase its operating efficiency. These initiatives have included various asset optimization and other programs throughout the Company. The most recent of these programs is the Action 2020 plan announced in February 2016 that includes, among other aspects, several efficiency improvement initiatives. While the Company has partially implemented the plan across all segments, continued implementation of cost saving and efficiency improvement initiatives is subject to operational challenges and limitations. For example, the volume gains achieved in 2017 were reversed in 2018 due to operational disruptions. Failure to implement fully such initiatives would prevent the attainment of announced profitability or cash flow improvement targets, and more generally could have a material adverse effect on the Company’s profitability and cash flow.

ArcelorMittal’s mining operations are subject to risks associated with mining activities.

ArcelorMittal's mining operations are subject to the 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, the 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 or difficulties associated with mining in extreme weather conditions;
- hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination; and
- collapse of tailings ponds dams or dams.

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; and
- blasting, removing, and processing material from an underground mine.

ArcelorMittal is exposed to all of these hazards. The occurrence of any of the events 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, both as a company focused on ensuring the health and safety of its employees and more generally.

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 the 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. The process of estimating reserves 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, engineering and geological interpretation and judgment. As a result, no assurance can be given that the estimated amounts 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 market conditions, production experience and other factors.

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, changes in regulatory requirements or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a revision of reserves. In particular, a prolonged period of low prices or other indicators could lead to a review of the Group's reserves. Such review would reflect the Company's view based on estimates, assumptions and judgments and could result in a reduction in the Group's reported reserves. The Group's reserve estimates reported in this annual report do not exceed the quantities that the Company estimates could be extracted economically if future prices were at similar levels to the average contracted price for the three years ended December 31, 2018. As a result, if the average contracted prices decline in 2019, in particular to near or below the low levels seen in the fourth quarter of 2015 and in the first half of 2016, the Company's estimates of its reserves at year-end 2019 may decline.

In addition, substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of saleable product from iron ore and coal reserves;
- obtain environmental and other licenses or securing surface rights with local communities;
- construct mining and processing facilities and the infrastructure required for greenfield properties;
- extract the saleable products from the mined iron ore or coal; and
- maintain the appropriate blend of ore to ensure the final product qualities expected by the customer are achieved.

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 that arise 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, ArcelorMittal usually experiences rising unit extraction costs over time with respect to each of its mines.

ArcelorMittal has incurred and may incur in the future operating costs when production capacity is idled or increased costs to resume production at idled facilities.

ArcelorMittal's decisions about which facilities to operate and at which levels are made based upon customers' orders for products as well as the capabilities and cost performance of the Company's facilities. Considering temporary or structural overcapacity in the current market situation, production operations are concentrated at several plant locations and certain facilities are idled in response to customer demand, although operating costs are still incurred at such idled facilities. When idled facilities are restarted, ArcelorMittal incurs costs to replenish raw material inventories, prepare the previously idled facilities for operation, perform the required repair and maintenance activities and prepare employees to return to work safely and resume production responsibilities. Such costs could have an adverse effect on its results of operations or financial condition.

ArcelorMittal has grown through acquisitions and may continue to do so. Failure to manage external growth and difficulties completing planned acquisitions or integrating acquired companies could harm ArcelorMittal's future results of operations, financial condition and prospects.

The Company was formed and subsequently grew through mergers and acquisitions. After curtailing its large-scale M&A activity for several years following the 2008 financial crisis, it has made several large acquisitions in recent years, including its acquisition (via a joint venture) of Calvert in 2014, its acquisition of Votorantim in 2018 and its acquisition of Ilva S.p.A. and certain of its subsidiaries ("Ilva"), Europe's largest single steel site and only integrated steelmaker in Italy, also in 2018.

To the extent ArcelorMittal continues to pursue significant acquisitions, financing of such acquisitions may (depending on the structure) result in increased debt, leverage and gearing. Acquisitions also entail increased operating costs, as well as greater allocation of management resources away from daily operations. Managing acquisitions requires 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, handling any labor disruptions that may arise, 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 manage acquisitions could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.

ArcelorMittal may fail to implement its strategy with respect to Ilva.

The Company may encounter difficulties in integrating Ilva or in implementing its strategy with respect to Ilva. In particular, ArcelorMittal is implementing a major improvements project involving substantial capital expenditures designed to bring Ilva up to and beyond EU environmental standards, to improve the operational performance of Ilva's assets, to rebuild client confidence and to integrate Ilva's personnel and apply the Company's best practices and expertise. There is no guarantee that the Company will be successful in implementing its strategy or in realizing the expected benefits of the acquisition in full or at all.

ArcelorMittal faces risks associated with its proposed acquisition, via a joint venture, of ESIL.

ArcelorMittal is in the process of acquiring, via a joint venture with Nippon Steel & Sumitomo Metal Corporation ("NSSMC"), Essar Steel India Limited ("ESIL") in a bankruptcy resolution process. The joint venture's proposal, set out in a resolution plan (the "Resolution Plan") detailing among other things the amount to be paid to existing creditors and towards capital infusion (totaling $6.8 billion and including approximately $340 million of guaranteed working capital adjustment) and the improvements and related capital expenditures (totaling $2.8 billion) to be made over the medium-term, has been approved by the creditors' committee and is pending final judicial review. The Company provided a $567 million performance guarantee in connection with the execution of the Resolution Plan. Initial financing for the debt repayment and equity infusion has been secured through a $7 billion term facility (or "bridge financing") agreement.

Should the Resolution Plan be implemented, as is currently expected, it would subject ArcelorMittal to various risks. On the operational front, the industrial project to turnaround ESIL and further improve operational profitability is large-scale and ambitious. While ArcelorMittal has substantial experience in turnaround situations, the scale of this one is particularly large and it is the Company's inaugural large-scale acquisition in India, an emerging market. Capital expenditure in excess of budgeted amounts, delays and difficulties in achieving commercial objectives therefore cannot be ruled out. The risks in this respect are compounded to an extent by the fact that ESIL is emerging from bankruptcy (meaning, among other things, that maintenance capital expenditures were deferred) and it will be owned and operated by a joint venture with attendant risks around strategic alignment, potential discord and deadlock. On the financial front, there are uncertainties and risks in respect of ArcelorMittal's exposure (via equity investment in the joint venture and possible guarantee of the joint venture's debt). While ArcelorMittal and NSSMC currently expect to finance the joint venture through a combination of partnership equity (one-third) and debt (two-thirds), the exact ratio has not yet been determined, and the nature of the long-term debt financing of the joint venture has not yet been defined (including, whether and/or what amounts will be guaranteed by ArcelorMittal and NSSMC). Pending the implementation of long-term financing, ArcelorMittal will guarantee any amounts drawn by the joint venture under the bridge financing.

ArcelorMittal's greenfield and brownfield investment projects are inherently subject to financing, execution and completion risks.

The Company has announced a number of greenfield or brownfield development projects, in addition to Ilva and ESIL, some of which are or may be ongoing. To the extent these projects go forward, they would entail 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, local opposition to land acquisition or project development, managing relationships with or obtaining consents from other shareholders, revision of economic viability projections, demand for the Company's products, local environmental or health-related conditions, and general economic conditions. Any of these factors may cause the Company to delay, modify or forego some or all aspects of its development projects. 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. Conversely, should the Company decide to postpone or cancel development projects, it could incur various negative consequences such as litigation or impairment charges.

ArcelorMittal faces risks associated with its investments in joint ventures and associates.

ArcelorMittal has investments in various joint ventures and associates. See note 2.4 to ArcelorMittal's consolidated financial statements. Joint ventures and associates may be controlled and managed by joint venture or controlling

partners that may not fully comply with ArcelorMittal's standards, controls and procedures, including ArcelorMittal's health, safety, environment and community standards, which could lead to higher costs, reduced production or environmental, health and safety incidents or accidents, which could adversely affect ArcelorMittal's results and reputation. Joint ventures are also subject to the risk of dead-lock and/or coordination issues affecting the implementation of strategy.

