

**BOARD REPORT**  
**ON THE PROPOSED SPIN-OFF**  
**OF**  
**THE STAINLESS AND SPECIALTY STEELS BUSINESS**  
**OF ARCELORMITTAL TO APERAM**

**ArcelorMittal**

A Luxembourg public limited liability company (*société anonyme*)

19, avenue de la Liberté  
L-2930 Luxembourg, Grand Duchy of Luxembourg

R.C.S. Luxembourg B 82.454

**AND**

**APERAM**

*(formerly "ArcelorMittal Stainless & Specialty Steels")*

A Luxembourg public limited liability company (*société anonyme*)

12C, rue Guillaume Kroll  
L-1882 Luxembourg, Grand Duchy of Luxembourg

R.C.S. Luxembourg B 155.908

**BY THE BOARDS OF DIRECTORS OF ARCELORMITTAL AND APERAM**

14 December 2010

## THE BOARDS OF DIRECTORS OF:

**ArcelorMittal**, a Luxembourg *société anonyme*, having its registered office at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of Trade and Companies under number B 82.454 ("**ArcelorMittal**"); and

**APERAM** (formerly "ArcelorMittal Stainless & Specialty Steels"), a Luxembourg *société anonyme*, having its registered office at 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of Trade and Companies under number B 155.908 ("**APERAM**").

## WHEREAS:

- (A) ArcelorMittal and APERAM have decided, subject to certain conditions precedent, to spin off ArcelorMittal's stainless and specialty steel business (the "**Stainless Steel Business**") into APERAM by means of a partial spin-off in accordance with the Luxembourg company law, as amended (*Loi du 10 août 1915 sur les sociétés commerciales, telle que modifiée*) (the "**Law**");
- (B) Subject to the prior satisfaction of certain conditions precedent (including the approval of both companies' shareholders) ArcelorMittal will, by way of a partial spin-off (*scission partielle*) and without dissolution and liquidation of ArcelorMittal pursuant to the Law, in accordance with a spin-off proposal (*projet de scission*) (the "**Spin-Off Proposal**") and as set out in this report (*rapport écrit détaillé*) to the boards of directors of ArcelorMittal and APERAM, transfer ArcelorMittal's Stainless Steel Business as described in the Spin-Off Proposal to APERAM (the "**Spin-Off**");
- (C) ArcelorMittal and APERAM, the companies participating in the Spin-Off, have adopted the Spin-Off Proposal on 13 December 2010;
- (D) The companies participating in the Spin-Off wish to provide further explanations regarding the Spin-Off Proposal in the form of this report (the "**Report**"), as required by Article 293 of the Law for both ArcelorMittal and APERAM; and
- (E) Except where otherwise noted, this Report has been prepared assuming approval of the Spin-Off by the shareholders of ArcelorMittal at the extraordinary general meeting of the shareholders, expected to be convened on or around 25 January 2011.

**NOW, THEREFORE, the boards of directors of ArcelorMittal and APERAM declare the following concerning the Spin-Off Proposal:**

### 1 SPIN-OFF

ArcelorMittal will transfer its Stainless Steel Business as described in the Spin-Off Proposal to APERAM, a newly created Luxembourg company, without dissolution and liquidation of ArcelorMittal, based on section XV of the Law, and the Spin-Off Proposal and this Report (both together, the "**Spin-Off Terms and Conditions**").

Upon effectiveness of the Spin-Off, all the assets and liabilities of ArcelorMittal's Stainless Steel Business as described in the Spin-Off Proposal (as such assets and liabilities will exist on the date on which the Spin-Off will become effective between ArcelorMittal and APERAM (the "**Effective Date**")) will be transferred to APERAM by operation of law and APERAM will issue new APERAM shares to the owners of ArcelorMittal shares in accordance with the Spin-Off Terms and Conditions.

## **2 REASONS FOR SPIN-OFF / KEY STRENGTHS OF APERAM**

### **2.1 Reasons / Rationale for the Spin-Off**

Stainless steel is a capital intensive business that has been competing within ArcelorMittal for capital allocation for additional investment, in particular against the strategic focus of ArcelorMittal on mining expansion and carbon steel growth projects in the emerging markets. The stainless division, which represents about 5% of ArcelorMittal's group EBITDA (based on average EBITDA over the five-year period 2005-2009), also receives limited attention from the financial markets as it is part of the wider ArcelorMittal group and is included in ArcelorMittal's overall results. Pure-play stainless steel companies have generally traded on the stock exchanges at a premium compared to carbon steel and diversified steel companies. ArcelorMittal's Management believes that an independent company focused on stainless products would be in a better position to attract and allocate capital, access third-party funding and create value for its shareholders through higher earnings multiples, resulting in a more equitable valuation.

