



ArcelorMittal

Annual Report 2009

Financial Information

## Financial Information 2009 Contents

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### Disclaimer

In this Annual Report, ArcelorMittal has made, and will continue to make, forward-looking statements with respect to, amongst other things, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of its management. Such statements are identified by the use of forward-looking words or phrases such as 'anticipates', 'intends', 'expects', 'plans', 'believes', or 'estimates', or words or phrases with similar meaning. The actual results may differ materially from those implied by such forward-looking statements on account of known and unknown risks and uncertainties, including, without limitation, the risks described in this Annual Report.

ArcelorMittal does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. ArcelorMittal undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise.

Unless indicated otherwise, or the context otherwise requires, references herein to 'ArcelorMittal', the 'Group' and the 'Company' or similar terms are to ArcelorMittal, société anonyme, having its registered office at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, and, where the context requires, its consolidated subsidiaries.

## Chief Executive Officer and Chief Financial Officer's Responsibility Statement

We confirm to the best of our knowledge that:

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

By order of the Board of Directors



Chief Executive Officer

**Lakshmi N. Mittal**

February 19, 2010



Chief Financial Officer

**Aditya Mittal**

February 19, 2010

## 02 Consolidated Financial Statements

## Consolidated Statements of Financial Position

ArcelorMittal and Subsidiaries

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

	December 31, 2008*	December 31, 2009
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	7,576	5,919
Restricted cash	11	90
Assets held for sale (note 4)	910	1
Trade accounts receivable and other (note 5)	6,737	5,750
Inventories (note 6)	24,754	16,835
Prepaid expenses and other current assets (note 7)	4,430	4,212
<b>Total current assets</b>	<b>44,418</b>	<b>32,807</b>
<b>Non-current assets:</b>		
Goodwill and intangible assets (note 8)	16,636	17,034
Property, plant and equipment (note 9)	60,251	60,385
Investments in associates and joint ventures (note 10)	8,512	9,628
Other investments (note 11)	437	424
Deferred tax assets (note 18)	805	4,838
Other assets (note 12)	2,096	2,581
<b>Total non-current assets</b>	<b>88,737</b>	<b>94,890</b>
<b>Total assets</b>	<b>133,155</b>	<b>127,697</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt (note 14)	8,409	4,135
Trade accounts payable and other	10,501	10,676
Short-term provisions (note 19)	3,292	1,433
Liabilities held for sale (note 4)	370	11
Accrued expenses and other liabilities (note 20)	7,236	6,961
Income tax liabilities (note 18)	775	314
<b>Total current liabilities</b>	<b>30,583</b>	<b>23,530</b>
<b>Non-current liabilities:</b>		
Long-term debt, net of current portion (note 14)	25,667	20,677
Deferred tax liabilities (note 18)	6,394	5,144
Deferred employee benefits (note 22)	7,111	7,583
Long-term provisions (note 19)	2,343	2,121
Other long-term obligations	1,740	3,244
<b>Total non-current liabilities</b>	<b>43,255</b>	<b>38,769</b>
<b>Total liabilities</b>	<b>73,838</b>	<b>62,299</b>
Commitments and contingencies (note 21 and note 23)		
<b>Equity (note 16):</b>		
Common shares (no par value, 1,617,000,000 and 1,617,000,000 shares authorized, 1,448,826,347 and 1,560,914,610 shares issued, and 1,366,002,278 and 1,509,541,518 shares outstanding at December 31, 2008 and 2009, respectively)	9,269	9,950
Treasury shares (82,824,069 and 51,373,092 common shares at December 31, 2008 and 2009, respectively, at cost)	(5,800)	(2,823)
Additional paid-in capital	20,575	20,808
Retained earnings	30,470	29,738
Reserves	744	3,372
Equity attributable to the equity holders of the parent	55,258	61,045
Non-controlling interests	4,059	4,353
<b>Total equity</b>	<b>59,317</b>	<b>65,398</b>
<b>Total liabilities and equity</b>	<b>133,155</b>	<b>127,697</b>

\* As required by International Financial Reporting Standards (IFRS), the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

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

## Consolidated Statements of Operations

ArcelorMittal and Subsidiaries

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

	Year Ended December 31, 2008*	Year Ended December 31, 2009
Sales (including 6,411 and 3,170 of sales to related parties for 2008 and 2009, respectively)	124,936	65,110
Cost of sales (including depreciation and impairment of 6,104 and 5,458 and 2,391 and 1,945 of purchases from related parties for 2008 and 2009 respectively)	106,021	62,913
Gross margin	18,915	2,197
Selling, general and administrative	6,590	3,875
Operating income (loss)	12,325	(1,678)
Income from investments in associates and joint ventures	1,653	58
Financing costs – net (note 17)	(2,352)	(2,817)
Income (loss) before taxes	11,626	(4,437)
Income tax expense (benefit) (note 18)	1,128	(4,512)
<b>Net income (including non-controlling interests)</b>	<b>10,498</b>	<b>75</b>
Net income attributable to:		
Equity holders of the parent	9,466	118
Non-controlling interests	1,032	(43)
<b>Net income (including non-controlling interests)</b>	<b>10,498</b>	<b>75</b>
	Year Ended December 31, 2008*	Year Ended December 31, 2009
Earnings per common share (in U.S. dollars)		
Basic common shares	6.84	0.08
Diluted common shares <sup>1</sup>	6.83	0.08
Weighted average common shares outstanding (in millions) (note 16)		
Basic common shares	1,383	1,445
Diluted common shares <sup>1</sup>	1,386	1,446

<sup>1</sup> Diluted common shares relate to the effect of stock options (note 16).

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

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

## Consolidated Statements of Comprehensive Income

ArcelorMittal and Subsidiaries

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

	Year Ended December 31, 2008*	Year Ended December 31, 2009
<b>Net income (including non-controlling interests)</b>	<b>10,498</b>	<b>75</b>
Available-for-sale investments:		
Gain (loss) arising during the period (net of tax benefit (expense) of 9 and (3) for 2008 and 2009, respectively)	(207)	22
Reclassification adjustments for (gain) loss included in the statement of operations (net of tax expense of nil and nil for 2008 and 2009, respectively)	123	(8)
	(84)	14
Derivative financial instruments:		
(Loss) gain arising during the period (net of tax expense of 672 and 34 for 2008 and 2009, respectively)	1,436	59
Reclassification adjustments for (gain) loss included in the statement of operations (net of tax expense (benefit) of (196) and 208 for 2008 and 2009, respectively)	403	(590)
	1,839	(531)
Exchange differences arising on translation of foreign operations (net of tax expense of 12 and 352 for 2008 and 2009, respectively)	(5,980)	3,100
Share of other comprehensive income (loss) related to associates and joint ventures	(768)	473
<b>Total other comprehensive income (loss)</b>	<b>(4,993)</b>	<b>3,056</b>
Total other comprehensive income (loss) attributable to:		
Equity holders of the parent	(4,363)	2,628
Non-controlling interests	(630)	428
	(4,993)	3,056
<b>Total comprehensive income</b>	<b>5,505</b>	<b>3,131</b>
Total comprehensive income attributable to:		
Equity holders of the parent	5,103	2,746
Non-controlling interests	402	385
<b>Total comprehensive income</b>	<b>5,505</b>	<b>3,131</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

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

## Consolidated Statements of Changes in Equity

ArcelorMittal and Subsidiaries

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

	Shares <sup>1</sup>	Share capital	Treasury Shares	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Reserves Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains (Losses) on Available for Sale Securities	Equity attributable to the equity holders of the parent	Non-controlling interests	Total Equity
<b>Balance at December 31, 2007</b>	<b>1,422</b>	<b>9,269</b>	<b>(1,552)</b>	<b>20,309</b>	<b>23,552</b>	<b>4,656</b>	<b>(356)</b>	<b>807</b>	<b>56,685</b>	<b>4,850</b>	<b>61,535</b>
Net income	—	—	—	—	9,466	—	—	—	9,466	1,032	10,498
Other comprehensive income (loss)	—	—	—	—	—	(6,129)	1,844	(78)	(4,363)	(630)	(4,993)
Total comprehensive income (loss)	—	—	—	—	9,466	(6,129)	1,844	(78)	5,103	402	5,505
Recognition of share based payments	2	—	62	337	—	—	—	—	399	—	399
Treasury shares (note 16)	(58)	—	(4,310)	(71)	—	—	—	—	(4,381)	—	(4,381)
Dividend (1.50 per share)	—	—	—	—	(2,068)	—	—	—	(2,068)	(508)	(2,576)
Acquisition of non-controlling interests (note 3)	—	—	—	—	—	—	—	—	—	(1,297)	(1,297)
Dilution of interest in consolidated subsidiary and others	—	—	—	—	(480)	—	—	—	(480)	612	132
<b>Balance at December 31, 2008*</b>	<b>1,366</b>	<b>9,269</b>	<b>(5,800)</b>	<b>20,575</b>	<b>30,470</b>	<b>(1,473)</b>	<b>1,488</b>	<b>729</b>	<b>55,258</b>	<b>4,059</b>	<b>59,317</b>
Net income	—	—	—	—	118	—	—	—	118	(43)	75
Other comprehensive income (loss)	—	—	—	—	—	3,115	(535)	48	2,628	428	3,056
Total comprehensive income (loss)	—	—	—	—	118	3,115	(535)	48	2,746	385	3,131
Recognition of share based payments	2	—	44	(27)	—	—	—	—	17	—	17
Treasury shares (note 16)	1	—	43	(4)	—	—	—	—	39	—	39
Dividend (0.75 per share)	—	—	—	—	(1,084)	—	—	—	(1,084)	(254)	(1,338)
Offering of common shares	141 <sup>2</sup>	681	2,890	264	—	—	—	—	3,835	—	3,835
Acquisition of non-controlling interests (note 3)	—	—	—	—	—	—	—	—	—	(353)	(353)
Cancellation of cash settlement option on 800 convertible senior notes (note 14)	—	—	—	—	198	—	—	—	198	—	198
Issuance of bonds mandatorily convertible in shares of subsidiaries	—	—	—	—	—	—	—	—	—	684	684
Other movements	—	—	—	—	36	—	—	—	36	(168)	(132)
<b>Balance at December 31, 2009</b>	<b>1,510</b>	<b>9,950</b>	<b>(2,823)</b>	<b>20,808</b>	<b>29,738</b>	<b>1,642</b>	<b>953</b>	<b>777</b>	<b>61,045</b>	<b>4,353</b>	<b>65,398</b>

<sup>1</sup> Excludes treasury shares

<sup>2</sup> Includes the issuance of 29 million treasury shares

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

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

## Consolidated Statements of Cash Flows

ArcelorMittal and Subsidiaries

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

	Year Ended December 31, 2008*	Year Ended December 31, 2009
<b>Operating activities:</b>		
Net income	10,498	75
<b>Adjustments to reconcile net income to net cash provided by operations and payments:</b>		
Depreciation	5,045	4,894
Impairment	1,059	564
Interest expense	2,044	1,696
Income tax expense (benefit)	1,128	(4,512)
Write-downs of inventories to net realizable value and expense related to onerous supply contracts**	3,451	2,730
Labor agreements and separation plans	2,577	280
Litigation provisions	595	(445)
Recycling of deferred gain on raw material hedges	—	(979)
Change in fair value of conversion options on Convertible Bonds	—	897
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	(571)	(1,202)
<b>Changes in operating assets, liabilities and provisions net of effects from acquisitions:</b>		
Trade accounts receivable	2,139	1,578
Inventories	(7,724)	5,356
Interest paid and received	(1,943)	(1,443)
Taxes paid	(2,724)	(357)
Trade accounts payable	(2,485)	(360)
Cash received from settlement of hedges not recognized in the statement of operations	2,509	—
Cash paid for separation plans	—	(685)
Other working capital and provisions movements	(946)	(809)
<b>Net cash provided by operating activities</b>	<b>14,652</b>	<b>7,278</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(5,531)	(2,792)
Acquisition of net assets of subsidiaries and non-controlling interests, net of cash acquired of 103 and 15 respectively	(6,201)	(120)
Investments in associates and joint ventures accounted for under equity method	(3,114)	(33)
Disposals of financial assets***	2,226	116
Other investing activities (net)	192	45
<b>Net cash used in investing activities</b>	<b>(12,428)</b>	<b>(2,784)</b>
<b>Financing activities:</b>		
Offering of common shares	—	3,153
Proceeds from mandatorily convertible bonds	—	750
Proceeds from short-term debt	7,121	1,727
Proceeds from long-term debt, net of debt issuance costs	14,599	9,558
Payments of short-term debt	(11,720)	(10,446)
Payments of long-term debt	(5,127)	(9,433)
Purchase of treasury shares	(4,440)	—
Sale of treasury shares for stock option exercises	68	12
Dividends paid (includes 508 and 254 of dividends paid to non-controlling shareholders in 2008 and 2009, respectively)	(2,576)	(1,338)
Other financing activities (net)	(57)	(330)
<b>Net cash used in financing activities</b>	<b>(2,132)</b>	<b>(6,347)</b>
Effect of exchange rate changes on cash	(376)	196
Net increase (decrease) in cash and cash equivalents	(284)	(1,657)
<b>Cash and cash equivalents:</b>		
<b>At the beginning of the year</b>	<b>7,860</b>	<b>7,576</b>
<b>At the end of the year</b>	<b>7,576</b>	<b>5,919</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

\*\* Refer to Note 6 for more information on inventory write-downs and note 19 for more information on onerous contracts.

\*\*\* Refer to Note 4, 10 and 11 for more information on disposals of investments.