In addition, certain of these joint ventures and associates are currently experiencing, or may in the future experience, difficult operating conditions and/or incur losses. Difficult operating conditions in joint ventures and associates in which ArcelorMittal has invested may expose it to loss of its investment, requirements for additional investments or calls on guarantees. For example, ArcelorMittal's joint venture Al Jubail's financial situation has been negatively impacted by a slower than expected ramp-up of operations and may require further funding. ArcelorMittal has provided shareholder loans to assist with funding and additional equity funding is expected from the other partners. ArcelorMittal's loans and receivables to the joint venture were $163 million at December 31, 2018 after recognition of its share in net losses. The Company has also guaranteed $397 million of Al Jubail's external debt. Due to the failure of other shareholders to provide requisite equity funding by December 31, 2018, the joint venture's indebtedness became technically in default as of such date. ArcelorMittal's guarantee of such indebtedness has not been called by the lenders, and ArcelorMittal does not currently expect it to be called. ArcelorMittal is working with the other shareholders in the joint venture to resolve the situation through their contribution of the requisite equity and currently expects the technical default to be cured in the near term. The technical default relates only to the indebtedness of the joint venture and is not expected to affect the availability or maturity of any borrowings of ArcelorMittal. As of December 31, 2018, ArcelorMittal had given $1.1 billion in guarantees on behalf of other associates and joint ventures including $348 million issued on behalf of Calvert and the above mentioned Al Jubail guarantee. See notes 2.4.1, 2.4.2 and 8.3 to ArcelorMittal's consolidated financial statements.

ArcelorMittal's investments in joint ventures and associates may also result in impairments. For example, in 2015, the Company recorded an impairment charge of $283 million in respect of its joint venture investment in Kalagadi Manganese (Proprietary) Ltd. In May 2018, the Company announced the sale of its 50% shareholding in its joint venture investment in Macsteel Holdings Luxembourg S.à r.l and recorded an impairment of $132 million to adjust the carrying amount of the investment to the expected sale proceeds. As of December 31, 2018, ArcelorMittal's investments accounted for under the equity method had a book value of $4.9 billion, including DHS Group ($1,015 million), China Oriental ($952 million), Gonvarri ($524 million) and Baffinland ($380 million).

The Significant Shareholder has the ability to exercise significant influence over the outcome of shareholder votes.

As of December 31, 2018, a trust (HSBC Trustee (C.I.) Limited, as trustee), of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries (referred to as the "Significant Shareholder"), 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 382,297,751 shares, representing 37.41% of ArcelorMittal's outstanding shares. See "Major shareholders and related party transactions—Major shareholders". As a result, the Significant Shareholder 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 Significant Shareholder 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 30 years 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, and loss-making subsidiaries may drain cash flow necessary for such needs or distributions.

As a holding company, ArcelorMittal 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 and the United States, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralized, and in Brazil, Canada, India, Kazakhstan, South Africa and Ukraine. 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. These subsidiaries may also experience operating difficulties that impact their cash flows. ArcelorMittal South Africa, for example, has been experiencing significant difficulties in recent years. In order to decrease its significant outstanding debt, in January 2016, ArcelorMittal South Africa conducted a rights offering entirely underwritten by ArcelorMittal that resulted, via the repayment of an intragroup loan of R3.2 billion (R2.7 billion or $0.2 billion outstanding as of December 31, 2018) and an additional cash injection by ArcelorMittal of approximately R460 million, in ArcelorMittal's shareholding in ArcelorMittal South Africa increasing from 52% to 71% (see note 2.2.1 to the consolidated financial statements for current ownership).

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 the 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 the impairment of such assets, including intangible assets such as goodwill.

At each reporting date, in accordance with the Company's accounting policy described in note 5.3 to ArcelorMittal's consolidated financial statements, ArcelorMittal reviews the carrying amounts of its tangible and intangible assets (goodwill 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.

If certain of management's estimates change during a given period, such as the discount rate, capital expenditures, expected changes to average selling prices, growth rates, shipments and direct costs, 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. For example, in 2017 and 2016, the Company recorded impairment charges as a result of the annual impairment test of $160 million and $156 million, respectively, related to tangible assets in the ACIS segment. The Company also recognizes impairment in connection with intended sales, when the carrying amount of the disposal group is lower than the sale proceeds. In this context, in 2018, the Company recognized a total impairment charge of $994 million including $888 million in connection with the intended sale of the Ilva remedies and $86 million in relation to the sale of the Votorantim remedies. Following these impairment charges, substantial amounts of goodwill, tangible and intangible assets remain recorded on its balance sheet (there was $5 billion of goodwill for the Company, $3.4 billion of tangible assets and $0.8 billion of goodwill for ACIS on the balance sheet at December 31, 2018). No assurance can be given as to the absence of significant further impairment losses in future periods, particularly if market conditions deteriorate.

ArcelorMittal's ability to fully utilize its recognized deferred tax assets depends on its profitability and future cash flows.

At December 31, 2018, ArcelorMittal had $8.3 billion recorded as deferred tax assets on its consolidated statements of financial position, of which $1.4 billion was recorded in 2018 primarily due to the expectation of higher future profits mainly in Luxembourg, including the impact of the share capital conversion. Following the approval of the extraordinary general meeting held on May 16, 2018 to change the share capital of ArcelorMittal S.A. from euro to U.S. dollar, the parent company will file consolidated tax returns in U.S. dollars for the main Luxembourg tax integration going forward, and the related euro denominated tax losses and deferred tax asset were translated into U.S. dollars effective as of January 1, 2018. The deferred tax 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, 2018, the amount of future income required to recover ArcelorMittal's deferred tax assets of $8.3 billion was at least $32 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, assumptions regarding the future recoverability of deferred tax assets depend on management's estimates of future taxable income in accordance with the tax laws applicable to ArcelorMittal's subsidiaries in the countries in which they operate. If in the course of its assessments management determines that the carrying amount of any of its deferred tax assets may not be recoverable pursuant to such prevailing tax laws, the recoverable amount of such deferred tax assets may be impaired.

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 announced significant investment projects in the past and some are or may be ongoing. See note 8.4 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 flows and other uses of cash, which may require ArcelorMittal 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 and other post-retirement benefit plans to their employees. Some of these plans are currently underfunded, see note 7.2 to ArcelorMittal's consolidated financial statements for the total value of plan assets and any deficit.

ArcelorMittal's funding obligations depend upon future asset performance, which is tied to equity and debt 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. Increases in the general life expectancy assumption have contributed to increases in the defined benefit obligation. ArcelorMittal also makes contributions to a multi-employer pension plan in the U.S. (the Steelworkers Pension Trust) for which it is one of the largest employers. If the other contributors were to default on their obligations, ArcelorMittal would become liable for the plan. 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, negotiations preceding 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 adapt the footprint. ArcelorMittal may experience 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. The risk of strikes and work stoppages is particularly acute during collective bargaining agreement negotiations. For example, in 2017, there was a 72-hour strike notice given at ArcelorMittal Mont Wright (an iron ore mine in Northern Quebec) after the Company's contract offer was rejected. In 2018, workers at ArcelorMittal Liberia went on strike two times for a duration of 5 days in connection with an inter-union dispute and employee demands and, in May 2018, workers in the railway division of the Company's Kryvyi Rih steel mill in Ukraine went on strike for 4 days to demand higher wages. In the U.S. in September 2018, the United Steelworkers Union authorized a strike after the Company and the Union were unable to reach an agreement prior to the expiration of the existing contract. The parties eventually concluded and ratified a labor agreement on November 29, 2018, without a strike being reported.

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 or permanent idling and/or closure of plants. These initiatives have in the past and may in the future lead to protracted labor disputes and political controversy.

ArcelorMittal is subject to economic policy, political, social and legal risks and uncertainties in 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. For example, in Ukraine, political unrest and intermittent combats between the Ukrainian army and pro-Russian rebels in the Donbass region have occurred since Russia's purported annexation of Crimea in March 2014. In addition, 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.

Certain emerging markets where ArcelorMittal has operations have experienced or are experiencing particularly difficult operating conditions. Brazil, for example, is emerging from a period of severe recession and political uncertainty. South Africa entered a recession in the second quarter of 2018, and prior to this recession, the South African steel and mining industries have been subject to a challenging operating environment characterized by lower local demand, increased cheap imports and higher costs, resulting in losses in recent years for ArcelorMittal South Africa.

In addition, epidemics may affect ArcelorMittal's operations in certain regions. For example, ArcelorMittal operates in Liberia, which underwent an Ebola virus disease epidemic in 2014 and 2015. This affected ArcelorMittal's operations and projects in Liberia. There can be no assurance that other epidemics will not adversely affect ArcelorMittal's ongoing operations, production targets and expansion plans, if any, in other markets in which it operates.

In addition, the legal systems in some of the countries in which ArcelorMittal operates remain less than fully developed, particularly with respect to the independence of the judiciary, 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 because, among other reasons, 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, its results of operations are subject to translation risk (i.e., the USD value of the revenues and profits generated in other currencies and its debt denominated in other currencies) and transaction risk (i.e., a mismatch between the currency of costs and revenues). Foreign exchange losses for the

year ended December 31, 2018 were $235 million, primarily related to the effect of the depreciation of the U.S. dollar against the euro on the Company's euro denominated debt in the first quarter of 2018. As of April 1, 2018, the Company's statement of operations no longer includes foreign exchange exposure on the euro denominated debt following the designation of the euro denominated debt as a hedge of certain euro denominated net investments in foreign operations. See note 6.3 to ArcelorMittal's consolidated financial statements.

