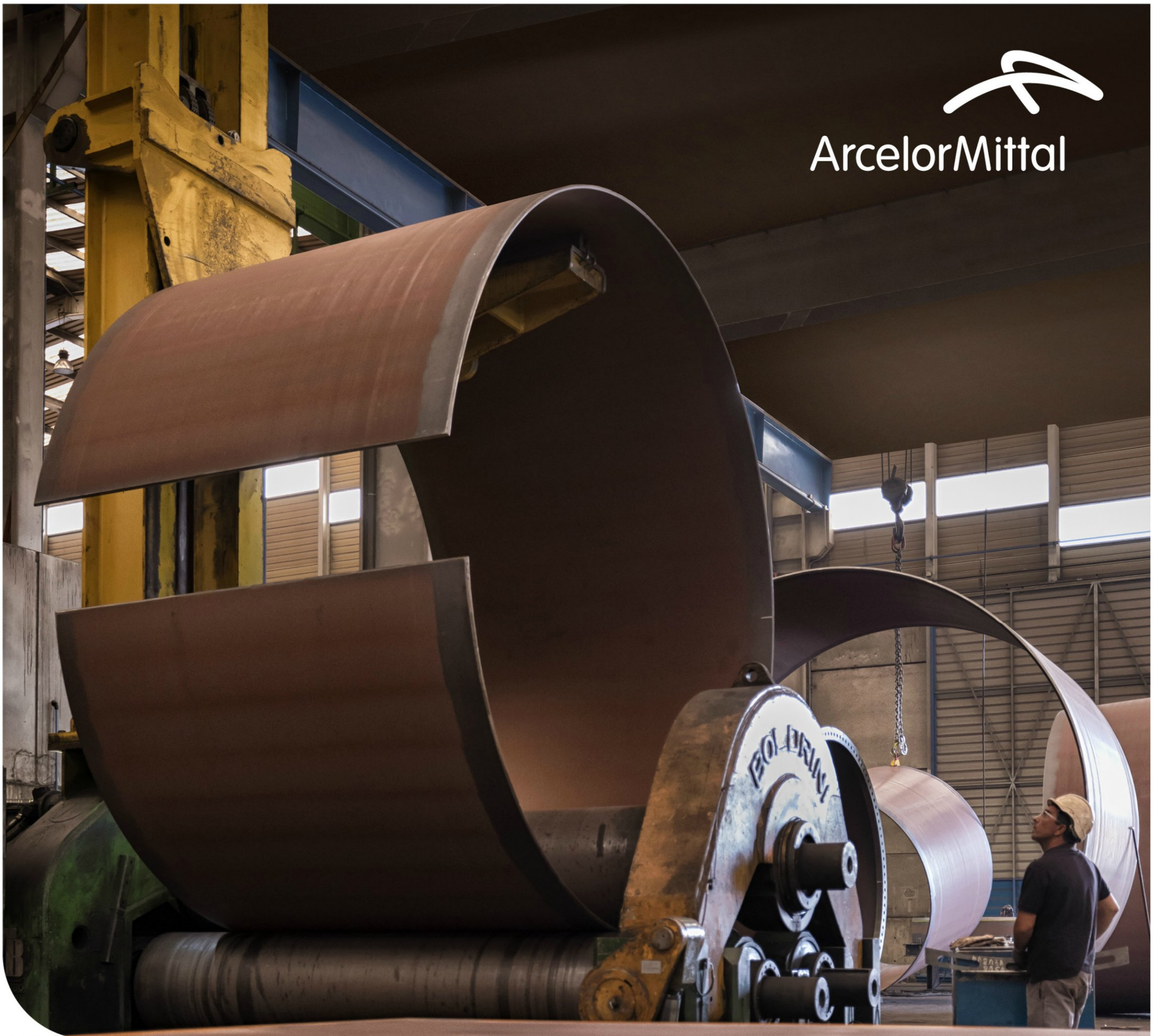

ArcelorMittal

Annual Report 2019 of ArcelorMittal parent company

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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 AMSF in Brazil and ArcelorMittal Italia in Italy, Europe's largest single steel site. In 2019, the Company completed its acquisition of AMNS India through a joint venture with NSC. For more information on the key transactions carried out in 2019, see “—Key transactions and events in 2019” 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 18 countries on four continents, including 46 integrated and mini-mill steel-making facilities. As of December 31, 2019, ArcelorMittal had approximately 191,000 employees.

ArcelorMittal’s steel-making operations have a high degree of geographic diversification. Approximately 37% of its crude steel is produced in the Americas, approximately 49% 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 2019, approximately

52% 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 95% 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.

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, 2019 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. 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. Such cyclicality, though to a lesser degree than in 2008/2009, was seen again in the downturns experienced in 2015 and 2019.

Weakness in North American and European markets have a significant impact on ArcelorMittal’s results, with these markets together accounting for over 60% of ArcelorMittal's deliveries in 2019, despite demand declining in both markets. In the European Union (“EU”), 2019 was the first year to show a decline in demand since 2012, when the onset of the eurozone crisis caused European apparent steel demand to decline over 10%. Since then, EU steel demand rebounded by 18% until 2018, returning to the average demand levels seen during the period between 2000 to 2005 but remaining almost 20% below 2007 peak levels. During this same period, import competition also increased, with imports 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 its largest market. Steel demand fell by around 4% in the EU in 2019 as underlying real demand declined by approximately 2.5%, driven by macroeconomic headwinds including declining automobile production, coupled with significant destocking, which negatively impacted apparent steel demand by a further 2%. Underlying steel demand in the United States increased strongly following the 2008/2009 financial crisis, but apparent demand has been affected by inventory movements, since demand peaked in 2014. Although the decline in apparent demand for flat products in 2019 at around -4.7% was less severe than the decline in 2015 (-8.6%) and both of these declines were exacerbated by significant destocking. This was due to underlying real steel demand weakening more than was anticipated at the start of the year, coupled by steel prices falling from high levels, resulting in stockists and later end-users, reducing inventory levels, which negatively impacted the Company’s deliveries and profitability. Although the Company does not anticipate an economic recession in the United States over the next twelve months, as the country is in the longest economic expansion on record and given the frailty of the current global economic outlook, any new economic downturn 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 limited due to the impact of anti-dumping trade cases, a declining but still significant proportion were directed toward ArcelorMittal’s core European markets in 2016. Indeed, 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. Between mid 2016 and early 2018, significant capacity had been closed, consisting of over 150 million tonnes of legal blast furnace capacity and an estimated 120 million tonnes of illegal induction furnaces. This led to a significantly higher capacity utilization rate, despite a 40 million tonnes reduction in exports over the past few years, translating into an 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, caused even higher utilization rates in China and an even higher spread of steel prices over raw materials. Prices have since fallen back as these temporary capacity restrictions have been less strictly enforced and the risk of continued capacity increases remains. The Company expects Chinese steel demand to grow in 2020 within a range of +0.0% to +1.0% (versus estimated growth of +3.2% in 2019) driven by robust real estate activity and given the Company’s current view on the Coronavirus. This may be revised downward due to the impact of the Coronavirus on Chinese demand and the knock-on impact elsewhere. However, demand is eventually expected to decline as infrastructure spending has been front-loaded and real estate demand structurally weakens due to lower levels of rural-urban migration. If this does not coincide with renewed capacity closures, this is expected to have a negative impact on steel prices and spreads. See "—Risks related to the global economy and the mining and steel industry—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 longer term contracts with low steel prices will not reflect increases in spot steel prices that occur after contract negotiation. 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 not always been correlated with changes in raw material prices, although steel selling prices may also be impacted quickly 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"). This lag can result in inventory write-downs, as occurred in 2015 and 2019 due to sharp declines in steel prices. 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 throughout 2019 as well as the 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 (62% Fe) prices rebounded from $40/t during December 2015 to an average of $58/t during 2016, and 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. Vale's Brumadinho dam disaster at the end of January 2019, coupled with strong steel production in China during the first half of 2019, pushed the price up to highs above $120/t in July. Vale managed to bring back 35 million tonnes of supply by the end of 2019, allowing the price to decline to an average of $92/t during December 2019 as supply better matched levels of demand. Iron ore prices have so far remained slightly above these levels during January 2020 but should iron ore prices decline significantly from these levels as further supply is brought online and especially if Chinese demand weakens, 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

Global growth in 2019 is estimated to have been 2.6% - its lowest level since the global financial crisis ("GFC") in 2008/09. This subdued growth is a consequence of rising trade barriers, elevated uncertainty surrounding trade and geopolitical issues and the impact of prior U.S. interest rate increases which had a tightening effect on financing conditions in emerging economies ("EM"s). A notable feature of the sluggish growth in 2019 was the sharp and geographically broad-based slowdown in manufacturing and global trade. A few factors drove this slowdown, including higher tariffs and prolonged uncertainty surrounding trade policy which dented investment and demand for capital goods that are heavily traded. The automobile industry is continuing to contract due to distinct reasons, including lower demand and disruptions from new emission standards in Europe and China. Consequently, global import volume growth in 2019 declined to less than 1%, the weakest level since 2015. In contrast to weak manufacturing and trade, the services sector across much of the globe continues to hold up, which has kept labor markets buoyant and wage growth healthy in advanced economies.

U.S. GDP growth decelerated to 2.4% in 2019 from 2.9% in 2018, amid slowing investment and exports as the heightened uncertainty due to trade policy and increasing perceived risk of recession caused businesses to scale back investment. Escalation of the U.S.-China trade conflict led to increased U.S. tariffs of 25% (from 10%) on $250 billion of Chinese imports, and imposed 15% tariffs on an additional $160 billion. While the recent “Phase-One” trade deal with China rolled back some of the tariffs (15% tariff halved to 7.5%), rising tariffs increased trade costs in 2019, while policy uncertainty weighed on investment and confidence. As in many other advanced economies, the U.S. manufacturing sector has been weak, while support from tax cuts and changes in government spending faded and became a drag on growth. Despite these headwinds, the labor market has remained robust and benefited from a rising participation rate. The unemployment rate of 3.5% which was reached at certain points of 2019 was near a decade low and wage growth has been solid, fueling resilient private consumption. However, concerns about the global outlook and persistent below-target inflation have resulted in the Federal Reserve cutting its policy rates by 75 basis points since mid-2019. 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.

After reaching a cyclical peak of 2.7% in 2017, EU GDP growth slowed notably to 2.0% in 2018 and 1.4% in 2019. The main source of the slowdown has been weaker external demand, including from Turkey and Asia, especially China. External trade drove most of the volatility in eurozone growth in recent years, with exports contracting during 2019. While the U.S.-China trade war was partly responsible, exports to Asia have fallen, other impacts include Brexit-related uncertainty and especially Turkey’s recession reducing external demand from the automotive sector, which was exacerbated by the disruption caused by emission standards. Several economies were on the verge of recession at some point during 2019, particularly Germany as its industrial sector was exposed to weakness in external trade and disruptions to car production. By contrast, domestic fundamentals in Europe remain strong, with unemployment having fallen to 6.3% in 2019 the lowest level since the GFC and increasing real wages supporting household consumption. As a result, the European economy remains dominated by the wide divergence between resilient activity in services and a struggling manufacturing sector.

Growth in China slowed from 6.6% in 2018 to a still robust 6.2% in 2019, supported by resilient consumption. Growth has decelerated amid cooling domestic demand and heightened trade tensions, with trade policy uncertainty weighing on sentiment for most of 2019. Industrial production growth has reached multi-year lows (5.5% in 2019) and trade flows have weakened substantially. Imports, especially those of intermediate goods, have declined, falling more than exports, partly reflecting a deceleration in domestic demand. The contraction in exports to the U.S. deepened due to the escalation in trade tensions resulting in new tariffs imposed on Chinese exports to the U.S. (although some tariffs have been reduced since the "Phase-One" trade deal discussed above was reached), though shipments to the rest of the world were somewhat more resilient. In response to the deceleration in activity, monetary policy has become more accommodative, but regulatory tightening to reduce non-bank lending has continued. The government has also stepped up some fiscal measures, including tax cuts and increased bond issuances by the central government to support local governments’ public infrastructure investment spending. As a result, total debt has surpassed 260% of GDP, but the share of non-bank lending has continued to decline.

GDP growth in Brazil slowed slightly to 1.2% in 2019 (compared to 1.3% in 2018), largely due to weak growth in the first half of 2019, reflecting the impact of the iron ore dam disaster (Brumadinho) which caused a contraction in mining output and the recession in Argentina - Brazil’s largest trading partner - leading to weaker export growth. In Russia, growth weakened to 1.3% (compared to 2.3% in 2018) due to slower investment growth as high funding costs due to the risk of further sanctions dampened private investment, while slow implementation of the infrastructure-related national projects impacted public investment. Exports have also fallen, due to lower oil prices, while an increase in VAT negatively impacted private consumption. Following the sharp lira depreciation and associated recession in late-2018, Turkey’s economy recovered during the second half of 2019, with 2019 growth averaging 0.3%, supported by expansionary fiscal policy and rapid credit expansion by state-owned banks. In South Africa, growth remained subdued at 0.3% in 2019 (down from 0.8% in 2018) due to infrastructure bottlenecks - especially in electricity supply - and weakening external demand, particularly from the eurozone and China. Slowing global trade, a weakness in global automotive sales and destocking, have negatively impacted global manufacturing, with output growth slowing in 2019 to an estimated 1.9% (down from 3.8% in 2018). While growth in manufacturing output in China weakened to 5.7% (down from 6.3% in 2018), world-ex China manufacturing output declined by approximately 0.4%. The main impacts came from developed markets, where manufacturing output is estimated to have contracted by approximately 0.9% in 2019, offsetting an estimated 0.8% growth in output from developing markets ex-China. European manufacturing has been impacted by weakness in automotive production which has impacted Europe more than the U.S., with output estimated to have declined by 0.8% while output in the U.S. was broadly stable in 2019.

Global apparent steel consumption ("ASC") is estimated to have grown by 1.1% in 2019 following strong growth of 2.4% in 2018. ASC growth in China remained resilient at 3%, primarily driven by construction, supporting robust machinery output, offsetting declining automotive output and slower growth in infrastructure. World-ex China ASC is down by around 0.8% year-on-year. Demand in developing ex-China is estimated to have declined by an estimated 1.2% year-on-year, due to domestic crises in some large emerging markets causing steel demand to decline sharply in Turkey (-10% year-on-year), Iran (-7% year-on-year) and Argentina (-14% year-on-year). This more than offset growth in India (+4% year-on-year), ASEAN (+3% year-on-year) and Russia (+4% year-on-year). In EU28, underlying demand for steel was impacted by weak manufacturing, particularly automotive and machinery, due to weaker external demand and heightened uncertainty related to both the U.S.-China trade conflict and Brexit. Weakness in real demand led to inventory destocking, causing ASC to decline by over 4% in 2019. While underlying demand for steel in the US performed better than EU28, U.S. ASC is estimated to have declined by around 2% year-on-year, with construction performing better than manufacturing. Indeed, due to weaker than expected manufacturing output, and prices declining from elevated levels, stockists reduced inventory levels causing demand for flat products to decline over 4% year-on-year, more than offsetting continued growth in longs.

Sources: GDP and industrial production data and estimates sourced from Oxford Economics January 17, 2020.

Steel production

After growing strongly in 2017 (+6.3%) and 2018 (+4.7%), reaching 1.79 billion tonnes in 2018, world crude steel production in 2019 is estimated to have increased 3.5% year-on-year to 1.85 billion tonnes, primarily driven by increased production in China. In 2019, China accounted for 52% of global steel production, East Asia 12%, EU28 9%, NAFTA 7%, India 6%, CIS 6% and the rest of the world 8%. World ex-China production declined by 1.6% (down 14 million tonnes) as the higher output in the U.S. (+1.5%), India (+1.8%) and Middle East (+20%) was not enough to offset lower output in other developed markets, particularly in the EU (-4.9%) and Developed Asia (-3.6%), and in some emerging markets, including Turkey (-9.6%) and South America (-8.4%).

Chinese steel production data over the past few years has been subject to increased uncertainty due to under-reporting, particularly at illegal induction furnaces ("IF"s) after most were closed during 2017. Since IF production was mostly unrecorded in the official figures previously, and this production has moved to mills whose production is recorded officially, it led to official estimates of production growing more strongly than actual production output as estimated by ArcelorMittal. Although the Company believes that the most recent production data is broadly accurate, it estimates that production was under-recorded until mid-2018, meaning that the World Steel Association's growth rate of 8.3% in 2019 is overstated (as are growth rates in 2017 and 2018). ArcelorMittal's crude steel production estimates are consistent with its belief that Chinese steel demand grew just over 3%, supported by the Company's proprietary bottom-up steel demand modeling, as well as China's production and trade in raw materials and metallics.

World ex-China steel production declined in 2019 as production in all major regions either fell or stagnated, except for the Middle East, where output rose by 7.3 million tonnes, largely due to Iran, where output grew more than 30% year-on-year. In 2018, production in the EU28 (168 million tonnes) was curtailed by increased import penetration despite continued demand growth and due to weakness in German steel production. In 2019, while a sharp fall in domestic European steel prices led to lower import penetration, steel production in EU28 declined by approximately 9 million tonnes to 159 million tonnes as the weakness in industrial output, particularly automotive production, led to much weaker steel demand. In North America, strong production growth in 2018 (4.4% year-on-year) was driven by U.S. fiscal stimulus and supported by Section 232 applied tariffs and quotas on steel imports. As the impact of the U.S. fiscal stimulus faded and North America steel demand fell, steel production in 2019 declined slightly (-0.8% year-on-year) due to weaker manufacturing with lower production in Mexico (-8.0%) and Canada (-4.9%) more than offsetting growth in the U.S. (+1.5%). The decline in steel output in South America was mainly caused by a 9% decline in Brazil production (down 3.2 million tonnes). Production in Developed Asia fell by 3.6% year-on-year (down 7 million tonnes), particularly Japan (-4.8%) and South Korea (-1.5%). Weakness in CIS steel production is due to persistent weakness in Ukrainian steel production (2019 production of 21 million tonnes is one third below the 2011 peak of 35 million tonnes), while Russian production declined slightly to 71.2 million tonnes from its historically high production in 2018 (approximately 72 million tonnes). After increasing 13.1% year-on-year to a record 37.5 million tonnes in 2017, Turkish steel production fell significantly to 33.4 million tonnes in 2019 as the economy suffered from a domestic recession triggered by a lira crisis in late 2018 which led to a collapse in domestic demand, especially in the construction sector.

Annual Global production data above is estimated using the 63 countries for which monthly production data is published by the World Steel Association.

Steel prices

Flat products

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 hot rolled coil ("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. 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.

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 the USD helped sustain domestic HRC prices in euro terms, with a low of €561/t in Northern Europe at the beginning of June 2018, €13 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 of 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 first quarter of 2019, steel prices for flat products in Europe continued their steady downward trend which started in September 2018. The prices of HRC in Northern Europe reached €517/t in January 2019, finishing the quarter €8/t lower, at €509/t. The decrease was attributable to weak domestic demand in the beginning of the year, high levels of inventories and the influence of declining international steel prices. In Southern Europe, HRC prices followed an inversed trend starting at €470/t in January and closing the quarter at €486/t, €16/t higher. This inversed trend was partially driven by a stronger demand in Southern Europe and partially by the Turkish imports that were entering the Italian market with higher price ranges between €495/t-€500/t Cost, Insurance and Freight Free Out ("CIFFO") effective. Domestic mills followed the Turkish import prices.

In the second quarter of 2019, prices in Northern Europe continued to decrease and ended the quarter at €487/t, which was €11/t lower compared to April 2019. HRC prices in the Southern regions followed the same trend from the previous quarter peaking in June at €472/t, from €469/t in April. Turkish suppliers continued with their export offers of €470/t-€480/t CIFFO effective into Italy and Iberia, providing room for further increases in Southern European domestic prices, given there was no import price pressure. The average HRC prices for the first half of 2019 were €499/t in Northern Europe and €472/t in Southern Europe, which were accordingly €65 and €66/t lower than in the first half of 2018.

Flat products prices continued to slide down in the third quarter of 2019, impacted by soft demand and weakening international raw material prices. HRC in Northern Europe had several trenches of price drops, ending the quarter at €469/t, which was €18/t lower versus the previous quarter. In Southern Europe the price of HRC averaged €453/t, which was €19/t lower compared to the second quarter of 2019. Market seasonality, high inventory levels and import pressure during the fourth quarter of 2019 pushed the HRC prices on a downward spiral. Several attempts of price increases were rejected by the market, as real demand in Europe was weak. In Northern Europe, HRC prices ended the fourth quarter at €431/t, which was €38 lower quarter-on-quarter and in Southern Europe, HRC averaged €413/t in the fourth quarter of 2019, €40/t lower than the previous quarter. In the second half of 2019, HRC prices averaged €450/t in Northern Europe and €433/t in Southern Europe respectively €107/t and €85/t lower than the second half of 2018.

In the United States, HRC spot 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 the United States, domestic HRC prices in the first half of 2019 continued the downward trend that began in July 2018. The first quarter of 2019 started with prices at $776/t in January and in March reached $767/t ($9/t lower). Prices in the second quarter of 2019 plunged even deeper - from $749/t in April to $598/t in June (a drop of $151/t), well below import parity levels. This descent represents the market's search for an equilibrium point after additional local capacity came on-stream in the second half of 2018. This additional supply availability added pressure on domestic prices at the same time as domestic mills were fighting imports. U.S. suppliers' short lead time combined with comfortable inventory levels at customers contributed to the downward trend in domestic prices.

The average HRC price for the first half of 2019 in the United States was $723/t, as compared to $907/t for the first half of 2018 (a drop of $184/t). The anticipated decline in imports, as an outcome of the implementation of the Section 232 import tariffs was not as strong as expected. Therefore, import prices continued to add pressure on the domestic pricing. The HRC import Houston DDP index continued to decline over the first half of 2019, from $746/t in the first quarter to $685/t in the second quarter.

In the second half of 2019, the average HRC price in the United States was $603/t, $330/t below the second half of 2018. The dramatic decrease is due to 2018 having been a record year in which prices were inflated by Section 232 import tariffs on steel. In 2019, prices fell due to weak real demand and decreasing scrap prices. The average HRC price for the third quarter was $627/t, a drop of $52/t versus the previous quarter which was mainly due to the scrap USA #1 Busheling price dropping by $33/t, to $290/t and pressure from destocking at both Steel Service Centers ("SSCs") and Original Equipment Manufacturers ("OEMs").

Prices in the fourth quarter of 2019 averaged at $579/t, which is $48/t lower versus the third quarter. The situation further deteriorated in October due to the strike at General Motors that added to the market's negative sentiment. From November onwards, some relief came as scrap started an upward trend and international prices began to show signs of recovery. As a result, the fourth quarter ended in December at $623/t from the yearly low of $545/t, recorded in October.

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 then 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 of 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. In China, HRC domestic prices averaged $555/t VAT excluded for the first half of 2018, 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 of 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 for the second half of 2018, representing a $7/t decline as compared to $524/t VAT excluded for the second half of 2017.

In China, spot HRC prices averaged at $482/t VAT excluded in the first quarter of 2019. The year started in January with prices at $467/t, strengthening to $494/t by March, as a result of the market's resumed activity following the Chinese New Year.

In the second quarter of 2019, due to Brazil's major accident at one of its largest iron ore mining facilities, as well as due to the market seasonality, the peak prices were reached in April at $523/t VAT excluded. The second quarter of 2019 closed in at an average of $512/t VAT excluded. Despite the governmental measures targeting production cuts due to overcapacity and environmental issues, domestic mills have reacted slowly to the indications, driving the domestic price by end of June 2019 to $493/t VAT excluded, i.e. on a downward trajectory. The HRC domestic price in China averaged $497/t VAT excluded for the first half of 2019, compared to $557/t VAT excluded for the first half of 2018.

The downward spiral of the Chinese HRC price continued in the third quarter of 2019 reaching $474/t, which was $38/t lower versus the previous quarter, with increased inventory levels of both raw materials and finished products. Domestic demand was impacted by seasonality. The fourth quarter of 2019 began with further weakening of Chinese HRC prices, with October being the weakest month at an average of $441/t. The Purchasing Managers' Index ("PMI") dropped to its lowest point in four years, with the rate of new order intake dropping by over 5% for both domestic and exports. However, the market started to improve from November onwards when the 7-month downward spiral reversed. Better domestic demand and a decrease in finished product inventory (-10% month-on-month) helped improve the prices in November. In December, international steel prices started to improve, which also supported a positive price environment in China. The fourth quarter of 2019 ended at $462/t, $12/t lower than in the third quarter. HRC spot prices in China averaged $468/t, VAT excluded in the second half of 2019, a decrease of $50/t, VAT excluded from the second half of 2018.

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 2017 to 2019.

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 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	$565
Q3 2018	€566	€537	$982	$546
Q4 2018	€548	€499	$883	$489
Q1 2019	€510	€477	$766	$482
Q2 2019	€487	€467	$679	$512
Q3 2019	€469	€453	$627	$474
Q4 2019	€431	€413	$579	$462

Long products

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 of 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.

Prices of long steel products in Europe continued their steady downward trend in 2019. In January 2019, rebar price and medium sections price reached €528/t and €624/t, respectively. The rebar price decline started in August 2018, while the medium sections price decline started in January 2019. By the end of March 2019, the rebar price and the medium section price dropped to €526/t and €588/t, respectively, reaching a quarterly average of €526/t and €605/t, respectively. In June 2019, prices bottomed further to €501/t for rebar and €579/t for medium sections. The falling domestic pricing environment followed the trend of weakening world scrap prices on international markets.

In Europe, the average medium sections price for the first half of 2019 was €595/t as compared to an average of €603/t for the first half of 2018. The average rebar price for the first half of 2019 was €521/t as compared to €552/t for the first half of 2018.

Prices for long steel products in Europe continued their steady downward trend in the second half of 2019. The prices reached a floor in November 2019 at €452/t for rebar and €521/t for medium sections, the lowest over the last two years. The average medium sections price in Europe for the second half of 2019 was €548/t as compared to €619/t for the second half of 2018, representing a drop of €71/t year-on-year. The average rebar price in Europe for the second half of 2019 was €476/t as compared to €545/t for the second half of 2018, a decrease of €69/t year-on-year.

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 closely followed 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 closely followed 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.

In Turkey, rebar export prices continue to align closely with the evolution of world scrap prices. The first quarter of 2019 started for Turkish rebar at one of the lowest points compared to the previous six quarters, being at $466/t FOB, which is in line with the bottomed HMS 1&2 index at $310/t CFR. However, the March 2019 rebar export price was $482/t FOB, higher by $36/t compared to January at $446/t. During the second quarter of 2019, the Turkish export rebar price followed a month over month downward trend alongside scrap HMS 1&2 index, from a high of $480/t FOB at beginning of April down to $468/t FOB at the end of June. Nevertheless, the average for the second quarter, at $473/t, was higher than the average for the previous quarter at $466/t. In the first half of 2019, the Turkish export rebar price averaged $470/t FOB compared to $562/t FOB average during the first half of 2018.

In the third quarter of 2019, the price of Turkish rebar continued the downward trend from the previous quarter, reaching $441/t FOB, which is a $32/t decrease quarter-on-quarter. July opened the quarter at $461/t, while September closed at $413/t, representing a drop of $48/t driven by the seasonally limited demand. In October, prices reached a floor for the year at $405/t, which was also the lowest point over the last three years. The prices subsequently increased with the overall fourth quarter of 2019 averaging at $421/t. The year closed in December with a price of $442/t, $37/t higher versus the low reached in October. The increase in prices was driven by the U.S. scrap price improvement from early November, which recovered the $40/t lost in September/October and ended the year in December at $290/t, although not enough to surpass the level from the first half of the year at $348/t. The average Turkish rebar export price for the second half of 2019 was $431/t FOB as compared to $508/t FOB for the second half of 2018.

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 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	€592	€545	$552
Q3 2018	€611	€551	$525
Q4 2018	€626	€538	$490
Q1 2019	€605	€526	$466
Q2 2019	€583	€515	$473
Q3 2019	€567	€490	$441
Q4 2019	€529	€461	$421

Current and anticipated trends in steel production and prices

The global economy clearly slowed in 2019, particularly in Europe, and the lower global automotive production weighed on steel demand. This impact was exacerbated by supply chain destocking in all the major markets, particularly in the Company's core markets of NAFTA, Europe and Brazil.

In China, in 2019, ArcelorMittal believes steel production grew almost 3% (despite the 8.3% increase in official figures - see discussion in "-Steel production" above) as demand grew over 3%, while net exports declined by 6 million tonnes. Before the onset of the coronavirus, the Company expected production to grow in 2019 as domestic demand increased by around 1 to 2%, coupled by marginally higher exports as world ex-China demand grows. This may be revised downward due to the impact of the Coronavirus on Chinese demand and the knock-on impact elsewhere, particularly the rest of Asia. 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. Since then, Chinese spreads have seen a sharp correction, declining from $280/t in the third quarter of 2018 to approximately $160/t in the third quarter of 2019. This was largely impacted by the Chinese government lowering the focus on reducing emissions and deleveraging and increasing the focus on sustaining the economy. This led to both stronger demand in 2019 (largely due to the stimulus plan targeting infrastructure), and to more capacity (due to less effective winter capacity constraints and some capacity creep). The U.S.-China “phase one” trade deal led to improved market sentiment, which resulted in industrial restocking. The Chinese government also continued to ease liquidity conditions moderately, as a tool to simulate the economy supporting an improved HRC spread, reaching $190-200 by the end of 2019 and sustained into January 2020. The precise impact of the Coronavirus is unknown but has had a negative impact on Chinese prices and spreads, and could continue to have a negative impact if inventories continue to rise at mills in China, putting downward pressure on pricing. While the Company expects a significant negative impact on industrial output and steel demand during the first quarter of 2020, assuming the disruption fades soon, employment and incomes are expected to be relatively unaffected, with most of the lost output expected to be recouped during the remainder of 2020, supported by fiscal and monetary easing. However, in 2020 both GDP and steel demand growth are still likely to be weaker than what was expected prior to the outbreak (Steel demand now expected to grow only 0 to 1% in 2020, down from 1 to 2% previously expected).

U.S. ASC decreased by almost -2% in 2019, as significant destocking and declining auto output led flat products to decline -4.7%, coupled with reduced pipe and tube deliveries, this more than offset growth in long products. Imports, however, continued to decline in 2019 (-18% year-on-year) due to Section 232 25% tariffs on most non-NAFTA countries, which allowed domestic production to increase (+1.5% year-on-year). The Company anticipates a small (0 to 1%) further increase in steel demand in 2020, but with imports expected to be broadly stable, steel production is expected to grow at a similar rate to demand. In the EU, steel demand declined by over 4%, driven by weaker real demand and exacerbated by destocking, which accounted for almost half the decline in apparent steel consumption. Brazilian flat products demand was also negatively impacted by destocking in 2019 and alongside continuing growth in real demand, the Company expects growth in apparent steel consumption of almost 5% in 2020. Despite imports declining too, steel production in the EU still declined by 4.9% in 2019. While real steel demand is expected to remain weak in 2020, an end to destocking is expected to support mild growth (around +1.5%) in ASC. In 2020, the Company expects continued pressure from imports, which is why appropriate safeguard 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 2020 due to relatively strong demand growth in developing Asian markets and a rebound from significant declines in Turkish steel demand, coupled by slow growth in developed markets. Continued capacity restraint and relatively stable production in China, together with continued growth in demand in world ex-China is expected to lead to a gradual improvement in utilization and support the spread of steel prices over raw material costs.However, the Coronavirus is having a significant impact on Chinese demand during the first quarter of 2020 and is likely to have a negative impact elsewhere, mainly Asia, through reduced goods exports to China, fewer tourists from China and supply-chain disruptions due to shortages of Chinese produced intermediate goods. Although the impact on the Company's core markets is expected to be smaller, until the virus is under control, these cannot be quantified and our current forecasts for steel demand assume that the situation in China does not deteriorate materially. However, the recent increase in cases outside China is worrying and increases the risk of a global pandemic and a much larger negative impact on global GDP. The Company is monitoring the situation closely and in particular in Italy, as should the virus spread more widely through Europe this will likely have a material impact on the Company’s sales and profitability in 2020

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, their prices 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.

In 2017, the increase in the average reference iron ore and hard coking coal price that occurred in 2016 continued due to the impact of closures of induction furnaces capacity 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 the first quarter of 2018, iron ore market reference prices increased following a decrease in the fourth quarter of 2017, averaging $74.39/t, up 13.6% compared to the fourth quarter of 2017 (Metal Bulletin 2018 vs. 2017), supported by robust crude steel production in China. For the full year 2018, the 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).

In 2019, iron ore market reference prices increased following a supply disruption caused by the collapse of the Brumadinho dam owned by Vale in Brazil on January 25, 2019 and the cyclone in Australia mining region (end of March 2019), averaging $93.63/t, up 34% compared to 2018 (Metal Bulletin 2019 vs. 2018).

Coking coal prices in 2018 averaged $206.58/t (compared to $187.31/t in 2017) and were supported by robust crude steel production in China as well as bullish market sentiment from risk of lower Australian supply due to the announcement of changes in the maintenance schedule by the main local rail network operator. Coking coal prices in 2019 averaged $177.36/t (compared to $206.58/t in 2018) and were initially supported by incidents in Australia (heavy rains, accident at Anglo’s Moranbah mine) and the local Australian rail network operator trade union’s industrial action and maintenance works, however, in the second half of 2019, the prices decreased, driven by coking coal import restrictions at key Chinese ports and a weak demand from India amid domestic slowdown.

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 2017, 2018 and 2019, 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

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 on 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.

In the first quarter of 2019, following the Vale owned Brumadinho dam disaster in Brazil, the seaborne iron ore market surged to $82.41/t on average, up 15% compared to the last quarter of 2018. The supply shock was aggravated by the cyclone season in Australia with some Australian iron ore producers lowering their output guidance for the year, which contributed to reaching $100.92/t on average in the second quarter of 2019 with a peak of $125.77/t observed on July 2 (Metal Bulletin) also supported by lower inventories at Chinese ports. Prices remained elevated in July at $119.93/t in average and sharply decreased in August to $90.69/t following expectations of weaker demand as well as the impact of currency risks which were exacerbated by the decision of China’s central bank to depreciate the yuan in response to decision of the U.S. government to extend punitive tariffs, both of which cast uncertainty on the iron ore future market, along with supply recovery. In September 2019, iron ore prices rose again on the back of a supportive paper market and expectations of increased end-user restocking activity. The average price for the third quarter of 2019 was $102.03/t. October 2019 was bearish with continued lack of end-user demand for iron ore fines ahead of announcements for winter production cuts. However, prices recovered sharply in November amid higher end-user demand for high-grade materials and supportive futures market for steel. The fourth quarter of 2019 average price was $88.97/t and the average price for 2019 was $93.63/t (Metal Bulletin).

Coking coal

In the first quarter of 2017, the spot prices (Metal Bulletin Premium Hard Coking Coal FOB Australia index "HCC FOB") 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 HCC 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 HCC FOB Australia index) averaged $228.48/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 $188.89/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 $220.79/t in the fourth quarter of 2018.

In the first quarter of 2019, coking coal prices were volatile ranging from $190/t to $217/t. The volatility was supported by incidents in Australia, including heavy rains, an accident at Anglo’s Moranbah mine and a trade union's industrial action at a local rail network operator. The average spot price in the first quarter of 2019 was $206.33/t (Metal Bulletin Premium HCC FOB Australia index). In the second quarter of 2019, prices first increased to the quarter’s high of $213.16/t on May 13, 2019 fueled by the increased sentiment of potential less availability of metallurgical coal railroad capacity in Australia due to maintenance at a local rail network operator in April. Prices then decreased to $191.61/t on June 28, 2019 due to reduced steel margins putting pressure on coke prices. The average spot price in the second quarter of 2019 was $202.85/t. In the third quarter of 2019, tightening of coking coal import restrictions at key Chinese ports and weak demand from India during the monsoon season led to a decrease in prices with the average spot price at $161.03/t (Metal Bulletin Premium HCC FOB Australia index). In the fourth quarter of 2019, the bearish trend in the coking coal market continued driven by a slowdown in Chinese imports including a ban on imports at China’s largest coking coal handling port in Jingtang effective from October 1, 2019. Weak demand from India post the monsoon season amid domestic slowdown contributed to this bearish trend. The average coking coal spot price decreased to $139.27/t in the fourth quarter of 2019.

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 2017	85.63	166.82
Q2 2017	62.90	190.58
Q3 2017	71.24	188.34
Q4 2017	65.50	203.50
Q1 2018	74.39	228.48
Q2 2018	65.97	188.89
Q3 2018	66.86	188.17
Q4 2018	71.56	220.79
Q1 2019	82.41	206.33
Q2 2019	100.92	202.85
Q3 2019	102.03	161.03
Q4 2019	88.97	139.27

Scrap

The Company considers the German suppliers' index ("BDSV") Delivered at Place ("DAP") as market reference.