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



## Notes to the Consolidated Financial Statements

ArcelorMittal and Subsidiaries

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

### Note 1: Nature of Business, Basis of Presentation and Consolidation

#### Nature of business

ArcelorMittal ("ArcelorMittal", or "Mittal Steel", or the "Company"), together with its subsidiaries, is a manufacturer of steel and steel related products. ArcelorMittal owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. These manufacturing facilities, each of which includes its respective subsidiaries, are referred to in these consolidated financial statements as the "Operating Subsidiaries". These consolidated financial statements were authorized for issuance on February 9, 2010 by the Company's Board of Directors.

#### Basis of presentation

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

#### Adoption of new IFRS standards, amendments and interpretations applicable in 2009

The following new standards, amended standards or interpretations were adopted by the Company on January 1, 2009. The effects from the adoption of these standards, revisions or interpretations were not material to the consolidated financial statements.

- Amendments to IFRS 2, "Share-based Payment"
- IFRS 8, "Operating Segments"
- International Accounting Standard ("IAS") 1 (revised), "Presentation of Financial Statements"
- Amendments to IAS 7, "Statement of Cash Flows"
- Amendments to IAS 16, "Property, Plant and Equipment"
- Amendments to IAS 19, "Employee Benefits"
- Amendments to IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance"
- Amendments to IAS 23, "Borrowing Costs"
- Amendments to IAS 27 (revised), "Consolidated and Separate Financial Statements"
- Amendments to IAS 28, "Investments in Associates"
- Amendments to IAS 29, "Reporting in Hyperinflationary Economies"
- Amendments to IAS 31, "Interests in Joint Ventures"
- Amendments to IAS 32, "Financial Instruments: Presentation"
- Amendments to IAS 36, "Impairment of Assets"
- Amendments to IAS 38, "Intangible Assets"
- Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"
- Amendments to IAS 40, "Investment Property"
- International Financial Reporting Interpretations Committee ("IFRIC") 13, "Customer Loyalty Programs"
- IFRIC 15, "Agreements for the Construction of Real Estate"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 18, "Transfers of Assets from Customers" (adopted for transfers of assets from customers received on or after July 1, 2009)

The following new and revised standards have been adopted in the current period and have affected the presentation of these consolidated financial statements.

#### *Amendments to IFRS 7, "Financial Instruments: Disclosures"*

The amendments to IFRS 7 require disclosure of financial assets and liabilities in a three-level hierarchy based upon the input data required by an entity to arrive at an asset or liability's fair value. Expanded liquidity risk disclosures are also required. The Company has applied these requirements in note 15.

#### *IAS 1 (revised), "Presentation of Financial Statements"*

IAS 1 introduced terminology changes including revised titles for the consolidated financial statements and change in the format and content of the consolidated financial statements. In addition to terminology changes, a consolidated statement of comprehensive income is now part of the consolidated financial statements as required by the revision of IAS 1.

#### **New IFRS standards and interpretations applicable from 2010 onward**

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

## Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

*IFRS 1 (revised), "First Time Adoption of International Financial Reporting Standards" and IAS 27 (revised), "Consolidated and Separate Financial Statements"*

In May 2008, the IASB issued revisions to IFRS 1, "First Time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements." The revisions allow first-time adopters to use a deemed cost of either fair value or the carrying amount under a previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments also remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor. The revisions of IFRS 1 are effective for annual periods beginning on or after July 1, 2009 but are not applicable to the Company as it has previously adopted IFRS. The revisions of IAS 27 are effective for annual periods beginning on or after July 1, 2009 but are not expected to have a significant impact on its consolidated financial statements.

*IFRS 2 (revised), "Share-based Payment"*

In June 2009, the IASB issued amendments to IFRS 2, "Share-based Payment". These amendments clarify the scope of IFRS 2, as well as the accounting for cash-settled (by the parent) share-based payment transactions in the separate or individual financial statements of a subsidiary receiving the goods or services when another subsidiary or shareholder has the obligation to settle the award. The revisions to IFRS 2 are effective for annual periods beginning on or after January 1, 2010. The Company does not expect that the amendments will have a significant impact on its consolidated financial statements. The amendments to IFRS 2 have not yet been endorsed by the EU.

*IFRS 3 (revised), "Business Combinations" and IAS 27 (revised), "Consolidated and Separate Financial Statements"*

In January 2008, the IASB issued revisions to IFRS 3, "Business Combinations" and IAS 27, "Consolidated and Separate Financial Statements" which are effective for any transactions with acquisition dates that are on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Among other changes, the revisions will require the acquirer to expense direct acquisition costs as incurred; to revalue to fair value any pre-existing ownership in an acquired company at the date on which the Company takes control, and record the resulting gain or loss in net income; to record in net income adjustments to contingent consideration which occur after completion of the purchase price allocation; to record directly in equity the effect of transactions after taking control of the acquiree which increase or decrease the Company's interest but do not affect control; to revalue upon divesting control any retained shareholding in the divested company at fair value and record the resulting gain or loss in net income; and to attribute to non-controlling shareholders their share of any deficit in the equity of a non wholly-owned subsidiary. The Company does not currently expect that the application of IFRS 3 (revised) and IAS 27 (revised) will have a significant impact on its financial statements, but will evaluate the impact for each business combination that occurs.

*IFRS 5 (revised), "Non-current Assets Held for Sale and Discontinued Operations"*

In May 2008, the IASB issued revisions to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" which are effective for annual periods beginning on or after July 1, 2009. The amendment clarifies that all of a subsidiary's assets and liabilities should be classified as held for sale if a partial disposal sale plan will result in loss of control. Relevant disclosure should also be made for this subsidiary if the definition of a discontinued operation is met. The Company does not expect that the amendment will have a significant impact on its consolidated financial statements.

*IFRS 9, "Financial Instruments"*

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

- The replacement of the multiple classification and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement" with a single model that has only two classification categories: amortized cost and fair value
- The replacement of the requirement to separate embedded derivatives from financial asset hosts with a requirement to classify a hybrid contract in its entirety at either amortized cost or fair value
- The replacement of the cost exemption for unquoted equities and derivatives on unquoted equities with guidance on when cost may be an appropriate estimate of fair value.

This standard is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 9 has not yet been endorsed by the EU.

*IAS 24, "Related Party Disclosures"*

In November 2009, the IASB amended IAS 24, "Related Party Disclosures" for annual periods beginning on or after January 1, 2011, with earlier application permitted. The revisions simplify the disclosure requirements for government-related entities and clarify the definition of a related party. The amendments to IAS 24 have not yet been endorsed by the EU.

*IAS 28, "Investments in Associates"*

In January 2008, the IASB amended IAS 28, "Investments in Associates" for annual periods beginning on or after July 1, 2009. The amendment states that an investment in associate should be treated as a single asset for the purposes of impairment testing and impairment losses should not be allocated to specific assets included within the investment, such as goodwill. Reversals of impairment should be recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. In addition, only certain disclosures required by IAS 28 must be made when an investment in associate is accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement." The Company does not believe there will be any significant changes to its consolidated financial statements upon adoption of the amended standard.

*IAS 32, "Financial Instruments – Presentation"*

In October 2009, the IASB amended IAS 32, "Financial Instruments: Presentation" for annual periods beginning on or after February 1, 2010. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided certain conditions are met, such rights issues should be treated as equity regardless of the currency in which the exercise price is denominated. There will be no changes to the Company's financial statements upon adoption of the amended standard.

*IAS 39, "Financial Instruments: Recognition and Measurement"*

In July 2008, the IASB amended IAS 39, "Financial Instruments: Recognition and Measurement" for annual periods on or after July 1, 2009. The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged item and hedging with options. Inflation qualifies as a hedged item only if changes in inflation are a contractually specified portion of cash flows of a recognized financial instrument. IAS 39 permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. The Company does not believe there will be any significant changes to its consolidated financial statements upon adoption of the amended standard.

*Amendments to IFRIC 9, "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement"*

In March 2009, the IASB amended IFRIC 9, "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after June 30, 2009. These amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the consolidated financial statements.

*Amendments to IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*

In November 2009, the IASB amended IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The amendments are effective for annual periods beginning on or after January 1, 2011, with earlier application permitted. The amendments must be applied retrospectively to the earliest comparative period presented. The amendments to IFRIC 14 have not yet been endorsed by the EU.

*IFRIC 17, "Distributions of Non-cash Assets to Owners"*

In November 2008, the IFRIC issued IFRIC 17, "Distributions of Non-cash Assets to Owners". The interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend payable should be measured at the fair value of the net assets to be distributed. The entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss and the entity needs to provide additional disclosures if the net assets that are being held for distribution to owners meet the definition of a discontinued operation. This interpretation applies prospectively to pro rata distributions of non-cash assets except for common control transactions and is effective for annual periods beginning on or after July 1, 2009. Earlier application is permitted.

*IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"*

In November 2009, the IFRIC issued IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments". The interpretation clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after July 1, 2010 with earlier application permitted. IFRIC 19 has not yet been endorsed by the EU.

*Amendments to IFRS 2, "Share-based Payment"*

The amendments to IFRS 2 are effective for annual periods beginning on or after July 1, 2009. The amendments confirm that contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2. The amendments to IFRS 2 have not yet been endorsed by the EU.

*Amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"*

The amendments to IFRS 5 are effective for annual periods beginning on or after January 1, 2010. The revisions clarify that the disclosure requirements in standards other than IFRS 5 generally do not apply to non-current assets classified as held for sale and discontinued operations. The Company does not believe there will be any significant changes to its consolidated financial statements upon adoption of the amended standard. The amendments to IFRS 5 have not yet been endorsed by the EU.

*Amendments to IFRS 8, "Operating Segments"*

The amendments to IFRS 8 are effective for annual periods beginning on or after January 1, 2010. The amendments clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. The Company does not believe there will be any significant changes to its consolidated financial statements upon adoption of the amended standard. The amendments to IFRS 8 have not yet been endorsed by the EU.

## Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

### *Amendments to IAS 1, "Presentation of Financial Statements"*

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2010 and clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendments to IAS 1 have not yet been endorsed by the EU.

### *Amendments to IAS 7, "Statement of Cash Flows"*

The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2010 and specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows related to development costs that do not meet the criteria in IAS 38, "Intangible Assets" must be classified as operating activities in the statement of cash flows. The amendments to IAS 7 have not yet been endorsed by the EU.

### *Amendments to IAS 17, "Leases"*

Prior to the amendments, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are to be applied retrospectively to unexpired leases as of the effective date if the necessary information was available at the inception of the lease. Otherwise, the amended standard will be applied based on the facts and circumstances existing on the effective date and entities will recognize assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognized in retained earnings. The amendments to IAS 17 are effective for annual periods beginning on or after January 1, 2010. The amendments to IAS 17 have not yet been endorsed by the EU.

### *Amendments to IAS 36, "Impairment of Assets"*

The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2010 and clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, "Operating Segments". The adoption of these amendments will not have an impact on the Company's consolidated financial statements. The amendments to IAS 36 have not yet been endorsed by the EU.

### *Amendments to IAS 38, "Intangible Assets"*

The amendments to IAS 38 are effective for annual periods beginning on or after July 1, 2009 and clarify the requirements under IFRS 3 (revised), "Business Combinations" regarding accounting for intangible assets acquired in a business combination.

Further amendments to IAS 38 are effective for annual periods beginning on or after January 1, 2010 and clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The amendments to IAS 38 have not yet been endorsed by the EU.

### *Amendments to IAS 39, "Financial Instruments: Recognition and Measurement"*

The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2010 and clarify that loan prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.

There were also amendments to IAS 39 to clarify that the scope exemption only applies to binding (forward) contracts between and acquirer and a vendor in a business combination to buy an acquiree at a future date, the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction, and the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.

Further amendments to IAS 39 clarify when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendments to IAS 39 have not yet been endorsed by the EU.

### *Amendments to IFRIC 9, "Reassessment of Embedded Derivatives"*

The amendment to IFRIC 9 is effective for annual periods beginning on or after July 1, 2009 and excludes embedded derivatives in contracts acquired in business combination or in combinations of entities under common control or in the formation of joint ventures from the scope of this interpretation. The amendments to IFRIC 9 have not yet been endorsed by the EU.

### *Amendments to IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"*

The amendment to IFRIC 16 is effective for annual periods beginning on or after July 1, 2009 and permits entities to designate an instrument that is held by a foreign operation as a hedge of the net investment in that foreign operation. The amendments to IFRIC 16 have not yet been endorsed by the EU.



## Basis of consolidation

The consolidated financial statements include the accounts of the Company, its Operating Subsidiaries, and its respective interest in associated companies and jointly controlled entities. Subsidiaries are consolidated from the date of acquisition which is considered to be the date the Company obtains control until the date control ceases. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Control is presumed to exist when the Company holds more than half of the voting rights.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions which are not Operating Subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement. The consolidated financial statements include the Company's share of the total recognized gains and losses of associates and jointly controlled entities on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in equity.

Other investments are classified as available for sale and are stated at fair value when their fair value can be reliably measured. When fair value cannot be measured reliably, the investments are carried at cost less impairment.

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the consolidated financial statements. Gains and losses resulting from intra-company transactions that are recognized in assets are eliminated.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the statement of operations and within equity in the consolidated statement of financial position.

## Note 2: Summary of Significant Accounting Policies

### Translation of financial statements denominated in foreign currency

The functional currency of each of the major Operating Subsidiaries is the local currency, except for ArcelorMittal SA, OJSC ArcelorMittal Kryviy Rih, ArcelorMittal Lázaro Cárdenas S.A. de C.V., ArcelorMittal Brasil, ArcelorMittal Galati S.A., ArcelorMittal Canada Inc., ArcelorMittal Mines Canada Inc. and ArcelorMittal Temirtau, whose functional currency is the U.S. dollar.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing at the statement of financial position date and the related transaction gains and losses are reported in the consolidated statement of operations.