Moreover, 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 emerging countries where ArcelorMittal has operations and/or generates substantial revenue, such as Argentina, Brazil, Venezuela, Kazakhstan and Ukraine, the risk of significant currency devaluation is high. For example, the Argentinian peso substantially depreciated during the third quarter of 2018 versus the U.S dollar. and the three-year cumulative inflation rate has exceeded 100% causing Argentina to be now considered as a hyperinflationary economy.

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, explosions 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, one example being the collapse of the oxygen and nitrogen pipelines in November 2018 at ArcelorMittal Temirtau or the fire in a conveyor belt of the coke plant in ArcelorMittal Asturias in Aviles in October 2018. Overall, in 2018, unanticipated operational disruptions reduced steel shipments by approximately 2.5 million tonnes.To the extent that lost production as a result of such a disruption cannot be compensated for by unaffected facilities, such disruptions could have an adverse effect on ArcelorMittal's operations, customer service levels and results of operations.

Natural disasters or severe weather conditions could damage ArcelorMittal's production facilities or adversely affect its operations.

Natural disasters could significantly damage ArcelorMittal's production facilities and general infrastructure. For example, ArcelorMittal Mexico's production facilities located in Lázaro Cárdenas, Michoacán, Mexico are located in or close to areas prone to earthquakes. The Lázaro Cárdenas area has, in addition, been subject to a number of tsunamis in the past. The site of the joint venture AM/NS Calvert ("Calvert") in the United States is located in an area subject to tornados and hurricanes. ArcelorMittal also has assets in locations subject to bush fires, specifically in Kazakhstan and South Africa, and to Arctic freeze. More generally, changing weather patterns and climatic conditions in recent years, possibly due to the phenomenon of global warming, have added to the unpredictability and frequency of natural disasters. Damage to ArcelorMittal production facilities due to natural disasters could, to the extent that lost production cannot be compensated for by unaffected facilities, adversely affect its business, results of operations or financial condition.

In addition to natural disasters, ArcelorMittal's operations can be affected by severe weather conditions. This is due in particular to the long supply chain for certain of its operations and the location of certain operations in areas subject to harsh winter conditions (i.e., the Great Lakes Region, Canada and Kazakhstan). However, other weather events can affect ArcelorMittal's plants like the unusually long period of drought in South Africa, leading to a water crisis situation in April 2018, which threatened the operations of ArcelorMittal Saldanha, and in Brazil, which has experienced a water crisis for the last few years that directly affects industrial production of ArcelorMittal Tubarão. Flooding also affected ArcelorMittal's operations at ArcelorMittal Asturias in Aviles, Spain in June 2018. Heavy rains during the wet season in Liberia may also cause handling and logistic constraints, as occurred in the third quarter of 2018, impacting shipment volumes.

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 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 as 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 purchases worldwide third-party public and product liability insurance coverage for all of its subsidiaries. Various other types of insurance are also maintained, such as comprehensive construction and contractor insurance for its greenfield and major capital expenditures projects, directors and officers liability, transport, and charterers' liability, as well as other customary policies such as car insurance, travel assistance and medical 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 and compliance risks, which may expose it to investigations by governmental authorities, litigation and fines, in relation, among other things, to its pricing and marketing practices or other antitrust matters. The resolution of such matters could negatively affect the Company's profitability and cash flows in a particular period or harm its reputation.

ArcelorMittal is the largest steel producer in the world. As a result, 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 steel markets and its historically acquisitive growth strategy, ArcelorMittal could be subject to 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. See note 8.3 to ArcelorMittal's consolidated financial statements. Antitrust proceedings, investigations and follow-on claims involving ArcelorMittal subsidiaries are also currently pending in various countries including Brazil and Germany.

Because of the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigations, the nature of the resolutions of such proceedings are difficult to forecast but 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 been as high as hundreds of millions of U.S. dollars in major civil antitrust proceedings during the last decade. In addition, ArcelorMittal operates in many jurisdictions around the world, increasing the risk of non-compliance with laws and regulations in relation to anti-corruption, economic sanctions and other ethical matters, despite its compliance policies and procedures. Unfavorable outcomes in current and potential future litigation and investigations could reduce ArcelorMittal's liquidity and negatively affect its profitability, cash flows, results of operations and financial condition, as well as harm its reputation.

ArcelorMittal is currently and in the future may be subject to legal proceedings, the resolution of which could negatively affect the Company's profitability and cash flows in a particular period.

ArcelorMittal's profitability or cash flows in a particular period could be affected by adverse rulings in legal proceedings currently pending or by legal proceedings that may be filed against the Company in the future. See note 8.3 to ArcelorMittal's consolidated financial statements.

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 or associates.

ArcelorMittal operates in a global environment, and, at a time of increased enforcement activity and enforcement initiatives worldwide, its business straddles multiple jurisdictions and complex regulatory frameworks. 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 or accounting or governance standards at the Company or its subsidiaries. The risk of violation is 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 to 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, mining 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 9 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 the Company's 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.

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, and phishing, ransomware and virus attacks have been increasing in more recent years through 2018, with WannaCry impacting the Company in March 2018. Implementation of digitalization, Industry 4.0 and Cloud computing result in new risks with increasing threats to ArcelorMittal's operations and systems.

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 into its information technology systems, they may be able to misappropriate confidential information, cause interruptions in the Company's operations, damage its computers or process control systems 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.

Changes to global data privacy laws and cross-border transfer requirements could adversely affect ArcelorMittal's business and operations.

ArcelorMittal's business depends on the transfer of data between its affiliated entities, to and from its business partners, and with third-party service providers, which may be subject to global data privacy laws and cross-border transfer restrictions. While ArcelorMittal takes steps to comply with these legal requirements, the volatility and changes to the applicability of those laws, as well as evolving standards and judicial and regulatory interpretations of such laws may impact ArcelorMittal's ability to effectively transfer data across borders in support of its business operations and lead to possible administrative, civil, or criminal liability, as well as reputational harm to the Company and its employees. ArcelorMittal has taken actions necessary to comply with the European Union's General Data Protection Regulation ("GDPR"), which became enforceable in May 2018. The GDPR creates a range of compliance obligations for subject companies and increases financial penalties for non-compliance. Other countries in which ArcelorMittal operates or has a presence such as Brazil, India and South Africa have or are in the process of adopting similar legislation for the protection of personal information. Ensuring compliance will require investments to improve business processes, IT solutions and security solutions. The costs of compliance with GDPR and similar legislation for the protection of personal data and the potential for fines and penalties in the event of a breach of these laws may have an adverse effect on ArcelorMittal's business and operations.

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

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

Mining

ArcelorMittal's mining segment has production facilities in North and South America, Europe, Africa 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	Product
Iron Ore					
ArcelorMittal Mines and Infrastructure Canada	Canada	Mt Wright and Port Cartier, Qc	85.0	Iron Ore Mine (open pit), railway and port	Concentrate and pellets
Minorca Mines	USA	Virginia, MN	100.0	Iron Ore Mine (open pit)	Pellets
Hibbing Taconite Mines	USA	Hibbing, MN	62.3	Iron Ore Mine (open pit)	Pellets
ArcelorMittal Mexico	Mexico	Sonora, Lazaro Cardenas	100.0	Iron Ore Mine (open pit)	Concentrate, lump and fines
ArcelorMittal Mexico Peña Colorada	Mexico	Minatitlán	50.0	Iron Ore Mine (open pit)	Concentrate and pellets
ArcelorMittal Brasil Andrade Mine	Brazil	State of Minas Gerais	100.0	Iron Ore Mine (open pit)	Fines
ArcelorMittal Mineração Serra Azul	Brazil	State of Minas Gerais	100.0	Iron Ore Mine (open pit)	Lump and fines
ArcelorMittal Prijedor	Bosnia and Herzegovina	Prijedor	51.0	Iron Ore Mine (open pit)	Concentrate and lump
ArcelorMittal Kryvyi Rih	Ukraine	Kryvyi Rih	95.1	Iron Ore Mine (open pit and underground)	Concentrate, lump and sinter feed
ArcelorMittal Temirtau	Kazakhstan	Lisakovsk, Kentobe, Atasu, Atansore	100.0	Iron Ore Mine (open pit and underground)	Concentrate, lump and fines
ArcelorMittal Liberia	Liberia	Yekepa	85.0	Iron Ore Mine (open pit)	Fines
Coal					
ArcelorMittal Princeton	USA	McDowell, WV, Tazewell, VA	100.0	Coal Mine (surface and underground)	Coking and PCI coal
ArcelorMittal Temirtau	Kazakhstan	Karaganda	100.0	Coal Mine (underground)	Coking coal and thermal coal

Iron ore

ArcelorMittal Mines and Infrastructure Canada

ArcelorMittal Mines and Infrastructure Canada is a major Canadian producer of iron ore concentrate and several types of pellets. It holds mineral rights over 32,279.5 hectares of land in the province of Québec, Canada. ArcelorMittal Mines and Infrastructure Canada operates the Mont-Wright Mine and concentrator near Fermont in northeastern Québec. Mont-Wright is located 416 kilometers 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 1,000 kilometers 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 and Infrastructure 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 570 kilometers. ArcelorMittal Mines and Infrastructure Canada owns mineral rights to iron ore deposits in Fire Lake and Mont Reed. Fire Lake, which is located approximately 53 kilometers south of Mont-Wright, dispatched approximately 15.9 million tonnes of crude ore by rail to the Mont-Wright concentrator in 2018. The Mont Reed deposit is currently not mined. In addition, ArcelorMittal Mines and Infrastructure 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 mineral rights. The property began operating in 1976.