The Spin-Off would also enable the Stainless Steel Business to benefit from better visibility in the markets, and to pursue its growth strategy as an independent company in the emerging markets and in specialty products including electrical steel.

**2.2 Key Strengths of APERAM.** APERAM's management believes that the following are the key strengths of the Stainless Steel Business and that they will continue to be the key strengths of APERAM as an independent company as of the Effective Date:

- **Leading Global Stainless and Specialty Steels Producer**

APERAM will be a leading global stainless and specialty steels producer with an international footprint, a strong market position in South America and Europe, best-in-class technology and production facilities located in Brazil, Belgium and France.

- **Long-term Growth Potential of the Stainless and Specialty Steels Industry**

The long-term outlook for the stainless and specialty steels industry is generally considered to be more favourable in terms of expected growth than the carbon steel industry because demand for stainless steel tends to come later in the economic development cycle. Following declines in production in 2008 and 2009, ArcelorMittal and APERAM's management teams both expect global demand for stainless steel to return to pre-crisis growth levels of approximately 4.5% per annum. Growth is expected to be led by emerging markets and APERAM will be well positioned to capture growth in demand in these markets, in particular in South America where it has a strong market position.

- **A Global, Integrated Distribution Network and Proximity to Customers**

ArcelorMittal and APERAM's management teams both believe that the global integrated distribution network of the Stainless Steel Business will provide APERAM with a competitive advantage, particularly through the ability to tailor products to address specific customer needs.

The Services & Solutions segment of the Stainless Steel Business performs three core activities: (i) the management of exclusive, direct sales of stainless steel products from production facilities, primarily those located in Europe; (ii) distribution and, to a much lesser extent, external suppliers' products; and (iii) transformation services, which include the provision of value-added and customized steel solutions through further processing to meet specific customer requirements. The Stainless Steel Business has one of the largest stainless and specialty steels distribution networks in the world, with a total of 19 SSCs, 10 transformation facilities and 30 sales offices located on

three continents in over 30 countries. The Stainless Steel Business has the only integrated distribution network in South America and, management believes, one of the most integrated distribution networks in Europe. The distribution channels of the Stainless Steel Business are also strategically located in areas of high demand and close to many end-users. APERAM will continue to work to further develop its distribution network through internal development, partnerships or targeted acquisitions, such as the recent acquisitions of ArcelorMittal Montevideo (formerly Cinter), a tube manufacturer in Uruguay, and M.T. Majdalani y Cia., the leading stainless steel distributor in Argentina. The Stainless Steel Business has generally expanded its global distribution network either in response to an identified market opportunity or to the express business needs of major customers. APERAM's management believes that the strategic approach to the expansion of the distribution network of the Stainless Steel Business has contributed and will continue to contribute to its ability to maintain market share and capture growth opportunities as they arise.

APERAM will also be able to expand its global commercial reach through independent agents and through affiliated agents that are part of the ArcelorMittal Distribution Solutions division, none of which ArcelorMittal owns or will be owned by APERAM as of the Effective Date. As of the date of this Report, the Stainless Steel Business had access to 53 distribution channels, including its own sales offices and distribution channels that it did not own (but excluding its SSCs and transformation facilities).

### **Effective Working Capital and Risk Management Policies**

APERAM will continue to manage its working capital and leverage its integrated distribution network in order to maintain low inventory levels across its business. It will also continue to use derivative instruments, such as forward contracts, swaps and options, to manage its exposure to commodity and energy prices, including nickel prices, which are particularly volatile.

### **Leading Research and Development Capabilities**

APERAM will continue to rely on its strong research and development capabilities of the Stainless Steel Business in Timóteo, Brazil and Isbergues and Imphy, France. With a 2010 budget of approximately USD 18 million, its 117 R&D employees develop high-end applications and specialties. The R&D departments of the Stainless Steel Business interact closely with its operating segments and partner with industrial end-users and leading research organizations in order to remain at the forefront of product development. ArcelorMittal and APERAM's respective management teams believe that the R&D capabilities of the Stainless Steel Business have contributed to its leadership in the industry and its development of recognizable brands which have been on the stainless and specialty steels markets for over 20 years. In addition, a significant portion of the R&D budget of the Stainless Steel Business are concentrated on higher margin specialty products, such as nickel alloys, which have, in the past, contributed to its profitability.