Upon consolidation, the results of operations of ArcelorMittal's subsidiaries and associates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the monthly average exchange rates and assets and liabilities are translated at the year-end exchange rates. Translation adjustments are recognized directly in other comprehensive income and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or associate.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by ArcelorMittal in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets (including previously unrecognized intangible assets), liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

When an acquisition is achieved in stages, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition. The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. Interests previously held in that entity are re-valued on the basis of the fair values of the identifiable assets and liabilities at the date of each subsequent transaction until control is obtained. The excess of the cost over the fair value of the net assets acquired is recorded as goodwill or as a gain in the statement of operations when the fair value of the asset acquired exceeds the cost. Subsequent purchases, after the Company has obtained control, are treated as the acquisitions of shares from non-controlling shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded as goodwill or directly as a gain in the statement of operations when the difference is negative.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the time of purchase and are carried at cost plus accrued interest, which approximates fair value.

### Restricted cash

Restricted cash represents cash and cash equivalents not readily available to the Company, mainly related to insurance deposits, various other deposits or required balance obligations related to letters of credit and credit arrangements, and escrow accounts created as a result of acquisitions. Changes in restricted cash are included within other investing activities (net) in the statement of cash flows.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### Trade accounts receivable

Trade accounts receivable are initially recorded at their fair value and do not carry any interest. ArcelorMittal maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, ArcelorMittal considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are recorded as gains in the statement of operations.

ArcelorMittal's policy is to provide for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable. Trade receivables between 60 days and 180 days are provided for based on estimated irrecoverable amounts from the sale of goods and/or services, determined by reference to past default experience.

#### Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method or average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight and shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are partially capitalized as inventories and partially recorded as a component of cost of sales in the statement of operations.

#### Goodwill and negative goodwill

Goodwill arising on an acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over ArcelorMittal's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. The allocation is made to those groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is reviewed at the groups of cash-generating units level for impairment annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash-generating units are determined from the higher of fair value less cost to sell or value in use calculations, as described in the impairment of tangible and intangible assets. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices, shipments and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on the Company's growth forecasts which are in line with industry trends. Changes in selling prices, shipments and direct costs are based on historical experience and expectations of future changes in the market.

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

ArcelorMittal has historically purchased certain steel assets involved in various privatization programs in former government controlled economies. Businesses with these characteristics typically have been purchased for an amount that does not exceed net asset fair value, thus producing negative goodwill for accounting purposes. In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, ArcelorMittal's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in the statement of operations.

#### Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by ArcelorMittal are initially recorded at cost and those acquired in a business combination are recorded at fair value. These primarily include the cost of technology and licenses purchased from third parties. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives which typically are not to exceed five years.

Costs incurred on internally developed products are recognized as intangible assets from the date that all of the following conditions are met: (i) completion of the development is considered technically feasible and commercially viable; (ii) it is the intention and ability of the Company to complete the intangible asset and use or sell it; (iii) it is probable that the intangible asset will generate future economic benefits; (iv) adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset are available; and (v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development. The intangible asset capitalized includes the cost of materials, direct labor costs and an appropriate proportion of overheads incurred during its development. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. Other development expenditures that do not meet the conditions for recognition as an asset are recognized as an expense as part of operating income in the statement of operations in the period in which it is incurred.

### Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. Property, plant and equipment except land are depreciated using the straight line method over the useful lives of the related assets which are presented in the table below.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Steel plant equipment	15 to 30 years
Auxiliary facilities	15 to 30 years
Other facilities	5 to 20 years

Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment used in mining activities is depreciated over its useful life or over the remaining life of the mine if shorter and if there is no alternative use possible. For the majority of assets used in mining activities, the economic benefits from the asset are consumed in a pattern which is linked to the production level and accordingly, assets used in mining activities are depreciated on a unit of production basis.

Property, plant and equipment under construction is recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. Gains and losses on retirement or disposal of assets are reflected in the statement of operations.

Property, plant and equipment acquired by way of finance leases is stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the statement of operations over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

### Investment in associates, joint ventures and other entities

Investments in associates and joint ventures, in which ArcelorMittal has the ability to exercise significant influence, are accounted for under the equity method. The investment is carried at the cost at the date of acquisition, adjusted for ArcelorMittal's equity in undistributed earnings or losses since acquisition, less dividends received and impairment.

Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate or joint venture recognized at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment.

ArcelorMittal reviews all of its investments in associates and joint ventures at each reporting date to determine whether there is an indicator that the investment may be impaired. If objective evidence indicates that the investment is impaired, ArcelorMittal calculates the amount of the impairment of the investments as being the difference between the higher of the fair value less costs to sell or its value in use and its carrying value. The amount of any impairment is included in the overall income from investments in associated companies in the statement of operations.

Investments in other entities, over which the Company and/or its Operating Subsidiaries do not have the ability to exercise significant influence and have a readily determinable fair value, are accounted for at fair value with any resulting gain or loss included in equity. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

### Assets held for sale

Non-current assets, and disposal groups, are classified as held for sale and are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale are presented separately on the statement of financial position and are not depreciated.

### Deferred employee benefits

Defined contribution plans are those plans where ArcelorMittal pays fixed contributions to an external life insurance or pension fund for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. They are expensed as they are incurred in line with the treatment of wages and salaries. No provisions are established in respect of defined contribution plans, as they do not generate future commitments for ArcelorMittal.

## Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses that exceed ten per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date.

Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations. Termination benefits are provided in connection with voluntary separation plans. The Company recognizes a liability and expense when it has a detailed formal plan which is without realistic possibility of withdrawal and the plan has been communicated to employees or their representatives.

Other long-term employee benefits include various plans that depend on the length of service, such as long service and sabbatical awards, disability benefits and long-term compensated absences such as sick leave. The amount recognized as a liability is the present value of benefit obligations at the statement of financial position date, and all changes in the provision (including actuarial gains and losses or past service costs) are recognized in the statement of operations.

### Provisions and accruals

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

Provisions for restructuring relate to the estimated costs of initiated reorganizations that have been approved by the Group Management Board, and which involve the realignment of certain parts of the industrial and commercial organization. When such reorganizations require discontinuance and/or closure of lines or activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### Environmental costs

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Environmental costs that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation or cost reduction, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the cost can be reasonably estimated based on ongoing engineering studies, discussions with the environmental authorities and other assumptions relevant to the nature and extent of the remediation that may be required. The ultimate cost to ArcelorMittal is dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by environmental and public health authorities, new laws or government regulations, rapidly changing technology and the outcome of any potential related litigation. Environmental liabilities are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments are fixed or reliably determinable.



### Asset retirement obligations

ArcelorMittal records asset retirement obligations ("ARO") initially at the fair value of the legal liability in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related non-current asset. The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value each period and the capitalized cost is depreciated in accordance with the Company's depreciation policies for property, plant and equipment.

### Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or if the differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Financial instruments

#### *Derivative financial instruments*

See critical accounting judgments.

#### *Non-derivative financial instruments*

Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control or substantially all risks and rewards of the instruments.

The Company classifies its investments in equity securities that have readily determinable fair values as available-for-sale which are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale equity securities are reported as a separate component of equity until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a first-in, first-out basis.

Investments in privately held companies that are not considered equity method investments are carried at cost.

Debt and liabilities, other than provisions, are stated at amortized cost. However, loans that are hedged under a fair value hedge are re-measured for the changes in the fair value that are attributable to the risk that is being hedged.

#### *Impairment of financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Estimated future cash flows are determined using various assumptions and techniques, including comparisons to published prices in an active market and discounted cash flow projections using projected growth rates, weighted average cost of capital, and inflation rates. In the case of available-for-sale securities, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognized in the statement of operations is removed from equity and recognized in the statement of operations.

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value in use. Any impairment loss is charged to the statement of operations.

An impairment loss related to financial assets is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Reversals of impairment are recognized in net income except for reversals of impairment of available-for-sale equity securities, which are recognized in equity.

## Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

### Emission rights

ArcelorMittal's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ("CO<sub>2</sub>") emission rights, effective as of January 1, 2005, are located primarily in Germany, Belgium, Spain, France, Poland, Romania, Czech Republic and Luxembourg. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded on the statement of financial position at nil value and purchased emission rights are recorded at cost. Gains and losses from the sale of excess allowances are recognized in the statement of operations. If at the statement of financial position date the Company is short of emission rights, it will record a provision through the statement of operations.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other similar allowances.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Shipping and handling costs

ArcelorMittal records amounts billed to a customer in a sale transaction for shipping and handling costs as sales and the related shipping and handling costs incurred as cost of sales.

### Financing costs

Financing costs include interest income and expense, amortization of discounts or premiums on borrowings, amortization of costs incurred in connection with the arrangement of borrowings and net gain or loss from foreign exchange on translation of long-term debt, net of unrealized gains and losses on foreign exchange contracts.

### Earnings per common share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing income available to equity holders and assumed conversion by the weighted average number of common shares and potential common shares from outstanding stock options as well as potential common shares from the conversion of certain convertible bonds whenever the conversion results in a dilutive effect. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options.

### Stock option plan/ share-based payments

ArcelorMittal issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

### Segment reporting

ArcelorMittal reports its operations in six segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and Commonwealth of Independent States ("AACIS"), Stainless Steel and ArcelorMittal Steel Solutions and Services ("Steel Solutions and Services").

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. ArcelorMittal's chief operating decision maker is the Group Management Board. Operating segments are aggregated when they have similar economic characteristics on the basis of the nature of products and services, production processes, the type of customers and the methods used to distribute products or provide services. Long Carbon Americas, Long Carbon Europe, and Tubular Products have been combined for reporting purposes.

These operating segments include attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include cash and short-term deposits, short-term investments, tax assets, and other current financial assets. Attributable liabilities are also those resulting from the normal activities of the segment, excluding tax liabilities and indebtedness but including post retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual operating segments.

Geographical information is separately disclosed and represents ArcelorMittal's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. They do not include attributed goodwill, deferred tax assets, other investments or receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual geographical areas.

## Critical accounting judgments

The critical accounting judgments and significant assumptions made by management in the preparation of these financial statements are provided below.

### *Purchase Accounting*

Accounting for acquisitions requires ArcelorMittal to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, the Company undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact results of operations. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, the Company typically uses the "income method". This method is based on the forecast of the expected future cash flows adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include: the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows (weighted average cost of capital); the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

The most common purchase accounting adjustments relate to the following assets and liabilities:

- The fair value of identifiable intangible assets (generally, patents, customer relationships and favorable and unfavorable contracts) is estimated as described above.
- Property, plant and equipment is recorded at market value, or, if market value is not available, depreciated replacement cost.
- The fair value of pension and other post-employment benefits is determined separately for each plan using actuarial assumptions valid as of the acquisition date relating to the population of employees involved and the fair value of plan assets.
- Inventories are estimated based on expected selling prices at the date of acquisition reduced by an estimate of selling expenses and a normal profit margin.
- Adjustments to deferred tax assets and liabilities of the acquiree are recorded to reflect purchase price adjustments, other than goodwill.

Determining the estimated useful lives of tangible and intangible assets acquired requires judgment, as different types of assets will have different useful lives and certain intangible assets may be considered to have indefinite useful lives.

If the fair value of the net assets acquired exceeds their acquisition cost, the excess is recognized directly as a gain in the statement of operations.

### *Deferred Tax Assets*

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

Note 18 describes the total deferred tax assets recognized in the consolidated statement of financial positions and the estimated future taxable income required to utilize the recognized deferred tax assets.

### *Provisions for Pensions and Other Post Employment Benefits*

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

- Discount rates. The discount rate is based on several high-quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates.
- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.
- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.
- Healthcare cost trend rate. The healthcare cost trend rate is based on historical retiree cost data, near-term healthcare outlook, including appropriate cost control measures implemented by the Company, and industry benchmarks and surveys.
- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

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

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

#### *Environmental and Other Contingencies*

ArcelorMittal is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. ArcelorMittal is currently engaged in the investigation and remediation of environmental contamination at a number of its facilities. Most of these are legacy obligations arising from acquisitions. ArcelorMittal recognizes a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated.

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to ArcelorMittal or purchased assets from it subject to environmental liabilities.

ArcelorMittal also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or charges in the statement of operations. ArcelorMittal does not expect these environmental issues to affect the utilization of its plants, now or in the future.

#### *Impairment of Tangible and Intangible Assets, including Goodwill*

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

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets corresponding to operating units that generate cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the statement of operations.

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

Goodwill is reviewed at the group of cash-generating units level for impairment annually, as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash-generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, as described above. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

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



### Derivative financial instruments

The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in interest rates, exchange rates, prices of raw materials, energy and emission rights allowances. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, "Financial Instruments: Recognition and Measurement".

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in fair value of derivatives are recognized in the statement of operations, except for derivatives that are highly effective and qualify for cash flow or net investment hedge accounting.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the gain or loss on the hedged asset, liability, or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in the statement of operations.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in equity. Amounts deferred in equity are recorded in the statement of operations in the periods when the hedged item is recognized in the statement of operations and within the same line item.

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

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized directly as a separate component of equity, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the statement of operations.

### Use of estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the aforementioned critical accounting judgments require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.

### Note 3: Acquisitions

Acquisitions have been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition.

Significant acquisitions made during the years ended December 31, 2008 and 2009 include:

#### Unicon

On April 4, 2008, the Company completed the acquisition of Industrias Unicon ("Unicon"), Venezuela's leading manufacturer of welded steel pipes for a total consideration of 350 (336 net of 14 of cash acquired). The Company completed the purchase price allocation in 2009. Intangible assets were recognized for a total amount of 130 with respect to the valuation of trade mark and customer relationships. The acquisition of Unicon resulted in the consolidation of total assets of 591 and total liabilities of 413. The final goodwill amounted to 158.