The expiration dates of the mining leases range from 2020 to 2033. 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 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 seven lines of three stage spiral classifiers and horizontal filters. The mining complex and infrastructure has a production capacity of approximately 26 million tonnes of concentrate per year. The Port-Cartier pellet plant produces acid and flux pellets that operate six ball mills, ten balling discs and two induration furnaces. The pelletizing plant has a capacity of 10 million tonnes of pellets per year. The mine produced 9.5 million tonnes of pellets and 15 million tonnes of concentrate in 2018.

Electric power for Mont-Wright and the town of Fermont is supplied by Hydro-Quebec via a 157 kilometer 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.

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 Cleveland Cliffs Inc.

ArcelorMittal Minorca holds the mineral rights on more than 2,800 acres necessary to mine the stated reserves. Minorca's owned/leased lands increased to approximately 13,920 acres with the purchase of 160 acres of land in Meadowlands, MN for construction of wetlands as required by the State of Minnesota. The operations are located approximately three kilometers north of the town of Virginia in the northeast of Minnesota, which are accessible by road and rail. The Minorca Mine controls through leases all the mineral and surface rights needed to mine and process its estimated 2018 iron ore reserves. The expiration dates of the mining leases range from 2035 to 2056. 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 2.8 million metric tonnes of taconite pellets in 2018. 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 from 1977 until 1998 when it was purchased by then ISPAT International, a predecessor company of ArcelorMittal.

The Hibbing Taconite Company holds mineral rights over 7,520 acres through 34 contiguous mineral leases, which are located mainly within the City of Hibbing with a processing facility five kilometers from north of the town center in the northeast of Minnesota and is accessible by road and rail. The Hibbing operations are jointly owned by subsidiaries of ArcelorMittal USA (62.3%), Cleveland-Cliffs Inc. (23.0%) and U.S. Steel (14.7%), with Cliffs Mining Services Company as the managing agent of the mine and processing facilities. The Hibbing Taconite Company, through leases, controls the mineral and surface rights needed to mine and process its estimated iron ore reserves. The expiration dates of the mining leases range from 2022 to 2056. These leases can be renewed through negotiations with the mineral owners, though no obligations to renew exist for the mineral owners. 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 7.8 million metric tonnes of taconite pellets in 2018 (of which approximately 4.8 million metric tonnes are 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-1950 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. Natural gas and electric power constitutes the main sources of energy for both Minorca and Hibbing. The electric power is provided by the Minnesota Power company.

ArcelorMittal Mexico Mining Assets

ArcelorMittal Mexico operates three iron ore mines in Mexico, the El Volcan and Las Truchas mines, and, through a joint operation with Ternium S.A., the Peña Colorada mine.

Peña Colorada

Consorcio Minero Benito Juarez Peña Colorada, S.A. de C.V. (Peña Colorada) holds mineral rights over 99,188 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, two autogenous mill, three horizontal and two 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 state-owned company that serves customers across the entire country.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2021 to 2062.

The Peña Colorada pelletizing facility produced 3.6 million tonnes of pellets and 0.4 million tonnes of concentrate in 2018. Both magnetite concentrate and iron ore pellets are shipped from Manzanillo to ArcelorMittal Mexico, 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.

El Volcan

ArcelorMittal holds mineral rights over 1,053 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 controlled all of the mineral rights and surface rights needed to mine and process iron ore during 2018. 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.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2055 to 2061.

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 steel plant in Lázaro Cárdenas. 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 El 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 global economic crisis and on several occasions due to structural problems in the crushing facilities. Operations resumed without interruption from 2010 until October 2015. In the fourth quarter of 2015, the El Volcan operations were temporarily suspended due to weak market conditions. The El Volcan operations resumed in the first quarter of 2017 as a result of revised mine plan in light of improved price conditions. The total concentrate production in 2018 was 1.6 million tonnes. The iron mineralization includes magnetite rich skarn associated to the intrusion and extrusion of magmas rich in iron and formed in a volcanic environment. The mine is expected to stop production in early 2019 due to the depletion of the reserves.

Las Truchas

ArcelorMittal now holds mineral rights over 54,892 hectares in Mexico. The Las Truchas mine is located approximately 27 kilometres southeast of the town of Lázaro Cárdenas in the State of Michoacán, Mexico. The Las Truchas operations are accessible by public highway and control all the mineral rights needed to mine and process its estimated 2018 iron ore reserves. Part of the surface rights needed to mine and process the 2018 iron ore reserves expired and are currently being re-negotiated.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2044 to 2059.

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 aggregate 2018 production of concentrate and lumps totaled 1.1 million tonnes. The concentrator includes one primary crusher, two secondary crushers and three tertiary crushers, two ball mill and two bar mill and two wet magnetic separation circuits. The electrical energy supplier for the Las Truchas mine is a state-owned company, Comisión Federal de Electricidad (CFE). The concentrated ore is pumped from the mine site through a 26-kilometer slurry pipeline to the steel plant facility in Lázaro Cárdenas.

The Las Truchas deposits consist of massive concentrations of magnetite of irregular morphology. The main Las Truchas deposits occur along 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 Brasil holds mineral rights of over 2,871 hectares located in the Iron Quadrangle (Quadrilatero Ferrifero), a widely-explored and mined region 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 2018 iron ore reserves, dominated by directly shippable hematite ore. In addition to the open pit mine, ArcelorMittal operates a crushing and screening facility. Production is transported to Monlevade plant through a private railway line. 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.

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 the end of 2004. In January 2005, Vale signed a leasing agreement with CSBM for management and operation. In December 2005, CSBM changed its name to Arcelor Brasil S.A. which was then merged in August 2007 into Belgo Siderurgia S.A. The latter then changed its name to ArcelorMittal Brasil S.A. In November 2009, Vale returned the Andrade mine to ArcelorMittal Brasil S.A. In 2018, the Andrade mine produced 1.5 million tonnes of sinter feed. An increase of the crushing and screening facility production capacity to 3.5 million tonnes per year of sinter feed was completed in 2012. In 2013, a cross road was built in order to improve shipments to the local Brazilian market. In 2018 Andrade started implementing a concentration plant that will enable concentrating Itabirite and mixing it with the hematite. This will improve the quality of the sinter feed to Monlevade Plant, have a positive impact on costs and increase its life span by 16 years. This project is expected to start production in early 2020.

ArcelorMittal Brasil - Serra Azul Mine

ArcelorMittal Brasil holds mineral rights over the central and east claims of the Serra Azul deposit over 375 hectares, located approximately 50 kilometers southwest of the town of Belo Horizonte in the Minas Gerais State of Brazil and accessible by public highway. ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2018 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 jigging. 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. Production is shipped mainly to local Brazilian market including the ArcelorMittal Brasil integrated plants. The Compania 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 the same year, London Mining Brazil Mineração Ltda was merged into London Mining Participaçoes Ltda, which changed its corporate name to ArcelorMittal Mineração Serra Azul. In April 2016, ArcelorMittal Mineração Serra Azul was merged into ArcelorMittal Brasil. In 2018, ArcelorMittal Brasil - Serra Azul Mine produced 1.3 million tonnes of lumps and concentrate.

In February 2019, the Company decided to implement the evacuation plan related to its dormant Serra Azul tailing dam in Brazil, evacuating the 119 person community situated downstream to the dam as a precautionary measure based on an updated stability report following recent incidents in the Brazilian mining sector in order to undertake further testing and implement any necessary mitigation measures.