During 2019, the BDSV for reference grade E3 started in January at €262/t and reached a maximum for the period of €278/t in March. From April on it decreased month by month until reaching the bottom in October at €196/t € followed by two consecutive increases in November and December to €244/t. The average index for 2019 was €252/t as compared to €285/t for 2018 and €259/t for 2017, a decrease of €33 or 12% less than 2018.

Turkey's scrap imports declined by 11% in the first nine months of 2019 compared to the same period of 2018, nevertheless it remains by far the main scrap buying country in the international market. Turkish Electric Arc Furnace steel production share dropped from 69% in 2018 to 68% in the first 9 months of 2019 and total crude steel production was down by 10.1% in the same period. The Scrap Index HMS 1&2 CFR Turkey, North Europe origin, started January 2019 at $280/t reaching a maximum for the year in March at $317/t and then dropped during the second quarter to $286/t in June. It then reached a peak in July at $288/t followed by a continuous decrease until October to $233/t and then increasing again to reach $290/t in December. The average yearly prices were $294/t in 2017, $334/t in 2018 and $281/t in 2019. The average European scrap prices were consistent with the exports HMS 1&2 CFR Turkey, North Europe reference for 2019.

In the domestic U.S. market, HMS 1 delivered Midwest index was $75/t lower in 2019 than 2018. The Midwest Index for HMS 1 decreased from an average of $322/t for 2018 to $247/t for 2019. On the export market, HMS export FOB New York average prices of 2019 were at $266/t, a decrease by $54/t compared to 2018 ($280/t in 2017).

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 $5.63 per dry metric tonne unit ("dmt") (for 44% lump ore) on Cost, Insurance and Freight ("CIF") China for 2019, representing a 21% decrease from $7.16/dmt in 2018 ($5.97/dmt in 2017) mainly due to overstocking of material at Chinese ports reflecting low appetite from manganese alloy producers as a result of low steel demand.

Manganese alloys prices also followed a downward trend where high carbon ferro manganese decreased by 10% from $1,330/t in 2018 to $1,203/t in 2019 ($1,428/t in 2017), silicon manganese decreased by 7% from $1,325/t in 2018 to $1,234/t in 2019 ($1,343/t in 2017) and medium carbon ferro manganese decreased by 8% from $1,930/t in 2018 to $1,780/t in 2019 ($1,910/t in 2017).

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 2019 was $2,549/t, representing a 13% decrease as compared to the 2018 average of $2,926/t (the 2017 average was $2,896/t). Stocks registered at the London Metal Exchange ("LME") warehouses stood at 51,225 tonnes as of December 31, 2019, representing a 60% decrease compared to December 31, 2018 when registered stocks stood at 129,325 tonnes (182,050 tonnes in 2017).

The average price of tin for 2019 was $18,671/t, 7% lower than the 2018 average of $20,167/t (2017 average was $20,098/t).

The average price of aluminum for 2019 was $1,792/t, representing a 15% decrease compared to the 2018 average of $2,110/t (the 2017 average was $1,968/t).

The average price of nickel for 2019 was $13,936/t, representing a 6% increase compared to the 2018 average of $13,118/t (the 2017 average was $10,407/t).

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.

Oil

In the first quarter of 2016, after decreasing for six quarters in a row, the Brent crude oil price leveled at just below $30/ barrel ("bbl"). To boost prices, 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 by 1.8 million barrels per day ("bpd"). Initially, the cuts were expected to last for only six months. However, an extension in May 2017 and again in November the same year launched an era in which production cuts became a popular tool among producers to support global oil prices. As a consequence, prices increased starting in the summer of 2017 when prices gained 75% year-on-year from $45/bbl in May 2017 to $80/bbl in May 2018, with prices continuing to steadily increase throughout the first three quarters of 2018. The Brent crude oil front month contract started 2018 at $66/bbl and peaked at $86/bbl (a 4-year high) in October 2018. During the same period, the U.S. pulled out of the Iran nuclear deal, and was threatening sanctions against any country which further imported Iranian oil. In the following months, Brent crude oil fell more than 30% and finished the year at $53.80/bbl, a 15-month low. The drop was backed by growing concerns of a global economic slowdown as a tariff war between the world's biggest economies (namely, the U.S. and China) intensified. To stop plummeting prices, a final effort from OPEC and its allies was made in early December 2018, when they jointly decided to cut output by 1.2 million bpd throughout the first half of 2019. Immediately, the oil market started tightening throughout the first quarter of 2019, finishing the first half of the year just higher than $65/bbl. The driving forces of 2019 proved to be the same as in 2018. While tensions grew in the Middle East fueled by renewed sanctions on Iran, the U.S. continued to pump oil at record high levels. The U.S. and China continued its trade war and the UK continued to postpone Brexit. At the start of the third quarter of 2019, OPEC and Russia confirmed that they would continue their efforts to balance the global market by extending the 1.2 million bpd cut by another nine months and into the first quarter of 2020. In December 2019, a decision was made to increase the level of cuts in the first quarter of 2020 but not to extend these cuts beyond March 2020. In the meantime, Iran's retaliation threats kept the oil markets on alert. Throughout 2019, Brent crude oil moved between $55/bbl and $75/bbl, not exposing a clear trend, not even after supply shocks like the bombing of a Saudi facility in September. Brent crude oil finished the year in the middle of the range at $66/bbl.

The following table shows certain quarterly average prices of oil, thermal coal 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 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
Q1 2019	63.83	54.90	75.38	22.24
Q2 2019	68.47	59.91	57.13	25.55
Q3 2019	62.03	56.44	58.75	26.93
Q4 2019	62.42	56.87	58.24	24.88

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 December 2020 and the trading system for the period after 2020 has been revised in a manner that 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, keeping prices below €10 per ton of CO_2 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 ("CO_2") - 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 CO_2 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 (EU) 2018/410). As a result, the EUA price surged further and only leveled after surpassing the historical high of €25/ tCO_2e in September 2018. This marked a 360% price increase in only nine months. At the end of 2018, the price reached an all-time high of €25.3/tCO_2e amid thin trading activity during the holiday period. Throughout the first half of 2019 the EUA price increased by 15% and finished the second quarter of 2019 at €26.5/tCO_2e. Not only did the EUA price increase but the market also witnessed great volatility mainly driven by uncertainties around Brexit, the end of the compliance period in April and the market stability reserve ("MSR") which started operating in January 2019, reducing auction supplies since the second week of January. A new historical high was reached in July 2019, when the price for a EUA touched €30/tCO_2e. However, more generally, during the first quarter of 2019, prices remained around €22/tCO_2e while prices remained around €25/tCO_2e for the rest of 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

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 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. During the first half of 2019, the downward trend continued and the spot contract for API2 lost more than 40%, finishing the second quarter of 2019 at a 3 year low of just below $50/t. This sharp price decrease was driven by coal-to-gas switching across the European power sector and an abundance of supply, since Australia had to redirect its cargoes due to Chinese import restrictions. During the third quarter of 2019, short term prices rebounded amid higher spot demand and stock replenishing activity ahead of the winter. However, a milder than average winter led to a price decrease of almost 20% during the fourth quarter of 2019, from around $64/t in September to $52/t end of December.

Natural gas - Europe

Year after year, the natural gas market moves toward becoming 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 485 billion cubic meters ("bcm") in 2019, an increase of 11.5% 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 2018 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). The 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, exceptionally 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 2018, the TTF spot price tumbled from €29.50/MWh down to €22.00/MWh. This trend continued into 2019, and the TTF spot price plummeted below the €10.00/MWh mark by end of June. This sharp decrease of 55% from the beginning of first quarter to the end of second quarter happened on the back of milder than normal seasonal temperatures, rapidly improving storage levels, historical high LNG arrivals and a continuous strong import of Norwegian and Russian piped gas. Even high levels of coal-to-gas switching across the European power sector could not prevent prices from dropping to historical lows by the end of June. Throughout the third quarter of 2019, TTF spot prices traded in average at €10.2/MWh (year-on-year decrease of 58%), with a low in September close to €7/MWh. In November, TTF spot prices traded up and reached levels of around €16.6/MWh. This price increase was supported by colder temperatures and the fear that Russia and Ukraine would not be able to sign a new multi-year transit contract. It was only in the very last days of December that the two countries agreed on a deal leading to a price collapse during the second half of December, and the front month delivery finished the year at €11.7/MWh.

Natural gas - United States

In 2019, natural gas production in the U.S. reached another record. Total production grew by 8.3 billion cubic feet per day ("bcf/d") in 2019 year-over-year, with associated gas contributing to more than half (4.5 bcf/d) of the increase. Gas markets across the U.S. remain oversupplied and continuously pressured Henry Hub gas prices lower in search of a new floor. Consequently, low gas prices in 2019 led to another record year for gas-for-power demand at 31 bcf/d, growing 2 bcf/d from the previous year. Furthermore, 2019 was also a record year for LNG development in the number of final investment decisions reached ("FIDs") and LNG train start-ups. More than 30 Million Metric Tonnes per Annum ("mmpta") of capacity became available following the FIDs reached in 2019, the single largest year in U.S. LNG history. In 2019, the U.S. exported a total of 37.6 mmpta of LNG, which marks an increase of 66% year-on-year.

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. In the first nine months of 2018, 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) averaged $2.85 per million British Thermal Units ("/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 a 60% price increase 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, at the 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. Henry Hub natural gas futures lost more than 20% throughout the first half of 2019 and at the end of June stood more than 50% lower than the winter peak in the fourth quarter of 2018. U.S. dry gas production during the first quarter of 2019 was almost 13% higher than in the same period a year earlier. This led to a faster than normal rise of working stocks in underground storage, resulting in downward pressure of the natural gas market. This downward pressure persisted throughout the second half of 2019, with only occasional spikes up to $2.7/MMBtu in September and $2.9/MMBtu in November. Nevertheless, the fourth quarter of 2019 averaged $2.4/MMBtu (down 35% from the fourth quarter of 2018).

Natural gas - Asia

Throughout the first quarter of 2018, 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 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 price again surpassed the $11/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 of 2018, 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. During the first half of 2019, European importers saw record high levels of LNG arrivals, reflecting the abundant supply across Asia amid healthy storage levels in key importing countries as a result of a mild winter. Furthermore, a significant ramp-up of new liquefaction capacity across Australia, the U.S. and Russia meant more supply to an already oversupplied market. Consequently, the JKM front month contract lost 47% from the start of the year until the end of June 2019. With muted demand and more global supply, the low prices persisted until the end of the second quarter of 2019. In the fourth quarter of 2019, amid the start of the winter, the JKM rose and averaged $5.9/MMBtu (42% lower than 2018).

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 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
Q1 2019	18.47	2.87	6.86
Q2 2019	13.02	2.51	4.94
Q3 2019	10.20	2.33	4.74
Q4 2019	12.66	2.41	5.91

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 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
Q1 2019	41.35	47.18	48.34
Q2 2019	35.74	34.81	34.44
Q3 2019	37.55	35.64	35.11
Q4 2019	36.51	40.23	39.37

Electricity - Europe

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 CO2 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, a trend which reversed in the first half of 2019. Tumbling fuel prices, combined with healthy renewable power generation and strong nuclear output helped to pressure spot prices across North West Europe in the first half of 2019. The lack of a severe summer heatwave helped to pressure the third quarter of 2019 prices. Wet early winter months, mild temperatures and good renewable power output contributed to a significant reduction in France and Belgium the fourth quarter of 2019 compared to 2018. This decrease occurred despite the fact that French nuclear availability was at a multi-year low for that time of the year, which is normally a strong support for prices.

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

Ocean freight

Ocean freight prices (average for all sizes) remained at the same level in 2019 compared to 2018 due to the increase on cape size offset by the decrease on Panamax, Supramax and Handymax segments. The Baltic Dry Index (“BDI”) maintained the same average at 1,352 points in 2019 compared to 2018 (1,145 points in 2017). The Capesize index increased by 9% year-on-year to average $18,025/day against $16,529/day in 2018 ($15,129/day in 2017). Meanwhile the Panamax index increased by 9% to an average of $11,112/day as compared to $11,654/day in 2018 ($9,766/day in 2017). In 2019, on the cape size a total of 79 vessels or 18.8 million deadweight was delivered, the most since 2016 and up from 52 vessels or 14.4 million deadweight in 2018. Panamax in 2019 was heavy in terms of deliveries with 134 vessels or 11.1 million deadweight delivered, the most since 2014 and up from 67 units or 5.5 million deadweight in 2018.

Fleet growth remained moderate but picked up slightly by 4.1% in deadweight terms in 2019 (2.6% increase compared to 2018) following increased deliveries and limited demolition activity. Deliveries up 22% y-o-y to 98.4 million deadweight, scrapping down 45% year-over-year to 17.0 million deadweight. Part of the impact of this fleet growth was offset by scrubber retrofitting activity (at year end, 35 million deadweight was in repair yards undergoing a retrofit) and slower speeds. The high fleet growth in 2019 (4.1%) is expected to continue in 2020 when the fleet is also expected to grow more than demand. The cumulative impact of these growth rates means that the gap between demand for shipping and the supply of ships is expected to continue to put downward pressure on freight rates throughout the year.

Sources: Baltic Index, Fearnleys, Clarksons Platou, BIMCO, CTM

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 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.

Since April 1, 2018, the Company has designated a portfolio of euro denominated debt (€6.9 billion as of December 31, 2019) as a hedge of certain euro denominated investments (€8.1 billion as of December 31, 2019) 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, 2019, 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 2019, the euro decreased from 1.1450 at December 31, 2018 to 1.0889 at end of the third quarter, before gradually increasing back to 1.1234 on December 31, 2019 against the U.S. dollar as a result of a global context driven by the U.S. administration's protectionism on trade policies and progressive narrowing of U.S. dollar and euro rate differentials as the U.S. Federal Reserve ("FED") delivered three rates cuts in the second half of 2019 thus lowering FED Funds target rate to 1.55%.

The Polish zloty marginally decreased against the U.S. dollar throughout 2019 from 3.7567 on December 31, 2018 to 3.7892 on December 31, 2019 after reaching 4.0208 at the end of the third quarter. Although Polish economic performance remained strong for the period, the zloty’s behavior for the period mainly resulted from the persistently accommodative stance from the Polish Central Bank even with local inflation finally beating the 2.5% official target on the second semester.

The Ukrainian hryvinia increased gradually against the U.S. dollar in 2019 starting from 27.6886 on December 31, 2018 to 23.6860 on December 31, 2019 reflecting the positive news around the local economic potential following the election of the new president Volodymyr Zelensky and benefiting from improvements in the country’s relations with Russia as well as optimistic view on key structural reforms.

The Kazakh tenge was stable at 384.17 against the U.S. dollar at the beginning of the year, depreciated to 390.39 on October 9, 2019 and then appreciated to 381.24 as of December 31, 2019. This fluctuation was due to the National Bank raising its base rate in order to contain rising inflationary pressures from the ongoing recovery of consumer demand and a 4.2% stronger than expected economic growth.

The Indian rupee decreased against the U.S. dollar in 2019 from 69.6330 at the beginning of the year to 71.3776 on December 31, 2019 resulting mainly from extremely accommodative monetary measures taken by the National Bank of India in its attempt to support India's slowing economy notably affected by the deteriorating trade context globally as well as through weak household demand locally, slower credit disbursements by banks and non-bank financial companies, policy disruptions, a sluggish investment cycle and structural issues. 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 the Indian Rupee and U.S. dollar in relation to the proposed acquisition of AMNS India. In 2019, $5.1 billion of the hedging program settled generating a gain of $360 million. As of December 31, 2019, the total amount of the hedging program remained at $0.8 billion. See note 6.3 to the consolidated financial statements for further information.

The South African rand concluded 2019 slightly appreciating against the U.S. dollar after having decreased from 14.4306 on December 31, 2018 to 15.4190 in August 2019 and finally appreciating to 14.1183 on December 31, 2019 and thus not reflecting significantly the fact that signs of improvement from the South African economy remain quite weak.

The Canadian dollar appreciated against the U.S. dollar in 2019 from 1.3629 to 1.3248 between the beginning of the year and the end of the third quarter, before finishing the year stronger at 1.2994, due to commodity prices weighing on the currency followed by a solid increase in domestic demand, government spending and a strong job market supporting the Canadian dollar.

The Mexican peso decreased in 2019 from 19.6437 on December 31, 2018 to 20.0767 at the beginning of September 2019 before finishing the year stronger at 18.8893 against the U.S. dollar, as 2019 growth was lower than expected, followed by low interest rates in U.S. dollar supporting the improvement.

The Brazilian real decreased in 2019 from 3.8748 on December 31, 2018 to 4.2304 at the end of November 2019 before finishing the year stronger at 4.0307 against the U.S. dollar, as a social security reform was approved.

The Argentine peso decreased in 2019 from 37.7003 on December 31, 2018 to 59.8910 on December 31, 2019 against the U.S. dollar, as poor economy and debt issues weighed on the local economy.

Trade and import competition

Europe

There has been a trend of imports growing more strongly than domestic demand in Europe since 2012. ASC increased approximately 14% between 2012 and 2019, while finished steel imports increased by approximately 80%, taking market share from domestic producers. Over this period total finished imports have risen from just over 15 million tonnes in 2012 to around 28 million tonnes in 2019, causing import penetration to rise to 18% in 2019 from 11% in 2012. 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 increasing to over 16%. Since then, Chinese imports into Europe have fallen back from a peak of 7 million tonnes in 2015 to around 2.5 million tonnes in 2019. 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 2019) and developed Asia (2 million tonnes in 2014 to 4 million tonnes in 2019). Meanwhile, CIS imports have remained the largest share (approximately 25%) remaining relatively stable at an average of 7 million tonnes annually between 2014 and 2019. While there has been a trend of imports growing more strongly than domestic demand since 2012, in 2019, due to weakness in industrial output, particularly European automotive production, ASC decreased by 4%. As domestic European steel prices fell sharply, imports followed suit decreasing approximately 10% year-on-year, particularly from CIS (down 12%), developed Asia (down 14%), China (down 14%) and India (down 20%). As a result, import penetration declined to 18% in 2019 from 19.5% in 2018, with flat product imports declining to 20% (from 22% in 2018) and long product imports declining to 11% (from 13% in 2018). See —Risk factors—Risks related to the global economy and the mining and steel industry—Unfair trade practices, import tariffs and/or barriers to free trade could negatively affect steel prices and ArcelorMittal’s results of operations in various markets.

Source: Eurostat trade data to November 2019, Company estimates for December 2019.

United States

Finished steel imports peaked in 2014 at almost 30 million tonnes, declining to approximately 25.7 million tonnes in 2017 (or an import penetration of over 26%). In 2019, with section 232 (implemented in 2018) adding a 25% tariff on most imports outside NAFTA, finished steel imports decreased by approximately 7 million tonnes from the levels of 2017, despite the level of apparent steel consumption in 2019 being similar to 2017 levels. As a result, import penetration has continued to fall, from 23% in 2018 to 19% 2019, as imports declined (-18% year-on-year) more sharply than apparent steel consumption (-2% year-on-year). Import penetration in 2019 was at 19%, close to the average level between 2007 and 2013, but much lower than the 27% average import penetration between 2014 and 2017.

Relative to other regions, imports from NAFTA decreased by only approximately 15% year-on-year as section 232 tariffs only applied until May 2019. As a result, over a third of imports came from the NAFTA region, of which 27% came from Canada and 9% from Mexico, up slightly from the two countries' 34% combined share in 2018. Other countries such as Brazil, Ukraine, Australia and South Korea, though not subject to 25% tariffs, are subject to quotas. Imports decreased further from Turkey (down approximately 70% year-on-year), where its share of imports declined from 5% in 2018 to approximately 1% in 2019. Though declining year-on-year, the breakdown of imports from the rest of the world remained stable, with 20% of U.S. steel imports coming from both Developed Asia (with the total down 14% year-on-year) and from EU28 (total down 16% year-on-year), with a 6% share from ASEAN (total down 19% year-on-year), 3% from CIS (total down 13% year-on-year) and approximately 2% from China (total down 21% year-on-year). See —Risk factors—Risks related to the global economy and the mining and steel industry—Unfair trade practices, import tariffs and/or barriers to free trade could

negatively affect steel prices and ArcelorMittal’s results of operations in various markets.

Sources: American Iron and Steel Association data to November 2019, Company estimates for December 2019.

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 2019 and 2018, specifically in China and in Europe.

Steel industry consolidation in China aims at enhancing international competitiveness, reducing overcapacity, rationalizing steel production based on obsolete technology, improving energy efficiency, achieving environmental targets and strengthening the bargaining position of Chinese steel companies in price negotiations for iron ore. The Chinese government set a target that 60 to 70 percent of steel should be produced by the top ten steel groups by 2025. China will soon release guidelines to foster mergers and restructuring plans for the steel industry to facilitate the creation of larger and stronger groups that can compete in the global market. The guidelines, aiming to clear obstacles in steel consolidation, will encourage cross-region and cross-ownership mergers and restructuring by qualified enterprises. Examples of recent merger activity in China include the Baosteel Group and Wuhan Iron and Steel Group merger that was completed in late 2016, creating Baowu Steel Group ("Baowu") with an annual production capacity of around 60 million tonnes. Further, in September 2019, Baowu and Magang (Group) Holding Co., Ltd ("Magang") signed a partnership agreement where Baowu secured a 51% stake in Magang, increasing Baowu's steel production capacity to approximately 90 million tonnes and representing a big step in the ongoing consolidation of the Chinese steel industry.

In Europe, the proposed joint venture between Thyssenkrupp and Tata Steel, which would have created Europe's second-largest steel company after ArcelorMittal, was canceled in May 2019 as the joint venture partners considered that the concessions required by the European Commission to overcome its concerns over higher prices for electrical steel, automotive steel and packaging, among others, in the event of the merger, would adversely affect the intended synergies of the merger. On October 29, 2019, Liberty House Group announced a merger with GFG Alliance's steel businesses to create Liberty Steel Group with a capacity of 18 million tonnes and a plan to be carbon neutral by 2030. According to the announcement, Liberty Steel Group will be the eighth largest steel producer outside China, with operations stretching from Australia to continental Europe, the United Kingdom and the United States.

In another step towards consolidation in the U.S., United States Steel Corp announced on October 1, 2019 that it reached an agreement to purchase a minority stake in Big River Steel with an option to take complete control of the company over the next four years. On December 3, 2019, AK Steel and Cleveland Cliffs announced an all stock merger which is expected to close in the first half of 2020.

In November 2018, ArcelorMittal completed the acquisition (via a long-term lease) of ArcelorMittal Italia, Europe’s largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. ArcelorMittal Italia 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, which were completed in June 2019. ArcelorMittal is engaged in ongoing negotiations with the Italian government regarding ArcelorMittal Italia. See Key transactions and events in 2019.

In the first quarter of 2018, ArcelorMittal signed a joint venture formation agreement with NSC and submitted its Resolution Plan for the acquisition of AMNS India, setting out a positive future for the bankrupt company, an integrated flat steel producer and the largest steel company in western India. The acquisition was completed in December 2019, and ArcelorMittal announced the creation of its joint venture with NSC. The Company’s Resolution Plan for AMNS India should enable it to participate in anticipated steel demand growth in India. See Key transactions and events in 2019.

Further future consolidation should allow the steel industry to perform more consistently through industry cycles by achieving greater efficiencies and economies of scale.

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 less capital expenditures.

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, 2019, 2018 and 2017

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, 2019, 2018 and 2017:

	Sales for the year ended December 31,[1]			Operating (loss) income for the year ended December 31,[2]		
	2019	2018	2017	2019	2018	2017
Segment	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)
NAFTA	18,555	20,332	17,997	(1,259)	1,889	1,185
Brazil	8,113	8,711	7,755	846	1,356	697
Europe	37,721	40,488	36,208	(1,107)	1,632	2,359
ACIS	6,837	7,961	7,621	(25)	1,094	508
Mining	4,837	4,211	4,033	1,215	860	991
Others and eliminations	(5,448)	(5,670)	(4,935)	(297)	(292)	(306)
Total	70,615	76,033	68,679	(627)	6,539	5,434

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,		
	2019	2018	2017
Others and eliminations operating (loss) income	(in $ millions)	(in $ millions)	(in $ millions)
Corporate and shared services [1]	(144)	(170)	(199)
Financial activities	8	(23)	(23)
Shipping and logistics	(19)	1	(16)
Intragroup stock margin eliminations	13	(45)	(41)
Depreciation and impairment [2]	(155)	(55)	(27)
Total adjustments to segment operating income and other	(297)	(292)	(306)

1. Includes primarily staff and other holding costs and results from shared service activities.
2. Depreciation charges for 2019 include 94 of depreciation of right-of-use assets recognized in property, plant and equipment following the adoption of IFRS 16 "Leases" as of January 1, 2019 with respect to the Company's shipping business Global Chartering, of which ArcelorMittal sold a 50% controlling interest on December 31, 2019.

Sales

ArcelorMittal had sales of $70.6 billion for the year ended December 31, 2019, representing a 7.1% decrease from sales of $76.0 billion for the year ended December 31, 2018, primarily due to a 9.6% decrease in average steel selling prices, partially offset by a 0.8% increase in steel shipments and higher marketable iron ore selling prices. In the first half of 2019, sales were $38.5 billion decreasing 1.8% from sales of $39.2 billion in the first half of 2018, primarily due to 6.1% lower average steel selling prices, partially offset by 3.5% higher steel shipments. In the second half of 2019, sales of $32.1 billion represented a 12.8% decrease as compared to sales of $36.8 billion in the second half of 2018, primarily driven by a 13.7% decrease in average steel selling prices and a 2.1% decrease in steel shipments.

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.

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, 2019 was $68.9 billion as compared to $67.0 billion for the year ended December 31, 2018, due to an increase in shipments (primarily due to the inclusion of ArcelorMittal Italia from November 1, 2018, partially offset by the sale of remedy asset as of June 30, 2019), an increase in raw material costs, impairment charges of $1.9 billion related to impairment of the fixed assets of ArcelorMittal USA ($1.3 billion - see NAFTA below), remedy asset sales in connection with the ArcelorMittal Italia acquisition ($0.5 billion) and impairment charges in South Africa ($0.1 billion) as well as $0.8 billion primarily for inventory related charges in NAFTA and Europe following a period of exceptionally weak steel pricing. Selling, general and administrative expenses (“SG&A”) were $2.4 billion for the year ended December 31, 2019 compared to $2.5 billion for the year ended December 31, 2018. SG&A as a percentage of sales increased marginally for the year ended December 31, 2019 (3.3%) as compared to 2018 (3.2%).

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 ArcelorMittal Italia acquisition and the agreed remedy package required for the approval of the AMSF acquisition, partially offset by the $0.2 billion in gain from a bargain purchase recognized with respect to the acquisition of ArcelorMittal Italia. 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%).

Operating (loss) income

ArcelorMittal’s operating loss for the year ended December 31, 2019 was $0.6 billion as compared with an operating income of $6.5 billion for the year ended December 31, 2018 and was primarily impacted by weaker operating conditions (negative price-cost effect in steel segments) reflecting both the decline in steel prices and higher raw material costs (due in particular to supply-side developments in Brazil), impairments and inventory related charges described above, offset in part by improved mining segment performance driven by higher seaborne iron ore reference prices (which were up 34.3%). The raw material prices increased during 2019 and for most of the year remained disconnected from steel fundamentals, compressing steel spreads to unsustainably low levels.

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 ArcelorMittal Italia acquisition and the agreed remedy package required for the approval of the AMSF acquisition, partially offset by a $0.2 billion bargain purchase gain relating to the acquisition of ArcelorMittal Italia. 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.

Shipments and average steel selling price

ArcelorMittal had steel shipments of 84.5 million tonnes for the year ended December 31, 2019 as compared to steel shipments of 83.9 million tonnes for the year ended December 31, 2018, representing an increase of 0.8%, primarily due to higher steel shipments in Europe by 3.2% due to the impact of the consolidation of ArcelorMittal Italia as from November 1, 2018, offset in part by the remedy asset sales related to the ArcelorMittal Italia acquisition (completed on June 30, 2019) and ongoing weak demand driven by macro headwinds including declines in automobile production. Weaker domestic apparent demand conditions led to lower shipments in NAFTA (5.1%), while weaker export markets led to lower shipments in ACIS (1.7%) and Brazil (2.4%).

Steel shipments increased 3.5% to 44.6 million tonnes in the first half of 2019 compared to 43.1 million tonnes for the first half of 2018 while steel shipments decreased 2.1% to 39.9 million tonnes in the second half of 2019 compared to 40.8 million tonnes in the second half of 2018.

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 a 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.

Average steel selling price decreased by 9.6% for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Average steel selling price in the first half of 2019 decreased by 6.1% as compared to the first half of 2018 and decreased by 13.7% in the second half of 2019 as compared to the second half of 2018.

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.

NAFTA			
	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2019	2018	2017
Sales	18,555	20,332	17,997
Depreciation	570	522	518
Impairments	(1,300)	—	—
Operating (loss) income	(1,259)	1,889	1,185
Crude steel production (thousand tonnes)	21,897	22,559	23,480
Steel shipments (thousand tonnes)	20,921	22,047	21,834
Average steel selling price (USD/tonne)	810	852	742

Sales

Sales in the NAFTA segment were $18.6 billion for the year ended December 31, 2019, representing a 8.7% decrease as compared to the year ended December 31, 2018. Sales decreased primarily as a result of a decrease in average steel selling prices by 4.9% and a decrease in steel shipments by 5.1%.

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.

Operating (loss) income

Operating loss for the NAFTA segment was $1.3 billion for the year ended December 31, 2019 as compared to operating income of $1.9 billion for the year ended December 31, 2018, primarily driven by a 5.1% decline in steel shipments and a negative price cost effect due to a 4.9% decrease in average steel selling prices, reflecting weaker demand exacerbated by prolonged customer destocking and increased domestic supply with prices well below import parity, and an increase in raw material prices. Operating income for the year ended December 31, 2019 was negatively impacted by an impairment in the second quarter of 2019 of property, plant and equipment of ArcelorMittal USA for $0.6 billion and a further impairment in the fourth quarter of 2019 of the property, plant and equipment of ArcelorMittal USA for $0.7 billion following downward revisions of future cash flow projections reflecting lower near term average steel selling price assumptions. Operating loss for the year ended December 31, 2019 also included $0.2 billion in charges related to inventory following a period of exceptionally weak steel pricing.

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).

Crude steel production, steel shipments and average steel selling price

Crude steel production decreased 2.9% to 21.9 million tonnes for the year ended December 31, 2019 as compared to 22.6 million tonnes for the year ended December 31, 2018. Crude steel production declined in the first half of 2019 primarily due to the restart of a blast furnace in Mexico which was only fully operational in the second quarter of 2019 after scheduled maintenance in the third quarter of 2018, loss due to power outage in Burns Harbour in the first quarter of 2019 and a slowdown following weaker market demand in the first half while production in the second half of 2019 was 1.6% higher than the second half of 2018 mainly due to the impact of the scheduled maintenance of a blast furnace in Mexico from third quarter of 2018, partly offset by planned outages both in flat and long product operations in the fourth quarter of 2019.

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

Steel shipments decreased 5.1% for the year ended December 31, 2019 as compared to the year ended December 31, 2018 reflecting the decreased production and market demand during the year (including pronounced supply chain destocking).

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.

Average steel selling prices decreased 4.9% for the year ended December 31, 2019 as compared to the year ended December 31, 2018. Average steel selling prices increased 4.7% to $855/t in the first half of 2019 from $817/t in the first half of 2018. In the first quarter of 2019, average steel selling prices were 12.1% higher than the first quarter of 2018 while in the second quarter of 2019, average steel selling prices were 1.9% and 4.3% lower than the second quarter of 2018 and first quarter of 2019, respectively. This decline continued in the second half of 2019 with average steel selling prices decreasing by 14.3% compared to the second half of 2018, reflecting the ongoing supply chain destock. The average steel selling prices in the second half of 2018 were higher following the imposition of import tariffs on steel in the second quarter of 2018.

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 import 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.

Brazil	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2019	2018	2017
Sales	8,113	8,711	7,755
Depreciation	274	298	293
Impairments	—	86	—
Operating income	846	1,356	697
Crude steel production (thousand tonnes)	11,001	12,264	11,210
Steel shipments (thousand tonnes)	11,192	11,464	10,840
Average steel selling price (USD/tonne)	679	719	667

Sales

In the Brazil segment, sales decreased 6.9% to $8.1 billion for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to a 5.5% decrease in average steel selling prices and a 2.4% decrease in shipments. In the first half of 2019, sales increased 2.5% to 4.3 billion as compared to $4.2 billion for the first half of 2018 primarily due to 6.6% higher steel shipments partially offset by 4.7% lower average steel selling prices while in the second half of 2019, sales decreased 15.5% compared to the second half of 2018 driven by a 10.1% decrease in shipments and a 7.0% decrease in average steel selling prices.

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.

Operating income

Operating income for the Brazil segment was $0.8 billion for the year ended December 31, 2019, representing a decrease of 37.6% as compared to the year ended December 31, 2018, driven primarily by a negative price-cost effect reflecting in part the increasing price of iron ore due to supply-side developments in Brazil, foreign exchange translation impact and lower steel shipments in the second half of 2019.

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 AMSF 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 9.3 to the consolidated financial statements for further information on pending cases related to the PIS/Cofins topic.

Crude steel production, steel shipments and average steel selling price

Crude steel production decreased 10.3% to 11.0 million tonnes for the year ended December 31, 2019 as compared to 12.3 million tonnes for the year ended December 31, 2018 mainly due to lower flat production following the stoppage of ArcelorMittal Tubarão's blast furnace #2 in response to deteriorating export market conditions and lower long product production.

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 AMSF. Excluding AMSF, crude steel production increased 4.9%.

Steel shipments decreased to 11.2 million tonnes for the year ended December 31, 2019 as compared to 11.5 million tonnes for the year ended December 31, 2018. Steel shipments in the first half of 2019 increased 6.6% to 5.7 million tonnes as compared to 5.3 million tonnes in the first half of 2018 due to higher sales of flat products in both domestic and export markets, while shipments for the second half of 2019 decreased 10.1% to 5.5 million tonnes compared to 6.2 million tonnes for the second half of 2018 due to deteriorating export market conditions.

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 AMSF. Excluding AMSF, 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 AMSF, 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.

Average steel selling prices decreased 5.5% for the year ended December 31, 2019 as compared to the year ended December 31, 2018 in line with domestic and export prices. Average steel selling prices declined 4.7% in the first half of 2019 compared to first half of 2018 and 7.0% in the second half of 2019 compared to the second half of 2018.

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.

Europe	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2019	2018	2017
Sales	37,721	40,488	36,208
Depreciation	1,256	1,195	1,201
Impairments	525	908	—
Operating (loss) income	(1,107)	1,632	2,359
Crude steel production (thousand tonnes)	43,913	44,693	43,768
Steel shipments (thousand tonnes)	42,352	41,020	40,941
Average steel selling price (USD/tonne)	696	787	702

Sales

Sales in the Europe segment were $37.7 billion for the year ended December 31, 2019, representing an 6.8% decrease as compared to sales of $40.5 billion for the year ended December 31, 2018, primarily due to a 11.7% decrease in average steel selling prices offset in part by a 3.2% increase in steel shipments. Sales decreased by 1.3% and 12.9% in the first and second half of 2019 as compared to the first and second half of 2018, respectively.

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.

Operating (loss) income

Operating loss for the Europe segment for the year ended December 31, 2019 was $1.1 billion as compared to an income of $1.6 billion for the year ended December 31, 2018. The operating loss was impacted by a negative price-cost effect (with lower steel pricing due to weaker economic activity and continued high level of imports, as well as higher raw material costs), continued losses at ArcelorMittal Italia, foreign exchange impact, an impairment of $0.5 billion in the first half of 2019 related to the remedy asset sales for the ArcelorMittal Italia acquisition and inventory related charges of $0.5 billion in the fourth quarter of 2019 following a period of exceptionally weak steel pricing. For the purposes of comparison with the prior year, the operating loss contribution (excluding purchase price allocation impact in 2018 and full year depreciation effect in 2019) of ArcelorMittal Italia for 2019 deteriorated by $0.6 billion compared to 2018 as it was consolidated from November 1, 2018.

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 ArcelorMittal Italia (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 ArcelorMittal Italia.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the Europe segment decreased 1.7% to 43.9 million tonnes for the year ended December 31, 2019 as compared to 44.7 million tonnes for the year ended December 31, 2018. In the first half of 2019, crude steel production increased 9.8% to 24.5 million tonnes from 22.3 million tonnes in the first half of 2018, primarily due to the impact of ArcelorMittal Italia (subsequent to its acquisition on November 1, 2018). The Company announced production cuts in May 2019 for approximately 4.2 million tonnes of annualized production to bring supply in line with addressable demand. The production cuts were implemented in the second half of 2019, with a portion taking effect in the third quarter of 2019 and the remainder completed as scheduled in the fourth quarter of 2019. Crude steel production decreased 13.2% in the second half of 2019 compared to the second half of 2018, including the impact of the remedy asset sales for the ArcelorMittal Italia acquisition with effect from June 30, 2019 and production cuts mentioned above.