#### Russian coal mines

On April 10, 2008, the Company completed the acquisition from Severstal of three coal mines (Berezovskaya, Pervomayskaya and Anzherskoye) and associated assets located in the Kemerovo region in Russia for a total consideration of 720 (715 net of 5 of cash acquired) consisting of 272 for the shares and 448 related to a debt repayment. The Company completed the purchase price allocation in 2009. The fair value of the mining reserves was stated at 365 and goodwill amounted to 169. The acquisition of the Russian coal mines resulted in the consolidation of total assets of 887 and total liabilities of 789. The operating subsidiary has been subsequently renamed ArcelorMittal Northern Kuzbass.

#### Bayou Steel

On July 31, 2008, ArcelorMittal completed the acquisition of Bayou Steel, LLC, a producer of structural steel products with facilities in LaPlace, Louisiana and Harriman, Tennessee (USA) for a total consideration of 509 (504 net of 5 of cash acquired). The Company completed the purchase price allocation in 2009. The acquisition of Bayou Steel resulted in the consolidation of total assets of 494 and total liabilities of 153. The final goodwill amounted to 163. The operating subsidiary has been subsequently renamed ArcelorMittal LaPlace.

#### Mid Vol and Concept

On June 30, 2008, the Company completed the acquisition of Mid Vol Coal Group for a total consideration of 491 (453 net of 38 of cash acquired). On August 18, 2008, ArcelorMittal finalized the acquisition of Concept Group for a total consideration of 166 (152 net of 14 of cash acquired). These acquisitions operate coal mines in the states of West Virginia and Virginia (USA). The Company completed the purchase price allocation in 2009. The fair value of the mining reserves was 474 for Mid Vol and 177 for Concept. The acquired liabilities included 551 assigned to unfavorable selling contracts that are being amortized over the term of the associated contracts ranging from four months to two years. The acquisition of Mid Vol and Concept resulted in the consolidation of total assets of 1,061 and total liabilities of 655. The goodwill was 145 for Mid Vol and 54 for Concept. The operating subsidiary was subsequently renamed ArcelorMittal Princeton.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### London Mining

On August 20, 2008, the Company acquired London Mining South America Limited, an iron ore mine located in the Serra Azul region in Brazil for a total consideration of 818 (813 net of 5 of cash acquired) consisting of 772 for the shares and 46 related to a debt repayment. Following the finalization of the allocation of the purchase price in 2009, the mining reserve was stated at 319 and goodwill amounted to 441. The acquisition of London Mining resulted in the consolidation of total assets of 405 and total liabilities of 79. The operating subsidiary was subsequently renamed ArcelorMittal Serra Azul.

#### Koppers Monessen

On October 1, 2008, the Company completed the acquisition of Koppers Monessen Partners LP, a coke plant located in Monessen, Pennsylvania (USA) for a total consideration of 170 (169 net of 1 of cash acquired). The Company completed the purchase price allocation in 2009. The acquisition of Koppers Monessen resulted in the consolidation of total assets of 152 and total liabilities of 137. The resulting final goodwill amounted to 154. The acquired assets included 61 assigned to favorable coal purchase contracts and the acquired liabilities included 125 assigned to unfavorable coal supply contracts. As the unfavorable coal supply contracts were supplying the Company itself, a gain of 125 was recognized after the acquisition as a result of the settlement of pre-existing relationship between the acquirer and the acquiree.

#### DSTC FZCO

On January 31, 2009, ArcelorMittal completed the acquisition of 60% of DSTC FZCO, a newly incorporated company located in the Dubai free zone which will acquire the main business of Dubai Steel Trading Company LLC, a steel distributor in the United Arab Emirates, for a total consideration of 67. An option for an additional 10% stake can be exercised between September 1, 2010 and January 31, 2011. The allocation of the total purchase price was preliminary as of December 31, 2009. The preliminary goodwill amounted to 50. The net result consolidated since the acquisition date amounts to 1.

#### Noble BV

On May 8, 2009, ArcelorMittal signed a definitive purchase agreement with Noble European Holdings B.V.'s ("Noble BV") parent Noble International, Ltd., which filed for reorganization under the bankruptcy laws of the United States on April 15, 2009. Following the approval from the European Commission on July 8, 2009, the Company completed on July 17, 2009, the acquisition of all the issued and outstanding shares of Noble BV, a Dutch private limited liability company engaged in laser welded blanks operations primarily in Europe.

Total consideration paid was 2 and cash acquired was 15. Total debt assumed amounted to 80. The purchase was made under section 363 of Chapter 11 of the United States Bankruptcy Code by authorization of the United States Bankruptcy Court for the Eastern District of Michigan. The allocation of the total purchase price was preliminary as of December 31, 2009. The net result consolidated since the acquisition date amounts to (8).

#### Acquisitions of non-controlling interests

The Company acquired significant non-controlling interests in 2008 and 2009.

##### *ArcelorMittal Kryviy Rih*

The Company's ownership in ArcelorMittal Kryviy Rih increased from 95.02% in 2008 to 95.13% in 2009. In 2009, the reduction in non-controlling interests was 6 and the resulting goodwill amounted to 1. In 2008, the reduction in non-controlling interests was 18 and the resulting goodwill amounted to 38.

##### *ArcelorMittal Inox Brasil*

On April 4, 2008 the Company completed the delisting offer to acquire all of the remaining outstanding shares of ArcelorMittal Inox Brasil. Following the squeeze out, the Company's stake increased from 57.4% to 100% for a total consideration of 1,757. The transaction resulted in a reduction of non-controlling interests of 863 and goodwill of 894.

##### *Acindar*

On November 20, 2008 the Company completed the delisting offer to acquire all of the remaining outstanding shares of Acindar Industria Argentina de Aceros S.A. Following the squeeze out, the Company acquired a 35% stake for a total consideration of 564. The transaction resulted in a reduction of non-controlling interests of 321 and goodwill of 243.

##### *ArcelorMittal Ostrava*

In July 2009, the Company increased its stake in ArcelorMittal Ostrava to 82.55% through the acquisition from the Czech Government of a 10.97% stake represented by 1,359,083 shares.

The total acquisition price was 375, of which 55 was paid at closing of the agreement with the remaining 320 to be paid in six annual installments. The resulting negative goodwill amounted to 82.

On October 30, 2009, ArcelorMittal signed an agreement to acquire an additional 13.88% in ArcelorMittal Ostrava from a subsidiary of PPF Group N.V. The consideration to be paid amounts to 371 and the transaction was completed in January 2010 upon settlement of the purchase price.

### Summary of significant acquisitions

The tables below summarize the estimated fair value of the assets acquired and liabilities assumed for significant acquisitions and the acquisition of non-controlling interests:

	2008								2009		
	Russian coal mines <sup>1</sup>	Mid Vol & Concept <sup>1</sup>	Unicon <sup>1</sup>	London Mining <sup>1</sup>	Koppers Monessen <sup>1</sup>	Bayou Steel <sup>1</sup>	Acquisition of non-controlling interests	Others	DSTC <sup>2</sup>	Noble <sup>2</sup>	Acquisition of non-controlling interests
Current assets	145	35	280	54	25	202	—	320	57	90	—
Property, plant and equipment	716	736	181	350	40	212	—	336	1	105	—
Other assets	26	290	130	1	87	80	—	47	—	26	—
<b>Total assets acquired</b>	<b>887</b>	<b>1,061</b>	<b>591</b>	<b>405</b>	<b>152</b>	<b>494</b>	<b>—</b>	<b>703</b>	<b>58</b>	<b>221</b>	<b>—</b>
Current liabilities	179	172	255	54	137	44	—	185	30	139	—
Long-term debt	449	—	78	15	—	2	—	138	—	92	—
Other long-term liabilities	125	426	6	3	—	11	—	8	1	3	—
Deferred tax liabilities	36	57	68	7	—	96	—	4	—	—	—
Non-controlling interests	—	—	6	—	—	—	1,365	—	—	—	353
<b>Total liabilities assumed</b>	<b>789</b>	<b>655</b>	<b>413</b>	<b>79</b>	<b>137</b>	<b>153</b>	<b>1,365</b>	<b>335</b>	<b>31</b>	<b>234</b>	<b>353</b>
<b>Total net assets</b>	<b>98</b>	<b>406</b>	<b>178</b>	<b>326</b>	<b>15</b>	<b>341</b>	<b>1,365</b>	<b>368</b>	<b>27</b>	<b>(13)</b>	<b>353</b>
<b>Non-controlling interests</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>75</b>	<b>10</b>	<b>—</b>	<b>—</b>
<b>Net assets acquired</b>	<b>98</b>	<b>406</b>	<b>178</b>	<b>326</b>	<b>15</b>	<b>341</b>	<b>1,365</b>	<b>293</b>	<b>17</b>	<b>(13)</b>	<b>353</b>
<b>Fair value of shares issued</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Cash paid, net	715	605	336	813	169	504	2,648	411	67	(13)	66
Debt repayment	(448)	—	—	(46)	—	—	—	(117)	—	—	—
Debt outstanding on acquisition	—	—	—	—	—	—	—	76	—	—	207
Equity investment	—	—	—	—	—	—	—	—	—	—	—
<b>Purchase price, net</b>	<b>267</b>	<b>605</b>	<b>336</b>	<b>767</b>	<b>169</b>	<b>504</b>	<b>2,648</b>	<b>370</b>	<b>67</b>	<b>(13)</b>	<b>273</b>
<b>Revaluation of interests previously held</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Goodwill</b>	<b>169</b>	<b>199</b>	<b>158</b>	<b>441</b>	<b>154</b>	<b>163</b>	<b>1,300</b>	<b>89</b>	<b>50</b>	<b>—</b>	<b>2</b>
Negative goodwill	—	—	—	—	—	—	(17)	(12)	—	—	(82)

<sup>1</sup> During 2009, the Company finalized the purchase price allocation for Russian Mines, Mid Vol and Concept, Unicon, London Mining, Koppers Monessen and Bayou Steel. 2008 information has been adjusted retrospectively as required by IFRS.

<sup>2</sup> Based on a preliminary purchase price allocation, which is subject to change.

The total purchase price for the significant acquisitions consists of the following:

	2008					
	Russian coal mines	Mid Vol & Concept	Unicon	London Mining	Koppers Monessen	Bayou Steel
Cash paid to stockholders, gross	719	655	349	814	170	509
Transaction related fees	1	2	1	4	—	—
<b>Total purchase price</b>	<b>720</b>	<b>657</b>	<b>350</b>	<b>818</b>	<b>170</b>	<b>509</b>
Debt repayment	(448)	—	—	(46)	—	—
Cash acquired	(5)	(52)	(14)	(5)	(1)	(5)
Equity investments acquired	—	—	—	—	—	—
<b>Total purchase price, net</b>	<b>267</b>	<b>605</b>	<b>336</b>	<b>767</b>	<b>169</b>	<b>504</b>

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The table below summarizes the finalization in 2009 of the purchase price allocation for acquisitions made in 2008:

	Preliminary allocation	Adjustments	Final allocation
Current assets	1,010	51	1,061
Property, plant & equipment	3,183	(612)	2,571
Other assets	599	62	661
<b>Total assets acquired</b>	<b>4,792</b>	<b>(499)</b>	<b>4,293</b>
Current liabilities	1,074	(48)	1,026
Long-term loan	682	—	682
Other long-term liabilities	433	146	579
Deferred tax liabilities	270	(2)	268
Non-controlling interests	44	37	81
<b>Total liabilities assumed</b>	<b>2,503</b>	<b>133</b>	<b>2,636</b>
<b>Total net assets acquired</b>	<b>2,289</b>	<b>(632)</b>	<b>1,657</b>
<b>Purchase price, net</b>	<b>3,047</b>	<b>(29)</b>	<b>3,018</b>
<b>Goodwill</b>	<b>758</b>	<b>603</b>	<b>1,361<sup>1</sup></b>

<sup>1</sup> Includes negative goodwill of 12

As a result of the finalization of the purchase price allocation for acquisitions made in 2008, net income for the year ended December 31, 2008 was increased by 59.

The preliminary fair value adjustments for acquisitions made in 2009 are as follows:

	Historical IFRS information	Preliminary fair value adjustments	Preliminary allocation of purchase price
Current assets	171	(24)	147
Property, plant and equipment	122	(16)	106
Other assets	14	12	26
<b>Total assets acquired</b>	<b>307</b>	<b>(28)</b>	<b>279</b>
Current liabilities	130	39	169
Long-term debt	92	—	92
Other long-term liabilities	3	1	4
Deferred tax liabilities	—	—	—
Non-controlling interests	20	(10)	10
<b>Total liabilities assumed</b>	<b>245</b>	<b>30</b>	<b>275</b>
<b>Total net assets acquired</b>	<b>62</b>	<b>(58)</b>	<b>4</b>
<b>Purchase price, net</b>	<b>54</b>	<b>—</b>	<b>54</b>
<b>Goodwill</b>	<b>(8)</b>	<b>58</b>	<b>50</b>



### Pro Forma Results

The following pro forma financial information presents the results of operations of ArcelorMittal for 2008 as if all acquisitions had occurred as of the beginning of the periods presented. The pro forma financial information is not necessarily indicative of what consolidated results of operations would have been had the acquisitions been completed at the dates indicated. In addition, the pro forma financial information does not purport to project the future results of operations of the combined company. Pro forma information was not presented for 2009 as the impact is not material.

	Unaudited Pro Forma for the year ended December 31, 2008*
Sales	125,614
Net income	9,468
<b>Per share amounts</b>	
Basic earnings per common share	6.85
Diluted earnings per common share	6.83

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see above).

### Note 4: Assets and Liabilities Held For Sale

On August 30, 2007 the Company acquired a 76.9% stake in the German gas distribution company Saar Ferngas AG ("Saar Ferngas") for total consideration of 542. Following the contribution of the total stake in Saar Ferngas of 540 on January 23, 2009 to an ArcelorMittal associated company Soteg, the stake held by ArcelorMittal in Soteg, a Luxembourg gas and electricity producer and distributor, increased from 20% to 26.15%. This was a non-cash investing activity. On February 16, 2009, ArcelorMittal sold 2.48% of Soteg to the Government of Luxembourg and Société Nationale de Crédit et d'Investissement ("SNCI"), a Luxembourg government controlled investment company for proceeds of 58 and a gain of 3.