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. As from 2020 Andrade will enable concentrating Itabirite and hematite fines as described above.

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 mineral rights over approximately 2,000 hectares, the current concession was signed in 2018 for a period of 6 years. 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 2018, ArcelorMittal Prijedor produced 1.4 million tonnes of aggregated lumps and fines. The mine supplies iron ore to ArcelorMittal's steel-making operations located approximately 243 kilometers south of Prijedor in northern Bosnia (Zenica). The operation is in close proximity to long-established public roads. Additionally, ArcelorMittal Prijedor has a limestone quarry for which the output is used for the roads in the mine.

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 Ljubija 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, since the Jezero reserves were exhausted. 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. The Buvac ore body is mainly composed of limonite-goethite mineralization, which was formed during weathering oxidization of the primary siderite bodies.

ArcelorMittal Kryvyi Rih

ArcelorMittal Kryvyi Rih ("AMKR") holds mineral rights to support its operations located roughly within the borders of the city of Kryvyi Rih, 150 kilometers southwest of Dnipro, Ukraine over 1,301 hectares. AMKR's operations control all of the mineral rights and surface rights needed to mine and process its estimated iron ore reserves. AMKR operates a concentrating facility, along with two open pit sites and one underground iron ore mine. 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 Dnipro. The area is well served by rail. Power is supplied by the Ukraine energy market and is generated from a mix of nuclear, hydro, renewables and coal-fired power stations. AMKR has two iron ore mines: an open pit mine feeding a concentration plant that produced 9.3 million tonnes of concentrate in 2018, known as the Kryvyi Rih open cast, and an underground mine with production of 0.9 million tonnes of lump and sinter feed in 2018, known as the Kryvyi Rih underground mine. Operations began at the Kryvyi Rih open cast in 1959 and at the Kryvyi Rih underground mine in 1933. ArcelorMittal acquired the operations in 2005.

The expiration of the agreements on the subsoil use conditions and the subsoil use permits range from 2021 for underground mine to 2038 for open pits, while the expiration of the land lease agreements ranges from 2060 to 2061.

The iron ore extracted from the Kryvyi 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 concentrator. The concentrator production process includes crushing, classification, magnetic separation and filtering. The iron ore extracted from the Kryvyi 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 Kryvyi Rih steel plant, with some concentrate being shipped to other ArcelorMittal affiliates in Eastern Europe, as well as to third parties. 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, 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 2018 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 has four iron ore mining operations in Kazakhstan. The mines are Lisakovsk, Kentobe, Atasu and Atansore. Dispatch of ore from these mines to the ArcelorMittal steel plant is by railway. ArcelorMittal Termitau's operations control all of the mineral rights and

surface rights needed to mine and process its estimated 2018 iron ore reserves.

Lisakovsk is an open pit operation located in northwest Kazakhstan about 1,100 kilometers from Temirtau, with production of 0.7 million tonnes of concentrate in 2018. The mine was initially commissioned in 1969 and was acquired in 2000. The existing subsoil agreement expires in 2020. The production process comprises crushing, screening, grinding, wet jigging and wet magnetic separation. The iron mineralization at Lisakovsk occurs as oolite containing mainly hygogoethite 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 Promsnab Astana LLP.

Kentobe is an open pit operation, initially started in 1983 and acquired in 2002, located about 300 kilometers southeast of Temirtau, with production of 0.6 million tonnes of concentrate in 2018. Clearance for extension of the existing subsoil agreement until the end of 2026 was given by Kazakhstan Ministry of innovation and development and the addendum was signed on November 23, 2017. 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 all the 2018 estimated ore reserves. Electric power is supplied to the Kentobe operations by Karaganda Energosbyt LLP.

Atasu is an underground mine operation located about 400 kilometers south/southwest from Temirtau with production of 0.8 million tonnes of lump and fines in 2018. The mine began operating in 1956 with open pit exploitation of near surface reserves. Surface operations ended in 1980. Underground operations commenced in 1976. The mining lease was obtained in 2003. The existing subsoil agreement expires at the end of 2026. Processing comprises of crushing and wet jigging. The Atasu mine is hosted by the West Karazhal deposit, which is a primary hematite 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 ABB Energo LLP.

Atansore is an open pit operation located about 500 kilometers northeast of Temirtau with production of 0.5 million tonnes of concentrate in 2018. The mining lease was obtained in 2004. The existing subsoil agreement expires at the end of 2029. The Atansor deposit is located within skarn zones related to a volcanic intrusion that can be traced for more than 1.5 kilometers. The mineralization includes both martitic oxidized ore and primary magnetite ore. Ore processing is performed by crushing and dry magnetic separation. At the Atansore operations, electric power is provided from the Kokshetauenergo center LLP.

ArcelorMittal Liberia

ArcelorMittal Liberia Holdings Limited (“AMLH”), through its agent (and subsidiary) ArcelorMittal Liberia Limited (“AML”), has been mining ‘direct shipping ore, or DSO’ from the Mt. Tokadeh and Mt. Gangra deposits in northern Nimba, Liberia since 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 51,651.5 hectares, and is located approximately 300 kilometers northeast of Monrovia, Liberia . Three deposits within the MDA are grouped under the name “Western Range Project”, which includes the Mt. Tokadeh, Mt. Gangra and Mt Yuelliton deposits. In addition to the rights to explore and mine iron ore, the GOL has granted the right to develop, use, operate and maintain the Buchanan to Yekepa railroad and the Buchanan port. A phased approach has been taken to establish the final project configuration. Currently only high grade ore reserves of oxidized iron ore (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 2018 was at 4.6 million tonnes, focused on the Atlantic markets. The power for the current Liberia DSO operations is obtained from on-site diesel based power generation. The Company expects to switch to the grid supply in 2019.

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 Mt. Tokadeh, Mt. Gangra and Mt 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 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. 138kV high-voltage power lines deliver power to the company's new 138/13kV substation where transformers reduce voltage for specific equipment requirements.

The Low Vol operations are located in McDowell County, West Virginia, near the communities of Northfork, Keystone, Eckman, Gary, and Welch. The Eckman Plant and Dan's Branch Loadout are also located there, as well as the following underground mines: XMV Mine Nos. 35, 39, and 43. XMV Mine No. 32 was sold in 2017, and No. 42 was mined out and closed in 2018. The Red Hawk surface mine and Berwind Loadout finished primary reclamation in 2018.

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 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 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. Thecoal deposits are typically in relatively thin coal beds, one to five feet thick.

There are three active leases across the AMP operations which cover approximately 50% of the annual production. One of these expires in 2025 and the other two expire in 2027.

The combined production of the mines in 2018 was 2.1 million tonnes of washed and direct shippable coal.

ArcelorMittal Temirtau (Karaganda Coal Mines)

ArcelorMittal Temirtau has eight underground coal mines and two coal preparation plants (CPP "Vostochnaya" and Temirtau Washery-2). In 1996 the mines entered into the structure of Ispat-Karmet JSC, Coal Division (now ArcelorMittal Temirtau JSC, Coal Division). 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 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 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. Karaganda City is located approximately 12 kilometers to the northeast.

The Abayskaya mine began operations in 1961. In 1996, it was merged with the Kalinina mine. Karaganda City is located approximately 30 kilometers to the northeast.

The Kazakhstanskaya mine began operations in 1969. Karaganda City is located approximately 40 kilometers to the northeast. The railway station at MPS-Karabas is located approximately 30 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. Karaganda City, located 50 kilometers to the northeast. The railway station MPS-Karabas is located 38 kilometers to the southeast.

The Shakhtinskaya mine began operations in 1973. Karaganda City is located approximately 35 kilometers to the northeast.

The Tentekskaya mine began operations in 1979. Karaganda City is located approximately 40 kilometers to the northeast. The railway station MPS-Karabas is located approximately 39 kilometers to the southeast.

The Kostenko, Kuzembaeva, Saranskaya, Abayskaya, Kazakhstanskaya, Lenina, Shakhtinskaya and Tentekskaya mines, together with the Vostochnaya wash plant, receive energy from the high-voltage transmission lines of Karaganda.

The subsoil use contract and license (all coal mines in Temirtau) will be valid until January 21, 2022. Total area under mineral rights is 28,816 hectares.

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 ArcelorMittal Kryvyi Rih in Ukraine, and to external customers in Russia and China. In 2018, the Karaganda Coal Mines produced 3.8 million tonnes of metallurgical coal and approximately 3.3 million tonnes was consumed by the Temirtau steel operations.