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 ArcelorMittal Italia 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.

Steel shipments were 42.4 million tonnes for the year ended December 31, 2019, a 3.2% increase from steel shipments of 41.0 million for the year ended December 31, 2018. Steel shipments increased 10.1% to 23.4 million tonnes in the first half of 2019, from 21.2 million tonnes in the first half of 2018, primarily due to the impact of ArcelorMittal Italia as mentioned above, partially offset by lower long product shipments, while shipments in the first half of 2018 were impacted by floods in Asturias, Spain and rail strikes in France. Steel shipments decreased 4.13% in the second half of 2019 compared to the second half of 2018, due to the impact of the remedy asset sales for the ArcelorMittal Italia acquisition and the impact of ongoing weak demand, in particular macroeconomic headwinds including declines in automobile production.

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.

Average steel selling prices decreased 11.7% for the year ended December 31, 2019 as compared to the year ended December 31, 2018 in line with market prices and the appreciation of the U.S. dollar against the euro in 2019. Average steel selling prices decreased 10.5% during the first half of 2019 as compared to the first half of 2018 in line with market prices and 13.3% during the second half of 2019 as compared to the second half of 2018.

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.

ACIS	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2019	2018	2017
Sales	6,837	7,961	7,621
Depreciation	364	311	313
Impairments	102	—	206
Operating (loss) income	(25)	1,094	508
Crude steel production (thousand tonnes)	12,998	13,022	14,678
Steel shipments (thousand tonnes)	11,547	11,741	13,094
Average steel selling price (USD/tonne)	517	598	515

Sales

Sales in the ACIS segment were $6.8 billion for the year ended December 31, 2019, representing a decrease of 14.1% as compared to the year ended December 31, 2018, primarily due to a 13.6% decrease in average steel selling prices and a 1.7% decrease in steel shipments.

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.

Operating (loss) income

Operating loss for the ACIS segment for the year ended December 31, 2019 was $25 million as compared to an income of $1.1 billion for the year ended December 31, 2018, primarily due to a negative price-cost effect, lower shipments, impairments of $0.1 billion related to ArcelorMittal South Africa (of which $75 million related to the fixed assets of the Newcastle facility as a result of lower domestic volume forecasts and $20 million related to the closure of the Saldanha facility) and $0.1 billion of closure and retrenchment costs related to the Saldanha facility in relation to the announced Section 189 process.

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.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the ACIS segment decreased marginally by 0.2% remaining at 13.0 million tonnes for the year ended December 31, 2019 and 2018.

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.

Steel shipments for the year ended December 31, 2019 decreased by 1.7% to 11.5 million tonnes as compared to 11.7 million tonnes for the year ended December 31, 2018 primarily due to lower shipments in South Africa impacted by weaker demand, offset in part by the normalization of production in the second quarter of 2019 at Temirtau following the explosion described above.

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.

Average steel selling prices decreased 13.6% for the year ended December 31, 2019 as compared to the year ended December 31, 2018 in line with market prices. Average steel selling prices decreased 12.6% and 14.7% in the first and second half of 2019, respectively compared to the same periods in 2018.

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.

Mining		Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	Note	2019	2018	2017
Sales		4,837	4,211	4,033
Depreciation		448	418	416
Operating income		1,215	860	991
Own iron ore production (million tonnes)		57.1	58.5	57.4
Iron ore shipped externally and internally at market price (million tonnes)	1,2	37.1	37.6	35.7
Iron ore shipment - cost plus basis (million tonnes)	1	22.2	20.6	22.2
Own coal production (million tonnes)		5.5	5.9	6.3
Coal shipped externally and internally at market price (million tonnes)	1,2	2.8	2.5	2.8
Coal shipment - cost plus basis (million tonnes)	1	2.9	3.3	3.5

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.

Iron ore production (million metric tonnes)	Note 1	Type	Product	Year ended December 31, 2019	2018	2017
Own mines						
North America	2	Open pit	Concentrate, lump, fines and pellets	35.4	36.9	38.1
South America		Open pit	Lump and fines	2.3	2.8	3.2
Europe		Open pit	Concentrate and lump	1.5	1.4	1.6
Africa		Open pit / Underground	Fines	4.4	4.6	2.0
Asia, CIS & Other		Open pit / Underground	Concentrate, lump, fines and sinter feed	13.5	12.8	12.5
Total own iron ore production				57.1	58.5	57.4
Strategic long-term contracts - iron ore						
North America	3	Open pit	Pellets	—	—	0.9
Africa		Open pit	Lump and fines	—	—	—
Total strategic long-term contracts - iron ore				—	—	0.9
Total				57.1	58.5	58.3

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.

Coal production (million metric tonnes)	Note	Year ended December 31, 2019	2018	2017
Own mines				
North America		1.96	2.09	2.06
Asia, CIS & Other		3.53	3.82	4.25
Total coal production		5.49	5.91	6.31

Sales

Sales in the Mining segment were $4.8 billion for the year ended December 31, 2019, representing an increase of 14.9% as compared to the year ended December 31, 2018. Sales were 22.1% higher at $2.6 billion and 7.8% higher at $2.2 billion for the first and second half of 2019, respectively as compared to the same periods in 2018.

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 to external customers were $1,165 million for the year ended December 31, 2019, representing an increase of 15.5% as compared to the year ended December 31, 2018 mainly due to the increase in seaborne iron ore reference prices. Iron ore shipments were 59.3 million tonnes for the year ended December 31, 2019, representing a 1.8% increase as compared to 58.3 million tonnes for the year ended December 31, 2018. Iron ore shipments to external parties were 12.0 million tonnes for the year ended December 31, 2019 as compared to 12.7 million tonnes for the year ended December 31, 2018, primarily due to lower production at AMMC described below. Coal shipments were 5.7 million tonnes for the year ended December 31, 2019 as compared with 5.8 million tonnes for the year ended December 31, 2018.

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.

The average reference iron ore price was $93.63 per tonne in 2019, $69.70 per tonne in 2018 and $71.39 per tonne in 2017 (delivered to China, normalized to Qingdao and 62% Fe US $ per tonne, Metal Bulletin) and the average reference price for hard coking coal was $176.71 per tonne in 2019, $206.62 per tonne in 2018 and $187.28 per tonne in 2017 (Premium HCC FOB Aus, Metal Bulletin). 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 $1,215 million for the year ended December 31, 2019 as compared to $860 million for the year ended December 31, 2018, primarily driven by the increase in the iron ore reference prices offset in part by the reduction in market-priced iron ore shipments and lower coking coal reference prices and lower iron ore quality premia.

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.

Production

ArcelorMittal had iron ore production of 57.1 million tonnes for the year ended December 31, 2019, a decrease of 2.3% compared to the year ended December 31, 2018. Iron ore production decreased 1.3% for the first half of 2019 compared to the first half of 2018 primarily due to lower production in Brazil due to the temporary suspension of Serra Azul in Brazil (following evacuation on February 8, 2019) which restarted on March 18, 2019, Liberia, Temirtau and Mexico (Volcan mine reached end of life in May 2019), partially offset by higher production in Canada and Ukraine. Iron ore production decreased 3.4% for the second half of 2019 compared to the second half of 2018 primarily due to lower production in AMMC (following an electrical failure in the third quarter of 2019 which led to a temporary stoppage of the concentrator followed by a slow ramp-up in the fourth quarter of 2019) and the Volcan mine end of life in Mexico, offset in part by higher production in Kazakhstan.

ArcelorMittal had 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 coking coal production of 5.5 million tonnes for the year ended December 31, 2019, a decrease of 7.1% compared to the year ended December 31, 2018 mainly due to lower production in both Kazakhstan and Princeton.

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.

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

ArcelorMittal recorded income of $347 million from investments in associates, joint ventures and other investments for the year ended December 31, 2019, as compared to $652 million for the year ended December 31, 2018 driven by lower profitability of Calvert and Chinese investee and includes a dividend income from Erdemir of $93 million as compared to $87 million in 2018.

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.

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 lower at $1.7 billion for the year ended December 31, 2019 as compared to $2.2 billion for the year ended December 31, 2018. Net interest expense (interest expense less interest income) was lower at $607 million for the year ended December 31, 2019 as compared to $615 million for the year ended December 31, 2018.

Foreign exchange gains were $4.0 million as compared to a loss of $235 million for the years ended December 31, 2019 and 2018, respectively. The 2018 loss was primarily due to the first quarter of 2018 as described below.

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 $1.0 billion for the year ended December 31, 2019 compared to $1.4 billion for the year ended December 31, 2018, and included mark-to-market losses related to the mandatory convertible bond call option totaling $356 million as compared to $501 million for the year ended December 31, 2018.

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.

Income tax expense (benefit)

ArcelorMittal recorded an income tax expense of $0.5 billion for the year ended December 31, 2019 as compared to income tax benefit of $0.3 billion for the year ended December 31, 2018. The current income tax expense of $786 million for the year ended December 31, 2019 as compared to $928 million for the year ended December 31, 2018 was primarily driven by lower results in a number of countries. The deferred tax benefit of $327 million for the year ended December 31, 2019 includes a $0.3 billion reduction of deferred tax assets following tax rate decrease in Luxembourg and a $0.6 billion deferred tax benefit recorded in Luxembourg, due to the expectation of higher future profits.

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’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 (24.94%), 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, 2019, 2018 and 2017 are as set forth below:

	2019		2018		2017	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	(382)	21.00%	44	21.00%	(98)	21.00%
Argentina	3	25.00%	6	25.00%	15	25.00%
France	(164)	25.82%	48	25.82%	112	25.82%
Brazil	84	34.00%	271	34.00%	69	34.00%
Belgium	(37)	25.00%	55	25.00%	105	25.00%
Germany	(124)	30.30%	(22)	30.30%	7	30.30%
Spain	(73)	25.00%	18	25.00%	(4)	25.00%
Italy	(254)	24.00%	2	24.00%	(6)	24.00%
Luxembourg	407	24.94%	123	26.01%	1,139	26.01%
Mexico	(105)	30.00%	73	30.00%	(18)	30.00%
South Africa	(92)	28.00%	19	28.00%	(115)	28.00%
Canada	234	25.90%	359	25.90%	190	25.90%
Kazakhstan	52	20.00%	65	20.00%	77	20.00%
Czech Republic	(2)	19.00%	(51)	19.00%	(21)	19.00%
Poland	(27)	19.00%	45	19.00%	30	19.00%
Romania	(14)	16.00%	(44)	16.00%	(7)	16.00%
Ukraine	(21)	18.00%	69	18.00%	47	18.00%
Liberia	31	25.00%	(3)	25.00%	(18)	25.00%
United Kingdom	4	17.00%	8	17.00%	(1)	17.00%
Switzerland	22	7.83%	17	7.83%	(67)	7.83%
Others	(10)		(59)		(29)	
Total	(468)		1,043		1,407	

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 $63 million for the year ended December 31, 2019 as compared to $181 million for the year ended December 31, 2018. Net income attributable to non-controlling interests decreased in 2019 primarily as a result of the operating performance of ArcelorMittal South Africa.

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 equity holders of the parent

ArcelorMittal's net loss attributable to equity holders of the parent was $2.5 billion for the year ended December 31, 2019, compared to net income attributable to equity holders of the parent of $5.1 billion and $4.6 billion for the years ended December 31, 2018 and 2017, 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 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, 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, 2019, ArcelorMittal’s cash and cash equivalents, including restricted cash of $128 million, amounted to $5.0 billion as compared to $2.4 billion as of December 31, 2018. In addition, ArcelorMittal had available borrowing capacity of $5.5 billion under its $5.5 billion revolving credit facility as of December 31, 2019 and 2018.

As of December 31, 2019, ArcelorMittal’s total debt, which includes long-term debt and short-term debt was $14.3 billion, compared to $12.6 billion as of December 31, 2018.

Net debt (defined as long-term debt ($11.5 billion) plus short-term debt ($2.9 billion) including debt classified as held for sale (nil), less cash and cash equivalents and restricted cash ($5.0 billion)) was $9.3 billion as of December 31, 2019, down from $10.2 billion at December 31, 2018, comprised of 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). 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, 2019 and 2018 was 23%.

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. In 2019, ArcelorMittal's credit ratings remained unchanged although outlooks were revised as described in the Risk Factors above. 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 and the market's perception of ArcelorMittal's leverage may affect its share price.

ArcelorMittal’s $5.5 billion revolving credit facility signed on December 19, 2018 with a maturity of December 19, 2023. During the fourth quarter of 2019, ArcelorMittal executed the option to extend the facility to December 19, 2024. The extension was completed for $5.4 billion of the available amount, with the remaining $0.1 billion remaining with a maturity of December 19, 2023 as of December 31, 2019. The facility may be further extended for an additional year in December 2020. The facility contains restrictive covenants, which among other things, 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. As of December 31, 2019, 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, 2019 and December 31, 2018.

As of December 31, 2019, ArcelorMittal had guaranteed $236 million of debt of its operating subsidiaries, including $23 million following the adoption of IFRS 16 for which the Company recognized additional liabilities, compared to $99 million as of December 31, 2018. See also note 9.4 to the consolidated financial statements for a description of ArcelorMittal guarantees for associates and joint ventures of $3.8 billion as of December 31, 2019. 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, 2019.

Type of indebtedness as of December 31, 2019	2020	2021	2022	2023	2024	>2024	Total
	Repayment amounts per year (in billions of $)						
Bonds	0.5	0.3	1.5	1.4	1.9	3.7	9.3
Commercial paper	1.2						1.2
Lease liabilities and other loans	1.1	0.7	0.4	0.8	0.2	0.6	3.8
Total gross debt	2.8	1.0	1.9	2.2	2.1	4.3	14.3

As of December 31, 2019, the $5.5 billion revolving credit facility was fully available.

The average debt maturity of the Company was 5.3 years as of December 31, 2019, as compared to 4.0 years as of December 31, 2018.

Further information regarding ArcelorMittal’s outstanding short-term and long-term indebtedness as of December 31, 2019, 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

ArcelorMittal’s principal credit facilities are described below, for further information on its existing credit facilities and several debt financing and repayment transactions completed during 2019, please refer to 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 and on November 27, 2019 ArcelorMittal exercised the option to extend the facility's maturity by one year to December 19, 2024. The commitments are $5.5 billion until December 19, 2023 and $5.4 billion until December 19, 2024, subject to ArcelorMittal’s option to extend the term by an additional year exercisable in the end of 2020. The Facility may be used for general corporate purposes. As of December 31, 2019, 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 and September 30, 2014 to reduce its amount to $450 million and to $350 million, respectively. On July 31, 2019, the Company refinanced its Letter of Credit Facility by entering into a $350 million revolving multi-currency letter of credit facility, which matures on July 31, 2022.

Mandatory convertible bond

Please refer to note 6.3 and 11.2 to the consolidated financial statements.

True sale of receivables (“TSR”) programs and payment terms with suppliers

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, 2019, the total amount of trade accounts receivables sold amounted to $4,436 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.

As part of the Company’s ongoing efforts to improve its working capital position, it continually engages with its customers and suppliers with the aim of improving overall terms, including pricing, quality, just in time delivery, discounts and payment terms. 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 Company’s average outstanding number of trade payable days amounted to 78 over the last 5 years. The ability of suppliers to provide payment terms may be dependent on their ability to obtain funding for their own working capital needs and or their ability to early discount their receivables at their own discretion. Given the nature and large diversification of its suppliers base the Company does not expect any material impact to its own liquidity position as a result of suppliers not having access to liquidity. As of December 31, 2019, a 5 day reduction in trade payable days would result in a trade payables decrease by $750 million.

Earnings distribution

ArcelorMittal held 9.8 million shares in treasury as of December 31, 2019, as compared to 8.3 million shares as of December 31, 2018. As of December 31, 2019, the number of shares held by the Company in treasury represented approximately 0.96% 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 began 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. The Company paid the base dividend for 2019 (paid from 2018 earnings) of $0.20 per share to the shareholders. On February 4, 2020, given the resilient cash flow and progress towards its net debt target, the Board proposes a base dividend of $0.30 per share for 2020 (in respect of 2019) which will be proposed to the shareholders at the AGM in May 2020.

Pension/OPEB liabilities

The defined benefit liabilities for employee benefits increased by $0.4 billion to $7.3 billion as of December 31, 2019, as compared to $6.9 billion as of December 31, 2018. The increase is mainly due to the increase in the defined benefit obligation due to lower discount rates, offset partly by increase in assets value and other actuarial gains. 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 8.2 to the consolidated financial statements.

IFRS 16

The Company adopted IFRS 16 “Leases” as of January 1, 2019, using the modified retrospective transition approach with right-of-use assets measured at an amount equal to the lease liability recognized at January 1, 2019, adjusted by the amount of any prepaid or accrued lease payments relating to those leases. On January 1, 2019, the Company recognized additional lease liabilities (discounted at the incremental borrowing rates at that date) for an amount of $1,136 million (see note 7 to the consolidated financial statements).

Research and development, patents and licenses

For information on the Company’s research and development policies, see "Business overview—Research and development" below for further details.

Sources and uses of cash

Years ended December 31, 2019, 2018 and 2017

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

Summary of cash flow	For the year ended December 31,		
(in $ millions)	2019	2018	2017
Net cash provided by operating activities	6,017	4,196	4,563
Net cash used in investing activities	(3,824)	(3,759)	(2,830)
Net cash provided by (used in) financing activities	514	(689)	(1,731)

Net cash provided by operating activities

For the year ended December 31, 2019, net cash provided by operating activities increased to $6.0 billion, as compared with $4.2 billion for the year ended December 31, 2018. The increase in net cash provided by operating activities was mainly due to an operating working capital release of $2.2 billion as compared to an operating working capital investment of $4.4 billion in 2018, including an inflow for inventories of $2.47 billion , an inflow for trade accounts receivables of $0.96 billion, partially offset by an outflow of trade accounts payables of $1.24 billion. The operating working capital release was driven by lower inventories and receivables, due in part to lower selling prices, particularly in the fourth quarter of 2019, as well as by raw material costs and improved collection of receivables.

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 receivables of $0.65 billion, an outflow for inventories of $4.65 billion and an inflow for trade accounts payables 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.

Net cash used in investing activities

Net cash used in investing activities was $3.8 billion for the year ended December 31, 2019 and 2018. Capital expenditures increased to $3.6 billion for the year ended December 31, 2019 as compared to $3.3 billion for the year ended December 31, 2018. Capital expenditures for the year ended December 31, 2019 were significantly below the initial guidance of $4.3 billion but marginally above the revised $3.5 billion guidance provided after the third quarter of 2019 and below the mid-year guidance of $3.8 billion as the Company adapted its capital expenditure plans to the weaker market conditions. Cash used in investing activities includes i) $0.8 billion net cash outflow for the acquisition of AMNS India and $83 million additional UG payments, ii) lease payments ($200 million) for the ArcelorMittal Italia acquisition and iii) the acquisition of Münker Metallprofile GmbH in Germany ($46 million) . These outflows were offset in part by i) proceeds from remedy asset sales for the ArcelorMittal Italia acquisition of $518 million (cash consideration of $694 million, net of cash disposed of $34 million, an escrow deposit of $125 million which was subsequently drawn and proceeds of $17 million paid to a joint venture of the Company), ii) the final installment of disposal proceeds from ArcelorMittal USA's 21% stake in the Empire Iron Mine Partnership for $44 million and iii) the sale of remaining 2.6% stake in Gerdau for $116 million. See “—Capital expenditure projects”.

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 were lower than expected due to underspending in certain strategic projects and at ArcelorMittal Italia 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 billion in the context of the AMNS India 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.

ArcelorMittal's major capital expenditures in the year ended December 31, 2019 included the following projects: the ArcelorMittal Mexico new hot strip mill, the ArcelorMittal Italy environmental investment program, the new LF&CC 2&3 in ArcelorMittal Kryvyi Rih and the new walking beam furnaces at Burns Harbor, along with other ongoing projects.

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. ArcelorMittal's major capital expenditures in the year ended December 31, 2017 included the following projects: the AM/NS Calvert slab yard expansion, ArcelorMittal Dofasco's galvalume line, ArcelorMittal Poland's HSM extension and HDG capacity increase along with other ongoing projects.

The Company maintains the ability to adapt its capital expenditures plan to the operating environment and now expects 2020 capital expenditures to be approximately $3.2 billion. See "Capital Expenditure projects" for more detail.

Net cash provided by financing activities

Net cash provided by financing activities was $0.5 billion for the year ended December 31, 2019, as compared to the net cash used in financing activities of $0.7 billion in 2018. In 2019, net cash provided by financing activities included an inflow of $1.3 billion net proceeds (proceeds of $6.4 billion offset by payments of $5.1 billion) for short and long-term debt, partially offset by dividends of $332 million, a $90 million outflow related to the share buyback program and $326 million net outflows from lease payments and other financing activities. The 2019 cash outflows for lease payments and other financing activities increased as a result of the first-time application of IFRS 16 effective from January 1, 2019, as the repayments of the principal portion of the operating leases are presented under financing activities (previously reported under operating activities). For further details related to capital markets, liability management transactions and debt repayments in 2019, see note 6.1.2 to the consolidated financial statements.

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, $0.2 billion net payments for short and long-term debt included mainly $0.6 billion of bonds repurchased pursuant to cash tender offers, $0.9 billion repayment at maturity of the euro denominated Floating Rate Notes due April 9, 2018 and the remaining amount of the euro denominated 4.5% Notes due March 29, 2018 partly offset by $1 billion drawing under the $7 billion term facility with respect to the UG and KSS Petron payments. Net cash used in financing activities for the year ended December 31, 2018 also included 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.

Dividends paid during the year ended December 31, 2019 were $332 million, including $203 million paid to ArcelorMittal shareholders and $129 million paid to non-controlling shareholders in subsidiaries. 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.

Equity

Equity attributable to the equity holders of the parent decreased to $38.5 billion at December 31, 2019, as compared to $42.1 billion at December 31, 2018, primarily due to the net loss attributable to the equity holders of the parent of $2.5 billion and $0.3 billion actuarial losses. See note 11 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2019.

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.

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 an expansion in global ASC in 2020 by +1% to +2% (versus growth of +1.1% in 2019). Supply chain destocking constrained demand in ArcelorMittal's core markets, particularly for flat products, and the Company estimates that World-ex China ASC declined by 0.8% in 2019. China had a better than expected year with ASC estimated to have increased by 3%. Whilst acknowledging the risks and uncertainties, ArcelorMittal believes that there are signs that the real demand slowdown is beginning to stabilize, and the supportive inventory environment means that the Company is more optimistic on the apparent demand outlook for 2020. This may be revised downwards due to the impact of the Coronavirus outside China. By region:

– In the U.S., ASC is expected to grow within a range of +0% to +1% in 2020 (versus an estimated -2% contraction in 2019), with stronger ASC in flat products offsetting an anticipated decline in ASC for long products.

– In Europe, ASC is expected to grow within a range of +1% to +2% in 2020 (versus over -4% estimated contraction in 2019); although automotive is expected to remain weak, the end of destocking is expected to support improved ASC for flat products, similarly the end of destocking should offset the impact of the slowdown in construction activity for long products ASC.

– In Brazil, ASC is expected to rebound in 2020 with growth expected in the range of +4% to +5% (versus estimated -2.6% contraction in 2019) following the pronounced destocking of flat products in 2019 and expected growth in construction activity.

– In the CIS, ASC growth in 2020 is expected to slow but remain positive within a range of +0% to +1% (versus +4% estimated growth in 2019).

– As a result, overall World ex-China ASC in 2020 is expected to grow within the range of +2% to +2.5% (versus estimated -0.8% contraction in 2019).

– In China, that in 2020 both GDP and steel demand growth are still likely to be weaker than what was expected prior to the Coronavirus outbreak (Steel demand now expected to grow only 0 to 1% in 2020, down from 1 to 2% previously expected).

The China and global ASC forecast reflects the Company’s base case view of the impact of Coronavirus. Absent a degradation of the situation and/or a further extension of the holiday period, the Company believes the effect of the Coronavirus will likely have a short-term negative demand impact in China and to a lesser degree elsewhere. ArcelorMittal's current view is that the vast majority of the impact on the first quarter of 2020 demand is expected to be recovered throughout the remainder of the year and its perspective on the fundamentals of the Chinese steel market remain unchanged. However, the recent increase in cases outside China is worrying and increases the risk of a global pandemic and a much larger negative impact on global GDP. The Company is monitoring the situation closely and in particular in Italy, as should the virus spread more widely through Europe this will likely have a material impact on the Company’s sales and profitability in 2020.

The Company expects certain cash needs of the business (consisting of capital expenditures, cash paid for interest, cash paid for taxes, pensions and certain other cash payments but excluding operating working capital movements) to total $4.5 billion in 2020 versus $5.0 billion in 2019. The Company maintains the ability to adapt its capital expenditure plans to the operating environment and now expects 2020 capital expenditures to be $3.2 billion (down from $3.6 billion in 2019). Net interest expense in 2020 is expected to be $0.5 billion (versus $0.6 billion in 2019) while cash payments for taxes, pensions and other cash payments are expected to be stable at $0.8 billion (versus 2019).

The Company released $2.2 billion in operating working capital in 2019 (versus an operating working capital investment of $4.4 billion in 2018). Whilst the Company does not at this stage want to give a firm target or specific guidance for operating working capital needs in 2020 (due to the fact that it is so dependent on operating conditions towards the end of the year), should market conditions remain at current levels then there is the potential to reduce working capital by a further $1 billion.

As previously announced in the first half of 2019, and in line with the Company's ongoing efforts to optimize its asset portfolio, it identified opportunities to unlock $2 billion of value from the portfolio over the next 2 years. The Company has made good progress to date and has achieved ~$0.6 billion, including the sale of its stake in Gerdau ($0.1 billion) and the sale of a 50% stake in Global Chartering Ltd which is expected to reduce net debt in total by $0.5 billion ($0.4 billion in the fourth quarter of 2019 and $0.1 billion early 2020). ArcelorMittal remains engaged in active discussions with interested parties on several additional opportunities.

Given the ongoing focus on delivering the $1 billion of identified cost improvement plans in order to fully achieve the Action 2020 targets, the potential for an approximate $1 billion operating working capital release assuming market conditions remain at current levels, together with further progress on portfolio optimization efforts, the Company is optimistic that it can achieve its $7.0 billion net debt objectives by year end 2020 which would provide strong foundations for improved shareholder returns going forward.

ArcelorMittal intends to progressively increase the base dividend paid to its shareholders, and, given the resilient cash flow and progress towards its net debt target, the Board proposes a base dividend of $0.30 per share for 2020 (in respect of 2019) which will be proposed to the shareholders at the AGM in May 2020.

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, Indian rupee, Polish zloty 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, 2019 and December 31, 2018. 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 2019	in $ equivalent (in millions)	in $ equivalent (in millions)
Argentine peso	9	(19)
Brazilian real	(3)	6
Euro	(522)	522
Polish Zloty	(21)	27
South African rand	8	(12)
Ukrainian hryvinia	26	(12)
Other	6	(7)

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)

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".

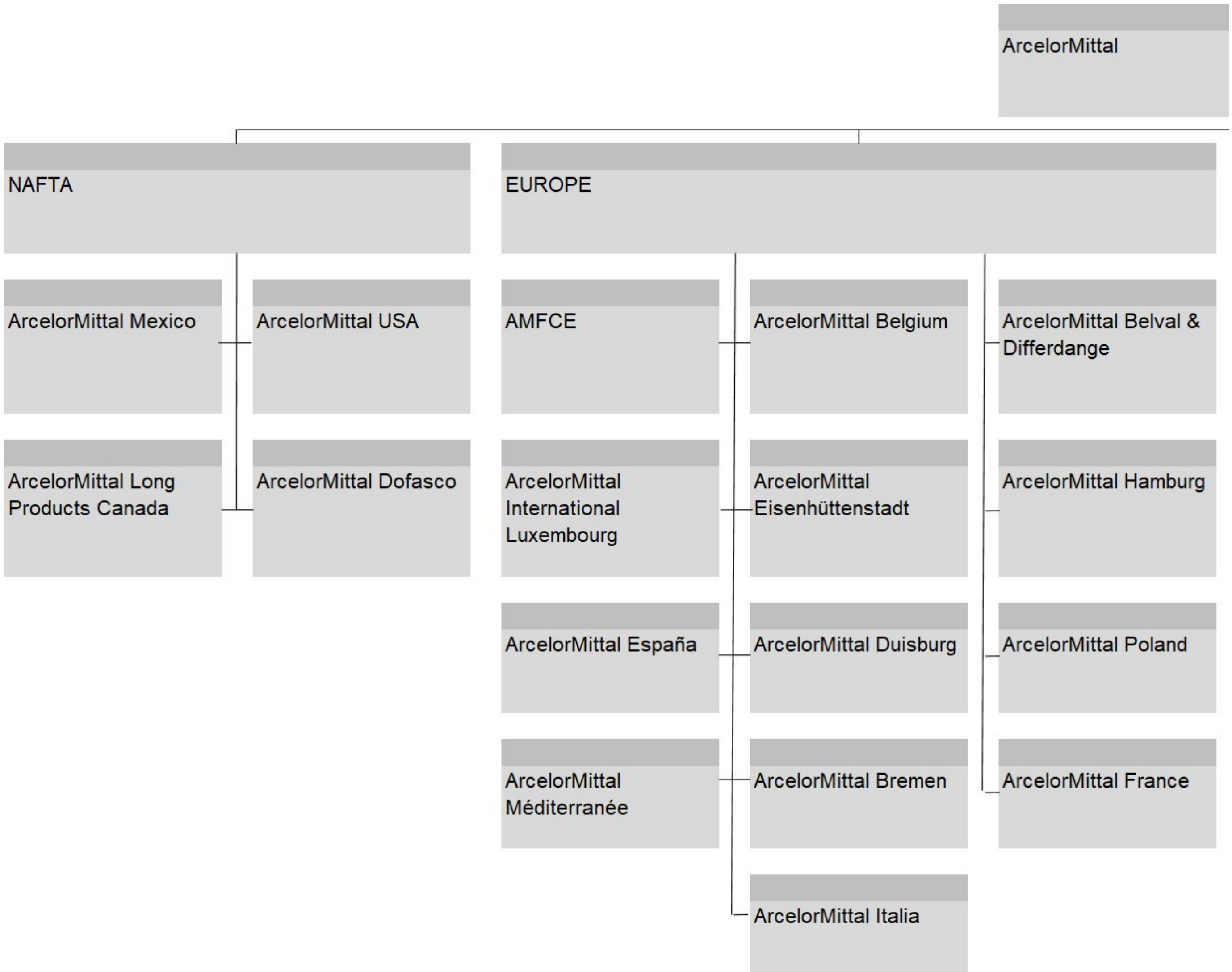
Group organizational structure

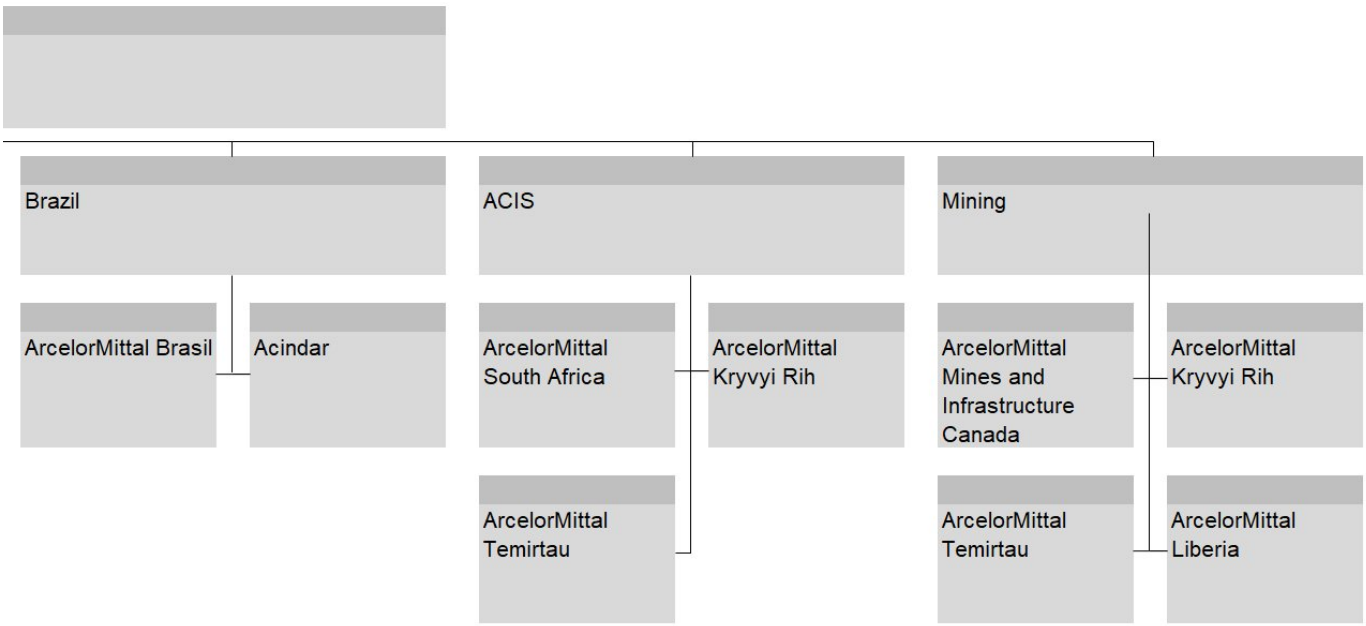
The following table identifies each significant operating subsidiary of ArcelorMittal, including the country of incorporation. Please refer to note 2.2.1 of the consolidated financial statements for the ownership percentages of these subsidiaries. Unless otherwise stated, the subsidiaries as listed have 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 France S.A.S.[1]	ArcelorMittal France	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
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 Duisburg GmbH	ArcelorMittal Duisburg	Germany
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg
ArcelorMittal Italia S.p.A.	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 ("AMMC")	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine

1. On July 1, 2019, ArcelorMittal Atlantique et Lorraine S.A.S. was merged into ArcelorMittal France S.A.S.

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 Belgium
ArcelorMittal Belval & Differdange
ArcelorMittal International Luxembourg
ArcelorMittal Eisenhüttenstadt
ArcelorMittal Hamburg
ArcelorMittal España
ArcelorMittal Duisburg
ArcelorMittal Poland
ArcelorMittal Méditerranée
ArcelorMittal Bremen
ArcelorMittal France
ArcelorMittal Italia


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

Key transactions and events in 2019

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2019 are summarized below.

ArcelorMittal Italia acquisition and subsequent events

On November 1, 2018, ArcelorMittal announced that AM InvestCo completed the first part of the acquisition of ArcelorMittal Italia (formerly Ilva) through a lease and subsequent conditional obligation to purchase agreement 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 its fulfillment of all of the conditions precedent in ArcelorMittal's contract with the commissioners in the extraordinary administration insolvency procedures of the business units subject to the lease (the "Commissioners"). ArcelorMittal Italia's Taranto plant is Europe's largest single steel site and only integrated steelmaker in Italy. ArcelorMittal Italia also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. AM InvestCo undertook the acquisition subject to certain conditions precedent to be satisfied by August 2023. The contractual purchase price amounted to €1.8 billion ($2.1 billion) subject to certain adjustments, with annual leasing costs of €180 million ($206 million) due in quarterly installments which qualify as down payments against the purchase price. The lease is for a minimum lease period of four years. The acquisition included 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 acquisition also provided for environmental remediation obligations of approximately €0.3 billion ($0.4 billion), the latter of which would be funded with funds seized by the Italian Government from the former shareholder.

According to the legal framework in force at November 1, 2018 (for a period up to August 2023), the Commissioners and AM InvestCo were granted protection from possible criminal liability related to environmental, health and safety and workplace security issues at ArcelorMittal Italia's Taranto plant, pending the timely implementation of the environmental investment program set forth in a Prime Minister's Decree. In September 2017 and then August 2018, the Italian State Solicitor-General issued an opinion confirming that the term of the protection coincided with the term of this environmental plan, namely to August 23, 2023. However, on November 2, 2019, the Italian Parliament ratified a law decree previously enacted by the Italian government, which effective November 3, 2019, removed the legal protection necessary for AM InvestCo to implement its environmental plan without the risk of criminal liability.