On October 9, 2009, the Company signed an agreement to divest its 28.6% stake in Wabush mines in Canada for a total consideration of 38. The transaction was completed on February 1, 2010.

	December 31, 2008	December 31, 2009
<b>Assets classified as held for sale:</b>		
Property, plant and equipment	417	—
Trade accounts receivable and other	201	—
Other assets	292	1
<b>Total</b>	<b>910</b>	<b>1</b>

	December 31, 2008	December 31, 2009
<b>Liabilities classified as held for sale:</b>		
Trade accounts payable and other	271	1
Other liabilities	99	10
<b>Total</b>	<b>370</b>	<b>11</b>

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

**Note 5: Trade Accounts Receivable and Other**

Total trade accounts receivable (net of allowances) held by ArcelorMittal amounted to 6,737 and 5,750 at December 31, 2008, and 2009, respectively.

Before accepting any new customer, ArcelorMittal uses an internally developed credit scoring system to assess the potential customer's credit quality and to define credit limits by customer. For all significant customers the credit terms must be approved by the credit committees of each individual segment. Limits and scoring attributed to customers are reviewed periodically. There are no customers who represent more than 5% of the total balance of trade accounts receivable.

Included in ArcelorMittal's trade accounts receivable balance are debtors with a carrying amount of 5,125 and 4,459 as of December 31, 2008 and 2009, respectively, which were not past due at the reporting date.

The trade accounts receivable balances are as follows as of December 31, 2008 and 2009:

	2008	2009
Gross amount	7,108	6,132
Allowance for doubtful accounts	(371)	(382)
<b>Total</b>	<b>6,737</b>	<b>5,750</b>

*Exposure to credit risk by reportable segment*

The maximum exposure to credit risk for trade accounts receivable at December 31 by reportable segment is:

	2008	2009
Flat Carbon Americas	543	701
Flat Carbon Europe	1,330	831
Long Carbon Americas and Europe	1,777	1,740
Steel Solutions and Services	1,914	1,412
AACIS	505	584
Stainless Steel	454	290
Other activities	214	192
<b>Total</b>	<b>6,737</b>	<b>5,750</b>

*Exposure to credit risk by geography*

The maximum exposure to credit risk for trade accounts receivable at December 31 by geographical area is:

	2008	2009
Europe	4,280	3,318
North America	909	752
South America	884	1,015
Africa and Asia	542	528
Middle East	122	137
<b>Total</b>	<b>6,737</b>	<b>5,750</b>

*Aging of trade accounts receivable*

The aging of trade accounts receivable as of December 31 is as follows:

	2008		2009	
	Gross	Allowance	Gross	Allowance
Not past due	5,125	(50)	4,459	(61)
Past due 0-30 days	1,159	(50)	862	(13)
Past due 31-120 days	552	(181)	376	(25)
More than 120 days	272	(90)	435	(283)
<b>Total</b>	<b>7,108</b>	<b>(371)</b>	<b>6,132</b>	<b>(382)</b>

The movement in the allowance for doubtful accounts in respect of trade accounts receivable during the year is as follows:

Balance as of December 31, 2007	Additions	Deductions/ Releases	Others	Balance as of December 31, 2008
417	68	(81)	(33)	371

Balance as of December 31, 2008	Additions	Deductions/ Releases	Others	Balance as of December 31, 2009
371	66	(73)	18	382

The Company has established sales without recourse of trade accounts receivable programs with financial institutions, referred to as True Sale of Receivables ("TSR"). Through the TSR programs, Operating Subsidiaries surrender control, risks and the benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the statement of financial position at the moment of sale. Expenses incurred under the TSR programs are recognized in the statement of operations and amounted to 228 and 110 in 2008 and 2009, respectively.

**Note 6: Inventories**

Inventory, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 3,519 and 1,540 as of December 31, 2008 and 2009, respectively, is comprised of the following:

	December 31, 2008*	December 31, 2009
Finished products	7,788	5,391
Production in process	4,501	3,513
Raw materials	9,784	5,921
Manufacturing supplies, spare parts and other	2,681	2,010
<b>Total</b>	<b>24,754</b>	<b>16,835</b>

The amount of inventory pledged as collateral was 352 and 116 as of December 31, 2008 and 2009, respectively.

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2007	Additions	Deductions/ Consumption	Others	Balance as of December 31, 2008
799	3,049	(303)	(26)	3,519
Balance as of December 31, 2008	Additions	Deductions/ Consumption	Others	Balance as of December 31, 2009
3,519	2,374	(4,405)	52	1,540

The cost of inventories recognized as an expense during the period was 42,433 and 31,369 in 2008 and 2009, respectively.

Due to the sharp decline in the market prices of raw materials and steel demand in the last quarter of 2008 and in the beginning of 2009, the Company wrote down its inventory to its net realizable value. The amount of write-down of inventories to net realizable value recognized as an expense was 3,049 and 2,374 in 2008 and 2009, respectively, and was reduced by 303 and 4,405 in 2008 and 2009, respectively, due to normal inventory consumption.

**Note 7: Prepaid Expenses and Other Current Assets**

Other current assets consist of advance payments to taxing and other public authorities (including value-added tax ("VAT"), advances to employees, prepayments, accrued interest, dividends receivable and other miscellaneous receivables.

	December 31, 2008*	December 31, 2009
VAT recoverable	1,758	1,298
Income tax receivable	837	983
Revaluation of derivative financial instruments	320	735
Other	1,515	1,196
<b>Total</b>	<b>4,430</b>	<b>4,212</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

## Note 8: Goodwill and Intangible Assets

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisition	Concessions patents and licenses	Favorable contracts	Other	Total
<b>Cost</b>					
At December 31, 2007	12,966	669	1,023	1,883	16,541
Acquisitions*	2,673	128	76	17	2,894
Disposals	—	(66)	—	(270)	(336)
Adjustment on allocation of purchase price	(194)	—	—	65	(129)
Foreign exchange differences*	(586)	(85)	(35)	(143)	(849)
Transfers and other movements*	154	289	64	267	774
At December 31, 2008*	15,013	935	1,128	1,819	18,895
Acquisitions	52	32	—	12	96
Disposals	(116)	(12)	(59)	(1)	(188)
Foreign exchange differences	595	77	21	107	800
Transfers and other movements	11	31	(23)	76	95
At December 31, 2009	15,555	1,063	1,067	2,013	19,698
<b>Accumulated amortization and impairment losses</b>					
At December 31, 2007	303	220	634	353	1,510
Disposals	—	(63)	—	(268)	(331)
Impairment and reduction of goodwill	560	—	—	—	560
Amortization charge*	—	100	271	223	594
Foreign exchange differences	(26)	(62)	(30)	(27)	(145)
Transfers and other movements	—	33	44	(6)	71
At December 31, 2008*	837	228	919	275	2,259
Disposals	(116)	(9)	(59)	(1)	(185)
Amortization charge	—	80	128	242	450
Foreign exchange differences	11	46	22	34	113
Transfers and other movements	(5)	40	(10)	2	27
At December 31, 2009	727	385	1,000	552	2,664
<b>Carrying amount</b>					
At December 31, 2008*	14,176	707	209	1,544	16,636
At December 31, 2009	14,828	678	67	1,461	17,034

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

Goodwill acquired in business combinations and acquisitions of non-controlling interests are as follows:

	Net value December 31, 2007	Acquisitions (including non-controlling interests)	Exchange rate differences and other movements	Impairment and other reductions	Adjustment on allocation of purchase price	Net value December 31, 2008
Flat Carbon Europe	2,925	511	(183)	(248)	—	3,005
Flat Carbon Americas	3,536	369	189	(17)	—	4,077
Long Carbon Europe	1,252	—	(13)	(2)	—	1,237
Long Carbon Americas	1,674	423	78	(292)	(131)	1,752
Tubular Products	—	158	—	—	—	158
AACIS	1,400	207	(95)	—	—	1,512
Stainless	926	902	(280)	—	(63)	1,485
Steel Solutions and Services	933	100	(82)	(1)	—	950
Others	17	3	(20)	—	—	—
<b>Total</b>	<b>12,663</b>	<b>2,673</b>	<b>(406)</b>	<b>(560)</b>	<b>(194)</b>	<b>14,176</b>

	Net value December 31, 2008	Acquisitions (including non-controlling interests)	Exchange rate differences and other movements	Impairment and other reductions	Adjustment on allocation of purchase price	Net value December 31, 2009
Flat Carbon Europe	3,005	—	190	—	—	3,195
Flat Carbon Americas	4,077	—	2	—	—	4,079
Long Carbon Europe	1,237	—	43	—	—	1,280
Long Carbon Americas	1,752	—	7	—	—	1,759
Tubular Products	158	—	—	—	—	158
AACIS	1,512	1	5	—	—	1,518
Stainless	1,485	—	303	—	—	1,788
Steel Solutions and Services <sup>1</sup>	950	51	50	—	—	1,051
Others	—	—	—	—	—	—
<b>Total</b>	<b>14,176</b>	<b>52</b>	<b>600</b>	<b>—</b>	<b>—</b>	<b>14,828</b>

<sup>1</sup> Subject to change upon finalization of purchase price allocation

The allocation by segment and operating unit has been aligned with the group of cash-generating units ("GCGU") defined for impairment testing purposes and presented in the table above. This represents the lowest level at which goodwill is monitored for internal management purposes and in all cases is at or below the Company's operating segment.

Goodwill is tested at the GCGU level for impairment annually, as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the GCGUs are determined based on their value in use. The Company determined to calculate value in use for purposes of its impairment testing and, accordingly, did not determine the fair value of the GCGUs as the carrying value of the GCGUs was lower than their value in use. The key assumptions for the value in use calculations are primarily the discount rates, growth rates and expected changes to average selling prices, shipments and direct costs during the period.

The value in use of each GCGU was determined by estimating cash flows for a period of five years. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial plans approved by management.

Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each GCGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

	Flat Carbon Europe	Flat Carbon Americas	Long Carbon Europe	Long Carbon Americas	Tubular Products	AACIS	Stainless Steel	Steel Solutions and Services
GCGU weighted average pre-tax discount rate used in 2008 (in %)	14.3	15.7	13.9	17.3	19.8	15.5	13.6	12.3
GCGU weighted average pre-tax discount rate used in 2009 (in %)	13.9	13.8	14.1	16.2	20.2	17.6	14.8	13.6

When estimating average selling price, the Company used a range of assumptions between \$540 per tonne and \$820 per tonne increased by a range on average of 3% over the next four years depending on the markets in which each GCGU is operating. Regarding Stainless Steel activities, the Company used a range (Stainless Base Price 304 Germany) of €1,294 in 2010 to €1,300 per tonne in 2014 with a maximum of €1,356 in 2011.

As a result of the significance of the global economic slowdown, its impact on the Company and the expected pace of recovery, the value in use calculated for all GCGU in 2009 has decreased from that determined in 2008. However, the results of the Company's goodwill impairment test as of November 30, 2009 for each GCGU did not result in an impairment of goodwill as the value in use exceeded, in each case, the carrying value of the GCGU.

In validating the value in use determined for the GCGU, key assumptions used in the discounted cash-flow model (such as discount rates, average selling prices, shipments and terminal growth rate) were sensitized to test the resilience of value in use. Management believes that reasonably possible changes in key assumptions would cause an impairment loss to be recognized in respect of AACIS and Stainless Steel. AACIS produces a combination of flat and long products and tubular products. Its facilities are located in Asia, Africa and Commonwealth of Independent States. Stainless Steel produces flat and long stainless steel and alloy products from its plants in Europe and South America.

The following changes in key assumptions in projected earnings in every year of the initial five-year period, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value.

	AACIS	Stainless Steel
Excess of recoverable amount over carrying amount <sup>1</sup>	20	175
Increase in pre-tax discount rate (change in basis points)	2	32
Decrease in average selling price (change in %) <sup>2</sup>	0.15	—
Decrease in raw material margin (change in %) <sup>2</sup>	—	0.75
Decrease in shipments (change in %)	0.06	0.75
Decrease in terminal growth rate used for the years beyond the five-year plan (change in basis points)	4	48

<sup>1</sup> As required by IFRS, the amount for AACIS considers the imputed goodwill related to non-controlling interests primarily in South Africa.

<sup>2</sup> The Company determined that the relevant key assumption for Stainless Steel was raw material margin rather than average selling price.

During 2008, the Company recorded a reduction of goodwill of 429 and an impairment of goodwill of 131. The reduction of goodwill is due to the recognition of deferred tax assets on acquired net operating losses not previously recognized in purchase accounting because they did not satisfy the criteria for separate recognition when the business combination was initially accounted for. These amounts have been included within cost of sales in the statement of operations.

The impairment of goodwill recorded in 2008 included primarily the write-of in full of the goodwill associated with Noble International Ltd. of 116 and a partial write-down of the goodwill associated with ArcelorMittal Skopje (15). These two subsidiaries represent the only subsidiaries for which goodwill has been allocated and are internally monitored for goodwill impairment at the individual cash-generating unit ("CGU"). The recognition of these impairment losses resulted from a decline in the specific economic conditions faced by these two subsidiaries.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

At December 31, 2008 and 2009, the Company had 16,636 and 17,034 of intangible assets, of which 14,176 and 14,828 represented goodwill, respectively. Other intangible assets of 1,544 and 1,461 as of December 31, 2008 and 2009, respectively, were comprised primarily of customer relationships, trademarks and technology, and have definite useful lives.

Research and development costs not meeting the criteria for capitalization are expensed and included in selling, general and administrative expenses within the statement of operations. These costs amounted to 295 and 253 in the years ended December 31, 2008, and 2009, respectively.