### **Culture of Continuous Improvement**

Within the Stainless Steel Business an internal continuous improvement program was instituted, which has become part of its corporate culture. As part of this program, a management gains plan was introduced aiming at achieving selling, general and administrative expense and headcount reductions, reductions in energy consumption, significant yield improvements and reductions in raw materials costs. Furthermore, APERAM is dedicated to improve safety across its business as evidenced by a decline in safety frequency rates (defined as number of lost time accidents divided by total working hours). Management believes that these and other initiatives it

has implemented in recent years will allow APERAM to continue to reduce its operating costs, improve efficiency and increase profitability while maintaining a safe operating environment.

### **Dedicated and Motivated Workforce**

APERAM will continue to introduce initiatives to improve the dedication and motivation of its work-force, including development programs, employee self-evaluations, monthly career committee meetings to evaluate opportunities for managers and performance-based bonuses. Management believes that greater accountability among its workforce improves motivation and that the approach within the Stainless Steel Business to human resources has contributed to the dedication and motivation of its work-force, which management believes enhances its overall performance.

### **Ability to Produce Stainless and Specialty Steels Products from Low-cost Charcoal (Biomass)**

Through its 36.5% interest in BioEnergia, the Stainless Steel Business participates in the production of low-cost charcoal (biomass), utilizing advanced sustainable technologies. BioEnergia produces wood and charcoal (biomass) from cultivated eucalyptus forests, which are purchased by the Stainless Steel Business pursuant to a long-term supply agreement for use at the Timóteo production facility. The substitution of charcoal (biomass) for coke at the Timóteo production facility enables the Stainless Steel Business to produce stainless and specialty steels in an environmentally and socially responsible manner. In addition, charcoal (biomass) has proven to be more cost effective for the Stainless Steel Business than coke. Following BioEnergia's planned capacity expansion, the Timóteo facility's Blast Furnace #2, which still uses coke for some of its energy needs, is expected to convert fully from coke to charcoal (biomass) in 2011.

### **Strong Values and a Commitment to Sustainability**

APERAM understands its responsibility to future generations and local communities. In addition to its participation, through BioEnergia, in a sustainable biomass technology, the Stainless Steel Business has created environmentally sustainable production solutions while still meeting its customers' stainless and specialty steels demands. APERAM will seek to capture further sustainability opportunities by making targeted investments, such as developing highly energy-efficient production processes, launching new products to reduce CO2 emissions and conserve energy, and investing in recycling and durability products. The Stainless Steel Business has also made a strong commitment to the community through educational, cultural, environmental and social investments. APERAM's management is confident that these initiatives have had, and will continue to have, a positive impact on the environment and the communities in which the Stainless Steel Business operates, while at the same time improving its operational efficiency.

## **2.3 Key Strategies**

APERAM's vision as a leading sustainable stainless and specialty steels company is to become the primary source of stainless steel, electrical steel and nickel alloys and specialty steel for all of its customers. Management intends to achieve this vision through a three-part strategy comprised of eight key areas of focus:

## **Growth**

- *Post-crisis Rebound and Expected Recovery*

APERAM's management expects the European steel market to grow and normalize to pre-crisis levels within the next two to three years and the South American steel market to continue its recent growth. Management intends to leverage the Stainless Steel Business's strong market position, proximity to customers and available capacity to capitalize on the expected increase in demand for stainless steel, electrical steel and nickel alloys and specialties.

- *Growth in Emerging Markets*

APERAM's management expects demand for stainless and specialty steels in emerging markets to grow significantly in the medium-term, due to continued industrialization and wealth creation. The growth prospects for Brazil and other South American economies are particularly attractive. Management intends to take advantage of this growth potential by increasing its sales to these emerging markets.

- *Development of Competitive and Innovative Products and Applications*

After the Spin-Off, APERAM's research and development strategy will continue to involve collaborating with public research centres and other industrial partners to develop innovative products and applications. Recent examples of innovative products and applications include:

- SolarStyl®, a unique stainless and specialty steels solution for fully integrated photovoltaic panels (solar panels) on buildings;

- grade K45 ferritic steel (20% chromium), which can be used in applications in a wide range of industries, and is characterized by strong resistance to pitting corrosion and suitability for exposure in moderately corrosive industrial and urban environments, strong polishability and attractive mechanical properties at high temperatures; and

- 201LN, an austenitic grade with low nickel, high manganese and low carbon content, which is used in cryogenic and railroad applications.