On November 4, 2019, after such law decree became effective, AM InvestCo sent to the Commissioners a notice to withdraw from, or terminate the lease. In addition, among other serious occurrences independent of AM InvestCo's will, the decisions issued by the criminal court of Taranto binding the Commissioners to complete certain prescriptions by December 12, 2019, a term the Commissioners themselves deemed impossible to meet, failing which blast furnace #2 would be shut down, also contributed to a situation of legal and operational uncertainty that further significantly impaired the ability to carry out the necessary operations at ArcelorMittal Italia and operate the Taranto plant. While the Taranto court of appeals reversed the criminal court's order on January 7, 2020 therefore allowing blast furnace #2 to remain open, any potential shutdown would make it impossible for AM InvestCo to implement its industrial plan, operate the Taranto plant and, generally, continue to implement the commitments described above. In its November 4, 2019 notice of withdrawal and termination, AM InvestCo asked the Commissioners to take responsibility for ArcelorMittal Italia's operations and employees within 30 days from the receipt of such notice. On November 15, 2019, the Commissioners filed suit in a Civil Court in Milan seeking an injunction to prevent AM InvestCo's withdrawal from, and termination of, the lease and require AM InvestCo to stop the implementation of its plan to suspend the operations and to continue the maintenance and operation of the leased business units. The Commissioners also requested that the court require AM InvestCo to pay €1 billion in the event that it fails to comply with an adverse decision on the Commissioners' application for interim injunctions. Moreover, following a complaint filed by the Commissioners, in mid-November 2019 prosecutors in Milan and Taranto opened investigations into potential violations of numerous criminal laws. The hearing to discuss the Commissioners' application for interim measures was originally set for November 27, 2019, pending which AM InvestCo suspended the implementation of its plan to suspend the operations at ArcelorMittal Italia. Following announcements on November 22, 2019 and November 23, 2019, respectively, by the Italian Prime Minister's office and AM InvestCo that meetings had been held between the parties to discuss potential solutions for the plants and that discussions would continue with the aim of reaching an agreement as soon as possible to support sustainable steel-making in Taranto, at the hearing the court granted the requested by the Commissioners and AM InvestCo for postponement (to December 20, 2019) in order to allow the development of ongoing negotiations, provided that AM InvestCo assure the maintenance of the normal functioning of the plants and guarantee production continuity pending such negotiations. On December 20, 2019, ArcelorMittal announced that AM InvestCo had signed a non-binding agreement with the Commissioners that forms a basis to continue negotiations on a new industrial plan for ArcelorMittal Italia, including discussions on a substantial equity investment by a government-controlled entity. The new industrial plan would contemplate investments in green technology, including through a new company funded by public and private investors. In light thereof, the Civil Court of Milan granted the parties' request to further postpone the hearing until February 7, 2020, and on such date (given ongoing negotiations) granted a further request to postpone until March 6, 2020. AM InvestCo has incurred losses since its consolidation of ArcelorMittal Italia in November 2018. ArcelorMittal expects to continue to consolidate ArcelorMittal Italia unless and until the control of the assets is transferred to the Commissioners or other changes in its power over the relevant activities or exposure to variable returns occur.

ArcelorMittal Italia acquisition related divestments

On June 30, 2019, ArcelorMittal completed the sale to Liberty House Group ("Liberty") of several steelmaking assets that form the divestment package the Company agreed with the European Commission ("EC") during its merger control investigation into the Company's acquisition of ArcelorMittal Italia. Assets included within the divestment package are: ArcelorMittal Ostrava (Czech Republic), ArcelorMittal Galati (Romania), ArcelorMittal Skopje (Macedonia), ArcelorMittal Piombino (Italy), ArcelorMittal Dudelange (Luxembourg) and several finishing lines at ArcelorMittal Liège (Belgium). The total net consideration (consisting of amounts payable upon closing and subsequently in part contingent upon certain criteria, net of €110 million placed in escrow) for the assets payable to ArcelorMittal was €740 million subject to customary closing adjustments. Of this total amount, €610 million was received on June 28, 2019. At closing, the Company deposited €110 million in escrow that were subsequently withdrawn during the second half of 2019 and used by Liberty for certain capital expenditure projects to satisfy commitments given in the EC approval process. See note 2.3 to the consolidated financial statements for further details.

AMNS India

On December 16, 2019, ArcelorMittal announced the completion of its acquisition of AMNS India through, the Luxembourg based joint venture it established with NSC, which following the acquisition owns and operates AMNS India. ArcelorMittal holds 60% of the joint venture, with NSC holding 40%. The acquisition occurred following the Indian Supreme Court's ruling on November 15, 2019 approving the Company's Resolution Plan and resolving the appeals brought by creditors following the National Company Law Tribunal's initial approval on March 8, 2019 and the National Company Law Appellate Tribunal's further ruling on July 4, 2019.

AMNS India is an integrated flat steel producer, and the largest steel company in western India. It has a crude steel capacity of 9.6 million tonnes per year. AMNS India'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 AMNS India's own requirements and provide the opportunity to improve operating income by fully utilizing such pellet capacity. AMNS India's assets do not include certain assets that are ancillary to the steel plant, such as a slurry pipeline, power plants, port facilities and certain mines. The joint venture partners are assessing various options to secure the availability of such assets, including additional acquisitions and participation in ongoing auctions, such as for the Odisha mines, where the joint venture acquired the Thakurani working block in February 2020.

The Resolution Plan which was approved for the acquisition of AMNS India included an upfront payment of 42,785 crore Indian rupees ($6.0 billion) towards AMNS India's debt resolution including working capital payment, with a further 8,000 crore Indian rupees ($1.1 billion) of capital injection into AMNS India to support operational improvement, increase production levels and deliver enhanced levels of profitability. In December 2019, ArcelorMittal and NSC financed the joint venture for the acquisition of AMNS India through a combination of partnership equity of $2,253 million (of which $1,362 million for ArcelorMittal) and debt of $3,679 million, including $2,204 million drawn by AMNS Luxembourg (and guaranteed by the Company) under the bridge financing, which was outstanding on December 31, 2019, and a $1,475 million via a shareholder loan from NSC. On February 10, 2020, in order to complete the $840 million follow-on equity funding of AMNS India, NSC provided a $325 million shareholder loan and an additional $475 million was drawn under the bridge financing by AMNS Luxembourg (and guaranteed by the Company). The outstanding amount under the bridge financing as of such date was $3,046 million. See note 2.4.1 to the consolidated financial statements. In connection with the execution of the Resolution Plan, the Company had provided a $0.6 billion performance guarantee, which was terminated on December 31, 2019.

In connection with the acquisition of AMNS India, the hedging programs that ArcelorMittal had entered into, including non deliverable forwards and non deliverable options for a nominal amount of $5.9 billion in order to hedge the volatility between the Indian rupee and U.S. dollar, resulted in cash proceeds of $360 million which were contributed into the joint venture thus decreasing the acquisition cost of AMNS India (see note 2.4.1 and note 6.3 to the consolidated financial statements).

In 2018, the Company had also been required to pay 7,469 crore Indian rupees (approximately $1 billion) to the financial creditors of Uttam Galva ("the UG payments") and KSS Petron in order that the Resolution Plan 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. In the context of the creation of the AMNS India joint venture, the Company transferred the UG payments to the joint venture. ArcelorMittal and NSC financed such payments through a combination of equity contributions into the joint venture of $288 million and debt of $597 million, including $367 million drawn by the joint venture on the $7 billion term facility agreement and a $230 shareholder loan from NSC. The payments related to KSS Petron have not been transferred.

The Resolution Plan also includes a capital expenditure plan of 18,697 crore Indian rupees (approximately $2.6 billion) to be implemented in two stages over six years. The first stage involves 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 will 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 AMNS India can play an active role and fully benefit from the anticipated growth in the Indian steel industry.

AMNS India is expected to reinvest cash flows from operations to finance its turnaraound and growth plans.

The joint venture agreement entered into between the ArcelorMittal and NSC includes detailed provisions regarding AMNS India’s governance and the roles and responsibilities of ArcelorMittal and NSC as joint venture partners for the operation of the business and the implementation of the Resolution Plan. Pursuant to this agreement, the AMNS India business shall be managed by a board of directors consisting of six directors, three of which will be appointed by ArcelorMittal and three appointed by NSC. It also provides for provisions related to the selection of the management team by the joint venture partners. Aditya Mittal, President and CFO of ArcelorMittal, has been appointed as the chairman of the board of AMNS India and Dilip Oommen has been appointed its CEO.

AMNS India is accounted for under the equity method as from the acquisition date. See note 2.4.1 to the consolidated financial statements for further details.

Other events in 2019

During 2019, ArcelorMittal completed several debt financing and repayment transactions. See "Liquidity and capital resources—Financings” and note 6.1.2 to the consolidated financial statements for a summary of the transactions.

On May 6, 2019, ArcelorMittal announced its intention to temporarily idle production at its steelmaking facilities in Kraków, Poland, reduce production in Asturias and Spain. In addition, the planned increase of shipments at ArcelorMittal Italia to a six million tonne annual run-rate was slowed down following a decision to optimize cost and quality over volume in this environment. Together, these actions resulted in a temporary annualized production reduction of around three million tonnes. On May 29, 2019, the Company announced its decision to take additional steps to adjust its European production levels to further align its production to the current market demand by a further 1.2 million tonnes to take total annualized productions cuts to 4.2 million tonnes in the second half of 2019. As a result, it:

- Reduced primary steelmaking production at its facilities in Dunkirk, France and Eisenhüttenstadt, Germany;
- Reduced primary steelmaking production at its facility in Bremen, Germany in the fourth quarter of 2019, where a planned blast furnace stoppage for repair works were extended; and
- Extended the stoppage planned in the fourth quarter of 2019 to repair a blast furnace at its plant in Asturias, Spain.

These actions were taken in light of difficult operating conditions in Europe with a combination of weakening demand, rising imports, high energy costs and rising carbon costs. Such conditions, along with high iron ore prices, have persisted since the Company's announcement of these measures.

On July 16, 2019, the Company sold its 30 million shares, representing a stake of 2.6% of preferred shares, held in its investment Gerdau, an equity instrument at fair value through other comprehensive income, for $116 million. See note 2.5 to the consolidated financial statements.

In recent periods, the performance of ArcelorMittal South Africa has been challenged by increased electricity, port and rail regulated costs, and uncompetitive raw material sourcing as well as the ongoing weak economic backdrop in South Africa. ArcelorMittal South Africa has undertaken an intensive review of its business focused on cash preservation and cost reduction through an expanded Business Transformation Program. At the same time, a strategic asset footprint review was launched to establish an asset base with an enduring competitive advantage to ensure the long-term sustainability of ArcelorMittal South Africa. Following this review, a large-scale employee reorganization (over 1000 employees) has been finalized with an additional repricing and rescoping of sub-contractor services expected by the end of the first quarter of 2020. During the first phase of the asset review, it has been agreed to orderly and commercially wind-down the Saldanha Works. The process is progressing according to plan and is anticipated to be largely completed by the end of the first quarter of 2020. The second phase of the Asset Review commenced in November 2019, focusing on Newcastle Works and certain of the long steel products rolling facilities in Pretoria and Vereeniging. The objective of this phase of the review is to sustainably improve these operations' structural cost position and service offerings. The closure of significant long steel product plants is not anticipated in the near future, and notably, primary steel making operations will continue in the short-term at Newcastle Works, although it will now be focused on primarily serving the domestic and Africa Overland markets. Significant organizational configuration opportunities have been identified to improve both operational effectiveness and controllable cost competitiveness of not only the long steel product business, but that of ArcelorMittal South Africa overall.

On December 23, 2019, ArcelorMittal announced that it signed a share purchase agreement with DryLog Ltd ("DryLog") for the sale of a controlling 50% stake in Global Chartering Limited ("Global Chartering"), its wholly owned shipping business, and subsequently formed a 50:50 shipping joint venture with DryLog. Accordingly, ArcelorMittal's remaining 50% interest is accounted for under the equity method. Global Chartering operates 28 dry cargo vessels, which range from Supramax to Cape Size, 25 of which are on long-term leases and have been transferred into the joint venture, with the remaining 3 being owned outright. The joint venture will benefit from the combination of the two businesses respective knowledge and expertise, and ArcelorMittal's extensive annual cargo commitments, a portion of which will be handled exclusively by this joint venture. It will also benefit from DryLog's ability to optimize transport solutions and its technical and commercial vessel management expertise. These factors are expected to enable the joint venture to grow its operations and become a significant player in the international shipping industry. The transaction decreases ArcelorMittal's net debt by $0.5 billion, with a decrease in debt of $0.4 billion at December 31, 2019 (resulting from a derecognition of lease liabilities in this amount) and a further $0.1 billion decrease in early 2020 (following the completion of a sale-and-lease back of the 3 vessels owned by Global Chartering) and is part of ArcelorMittal's commitment to unlock up to $2 billion of value from its asset portfolio by mid-year 2021. The transaction closed on December 31, 2019. See note 2.3 to the consolidated financial statements for further information.

Recent developments

On February 27, 2020, the Mayor of Taranto adopted an order addressed to ArcelorMittal Italia and Ilva related to certain emissions events that appear to have occurred in August 2019 and February 22 and 23, 2020 and that allegedly concern the Taranto plant. The order requires ArcelorMittal Italia to identify the responsible installations within 30 days, to eliminate any anomalies at such installations causing such emission events within 60 days or, if necessary, to shut down certain installations related to such emissions events. The Mayor of Taranto also alleges that it did not receive adequate responses from the Italian Ministry of the Environment with respect to such emissions events. ArcelorMittal Italia considers the order to be unfounded and will appeal it. Following the order, the Ministry of the Environment requested additional information from the Mayor of Taranto about the events (including the type of emissions and how the events can be connected to the Taranto plant) and has also requested information from certain other industrial companies in Taranto, as to any anomalies, accidents or events that may have occurred on February 22 and 23, 2020. ArcelorMittal Italia is preparing its responses to the request for information from the Ministry of the Environment, which will also be provided to the Mayor of Taranto.

Research and development. The Company's Global Research and Development ("R&D") division provides the technical foundation for the sustainability and commercial success of the Company by stimulating innovative thinking and the continuous improvement of products and processes.

ArcelorMittal believes it possesses leading R&D capabilities among steel producers and is committed to maintaining and extending this advantage by anticipating and responding to major technological, sustainability and social trends, while also making a significant contribution towards achieving the Company's 10 Sustainable Development Outcomes (see "*—Sustainable Development*" below).

To support this commitment, the Company operates 11 research sites around the world, and in 2019, ArcelorMittal's R&D expense was $301 million.

Among its R&D initiatives, ArcelorMittal has developed expertise in Lifecycle Analysis ("LCA"), which analyzes the environmental impact of products during their production, use and disposal. In 2019, the Company undertook a total of 27 LCA studies related to steel products and the processes used to produce them, all guided by ISO standard 14040-44.

The Company's expertise in LCA is an important asset in all of its global markets. For example, LCA is a requirement of Environmental Product Declarations ("EPD") for construction products in Europe, and contributes to increasing the Company's competitiveness in the construction sector. The Company's EPDs are reviewed by third parties and validated by the "Institut Bauen und Umwelt", the Institute of Construction and Environment, and are made available via ArcelorMittal Europe's Constructalia website. The Company is also leading the development of a methodological framework for EPDs in Brazil, where it published its first EPD in 2019.

ArcelorMittal also participates in the Worldsteel LCA expert group and the SOVAMAT initiative (SOcial VAlue of MATerials), an international network of experts on the social and environmental impacts of materials. It is a member of the CIRAIG International Lifecycle Chair, the international reference center for the lifecycle of products, processes and services, and is active in particular in their circular economy working group. It is also a member of the Roundtable for Product Social Metrics.

The Company has developed a Sustainable Innovation ("SI") tool with the ultimate goal to enable researchers to evaluate the contribution of all new products to sustainable development. In 2019, the SI tool has been reviewed by third parties and an interface for industry products has been developed.

ArcelorMittal's R&D strategy focuses on six main pillars:

Maintaining the competitiveness of the Company's steel among its unique automotive customer base. R&D continually drives innovation that enables the Company's strategic focus on higher-added-value products. A key focus is products designed to meet the complex and changing needs of the automotive industry.

ArcelorMittal has developed its S-in motion® range of solutions, which showcase the benefits of Advanced High Strength Steel ("AHSS") grades and manufacturing processes that help automotive customers meet demanding new targets for fuel economy, and thereby drive improvements in CO_2 emissions.

In 2020, ArcelorMittal will celebrate the 10^{th} year anniversary of S-in Motion®. This concept has proven to adapt to the evolving needs of the automotive market, with its most recent developments in 2019 including a catalog of solutions for the booming electrified vehicles market. The Company's S-in Motion® projects for Hybrid vehicles, Battery Electric Vehicles ("BEVs") and battery packs are now available for roll out to customers.

The results of the ArcelorMittal S-in motion® BEV study completed in 2019 on a Sports Utility Vehicle demonstrate why steel is expected to remain the dominant auto body metal for the growing electrified vehicle market. Steel will allow original equipment manufacturers to achieve the goals of creating more light weight vehicles with increased driving ranges in a more cost-effective manner. More than ever, steel is the material of choice for automotive customers as it combines the ability to meet stringent expectations for passenger safety with the best price on the market.

With total life cycle emissions of BEVs expected to decrease compared to internal combustion engine vehicles, BEVs' embedded carbon from metal production and its end-of-life impacts will become increasingly relevant. A comprehensive LCA study encompassing the vehicle's production and end-of-life phases has been made on the company's S-in motion® BEV. It concludes that while light-weighting still improves BEVs' life cycle performance, gains in powertrain efficiency will have much greater benefits. The most sensitive aspects of BEVs' life cycle are the environmental footprint of battery production and that of the electricity grid. Current battery production impacts are greater than those of steel body production. For BEVs to reach legislated CO2 targets, the electricity grid needs to be decarbonized much more quickly. Between 2000 and 2015, the grid decarbonized at a rate of 2%. For large cars to meet CO2 targets, progress will need to triple between 2020 and 2035.

Creating a robust and diverse portfolio of niche non-automotive steel products to serve customers across multiple sectors. Customers in many sectors share the automotive industry's demand for innovative products and processes. The Company aims to deliver similar breakthrough advances in these sectors by creating differentiated products and unique engineering solutions, all designed to ensure that steel is the customer's material of choice.

ArcelorMittal is developing innovative solutions for the energy segment, both renewable and conventional. It has innovated steel for wind turbines, and its patented anti-corrosion steel coating Magnelis® is used extensively in framing solutions for photovoltaic modules. The Company's pioneering technology for electrical steels also benefits this market.

Packaging is, in the Company's view, another important opportunity. ArcelorMittal continues to respond to the need to meet evolving health and safety regulations, to achieve lightweight, cost-saving design, and to develop new functionalities. A major opportunity is also presented by the increasing pressure to reduce packaging made of plastics, as society becomes less and less accepting of packaging that is not in line with sustainable development objectives. With its ability to be recycled and to eliminate hazardous elements, steel is well-positioned to extend its applications in packaging and replace an increasing volume of plastic packaging.

In 2019, R&D launched 11 new products and solutions to accelerate sustainable lifestyles, while also progressing further on 16 such product development programs.

The R&D division also launched 31 products and solutions this year to support sustainable construction, infrastructure and energy generation, while also progressing further on 17 such product development programs.

Fully capitalizing on the capacity of Steligence® - a holistic platform for environmentally-friendly, cost-effective construction - to create higher-added-value products and solutions for the construction market. Construction is one of the key sectors for ArcelorMittal. The Company's R&D effort is focused on providing higher-added-value products that meet customer needs, including their sustainable development objectives.

In 2018, ArcelorMittal launched Steligence® to highlight the innovations the Company's steel has to offer in the design and performance of a building, and to support its customers in their use of its products. Steligence® adds value through its holistic approach of helping specialist architectural and engineering disciplines meet the increasing demand for sustainability, flexibility, creativity and cost in high-performance building design by harnessing the credentials of steel through its potential for recyclability and the reduction of materials used.

A key concept within Steligence® is to make buildings easier to assemble and dismantle. As a result, buildings become quicker to construct, leading to significant efficiencies and cost savings while also creating the potential for re-use. This reflects ArcelorMittal's wider interest in modularization and the potential re-use of steel components - a field it is discussing with customers and in its LCA assessments. The approach is demonstrated in the Company's planned new Luxembourg headquarters, which has been designed so that nearly all the steel components can be dismantled and re-used in a new building without the need for recycling.

Developing breakthrough process innovations to deliver cost reduction, sustainability benefits to meet current and emerging environmental challenges, and new product development. The creation of unique processes creates value for the Company and its stakeholders by: enhancing the performance of operations through cost efficiency and improved product quality; promoting process-driven product development; and enabling environmental improvements, including carbon reductions and improvements in air, land and water. Process improvements contribute decisively to the future of the Company, both helping to preserve its license to operate and ensuring its financial sustainability through important management gains.

By-products and circular economy. Work in this area includes the re-use of slag as a valuable product for many applications, which reduces waste while avoiding the ecosystem disruption that can result from the extraction of other materials such as natural stone or sand. For example, the Company is making innovative re-use of slag in the following applications: ballast in offshore wind turbine foundations to replace natural ballast; a construction material for building protection walls to reduce noise and dust; a fertilizer source for agriculture; and the potential re-use of slag from furnaces in water filtration and greenhouse gas capture. Other circular economy initiatives include: working on the use of mining tailings as a secondary raw material, either by finding marketable solutions or generating valuable products to be used in-house; and improving the quality of the scrap the Company uses, as well as exploring automated sorting processes for treating scrap.

Improvement in air, land, water. Work in this area includes research in technology for cleaning fumes from stacks, reducing dust diffusive emissions, cleaning water discharges, and solving water scarcity issues.

In 2019, the research on cleaning fumes was extended to investigate a holistic combination of technologies for multipollutant abatement (of dust, SOx, NOx and dioxins) with great success, and significant progress was made on developing improved pleated bags for boosting filters efficiency. Technology on desalination has been implemented at Tubarao, leading to an international award for the most innovative desalination project in 2019 by International Desalination Association. Also in 2019, an industrial demonstrator for waste water from Blast Furnace treatment was launched at Asturias, along with an innovative technology to reduce dust emissions in the chutes transfer with very high efficiency that was validated.

Reductions of carbon emissions and energy use. ArcelorMittal's global R&D division also continues to research processes to support carbon neutrality and energy efficiency. In 2019, significant progress was made in the concept development and engineering of a full H_2 MIDREX direct reduction process, and of a pilot plant in Hamburg for cold electrolysis of iron, which will be operational in 2022. Assessment through simulation and experiments of several CO2 reduction technologies has led to the creation of breakthrough projects that should allow the substantial reduction of blast furnace route CO2 emissions. Meanwhile, the roll-out of in-house developed solutions, such as smart oxygen sensors and innovative combustion control strategies, is enabling incremental reductions in energy and CO2 emissions.

The Company's Jet Vapor Deposition ("JVD") technology is an example of process-driven product development, which enables advanced steels for industry. The Company introduced its unique JVD line to create a new generation of coated products with improved quality and enhanced functionality (Jetgal® for automotive applications and Jetskin® for industrial applications).

Mining process improvements. Global R&D has developed the capabilities to upgrade and digitalize its systems using satellites, drones, wireless sensors and robots to feed a geographic information system for detailed monitoring of tailings dams, which forms part of the Company's mining circular economy initiative. In the future, this will be extended to both plants and wildlife, thus helping the Company respond to increasing expectations from stakeholders looking for reassurance that biodiversity hotspots are not negatively impacted by the Company's mining operations.

Fully capitalizing on opportunities from the digital economy. ArcelorMittal envisages itself as a fully digital enterprise where everything is connected. ArcelorMittal invested early and significantly in automation systems, and for decades the Company has been a pioneer in the introduction and use of artificial neural networks. ArcelorMittal is currently fully committed to a total digital transformation, including significant advances in a number of fields and relies on the secure and reliable performance of its digital technology platforms, information technology systems, continuously updating its security measures to avoid data breaches or data theft (see also "Risks related to the global economy and the mining and steel industry"). The Company is focusing its efforts on:

- Global platforms (Big Data, IIoT, Deep Learning developments);
- Manufacturing digitalization (Production, Quality and Maintenance); and
- Business digitalization (Procurement, Commercial, Supply Chain, Strategy, Finance).

The Company's global standard platform for Big Data storage and analytics (ARTHUR) and IIoT (DASHIELL) avoids the use of a mosaic of technologies and facilitates the global sharing and rapid implementation of Artificial Intelligence ("AI") models with proven results among all units. This approach makes the Company's size a key advantage.

In its digital strategy, the Company makes use of solutions that are directly acquired in the market, solutions that are co-developed with technology suppliers, and solutions that are fully developed internally to take advantage of the rich knowledge interfaces the Company has (process, product, AI). This combination leads to performance superiority.

The main driver for digitalization at ArcelorMittal is competitive advantage, with new technologies and especially cutting-edge AI and mathematical optimization tools contributing to ensure:

- The best product quality, through better prediction using advanced analytics made possible through Big Data and distributed computing. This means production issues can be detected before they happen, enabling adjustments to be made to production parameters to avoid them.
- Maximizing equipment operational time and avoiding unplanned stoppages via predictive maintenance. The Company is already seeing positive results in several production units in Brazil, Spain and Belgium, and is deploying this solution across the Company.
- Cost efficiency in production and logistics. For example, R&D has developed a unique, breakthrough technology for line scheduling - inspired by studying and mimicking the movements in ant colonies - that has significantly improved productivity. In addition, the deployment of automated stockyards, linked to line scheduling and transport devices such as autonomous cranes, means less stock is needed and lead times are cut, yielding two major supply chain benefits.

While the implementation of large-scale digital and industry 4.0 projects is challenging in a company of ArcelorMittal's size, once implemented these projects bring major benefits and value because of the Company's scale and complexity. The global standard platforms strategy has contributed significantly to this initiative.

ArcelorMittal is also working with leading universities in the USA, Canada, Spain, the UK, Germany, Belgium and France to capture the best scientific expertise and fully industrialize new ideas and emerging academic theories. The Company also establishes partnerships with start-up companies, working on fields such as Big Data analytics, predictive maintenance, supercomputing and manufacturing intelligence. ArcelorMittal's approach is to work with a broad range of entities, thus maximizing the knowledge transference into its teams, avoiding black-boxes, and increasing its development capabilities. This has led to the development of new algorithms using Big Data technologies that can solve problems in ways that were not possible before, mainly due to limitations in the manipulation of large volumes of data.

Seizing the potential of additive manufacturing. ArcelorMittal sees significant potential in additive manufacturing and 3D printing. For example, within the Company's operations, it will be possible to 'print' spare parts when predictive analytics show that equipment needs replacing, thus reducing disruptions. As 3D technology matures, it will have an increasing impact on the way the Company and its customers do business. ArcelorMittal's R&D teams are exploring opportunities and partnering in this field.

Sustainable development

ArcelorMittal recognizes the important contribution its products and processes make to Sustainable Development ("SD") and aims to ensure that its steels are the material of choice in the transition towards a circular and low-carbon economy. This means preparing for and responding to the most significant long-term environmental and social trends that are transforming the context in which the Company operates. These include sector-focused decarbonization ambitions aligned with the Paris Agreement, the transformation of society towards a circular economy and the growing demand from customers for adherence to sustainability standards from their entire supply chains, from mine sites to delivery of products.

The Company's SD framework, launched in 2015, sets out the 10 SD outcomes it needs to achieve in order to protect and grow long-term value for its stakeholders. These outcomes are aligned with, and aim to contribute to, many of the United Nation's Sustainable Development Goals ("SDGs"). Details of the relationship between the 10 SD outcomes and the SDGs are included in the reporting index to ArcelorMittal's Integrated Annual Review 2018, which is available on the Company's website. The outcomes provide the basis for engaging the Company's workforce on SD issues, and support the development, management and reporting of sustainability across its operations.

ArcelorMittal's 10 SD Outcomes:	
1	Safe, healthy, quality working lives for ArcelorMittal's people
2	Products that accelerate more sustainable lifestyles
3	Products that create sustainable infrastructure
4	Efficient use of resources and high recycling rates
5	Trusted user of air, land and water
6	Responsible energy user that helps create a lower-carbon future
7	Supply chains that ArcelorMittal's customers trust
8	Active and welcomed member of the community
9	A pipeline of talented scientists and engineers for tomorrow
10	ArcelorMittal's contribution to society measured, shared and valued

To drive its goal of inventing smarter steels for a better world, the Company recognizes the value in creating an integrated marketing offer that combines many aspects of these 10 SD outcomes. These include being the supplier of choice for innovative products while maintaining steel and mine sites that operate to standards that meet and exceed the sustainability expectations of customers and investors. This is at the heart of the Company's approach to SD.

ArcelorMittal listens carefully to stakeholders, both locally and globally, and recognizes a trend of rising expectations among stakeholders regarding local community issues as well as the global transition toward a circular economy and the steel industry's critical role within it. The Company assesses stakeholder trust to be a key value driver, and accordingly adopts a Board-led strategic approach to deepening trust through stakeholder engagement.

Integration of SD into the business is therefore essential for ArcelorMittal to achieve long-term value for its shareholders and other stakeholders while maintaining a profitable market share. Over the last four years since the Company launched the 10 SD outcomes in 2015, it has been integrating them into the business, beginning at the site level by explaining the need for integrating SD into planning and reporting of results. In 2018, the Company's Board of Directors established the Appointments, Remuneration & Corporate Governance and Sustainability Committee of the Board (the "ARCGS"), an expansion of the previous Appointments, Remuneration & Corporate Governance Committee, which monitors the performance of corporate functions and business segments against the 10 SD outcomes pursuant to the five management themes discussed below. This integration of SD was fully embedded in 2019 with the implementation of theme dashboards and quarterly reporting from local sites to the board-level.

The ARCGS organizes its governance of SD through five management themes, which helps deepen the Company’s strategic approach towards each one.

The themes (and the relevant SD outcomes to which they relate) are:

Management Theme		Relevant SD Outcome
1	Safety	1
2	Climate change	6
3	Customer reassurance	7
4	Environment	4, 5
5	Social	1, 8, 9, 10

The ARCGS's oversight underpins the Company’s strategy to ensure that both corporate functions and business segments contribute to achieving the 10 SD outcomes with the following elements:

- Each business segment, acting on its understanding of SD trends and through its engagement with stakeholders, develops a plan in pursuit of the 10 SD outcomes as a priority, with a set of key performance indicators (“KPIs") established against which they must report quarterly to the ARCGS committee;
- Corporate functions lead on key areas including: progress towards low-carbon steelmaking, innovating steel solutions and steelmaking technologies with a positive SD impact, and developing a ‘mine to metal’ chain of assurance against multi-stakeholder environmental and social standards; and
- A robust articulation of the Company's approach and progress through clear narrative and transparent, third-party assured reporting.

The Company is committed to transparency as evidenced by the comprehensive SD disclosures made in the Integrated Annual Review and Factbook each year, and by the publication of its first stand-alone Climate Action Report in May 2019, which serves as the Company’s response to the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”).

The Company now sees the need to go beyond transparency and invest in stakeholder dialogue by leading collaborative conversations with stakeholders on climate action and multi-stakeholder standard setting processes and certification for both steel sites and mines (see “Management Theme #3: Customer reassurance" below).

The Company’s management of SD is summarized along the five management themes in the following pages.

Management Theme #1: Safety

ArcelorMittal's employees are essential to its ambition to build a high-performing organization. The Company wants all its employees to be safe and healthy, committed to ArcelorMittal's success and to act with integrity in everything they do. ArcelorMittal aims to build an inclusive culture in which diversity is valued, and every individual is respected and their potential developed. Safety is the number one priority.

Safety

The Company-wide safety program, “Journey to Zero”, was introduced in 2007. It aims to achieve zero fatalities and severe lost-time injuries by creating a culture of shared vigilance in which risks and hazards are understood and monitored, best practices are shared, and appropriate action is taken at every level. The Company's remuneration policy links 10% of the bonuses of its leadership - from managers to the CEO - to safety KPIs (i.e., fatalities, LTIFR (defined below), PSIF (defined below)) in the business where he or she works, where relevant. The Company works with trade unions to drive safety improvements through a global partnership, which includes joint local Health and Safety Committees at every production unit and a Global Health and Safety Committee (“GHSC”) which is made up of representatives from both the trade union IndustriALL and union members from ArcelorMittal, together with senior ArcelorMittal managers. This is supported internally by the ArcelorMittal Health and Safety Council.

It is with deep regret that the Company reported 21 fatalities during 2019, including 12 in steel and 9 in mining operations. Any fatality is a cause of great distress to families, friends, ArcelorMittal's leadership and the entire workforce. The Company's leadership is driving a campaign to ensure that a culture of vigilance and mutual accountability, in which every individual takes responsibility for their own actions, and the actions of those around them, prevails everywhere it operates. ArcelorMittal recognizes that, more than improving its performance against LTIFR (as defined below), it must work harder to ensure that its safety culture prevents fatalities and serious incidents. During the year, the Company implemented the following measures:

- The Safety Leadership program in CIS (Ukraine and Kazakhstan), training the top 100 managers and creating the key platform from which to roll out Take Care! training in the region. This program aims at developing the skills of middle and upper management to influence people's safety behavior and improve the safety culture within their teams. It has been successfully implemented over the past three years across ArcelorMittal’s European operations and long operations in Latin America, where it entered into phase two in 2019;
- Strengthened health and safety policy on working at heights;

- Improved detection, recording, and understanding of hazards and risks through PSIFs in order to prevent severe incidents;
- Improved safety leadership practices, supported by the continuation of the Target 21 Safety Leadership Program, where managers undertake safety training through 21 days of 5-minute e-learning sessions ;
- Improved communications internally across the workforce using social media techniques; and
- Sharing lessons within the steel industry through the Company's participation in the Worldsteel Association.

The lost-time injury frequency rate ("LTIFR") for the Company, defined as the number of injuries per million hours worked that result in employees or contractors taking time off work, was at 0.75 (1.21 including ArcelorMittal Italia) in 2019 compared with 0.69 in 2018 (0.73 including ArcelorMittal Italia for the last two months of 2018). The industry average was 0.84 incidents per million hours worked in 2018, according to the Worldsteel Association. For comparison, ArcelorMittal recorded an LTIFR of 3.1 incidents per million hours worked in 2007, the year after the Company's formation. The table below shows the LTIFR by segment for the years ended December 31, 2019 and 2018:

	For the year ended December 31,	
Lost time injury frequency rate	2019	2018
Mining	0.97	0.61
NAFTA	0.58	0.53
Brazil	0.36	0.36
Europe	1.00*	0.93*
ACIS	0.69	0.61
Total Steel	0.73*	0.70*
Total (Steel and Mining)	0.75*	0.69*
ArcelorMittal Italia	11.13	8.20
Total (Steel and Mining) including ArcelorMittal Italia	1.21	0.73

*Data does not include the LTIFR for Ilva (subsequently renamed ArcelorMittal Italia) which was acquired on November 1, 2018.

Improving workers’ ability to monitor and analyze potential severe injuries and fatalities (“PSIF"s) is also a key focus, as it provides a deeper understanding of how safety incidents can arise and therefore be avoided. Results show that sites with no fatalities proactively detect and manage twice as many PSIFs as sites that have one or more. The volume of proactive PSIFs logged across the Company has increased more than five times since 2016, and more than 3,500 situations have been proactively detected and addressed this year, a 29% increase in 2019 as compared to 2018. In addition, the Company is specifically focusing on improving the quality of its analysis and actions, including by sharing best practices across the Company, which has been further facilitated this year through the use of the intra-organization, social networking online tool Yammer.

PSIF is now a KPI for the Company and, alongside fatalities and LTIFR, is reported monthly to leadership as part of the governance process. Health and safety is reviewed by the GHSC and overseen by the ARCGS, which meets quarterly. When a fatality occurs, all levels of management are informed of the circumstances and the incident is subject to a comprehensive review process. The Company supports sites where fatalities have occurred to ensure stronger alignment between Group-level safety strategy and site-level implementation.

Health

ArcelorMittal takes a proactive approach to the health of employees and communities by partnering with local stakeholders on initiatives which raise the level of discourse on environmental matters and their effects on health from stakeholder sentiment to more empirical and technical debates necessary to find a solution to this complex issue.

For example, ArcelorMittal Tubarão signed a cooperation agreement in 2018 worth R$3.9 million with the State of Espírito Santo Federal University (UFES) to support their study to identify the relationship between pollutants and asthma cases in Vitoria, Brazil. For the next three years, 20 engineering and health specialists from UFES in Vitoria, will develop an unprecedented study in Brazil through which they will identify which pollutants, from particulate matters and gases, most influence the intensifying of asthma symptoms in children and adolescents with a goal to generate knowledge and information to guide other regulatory agencies in establishing maximum pollution limits tolerable for the population, thus helping to determine prevention policies based on qualitative data. This is significant because ArcelorMittal Tubarão is supporting research methods using primary data, genetics testing and air quality testing in subjects' homes and will build trust with its stakeholders by demonstrating it takes air pollution seriously.

Management Theme #2: Climate change

ArcelorMittal is committed to the objectives of the Paris Agreement and to keeping the global temperature increase to well below 2°C. The Company’s ambition is to be carbon neutral in Europe by 2050 and to significantly reduce its carbon emissions globally. In 2019, in response to growing investor and customer expectations, and to align with and exceed the recommendations of the TCFD, the Company published its first Climate Action Report. To achieve this goal, the Company is building a strategic roadmap linked to the evolution of public policy and developments in low-emissions steelmaking technologies. A target to 2030 will be launched in 2020, replacing the Company’s current target of an 8% carbon footprint reduction by 2020, against a 2007 baseline.