**Note 9: Property, Plant and Equipment**

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
<b>Cost</b>				
At December 31, 2007	19,170	55,100	3,779	78,049
Additions	350	1,771	3,410	5,531
Acquisitions through business combinations	1,745	747	79	2,571
Foreign exchange differences	(2,308)	(6,412)	(321)	(9,041)
Disposals	(150)	(873)	(39)	(1,062)
Other movements	412	3,158	(2,875)	695
At December 31, 2008*	19,219	53,491	4,033	76,743
Additions	119	787	1,656	2,562
Acquisitions through business combinations	58	44	4	106
Foreign exchange differences	1,142	3,770	164	5,076
Disposals	(116)	(729)	(104)	(949)
Other movements	413	2,257	(2,304)	366
At December 31, 2009	20,835	59,620	3,449	83,904
<b>Accumulated depreciation and impairment</b>				
At December 31, 2007	3,252	12,755	48	16,055
Depreciation charge for the year*	702	4,019	3	4,724
Impairment	101	387	11	499
Disposals	(73)	(773)	—	(846)
Foreign exchange differences	(854)	(3,598)	(12)	(4,464)
Other movements	46	484	(6)	524
At December 31, 2008*	3,174	13,274	44	16,492
Depreciation charge for the year	677	3,895		4,572
Impairment	70	367	127	564
Disposals	(59)	(681)	(42)	(782)
Foreign exchange differences	460	2,173	(1)	2,632
Other movements	95	(42)	(12)	41
At December 31, 2009	4,417	18,986	116	23,519
<b>Carrying amount</b>				
<b>At December 31, 2008*</b>	<b>16,045</b>	<b>40,217</b>	<b>3,989</b>	<b>60,251</b>
<b>At December 31, 2009</b>	<b>16,418</b>	<b>40,634</b>	<b>3,333</b>	<b>60,385</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Other movements represent mostly transfers between the categories and changes in the consolidation scope.



During the year ended December 31, 2009 and in conjunction with its testing of goodwill for impairment, the Company analyzed the recoverable amount of its property, plant, and equipment. Property, plant, and equipment was tested at the CGU level, which was comprised of an Operating Subsidiary or a group of Operating Subsidiaries. The recoverable amounts of the CGUs are determined based on value in use calculation and follow similar assumptions as those used for the test on impairment for goodwill.

Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each CGU was estimated from the weighted average cost of capital of producers which operate a portfolio of assets similar to those of the Company's assets.

The impairment loss recorded in 2008 of 499 was recognized as an expense as part of operating income (loss) in the statement of operations and consisted primarily of the disposal of the Sparrows Point plant in the United States (200) and asset impairments at various ArcelorMittal USA sites (74), Gandrange, France (60) and Zumarraga, Spain (54), as these assets were considered idled based on management decisions and strategic planning and due to the economic downturn at the end of 2008. The facilities in the US were included in the reportable segment Flat Carbon Americas and the others in the reportable segment Long Carbon Americas & Europe.

In connection with management's annual test for impairment of goodwill as of November 30, 2009, property, plant and equipment was also tested for impairment at that date. Management concluded that the value in use of certain of the Company's property, plant, and equipment was less than its carrying amount due primarily to the economic downturn in 2008 which continued to have an impact on 2009. Accordingly, an impairment loss of 564 was recognized as an expense as part of operating income (loss) in the statement of operations for the year ended December 31, 2009. Management does not expect this trend to continue. This impairment consisted primarily of the following:

- 237 of various idle assets (including 92 at ArcelorMittal Galati (coke oven batteries) and 65 at ArcelorMittal Las Truchas (primarily an electric arc furnace, rolling mill, oxygen furnace and wire rod mill))
- 122 of various tubular product operations (primarily 65 at ArcelorMittal Tubular Products Roman, using a pre-tax discount rate of 16.9% in 2009 (14.9% in 2008))
- 172 of other impairments (primarily 117 at ArcelorMittal Construction in France, using a pre-tax discount rate of 14.3% in 2009 (12.5% in 2008))

ArcelorMittal Galati, ArcelorMittal Tubular Products Roman and ArcelorMittal Construction were included in the Flat Carbon Europe, Long Carbon Americas & Europe and Steel Solutions and Services reportable segments, respectively.

The carrying amount of property, plant and equipment includes 361 and 499 of capital leases as of December 31, 2008 and 2009, respectively. The carrying amount of these capital leases is included in machinery and equipment.

The Company has pledged 580 and 750 in property, plant and equipment as of December 31, 2008 and 2009, respectively, to secure banking facilities granted to the Company. These facilities are further disclosed in note 14.

Notes to the Consolidated Financial Statements *continued*

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## Note 10: Investments In Associates and Joint Ventures

The Company had the following investments in associates and joint ventures:

Investee	Location	Ownership % at December 31, 2009	Net asset value at December 31, 2008	Net asset value at December 31, 2009
Eregli Demir Ve Celik Fab.T.AS <sup>1</sup>	Turkey	25.78%	1,633	1,524
DHS Group	Germany	33.43%	1,262	1,320
China Oriental Group Company Ltd <sup>2</sup>	China	47.03%	1,187	1,241
Hunan Valin <sup>3</sup>	China	33.02%	780	803
Macarthur Coal <sup>4</sup>	Australia	16.60%	515	716
Enovos <sup>5</sup>	Luxembourg	25.29%	44	643
Gestamp	Spain	35%	404	445
Kalagadi Manganese (Propriety) Limited	South Africa	50%	360	440
Gonvarri Industrial Consolidated	Spain	35%	376	359
Other			1,951	2,137
<b>Total</b>			<b>8,512</b>	<b>9,628</b>

<sup>1</sup> As of December 31, 2008 and 2009, the investment had a market value of 766 and 1,203, respectively.<sup>2</sup> On November 8, 2007, ArcelorMittal purchased approximately 820,000,000 China Oriental shares for a total consideration of 644 (HK\$ 5.02 billion), or a 28.02% equity interest. On December 13, 2007, the Company entered into a shareholder's agreement which enabled it to become the majority shareholder of China Oriental and to raise eventually its equity stake in China Oriental to 73.13%. At the time of the close of its tender offer on February 4, 2008 ArcelorMittal had reached a 47% shareholding in China Oriental. Given the 45.4% shareholding by the founding shareholders, this left a free float of 7.6% against a minimum Hong Kong Stock Exchange ("HKSE") listing requirement of 25%. The measures to restore the minimum free float have been achieved by means of sale of 17.4% stake to ING Bank N.V. ("ING") and Deutsche Bank Aktiengesellschaft ("Deutsche Bank") together with put option agreements. The Company has not derecognized the 17.4% stake as it retained the significant risk and rewards of the investment. As of December 31, 2009, the investment had a market value of 563 (228 in 2008).<sup>3</sup> As of December 31, 2008 and 2009, the investment had a market value of 604 and 1,017, respectively.<sup>4</sup> On May 21, 2008, ArcelorMittal acquired a 14.9% stake in Macarthur Coal Limited. On July 10, 2008, the Company has increased its stake from 14.9% to 19.9%, following the acquisition of 10,607,830 shares from Talbot Group Holdings. The total acquisition price in Macarthur Coal is 812. In the second quarter of 2009, ArcelorMittal did not subscribe to a capital increase in Macarthur Coal Limited and the stake decreased to 16.6%. As of December 31, 2009, the investment had a market value of 427 (87 in 2008). Through review of its ownership interest, the Company concluded it has significant influence over Macarthur Coal due to the existence of significant coal supply contracts between the Company and Macarthur Coal and therefore accounts for its investment in Macarthur Coal under the equity method.<sup>5</sup> On January 23, 2009, the Company contributed its 76.9% stake in Saar Ferngas AG to an associated company, Soteg. Following this transaction, ArcelorMittal's stake in Soteg increased from 20% to 26.15%. On February 16, 2009, the Company sold 2.48% of Soteg to the Luxembourg state and SNCI for proceeds of 58 and a gain of 3. In September 2009, the internal restructuring of Enovos (previously called Soteg) was completed with the cancellation of 58,000 treasury shares held by Saar Ferngas and Cegedel in Soteg. The resulting stake held by ArcelorMittal was 25.29%, after internal reorganization.

Summarized financial information, in the aggregate, for associates and joint ventures is as follows:

	December 31, 2008	December 31, 2009
<b>Condensed statement of operations</b>		
Gross revenue	45,101	33,274
Net income	3,319	448
<b>Condensed statement of financial position</b>		
Total assets	40,671	44,507
Total liabilities	21,181	24,268

The Company assessed the recoverability of its investments accounted for using the equity method. In determining the value in use of its investments, the Company estimated its share in the present value of the projected future cash flows expected to be generated by operations of associates and joint ventures. Based on this analysis, the Company concluded that no impairment was required.

### Note 11: Other Investments

The Company holds the following other investments:

	December 31, 2008	December 31, 2009
Available-for-sale securities (at fair value)	56	74
Investments accounted for at cost	381	350
<b>Total</b>	<b>437</b>	<b>424</b>

The change in fair value of available-for-sale securities for the period was recorded directly in equity as an unrealized result of (78) and 48 for the years ended December 31, 2008, and 2009, respectively, net of income tax and non-controlling interests. An impairment expense of 109 was recognized in 2008 because the Company determined that the market value decline for certain of its available-for-sale securities was either significant or prolonged.

### Note 12: Other Assets

Other long-term receivables consist mainly of assets related to derivative financial instruments, value-added tax ("VAT") receivable, loans, cash guarantees and deposits.

On April 30, 2008, in order to restore the public float of China Oriental on the HKSE, the Company entered into a sale and purchase agreement with ING and Deutsche Bank for the sale of 509,780,740 shares representing approximately 17.40% of the issued share capital of China Oriental. The transaction also includes put option agreements entered into with both banks. The consideration for the disposal of the shares was paid to Deutsche Bank and ING as collateral to secure the obligations of the Company under the put agreements.

	December 31, 2008*	December 31, 2009
Revaluation of derivative financial instruments	240	515
Assets in pension funds	491	294
Long-term VAT receivables	215	587
Collateral related to the put agreement on China Oriental	381	381
Other financial assets	769	804
<b>Total</b>	<b>2,096</b>	<b>2,581</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

## Note 13: Balances and Transactions with Related Parties

Transactions with related parties, including associates and joint ventures of the Company, were as follows:

Transactions	Sales		Trade accounts receivable	
	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2009
Macsteel Int'l Holding & Subsidiaries	729	590	25	20
I/N Kote	347	319	—	—
Coils Lamiere Nastri (CLN) SPA	797	238	51	31
Gonvarri Brasil SA	314	229	13	34
Gonvarri Industrial SA	553	223	25	47
Borcelik Celik Sanayii Ticaret AS	315	221	—	41
Polski Koks	632	194	31	56
Noble B.V.*	—	91	—	—
Berg Steel Pipe Corp	113	85	—	12
Gouvauto SA	239	84	22	8
Gestamp Servicios	70	82	3	14
Bamesa Celik Servis Sanayii Ticaret AS	92	81	9	18
ArcelorMittal Gonvarri SSC Slovakia	121	80	1	6
Rogesa GmbH	7	69	1	—
Stalprofil S.A.	111	55	9	3
Hierras Aplanaciones SA	93	47	11	—
Gonvarri Productos Siderurgicos SA	82	43	3	—
Westfälische Drahtindustrie	94	42	1	3
Florin Centrum	64	40	6	7
Noury SA	62	38	3	—
WDI	106	37	—	3
Arcelor SSC Sverige AB	63	35	6	4
Alcat SP	71	24	6	3
Consolidated Wire Industries Limited	52	19	1	—
GTC	167	6	34	2
Laminés Marchands Européens SA	165	5	5	9
Zaklad Przetworstwa	240	—	5	—
Condesa Favril Sa	136	—	4	—
Noble International Ltd*	113	—	21	—
Glacier Trading Centre FZE	55	—	13	—
Other	408	193	64	71
<b>Total</b>	<b>6,411</b>	<b>3,170</b>	<b>373</b>	<b>392</b>

\* During 2008, the Company granted a convertible subordinated loan to Noble International Ltd of 50. This loan was fully impaired at December 31, 2008 (see note 3). It also granted a subordinated loan of 35 to Noble B.V., the subsidiary of Noble International Ltd. This loan is no longer considered to be a related party transaction following the acquisition of Noble B.V. on July 17, 2009 (see note 3).

Transactions	Purchases of raw materials and others		Trade accounts payable	
	Year ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2009
E.I.M.P	274	443	—	—
Polski Koks	490	227	21	75
Borcelik Celik Sanayiii Ticaret AS	188	203	20	37
Forges et Acieries de Dillingen	129	161	41	2
Noble B.V.	—	144	—	—
Baycoat LP	—	86	—	7
I/N Tek (Tolling charges)	57	84	—	4
ArcelorMittal Gonvarri SSC Slovakia	1	77	4	7
Peña Colorada	85	63	39	31
Belgian BunkeringConcidar Trading NV	32	54	—	33
Enovos	107	52	24	16
Macarthur Coal LTD	132	33	30	19
Eko Recycling GmbH	50	15	1	2
ATIC Services	79	13	2	4
SOMEF	59	9	9	5
Cia Hispano Brasileira de Pelotização SA	98	—	18	—
Noble International Ltd	63	—	17	—
ArcelorMittal Insurance Consultants SA	51	—	9	—
Dillinger Hütte Saarstahl AG	8	—	1	—
Other	488	281	106	95
<b>Total</b>	<b>2,391</b>	<b>1,945</b>	<b>342</b>	<b>337</b>

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to note 25 for disclosure of transactions with key management personnel.