APERAM's management intends to continue to support the development of the product range of the Stainless Steel Business by leveraging its strong research and development capabilities and continuing to establish relationships with public research centres and other industrial partners.

## **Efficiency**

- *Management Gains*

After the Spin-Off, APERAM's management intends to work towards achieving significant near- to medium-term management gains in the form of cost savings in raw materials as well as certain other fixed and variable costs. Prior to the Spin-Off, a five-year, USD 250 million sustainable cost reduction plan has been started as part of a management gains plan announced by ArcelorMittal in September 2008. This program involves making reductions in selling, general and administrative expenses and headcount, and reducing energy consumption and raw material costs by, among other things, switching from coke to charcoal (biomass). As part of this plan, the Stainless Steel Business of ArcelorMittal that will be transferred to APERAM under the Spin-Off had already achieved by June 2010 approximately USD 144 million in sustainable cost reductions, resulting in significant yield improvements.

- *Vertical Integration*

After the Spin-Off, APERAM will continue to expand its upstream and downstream operations, and improving integration between them in order to improve efficiency. APERAM's management actively assesses upstream and mining opportunities (both individually and in partnership) in order to target secure sources of raw materials and create upstream production synergies. Through its 36.5% interest in BioEnergia, the Stainless Steel Business will maintain a secure source of cost-effective and energy efficient charcoal (biomass), which it uses to fuel the blast furnaces at its Timóteo production facility. Further, through its 11.49% interest in General Moly, the Stainless Steel Business will have a secure a long-term source of molybdenum. Similarly, the Stainless Steel Business will seek to leverage its existing downstream strengths by expanding its distribution network in both developed and emerging markets and by adding value through the provision of transformation services in its Services & Solutions segment. The Stainless Steel Business will also focus on deepening its relationship with customers in end-user markets, capturing growth opportunities, mitigating market cyclicalities and managing its exposure to raw material price volatility.

## **Sustainability**

- *Provision of Environmentally Sustainable Processes and Solutions*

After the Spin-off, investment by APERAM in sustainable development opportunities in order to reduce its environmental impact will continue. In the European production facilities that will be transferred to APERAM as part of the Spin-off, for instance, stainless steel is produced using recycled scrap material in electric arc furnaces, which use less energy and generate a lower level of CO2 emissions than traditional blast furnaces. APERAM will also benefit from a recently constructed new water treatment unit at the Imphy plant.

In addition, in Brazil the Stainless Steel Business will use charcoal (biomass) produced by BioEnergia as a substitute for coke at its blast furnaces, enabling it to produce stainless steel and specialty products in a more environmentally sustainable manner.

The Stainless Steel Business will also be involved in developing stainless steel and specialty products that are used in energy efficient applications, including:

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

- *Personnel Development*

The Stainless Steel Business has invested and will continue to invest in the development of its employees, which management believes enhances their motivation and contributes to the overall success of its business. In order to continue to improve performance at all levels of its business, The Stainless Steel Business will continue the deployment of the "Performance Management" process, which is aimed at improving productivity through increased communication with the workforce at all levels, and reinforcing its commitment to a wide range of other personnel development initiatives.

- *Community Engagement*

After the Spin-Off, APERAM will continue to play an important role in the communities in which it operates. For example, it intends to make significant investments through its foundation to develop corporate responsibility programs in Brazil, and it intends to build on a number of partnerships which have been established with local communities and municipal organizations, including the fire brigade, police force, local government and schools, all of which are aimed at supporting the community. APERAM also intends to continue to provide grants to non-governmental organizations and programs which focus on education, culture and the environment. In Europe, APERAM intends to build on the environmental initiatives at its various production facilities aimed at mitigating the environmental impact of its operations and strengthening its relationship with local communities. APERAM's management intends to continue to develop new initiatives aimed at supporting local communities and believes that such initiatives create value by promoting environmental solutions, fostering goodwill within the relevant communities and generally promoting stainless and specialty steels development.