Subsequently, in December 2019 ArcelorMittal Europe announced a CO2 roadmap to reduce emissions by 30% by 2030. The target is in line with an ambition announced in May last year, to be carbon neutral in Europe by 2050.

The Company sees the low-carbon transition as presenting significant opportunities as steel will remain a vital material in the application of new industrial technologies and the transition of the energy, transport and packaging industries, and the future construction sector. ArcelorMittal develops innovative products and processes that help its customers reduce their carbon footprint in all these sectors, including S-in motion® for automotive, Steligence® for the built environment, and glass-granulated blast furnace slag as a low carbon alternative for use in place of Portland cement.

The Company views steel as having many advantages in a decarbonizing world in which demand for materials will continue to grow. Steel is 100% recyclable without quality loss, and in many applications, it is a lower-carbon alternative over its lifecycle than other materials such as aluminum and concrete. However, modeling shows that global stocks of scrap will be insufficient to meet global demand for steel from secondary, recycled sources for many decades to come, so the world will continue to rely on primary steelmaking for decades to come. Existing iron and steelmaking processes are carbon intensive, and therefore the route to decarbonizing steel will be through developing new low-emissions technologies. The Company has identified three pathways to achieving this:

- Clean power used as the energy source for hydrogen-based ironmaking and, in the longer term, for direct electrolysis ironmaking, and also as a contributor to other low-emissions technologies. The Company is building a demonstration plant in Hamburg, called H2Hamburg, which will reduce iron ore with hydrogen. It is also collaborating with 11 partners on a project called Siderwin to build a three-meter industrial cell which will test iron ore reduction via electrolysis in Maizières, France.

- Circular carbon energy sources, including bio-based and plastic wastes from municipal and industrial sources and agricultural and forestry residues. Through a process called Torero, ArcelorMittal will reduce iron ore with waste carbon rather than fossil fuel coal in a demonstration plant in Ghent, Belgium. Meanwhile, the Company's campus in Dunkirk, France is piloting the IGAR (Injection de Gaz Réformé) project which reforms carbon from the blast furnace, converting it into a synthetic gas to reduce iron ore.

- Fossil fuels with carbon capture and storage ("CCS") enabling the continued use of existing iron and steelmaking processes while transforming them to a low-emissions pathway. The Carbon2Value process captures fossil fuel carbon for storage or re-use. The Group's Carbalyst® project, in partnership with LanzaTech, will capture carbon gas and recycle it into chemicals. Pilot plants for both technologies are under construction at the Company's plant in Ghent, Belgium. Investment in Carbalyst® started in 2018 and is expected to be completed in 2021. the technology will capture approximately 15% of available waste gases at the demonstration plant and convert them into 80 million litres of ethanol annually.

These pathways could all lead to low-emissions steelmaking. However, they pose significant challenges in terms of new technology, expanded clean energy infrastructure and infrastructure for the transport and storage of CO_2. All three also lead to structurally higher costs of steelmaking and therefore, for them to become a reality, significant policy support is required.

Through its innovative low-emissions steelmaking program (which is a multi-year budget covering the Company's low-carbon development and demonstration program with partners, aimed at building industrial pilots and demonstrations and is additional to its annual R&D expenditure), ArcelorMittal is actively testing technologies across each of these three pathways, and developing a broad portfolio of breakthrough low-carbon steelmaking processes. The Company believes that these initiatives present significant opportunities for the decarbonization of steelmaking provided the correct regulatory and investment environment exists.

In the medium term, ArcelorMittal is developing an emissions reduction roadmap to support a new global 2030 carbon target alongside its European target. However, ArcelorMittal has also identified that its most substantial climate-related risk stems from a policy environment that does not enable the industry to cover the higher structural costs that new low-emissions technologies bring.

The Company's most significant policy work is on the need for a global framework to create a level playing field and avoid the risk of carbon leakage. For example, carbon border adjustments would ensure that steelmakers bearing the structurally higher capital and operating costs of low-emissions technology could compete with imports from steelmakers with higher emissions. The Company is advocating a green border adjustment in the new European Green Deal so that Phase 4 of the EU Emissions Trading Scheme (ETS), which requires a substantial reduction in the carbon intensity of European steel, does not result in carbon emissions being effectively exported from the EU to steelmakers with higher emissions in regions where carbon regulations are less stringent.

ArcelorMittal is also actively engaging in analyzes, with customers, investors, policymakers and global think tanks, on what policy mechanisms could be created to make low-emissions steelmaking more competitive. For example, the Company has been collaborating with the Energy Transitions Commission's Mission Possible initiative on pursuing net-zero carbon emissions from harder-to-abate sectors, and with the Science-Based Targets initiative ("SBTi") on the steel sector decarbonization approach. ArcelorMittal has also been driving multi-stakeholder efforts through ResponsibleSteel™ to develop standards on greenhouse gas emissions ("GHG") for steel.

Other global policy recommendations are:

- **Access to abundant and affordable clean energy**. Policies giving the steel industry access to abundant and affordable renewable electricity will be key to scaling up the clean power pathway. For acceleration of the circular carbon pathway, the steel industry requires priority access to biomass and waste.
- **Facilitating necessary energy infrastructure**. In addition to abundant renewable electricity, policies to support investments in hydrogen infrastructure will be needed to advance large-scale hydrogen-based processes. Similarly, for the fossil fuels with CCS pathway, policies are also important to enable and accelerate the development of carbon transport and storage infrastructure and services.
- **Access to sustainable finance for low-emissions steelmaking**. The scale of the challenge requires an acceleration of technology development and roll out. Breakthrough steelmaking technologies need to be identified as a key priority area for public funding.
- **Accelerate transition to a circular economy**. Materials policy should divert waste streams from landfill and incineration. It should focus on driving recycling and reuse of all waste streams and incentivize the use of waste streams as inputs in manufacturing processes. It should reward products for their reusability and recyclability.

In addition to new technologies and policy work, ArcelorMittal's low emissions strategy focuses on energy efficiency in its existing steelmaking operations across the globe, and on expanding opportunities for further steel production using end-of-life scrap. Each year, the Company's Investment Allocation Committee ("IAC") approves a number of capital investments that will bring significant energy and carbon efficiency improvements, enabling the Company to meet its medium-term emissions reduction targets. In 2019, the ArcelorMittal's IAC has allocated a total of $711 million to 25 projects with energy and/or carbon benefits to be spent in the next years.

For the third consecutive year, ArcelorMittal has won the Steelie Award for excellence in sustainability in recognition of the Company's publication of the steel sector's first Climate Action report. Announced at the Worldsteel Association's annual meeting in Monterrey, Mexico, the award distinguishes the Company's industry leadership on sustainability amid the growing pressure steel companies are facing to outline their approach to reducing carbon emissions.

Management Theme #3: Customer reassurance

The Company envisions the momentum behind supply chain accountability continuing to grow, with a particular focus on mined raw materials. Consumer-facing brands want to demonstrate responsible sourcing, and customers are joining together to demand, and validate, higher standards in their supply chains, driven by their own due diligence processes. This is expressed through growing demand from the Company's customers for reassurance on environmental and social standards. As a result, ArcelorMittal regards supply chain certification and reassurance as a vital commercial opportunity to forge closer links with customers and believes that taking a leading role in multi-stakeholder engagement is one of the most effective ways to achieve results. It is working with peers in the steel and mining industries, and with other stakeholders, to advance the development of new third-party standards.

To establish a single, global standard for the entire 'mine-to-metal' steel value chain, and in response to the strong trend of rising assurance expectations from customers, ArcelorMittal has been playing a leading role in developing ResponsibleSteel™ since 2015. ResponsibleSteel™ is the steel industry's only global multi-stakeholder certification initiative, which has 40 members including steel producers, mining companies, NGOs, steel-consuming customers, financial institutions, and industry bodies. It enables steel producers to prove their production processes and products meet rigorously defined standards across a broad range of social, environmental and ethical criteria. It also improves responsible sourcing of the raw materials used in steelmaking and reduces supply-chain risk.

In November 2019, following a robust accreditation process, ResponsibleSteel™ launched its first site certification standard. The standard presents 12 principles underpinned by over 50 criteria and over 200 auditable requirements, addressing: health and safety, human rights, local communities, biodiversity and GHG among other sustainability and assurance issues. In 2020, a full product certification standard will follow, which will also cover the mining of raw materials before they arrive on site, and the full chain of custody from mine to site to final customer.

ArcelorMittal has carried out readiness assessments against the ResponsibleSteel™ site standard across nearly all its

European flat products production sites with positive results. It is currently working on a site assessment and verification plan and is on track to seek certification for its European Flat sites next year. ArcelorMittal believes that its leading role in the development of ResponsibleSteel™, and its commitment to achieve certification in 2020, will enable the Company to improve customer relations, increase market share among customers already seeking certification, and create demand for certified products.

ArcelorMittal also plays a leading role in the wider movement towards establishing social and environmental standards for mining that stakeholders recognize and value. As a member of the IRMA (the Initiative for Responsible Mining Assurance) steering committee, ArcelorMittal participates in the multi-stakeholder expert panels shaping its standards. Another example is its commitment to the Mining Association of Canada's Towards Sustainable Mining initiative at its mines in Canada, which helps the Company to monitor and improve performance and customer reassurance.

The Company is also a member of a multi-stakeholder collaboration on sustainable tin production in Indonesia, the Tin Working Group.

The Company engages directly on responsible supply chain issues with customers from the automotive, rail and other sectors, including construction, household goods and packaging, as well as with initiatives used by customers to share their processes for assessing supply chain risk, such as DRIVE Sustainability, Electronic Industry Citizen Coalition, Railsponsible, EcoVadis and the Green Building Council.

Alongside these multi-stakeholder, customer-focused initiatives, the Company is committed to driving standards in its own supply chain. Since 2011, the Company's Code for Responsible Sourcing has set out minimum standards for its suppliers and described how it will work with suppliers to achieve them. In 2018, the Company continued to ask all new global suppliers to sign the Code and surveyed key suppliers for their implementation of the Code. At the same time, it reinforced its risk mapping analyses, with particular reference to its raw material suppliers. This process aims to identify social and environmental areas of concern, and the key hotspots for further due diligence; the Company is developing action plans where these are needed. It also identifies those suppliers which have the potential to take part in certification schemes in the future.

Overall, the Company is shaping its supplier process to be better aligned to the Organization for Economic Co-operation and Development ("OECD") guidelines on due diligence on supply chains, in particular for conflict minerals, which reflect continued concern that some conflicts around the world are being financed by the trade in minerals such as tin, tantalum, tungsten and gold. From a portfolio of more than 2,000 steel products, only a very limited number of ArcelorMittal products contain tin and tungsten, which are necessary for the functionality or production of certain products.

Management Theme #4: Environment

Behind the SDGs to which ArcelorMittal is committed, is a vision of progress that leaves no-one behind. The Company therefore focuses on making steel in ways that work for society, without creating harmful carbon footprints (as discussed in "*Management Theme #2:* Climate Change" above), or other negative environmental impacts. The Company aims to meet stakeholders' expectations around the use of shared resources, particularly natural capital in the form of air, land and water. Operating transparently and responsibly in these areas is essential for retaining stakeholders' trust.

The Company continues to make significant environmental investments, and in 2019, ArcelorMittal's IAC has approved a total of 38 projects with environmental benefits totalling $692 million.

Some of the challenges affecting air, land and water are global in nature, and ArcelorMittal engages in multi-stakeholder forums aimed at addressing them. Where the issues and the means of addressing them are local, country managers engage with stakeholders at every level, including site-by-site. Before developing any new mine or steel plant, the Company carries out detailed environmental impact assessments, and establishes an environmental management plan. At all existing production sites, it monitors air, water, energy and residue data, and publishes data annually in its Integrated Annual Review and country level sustainability reports, of which 12 were published in 2019.

The Company monitors regulatory developments and aims to be fully compliant with regulatory standards. The Company also aims to listen to concerns wherever they are raised, and to respond appropriately, including by acknowledging where its standards have fallen short. In 2019, the Company's focus on responding to environmental issues was centered on addressing air quality concerns, managing tailing storage facilities and tailings transition plans, improving land use and biodiversity and responsible water use, as further discussed below.

Addressing air quality concerns

In 2019, the Company's investments in environmental improvements included 16 projects to improve air quality. ArcelorMittal understands that air quality is among the most salient issues for the communities around its operations. It is also a continuing focus for regulators, and the Company's goal is to comply fully with regulatory standards. Although the specific sources of pollutants, particularly in urban and industrial areas, are not always identifiable, the Company aims to listen to concerns wherever they are raised, and to respond appropriately. The Company also continues to make significant environmental investments that address air quality.

In 2019, the following sites raised particular air quality concerns, which were addressed by the Company:

Fos-sur-Mer (France)

In Fos-sur-Mer (France), ArcelorMittal acknowledges stakeholder concerns and historic regulatory non-compliance around emissions from the coke plant. Between 2012 and 2017, the Company invested €100 million in the site, and succeeded in reducing dust emissions by 50%, dioxins by 70%, and sulphur dioxide by 50%. After a further investment of €130 million in the coke plant over 2012-2018, and substantive work completed in 2019, the coke ovens are now compliant. Investment will continue with an additional €100 million by 2023 to reduce environmental impact by a further 30%. Moreover, on public health issues, ArcelorMittal supports scientific studies to establish an accurate measure of air quality, its sources and its implications for health.

Krivyi Rih (Ukraine)

The Company is also responding to concerns raised by local stakeholders in Ukraine and Kazakhstan. In Ukraine, over 14 years of operating in Krivyi Rih, the Company has invested $4.4 billion (2006-2018) in production processes which resulted not only in improving the Company's competitiveness but also reduced environmental footprint: waste water discharge was reduced by 81% and dust emissions by 48%.

ArcelorMittal Kryvyi Rih's strategy to further reduce their environmental impact from dust covers all the main types of production - mining, coke, steelmaking, rolling and sintering. The latter is of key importance, since it accounts for about 75% of the plant's total dust emissions. The Company is planning to build a pellet plant to replace the sinter plant at the steel production site and sinter plant number 1 at the mining production site, as well as modernizing sinter plant number 2 at the mining production site. As a result of these investments, dust emissions will be reduced by about 79% within the sinter plant area and 43% across the whole site between 2018 and 2024.

In addition, to further reduce emissions, ArcelorMittal Kryvyi Rih applied an innovative method of repairing coke oven batteries. The method is based on ceramic welding of deep cracks with subsequent injection of powder mixtures to seal small cracks in the refractory brickwork of coke ovens. Such method to reduce dust emissions is already being used in Europe, but is being implemented for the first time in Ukraine. The Company is also planning construction of two continuous casting machines and the new rolling mill which will further reduce the environmental footprint of the operations.

Kazakhstan

In Kazakhstan, where emissions and their impact on air quality is the most pressing concern for local communities, ArcelorMittal has built a comprehensive environmental plan with local stakeholders. As part of this plan, in 2018, the Company announced a $198 million environmental investment program. The projects in its scope will result in a series of incremental performance improvements throughout the investment plan's implementation period to 2025. The program is focused on removing dust from a range of facilities including the lime plant, the coke shop and related processes, the sinter plant, the steel shop, blast furnace 2 and its associated storage area.

ArcelorMittal Italia

ArcelorMittal Italia, has undertaken an ambitious environmental engineering project at its Taranto site: creating the world's largest suite of primary raw materials coverage yards. Work on the iron ore yard coverage was completed in late 2019 and it will play a key role in reducing diffused dust dispersion towards the city, particularly in the Tamburi district. The coke yard coverage is expected to be completed in May 2020.

Another key milestone will be the coverage of the coal yard. Each structure is made up of six arches which collectively use around 22,000 tonnes of steel pipes produced by ArcelorMittal. With a height of 77 meters, the equivalent of an 18-floor building, and a length of 476 meters and a width of 254 meters, equal to around 17 professional-sized football pitches. The ongoing work and the scope of the environmental plan is subject to ongoing negotiations with the Commissioners for a new industrial plan for ArcelorMittal Italia. For further information, see "Key transactions and events in 2019—ArcelorMittal Italia acquisition".

Managing tailings storage facilities

The stability of tailings dams is a risk that every mining company faces and managing them carefully to ensure they are structurally sound is a vital aspect of ArcelorMittal's responsibility as a mining company. The tragedy of the Vale-owned Feijão dam failure prompted all mining companies to examine the monitoring systems at their tailings storage facilities ("TSFs"). ArcelorMittal has 24 TSFs, which include dry stack and in-pit disposal, of which 19 are active, 5 are dormant.

The Company employs a strong governance model based on the Mining Association of Canada's ("MAC") guidelines for TSFs. Its global tailings stewardship program employs three types of audits: in-house at site level, in-house at corporate level and an entirely independent audit, which are benchmarked against international guidelines of Australian

National Committee on Large Dams ("ANCOLD"), MAC and Canadian Dam Association ("CDA").

ArcelorMittal’s Serra Azul mine's tailings has been dormant since 2012 and the Company had commenced reclamation to re-process tailings through the concentrator in January 2019. In February 2019, following stress tests on the Serra Azul dam model safety factors, the Company decided to evacuate the local community downstream of the dam as a precaution, enabling the Company to carry out further testing and safely implement any mitigation measures.

Mining operations were simultaneously suspended but were recommenced on March 18, 2019. Following an update of the theoretical dam break analysis, and adopting the most conservative assumptions, the potential area of impact has been expanded, in order to keep a greater margin of safety. In response, ArcelorMittal relocated 23 families from two communities to temporary homes as a precautionary measure. Monthly emergency payments have been made to the relocated families as well as to people who lost access to their land - in total 149 families have been directly impacted. For safety reasons, access to the evacuated area continues to be restricted and controlled according to guidance from local authorities.

ArcelorMittal is employing continuous 24/7 monitoring of the tailings storage facility via radar, accelerometers, piezometers and imaging, and is currently reviewing its approach to safely deconstructing the Serra Azul TSF.

The Company is working on potential application of non-wet or reduced moisture tailings disposal methodologies such as thickened, paste, dry stack and in-pit tailings options where appropriate. This approach is already in use in Mexico, Brazil and Quebec iron ore mines.

Improving land use and biodiversity

ArcelorMittal aims to practice good land use management, and to protect biodiversity in the environments where it operates, including through partnerships with local environmental organizations and others to improve and research local biodiversity.

Mining is a key focus both in terms of responsible land management and biodiversity.

In Liberia, the Company operates a Biodiversity Conservation Program (“BCP”) to address the damage caused by agriculture and mining.

ArcelorMittal’s Liberian mines are set in Nimba County, surrounded by both mountain and lowland rainforest. ArcelorMittal’s mining area consists of approximately 51,000 hectares in Nimba County, representing less than 1% of the total forest. The Nimba Mountains are renowned for their biodiversity but have been damaged by agricultural practices and overhunting.

Launched in 2011, the BCP is the Company’s approach to developing sustainable forest management throughout the area. Through the BCP, the Company is partnering with authorities and communities to create a healthy ecosystem and sustainable livelihoods across the region. The Company spent almost $2 million on the BCP program in the last three years and its achievements include training 1,000 farmers in conservation agriculture, retraining 50 hunters as front-line conservationists and replanting trees in Tokedeh and Gangra.

The impact of the Company’s steelmaking activities on biodiversity can be less apparent than mining, given that most steel operations are located in urban areas. Nonetheless, ArcelorMittal runs a range of programs aimed at protecting and enhancing ecosystems. For example, ArcelorMittal Tubarão has implemented a green belt around the plant, housing about 2.6 million trees and shrubs and eight different permanent preservation areas, with lagoons, swamps, mangroves, and beaches. In partnership with the Capixaba Institute for Research, Technical Assistance and Rural Extension (Incaper), ArcelorMittal Tubarão is currently conducting research to improve the diversity of flora and fauna in its green project. Another example is ArcelorMittal Mediterranee which works with the bureau d’étude écologique Eco-Med to manage close to 450 hectares of protected natural spaces within its Fos-sur-Mer site.

Responsible water use

Water is a vital resource to the Company and its stakeholders, and ArcelorMittal aims to be responsible both in the amount of water it consumes, and in the quality of the water discharged by its sites into the environment. Its work in the area is aligned to the UN's SDG 6 (Clean water and sanitation), with particular reference to the target 6.3 on water recycling, target 6.4 on water efficiency, and target 6.5 on water management.

The Company's net water use in steelmaking, defined as the difference between the water it withdraws and the water discharged, is measured, monitored and managed at each site by a dedicated team. In general, steel plants treat and recycle the same intake of water repeatedly, losing water only through evaporation. Water withdrawn from groundwater sources makes up less than 1% of the Company's water intake. Water treatment facilities play a vital role in managing the Company’s emissions to water, and in improving the water efficiency of its operations.

Unlike reducing carbon emissions, which is a global challenge, water use is a more localized issue. Where freshwater is scarce, or when there is a drought, the Company works with local municipal and water authorities to explore the best sources for water, including seawater, rainwater and wastewater from water treatment plants. When issues occur, ArcelorMittal aims to act swiftly and co-operatively with local authorities.

In August 2019, ArcelorMittal Burns Harbor experienced a failure at the pump station for the blast furnace process water recycle system, which is believed to have contributed to the reported excess of Ammonia-N and cyanide at two outfalls and impacted aquatic wildlife near those outfalls. ArcelorMittal Burns Harbor has continued daily sampling for cyanide and ammonia and other regulated pollutants. The results are provided to the state regulatory authority responsible for water issues. The Company believes the circumstances leading up to the station failure were unique and it continues to investigate the station failure and related water concerns in coordination with regulatory authorities to understand what happened and to implement measures designed to prevent recurrence.

ArcelorMittal Burns Harbor has two permits which impose monitoring requirements and establish certain limits for pollutants regulated under those permits. Any surpassing of limits or other violations of permit requirements are reported to the state water authority. While any instance of non-compliance is concerning, the Company does not believe that the reported non-compliance with the permit requirements in any way reflect systemic issues. Any instances of non-compliance are investigated, and appropriate actions are taken in response. Governmental authorities are tasked with responding to non-compliance with permits in the way they deem appropriate in response to the reported information. For further information, see note 9.3 to the consolidated financial statements.

Recognizing the importance of water within our business and our communities, the Company continued its leadership role in Sustain Our Great Lakes ("SOGL") in 2019, a public-private partnership with the National Fish and Wildlife Foundation ("NFWF"), U.S. EPA, U.S. Fish and Wildlife Service, U.S.D.A. Forest Service, the National Oceanic and Atmospheric Administration, and U.S.D.A. Natural Resources Conservation Service. SOGL's mission is to restore and protect fish, wildlife and habitat throughout the basin by leveraging funding, building conservation capacity and focusing partners and their resources on key ecological issues. Since 2006, the program has awarded 337 grants totaling nearly $81 million, which when combined with $93.5 million in grantee match, has resulted in a total conservation investment of more than $174.5 million in the region.

The Company seeks to improve water use and the quality of effluent discharge at its mine sites and conducts regular water quality monitoring as standard at all operations. Run-off from the Company's mining operations is treated either chemically or through sediment control dams and tested before being released into surface water bodies or reused elsewhere at the mine. Where possible, water is reused for processing, for example, as part of the cooling process during pellet production. At AMMC, a multi-year holistic water management project aimed at controlling the surface effluents on the waste rock piles and to achieve compliance with federal regulations is ongoing. This consists of the construction of collector ditches on the perimeter of the waste rock piles and the installation of temporary and permanent water treatment units in Mont Wright and Fire-Lake.

ArcelorMittal Brasil has one of the highest rates of water recirculation amongst Brazilian steelmakers, of approximately 98%. Between 2015 and 2017, ArcelorMittal Mineração Serra Azul managed to reduce its water intake by more than 50%, from efficiencies in both the mining and processing stages. The plant's water resource management from ArcelorMittal Mineração Serra Azul provides high rates of water recirculation in the iron ore beneficiation process. In 2019, the index was 88.5%.

Management Theme #5: Social

ArcelorMittal wants communities to recognize it as a good neighbor, that actively engages with local stakeholders to make a positive contribution in terms of creating economic and social value through employment, procurement, taxation and sustainable development initiatives and through strong risk management and respect for human rights. To do this, the Company understands it must take a partnership approach, listening to the concerns of stakeholders at the site, country and segment levels, to give them the confidence that ArcelorMittal will address the impacts it has on them and their environment. ArcelorMittal wants to be a pro-active partner in local socio-economic development; one which is trusted to have an open dialogue and find constructive solutions when challenges arise. This approach is an essential part of the Company's integrated approach to managing risks and impacts, and thus maintaining the Company's social license to operate.

Direct management of community issues, monitoring of local risks and opportunities and how these are being addressed is led by local operations. In 2019, community dashboards were established with the ARCGS Committee to oversee the significance of a site's risks and opportunities.

The aim is to use the dashboards to improve performance at sites identified as being at risk, in particular those consider to be high risk. For all sites that are considered 'high risk', a deeper dive is performed by the corporate responsibility team, usually with site visits, to understand the underlying factors behind the site's situation. This root cause analysis is used to identify trends and patterns in the factors behind poor community relations. A similar but less in-depth approach is taken with 'medium risk' sites.

In addition, in 2019, the Company continued to increase its corporate oversight of local sites' stakeholder engagement plans and grievance-handling mechanisms, developing a new standard for ArcelorMittal community procedures to be implemented at all sites. This standard sets the minimum requirements for planning, implementation, monitoring and evaluation of community engagement and development activities. It is defined by four priorities:

- Understanding local communities by conducting social context analyses of local impacts and opportunities, human rights and associated impacts, and trends linked to the local risk profile;
- Comprehensive planning of human rights assessments, stakeholder engagement, mechanisms to manage community complaints and grievances, and community investment strategies;
- Effective implementation of development activities through strong leadership, appropriate resource, timely engagement, and robust governance; and
- Consistent monitoring and evaluation of performance through community perception surveys, analysis of grievances, and annual independent verification of data and social performance.

The Company also analyzes broader trends across its global portfolio in relation to community issues enabling it to make sure best practices are shared between sites. Examples of how the Company works to share best practices for community engagement include the Company’s quarterly Community Liaison Committee in Avilés, Spain and its multi-stakeholder forum in Poland which follows the AA1000 Stakeholder Engagement Standard (2015) methodology. The Company also continues to foster collaborative relations, bringing sites’ corporate responsibility teams across the group together through webinars and internal seminars. In February 2019, ArcelorMittal corporate responsibility representatives from over 18 countries met in Milan, Italy for a three-day knowledge management program to network, discuss current issues and learn from one another.

Alongside responding to communities’ needs and concerns, the Company’s community investment strategy focuses on developing skills in STEM (science, technology, engineering and mathematics). This reflects the important role scientists and engineers will play in building a sustainable future for society at large, for the steel industry and for the Company. The strategy is delivered in many ways: from providing teaching aids and technological support, through inviting students to steel plants, to the Company's long-term partnerships with leading academic organizations around the world.

Sustainable Development Governance

The Company’s commitment to integrity is enshrined in its code of business conduct and is supported by a comprehensive framework of policies in areas such as human rights, anti-corruption, and insider dealing. These reflect the principles and concepts of the UN Global Compact, the OECD Guidelines on Multinational Enterprises and UN Sustainable Development Goal 16 ("Peace, justice and strong institutions"). See also “ Directors, senior management and employees and Board practices/corporate governance”.

Listening, learning, respect and transparency are key to the integrity of the Company’s leadership and governance, which helps ensure ArcelorMittal operates effectively and ethically in all parts of the world.

ArcelorMittal considers its relationships with its various stakeholders to be vital to its success. Conducted in the right way, these relationships help the Company know how best to respond to challenges, to anticipate future problems, and to earn trust. ArcelorMittal’s operations in each country are encouraged to assess their stakeholders' expectations and concerns, in order to inform their approach to the 10 SD outcomes and 5 management themes. Working with customers, suppliers, unions and others can also contribute to UN SDG 17 (Partnership for the goals).

Fully integrating SD into the business is essential to reach the Company’s aim of achieving long-term value for its shareholders and other stakeholders, while maintaining a profitable market share. As discussed above, ArcelorMittal introduced a sustainable development framework including 10 SD outcomes in 2015 and the ARCGS oversees the Company's progress towards these outcomes, as well as the Company's overarching strategy towards SD according to the five management themes described above. The Company's approach to meeting its SD targets includes:

- ***Key Performance Indicators.*** A set of KPIs for every business segment to report against, overseen by the ARCGS;
- ***SD-focused Business Plans.*** An expectation that SD is integrated into each business segment plan, acting on the relevant SD issues material to its business;
- ***SD-focused Corporate Initiatives.*** Corporate initiatives on SD for the benefit of the Group, which include, for example, accelerating progress towards low-carbon steelmaking; innovating steel solutions for a positive SD impact; and developing a ‘mine to metal’ chain of assurances measured against multi-stakeholder environmental and social standards; and
- ***SD-focused Reporting.*** A robust articulation of the Company’s approach and progress through clear narrative and transparent, third-party assured reporting. In 2018, climate change was identified as one of the themes to be overseen by the ARCGS, which then nominated senior officers to take responsibility for its low-carbon transition strategy, its carbon performance, and its work on advocating for the introduction of carbon-related government policies.

These senior officers are supported by corporate functions covering strategy, technology, R&D, corporate responsibility and communications, all of which are represented on the Carbon and Environment Group and report to one executive vice-president, who works closely with the CEO and CFO on climate issues. The Company also convenes a number of working groups on particular topics, tracks stakeholder expectations as well as long-term trends and considers their implications for the business.

ArcelorMittal continues to work with external organizations on SD issues, and is a member of the Extractive Industries Transparency Initiative.

In Brazil, where transparency is of particular stakeholder concern, ArcelorMittal partners with the non-governmental organization Transparency International.

ArcelorMittal's human rights policy draws on the UN Universal Declaration of Human Rights, the International Bill of Human Rights, the core conventions of the International Labor Organization, and the UN Global Compact; it also aims to contribute to UN SDG 8 (Decent work and economic growth) focus on decent working conditions, including target 8.7 on modern slavery. The policy includes commitments to workers, local communities and business partners, and covers health and safety, labor rights and the rights of indigenous people. Employees working in relevant functions are required to undertake training in the Company's policy every three years, and in 2019, 90.1% of the Company's relevant workforce had completed up-to-date human rights training, down from 94% in 2018. Where appropriate, ArcelorMittal provides face-to-face training for employees on human rights. The Company also conducts wider ethical and integrity training: in 2019, 88.6% of ArcelorMittal's employees had completed up to date training in the Code of Business Conduct, and 95.4% had completed their Anti-Corruption training.

In 2019, the Company also continued to deepen its understanding of the relevant risks in its supply chain by strengthening its supply chain risk management and audit processes, focusing on its work to develop ResponsibleSteel™ (see "—Management Theme #3: Customer reassurance" above), as well as several mining certification standards aimed at ensuring that both its own sites and its supply chain uphold international human rights, environmental and governance standards.

Corporate governance

The "Corporate Governance" section of the Company's Annual Report 2019 contains a full overview of its corporate governance practices.

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 7, 2019 acknowledged the expiration of the terms of office of Mrs. Vanisha Mittal Bhatia, Mrs. Suzanne Nimocks, Mr. Karel De Gucht and Mr. Jeannot Krecké.

At the same meeting, the shareholders re-elected Mrs. Vanisha Mittal Bhatia, Mrs. Suzanne Nimocks, Mr. Karel De Gucht and Mr. Jeannot Krecké 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	69	May 1997	May 2020	Chairman of the Board of Directors and Chief Executive Officer
Vanisha Mittal Bhatia[6]	39	December 2004	May 2022	Director
Jeannot Krecké	69	January 2010	May 2022	Director
Suzanne P. Nimocks[2 3]	60	January 2011	May 2022	Director
Bruno Lafont[1 2 3]	63	May 2011	May 2020	Lead Independent Director
Tye Burt[2 3]	62	May 2012	May 2021	Director
Michel Wurth	65	May 2014	May 2020	Director
Karyn Ovelmen[1 3]	56	May 2015	May 2021	Director
Karel de Gucht[1 3]	65	May 2016	May 2022	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, 2019.
5. Date of joining the Board of ArcelorMittal or, if prior to 2006, its predecessor Mittal Steel Company NV.
6. Mrs. Vanisha Mittal Bhatia is the daughter of Mr. Lakshmi N. Mittal and sister of Mr. Aditya Mittal.

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

Lakshmi N. Mittal, 69, is the Chairman and Chief Executive Officer of ArcelorMittal, a renowned global businessman who serves on the boards of various companies and advisory councils. He is 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. He has received numerous awards for his contribution to the steel industry over the years and recently, 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. He is widely recognized for successfully integrating many company acquisitions in North America, South America, Europe, South Africa and the CIS. Mr. Mittal 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 is the father of Aditya Mittal (who is President and Chief Financial Officer of ArcelorMittal) and Vanisha Mittal Bhatia (who is a Director of ArcelorMittal). Mr. Mittal is a citizen of India.

Vanisha Mittal Bhatia, 39, 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. Ms. Mittal Bhatia is a citizen of India.

Jeannot Krecké, 69, 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, 60, 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 of Ovintiv Inc (formerly Encana Corporation), Valaris Plc (formerly Rowan Companies Plc), and Owens Corning, all listed companies. Ovintiv Inc is a major natural gas exploration and production company, Valaris Plc 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, 63, is Lead Independent Director of ArcelorMittal, a member of the Audit & Risk Committee and chairman of the Appointments, Remuneration, Corporate Governance 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 was a board member of EDF from 2008 to 2019. Mr. Lafont left the Executive Committee of the World Business Council for Sustainable Development (WBCSD) in December 2019. 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, 62, 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 was the Life Sciences Research Campaign Chair of the University of Guelph's Better Planet Project. Mr. Burt is a member of the Board of Directors of Boart Longyear, a global leader in the drilling services and equipment industry. 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, 65, 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 served as Chairman of the Luxembourg Chamber of Commerce between May 2004 and May 2019 and is a 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. and BIP Capital Partners S.A., 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 and BIP Capital Partners S.A. are Luxembourg based companies organized as investment funds investing in small and mid-cap private equity and Brasserie Nationale is a privately owned brewery based in Luxembourg. Mr. Wurth is vice-chairman of the Luxembourg Red Cross. Mr. Wurth is a citizen of Luxembourg.

Karyn Ovelmen, 56, is a non-executive and independent Director of ArcelorMittal as well as the chairman of the Audit & Risk Committee. From January 2019 to December 31, 2019, Mrs. Ovelmen was 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 was a member of the Gates Industrial Corporation plc. Board of Directors as a non-executive director and was a member of their Audit Committee from December 2017 to March 2019. 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, 65, 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, 2019, 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	69	Chairman and Chief Executive Officer of ArcelorMittal
Aditya Mittal	43	President and Chief Financial Officer of ArcelorMittal, Investor Relations, and Chief Executive Officer of ArcelorMittal Europe
Brian Aranha	64	Executive vice president, head of strategy, CTO, R&D, CCM, and global automotive
Jefferson de Paula	61	Executive vice president, CEO ArcelorMittal South America Long
Geert Van Poelvoorde	54	Executive vice president, CEO ArcelorMittal Europe Flat
Simon C. Wandke	60	Executive vice president, CEO ArcelorMittal Mining
Bart Wille	58	Executive vice president, head of HR

1. Age as of December 31, 2019.

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

Aditya Mittal, 43, 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,is Chairman of India's second largest refinery, HPCL-Mittal Energy Limited (HMEL), and is Chairman of the Board of Directors of AMNS India. 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. Mr. Aditya Mittal is a citizen of India.

Brian Aranha, 64, is a member of the Group management committee and an executive vice president, responsible for several corporate functions: Strategy, Technology, R&D, Commercial Coordination, Global Automotive, Communications and CR, Capital Goods as well as certain JVs in China and Saudi Arabia. He joined Dofasco in 1979 and held various diverse positions until 2003 when he was appointed Vice President of Commercial. Following Dofasco's integration into ArcelorMittal in 2007 he held various positions in Europe and NAFTA until he assumed his current role in 2016. Brian holds a Bachelor of applied sciences and engineering from the University of Toronto and has attended the Executive Program at Queens University in Kingston, Ontario (Canada). Mr. Aranha is a citizen of Canada.

Jefferson de Paula, 61, 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, 54, 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, 60, 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,58, 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, 2019.

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

9 members	8 non-executive directors	5 independent directors	1 executive director (CEO)
33% women	67% men	7 average years on the Board	61 average age of directors

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.

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" above.

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

Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors on May 13, 2008. Mr. Mittal is also ArcelorMittal's 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.