The above mentioned transactions between ArcelorMittal and the respective entities were conducted on an arms' length basis.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

The principal subsidiaries of the Company in 2009 were as follows:

Name of Subsidiary	Abbreviation	Country
<b>Flat Carbon Americas</b>		
ArcelorMittal Dofasco Inc.	Dofasco	Canada
ArcelorMittal Lázaro Cárdenas S.A. de C.V.	ArcelorMittal Lázaro Cárdenas	Mexico
ArcelorMittal USA Inc.	ArcelorMittal USA	USA
ArcelorMittal Mines Canada Inc	ArcelorMittal Mines Canada	Canada
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
<b>Flat Carbon Europe</b>		
ArcelorMittal Atlantique et Lorraine SAS	ArcelorMittal Atlantique et Lorraine	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe SA	AMFCE	Luxembourg
ArcelorMittal Galati S.A.	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
Industeel Belgium S.A.	Industeel Belgium	Belgium
Industeel France S.A.	Industeel France	France
<b>Long Carbon Americas and Europe</b>		
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
ArcelorMittal Belval & Differdange SA	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Hochfeld GmbH	ArcelorMittal Hochfeld	Germany
ArcelorMittal Las Truchas, S.A. de C.V.	Sicartsa	Mexico
ArcelorMittal Madrid S.L.	ArcelorMittal Madrid	Spain
ArcelorMittal Montreal Inc	ArcelorMittal Montreal	Canada
ArcelorMittal Gipuzkoa S.L.	ArcelorMittal Gipuzkoa	Spain
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Point Lisas Ltd.	ArcelorMittal Point Lisas	Trinidad and Tobago
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
ArcelorMittal Ruhrort GmbH	ArcelorMittal Ruhrort	Germany
Société Nationale de Sidérurgie S.A.	Sonasid	Morocco
<b>AACIS</b>		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
OJSC ArcelorMittal Kryviy Rih	ArcelorMittal Kryviy Rih	Ukraine
<b>Stainless Steel</b>		
ArcelorMittal Inox Brasil S.A.	Acesita or ArcelorMittal Inox Brasil	Brazil
ArcelorMittal Stainless Belgium	AMSB	Belgium
<b>Steel Solutions and Services</b>		
ArcelorMittal International Luxembourg SA	ArcelorMittal International	Luxembourg

**Note 14: Short-Term and Long-Term Debt**

Short-term debt, including the current portion of long-term debt, consisted of the following:

	December 31, 2008	December 31, 2009
Short-term bank loans and other credit facilities	4,564	2,744
Current portion of long-term debt	3,777	1,297
Revaluation of interest rate hedge instruments (note 15)	3	—
Lease obligations	65	94
<b>Total</b>	<b>8,409</b>	<b>4,135</b>

Short-term debt includes short-term loans, overdrafts and commercial paper.

*Commercial paper*

The Company has a commercial paper program enabling borrowings of up to €3,000 (4,322). As of December 31, 2009, the outstanding amount was 1,474.

*Bonds*

During 2003, ArcelorMittal Finance issued €600 million unsecured and unsubordinated fixed rate notes, in two tranches of €500 million on September 24 and €100 million on December 4. The notes bear interest at 5.125% per annum. The loans are due on September 24, 2010. The loans are included in the current portion of long-term debt line in the table above.

*Other loans*

In 2007, the acquisition of Rozak included the assumption of 267 in principal amount of borrowings maturing between 2008 and 2010 and bearing interest at fixed interest rates between 4.5% and 8.37%. The loans are included in the current portion of long-term debt line in the table above.

In 2007, the acquisition of Rongcheng included the assumption of 66 in principal amount of borrowings maturing between 2008 and 2010 of which 40% bears interest at fixed rates and 60% bears variable interest at rates based on 6 months LIBOR. The loans are included in the current portion of long-term debt line in the table above.

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

Long-term debt is comprised of the following as of December 31:

	Year of maturity	Type of Interest	Interest rate <sup>1</sup>	2008	2009
<b>Corporate</b>					
€12 billion term loan	2011	Floating	0.85%-1.36%	9,836	3,493
€5 billion revolving credit facility	2012	Floating	—	6,453	—
\$4 billion credit facility	2010-2011	Floating	—	—	—
\$3.2 billion credit facility		Floating	—	3,181	—
€1.5 billion unsecured bonds	2013	Fixed	8.25%	—	2,146
€1.0 billion unsecured bonds	2016	Fixed	9.38%	—	1,426
\$1.5 billion unsecured bonds	2013	Fixed	5.38%	1,500	1,500
\$1.0 billion unsecured bonds	2039	Fixed	7.00%	—	943
\$1.5 billion unsecured bonds	2018	Fixed	6.13%	1,500	1,500
\$0.75 billion unsecured notes	2015	Fixed	9.00%	—	740
\$1.5 billion unsecured notes	2019	Fixed	9.85%	—	1,457
€1.25 billion convertible bonds	2014	Fixed	7.25%	—	1,369
\$800 convertible senior notes	2014	Fixed	5.00%	—	617
€0.1 billion unsecured notes	2014	Fixed	5.50%	139	144
€0.5 billion unsecured bonds	2014	Fixed	4.63%	696	720
€0.6 billion unsecured bonds	2010	Fixed	5.13%	835	864
€0.1 billion unsecured bonds	2009	Fixed	—	139	—
EBRD loans	2012-2015	Floating	1.30%-1.59%	304	238
Other loans – Floating rates	2010-2035	Floating	1.0%-4.50%	1,385	1,486
Other loans – Fixed rates	2010-2016	Fixed	3.83%-6.4%	724	678
<b>Total Corporate</b>				<b>26,692</b>	<b>19,321</b>
<b>Americas</b>					
800 senior secured notes	2014	Fixed	9.75%	420	420
600 senior unsecured notes	2014	Fixed	6.50%	500	500
Other loans	2010-2019	Fixed/Floating	0.75%-21.74%	1,461	1,131
<b>Total Americas</b>				<b>2,381</b>	<b>2,051</b>
<b>Europe, Asia &amp; Africa</b>					
Other loans	2010-2022	Fixed/Floating	0.8%-16%	155	205
<b>Total Europe, Asia &amp; Africa</b>				<b>155</b>	<b>205</b>
<b>Total</b>				<b>29,228</b>	<b>21,577</b>
Less current portion of long-term debt				3,777	1,297
Total long-term debt (excluding lease obligations)				25,451	20,280
Lease obligations <sup>2</sup>				216	397
<b>Total long-term debt, net of current portion</b>				<b>25,667</b>	<b>20,677</b>

<sup>1</sup> Rates applicable to balances outstanding at December 31, 2009.<sup>2</sup> Net of current portion of 65 and 94 in 2008 and 2009, respectively.



## Corporate

### €17 billion credit facility

On November 30, 2006, the Company entered into a €17 billion credit agreement, comprised of a €12 billion term loan facility and a €5 billion revolving credit facility, with a group of lenders to refinance certain of the Company's existing credit facilities. The maturity of the €5 billion revolving credit facility is November 30, 2012. Out of the outstanding amount of €2.4 billion under the €12 billion term loan, €1.2 billion is due in May 2011 and €1.2 billion is due in November 2011. The €5 billion revolving credit facility remains unutilized as of December 31, 2009, as the outstanding loan balances under the facility were repaid during the second quarter of 2009 with proceeds from the Company's debt, convertible debt and equity issuances (described below). During the year ended December 31, 2009, the Company repaid €4.8 billion of the outstanding amount under the €12 billion term loan facility.

### \$4 billion credit facility

On May 13, 2008 ArcelorMittal entered into a \$4 billion revolving credit facility which may be utilized for general corporate purposes. ArcelorMittal has to date not utilized this facility and it remains fully available. Approximately one-third of the facility matures in May 2010 and approximately two-thirds matures in May 2011. A Forward Start facility of 3,175 has been reinstated in connection with this facility, effectively extending its maturity (to the extent of 3,175) to 2012.

### \$3.2 billion credit facility

On April 7, 2005, the Company and certain subsidiaries entered into a five-year \$3.2 billion credit facility (consisting of a \$1.7 billion term loan facility and a \$1.5 billion revolving credit facility) with a consortium of banks. This credit facility was cancelled during the third quarter of 2009.

### Convertible Bonds

On April 1, 2009, the Company issued €1.25 billion (1,662) of unsecured and unsubordinated convertible bonds due April 1, 2014 (the "€1.25 billion convertible bonds"). These bonds bear interest at 7.25% per annum payable semi-annually on April 1 and October 1 of each year commencing on October 1, 2009.

On May 6, 2009, ArcelorMittal issued 800 of unsecured and unsubordinated convertible senior notes (the "800 convertible senior notes") due May 15, 2014. These notes bear interest at 5.00% per annum payable semi-annually on May 15 and November 15 of each year commencing on November 15, 2009. The €1.25 billion convertible bonds and the 800 convertible senior notes are collectively referred to herein as the Convertible Bonds.

The €1.25 billion convertible bonds may be converted by the bondholders from May 11, 2009 until the end of the seventh business day preceding maturity. The 800 convertible senior notes may be converted by the noteholders from May 6, 2009 until the end of the seventh business day preceding maturity.

At inception, the Company had the option to settle the Convertible Bonds for common shares or the cash value of the common shares at the date of settlement as defined in the Convertible Bonds' documentation. The Company determined that the agreements related to the Convertible Bonds were hybrid instruments as the conversion option gave the holders the right to put the Convertible Bonds back to the Company in exchange for common shares or the cash equivalent of the common shares of the Company based upon the Company's share price at the date of settlement. In addition, the Company identified certain components of the agreements to be embedded derivatives. On October 28, 2009, the Company announced that it had decided to irrevocably waive the option to settle the 800 convertible senior notes in cash for the cash value of the common shares at the date of settlement.

At the inception of the Convertible Bonds, the Company determined the fair value of the embedded derivatives using the binomial option valuation methodology and recorded the amounts as financial liabilities in other long-term obligations of 408 and 189 for the €1.25 billion convertible bonds and the 800 convertible senior notes, respectively. As a result of the waiver of the option to settle the 800 convertible senior notes in cash for the cash value of the common shares at the date of settlement, the Company determined that the conversion option was an equity instrument. As a consequence, its fair value of 279 (198 net of tax) at the date of the waiver was transferred to equity.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

As of December 31, 2009, the fair value of the embedded derivative for the €1.25 billion convertible bonds was 1,249. The change in fair value of 897 related to the Convertible Bonds was a non-cash activity and was recorded in the statement of operations for the year ended December 31, 2009 as financing costs. Assumptions used in the fair value determination at inception and as of December 31, 2009 were as follows:

	€1.25 billion convertible bonds		800 convertible senior notes	
	At inception	December 31, 2009	At inception	October 28, 2009*
Spot value of shares	€16.01	€32.18	\$27.56	\$34.15
Quote of convertible bonds	€21.62	€36.61	\$113.22	\$137.00
Credit spread (basis points)	1,049	167	602	265
Dividend per quarter	€0.135	€0.1309	\$0.1875	\$0.1875

\* Date of the waiver of the cash option as described above.

The Convertible Bonds did not have a dilutive impact on earnings per share for the year ended December 31, 2009.

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 bond mandatorily convertible into preferred shares of such subsidiary. The bond was placed privately with a Luxembourg affiliate of Calyon and is not listed. The bond matures on May 25, 2011. The Company has the option to call the mandatorily convertible bond from May 3, 2010 until ten business days before the maturity date. The subsidiary invested the proceeds of the bond issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Eregli Demir Ve Celik Fab. T.A.S. ("Erdemir") of Turkey and Macarthur Coal Limited of Australia, both of which are publicly-listed companies in which such subsidiaries hold a minority stake. The subsidiary may also, in agreement with Calyon, invest in other financial instruments. This bond bears a floating interest based on three months Libor plus a margin payable on each February 25, May 25, August 25 and November 25. The Company determined the bond met the definition of a compound financial instrument in accordance with IFRS. As such the Company determined the fair value of the financial liability component of the bond was 55 on the date of issuance. As of December 31, 2009, 55 is included in long-term debt and carried at amortized cost. The financial liability component is presented in the other loans at floating rates in the above table. The value of the equity component of 695 (684 net of tax and fees) was determined based upon the difference of the cash proceeds received from the issuance of the bond and the fair value of the financial liability component on the date of issuance and is included in equity as non-controlling interests.

### Bonds

On July 15, 2004, ArcelorMittal Finance issued €100 million principal amount of unsecured and unsubordinated fixed rated notes bearing interest at 5.50% per annum (issued at 101.97%) due July 15, 2014.

On November 7, 2004, ArcelorMittal Finance issued €500 million principal amount of unsecured and unsubordinated fixed rated bonds bearing interest at 4.625% per annum (issued at 99.195%) due November 7, 2014.

On December 10, 2004, ArcelorMittal Finance issued €100 million principal amount of unsecured and unsubordinated fixed rated bonds bearing interest at 3.395% per annum (issued at 100.00%) due December 10, 2009. On December 10, 2009 the bonds were repaid.

On May 27, 2008, the Company issued 3,000 principal amount of unsecured and unsubordinated fixed rated bonds in two tranches. The first tranche of 1,500 bears interest at 5.375% (issued at 99.722%) due June 2013 and the second tranche of 1,500 bears interest at 6.125% (issued at 99.571%) due June 2018.

On May 20, 2009, the Company issued unsecured and unsubordinated notes in two tranches for an aggregate principal amount of 2,250 consisting of 750 (issued at 98.931%) bearing interest at 9% per annum maturing February 15, 2015 and 1,500 (issued at 97.522%) bearing interest at 9.85% per annum maturing June 1, 2019.

On June 3, 2009, the Company issued unsecured and unsubordinated bonds in two tranches for an aggregate principal amount of €2.5 billion (3,560) consisting of €1.5 billion (issued at 99.589%) bearing interest at 8.25% per annum maturing June 3, 2013 and € 1 billion (issued at 99.381%) bearing interest at 9.375% per annum maturing June 3, 2016.