## **2.4 Financing Arrangements**

In addition to maintaining approximately USD 200 million of existing external credit facilities within the Stainless Steel Business, APERAM intends either directly or through subsidiaries to enter into three new credit facilities after the Spin-Off. These three new facilities will be a USD 500 million bond transaction, an USD 800 million borrowing base facility and a USD 100 million revolving credit facility (the final financing amounts are subject to final confirmation). The objective of the financing is for APERAM to have total gross debt of USD 1.1 billion and available lines of credit of USD 500 million. Additionally, APERAM intends to enter into a USD 900 million short-term credit facility with ArcelorMittal. The proceeds of the new facilities will be used to repay the USD 900 million credit facility with ArcelorMittal. Furthermore, and following the Spin-Off, APERAM intends either directly or through subsidiaries to enter into a True Sale of Receivables (TSR) program of EUR 250 million structured in a similar manner as the existing TSR program of ArcelorMittal. Management believes that this financing strategy will have a credit neutral impact upon ArcelorMittal and provide sufficient liquidity for the Stainless Steel Business following the Spin-Off.

## **2.5 Transitional Services Agreement / Purchasing Services Agreements**

In connection with the Spin-Off, APERAM intends, either directly or through subsidiaries, to enter with ArcelorMittal (and/or affiliates thereof, as the case may be) into, among others, (i) a Transitional Services Agreement ("**TSA**"), (ii) a Purchasing Services Agreement for Europe ("**PSA**"), (iii) a Sourcing Services Agreement for Europe ("**SSA**"), and (iv) certain changes to the Brazilian cost sharing agreement the main purpose of which are:

- for the TSA (effective between the parties and their respective groups of companies following the completion of the Spin-Off), to set forth the principal arrangements regarding the transitional services to enable APERAM to carry out its business independently following the Spin-Off. These services pertain, *inter alios*, to (i) corporate insurance, (ii) consolidation, (iii) legal services, (iv) Treasury back office services, (v) corporate human resources, (vi) IP administration services, (vii) health & safety (REACH implementation platform), (viii) Company Secretary, (ix) M&A, (x) Strategy, (xi) Technical Office, (xii) Corporate IS/IT, (xiii) Communication, and (xiv) tax services for a transitional period until 31 December 2011, which can be renewed (for most services) at the initiative of APERAM for one (1) additional year;

- for the PSA (to be entered into between, ArcelorMittal Purchasing S.A.S. and APERAM with respect to the purchasing of products, materials and services that are needed for the business activities of APERAM in Europe), according to which ArcelorMittal Purchasing S.A.S. has



agreed to continue to provide some services to the Stainless Steel Business for a transitional period of up to two (2) years from the date of settlement and delivery of the shares in APERAM. Following this period and unless agreed otherwise, the parties will no longer be able to rely on the functions set out in the other service agreements, which they will need to perform on their own for the first time;

- for the SSA (to be entered into between, ArcelorMittal Sourcing S.C.A. and APERAM Sourcing S.C.A. with respect to the sourcing of products, materials and services (including the back office services and IT services) that are needed for the business activities of the group of companies constituting the Stainless Steel Business), according to which the parties have agreed to continue to provide some services to each other for a transitional period of up to two (2) years from the date of settlement and delivery of the shares in APERAM. Following this period and unless otherwise agreed, the parties will no longer be able to rely on the functions set out in the other service agreements, which they will need to perform on their own for the first time; and

- for the amendment to the Brazilian cost sharing agreement among, *inter alia*, ArcelorMittal Brasil S.A. and ArcelorMittal Inox Brasil S.A, the parties have agreed that ArcelorMittal Brasil will continue to perform the current corporate and purchasing activities until 31 March 2011. As of 1 April 2011, it is the intention that ArcelorMittal Brasil S.A. no longer performs the corporate activities to the relevant Brazilian subsidiaries of the Company and transfers the necessary personnel to ArcelorMittal Inox Brasil S.A. to enable the latter to perform itself the corporate activities. Only the purchasing activities will be continued by ArcelorMittal Brasil S.A., it being understood that it is the intention that as of 1 April 2011 the costs for these purchasing activities will be shared by the relevant Brazilian subsidiaries of the Company on the basis of new cost allocation keys to be agreed upon between the parties.

Further details on the Stainless Steel Business, its key features, strengths, financials and strategies as well as the participation of the ArcelorMittal shareholders in the extraordinary general meeting of shareholders that is to vote on the Spin-Off proposed by the boards of directors of ArcelorMittal and APERAM as well as on the proposed admission to trading of APERAM's shares on the regulated market of the Luxembourg Stock Exchange, on Euronext Amsterdam N.V. and on Euronext Paris S.A. can be found in APERAM's listing prospectus which can be downloaded from ArcelorMittal's website [www.arcelormittal.com](http://www.arcelormittal.com) under "Investors & Shareholders – Extraordinary General Meeting 25 January 2011."