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

Required share ownership Lead Independent Director - minimum of 6,000 ordinary shares Non-executive directors - minimum of 4,000 ordinary shares	*Maximum 12 year service (independent directors)*	*May not serve on the boards of directors of more than four publicly listed companies (non-executive directors)*	*Required to sign the Company's Code of Business Conduct and confirm their adherence annually*

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. Directors must hold their shares directly or indirectly, and as sole or joint beneficiary owner (e.g., with a spouse or minor children), at the latest within three years of his or her election to the Board of Directors . 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 (as highlighted in the table above). Nevertheless, the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that a Director 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 taking into consideration the balance between the knowledge, skills, experience of the director and the 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. 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 service 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, to promptly 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.

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.

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.

6 meetings (2019)

100% Average attendance rate

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

Mr. Bruno Lafont was elected by the Board of Directors as ArcelorMittal's Lead Independent Director and re-elected as a director for a three-year term at ArcelorMittal AGM 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. One meeting of the independent directors outside the presence of management was held in 2019.

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 2019 Board of Directors' self-evaluation was completed by the Board on January 15, 2020. The Board of Directors was of the opinion that it and the management had cooperated successfully during 2019 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 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 2020.

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 global capital markets and being a company listed in several jurisdictions**	**Understanding of the health, safety, environmental, political and community challenges that ArcelorMittal faces**

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 2019. 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 the directors 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 2019 covered health and safety processes, cyber security, risk management, corporate responsibility, carbon reduction strategy in steelmaking, capital allocation process, strategy. Business briefings took place at Board and committee 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

3 members (100% independent)	7 meetings (2019)

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;
- the identification and management of risks to which the ArcelorMittal group is exposed and
- conducting investigations into any matters, including whistleblower complaints, within its scope of responsibility and obtaining advice from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.

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. The Audit & Risk Committee performs an annual self-evaluation and completed its 2019 self-evaluation on January 15, 2020. The charter of the Audit & Risk Committee is available from ArcelorMittal upon request.

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

3 members (100% independent)	6 meetings (2019)

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;
- review the company's sustainable development plan and associated management systems and ensure the group is well positioned to meet the evolving expectations of stakeholders, including investors, customers, regulators, employees and communities.

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 three times a year.

The ARCGS Committee performs an annual self-evaluation and completed its 2019 self-evaluation on January 15, 2020.

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 a year 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 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 AGM 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 2019, there were 162 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 were 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. 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's internal Group Policies and Procedures Manual in 2013.

Compensation

Content

Abbreviations

EBITDA	Operating income plus depreciation, impairment expenses and exceptional items
FCF	Free cash flow
STI	Short-term incentives
LTI/LTIP	Long-term incentives (plans)
EPS	Earnings per share
PSU	Performance share units
RSU	Restricted share units
ROCE	Return on capital employed
TSR	Total shareholder return

Annual statement by the ARCGS Committee Chairman

Dear Shareholders,

Description of the year:

Business and results

After a strong 2018, market conditions in 2019 were challenging, with the profitability of ArcelorMittal's steel segments suffering due to lower steel prices combined with higher raw material costs. This was only partially offset by improved profitability from the mining segment. Despite this challenging environment, ArcelorMittal has achieved notable progress which reflects the efforts in recent years through Action 2020 to strengthen the business. Significant cash flow generation in 2019 resulted in a historical low point for ArcelorMittal net debt. Global overcapacity remains a clear challenge, as such the Company reduced capacity in Europe in response to the current weak demand environment. Further action needs to be taken to address the increasing level of imports entering the continent due to ineffective safeguard measures. ArcelorMittal continues to engage with the European Commission to create a level playing field for the sector. A supportive regulatory and funding environment is also crucial for the Company's ambition to significantly reduce its emissions. ArcelorMittal also continue to evolve its sustainable product offering, for example with Steligence, its low-carbon solutions for the construction market. Despite the current challenges, the Company is well positioned to benefit from any improvement in market conditions and the current very low spread environment.

Board and Committees

The Board and Chairman have overall responsibility for the governance and strategic direction of ArcelorMittal, which includes considering the effects of climate change. The Board has two committees with further oversight and responsibilities on climate-related issues. Risks are also considered by boards of subsidiaries worldwide. The ARCGS oversees the implications of sustainability issues under five sustainability pillars, of which one is climate change. The chair of the ARCGS also liaises closely with the chair of the Audit & Risk Committee. The Committee considers the implications of climate change for the business and oversees the Company’s strategic planning in response to the risks and opportunities that arise. It receives regular reports from senior management on stakeholder expectations, the Company’s low-emissions technology strategy, climate-related policy engagement and carbon performance.

Activities

Remuneration and Nomination

During 2019, the ARCGS Committee conducted the Annual Self-Assessment of the Board of Directors, reviewed and approved short term incentive proposals for senior management and approved the remuneration report for 2019. The ARCGS Committee also reviewed remuneration and governance related proposals for the annual general meeting of shareholders. The ARCGS Committee revised succession plans for the Board, the CEO office and senior executives. The ARCGS Committee also reviewed the salaries for the CEO, CFO and the Executive Vice Presidents. It reviewed the grant and vesting criteria for future grants, reviewed and selected performance and compensation peer groups under the Long-Term Incentive Plan and confirmed the vesting of existing plans in accordance with the criteria set in advance. The ARCGS Committee also considered the need for additional retention plans. The annual general meeting of shareholders in May 2019 approved an increase in remuneration for the non-executive members of the Board of Directors. A review of this remuneration takes place once every three years.

Environment

In May 2019 ArcelorMittal published its first Climate Action report in which it announced its ambition to significantly reduce CO_2 emissions globally and be carbon neutral in Europe by 2050. The report explains in greater detail the future challenges and opportunities for the steel industry, the plausible technology pathways the Company is exploring as well as its views on the policy environment required for the steel industry to succeed in meeting the targets of the Paris Agreement. In addition, the Committee held quarterly meetings dedicated to Corporate Social Responsibilities, including Health & Safety, Environment and Community relations and reviewed progress and proposed management actions in this field. The year showed substantial progress in terms of quality of reporting and follow up actions.

Going forward

The acquisition of AMNS India is an important strategic step for ArcelorMittal. The newly established joint venture with Nippon Steel Corporation, called AMNS India, with nominal crude steel production capacity of 9.6 million tonnes per year in India, is one of the most promising steel markets in the world. ArcelorMittal is confident that AMNS India will create significant value - for shareholders, its business partners, employees and communities in India.

As for ArcelorMittal Italia, the Company experienced both business and stakeholder issues at the Taranto plant. These issues are persistent and ongoing.

As a result of the implementation of the recommendations of the previous Board self-assessment in January 2019, there were noticeable improvements in this year's process. In particular, the new responsibilities of the Committee on sustainable development matters and the increased emphasis given to succession planning are seen as important improvements.

Corporate Social Responsibility including Climate Action will remain a key focus area for the Committee in 2020. Even greater emphasis will be placed on health and safety matters as well. In the field of Remuneration, the Committee expects to consider proposals to ensure appropriate remuneration and management retention in challenging market conditions. Succession planning will remain a priority.

Sincerely yours,

Bruno Lafont

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 7, 2019 annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive directors for the 2018 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: €151,956 ($173,990);
- Lead Independent Director's remuneration: €214,326 ($245,403);
- Additional remuneration for the Chair of the Audit & Risk Committee: €29,484 ($33,759);
- Additional remuneration for the other Audit & Risk Committee members: €18,144 ($20,775);
- Additional remuneration for the Chairs of the other committees: €17,010 ($19,476); and
- Additional remuneration for the members of the other committees: €11,340 ($12,984).

The total annual remuneration of the members of the Board of Directors for their service for the last five financial years was as follows:

	Year ended December 31,				
(Amounts in $ thousands except Long-term incentives information)	2019	2018	2017	2016	2015
Base salary[1]	1,569	1,604	1,505	1,550	1,746
Director fees	1,554	1,509	1,744	1,900	1,856
Short-term performance-related bonus[1]	3,198	2,775	2,333	—	1,910
Long-term incentives [1, 2, 3]	89,933	70,302	49,431	168,214	59,773

1. Chairman and CEO only. Slight differences between the years are possible, due to foreign currency effects.
2. See "Remuneration - Long-term incentive plan".
3. Long-term incentives for the 2015 financial year were 179,320 prior to the 2017 reverse stock split which consolidated each three existing shares in the Company without nominal value into one share without nominal value.

The annual remuneration for the last five financial years to the current and former members of the Board of Directors for services in all capacities was as follows:

(Amounts in $ thousands)	2019[1]	2018[1]	2017[1]	2016[1]	2015[1]
Lakshmi N. Mittal	1,569	1,604	1,505	1,550	1,746
Vanisha Mittal Bhatia	171	166	174	153	160
Narayanan Vaghul	—	—	69	182	204
Suzanne P. Nimocks	183	178	187	164	184
Wilbur L. Ross, Jr.	—	—	32	171	180
Lewis B. Kaden	—	—	95	250	244
Bruno Lafont	280	272	255	171	180
Tye Burt	183	178	187	164	173
Antoine Spillmann	—	—	—	55	198
Karyn Ovelmen	204	198	203	171	—
Jeannot Krecké	171	166	174	153	173
Michel Wurth	171	166	174	153	160
Karel de Gucht	191	185	194	114	—
Total	3,123	3,113	3,249	3,451	3,602

1. Remuneration for non-executive Directors with respect to 2019 will be paid in 2020 subject to the shareholder approval at the annual general meeting to be held on May 5, 2020. Remuneration for non-executive Directors with respect to 2018, 2017, 2016 and 2015 was paid in 2019, 2018, 2017 and 2016, respectively, following the shareholder approval at the annual general meetings held on May 7, 2019, May 9, 2018, May 10, 2017 and May 4 , 2016, respectively. Slight differences between the years are possible, due to foreign currency effects.

Members of the Board of Directors have not received any remuneration from any subsidiary of the Group.

The annual remuneration for the last five financial years on a full-time equivalent basis of employees of ArcelorMittal S.A. was as follows:

(Amounts in $ thousands)	2019[1]	2018[1]	2017[1]	2016[1]	2015[1]
Average Remuneration	389	408	379	336	326

1. The annual remuneration is calculated for the approximately 20 employees with a labor contract with ArcelorMittal S.A.

ArcelorMittal has performed a benchmarking on remuneration with its selected peers and fixed the remuneration of the employees and Directors based on the outcome of that exercise.

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. As of December 31, 2019, 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. Executive short-term incentives were as follows for the last five financial years:

	2019	2018	2017	2016	2015
	Short-term Incentives				
Lakshmi N. Mittal	3,198	2,775	2,333	—	1,910

The following tables provide a summary of the options and the exercise price of options and PSUs granted (long-term incentives) to the Chairman and CEO, who is the sole executive director on the Board of Directors, as of December 31, 2019.

	Options granted in 2010
Lakshmi N. Mittal	18,833
Exercise price	91.98
Term (in years)	10
Expiration date	Aug. 3, 2020

	PSUs grants in 2019	PSUs granted in 2018	PSUs granted in 2017	PSUs granted in 2016	PSUs granted in 2015
Lakshmi N. Mittal[2]	89,933	70,302	49,431	168,214	59,773
Term (in years)	3	3	3	3+2	3
Vesting date[1]	January 1, 2023	January 1, 2022	January 1, 2021	January 1, 2020 and January 1, 2022	June 30, 2018

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

Remuneration at a glance - senior management

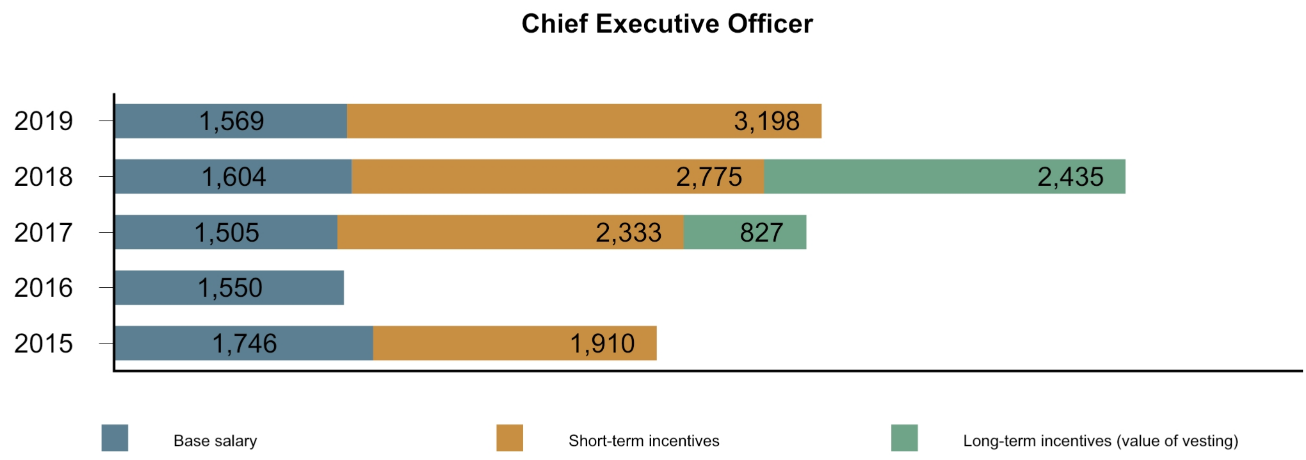
The following table provides a brief overview of the Company’s remuneration policy for senior management. Additional information is provided below.

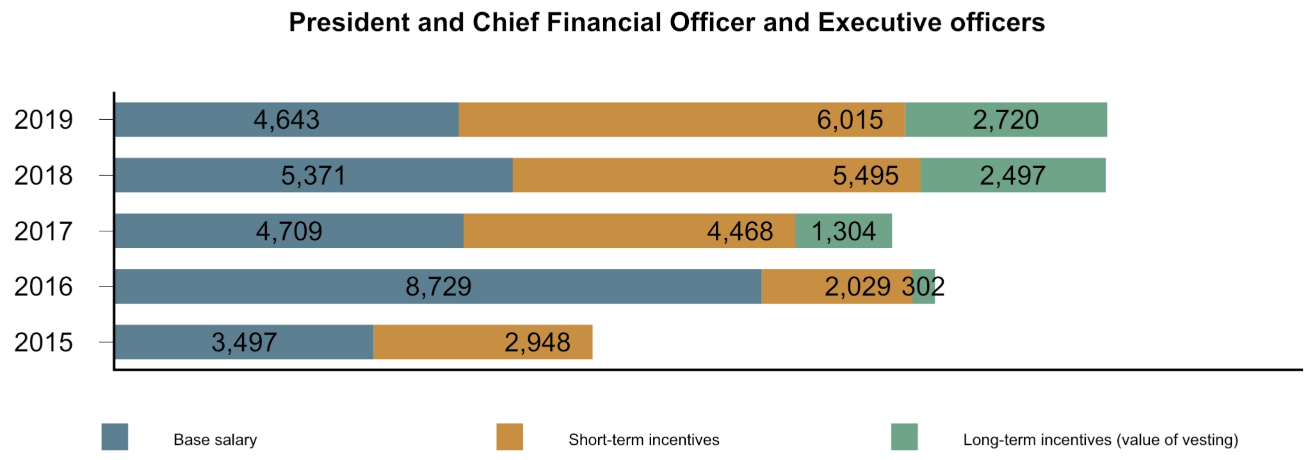
ArcelorMittal's Remuneration Policy			
Remuneration	Period	Strategy	Characteristic
Salary	2019	Recruitment and retention	• Reviewed annually by the ARCGS Committee considering market data • Increases based on Company performance and individual performance
STI	2019	Delivery of strategic priorities and 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	2020-2022	Encourages long term shareholder return	• Performance share units granted with a face value of 100% of base salary for the CEO and CFO and 60% for Executive Officers • Shares vest after a three-year performance period • Performance related vesting

Key Performance Metrics from 2019		
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 - 2019 Pay outcomes

The following graphics compare the compensation paid to the CEO, CFO and other Executive Officers in 2019, 2018, 2017, 2016 and 2015 in thousands of U.S. dollars. Information with respect to total remuneration paid is provided under "—Remuneration—2019 Total remuneration" below.





2018 short-term incentives paid in 2019

	Executive	Realization as % of business target
CEO office	Lakshmi Mittal Aditya Mittal	139%
Corporate	Brian Aranha	139%
Flat Carbon Europe	Geert van Poelvoorde	118%
Long Carbon South America	Jefferson de Paula	150%
Mining	Simon Wandke	75%
Corporate	Bart Wille	138%

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

2019 LTI vesting (2016 grants)

The following tables provide information about the vesting in 2019 of long-term incentives granted to senior management in prior years. See also note 8.3 to the consolidated financial statements.

CEO office

There was no vesting scheduled in 2019 for the CEO Office.

Executive Officers

In 2019, the following long-term incentives vested:

Vehicle	Date of vesting	Date of Grant	Number of PSUs granted to the Executive Officers and outstanding	Number of Shares acquired by the Executive Officers
PSUs	January 1, 2019 Performance approved by ARCGS Committee on March 19, 2019	December 18, 2015	10,668	11,603
PSUs[1]	January 1, 2019 Performance approved by ARCGS Committee on March 19, 2019	June 30, 2016	149,920	112,818

1. The grant number corresponds to half of the grant as only half vested in 2019.

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 2019. 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. According to Shareholders Right Directive II, that was transposed into Luxembourg law in August 1, 2019, the remuneration policies must be approved at the AGM at least every 4 years and whenever there is a material change.

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.

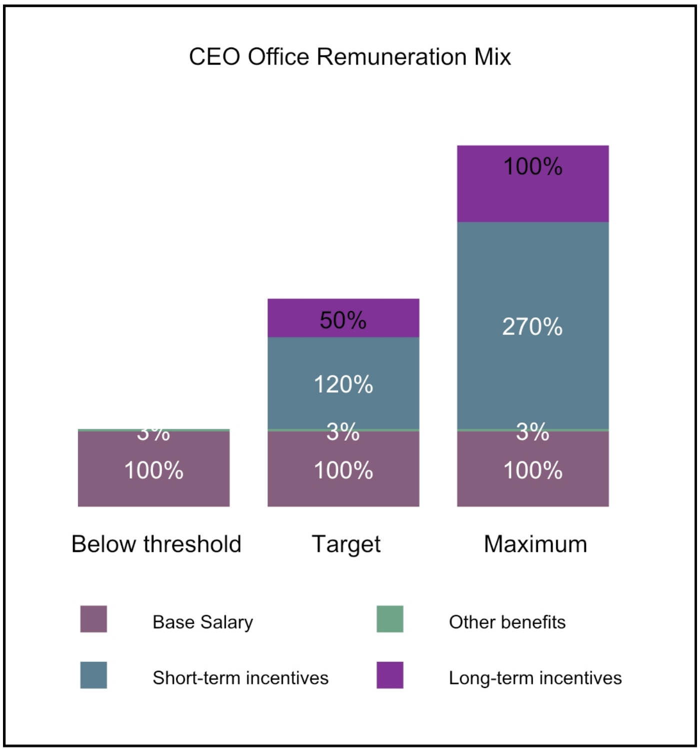
The following table provides an overview of the remuneration policy applied by the ARCGS:

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% for each criteria; 100% STI payout for performance achieved at 100% for each criteria; 150% STI payout for performance achieved at 120% or above for each criteria	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 one or two measures depending on the business units, Gap to competition and ROCE, in 2019 - Vesting will occur if the performance is reached - Performance is determined by the ARCGS Committee	Maximum value at grant: 100% of base salary for CEO and President and CFO 60% of base salary for Executive Officers

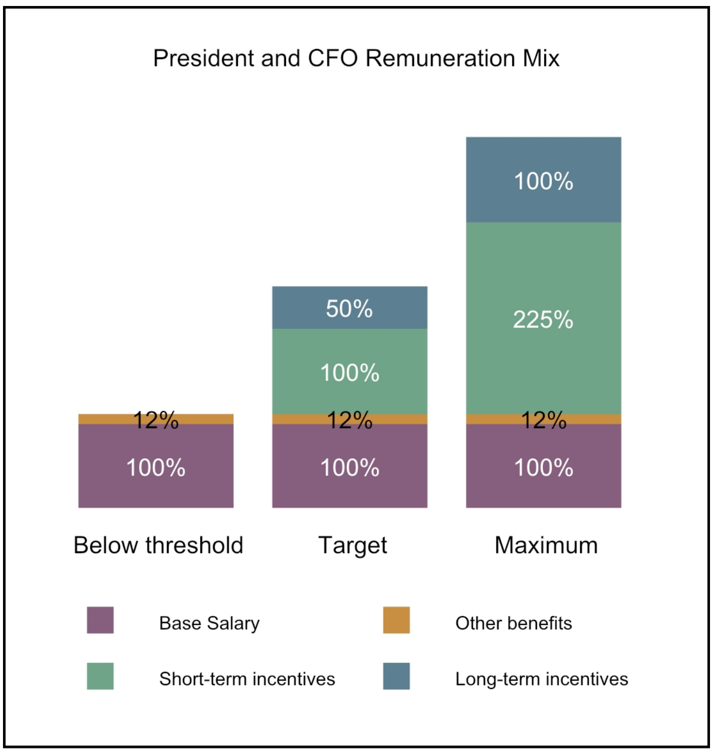
Remuneration mix

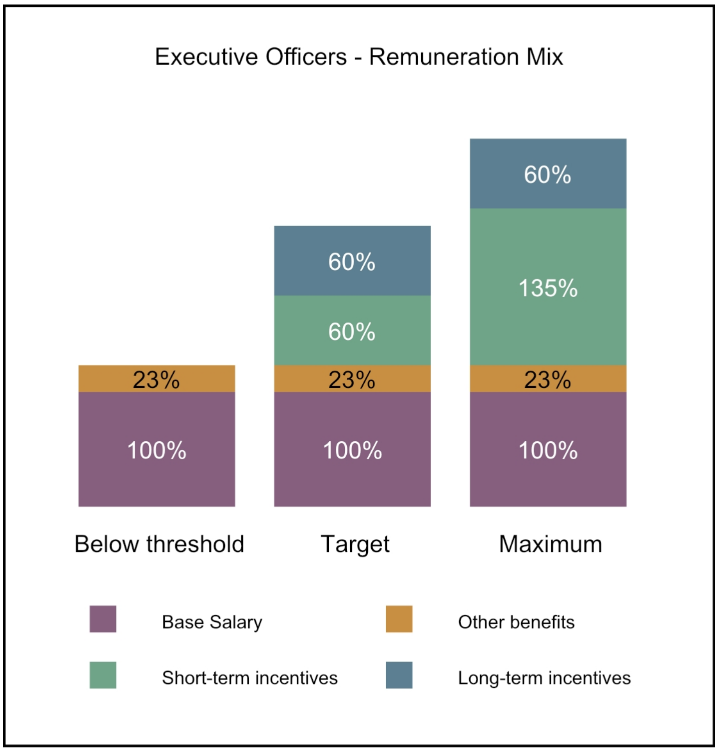
The total remuneration target of the CEO and the President and CFO is structured to attract and retain executives; the amount of the remuneration received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value from relative performance.

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 2019. 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.

2019 Total remuneration

The total remuneration paid in 2019 to members of ArcelorMittal's senior management (including Mr. Lakshmi N. Mittal in his capacity as CEO) was $6.5 million in base salary and other benefits paid in cash (such as health, other insurances, lunch allowances, financial services, gasoline and car allowance) and $9.2 million in short-term performance-related variable remuneration consisting of a short-term incentive linked to the Company's 2018 results. During 2019, approximately $0.7 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 2019, and no such loans or advances were outstanding as of December 31, 2019.

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 the five most recent financial years including all remuneration components:

		Chief Executive Officer					President and Chief Financial Officer and Executive Officers (Other GMB members for 2015)				
(Amounts in $ thousands except for Long-term incentives)		2019	2018	2017	2016	2015[7]	2019	2018[5]	2017	2016[6]	2015[7]
Base salary[1]		1,569	1,604	1,505	1,550	1,746	4,643	5,371	4,709	8,729	3,497
Retirement benefits		—	—	—	—	—	698	862	849	898	305
Other benefits[2]		47	48	41	42	40	223	314	250	225	101
Short-term incentives[3]		3,198	2,775	2,333	—	1,910	6,015	5,495	4,468	2,029	2,948
Long-term incentives	- fair value in $ thousands[4]	1,339	1,166	1,130	2,297	1,530	3,096	2,702	1,922	6,882	2,431
	- number of share units	89,933	70,302	49,431	168,214	59,773	183,084	141,109	94,553	509,623	94,995

1. The base salaries of the CEO and President and CFO were increased by 3.4% in 2019
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 nil and $4 million (net of reversal of expenses relating to unvested PSUs) for the year ended December 31, 2019 and December 31, 2018, respectively.
5. Henri Blaffart was included until March 31, 2018, Robrecht Himpe was included until June 30, 2018.
6. Jim Baske was included until June 30, 2016, Davinder Chugh was included until July 20, 2016 and Robrecht Himpe was included as from July 1, 2016.
7. Long-term incentives for the 2015 financial year were 179,320 for the CEO and 284,985 for the President and CFO and Executive Officers (Other GMB members for 2015) prior to the 2017 reverse stock split which consolidated each three existing shares in the Company without nominal value into one share without nominal value.

Short-term incentives

Targets associated with ArcelorMittal's 2019 Annual Performance Bonus Plan were aligned with the companies' strategic objectives of improving health and safety performance and overall business performance and competitiveness.

For the CEO and the President and CFO, the 2019 annual performance bonus formula is based on the achievement of the following performance targets:

- EBITDA targets at Group level: 30% ;
- FCF targets at Group level: 20%;
- ROCE targets at Group level: 20%;
- Gap to competition targets at Group level: 20%; and
- Health and safety performance targets at Group level: 10%.

For the CEO , 100% achievement of the agreed performance targets results in an annual performance bonus which equals to 120% of base salary. For the CFO, 100% achievement of the agreed performance targets results in an annual performance bonus which equals to 100% of base salary.

For the other Executive Officers, the 2019 annual performance bonus formula has been tailored for their respective positions and is generally based on the following performance targets:

- EBITDA targets at Group, segment or Business unit level;
- FCF targets at Group, segment or Business unit level;
- ROCE targets at Group level, segment or Business unit level;
- Gap to competition targets at Group level, segment or Business unit level;
- Health and safety performance targets at Group, Segment or Business unit level; and
- Business specific measures for corporate functions.

For the other Executive Officers, 100% achievement of the agreed performance targets results in an annual performance bonus which equals to 60% of base salary.

For the calculation of the annual performance bonus, the achievement level of every performance target is calculated separately, and these are added up.

Individual performance and assessment ratings define the individual annual performance bonus multiplier that will be applied to the annual performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 1.5 may cause the annual performance bonus pay-out to be higher than 150% of the target annual performance bonus, up to 270% of the target annual performance bonus being the absolute maximum for the CEO. Similarly, a reduction factor will be applied for those at the lower end.

In exceptional circumstances, the ARCGS committee can exercise discretion in the final determination of the annual performance bonus.

The achievement level of performance for the annual performance bonus 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 8.3 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 shares. The 2019 Cap for the number of PSUs that may be allocated to the CEO Office and other performance based grants below the CEO Office level, was approved at the annual shareholders' meeting held on May 7, 2019 at a maximum of 2,500,000 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 2019 grant were as follows:

	CEO Office			**Executive Officers**	
2019 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 2015 through 2018

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

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, 2017 and 2018 are summarized below.

<table>
<tr><th></th><th colspan="4">CEO Office</th><th colspan="4">Other Executive Officers</th></tr>
<tr><td rowspan="5">2015 Grant</td><td colspan="4">• 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:</td><td colspan="4">• 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:</td></tr>
<tr><td></td><td>Threshold</td><td>Target</td><td>Stretch</td><td>Performance</td><td>Threshold</td><td>Target</td><td>Stretch</td></tr>
<tr><td>TSR/EPS vs. peer group</td><td>80% median</td><td>100% median</td><td>≥120% median</td><td>Performance</td><td>80%</td><td>100%</td><td>≥120%</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><td>Vesting</td><td>50%</td><td>100%</td><td>150%</td></tr>
<tr><td>Vesting percentage</td><td>50%</td><td>100%</td><td>150%</td><td colspan="4"></td></tr>
<tr><td rowspan="5">2016 Special Grant</td><td colspan="4">• 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:</td><td colspan="4">• 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:</td></tr>
<tr><td></td><td></td><td>Threshold</td><td>Target</td><td>Performance</td><td></td><td>100%</td><td>≥120%</td></tr>
<tr><td>TSR/EPS vs. peer group</td><td></td><td>100% median</td><td>≥120% median</td><td>Target award vesting</td><td></td><td>100%</td><td>100%</td></tr>
<tr><td>TSR vs. S&P 500</td><td></td><td>Performance equal to Index</td><td>≥Performance equal to Index + 2% outperformance</td><td>Overperformance award (=20% of target award)</td><td></td><td>-</td><td>100%</td></tr>
<tr><td>Vesting percentage</td><td></td><td>50%</td><td>100%</td><td colspan="4"></td></tr>
<tr><td rowspan="5">2017 Grant</td><td colspan="4">• 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:</td><td colspan="4">• PSUs with a three-year performance period
• Performance criteria: TSR and Gap to competition in some areas
• Vesting conditions:</td></tr>
<tr><td></td><td></td><td>Threshold</td><td>Target</td><td>Performance</td><td></td><td>Threshold</td><td>Target</td></tr>
<tr><td>TSR/EPS vs. peer group</td><td></td><td>100% median</td><td>≥120% median</td><td>TSR vs. peer group</td><td></td><td>100% median 50% vesting</td><td>≥120% median 100% vesting</td></tr>
<tr><td>TSR vs. S&P 500</td><td></td><td>Performance equal to Index</td><td>≥Performance equal to Index + 2% outperformance</td><td>Gap to competition (where applicable)</td><td></td><td>-</td><td>100% target 100% vesting</td></tr>
<tr><td>Vesting percentage</td><td></td><td>50%</td><td>100%</td><td colspan="4"></td></tr>
</table>

	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%		

See note 8.3 to the consolidated financial statements for further details on 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 8.3 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.

Major shareholders and related party transactions

Major shareholders

The following table sets out information as of December 31, 2019 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]	382,277,751	37.41%
Treasury Shares[3]	9,824,202	0.96%
Other Public Shareholders	629,801,670	61.63%
Total	1,021,903,623	100.00%
Of which: Directors and Senior Management[4]	267,905	0.03%

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, 2019 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, 2019, 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 18,833 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 382,252,251 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 382,277,751 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, 2018 and 2017 , the Significant Shareholder (together with Mr. Mittal and Mrs. Mittal) held 37.41% and 37.41% 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) 29,250 stock options that can be exercised by senior management (other than Mr. Mittal) and (2) 18,833 stock options that can be exercised by Mr. Mittal, in each case within 60 days of December 31, 2019, i.e. 0.001% 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 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 15,067 ArcelorMittal ordinary shares, together representing 0.01% of the ArcelorMittal ordinary shares outstanding. Aditya Mittal holds a total of 326,118 PSUs of which 40,653 may vest in 2021, 64,559 may vest in 2022,138,322 of which 50% may vest in 2020 and 50% may vest in 2022 and 82,584 which may vest in 2023. 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.

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, the ("New York Registry Shares"), which are registered (including in the name of the nominee of DTC) in a New York Share Register kept on behalf of ArcelorMittal by Citibank N.A., 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, 2019, 2,691 shareholders other than the Significant Shareholder, holding an aggregate of 21,826,165 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, 2019, there were 175 registered shareholders holding an aggregate of 51,794,561 New York Registry Shares, representing approximately 5.07% of the ordinary shares issued (including treasury shares). ArcelorMittal's knowledge of the number of New York Registry 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, 2019, 576,975,297 ArcelorMittal ordinary shares were held through the Euroclear/Iberclear clearing system in The Netherlands, France, Luxembourg and Spain, representing approximately 56.5% of the ordinary shares issued (including treasury shares).

Voting rights

Each share entitles the holder to one vote at the general meeting of shareholders, and no shareholder benefits from special 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 12 of ArcelorMittal's consolidated financial statements. Further information related to required disclosure of related party transactions under the Shareholders' Rights Law of August 1, 2019 implementing the European Union's Shareholders' Rights Directive in Luxembourg (the "Shareholders' Rights Law") is included in "Memorandum and Articles of Association" below.

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 2020 and 2021 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 2020.

Under the terms of the Purchasing Services Agreement and ArcelorMittal Sourcing 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 (only hot strip mill), electrodes and refractory materials), spare parts, sea freight, industrial products and support services (excluding industrial 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. The ArcelorMittal Sourcing Agreement is effective starting from January 2020 for the sale of electrodes to Aperam. 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, and such contracts are to be automatically renewed in 2020.

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, 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.

Headquarters

ArcelorMittal Kirchberg Real Estate s.à r.l., Kennedy 2020 SAS, and Aperam Real Estate s.à r.l, which are subsidiaries of ArcelorMittal and Aperam, respectively, signed a land use right for a combined head office project in Kirchberg, Luxembourg with Fonds Kirchberg on March 7, 2019.

Memorandum and Articles of Association

Below is a summary of ArcelorMittal's Articles of Association, filed as an exhibit to this annual report on Form 20-F 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-Articles of Association."

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, (the "New York Registry Shares"), which are registered (including in the name of the nominee of DTC) in a New York Share Register kept on behalf of ArcelorMittal by Citibank N.A., 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 Company maintains a New York Share Register with Citibank N.A. (located at 388 Greenwich Street, New York, New York 10013) for its New York Registry Shares that trade on the NYSE with underlying positions held in Euroclear. As of December 31, 2019, 51,794,561 shares (or approximately 5.07% of ArcelorMittal's total issued shares) were New York Registry Shares.

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. As of December 31, 2019, notice of the Effective Date has not been given.

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.

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 as of December 31, 2016 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 canceled 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”) 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, 2019, 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 Law (as defined above) in such manner that the accounting par value of the Company’s shares held by the Company does 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 was amended by the law of August 1, 2019 which entered into force on August 24, 2019 implementing the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC (as regards the encouragement of long term shareholder engagement) (the "Shareholders' Rights Law") and includes provisions relating to general meetings of shareholders, as discussed below.

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 online platform called *Recueil électronique des sociétés et associations* ("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.

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.

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.

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 "—Memorandum and 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.

In addition, 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.

Shareholder participation at general meetings

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.

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.

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 7, 2019 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.

Identification of shareholders

Pursuant to the Shareholders' Rights Law, listed companies now have the ability to identify their shareholders and ultimately improve communication between them and their shareholders. Intermediaries, including those in third countries, are required to provide the Company with information to enable the identification of shareholders. Intermediaries in-scope of the Shareholders' Rights Law are investment firms, credit institutions and central securities depositories which provide share safekeeping or administration of securities accounts or maintenance services to shareholders or other persons. Third country in-scope intermediaries are those which provide these services to shareholders or other intermediaries with respect to shares in the Company and are located outside of the European Union.

Voting and information rights

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 voting and information rights of ArcelorMittal's shareholders have been further expanded since the entry into force of the Shareholders' Rights Law.

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 in staggered intervals. 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.

If a material transaction with a related party involves a Director, that Director may not participate in the approval of 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".

Pursuant to the Shareholders' Rights Law, the shareholders must be informed in detail of the remuneration of the members of the Company's Board of Directors and its CEO and the company's remuneration policy. Companies must prepare a management remuneration policy describing all components, criteria, methods and modalities applied to determine the fixed and variable remuneration of such persons. Such remuneration policy must contribute to the Company' business strategy and long term interests. It must be resubmitted to an advisory vote at the general meeting of shareholders for approval each time there is a significant change thereto and at least every four years. In addition, companies must prepare a renumeration report for the annual general meeting on the remuneration and benefits granted to directors, and such remuneration report is required to be submitted for an advisory vote at the general meeting of shareholders each year.

(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 October 30, 2012 (as amended on November 7, 2017) a policy that requires members of the Board of Directors to hold 4,000 shares in the Company (6,000 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 2019" 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 2019, two notifications were received by ArcelorMittal from such persons and filed with the CSSF.

Related Party Transactions

The Shareholders' Rights Law provides that a company is now required to publicly disclose material transactions (excluding "transactions taking place as part of the company's ordinary activity and concluded under normal market conditions") with related parties no later than at the time of conclusion of the transaction. The same requirement applies to material transactions concluded between related parties of a company and subsidiaries of such company. The Board of Directors must approve material transactions of the Company with related parties. A transaction with a related party is material if (i) its publication and divulgation may have a significant impact on the economic decisions of shareholders and (ii) it may create a risk for the company and its shareholders which are not related parties, including minority shareholders. In the determination of whether a transaction is material both the nature of the transaction and the position of the related party must be taken into account.

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 of the five-year period. The maximum number of own shares that the Company may hold at any time directly or indirectly may not have the effect of reducing its net assets (“actif net”) below the amount mentioned in paragraphs 1 and 2 of Article 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 2019.

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, where they can be located within the Investors menu, under Financial Reports, or within the Corporate Library.