Capital expenditure projects

The Company's capital expenditures were $3.3 billion, $2.8 billion and $2.4 billion for the years ended December 31, 2018, 2017 and 2016, respectively. The following tables summarize the Company's principal investment projects involving significant capital expenditure completed in 2018 and those that are currently ongoing. In 2019, capital expenditures are expected to be approximately $4.3 billion. ArcelorMittal expects to fund these capital expenditures primarily through internal sources.

Completed projects in most recent quarters

Region	Site	Project	Capacity / particulars	Actual completion	Note #
Europe	ArcelorMittal Differdange (Luxembourg)	Modernization of finishing of "Grey rolling mill"	Revamp finishing to achieve full capacity of grey mill at 850 thousand tonnes/year	Q2 2018	
Europe	Gent & Liège (Europe Flat automotive UHSS Program)	Gent: Upgrade HSM and new furnace Liège: Annealing line transformation	Increase approximately 400 thousand tonnes in Ultra High Strength Steel capabilities	Q2 2018	
NAFTA	Indiana Harbor (US)	Indiana Harbor “footprint optimization project”	Restoration of 80” HSM and upgrades at Indiana Harbor finishing	4Q 2018	

Ongoing Projects*

Region	Site	Project	Capacity / particulars	Forecast completion	Note #
ACIS	ArcelorMittal Kryvyi Rih (Ukraine)	New LF&CC 2&3	Facilities upgrade to switch from ingot to continuous caster route. Additional billets of 290 thousand tonnes over ingot route through yield increase	2,019	
Europe	Sosnowiec (Poland)	Modernization of Wire Rod Mill	Upgrade rolling technology improving the mix of HAV products and increase volume by 90 thousand tonnes	2,019	
NAFTA	Mexico	New Hot Strip Mill	Production capacity of 2.5 million tonnes per year	2,020	1
NAFTA	ArcelorMittal Dofasco (Canada)	Hot Strip Mill Modernization	Replace existing three end of life coilers with two states of the art coilers and new runout tables.	2020	2
NAFTA	Burns Harbor (US)	New walking beam Furnaces	Two new walking beam reheat furnaces bringing benefits on productivity, quality and operational cost	2,021	
Brazil	ArcelorMittal Vega Do Sul	Expansion project	Increase hot dipped / cold rolled coil capacity and construction of a new 700 thousand tonnes continuous annealing line (CAL) and continuous galvanizing line (CGL) combiline	2,021	3
Brazil	Juiz de Fora	Melt shop expansion	Increase in melt shop capacity by 0.2 million tonnes/year	On hold	4
Brazil	Monlevade	Sinter plant, blast furnace and melt shop	Increase in liquid steel capacity by 1.2 million tonnes/year; Sinter feed capacity of 2.3 million tonnes/year	On hold	4
Mining	Liberia	Phase 2 expansion project	Increase production capacity to 15 million tonnes/year	Under review	5

* Ongoing projects refer to projects for which construction has begun (excluding various projects that are under development), even if such projects have been placed on hold pending improved operating conditions.

1. On September 28, 2017, ArcelorMittal announced a major $1 billion, three-year investment program at its Mexican operations, which is focused on building ArcelorMittal Mexico’s downstream capabilities, sustaining the competitiveness of its mining operations and modernizing its existing asset base. The program is designed to enable ArcelorMittal Mexico to meet the anticipated increased demand requirements from domestic customers, realize in full ArcelorMittal Mexico’s production capacity of 5.3 million tonnes and significantly enhance the proportion of higher added-value products in its product mix, in-line with the Company’s Action 2020 plan. The main investment will be the construction of a new hot strip mill. Upon completion, the project will enable ArcelorMittal Mexico to produce approximately 2.5 million tonnes of flat rolled steel, approximately 1.8 million tonnes of long steel and the remainder made up of semi-finished slabs. Coils from the new hot strip mill will be supplied to domestic, non-auto, general industry customers. The project commenced late in the fourth quarter of 2017 and is expected to be completed in the second quarter of 2020.
2. Investment in ArcelorMittal Dofasco (Canada) to modernize the hot strip mill. The project is to install two new state of the art coilers and runout tables to replace three end of life coilers. The strip cooling system will be upgraded and include innovative power cooling technology to improve product capability. The project is expected to be completed in 2020.

3. In August 2018, ArcelorMittal announced the resumption of the Vega Do Sul expansion to provide an additional 700 thousand tonnes of cold-rolled annealed and galvanized capacity to serve the growing domestic market. The three-year, $0.3 billion investment program to increase rolling capacity with construction of a new continuous annealing line and CGL combiline (and the option to add an approximately 100 thousand tonnes organic coating line to serve construction and appliance segments), and upon completion, will strengthen ArcelorMittal's position in the fast growing automotive and industry markets through Advanced High Strength Steel products. The investments will look to facilitate a wide range of products and applications whilst further optimizing current ArcelorMittal Vega facilities to maximize site capacity and its competitiveness, considering comprehensive digital and automation technology.
4. During the second quarter of 2013, ArcelorMittal restarted its Monlevade expansion projects, which was initially expected to be completed in two phases, with the first phase focused mainly on downstream facilities consisting of a new wire rod mill with additional capacity of 1.05 million tonnes of coils per year and estimated investment of $280 million. The investment also included a rebar revamping in Juiz de Fora to increase rebar production from 50,000 to 400,000 tonnes per year replacing equivalent wire rod production capacity that would be transferred to Monlevade. The Monlevade wire rod expansion project was completed in the fourth quarter of 2015 and the Juiz de For a rebar revamping was concluded in the last quarter of 2014, each in line with its respective budget. The Company does not expect to increase shipments from Monlevade until domestic demand improves. The Juiz de Fora meltshop expansion project to increase meltshop capacity by 200,000 tonnes is currently on hold. A decision regarding the execution of the second phase of the projects (for upstream facilities) will be taken at a later date.
5. ArcelorMittal had previously announced a Phase 2 project that envisaged the construction of 15 million tonnes of concentrate sinter fines capacity and associated infrastructure. The Phase 2 project was initially delayed due to the declaration of force majeure by contractors in August 2014 due to the Ebola virus outbreak in West Africa, and then reassessed following rapid iron ore price declines over the ensuing period. ArcelorMittal Liberia is now undertaking the engineering phase of a feasibility study to identify the optimal concentration solution for utilizing the resources at Tokadeh. The feasibility study is expected to be completed by mid 2019.
6. In December 2006, the Government of Liberia and ArcelorMittal announced the finalization of a first amendment to agreements relating to an iron ore mining and infrastructure development project entered into in 2005. A further amendment to the 2006 Mineral Development Agreement was negotiated and ratified in September 2013. The project consists of reopening mines in Nimba County, rehabilitating 260 kilometers of abandoned railway, developing the Buchanan port for shipping traffic and includes a number of important social initiatives, including providing training and health facilities for employees. Production of direct shipping ore ("DSO") commenced in the second half of 2011 which increased to a capacity of five million tonnes in 2013 and produced 4.3 million tonnes in 2015. Following a period of exploration cessation caused by the onset of Ebola, ArcelorMittal Liberia recommence drilling for DSO resource extensions in late 2015. Drilling for orebody extensions commenced and in 2016 the operation at Tokadeh was right sized to 2 to 3 million tonnes to focus on its natural Atlantic markets. ArcelorMittal Liberia moved ore extraction from its depleting DSO (direct shipping ore) deposit at Tokadeh to the nearby, lower impurity (DSO Gangra) deposit. In the second half of 2017, ArcelorMittal started DSO operations from the Gangra deposit, which has a lower strip ratio and higher grade DSO. Production in 2018 was 4.6 million tonnes, below the full annual rate capacity of 5 million tonnes.

Updates on previously announced investment projects

In addition to the significant investment projects presented in the above table, the Company had previously announced several large investment projects. The status of certain of such projects as of the date of this annual report are described below. While the Company continues to study certain of its key previously announced investment projects summarized below, no assurance can be given that they will proceed.

India greenfield projects. The Company explored investment opportunities in India and in June 2010, entered into a memorandum of understanding with authorities in the state of Karnataka in South India that envisaged the construction of a six million tonne steel plant with a captive 750 megawatt power plant, representing a potential aggregate investment of $6.5 billion. The Company has completed all the necessary formalities for acquiring the land by signing and executing a lease cum sale agreement for 2643.25 acres of land on December 26, 2018 and the project is currently under review.