### **3 CONSEQUENCES FOR THE ACTIVITIES OF ARCELORMITTAL**

ArcelorMittal intends to continue its carbon steel, mining and related activities upon completion of the Spin-Off. ArcelorMittal's legal existence will not be prejudiced by the Spin-Off. After completion of the Spin-Off, the Stainless Steel Business will no longer be part of the ArcelorMittal group of companies. The remaining links between ArcelorMittal and APERAM will be limited to having the same core shareholder and the TSA, PSA and SSA described above, along with a short-term financing arrangement of USD 900 million between the two companies.

Following the Spin-Off, APERAM will continue using some of the existing patents of ArcelorMittal and vice versa. In addition, with respect to financing arrangements, ArcelorMittal's Treasury will remain the counterpart towards banks for the hedging of the nickel and currency risks related to the Stainless Steel Business after the Effective Date but only until the termination of the currently existing contractual arrangements.

#### 4 LEGAL, ECONOMIC AND SOCIAL CONSEQUENCES

ArcelorMittal intends to separate the Stainless Steel Business from its global steel business through the allocation of shares of APERAM to ArcelorMittal's shareholders. On 7 December 2010, ArcelorMittal and APERAM's boards of directors approved a Spin-Off Proposal and decided to convene an extraordinary general meeting of ArcelorMittal's shareholders for 25 January 2011 to approve the separation of ArcelorMittal's Stainless Steel Business from its global steel and steel related products businesses, the separation to take the form of a legal spin-off organized under Luxembourg law. On 25 January 2011, or as soon as possible thereafter, the shareholders of ArcelorMittal will be asked to vote on the Spin-Off. If approved, the Spin-Off will result in the allocation of APERAM's fully paid-up shares to ArcelorMittal's shareholders on the basis of a proposed ratio described in Section 5 below.

The obligation of ArcelorMittal and APERAM to complete the Spin-Off is subject to the satisfaction, or to the extent possible the waiver, of the following conditions:

- the Spin-Off, as contemplated by the Spin-Off Proposal and the Directors' Report (as defined herein), has been approved by the requisite affirmative votes of the general meetings of shareholders of ArcelorMittal and APERAM ;
- APERAM has accepted the transfer of ArcelorMittal's Stainless Steel Business as contemplated by the Spin-Off Proposal and has issued newly created shares of APERAM to the shareholders of ArcelorMittal as consideration for the transfer;
- the Luxembourg Stock Exchange, Euronext Amsterdam N.V. and Euronext Paris S.A. have approved the listing and the admission to trading of all shares in APERAM on their respective markets; and
- no other events or developments will have occurred that in the judgement of the boards of directors of ArcelorMittal and APERAM in their sole and absolute discretion, would result in the Spin-Off having a material adverse effect on ArcelorMittal, APERAM or ArcelorMittal's shareholders.

From a legal perspective, the Stainless Steel Business of ArcelorMittal will be continued by APERAM. Shareholders of ArcelorMittal will become shareholders of APERAM. Employees of ArcelorMittal who work for the Stainless Steel Business will become employees of APERAM. Creditors of ArcelorMittal in relation to the Stainless Steel Business will become creditors of APERAM. Subject to their terms, agreements concluded in relation to the Stainless Steel Business with ArcelorMittal or APERAM will remain unchanged.

From an economic perspective, the boards of directors of ArcelorMittal and APERAM expect no changes.

From a social perspective (*perspective sociale*), the boards of directors of ArcelorMittal and APERAM expect no changes.

ArcelorMittal and APERAM will enter into a TSA, a PSA and an SSA – see Section 2.5 above.

The shareholders of ArcelorMittal are urged to consult their tax advisors regarding tax consequences of the Spin-Off and of the proposed allotment, holding and disposing of APERAM shares.

## 5 SHARE EXCHANGE RATIO

Subject to the shareholders of ArcelorMittal and APERAM adopting the required resolutions, as a consequence of the transfer by operation of law of all the assets and liabilities of ArcelorMittal's Stainless Steel Business by way of the Spin-Off, APERAM will on the Effective Date issue to the holders of ArcelorMittal shares existing at such time one (1) APERAM share for every twenty (20) ArcelorMittal shares (the "**Exchange Ratio**").