Sustainable development

ArcelorMittal's sustainable development information is detailed in the Integrated Annual Review that will be published during the second quarter of 2020 and will be available within the Corporate Library on www.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 2019, the price of ArcelorMittal shares decreased by 15% in dollar terms compared to 2018; 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, given the resilient cash flow and progress towards its net debt target, the Board proposes a base dividend of $0.30 per share for 2020 (in respect of 2019) which will be proposed to the shareholders at the AGM in May 2020.

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 2020.

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 6, 2020 - Results for the 4th quarter 2019 and 12 months 2019.

May 7, 2020 - Results for the 1st quarter 2020.

July 30, 2020 - Results for the 2nd quarter 2020 and 6 months 2020.

November 5, 2020 - Results for the 3rd quarter 2020.

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

Meeting of shareholders

May 5, 2020 - 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, 2019. 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, 2019 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, 2019 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, 2019.

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 ended December 31, 2019 that have materially affected or are reasonably likely to have materially affected the Company's internal control over financial reporting.

Management report of ArcelorMittal as parent company: Please refer to pages 4 to 112 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 a net loss of $13,341 million and net income of $10,911 million in 2019 and 2018, respectively. Operating income amounted to $184 million in 2019 as compared to operating income of $445 million in 2018. Operating income was mainly related to income from industrial franchise agreement fees ($1,010 million and $1,113 million for the years ended December 31, 2019 and 2018, respectively). Income from subsidiaries and associates amounted to $2,765 million in 2019 as compared to $905 million in 2018. The Company recognized net impairment charges of investments of $16,253 million and net impairment reversals of $9,170 million in 2019 in 2018, respectively. The 2019 net impairment charge reflected mainly lower future cash flow projections due to weaker market conditions. Financing costs-net were $348 million and $1,302 million in 2019 in 2018, respectively. The decrease in financing costs-net in 2019 was mainly related to foreign exchange, as the Company recognized net foreign exchange gains of $55 million for the year ended December 31, 2019 as compared to $647 million net foreign exchange losses for the year ended December 31, 2018, and to the change in fair value of the call option on the mandatory convertible bonds as the Company recognized a $356 million loss for the year ended December 31, 2019 as compared to a $501 million loss for the year ended December 31, 2018.

Updates on recent developments for ArcelorMittal group and Parent Company

- On March 4, 2020, ArcelorMittal announced that AM InvestCo and the Ilva Commissioners have executed an amendment (the “Amendment Agreement”) to the original lease agreement with a conditional obligation to purchase the Ilva business (the “Ilva Agreement”). The Amendment Agreement outlines the terms for a significant investment by Italian state-sponsored entities into AM InvestCo, thereby forming the basis for an important new partnership between ArcelorMittal and the Italian government. The equity investment by the Italian Government in Ilva, to be captured in an agreement (the “Investment Agreement”) to be executed by November 30, 2020, will be at least equal to AM InvestCo’s remaining liabilities against the original purchase price for Ilva. The Amendment Agreement is structured around a new industrial plan for Ilva, which involves investment in lower-carbon steelmaking technologies. The core of the new industrial plan is the construction of a DRI facility to be funded and operated by third party investors and an EAF to be constructed by AM InvestCo. In addition, AM InvestCo and the Ilva Commissioners have entered into a separate settlement agreement whereby AM InvestCo agreed to revoke its notice to withdraw from the original agreement and the Ilva Commissioners agreed to withdraw their request for an injunction, which was scheduled to be heard in the Civil Court of Milan on March 6, 2020. In the event that the Investment Agreement is not executed by November 30, 2020, AM InvestCo has a withdrawal right, subject to an agreed payment. Final closing of the lease and purchase agreement is now scheduled by May 2022, subject to various conditions precedent, including the closing of the Investment Agreement; the amendment of the existing environmental plan to account for changes in the new industrial plan; the lifting of all criminal seizures on the Taranto plant; the absence of restrictive measures - in the context of criminal proceedings where Ilva is a defendant - being imposed against AM InvestCo; and a new agreement with trade unions.
- On March 17, 2020, AMNS Luxembourg entered into a 5.146 billion ten-year term loan agreement with Japan Bank for International Cooperation, MUFG Bank LTD., Sumitomo Mitsui Banking Corporation, Mizuho Bank Europe N.V., and Sumitomo Mitsui Trust Bank, Limited (London Branch). The proceeds of the loan were used on March 27, 2020 to refinance in full the amounts borrowed by the Company in connection with the acquisition of AMNS India, including the amounts borrowed under the 7 billion bridge term facilities agreement guaranteed by ArcelorMittal. The obligations of AMNS Luxembourg under the term

loan agreement are guaranteed by ArcelorMittal and NSC in proportion to their interests in the joint venture, being 60% by ArcelorMittal and 40% by NSC.

- On March 19, 2020, ArcelorMittal announced certain measures that it is taking or considering in light of the Covid-19 pandemic and its effect on its operating markets. In particular, ArcelorMittal announced that it was taking steps to reduce production at its European operations and that it would closely monitor conditions in all operating markets in order to ensure employee well-being and meeting customer demand.
- On March 31, 2020, ArcelorMittal issued an update to its March 19, 2020 statement. In particular, ArcelorMittal announced that it would be reducing production and temporarily idling steelmaking and finishing assets on a country by country basis in accordance with regional demand and government requirements. ArcelorMittal further announced that, in order to mitigate the impact of reduced production it would be implementing significant measures to preserve cash and reduce costs in line with reduced production levels, including accessing measures introduced by governments to support companies in light of the Covid-19 pandemic and its economic consequences. The Company also announced on March 31, 2020 that it decided to postpone the general meeting of shareholders planned for May 7, 2020 to a new date to be communicated in due course. The Company is not in a position at this stage to predict fully the severity of the consequences of the coronavirus outbreak on its financial performance but believes it will likely have a material adverse effect on the Company’s results of operations for the first half of 2020.

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	Chief financial officer
Lakshmi N. Mittal	Aditya Mittal
April 6, 2020	April 6, 2020

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, 2019	December 31, 2018
Current assets:		
Cash and cash equivalents (note 4)	2,902	388
Current loans to related parties (note 11)	906	1,459
Prepaid expenses and other current assets, including 1,369 and 1,356 with related parties at December 31, 2019 and 2018, respectively (notes 5 and 11)	1,560	1,448
Assets held for sale (note 9)	—	663
Total current assets	5,368	3,958
Non-current assets:		
Tangible and intangible assets (note 6)	30	10
Investments in subsidiaries (note 7)	41,804	57,544
Investments in associates and joint ventures (note 8)	529	513
Non-current loans to related parties (note 11)	14,657	13,094
Deferred tax assets (note 17)	8,624	8,817
Other assets (note 10)	219	648
Total non-current assets	65,863	80,626
Total assets	71,231	84,584

LIABILITIES AND EQUITY	December 31, 2019	December 31, 2018
Current liabilities:		
Short-term debt and current portion of long-term debt (note 12)	2,323	2,904
Current loans from related parties (note 11)	7,559	5,322
Accrued expenses and other liabilities, including 377 and 266 with related parties at December 31, 2019 and 2018, respectively (notes 11 and 18)	715	484
Total current liabilities	10,597	8,710
Non-current liabilities:		
Long-term debt, net of current portion (note 12)	10,350	8,755
Non-current loans from related parties (note 11)	1,440	4,598
Deferred employee benefits (note 21)	22	20
Long-term provisions and other obligations (note 19)	311	340
Total non-current liabilities	12,123	13,713
Total liabilities	22,720	22,423
Commitments and contingencies (notes 20 and 22)		
Equity: (note 14)		
Common shares	364	364
Treasury shares	(41)	(9)
Additional paid-in capital	33,819	33,891
Retained earnings	14,329	27,875
Legal reserve	40	40
Total equity	48,511	62,161
Total liabilities and equity	71,231	84,584

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,	
	2019	2018
Income from industrial franchise agreement fees (note 11)	1,010	1,113
General and administrative expenses, including (609) and (534) with related parties in 2019 and 2018 (note 11)	(826)	(668)
Operating income	184	445
Income from subsidiaries and associates (note 16)	2,765	905
(Impairment) / impairment reversal of investments (notes 7, 8 and 9)	(16,253)	9,170
(Impairment) / impairment reversal of loans (note 11)	26	(20)
Financing costs - net, including 707 and 581 from related parties in 2019 and 2018, respectively (notes 11 and 15)	(348)	(1,302)
(Loss) / Income before taxes	(13,626)	9,198
Income tax benefit (note 17)	285	1,713
Net (loss) / income	(13,341)	10,911

	Year ended December 31,	
	2019	2018
Earnings (loss) per common share (in U.S. dollars)		
Basic	(2.42)	5.07
Diluted	(2.42)	5.04
Weighted average ordinary shares outstanding (in millions)		
Basic	1,013	1,015
Diluted	1,013	1,021

	Year ended December 31,	
	2019	2018
Net income	(13,341)	10,911
Other comprehensive income (loss)	—	—
Total comprehensive income (loss)	(13,341)	10,911

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	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Legal reserve	Total Equity
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)	—	—	—	—	10,911	—	10,911
Share buy back (note 14)	(7)	—	(226)	—	—	—	(226)
Change in share capital currency (note 14)	—	(37)	—	37	—	—	—
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)
Director fees	—	—	—	—	(2)	—	(2)
Other	—	—	—	4	(5)	—	(1)
Balance at December 31, 2018	1,022	364	(9)	33,891	27,875	40	62,161
Net loss	—	—	—	—	(13,341)	—	(13,341)
Other comprehensive income (loss)	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	(13,341)	—	(13,341)
Share buy back (note 14)	—	—	(90)	—	—	—	(90)
Acquisition of treasury shares	—	—	—	—	—	—	—
Sale of treasury shares	—	—	—	—	—	—	—
Recognition of share-based payments (note 14)	—	—	57	(72)	—	—	(15)
Dividend (note 14)	—	—	—	—	(204)	—	(204)
Director fees	—	—	—	—	(2)	—	(2)
Other	—	—	1	—	1	—	2
Balance at December 31, 2019	1,022	364	(41)	33,819	14,329	40	48,511

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,	
	2019	2018
Operating activities:		
Net income	(13,341)	10,911
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation of intangible and tangible assets (note 6)	16	9
Impairment (reversal) of investments (note 7 and note 8)	16,253	(9,170)
Impairment (reversal) of financial loans (note 11)	(26)	20
Interest expense (note 15)	831	862
Interest income (note 15)	(1,126)	(985)
Income tax benefit (note 17)	(285)	(1,713)
Change in fair value adjustments on call option on the mandatory convertible bonds (note 13)	356	501
Change in fair value adjustments on put option with ISP (note 13)	1	124
Loss on disposal of investments (note 15)	222	68
Income from subsidiaries and associates (note 16)	(2,765)	(905)
Net (gain) loss on other derivative instruments (note 15)	24	(55)
Unrealized foreign exchange effects, other provisions and non-cash operating expenses, net	160	516
Changes in assets and liabilities that provided (required) cash:		
Interest paid	(734)	(771)
Interest received	1,006	870
Taxes received	272	351
Dividends received	2,765	914
Payables for services related to industrial franchise agreement	28	21
Receivables for services related to industrial franchise agreement	151	(204)
Premiums and fees related to early redemption of bonds	(72)	(104)
Other working capital and provisions movements	5	39
Net cash provided by operating activities	3,741	1,299
Investing activities:		
Purchase of property, plant and equipment and intangible assets (note 6)	(1)	(1)
Acquisitions of investments (note 7 and 8)	(785)	(1,614)
Disposals of financial assets	769	2,195
Proceeds from loans granted to related parties	2,729	1,822
Loans granted to related and third parties	(3,642)	(4,227)
Net cash used in investing activities	(930)	(1,825)
Financing activities:		
Proceeds from short-term debt	553	3,085
Proceeds from long-term debt	6,710	1,139
Payments of short-term debt	(3,175)	(3,380)
Payments of long-term debt	(4,171)	(626)
Dividends paid	(206)	(103)
Other financing activities net	(8)	—
Net cash used in financing activities	(297)	115
Net decrease in cash and cash equivalents	2,514	(411)
Cash and cash equivalents:		
At the beginning of the year	388	799
At the end of the year	2,902	388

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 April 6, 2020 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, 2019

On January 1, 2019, the Company adopted IFRS 16 "Leases", which has an impact on the disclosures in the financial statements of the Company:

- IFRS 16 "Leases" was issued on January 13, 2016, and replaced International Accounting Standards "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. The Company adopted IFRS 16 “Leases” as of January 1, 2019, using the modified retrospective transition approach with right-of-use assets measured at an amount equal to the lease liability recognized at January 1, 2019, adjusted by the amount of any prepaid or accrued lease payments relating to those leases. In addition, the Company applied the practical expedient not to reassess whether or not a contract meets the definition of a lease on transition and accordingly applied IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a lease". Also, the Company used the practical expedient of not recognizing lease liabilities and right-of use assets for which the lease term ended within twelve months of the date of initial application and corresponding expenses have been recognized as part of short-term lease expenses in the statement of operations. On January 1, 2019, the Company recognized additional lease liabilities (discounted at the incremental borrowing rates at that date) and right of use assets for an amount of 12 and 12, respectively (see note 6).

On January 1, 2019, the Company also adopted the following amendments which did not have a material impact on the financial statements of the Company:

- IFRIC 23 “Uncertainty over Income Tax Treatments” issued by the IASB on June 7, 2017. 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 "Income Taxes".

- Amendment to IFRS 9 "Financial Instruments" issued by the IASB on October 12, 2017 in respect of prepayment features with negative compensation and 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.

- Amendment to IAS 28 “Investments in Associates and Joint Ventures” also issued on October 12, 2017 in relation to long-term interests in associates and joint ventures. The amendment clarifies that an entity should apply 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.

- Amendments to IAS 19 “Employee benefits” issued by the IASB on February 7, 2018, 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.

On January 1, 2019, the Company also adopted the Annual Improvements 2015–2017 issued by the IASB on December 12, 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.

New IFRS standards, amendments and interpretation applicable from 2020 onward

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 is 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 consolidated financial statements.

On September 26, 2019, the IASB published Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7 (the amendments). The amendments provide relief from the specific hedge accounting requirements, so that entities would apply those hedge accounting requirements (highly probable forecast transaction and prospective effectiveness test under IFRS 9 which is applied by the Company) assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. Application of the relief is mandatory and is effective for annual periods beginning on or after January 1, 2020, with early application permitted. The requirements must be applied retrospectively. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements as it is relieving the possible effects of the uncertainty due to the Interest rate benchmark reform "IBOR".

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

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. On March 17, 2020, the IASB announced its decision to defer the effective date of the new standard from periods beginning on or after January 1, 2021 to periods beginning on or after January 1, 2023, 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 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 January 23, 2020, the IASB issued narrow-scope amendments to IAS 1 "Presentation of Financial Statements" to clarify how to classify debt and other liabilities as current or non-current. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The Company does not expect that the adoption of these amendments, which are effective for annual periods beginning on or after January 1, 2022, 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) Leases

As a lessee, the Company assesses if a contract is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date, except for short-term leases of twelve months or less and leases for which the underlying asset is of low value, which are expensed in the statement of operations on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if not readily determinable, the incremental borrowing rate specific to the country, term and currency of the contract. Lease payments fixed payments, variable payments, as well as any extension. The lease liability is subsequently measured at amortized cost using the effective interest method and remeasured with a corresponding adjustment to the related right-of-use asset when there is a change in future lease payments in case of renegotiation, changes of an index or rate.

The right-of-use asset comprises, at inception, the initial lease liability, any initial direct costs and, when applicable, the obligations to refurbish the asset, less any incentives granted by the lessors. The right-of-use asset is subsequently depreciated, on a straight-line basis, over the lease term. Right-of-use assets are also subject to testing for impairment if there is an indicator for impairment.

In the statement of financial position, right-of-use assets and lease liabilities are classified, respectively, as part of property, plant and equipment and short-term/long-term debt, respectively.

(h) 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.

(i) Provisions and accruals

The Company recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost. Provisions for onerous contracts are recorded in the statements of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

(j) Income taxes

The Company is the head of 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.

(k) 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.

(l) 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.

(m) 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.

(n) Equity settled share-based payments

The Company issues equity-settled share-based payments to certain of its employees and employees of its subsidiaries, including stock options and restricted share units. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is recognized on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Such fair value is expensed with respect to share-based payments issued to the Company's employees and recognized as a capital contribution for share-based payments issued to employees of subsidiaries. For stock options and restricted share units, fair value is measured using the Black-Scholes-Merton pricing model and the market value of the shares at the date of the grant after deduction of dividend payments during the vesting period, respectively. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

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

Note 4: Cash, cash equivalents and reconciliation of cash flows

Cash and cash equivalents consisted of the following:

	December 31, 2019	December 31, 2018
Cash at bank interest bearing	1,779	388
Money market funds[1]	1,123	—
Total	2,902	388

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, 2018 (see notes 11 and 12)	8,755	2,904	4,598	5,322
Proceeds from long-term debt	5,730	—	980	—
Payments of long-term debt	(3,296)	—	(875)	—
Amortized cost	7	13	—	—
Unrealized foreign exchange effects	95	122	586	(647)
Proceeds from short-term debt	—	5	—	548
Payments of short-term debt	—	(1,662)	—	(1,513)
Current portion of long-term debt	(941)	941	(3,849)	3,849
Balance as of December 31, 2019 (see notes 11 and 12)	10,350	2,323	1,440	7,559

Note 5: Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	December 31, 2019	December 31, 2018
Receivables from related parties - tax integration	509	270
Receivables from related parties - corporate services	797	964
Derivative financial instruments (note 13)	17	90
Other	237	124
Total	1,560	1,448

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.

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

The tables below summarize the movements relating to the Company trade receivable and other for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
Trade accounts receivable and other - opening balance	1,448	1,064
Performance obligations satisfied (IFA)	1,010	1,113
Payments received (IFA)	(1,129)	(711)
Impairment of receivables (net of write backs)	—	4
Foreign exchange and others	231	(22)
Trade accounts receivable and other - closing balance	1,560	1,448

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			
At December 31, 2017	37	10	47
At December 31, 2018	37	10	47
Adoption of IFRS 16 [1]	12	—	12
At January 1, 2019	49	10	59
Additions	23	—	23
At December 31, 2019	72	10	82
Accumulated depreciation and impairment			
At December 31, 2017	(36)	(10)	(46)
Depreciation charge for the year	(1)	—	(1)
Disposals	—	—	—
At December 31, 2018	(37)	(10)	(47)
Adoption of IFRS 16 [1]	—	—	—
At January 1, 2019	(37)	(10)	(47)
Depreciation charge for the year	(8)	—	(8)
At December 31, 2019	(45)	(10)	(55)
Carrying amount			
At December 31, 2018	—	—	—
At December 31, 2019	27	—	27

1. Initial recognition of right-of-use assets following the adoption of IFRS 16 "Leases" as described in note 1 on January 1, 2019.

Following the adoption of IFRS 16 "Leases" as described in note 1 on January 1, 2019, the Company recognized current lease liabilities of 9, non-current lease liabilities of 3 and right-of-use assets of 12 for operating lease contracts relating to land, building and improvements with fixed terms and future minimum lease payments.

There were no impacts on retained earnings upon implementation of IFRS 16.

There are no sale and lease back transactions and no restrictions or covenants are imposed by the Company's current effective lease contracts.

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

The right-of-use assets as of December 31, 2019 and the depreciation for the twelve months ended December 31,2019 amounted to 35 and 8, respectively, and are shown below by underlying class of asset:

The addition to right-of-use assets amounting to 23 for the twelve months ended December 31, 2019 is due to the extension of the rental building lease.

The maturity analysis of the lease liabilities as of December 31, 2019, is as follows:

	1 year or less	2-3 years	4-5 years	Greater than 5 years	TOTAL
Lease liabilities	8	16	3	—	27

As of December 31, 2019, there were no leases not yet commenced.

Intangible assets are summarized as follows:

	Patents and licenses
Cost	
At December 31, 2017	57
Additions	1
At December 31, 2018	58
Additions	1
At December 31, 2019	59
Accumulated amortization and impairment	
At December 31, 2017	(40)
Amortization charge for the year	(8)
At December 31, 2018	(48)
Amortization charge for the year	(8)
At December 31, 2019	(56)
Carrying amount	
At December 31, 2018	10
At December 31, 2019	3

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

Note 7: Investments in subsidiaries

Investments in subsidiaries are summarized as follows:

Cost	
At December 31, 2017	143,406
Capital increase	1,177
Acquisitions in cash	428
Disposals	(9,726)
Capital decrease	(9)
Transfer to assets held for sale	(1,013)
Other	29
At December 31, 2018	134,292
Capital increase	116
Acquisitions in cash [1,5]	670
Disposals	(250)
Other	(7)
At December 31, 2019	134,821

Accumulated impairment	
At December 31, 2017	(93,747)
Impairment reversal for the year	9,477
Disposals	7,522
At December 31, 2018	(76,748)
Impairment for the year	(16,269)
At December 31, 2019	(93,017)

Carrying amount	
At December 31, 2018	57,544
At December 31, 2019	41,804

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

Subsidiary	Registered office	Ownership (%) as of December 31, 2019	Carrying amount December 31, 2019	Carrying amount December 31, 2018	Capital and reserves (including result for 2019)* and based on % of ownership	Result for 2019* and based on % of ownership
AM Global Holding S.a.r.l.	Luxembourg (Luxembourg)	100.00%	31,977	44,177	31,172	3,635
ArcelorMittal Spain Holding, S.L.	Madrid (Spain)	100.00%	4,266	6,839	4,021	413
ArcelorMittal Poland S.A.	Dabrowa Gornicza (Poland)	100.00%	2,936	3,473	2,284	(120)
Arcelor Investment SA [1]	Luxembourg (Luxembourg)	7.86%	1,353	988	1,307	8
Hera Ermac	Luxembourg (Luxembourg)	100.00%	576	576	909	144
AM InvestCo Italy S.p.A [2]	Milano (Italy)	40.00%	407	713	769	7
ArcelorMittal Cyprus Holding Limited [3]	Nicosia (Cyprus)	100.00%	89	89	157	36
ArcelorMittal Tubular Products Karvina a.s. [4]	Ostrava (Czech Republic)	100.00%	69	92	30	—
ArcelorMittal Canada Holdings Inc.	Contrecoeur (Canada)	1.18%	58	75	67	1
ArcelorMittal Tesoreria S.A. de C.V., SOFOM, ENR [5]	Michoacan (Mexico)	100.00%	52	—	56	6
Ispat Inland S.à.r.l.	Luxembourg (Luxembourg)	100.00%	—	505	184	(689)
Other subsidiaries			21	17	—	—
Total			41,804	57,544		

*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 18, 2019, the Company sold a 1.41% interest in Arcelor Investment SA with a net carrying amount of 596 to AM Energy, AM Finance, AM Property and Casualty Reinsurance and AM Bissen & Bettembourg. The total consideration received amounted to 233 and resulted in a loss on disposal of 363 (note 15).

On March 29, 2019, the Company acquired a 3.59% interest in Arcelor Investment S.A. from Arcelor Investment Services S.A. for 614.

On December 20, 2018, the Company acquired a 2.36% interest in Arcelor Investment SA from AM Global Holding for €350 million (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 million (1,862) and resulted in a loss on disposal of 34.

2. 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 million (29).

On October 26 and October 1, 2018, the Company subscribed to capital increases in AM InvestCo Italy S.p.A for € 625 million (714) and € 55 million (63), respectively.

3. 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.

4. 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).

5. ArcelorMittal Tesoreria S.A. de C.V., SOFOM, ENR

On July 2, 2019, the Company acquired a 100% interest in ArcelorMittal Tesoreria S.A. de C.V. SOFOM, E.N.R. from ArcelorMittal Treasury Financial Services S.à r.l. for 52.

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, 2019, 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 9.1% to 15.0% and vary by geographic location.

In 2019, the Company recognized a total net impairment loss of 16,269 with respect to investments in subsidiaries as a result of lower future cash flow projections due to weaker market conditions. The total net impairment loss was related to the Company's investment in AM Global Holding S.à.r.l. (12,192) mainly reflecting lower future cash flow projections in the Europe segment, ArcelorMittal Spain Holding S.L. (2,573), ArcelorMittal Poland S.A. (537), Ispat Inland S.à r.l. (505), ArcelorMittal InvestCo Italy S.p.a. (306), ArcelorMittal Italy Holding S.r.l. (116), ArcelorMittal Tubular Products Karvina a.s. (23) and ArcelorMittal Canada Holding Inc. (17).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, 2019.

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.

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

Note 8: Investments in associates, joint ventures and other investments

Investments in associates, joint ventures and other investments are summarized as follows:

	December 31, 2019	2018
Investments accounted for at cost	529	513
Total	529	513

Investments accounted for at cost	
Cost	
At December 31, 2017	614
Capital increase	9
At December 31, 2018	623
At December 31, 2019	623
Accumulated impairment	
At December 31, 2017	(153)
Impairment reversal for the year	43
At December 31, 2018	(110)
Impairment reversal for the year	18
Impairment for the year	(2)
At December 31, 2019	(94)
Carrying amount	
At December 31, 2018	513
At December 31, 2019	529

Investee	Category	Registered office	Ownership (%) as of December 31, 2019	Carrying amount December 31, 2019	2018
VAMA[1]	Joint venture	Loudi (China)	50.00%	159	161
China Oriental[2]	Associate	Hamilton (Bermuda)	13.69%	370	352
Total				529	513

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.

For the year ended December 31, 2019, the Company assessed the recoverability of its investment and recognized a 2 impairment charge.

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).

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”). For the years ended December 31, 2019 and 2018, the Company assessed the recoverability of its investment and recognized impairment reversals of 18 and 43, respectively.

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

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%.

Note 9: Assets held for sale

On June 30, 2019, the sale of ArcelorMittal Ostrava a.s. was completed.

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 June 30, 2019, ArcelorMittal completed the sale of the ArcelorMittal Italia remedies to Liberty House Group ("Liberty"). 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 measurement was determined using the selling price, a Level 3 unobservable input. On June 30, 2019, ArcelorMittal completed the sale of the ArcelorMittal Italia remedies to Liberty House Group ("Liberty"). With respect to ArcelorMittal Ostrava a.s., the consideration amounted to 461 of which 370 in cash and 91 deferred in part contingent upon certain criteria and subject to customary closing adjustments. The Company recognized a loss on disposal of 202 (see note15).

Note 10: Other assets

Other assets are summarized as follows:

	December 31,	
	2019	2018
Call option on mandatory convertible bonds[1]	127	483
Receivables from sale of financial and intangible assets	76	—
Financial amounts receivable	2	136
Other derivative financial instruments	2	13
Other	12	16
Total	219	648

1. The Company holds the option to call the mandatory convertible bonds (see note 13).

On November 13 and November 15, 2019, ArcelorMittal assigned the UG payments to AMNS Luxembourg Holding S.A, the parent company of the joint venture created between ArcelorMittal and Nippon Steel Corporation ('NSC") in connection with the acquisition of AMNS India.

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") subsequently renamed AMNS India Limited ("AMNS India") remained eligible and could be considered by ESIL's Committee of Creditors. At December 31, 2018, financial amounts receivable of 136 were related to such payments to UG and were 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 were used to measure fair value to the extent that relevant observable inputs were not available and included primarily the discount rate, growth rate, expected changes to average selling prices, shipments and direct costs. Assumptions for average selling prices and shipments were based on historical experience and expectations of future changes in the market.

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

Note 11: Balances and transactions with related parties

The Company entered into transactions with related parties that include companies and entities under common control and/or common management, companies under control (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	2019	2018
ArcelorMittal Tesoreria, S.A. de C.V., SOFOM, ENR	Subsidiary	444	33
AMNS Luxembourg Holding S.A.	Joint venture	158	—
Umang Shipping Services	Joint venture	127	—
JSC ArcelorMittal Temirtau	Subsidiary	85	33
Oakey Holding B.V.	Subsidiary	15	1,133
ArcelorMittal Brasil S.A.	Subsidiary	4	224
Other		73	36
Total		906	1,459

The following table presents the current loans to related parties in original currencies:

	Presented in USD by original currency as at December 31, 2019						
	Total USD	BRL	EUR	KZT	MXN	USD	Other
Current loans to related parties	906	4	2	85	444	340	31

	Presented in USD by original currency as at December 31, 2018						
	Total USD	BRL	EUR	KZT	MXN	USD	Other
Current loans to related parties	1,459	224	1,134	33	33	8	27

Accrued interests associated with the loans to related parties are also included in the above table.

The Company assessed the recoverability of loans granted to related parties and recorded accordingly in 2019 a 26 net impairment reversal, of which a 50 impairment reversal related to the loans granted to ArcelorMittal Liberia Holdings Limited. In 2018, the Company recognized impairment losses of 20 with respect to the loans granted to ArcelorMittal Liberia Holdings Limited.

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

Other current assets

		December 31,	
Related party	Category	2019	2018
Hera Ermac	Subsidiary	222	12
ArcelorMittal Energy S.C.A.	Subsidiary	200	153
ArcelorMittal USA LLC	Subsidiary	195	211
PJSC ArcelorMittal Kryvyi Rih	Subsidiary	91	77
AM InvestCo Italy S.p.A.	Subsidiary	76	8
JSC ArcelorMittal Temirtau	Subsidiary	59	35
ArcelorMittal Dofasco G.P.	Subsidiary	57	25
ArcelorMittal Treasury S.N.C.	Subsidiary	56	102
ArcelorMittal Germany Holding GmbH	Subsidiary	45	118
ArcelorMittal Mexico SA DE CV	Subsidiary	43	31
ArcelorMittal Finance	Subsidiary	35	32
ArcelorMittal Sourcing	Subsidiary	28	32
ArcelorMittal Belgium	Subsidiary	20	75
ArcelorMittal South Africa Limited	Subsidiary	7	65
ArcelorMittal Atlantique et Lorraine	Subsidiary	—	101
Other		235	279
Total		1,369	1,356

Non-current loans to related parties

		December 31,	
Related party	Category	2019	2018
ArcelorMittal Brasil S.A.	Subsidiary	4,059	3,811
ArcelorMittal Canada Holdings Inc.	Subsidiary	3,042	2,907
ArcelorMittal USA Holdings Inc.	Subsidiary	1,700	1,700
AM Global Holding Bis	Subsidiary	1,362	—
ArcelorMittal Treasury Americas LLC	Subsidiary	1,200	1,200
ArcelorMittal Italy Holding S.r.l.	Subsidiary	1,052	1,145
Quadra International Services B.V.	Subsidiary	827	843
ArcelorMittal Tesoreria, S.A. de C.V., SOFOM, ENR	Subsidiary	547	767
JSC ArcelorMittal Temirtau	Subsidiary	438	435
ArcelorMittal South Africa Limited	Subsidiary	298	187
ArcelorMittal Poland S.A.	Subsidiary	110	61
Other		22	38
Total		14,657	13,094

The following table presents the non-current loans to related parties in original currencies:

	Presented in USD by original currency as at December 31, 2019								
	Total USD	BRL	CAD	EUR	KZT	MXN	PLN	USD	ZAR
Non-current loans to related parties	14,657	4,059	3,042	1,886	438	547	110	4,277	298

	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

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

Current loans from related parties

Related party	Category	December 31, 2019	2018
ArcelorMittal Finance	Subsidiary	3,202	—
ArcelorMittal Treasury S.N.C.[1]	Subsidiary	1,871	2,939
ArcelorMittal Canada Holdings Inc.[1]	Subsidiary	1,821	876
Hera Ermac	Subsidiary	547	—
ArcelorMittal USA LLC	Subsidiary	100	600
ArcelorMittal Luxembourg S.A.[1]	Subsidiary	18	17
ArcelorMittal International FZE	Subsidiary	—	450
Ferrosure (Isle of Man) Insurance Co. Ltd	Subsidiary	—	440
Total		7,559	5,322

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, 2019				
	Total USD	CAD	EUR	USD	Other
Current loans from related parties	7,559	560	1,619	4,928	452

	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

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).

Related party	Category	December 31, 2019	2018
ArcelorMittal Europe	Subsidiary	84	77
ArcelorMittal Maizières Research SA	Subsidiary	57	31
Other		236	158
Total		377	266

Non-current loans from related parties

Related party	Category	December 31, 2019	2018
ArcelorMittal Holdings AG	Subsidiary	840	840
ArcelorMittal Exports DMCC	Subsidiary	300	—
ArcelorMittal International FZE	Subsidiary	300	—
ArcelorMittal Finance	Subsidiary	—	3,263
Expert Placements Services Limited	Subsidiary	—	495
Total		1,440	4,598

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

The following table presents the non-current loans from related parties in original currencies:

	Presented in USD by original currency as at December 31, 2019		
	Total USD	EUR	USD
Non-current loans from related parties	1,440	—	1,440

	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

IFA fees

		Year ended December 31,	
Related party	Category	2019	2018
ArcelorMittal USA LLC	Subsidiary	195	217
ArcelorMittal Germany Holding GmbH	Subsidiary	91	110
ArcelorMittal Belgium	Subsidiary	81	86
ArcelorMittal Poland S.A.	Subsidiary	74	83
ArcelorMittal Spain Holding, S.L.	Subsidiary	72	39
ArcelorMittal Dofasco G.P.	Subsidiary	63	70
PJSC ArcelorMittal Kryvyi Rih	Subsidiary	62	59
ArcelorMittal Atlantique et Lorraine	Subsidiary	42	102
ArcelorMittal France	Subsidiary	40	—
ArcelorMittal España, S.A.	Subsidiary	—	37
Other		290	310
Total		1,010	1,113

General and administrative expenses

General and administrative expenses are net of income from contractually arranged corporate services:

		Year ended December 31,	
Related party	Category	2019	2018
ArcelorMittal Europe	Subsidiary	259	233
ArcelorMittal Maizières Research SA	Subsidiary	114	119
Other		236	182
Total		609	534

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

Financing costs – net

Financing costs – net included the following income from related parties for the year ended December 31, 2019 and 2018:

		Year ended December 31,	
Related party (income)/expenses	Category	2019	2018
ArcelorMittal Finance	Subsidiary	137	144
ArcelorMittal Holdings AG	Subsidiary	58	55
ArcelorMittal Treasury S.N.C.	Subsidiary	53	28
ArcelorMittal Canada Holdings Inc.	Subsidiary	38	(103)
ArcelorMittal Treasury Americas LLC	Subsidiary	(34)	(109)
Quadra International Services B.V.	Subsidiary	(37)	(7)
ArcelorMittal USA Holdings Inc.	Subsidiary	(49)	(86)
JSC ArcelorMittal Temirtau	Subsidiary	(58)	(53)
ArcelorMittal Italy Holding S.r.l.	Subsidiary	(66)	(13)
ArcelorMittal Germany Holding GmbH	Subsidiary	(95)	(10)
ArcelorMittal Tesoreria, S.A. de C.V., SOFOM, ENR	Subsidiary	(123)	(112)
ArcelorMittal Brasil S.A.	Subsidiary	(495)	(391)
Other		(36)	76
Total		(707)	(581)

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,	
	2019	2018
Short-term bank loans and other credit facilities including commercial paper [1]	1,624	1,788
Current portion of long-term debt	691	1,116
Lease obligations [2]	8	—
Total	2,323	2,904

1. The weighted average interest rate on short term borrowings outstanding was 1.1% and 1.3% as of December 31, 2019 and 2018 respectively.
2. See note 6.

In 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were subsequently extended annually.

On April 26, 2019, the Company amended a €300 million term loan with a financial institution to extend the maturity to April 30, 2020. As of December 31, 2019, €300 million (337) was outstanding.

On April 1, 2019, ArcelorMittal entered into an agreement for financing with a financial institution for net proceeds of CAD 197 million (151) with repayment over several dates in 2020 and 2021. As of December 31, 2019 and 2018, CAD 202 million (155) was outstanding.

Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1.5 billion. As of December 31, 2019, and 2018, the outstanding amount was 1,200 and 1,295, respectively.