Baffinland (Canada). In March 2011, ArcelorMittal acquired 70% of Baffinland Iron Mines Corp. ("Baffinland"), with Nunavut Iron Ore Inc. ("Nunavut Iron Ore") owning the remaining 30%. In February 2013, ArcelorMittal and Nunavut Iron Ore entered into a joint arrangement and equalized their shareholdings at 50/50. ArcelorMittal retained operator and marketing rights and, in consideration for its increased shareholding, Nunavut Iron Ore assumed certain project funding obligations. During 2016, 2017 and 2018, following part of the capital increases being subscribed only by Nunavut Iron Ore, ArcelorMittal's shareholding decreased to 44.54%, 31.07% and 28.76%, respectively. The project began commercial production in 2016 (for further details, see "Information on the Company —Property, plant and equipment").

Baffinland also has approved Phase 3 of the project, which involves the construction of a railway to replace the existing truck-haul operation for transport of iron ore from Mary River to Milne Inlet, as well as expansion of mining, crushing and screening operations and port shiploading capacity. The objective of Phase 3 is to increase production capacity to 12 million tonnes per year. Baffinland has budgeted approximately $936.8 million of capital expenditures for Phase 3, which will be funded with operating cash flows, additional equity and new debt. Nunavut Iron Ore has committed to provide up to $450 million of equity funding for Phase 3. ArcelorMittal had an option to provide up to $85 million of equity funding for Phase 3 which will expire on March 31, 2019. ArcelorMittal had an option to convert preference shares by October 31, 2017 but this was not exercised, resulting in a subsequent dilution of ArcelorMittal's shareholding. If Nunavut or other parties fund further phases, it would result in further dilution of ArcelorMittal's shareholding. Since August 2016, ArcelorMittal and Nunavut Iron Ore shared operator rights for Baffinland's operations. ArcelorMittal's shared operator rights terminated on June 30, 2018, but the Company will continue to retain marketing rights until December 31, 2019.

Investment projects relating to Ilva and ESIL are described in "Key transactions and events in 2018".

Reserves and Resources (iron ore and coal)

Introduction

ArcelorMittal has both iron ore and metallurgical coal reserves. The Company's iron ore mining operations are located in the United States, Canada, Mexico, Brazil, Liberia, Bosnia, Ukraine and Kazakhstan. The Company's metallurgical coal mining operations are located in the United States and Kazakhstan.

The estimates of proven and probable ore reserves and mineral resources at the Company's mines and projects and the estimates of the mine life included in this annual report have been prepared by ArcelorMittal experienced engineers and geologists, with the exception of Las Truchas mine (consolidated as Mexico, excluding Peña Colorada in the tables below) where the 2017 and 2018 reserve estimates were prepared by Gustavson Associates.

The reserves and the mineral resource estimates were also prepared in accordance with the Canadian Institute of Mining and Metallurgy (CIM) Best Practice Guidelines and Standard Definitions for Canadian National Instrument 43-101 (for all its operations and projects), under which:

- Reserves are the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.
- Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, working 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.

In Eastern Europe (Bosnia) and the CIS, ArcelorMittal has conducted in-house and independent reconciliations of ore reserve estimate classifications based on SEC Industry Guide 7 CIM Guidelines for NI 43-101 and standards used by the State Committee on Reserves, known as the GKZ, or its national equivalent, in the former Soviet Union countries. The GKZ, or its national equivalent, constitutes the legal framework for ore reserve reporting in former Soviet Union countries where ArcelorMittal operates mines. On the basis of these reconciliations, ArcelorMittal's ore reserves have been estimated by applying mine planning, technical and economic assessments defined as categories A, B and C1 according to the GKZ standards. In general, provided Guide 7's economic criteria are met (which is the case here), A+B is equivalent to "proven" and C1 is equivalent to "probable".

The ore reserve and mineral resource estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. The Company's 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 reported exclusive of reserves (i.e. are in addition to ore reserve estimates) and are of in-situ wet metric tonnage

material prior to adjustments for mining recovery and mining dilution factors.

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 (for more details refer to the 'Reserves and resources' section).

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. Economic viability is demonstrated using forecasts of operating and capital costs based on historical performance, with forward adjustments based on planned process improvements, changes in production volumes and in fixed and variable proportions of costs, and forecasted fluctuations in costs of raw material, supplies, energy and wages.

Detailed independent verifications of the methods and procedures used are conducted on a regular basis by external consultants and sites are reviewed on a rotating basis. The 2016 year end reserve estimates for the Kazakhstan coal operations were independently audited by SRK Consulting (UK) Limited who recommended the changes that have been implemented. SRK Consulting (UK) Limited also completed the 2017 year end independent audits of the reserve estimates for ArcelorMittal Princeton coal operations in the United States and for ArcelorMittal Kryvyi Rih iron ore operations in Ukraine and recommended certain changes that are reflected in the 2017 year end reserve estimates. In 2018, iron ore reserve estimates for ArcelorMittal Mines and Infrastructure Canada were independently audited and validated by SRK Consulting (Canada) Inc., and no material changes to the 2018 iron ore reserve estimates were recommended. Improvement points were proposed and will be addressed during 2019 with the support of SRK Consulting (Canada) Inc. This will be reflected in the 2019 year-end reserve estimates. Furthermore, in 2018, after completing a new geological interpretation and model of the Andrade mine (Brazil), SRK Consultores do Brasil Ltda reviewed and validated all the mine planning components supporting the iron ore reserve estimates of Andrade mine.

ArcelorMittal owns less than 100% of certain mining operations; reserve and resource estimates have not been adjusted to reflect ownership interests and therefore reflect 100% of reserves and resources of each mine. Please see the table above under “Mining” for the ownership interest of ArcelorMittal in each mine. All of the reserve figures presented represent estimates at December 31, 2017 (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.

The Company’s 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. The Company’s ore reserves may include areas where some additional approvals remain outstanding but where, based on the technical investigations the Company carries out as part of its mine planning process and its knowledge and experience of the approvals process, the Company expects 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.

The reported iron ore and coal reserves contained in this annual report do not exceed the quantities that the Company estimates could be extracted economically if future prices were at similar levels to the average contracted price for the three years ended December 31, 2018. The average iron ore spot reference price for the last three years (2016-2018) was $66.47 per tonne (delivered to China, Qingdao 62% Fe US $ per tonne, Metal Bulletin) duly adjusted for quality, Fe content, logistics and other considerations. For the same period, the average coal spot reference price was $178.67 per tonne (Premium HCC FOB Aus, Metal Bulletin).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. Such sustainability in turn depends on expected future operating and capital costs. The reserve base can vary from year to year due to the revision of mine plans in response to market and operational conditions, in particular market price. See the risk factor entitled “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”.

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 table below details ArcelorMittal’s estimated iron ore reserves as of December 31, 2018. The classification of the iron ore reserve estimates as proven or probable 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. At ArcelorMittal mining

operations, proven iron ore reserve estimates are typically based on drill hole spacing ranging from 25m x 25m to 100m x 100m, and probable iron ore reserve 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.

	As of December 31, 2018						As of December 31, 2017	
	Proven Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Total Ore Reserves	
	Millions of Tonnes	% Fe	Millions of Tonnes	% Fe	Millions of Tonnes	% Fe	Millions of Tonnes	% Fe
Canada (1)	1,917	30.2	197	29.2	2,114	30.1	1,990	28.0
Minorca - USA	97	23.5	4	22.7	101	23.5	110	23.7
Hibbing - USA	134	19.6	25	19.6	159	19.6	182	19.6
Mexico (Excluding Peña Colorada)	10	38.0	114	31.9	124	32.4	129	32.7
Peña Colorada - Mexico	107	21.8	104	21.2	211	21.5	233	21.2
Brazil	50	56.0	45	49.6	95	53.0	72	61.1
Liberia	5	52.0	479	47.9	484	48.0	489	48.0
Bosnia	3	45.4	11	46.3	14	46.1	17	46.2
Ukraine Open Pit	51	33.5	78	33.5	129	33.5	151	33.7
Ukraine Underground	9	54.4	19	54.4	28	54.4	29	54.4
Kazakhstan Open Pit	5	48.8	255	39.2	260	39.4	265	39.2
Kazakhstan Underground	—	—	23	45.2	23	45.4	24	45.2
Total					3,742	33.1	3,691	32.0

1. Given the decrease in ArcelorMittal's ownership in Baffinland and the termination of its operator rights, Baffinland is no longer included in this table.