As of the Effective Date, the newly-issued APERAM shares will rank *pari passu* each with the other, including with respect to any undistributed profits and other reserves. There will be no cash adjustment paid to the holders of ArcelorMittal shares in relation to the Spin-Off.

## 6 DETERMINATION OF EXCHANGE RATIO AND VALUATION

On 7 December 2010, the boards of directors of ArcelorMittal and APERAM unanimously decided to propose to the shareholders of ArcelorMittal and APERAM that the Spin-Off be done on the basis of an exchange ratio of one (1) APERAM share for every twenty (20) ArcelorMittal shares.

To reach their decision, in compliance with applicable laws, the boards of directors of ArcelorMittal and APERAM have relied upon a multi-criteria analysis, including EBITDA multiples and discounted cash flow analyses (as further explained below) and have ensured that the exchange ratio adequately reflects the respective relative intrinsic values of the two companies.

The boards of directors of ArcelorMittal and APERAM have received opinions as to the fairness of this exchange ratio from a financial standpoint of the valuation of the Stainless Steel Business, from KPMG Luxembourg.

The boards of directors of ArcelorMittal and APERAM have appointed PricewaterhouseCoopers Luxembourg as the experts to the Spin-Off to deliver, in accordance with the Law, reports on the Spin-Off and to express a view on the adequacy of the exchange ratio.

The exchange ratio of one (1) APERAM share for every twenty (20) ArcelorMittal shares is consistent with the analysis of the relative intrinsic value range of ArcelorMittal's Stainless Steel Business and ArcelorMittal.

## 7 CHANGE IN EQUITY OF ARCELORMITTAL / INCREASE IN EQUITY OF APERAM / ISSUE OF APERAM SHARES

As a consequence of the Spin-Off, the equity (capital and reserves) of ArcelorMittal of an amount of EUR 42,708,285,047.- will be reduced in a manner proportionate to the fair market value of the Stainless Steel Business that will transfer from ArcelorMittal to APERAM, namely an amount of EUR 3,241,877,693.- through a reduction of (i) the share capital in an amount of EUR 408,800,000.-, (ii) the share premium account in an amount of EUR 1,196,267,207.-, (iii) the legal reserve account in an amount of EUR 56,338,875.-, (iv) the special reserve for the purchase of own shares in an amount of EUR 44,128,246.-, and (v) the retained earnings/free reserve account in an amount of EUR 1,536,343,365.-.

The number of ArcelorMittal shares in issue on the Effective Date will remain the same; the reduction of the equity of ArcelorMittal will take place through a reduction in the accounting value for all ArcelorMittal shares rather than through a cancellation of shares.

Through the Spin-Off, the equity (capital and reserves) of APERAM will be increased by an amount of EUR 3,241,877,693.- corresponding to the fair market value of the Stainless Steel Business that will transfer from ArcelorMittal to APERAM as described above.

The boards of ArcelorMittal and of APERAM have assessed that the fair market value of the Stainless Steel Business to be transferred from ArcelorMittal to APERAM pursuant to the Spin-Off equals EUR 3,241,877,693.- based on the valuation performed by KPMG.

It should be noted that in line with the terms of the Spin-Off Proposal the figures mentioned above could be subject to adaptation (for instance due to currency fluctuations) to take account of the actual value of certain assets and liabilities of ArcelorMittal's Stainless Steel Business that will transfer to APERAM on the Effective Date.

Because immediately prior to the Spin-Off ArcelorMittal holds a number of its own shares in treasury, the transfer of the Stainless Steel Business will trigger the issue and allocation to ArcelorMittal of a proportionate amount of new APERAM shares in accordance with the Exchange Ratio. It is contemplated that the APERAM shares held by ArcelorMittal following completion of the Spin-Off will over time be sold by ArcelorMittal.

## **8 RECOMMENDATION OF THE BOARDS OF DIRECTORS**

In reaching their decision to approve the Spin-Off of the ArcelorMittal's Stainless Steel Business the ArcelorMittal and APERAM's boards of directors have consulted with their respective management and their advisors.

The ArcelorMittal and APERAM's boards of directors are aware that there can be no assurance about the future results of APERAM, including results expected or considered in the factors listed above relating to the Stainless Steel Business that are proposed to be spun-off. However, the ArcelorMittal and APERAM's boards of directors concluded that the potential benefits of implementing the Spin-Off were significant.