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

Long-term debt is comprised of the following:

	Year of maturity	Type of Interest	Interest rate[1]	December 31, 2019	2018
5.5 billion Revolving Credit Facility [3]	2023 -2024	Floating		—	—
€750 million Unsecured Notes	2019	Fixed	3.00%	—	858
500 Unsecured Notes	2020	Fixed	5.13%	—	324
CHF 225 million Unsecured Notes	2020	Fixed	2.50%	233	228
€600 million Unsecured Notes	2020	Fixed	2.88%	316	685
1.0 billion Unsecured Bonds	2020	Fixed	5.25%	—	623
1.5 billion Unsecured Notes	2021	Fixed	5.50%	—	754
€500 million Unsecured Notes	2021	Fixed	3.00%	320	570
€750 million Unsecured Notes	2022	Fixed	3.13%	841	856
1.1 billion Unsecured Notes	2022	Fixed	6.25%	657	656
€500 million Unsecured Notes	2023	Fixed	0.95%	558	568
€750 million Unsecured Notes	2023	Fixed	1.00%	838	—
€1 billion Unsecured Notes	2024	Fixed	2.25%	1,131	—
750 Unsecured Notes	2024	Fixed	3.60%	746	—
500 Unsecured Notes	2025	Fixed	6.13%	498	497
€750 million Unsecured Notes	2025	Fixed	1.75%	834	—
750 Unsecured Notes	2026	Fixed	4.55%	745	—
500 Unsecured Notes	2029	Fixed	4.25%	493	—
1.5 billion Unsecured Bonds	2039	Fixed	7.00%	671	670
1.0 billion Unsecured Notes	2041	Fixed	6.75%	428	428
Other loans	2021	Fixed	3.10% - 3.46%	151	114
EIB loan	2025	Fixed	1.16%	344	401
7.0 billion Term Facility [2]	2020	Floating	3.09%	—	1,000
Other loans	2021 - 2035	Floating	0.35% - 4.06%	1,218	639
Total				11,022	9,871
Less current portion of long-term debt				(691)	(1,116)
Total long-term debt, (excluding lease obligations)				10,331	8,755
Long-term lease obligations [4]				19	—
Total long-term debt, net of current portion				10,350	8,755

1. Rates applicable to balances outstanding at December 31, 2019. For debt that has been redeemed in its entirety during 2019, the interest rates refer to the rates at repayment date.
2. Amount outstanding in 2018 was repaid on March 22, 2019 and March 29, 2019.
3. On November 27, 2019, ArcelorMittal exercised the option to extend the maturity by one year to December 19, 2024. The commitments are 5.5 billion until December 19, 2023 and 5.4 billion until December 19, 2024.
4. See note 6.

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. On November 27, 2019, all lenders except one approved a one year extension request. The new maturity date is December 19, 2024. The commitments are 5.5 billion until December 19, 2023 and 5.4 billion until December 19, 2024. As of December 31, 2019, 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.

In September 30, 2010, ArcelorMittal entered into 500 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 and September 30, 2014 to reduce its amount to 450 and to 350, respectively. On July 31, 2019, the Company refinanced its Letter of Credit Facility by entering into a 350 revolving multi-currency letter of credit facility, which matures on July 31, 2022.

Bonds

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 ("EMTN Program"). The proceeds of the issuance were used for general corporate purposes.

On March 11, 2019, ArcelorMittal issued 750 4.55% Notes due 2026 under the Company's automatic shelf registration statement filed with the U.S. Securities and Exchange Commission. The proceeds of the issuance were used towards repayment of existing debt including the 1 billion then outstanding under the 7 billion term facilities agreement entered into in connection with the acquisition of AMNS India through the joint venture with NSC.

On March 25, 2019, at maturity, ArcelorMittal repaid its €750 million (854) Fixed Rate Notes.

On July 4, 2019, ArcelorMittal completed the issuance of €250 million (285) of 2.25% Fixed Rate Notes due 2024, which were consolidated and formed a single series with the existing €750 million 2.25% Fixed Rate Notes due 2024 originally issued on January 17, 2019 under its €10 billion EMTN Program. The proceeds of the issuance were used for general corporate purposes.

On July 16, 2019, ArcelorMittal issued 750 of 3.6% Notes due 2024 and 500 of 4.25% Notes due 2029. The proceeds were used for general corporate purposes including repayments of existing indebtedness and to partially pre-fund commitments under the AMNS India acquisition.

On August 30, 2019, ArcelorMittal redeemed all of the outstanding 324 of its 500 5.125% Notes due June 1, 2020 and the outstanding 626 of its 1 billion 5.25% Notes due August 5, 2020 for a total aggregate purchase price including accrued interest and premium on early repayment of 981, which was financed with existing cash and liquidity.

On November 19, 2019, ArcelorMittal issued €750 million (830) of 1% Notes due May 19, 2023 and €750 million (830) of 1.75% Notes due November 19, 2025.

On December 11, 2019, pursuant to cash tender offers, ArcelorMittal repurchased:

- €318 million (352) of its 2.875% Notes due July 6, 2020 (the "2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €328 million (363). Following this purchase, €282 million (312) principal amount of the 2020 Notes remained outstanding.

- €214 million (238) of its 3% Notes due April 9, 2021 (the "2021 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €227 million (252). Following this purchase, €286 million (316) principal amount of the 2021 Notes remained outstanding.

On December 27, 2019, ArcelorMittal redeemed all of the outstanding 756 of its 5.5% Notes due March 1, 2021, for a total aggregate purchase price including accrued interest and premium on early repayment of 800, which was financed with existing cash resources, including the proceeds of its Eurobond offering that closed on November 19, 2019.

On February 5, 2020, ArcelorMittal gave notice to redeem all of the outstanding 659 of its 6.25% Notes due February 25, 2022 on March 9, 2020.

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:

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

Nominal value	Date of issuance	Repayment date	Original/Current interest rate [1]	Issued at
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%
€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%
€750 million Unsecured Notes	November 19, 2019	May 19, 2023	1.00%	99.89%
€250 million Unsecured Notes	July 4, 2019	January 17, 2024	2.25%	105.59%
€750 million Unsecured Notes	January 17, 2019	January 17, 2024	2.25%	99.72%
750 Unsecured Bonds	July 16, 2019	July 16, 2024	3.60%	99.86%
500 million Unsecured Notes	June 1, 2015	June 1, 2025	6.13%	100%
€750 million Unsecured Notes	November 19, 2019	November 19, 2025	1.75%	99.41%
750 million Unsecured Bonds	March 11, 2019	March 11, 2026	4.55%	99.72%
500 million Unsecured Notes	July 16, 2019	July 16, 2029	4.25%	99%
1.0 billion Unsecured Notes	October 8, 2009	October 15, 2039	7.00%	95.2%
500 million Unsecured Notes	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, 2019.

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 Poland and Luxembourg. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2019, €306 million (344) was outstanding.

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 AMNS India. The agreement had an initial term of one year (until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The agreement includes the same leverage ratio financial covenant as that included in the Company's 5.5 billion revolving credit facility. The facility may be used for certain payments by ArcelorMittal as well as by AMNS Luxembourg, the parent company of the AMNS India joint venture in partnership with NSC. Any amounts borrowed by AMNS Luxembourg under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. On November 29, 2018, 1 billion was drawn under this term facility agreement by ArcelorMittal and subsequently repaid in March 2019. On June 12, 2019, the contractual maturity date was extended to June 30, 2020 with one extension possible until December 31, 2020. AMNS Luxembourg has drawn under the facility to finance the portion of the initial funding requirement beyond the shareholders' equity contributions and NSC's share of the debt financing. On December 9, 2019, 2,571 was drawn under the facilities agreement by AMNS Luxembourg and was outstanding on December 31, 2019. On February 10, 2020, an additional 475 was drawn under the facility by AMNS Luxembourg, increasing the outstanding amount as of such date to 3,046.

On December 21, 2018, the Company entered into a facility agreement with a group of lenders for €235 million to finance the construction of a new hot strip mill in Mexico. This facility became effective upon issuance of a guarantee by the Oesterreichische Kontrollbank AG in March 2019. The last installment under this agreement is due 8½ years after the starting date of the credit facility (which means the earlier of (a) the date of issue of the provisional acceptance certificate for the hot strip mill and (b) June 30, 2021). The outstanding amount in total as of December 31, 2019 was €126 million (142).

On May 21, 2019, ArcelorMittal entered into a bilateral term loan due May 20, 2022. The bilateral term loan was fully drawn on June 3, 2019 and was outstanding as of December 31, 2019 for an amount of €125 million (142).

On July 1, 2019, ArcelorMittal completed the offering of a €450 million (512) variable rate loan in the German Schuldschein market. The proceeds of the issuance were used for general corporate purposes.

On December 20, 2019, ArcelorMittal entered into a €100 million bilateral term loan due June 20, 2023. The bilateral term loan was fully available as of December 31, 2019. On January 30, 2020, €100 million (110) bilateral term loan was fully drawn.

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

Other loans relate to various debt with banks and public institutions.

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, 2019 the scheduled maturities of short-term debt and long-term debt including its current portion are as follows:

2020	2,323
2021	741
2022	1,728
2023	2,014
2024	1,959
Subsequent	3,908
Total	12,673

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, 2019				
	Total USD	EUR	USD	CHF	Other
Short-term debt including the current portion of long-term debt	2,323	1,859	76	233	155
Long-term debt	10,350	5,945	4,334	—	71
Cash and cash equivalents	(2,902)	(2,415)	(487)	—	—
Net debt	9,771	5,389	3,923	233	226

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, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	9,804	10,464	8,231	8,534
Instruments payable bearing interest at variable rates	1,218	1,212	1,640	1,585
Total long-term debt, including current portion	11,022	11,676	9,871	10,119
Short term bank loans and other credit facilities including commercial paper	1,624	1,645	1,788	1,788

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.

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

	As of December 31, 2019				
	Carrying amount				Fair Value
		Level 1	Level 2	Level 3	Total
Instruments payable bearing interest at fixed rates	9,804	9,963	501	—	10,464
Instruments payable bearing interest at variable rates	1,218	—	1,212	—	1,212
Total long-term debt, including current portion	11,022	9,963	1,713	—	11,676
Short term bank loans and other credit facilities including commercial paper	1,624		1,645		1,645

	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

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.

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

The following table summarizes assets and liabilities based on their categories at December 31, 2019:

	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	2,902	—	2,902	—	—
Current loans to related parties	906	—	906	—	—
Prepaid expenses and other current assets	1,560	1,238	305	—	17
Total current assets	5,368	1,238	4,113	—	17
Non-current assets:					
Tangible and intangible assets	30	30	—	—	—
Investments in subsidiaries	41,804	41,804	—	—	—
Investments in associates and joint ventures	529	529	—	—	—
Non-current loans to related parties	14,657	—	14,657	—	—
Deferred tax assets	8,624	8,624	—	—	—
Other assets	219	—	90	—	129
Total non-current assets	65,863	50,987	14,747	—	129
Total assets	71,231	52,225	18,860	—	146
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current portion of long-term debt	2,323	—	2,323	—	—
Current loans from related parties	7,559	—	7,559	—	—
Accrued expenses and other liabilities	715	215	328	—	172
Total current liabilities	10,597	215	10,210	—	172
Non-current liabilities:					
Long-term debt, net of current portion	10,350	—	10,350	—	—
Non-current loans from related parties	1,440	—	1,440	—	—
Deferred employee benefits	22	22	—	—	—
Long-term provisions and other obligations	311	212	—	—	99
Total non-current liabilities	12,123	234	11,790	—	99
Total equity	48,511	48,511	—	—	—
Total liabilities and equity	71,231	48,960	22,000	—	271

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

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	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	—	—	—
Other long-term 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 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.

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

The following tables summarize the bases used to measure certain assets and liabilities at their fair value.

As of December 31, 2019	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Derivative financial current assets	—	17	—	17
Derivative financial non-current assets	—	2	127	129
Total assets at fair value	—	19	127	146
Liabilities at fair value:				
Derivative financial current liabilities	—	47	125	172
Derivative financial non-current liabilities	—	99	—	99
Total liabilities at fair value	—	146	125	271

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

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 $162 and volatility of 24%. 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 during 2019 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. Following the repayment of notes issued by subsidiaries to the Company which were linked to the value of Erdemir shares in 2019, the unobservable volatility data from the movement of Erdemir shares will no longer impact the valuation. A 10% increase or decrease in Hera Ermac share prices would result in a 83% and 73% increase and decrease of the fair value of the call option at December 31, 2019 respectively.

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

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 ArcelorMittal Italia. ISP's 5.55% interest in AM InvestCo Italy is subject to put and call option arrangements exercisable by ISP and ArcelorMittal 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, 2019 and 2018, respectively:

	Put option with ISP	Call option on 1,000 mandatory convertible bonds	Total
Balance as of December 31, 2017	—	984	984
Change in fair value	(124)	(501)	(625)
Balance as of December 31, 2018	(124)	483	359
Change in fair value	(1)	(356)	(357)
Balance as of December 31, 2019	(125)	127	2

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 a decrease in the share price of China Oriental, which impacts the value of the notes in which Hera Ermac, a wholly-owned subsidiary, invested the bonds proceeds, and a repayment of notes of Hera Ermac linked to the value of the shares of Erdemir.

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, 2019 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments				
Forward purchase of contracts	465	11	669	(2)
Forward sale of contracts	892	1	204	(2)
Currency swaps sales	—	—	500	(41)
Foreign exchange option purchases	806	3	803	(5)
Foreign exchange option sales	—	—	—	—
Total foreign exchange instruments		15		(50)
Raw materials (base metal) and energy				
Term contracts sales	16	3	—	—
Term contracts purchases	47	1	730	(96)
Total raw materials (base metal) and energy		4		(96)
Total		19		(146)

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

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)

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,	
	2019	2018
Total equity	48,511	62,161
Net debt	9,771	11,271
Gearing	20.14%	18.13%

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, 2019, the long-term debt was comprised of 89% fixed rate debt and 11% 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 500 as of December 31, 2019 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 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 AMNS India. The hedging programs generated 7 gains recognized in the AMNS India joint venture in 2019.

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, 2019, and as such are sensitive to movements in mainly foreign exchange rates and interest rates. The cash flows are non-discounted, except for derivative financial liabilities where the cash flows equal their fair values.

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

						December 31, 2019
	Carrying amount	Contractual Cash Flow	2020	2021	from 2022 to 2024	After 2024
Non-derivative financial liabilities						
Bonds	(9,398)	(12,226)	(880)	(643)	(5,541)	(5,162)
Loans over 100	(1,537)	(1,581)	(417)	(339)	(808)	(17)
Other non-derivative financial liabilities	(1,738)	(1,756)	(1,379)	(98)	(144)	(135)
Loans from related parties	(4,741)	(4,968)	(3,709)	(1,158)	(101)	—
Cash pooling	(3,710)	(3,710)	(3,710)	—	—	—
Total	(21,124)	(24,241)	(10,095)	(2,238)	(6,594)	(5,314)
Derivative financial liabilities						
Equity contracts (put options)	(125)	(125)	(125)	—	—	—
Foreign exchange contracts	(50)	(50)	(9)	—	—	(41)
Other commodities contracts	(96)	(96)	(38)	(20)	(38)	—
Total	(271)	(271)	(172)	(20)	(38)	(41)

						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)

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, 2019 and 2018, the EUR/USD CCS had a fair value loss of 41, net of a deferred tax of 12 and 101, net of deferred tax of 28, respectively. The variation of 60 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 was categorized as Level 2.

In March 2018, the Company entered into additional EUR/USD CCS with a notional of 100 to hedge a euro denominated net investment in foreign operation amounting to €81 million in the Company's consolidated financial statements and designated them as a net investment hedge. The EUR/USD CCS with a notional of 100 was unwound on June 18, 2018. The CCS was categorized as Level 2.

In April 2019, the Company entered into additional EUR/USD CCS with a notional of 200 to hedge a euro denominated net investment in foreign operation amounting to €178 million in the Company's consolidated financial statements, and designated them as a net investment hedge. The EUR/USD CCS with a notional of 200 were unwound on November 26, 2019. The CCS was categorized as Level 2.

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

Cross currency swaps were as follows:

					December 31, 2019
Derivatives	Notional amount	Date traded	Fair value at December 31, 2018	Change in fair value	Fair value as of December 31, 2019
CCS 5Y	—	May 27, 2015	(35)	35	—
CCS 10Y	300	May 27, 2015	(39)	14	(25)
CCS 10Y	160	May 27, 2015	(21)	8	(13)
CCS 10Y	40	May 27, 2015	(6)	3	(3)
Total	500		(101)	60	(41)

					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)

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 2019.

	December 31, 2019
	Income
10% strengthening in U.S. dollar	(82)
10% weakening in U.S. dollar	69

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 31,2019
	Floating portion of net debt[1]	Interest Rate Swaps/Forward Rate Agreements
100 bp increase	(13)	—
100 bp decrease	13	—

1. Please refer to note 12 for a description of total net debt (including fixed and floating portion).

		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).

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

Note 14: Equity

The Company's shares consist of the following:

	December 31, 2017	Movement in year	December 31, 2018	Movement in year	December 31, 2019
Issued shares	1,021,903,623	—	1,021,903,623	—	1,021,903,623
Treasury shares	(282,459)	(25,529)	(307,988)	(1,488,837)	(1,796,825)

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 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.

The number of authorized shares were 1,151,576,921 at December 31, 2018 and 2019.

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.

On February 15, 2019, ArcelorMittal completed a share buyback program and repurchased 4 million shares for a total value of €80 million (90) at an average price per share of €19.89 (equivalent to $22.42).

Treasury shares

As of December 31, 2019 and 2018, the Company held 1,796,825 and 307,988 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.

	Year ended December 31,	
	2019	2018
Net income (loss) attributable to equity holders of the parent	(2,454)	5,149
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,013	1,015
Incremental shares from assumed conversion of restricted share units and performance share units (in millions)	—	6
Weighted average common shares outstanding (in millions) for the purposes of diluted earnings per share	1,013	1,021

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 2016	Annual General Shareholders' meeting on May 4, 2017	—	—	—
Dividend for financial year Dividend for financial year 2017	Annual General Shareholders' meeting on May 9, 2018	0.10	June 13, 2018	101
Dividend for financial year Dividend for financial year 2018	Annual General Shareholders' meeting on May 7, 2019	0.20	June 13, 2019	204

There was no dividend paid for the financial year 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).

On May 7, 2019 at the annual general meeting of shareholders, the shareholders approved the Company's dividend of $0.20 per share. The dividend amounted to 204 and was paid on June 13, 2019.

Given the resilient cash flow and progress towards the Company's net debt target, the Board proposed a base dividend of $0.30 per share for 2020 (in respect of 2019) which will be proposed to the shareholders at the annual general meeting of shareholders.

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

No options were granted during the years ended December 31, 2019 and 2018.

The compensation expense recognized for stock option plans was nil for each of the years ended December 31, 2019 and 2018, respectively.

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

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, 2019 and 2018:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
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
Expired	(1,084,985)	91.98 - 109.14	107.29
Outstanding, December 31, 2019	904,390	91.98	91.98
Exercisable, December 31, 2018	1,989,375	91.98 - 109.14	100.33
Exercisable, December 31, 2019	904,390	91.98	91.98

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2019:

				Options Outstanding
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
91.98	904,390	0.59	904,390	August 3, 2020

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.

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 AGM. 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 AGM 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 AGM on May 9, 2018 at a maximum of 1,500,000 shares. The 2019 Cap for the number of PSUs that may be allocated to the CEO Office and other performance based grants below the CEO Office level, was approved at the annual shareholders' meeting held on May 7, 2019 at a maximum of 2,500,000 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.

Conditions of the 2019 grant were as follows:

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

	CEO Office			Executive Officers and other qualifying employees	
2019 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.

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.

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

The plans in 2018, 2017 and 2016 are summarized below:

2016 Special Grant	CEO Office			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			• 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			• 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%		
	• Value at grant: 150% of base salary for the CEO and the President and CFO					
	• Vesting conditions:			• Vesting conditions:		
		Threshold	Target	Performance	100%	≥120%
	TSR/EPS vs. peer group	100% median	≥120% median	Target award vesting	100%	100%
	TSR vs. S&P 500	Performance equal to Index	≥Performance equal to Index + 2% outperformance	Overperformance award (=20% of target award)	—	100%
	Vesting percentage	50%	100%			

2017 Grant	CEO Office			Other Executive Officers		
	• PSUs with a three-year performance period			• 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			• Performance criteria: TSR and Gap to competition in some areas		
	• Value at grant: 100% of base salary for the CEO and the President and CFO					
	• Vesting conditions:			• Vesting conditions:		
		Threshold	Target		Threshold	Target
	TSR/EPS vs. peer group	100% median	≥120% median	TSR vs. peer group	100% median 50% vesting	≥120% median 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%			

2018 Grant	CEO Office			Other Executive Officers	
	• 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%		

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

The following table summarizes the Company's share unit plans outstanding December 31, 2019:

At Grant date						Number of shares as of December 31, 2019	
Grant date	Type of plan	Number of shares	Number of beneficiaries	Maturity	Fair value per share	Shares outstanding	Shares forfeited
December 16, 2019	PSU	1,760,350	517	January 1, 2023	18.57	1,760,350	—
December 16, 2019	CEO Office	172,517	2	January 1, 2023	14.89	172,517	—
December 20, 2018	PSU	1,358,750	524	January 1, 2022	21.31	1,298,550	60,200
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	958,082	123,365
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	2,751,076	721,279
June 30, 2016	CEO PSU II	153,268	2	January 1, 2022	16.62	153,268	0
June 30, 2016	CEO PSU I	153,268	2	January 1, 2020	10.68	153,268	—
Total		8,376,900			\$10.68 – \$22.85	7,472,056	904,844

The compensation expense recognized for RSUs and PSUs was nil, 31 for the years ended December 31, 2019 and 2018.

Share unit plan activity is summarized below as of and for each year ended December 31, 2019 and 2018:

	RSUs		PSUs	
	Number of shares	Fair value per share	Number of shares	Fair value per share
Outstanding, December 31, 2016	650,254	21.00	8,039,494	15.08
Granted [1]	—	—	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 [2]	—	—	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
Granted [3]	—	—	2,018,176	17.96
Exited	—	—	(2,677,011)	13.49
Forfeited	—	—	(1,239,569)	14.25
Outstanding, December 31, 2019	—	—	7,472,056	16.76

1. Including 27,807 over-performance shares granted for the targets achievement of the PSU grant September 27, 2013.
2. 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.
3. Including 85,309 over-performance shares granted for the targets achievement of the PSU grant December 18, 2015.

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

Note15: Financing costs-net

Financing costs-net were as follows:

	Year ended December 31,	
	2019	2018
Interest expense	(831)	(862)
Interest income	1,126	985
Gain (loss) on disposal of investments [1]	(222)	(68)
Change in fair value adjustment on call option on mandatory convertible bonds (note 13)	(356)	(501)
Change in fair value of put option with ISP (note 13)	(1)	(124)
Net gain (loss) on other derivative instruments	(24)	55
Net foreign exchange result	55	(647)
Premiums and fees [2]	(72)	(104)
Other	(23)	(36)
Total	(348)	(1,302)

1. In 2019, loss on disposal of investments included mainly 202 on the sale of ArcelorMittal Ostrava a.s. which was completed on June 30, 2019 (see note 9) and 17 on the sale of Arcelor Investment S.A. (see note7).
   In 2018, it included mainly a 34 loss related to the disposal of a 10.83% interest in Arcelor Investment S.A. and a 29 loss on disposal related to the sale of ArcelorMittal Tubular Products Ostrava a.s..
2. Premiums and fees were 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 joint ventures of 2,765 in 2019 were dividends received in cash mainly from AM Global Holding S.a r.l. for € 1,450 million (1,612), Hera Ermac for 743, ArcelorMittal Spain Holding, S.L. € 194 million (216), ArcelorMittal Poland S.A. PLN 518 million (136) and China Oriental for HKD 168 million (21).

Income from subsidiaries and associates of 905 in 2018 were dividends received in cash mainly from ArcelorMittal Spain Holding, S.L. for € 336 million (394), ArcelorMittal Germany Holding GmbH 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).

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

Note 17: Income tax

Income tax expense (benefit)

The components of the income tax expense (benefit) for each of the years ended December 31, 2019 and 2018 are summarized below:

	Year ended December 31,	
	2019	2018
Total current tax expense (benefit)	(478)	(413)
Total deferred tax expense (benefit)	193	(1,300)
Total income tax expense (benefit)	(285)	(1,713)

The following table reconciles the income tax expense (benefit) to the statutory tax expense (benefit) as calculated:

	Year ended December 31,	
	2019	2018
Net income	(13,341)	10,911
Income tax expense (benefit)	(285)	(1,713)
Income (loss) before tax :	(13,626)	9,198
Tax expense (benefit) at the statutory rate*	(3,398)	2,392
Permanent items	2,442	(2,247)
Taxable results transferred from subsidiaries included in the tax integration	284	51
Net change in measurement of deferred tax assets	(6)	(1,946)
Effects of foreign currency translation	—	—
Other taxes	30	37
Income tax expense (benefit)	(285)	(1,713)

* Tax expense (benefit) at the statutory rates is based on income (loss) before tax. The future enacted statutory tax rate of 24.94% and 26,01% has been used respectively for 2019 and 2018.

Permanent items

The permanent items consisted of:

	Year ended December 31,	
	2019	2018
Non-tax deductible impairment charges (reversals)	3,165	(2,066)
Exempted dividend income	(684)	(227)
Other permanent items	(39)	46
Total permanent items	2,442	(2,247)

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) for 2019 and 2018 amount to 12,691 and (7,943), 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.

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

Net change in measurement of deferred tax assets

The 2019 net change in measurement of deferred tax assets of (6) consisted of (i) tax expense of 636 related mainly to the non-recognition of additional deferred tax assets on write-downs of the value of shares, offset by (ii) recognition of deferred tax assets for (642) resulting from the increase in projections of future operational and financial taxable income driven primarily by the lower external borrowing costs.

The 2018 net change in measurement of deferred tax assets of (1,946) consisted 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 U.S. dollar exposure of euro denominated deferred tax assets in Luxembourg.

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,	
	2019	2018	2019	2018	2019	2018
Concession, patents, licenses	—	—	—	—	—	—
Provisions	—	—	—	—	—	—
Tax losses carried forward	8,624	8,817	—	—	8,624	8,817
Deferred tax assets / (liabilities)	8,624	8,817	—	—	8,624	8,817

Deferred tax assets not recognized by the Company as of December 31, 2019 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	82,367	20,542	8,624	12,398
Tax credits	10	10	—	10
Other temporary differences	—	—	—	—
Total		20,552	8,624	12,408

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

As of December 31, 2019, deferred tax assets not recognized related 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 may be also restricted by the character of the income.

The total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounted to 82,367 as of December 31, 2019. Of this amount 34,580 was considered realizable, resulting in the recognition of 8,624 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 79,048 as of December 31, 2018. Of this amount 33,899 was considered realizable, resulting in the recognition of 8,817 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. Of the total of 82,367 accumulated tax losses, the tax losses of 632 will expire within the next 17 years. The remaining amount can be carried forward indefinitely. The tax losses carried forward related 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, 20,622 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 expected lower interest expenses in Luxembourg driven by the targeted reduction of the Group net debt level in the short term, (v) the industrial franchise agreement ("IFA") whereby ArcelorMittal S.A. licenses its business model for manufacturing, processing and distributing steel to group subsidiaries, and (vi) 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, 2019, 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 8,624 recognized. The amount of future taxable income required to be generated by ArcelorMittal’s subsidiaries to utilize the deferred tax assets of 8,624 is at least 34,579. 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, 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 believed it was probable that ArcelorMittal would 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 was 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 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.

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

Note 18: Accrued expenses and other liabilities

Accrued expenses and other liabilities are summarized as follows:

	December 31,	
	2019	2018
Payable on R&D and other IFA expenses	213	183
Derivative financial instruments (note 13)	172	42
Suppliers and other	162	76
Accrued interest	155	164
Accrued payroll and employee related expenses	13	19
Total	715	484

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,	
	2019	2018
Derivative financial instruments (note 13)	99	254
Provision for financial guarantee[1]	86	86
Other[2]	126	—
Total	311	340

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).
2. Following the creation on December 31, 2019 of a joint venture between Global Chartering Ltd., a shipping subsidiary of the Company, and Drylog Ltd. and as certain of Global Chartering's vessel lease terms were unfavorable compared to market rates, the Company agreed to indemnify the joint venture for operating losses that could potentially arise within an agreed time frame if market rates do not improve and recognized accordingly a 126 provision representing the net present value of the maximum amount agreed.

Note 20: Commitments

Commitments given are summarized as follows:

	December 31,	
	2019	2018
Guarantees given to third parties on behalf of subsidiaries, associates and joint ventures	6,393	4,032
Credit lines granted to subsidiaries and associates	1,200	1,100
Letter of credit facilities[1]	186	278
Guarantees given to third parties[2]	—	10
Total	7,779	5,420

1. The notional amount of the letter of credit facilities amounted to 475 and 475 as of December 31, 2019 and 2018, respectively.
2. As a result of the adoption of IFRS 16 "leases" as of January 1, 2019, the Company has recognized right-of-use assets and lease liabilites related to non-cancellable operating leases. See note 6.

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 362 and 348 for the guarantees issued on behalf of Calvert and 281 and 324 for the guarantees issued on behalf of ArcelorMittal Tubular Products Jubail’s as of December 31, 2019 and 2018, respectively. Due to the failure of other shareholders to provide requisite equity funding by December 31, 2018, the Company's joint venture Al Jubail's indebtedness became technically in default as of such date. As of December 31, 2019, the technical default remains pending completion of formalities as the joint venture completed the conditions necessary to clear the default, including the capital increase, prior to year-end. ArcelorMittal's guarantee of such indebtedness has not been called by the lenders, and ArcelorMittal does not currently expect it to be called. 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.

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

Guarantees given to third parties on behalf of subsidiaries, associates and joint ventures included also 567 as of December 31, 2018, in relation to a performance guarantee provided by the Company for the execution of the resolution plan set out for the acquisition of Essar Steel India Limited via a joint venture with Nippon Steel & Sumitomo Metal Corporation. The performance guarantee terminated on December 31, 2019.

The increase in guarantees given on behalf of joint ventures include 2,571 with respect to the ArcelorMittal Nippon Steel India ('AMNS India') joint venture and 504 as of December 31, 2019, in relation to the Company's share of the obligation to deliver the follow-on funding for AMNS India in accordance with the second amended joint venture formation agreement and also 232 (net of 50% counter guarantee from Prime Shipping Investments Limited, and affiliate of Drylog) in relation to outstanding lease liabilities for vessels operated by Global Chartering.

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 11,549 and 9,497 as of December 31, 2019 and 2018, 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. On March 29, 2019 and December 31,2019, the remaining notes were linked to the value of the shares of China Oriental.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, 2019 and 2018, the pension plan benefits were 22 and 20 respectively.

The following table details the reconciliation of the defined benefit pension obligation:

	Year ended December 31,	
	2019	2018
Change in benefit obligation		
Benefit obligation at beginning of period	19	20
Service cost	1	1
Experience adjustment	1	1
Financial assumptions	2	—
Foreign currency exchange rate differences and other movements	—	(1)
Benefits paid	(1)	(1)
Benefit obligation at end of period	22	20

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

The following table details the components of the pension cost recognized in the statements of operations:

	Year ended December 31,	
	2019	2018
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,	
	2019	2018
Discount rate	1.00%	1.75%
Rate of compensation increase	2.31%	2.71%

Cash contributions and maturity profile of the plans

In 2020, the Company expects its cash contributions to amount to 2 for pension plans.

At December 31, 2019, the duration of the liabilities related to the pension plan was 11 years (2018: 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, 2019, the defined benefit obligation ("DBO") for pension was 22):

	Effect on 2020 Pre-Tax Pension Expense (sum of service cost and interest cost)[1]	Effect on December 31, 2019 DBO
Change in assumption		
100 basis point decrease in discount rate	—	3
100 basis point increase in discount rate	—	(2)
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. On 8 March 2020 AAA revived its claim before the civil court of Paris on grounds similar to those of the Luxembourg civil claims summarized above, on its behalf and on behalf of the hedge funds who had also filed a criminal complaint, as well as two new plaintiffs. The complaint filed by AAA quantifies the total damages claimed at 390 million euros (including the claims before the Luxembourg courts described above).

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.

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

Note 23: Employee and key management personnel

As of December 31, 2019 and 2018, the Company had a workforce comprising 203 and 203 people, respectively and the total annual compensation of the Company's employees paid in 2019 and 2018 was as follows:

	Year ended December 31,	
	2019	2018
Employee Information		
Wages and salaries	28	37
Social security costs	3	3
Other staff expenses	4	11
Total	35	51

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2019 and 2018 was as follows:

	Year ended December 31,	
	2019	2018
Base salary and/or directors fees	1	2
Short-term performance-related bonus	1	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, 2019 and 2018, 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 2019 and 2018, expenses related to the réviseur d'entreprises agréé amounted to 7 and 8, respectively.

Note 25: Subsequent events

On March 4, 2020, ArcelorMittal announced that AM InvestCo and the Ilva Commissioners have executed an amendment (the "Amendment Agreement") to the original lease agreement with a conditional obligation to purchase the Ilva business (the "Ilva Agreement"). The Amendment Agreement outlines the terms for a significant investment by Italian state-sponsored entities into AM InvestCo, thereby forming the basis for an important new partnership between ArcelorMittal and the Italian government. The equity investment by the Italian Government in Ilva, to be captured in an agreement (the "Investment Agreement") to be executed by November 30, 2020, will be at least equal to AM InvestCo's remaining liabilities against the original purchase price for Ilva. The Amendment Agreement is structured around a new industrial plan for Ilva, which involves investment in lower-carbon steelmaking technologies. The core of the new industrial plan is the construction of a DRI facility to be funded and operated by third party investors and an EAF to be constructed by AM InvestCo. In addition, AM InvestCo and the Ilva Commissioners have entered into a separate settlement agreement whereby AM InvestCo agreed to revoke its notice to withdraw from the original agreement and the Ilva Commissioners agreed to withdraw their request for an injunction, which was scheduled to be heard in the Civil Court of Milan on March 6, 2020. In the event that the Investment Agreement is not executed by November 30, 2020, AM InvestCo has a withdrawal right, subject to an agreed payment. Final closing of the lease and purchase agreement is now scheduled by May 2022, subject to various conditions precedent, including the closing of the Investment Agreement; the amendment of the existing environmental plan to account for changes in the new industrial plan; the lifting of all criminal seizures on the Taranto plant; the absence of restrictive measures - in the context of criminal proceedings where Ilva is a defendant - being imposed against AM InvestCo; and a new agreement with trade unions.

On March 17, 2020, AMNS Luxembourg entered into a 5.146 billion ten-year term loan agreement with Japan Bank for International Cooperation, MUFG Bank LTD., Sumitomo Mitsui Banking Corporation, Mizuho Bank Europe N.V., and Sumitomo Mitsui Trust Bank, Limited (London Branch). The proceeds of the loan were used on March 27, 2020 to refinance in full the amounts borrowed by the Company in connection with the acquisition of AMNS India, including the amounts borrowed under the 7 billion bridge term facilities agreement guaranteed by ArcelorMittal. The obligations of AMNS Luxembourg under the term loan agreement are guaranteed by ArcelorMittal and NSC in proportion to their interests in the joint venture, being 60% by ArcelorMittal and 40% by NSC.

On March 19, 2020, ArcelorMittal announced certain measures that it is taking or considering in light of the Covid-19 pandemic and its effect on its operating markets. In particular, ArcelorMittal announced that it was taking steps to reduce production at its European operations and that it would closely monitor conditions in all operating markets in order to ensure employee well-being and meeting customer demand.

On March 31, 2020, ArcelorMittal issued an update to its March 19, 2020 statement. In particular, ArcelorMittal announced that it would be reducing production and temporarily idling steelmaking and finishing assets on a country by country basis in accordance with regional demand and government requirements. ArcelorMittal further announced that, in order to mitigate the impact of reduced production it would be implementing significant measures to preserve cash and reduce costs in line with reduced production levels, including accessing measures introduced by governments to support companies in light of the Covid-19 pandemic and its economic consequences. The Company also announced on March 31, 2020 that it decided to postpone the general meeting of shareholders planned for May 7, 2020 to a new date to be communicated in due course. The Company is not in a position at this stage to predict fully the severity of the consequences of the coronavirus outbreak on its financial performance but believes it will likely have a material adverse effect on the Company's results of operations for the first half of 2020.

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, 2019, 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, 2019, 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 the EU Regulation N° 537/2014, the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "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.

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 $41,804 million as of December 31, 2019, 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, and estimates of future cash flows, including controls over the determination of the recoverable amount of the GCGUs and CGUs..
- We evaluated management's ability to reasonably estimate future cash flows by comparing actual results to management's historical forecasts.
- 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 evaluated the reasonableness of management's cash flow forecasts by considering macroeconomic conditions, internal communications of management and the Board of Directors and holding discussions with relevant personnel.
- We also audited the appropriateness of the related disclosures.

Valuation of Deferred Tax Assets

Refer to Note 17 Income Tax.

ArcelorMittal S.A. (parent 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 do not 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 to be derived from entities within the Luxembourg tax integration and, as a result, the amounts of deferred tax assets expected to be realized by ArcelorMittal S.A. Further, the assessment of the likelihood of future taxable profits being available, specifically the length of the forecast periods also requires significant management judgment.

The Company recognized deferred tax assets amounting to $8,624 million as of December 31, 2019. 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 a high degree of auditor judgment and an increased extent of effort, including the need to involve our tax specialists.

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 the effectiveness of internal controls over management's valuation of deferred tax assets, including the controls over the assessment of the likelihood of future taxable profits being available and the length of the forecast periods.
- 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 periods.

- We evaluated management’s ability to 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 management’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 periods and amounts of deferred tax assets recognized.
- 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 7, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 13 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, where 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

April 6, 2020
20, Boulevard de Kockelscheuer
L-1821 Luxembourg