	As at December 31, 2018				As at December 31, 2017			
	Measured & Indicated resources *		Inferred resources *		Measured & Indicated resources *		Inferred resources *	
Business units	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe
Canada (1)	3,857	29.0	1,877	29.1	3,588	30.0	1,849	29.5
Minorca - USA	339	22.3	7	22.2	339	22.3	7	22.2
Hibbing - USA	146	19.9	5	18.1	151	19.9	5	18.1
Mexico (Excluding Pena Colorada)	156	34.6	73	34.2	160	35.0	74	34.3
Pena Colorada - Mexico	165	24.1	1	16.5	170	23.9	1	16.5
Brazil	451	43.2	50	40.9	308	40.5	80	38.0
Liberia	45	43.6	2,211	38.8	45	43.6	2,211	38.8
Bosnia	—	31.2	1	39.1	—	31.2	1	39.1
Ukraine Open Pit	384	31.0	19	34.2	384	31.0	19	34.2
Ukraine Underground	38	56.8	25	55.4	38	56.8	25	55.4
Kazakhstan Open Pit	828	33.8	5	5.5	828	33.8	5	48.0
Kazakhstan Underground	451	51.3	30	45.9	451	51.3	30	46.9
Total	6,860	31.8	4,303	34.6	6,462	32.1	4,306	34.8

* The resources are exclusive of reserves.

1. Given the decrease in ArcelorMittal's ownership in Baffinland and the termination of its operator rights, Baffinland is no longer included in this table.

Supplemental information on iron ore operations

The table below provides supplemental information on the producing mines.

Operations/Projects	% Ownership	In Operation Since	2018 Run of Mine Production (Million Tonnes)*	2018 Saleable Production (Million Tonnes)[1]*	Estimated Mine Life (Years)[2]
Canada	85	1976	70.7	24.5	30
Minorca - USA	100	1977	8.6	2.8	12
Hibbing - USA	62	1976	29.2	7.8	6
Mexico (Excluding Peña Colorada)	100	1976	7.0	2.7	18
Peña Colorada - Mexico	50	1974	13.3	4.0	14
Brazil	100	1944	4.0	2.8	44
Liberia	85	2011	4.6	4.6	24
Bosnia	51	2008	1.9	1.4	7
Ukraine Open Pit	95	1959	22.3	9.3	5
Ukraine Underground	95	1933	0.9	0.9	19
Kazakhstan Open Pit	100	1976	3.0	1.8	>50
Kazakhstan Underground	100	1956	1.7	0.8	11

1. Saleable production is constituted of a mix of direct shipping ore, concentrate, pellet feed and pellet products which have an iron content of approximately 65% to 66%. Exceptions in 2018 included the shipping of ore produced in Bosnia, Ukraine Underground and the Kazakh mines which have an iron content ranging between approximately 50% to 60% and are solely for internal use at ArcelorMittal's regional steel plants. The direct shipping ore produced from Liberia had an average iron content of approximately 62% in 2018 while the sinter fines produced for external customers in Brazil from the Serra Azul operations averaged approximately 64% and the lumps averaged 56%.
2. The estimated mine life reported in this table corresponds to the duration of the production schedule of each operation based on the 2018 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 2018 production. ArcelorMittal believes that the life of these operations will be maintained 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.

* Represents 100% of production.

Changes in iron ore reserve estimates: 2018 versus 2017

The Company's iron ore reserve estimates had a net increase of 51 million metric tonnes of Run of Mine and a 1% increase in iron ore content between December 31, 2017 and 2018. This increase in reserves includes an addition of 218 million metric tonnes, mainly attributed to new interpretations of the ore bodies at the Canada and Brazil operations. However, this was offset by 167 million tonnes of mining depletion during 2018.

Changes in measured and indicated iron ore mineral resource estimates

The 2018 measured and indicated mineral resource estimates had a net increase between December 31, 2017 and December 31, 2018 of 398 million metric tonnes.

The increase was mainly due to an upgrade from inferred resources of 269 million metric tonnes at the ArcelorMittal Mines and Infrastructure Canada as a result of the reevaluation of the resource classifications at the Mont Wright and Fire Lake deposits, (inclusion of additional drilling data). However, this increased tonnage was off-set by a reduction in the global %Fe grade where dilution has been included at the geological contacts in the new block models.

There was also a significant increase in measured and indicated resources of 143 million metric tonnes at the Andrade mine in Brazil, as confirmed by SRK Consultores do Brasil Ltda. This was mainly due to the inclusion of new drilling data to the north, inclusion of ore at depth and the inclusion of ores that had previously not been considered by the Monlevade Steel Plant, the customer of the product from Andrade mine due to the higher magnesium content. There was also a reinterpretation of the geological information and an improved geo-statistical methodology applied.

Changes in inferred iron ore mineral resource estimates

There has been a reassessment of the resources at the ArcelorMittal Mines and Infrastructure Canada's Mont Reed deposit, which has seen a net increase of 502 million metric tonnes, which off-sets the upgrades at the Mont Wright and Fire Lake deposits.

Metallurgical Coal Reserve and resource Estimates

The table below details ArcelorMittal's estimated metallurgical coal reserves as of December 31, 2018. The classification of coal reserve estimates as proven or probable reflects the variability in the coal seams thickness and quality, the mining selectivity and the planned

production rate for each deposit. Proven coal reserve estimates are based on drill hole spacing ranging from 50m x 50m to 500m x 500m, and probable coal reserve estimates are based on drill hole spacing ranging from 100m x100m to 1,000m x 1,000m.

	As of December 31, 2018									As of December 31, 2017	
	Proven Coal Reserves		Probable Coal Reserves		Total Coal Reserves					Total Coal Reserves	
	ROM Millions of Tonnes	Wet Recoverable Million Tonnes	ROM Millions of Tonnes	Wet Recoverable Million Tonnes	ROM Millions of Tonnes	Wet Recoverable Million Tonnes	Ash (%)	Sulfur (%)	Volatile (%)	Millions of Tonnes	Wet Recoverable Million Tonnes
Princeton - USA	71	45	23	11	94	56	5.2	0.7	17.4	88	56
Karaganda - Kazakhstan	11	5	99	49	110	54	34.9	0.6	28.7	136	57
Total					204	110	20.1	0.7	23.1	224	114

The Ash (%), Sulfur (%) and Volatile (%) for Princeton - USA shown in the table above are the in-situ coal qualities, whereas the Ash (%), Sulfur (%) and Volatile (%) for Karaganda - Kazakhstan are Run of Mine coal qualities.

	As at 31 December 2018				As at December 31 2017			
	Measured & Indicated Resources		Inferred Resources		Measured & Indicated Resources		Inferred Resources	
	ROM Mt	Recoverable Mt	ROM Mt	Recoverable Mt	ROM Mt	Recoverable Mt	ROM Mt	Recoverable Mt
Princeton – USA	114	50	5	2	116	51	5	2
Karaganda - Kazakhstan	669	334	44	22	760	380	44	22
Mt :	Millions of Tonnes							

* The resources are exclusive of reserves.

A new reserve estimation for the Kazakhstan coal operations was completed in 2018, based on a preliminary 10 year mine plan, remodeled from first principle, as recommended in the 2016 SRK Consulting (UK) Limited independent audit report.

The table below provides supplemental information on the producing mines.

Operations/Projects	% Ownership	In Operation Since	2018 Run of Mine Production (Million Tonnes)	2018 Wet Recoverable production (Million Tonnes)	Estimated Mine Life (Years)[1]
Princeton - USA	100	1995	3.4	2.1	35
Karaganda - Kazakhstan	100	1934	10.0	3.8	10

1. The estimated mine life reported in this table corresponds to the duration of the production schedule of each operation based on the 2018 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 2018 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: 2018 versus 2017

The Company's metallurgical coal reserve estimates had a net decrease of 20 million tonnes of Run of Mine coal and a decrease of 4 million tonnes of recoverable coal between December 31, 2017 and 2018. This decrease includes the annual mining depletion of 13 million tonnes Run of Mine and 16 million tonnes Run of Mine, at the Kazakhstan coal operations, primarily due to the new reserve estimation. However, this was offset by an increase of 9 million tonnes of Run of Mine coal at Princeton, primarily due to a reinterpretation of modifying factors. The additional recoverable coal at Princeton was due to infill drilling and improved modeling. The reporting of recoverable coal reserves from Kazakhstan excludes the recoverable coal which in theory could be used for metallurgical applications but which in practice is sold and used as thermal coal by ArcelorMittal at its steel plant facilities.

Changes in measured and indicated coal resource estimates

The 2018 measured and indicated resources for the Kazakhstan coal operations are shown exclusive of reserves verses the 2017 measured and indicated resources that are shown inclusive of reserves. The 2018 reserves are modelled from the new geological/resource model completed at the end of 2017, that was subsequently reviewed and confirmed by SRK Consulting (UK) Limited.

The reporting of recoverable measured and indicated coal resources in Kazakhstan excludes the recoverable coal used as thermal coal by ArcelorMittal at its steel plant facilities.

Cautionary note concerning reserve and resource estimates: With regards 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 CIM guidelines for 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