The boards of directors of ArcelorMittal and APERAM therefore recommend to the shareholders of ArcelorMittal and APERAM to vote in favour of the proposed Spin-Off.

## **9 SETTLEMENT OF THE SPIN-OFF**

Upon effectiveness of the Spin-Off, holders of ArcelorMittal shares will automatically receive newly-issued APERAM shares in accordance with the Exchange Ratio and on the basis of their respective holdings as entered into the ArcelorMittal shareholders' register (*registre des actionnaires*) or their respective securities accounts.

Holders of ArcelorMittal shares whose shares are registered directly in ArcelorMittal's shareholders' register will automatically receive newly-issued APERAM shares through an entry in the shareholders' register of APERAM.

Holders of ArcelorMittal shares whose shares are registered indirectly (through a clearing system) in ArcelorMittal's shareholders' register will automatically receive newly-issued APERAM shares through a credit to their respective securities accounts.

It is anticipated that the shares of APERAM will be admitted for trading "on a when issued basis" on or around the date on which the shareholders of ArcelorMittal and APERAM are expected to approve the Spin-Off, *i.e.* 25 January 2011 on the Luxembourg Stock Exchange, on Euronext Amsterdam N.V. and on Euronext Paris S.A. Further details of APERAM's listing and APERAM's listing prospectus can be downloaded from the website of ArcelorMittal [www.arcelormittal.com](http://www.arcelormittal.com) under "Investors & Shareholders – Extraordinary General Meeting 25 January 2011".

As a result of the Spin-Off, the Articles of Association of both ArcelorMittal and APERAM will be amended to reflect the change in the equity of both companies; and these amendments will, subject to shareholder approval, become effective on the Effective Date.

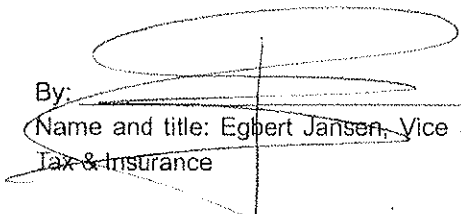
IN WITNESS WHEREOF, ArcelorMittal and APERAM have caused this Report to be executed as of the date first written above by their respective representatives thereunto duly authorized.


**ArcelorMittal**

**APERAM**

By: \_\_\_\_\_  
Name and title: Henk Scheffer, Company  
Secretary

By: \_\_\_\_\_  
Name and title: Julien Onillon, CFO

By:   
Name and title: Egbert Jansen, Vice President  
Tax & Insurance

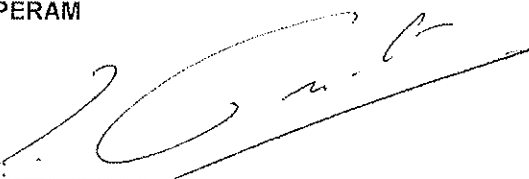
By:   
Name and title: Michael C. Bennett, Head of  
Investor Relations & Funding

IN WITNESS WHEREOF, ArcelorMittal and APERAM have caused this Report to be executed as of the date first written above by their respective representatives thereunto duly authorized.

**ArcelorMittal**

**APERAM**

By: \_\_\_\_\_  
Name and title: Henk Scheffer, Company  
Secretary

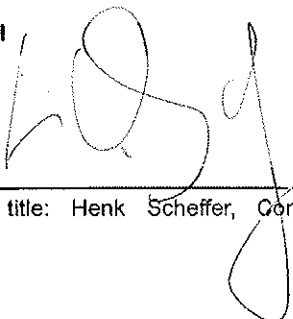
By:   
Name and title: Julien Onillon, CFO

By: \_\_\_\_\_  
Name and title: Egbert Jansen, Vice President  
Tax & Insurance

By: \_\_\_\_\_  
Name and title: Michael C. Bennett, Head of  
Investor Relations & Funding

IN WITNESS WHEREOF, ArcelorMittal and APERAM have caused this Report to be executed as of the date first written above by their respective representatives thereunto duly authorized.

**ArcelorMittal**



By: \_\_\_\_\_  
Name and title: Henk Scheffer, Company Secretary

**APERAM**

By: \_\_\_\_\_  
Name and title: Julien Onillon, CFO

By: \_\_\_\_\_  
Name and title: Egbert Jansen, Vice President Tax & Insurance

By: \_\_\_\_\_  
Name and title: Michael C. Bennett, Head of Investor Relations & Funding