On October 1, 2009, the Company issued unsecured and unsubordinated notes for an aggregate principal amount of 1,000 (issued at 95.202%) bearing interest at 7% per annum maturing October 15, 2039.

Bonds and notes denominated in Euro (excluding convertible bonds) amounted to €3.7 billion as of December 31, 2009. Bonds and notes denominated in U.S. dollars (excluding convertible bonds) amounted to 7,173 as of December 31, 2009.

### European Bank for Reconstruction and Development ("EBRD") Loans

The Company entered into five separate agreements with the EBRD for on-lending to the following subsidiaries on the following dates: ArcelorMittal Galati on November 18, 2002, ArcelorMittal Kryviy Rih on April 4, 2006, ArcelorMittal Temirtau on June 15, 2007, ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last installment under these agreements is due in January 2015. The outstanding amount in total as of December 31, 2008 and 2009 was 304 and 238, respectively. The agreement related to ArcelorMittal Galati was fully repaid on November 23, 2009.

### Other facilities

On July 24, 2007, ArcelorMittal Finance, together with a subsidiary, signed a five year €500 million loan due 2012.

In 2007 and 2008, ArcelorMittal Finance entered into certain bilateral credit facilities totaling €950 million. During the year ended December 31, 2008, all these credit facilities were transferred to ArcelorMittal. During the year ended December 31, 2009, these bilateral credit facilities matured or were cancelled.

### Forward Start facilities

During the first half of 2009, ArcelorMittal entered into facilities totaling approximately 6,000 referred to as "Forward Start" facilities, in order to extend the maturity of various facilities. A Forward Start facility provides a borrower with a committed facility to refinance an existing facility upon its maturity, and therefore certainty as to the availability of funds for that refinancing.

In conjunction with the Company's bonds, convertible bonds and equity issuances in the second quarter of 2009, the commitments under these Forward Start facilities were ratably cancelled, as provided for in the facility. Subsequently, a 3,175 Forward Start facility was reinstated, extending the maturity of part of the \$4 billion credit facility (to the extent of 3,175) until 2012.

### Americas

#### Senior Secured Notes

On March 25, 2004, Ispat Inland ULC issued Senior Secured Notes with an aggregate principal amount of 800 of which 150 were floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010 and 650 were fixed rate notes bearing interest at 9.75% (issued at 99.212% to yield 9.875%) due April 1, 2014 (the "Senior Secured Notes"). On December 28, 2007, ArcelorMittal Financial Services LLC, a newly formed limited liability company organized under the laws of Delaware, became the Issuer of the Senior Secured Notes, and was substituted for Ispat Inland ULC (the initial issuer of the Senior Secured Notes) for all purposes under the Indenture and Pledge Agreement. On June 13, 2008, ArcelorMittal USA Partnership, a general partnership under the laws of Delaware, became the Issuer of the Senior Secured Notes and was substituted for ArcelorMittal Financial Services LLC for all purposes under the Indenture and Pledge Agreement. 423 (420 net of discount) was outstanding as of December 31, 2008 and 2009.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

The Senior Secured Notes are secured by a pledge of 423 of ArcelorMittal USA's First Mortgage Bonds and by a second position lien on the inventory of ArcelorMittal USA. As further credit enhancement, the Senior Secured Notes are fully and unconditionally guaranteed by ArcelorMittal USA, certain of its subsidiaries, ArcelorMittal and certain other subsidiaries. The terms of the Senior Secured Notes place certain limitations on the ability of ArcelorMittal USA and its subsidiaries to incur additional indebtedness, pay dividends or make other distributions and various other activities. The indenture also contains covenants that are applicable to ArcelorMittal. These limitations are subject to a number of exceptions and qualifications. The Senior Secured Notes became investment grade rated as of January 19, 2006. As a result, many of the above limitations were suspended, including restrictions on paying dividends or making other distributions to shareholders.

#### *Senior Unsecured Notes*

On April 14, 2004, ArcelorMittal USA issued 600 of senior, unsecured debt securities due in 2014. The debt securities bear interest at a rate of 6.5% per annum and were issued at a discount of 5, which is amortized as interest expense over the life of the senior unsecured notes. On July 22, 2005, ArcelorMittal USA repurchased 100 of unsecured notes leaving an outstanding balance of 500. These bonds are fully and unconditionally guaranteed by certain wholly-owned subsidiaries of ArcelorMittal USA and, as of March 9, 2007, by ArcelorMittal.

#### *Other loans*

The other loans relate mainly to loans contracted by ArcelorMittal Inox Brasil SA, ArcelorMittal Brasil and Vega do Sul with different counterparties.

On April 24, 2008 ArcelorMittal Brasil entered into a BRL 600 million loan agreement due 2010 and bearing a floating interest rate.

In 2008, the acquisition of Industrias Unicon included the assumption of a 232 principal amount of loan maturing between 2009 and 2012 of which 17% bearing fixed rates and 83% bearing floating interest rates.

#### **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 financial maintenance tests, including financial ratios and minimum levels of net worth.

The Company's principal credit facilities also include the following financial covenant: the Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the Company for a Measurement Period, subject to certain adjustments as defined in the facilities) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio. In 2009, the Company signed agreements with its lenders to amend this ratio (where applicable), referred to as its "Leverage Ratio", from 3.5 to one as originally provided, to 4.5 to one as of December 31, 2009, to 4.0 to one as of June 30, 2010, and reverting to 3.5 to one as of December 31, 2010.

The Company also agreed to the imposition of certain additional temporary restrictive covenants on its activities if the Leverage Ratio exceeds 3.5 to one for any Measurement Period. These include restrictions on dividends and share reductions, acquisitions, capital expenditure and the giving of loans and guarantees.

Limitations arising from the restrictive and financial covenants described above could limit the Company's ability to distribute dividends, make capital expenditures or engage in strategic acquisitions or investments. Failure to comply with any covenant would enable the lenders to accelerate the Company's repayment obligations. Moreover, the Company's debt facilities have provisions whereby certain events relating to other borrowers within the Company's subsidiaries could, under certain circumstances, lead to acceleration of debt repayment under such credit facilities. Any invocation of these cross-acceleration or cross-default clauses could cause some or all of the other debt to accelerate. The Company was in compliance with the financial covenants contained within the amended agreements related to all of its borrowings as of December 31, 2009.

Scheduled maturities of long-term debt including lease obligations as of December 31, 2009 are as follows:

2010	1,391
2011	4,311
2012	1,458
2013	4,132
2014	3,965
Subsequent years	6,811
<b>Total</b>	<b>22,068</b>

The following table presents the structure of the Company's net debt in original currencies:

	Total USD	In USD equivalent as of December 31, 2009					Other (in USD)
		EUR	USD	BRL	PLN	CAD	
Short-term debt and current portion of long-term debt	4,135	2,783	894	99	8	13	338
Long-term debt	20,677	10,181	9,856	378	—	10	252
Cash	6,009	2,912	2,036	209	22	9	821

As a part of the Company's overall risk and cash management strategies, several loan agreements have been swapped from their original currencies to other foreign currencies.

At the reporting date the carrying amount and fair value of the Company's interest-bearing financial instruments is:

	December 31, 2008		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Instruments payable bearing interest at fixed rates	6,914	5,150	15,596	16,938
Instruments payable bearing interest at variable rates	22,595	17,709	6,472	6,069

#### Note 15: Financial Instruments and Credit Risk

The Company enters into derivative financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and the price of raw materials, energy and emission rights allowances arising from operating, financing and investment activities.

##### Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates.

Cash and cash equivalents, restricted cash, short-term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Other current assets include derivative instruments of 560 and 1,250 as of December 31, 2008 and 2009, respectively, which are classified as "Financial assets at fair value through profit or loss". Other investments are classified as "Available-for-sale" with gains or losses arising from changes in fair value recognized in equity. Other assets are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, amounting to 1,473 and 1,375 as of December 31, 2008 and 2009, respectively, which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost".

The Company's short and long-term debt consists of debt instruments which bear interest at fixed rates and variable rates tied to market indicators. The fair value of the Company's variable rate debt approximates its carrying amount given its floating interest rates. The fair value of fixed rate debt is based on estimated future cash flows, which are discounted using current market rates for debt with similar remaining maturities and credit spreads.

The following table summarizes the bases used to measure certain assets and liabilities at their fair value. Assets and liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Notes to the Consolidated Financial Statements *continued*

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The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Significant inputs other than within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data and require management assumptions or inputs from unobservable markets.

	Level 1	Level 2	Level 3	Total
<b>Assets at fair value:</b>				
Available-for-sale financial assets	74	—	—	74
Derivative financial assets	—	1,250	—	1,250
<b>Total assets at fair value</b>	<b>74</b>	<b>1,250</b>	<b>—</b>	<b>1,324</b>
<b>Liabilities at fair value</b>				
Derivative financial liabilities	—	1,375	1,249	2,624
<b>Total liabilities at fair value</b>	<b>—</b>	<b>1,375</b>	<b>1,249</b>	<b>2,624</b>

Available for sale financial assets classified as Level 1 refer to listed securities quoted in active markets. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates, foreign exchange rates, raw materials (base metal), freight, energy and emission rights. The total fair value is based on the price a dealer would pay or receive for the security or similar securities, adjusted for any terms specific to that asset or liability. Market inputs are obtained from well established and recognized vendors of market data and the fair value is calculated using standard industry models based on significant observable market inputs such as foreign exchange rates, commodity prices, swap rates and interest rates.

Derivative financial liabilities classified as level 3 refer to the conversion option in the €1.25 billion convertible bonds (see note 14). The fair value is derived through the use of a binominal model.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the €1.25 billion convertible bonds and the 800 convertible senior notes for the year ended December 31, 2009 respectively until the waiver of the cash settlement option:

**Fair value of conversion option**

Fair value of conversion option – €1.25 billion convertible bonds

At inception	December 31, 2009
408	1,249

Fair value of conversion option – 800 convertible senior notes

At inception	October 28, 2009*
189	279

\* Date of the waiver of the cash option as described in note 14.

## Portfolio of Derivatives

The Company manages the counter-party risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction and underlying, risk limits and/or the characteristics of the counter-party. The Company does not generally grant to or require from its counter-parties guarantees over the risks incurred. Allowing for exceptions, the Company's counter-parties are part of its financial partners and the related market transactions are governed by framework agreements (mainly of the International Swaps and Derivatives Association agreements which allow netting in case of counter-party default).

The portfolio associated with derivative financial instruments as of December 31, 2008 is as follows:

	Assets			Liabilities		
	Notional Amount	Fair Value	Average Rate*	Notional Amount	Fair Value	Average Rate*
Interest rate swaps – fixed rate borrowings/loans	1,320	42	4.11%	264	(3)	5.37%
Other interest rate instrument	135	—			—	
<b>Total interest rate instruments</b>		<b>42</b>			<b>(3)</b>	
<b>Foreign exchange rate instruments</b>						
Forward purchase of contracts	3,842	131		8,117	(530)	
Forward sale of contracts	6,678	244		7,407	(186)	
Exchange option purchases	1,818	37		—	—	
Exchange options sales		—		1,941	(33)	
<b>Total foreign exchange rate instruments</b>		<b>412</b>			<b>(749)</b>	
<b>Raw materials (base metal), freight, energy, emission rights</b>						
Term contracts sales	81	9		174	(79)	
Term contracts purchases	197	50		1,342	(540)	
Swaps using raw materials pricing index	10	—		35	(15)	
Options sales/purchases	144	47		282	(87)	
<b>Total raw materials (base metal), freight, energy, emission rights</b>		<b>106</b>			<b>(721)</b>	
<b>Total</b>		<b>560</b>			<b>(1,473)</b>	

\* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.

The portfolio associated with derivative financial instruments as of December 31, 2009 is as follows:

	Assets			Liabilities		
	Notional Amount	Fair Value	Average Rate*	Notional Amount	Fair Value	Average Rate*
Interest rate swaps – fixed rate borrowings/loans	1,085	32	4.11%	288	(9)	3.36%
Other interest rate instrument	140	1		—	—	
<b>Total interest rate instruments</b>		<b>33</b>			<b>(9)</b>	
<b>Foreign exchange rate instruments</b>						
Forward purchase of contracts	5,362	111		10,145	(957)	
Forward sale of contracts	11,036	962		9,776	(276)	
Exchange option purchases	1,657	23		—	—	
Exchange options sales	—	—		1,369	(7)	
<b>Total foreign exchange rate instruments</b>		<b>1,096</b>			<b>(1,240)</b>	
<b>Raw materials (base metal), freight, energy, emission rights</b>						
Term contracts sales	118	20		196	(24)	
Term contracts purchases	698	101		412	(102)	
Swaps using raw materials pricing index	10	—		—	—	
Options sales/purchases	4	—		4	—	
<b>Total raw materials (base metal), freight, energy, emission rights</b>		<b>121</b>			<b>(126)</b>	
<b>Total</b>		<b>1,250</b>			<b>(1,375)</b>	

\* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.



## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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#### Interest rate risk

The Company utilizes certain instruments to manage interest rate risks. Interest rate instruments allow the Company to borrow long-term at fixed or variable rates, and to swap the rate of this debt either at inception or during the lifetime of the loan. The Company and its counter-party exchange, at predefined intervals, the difference between the agreed fixed rate and the variable rate, calculated on the basis of the notional amount of the swap. Similarly, swaps may be used for the exchange of variable rates against other variable rates.

Interest rate derivatives used by the Company to manage changes in the value of fixed rate loans qualify as fair value hedges.

#### Exchange rate risk

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. Because of a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has an exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real and South African rand, as well as fluctuations in the other countries currencies in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

ArcelorMittal faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and coking coal, in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials; thereby impacting negatively on the Company's operating margins.

Following its Treasury and Financial Risk Management Policy, the Company hedges its net exposure to exchange rates through forwards, options and swaps.

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates the statement of operations of its subsidiaries, its corporate net debt and other items denominated in currencies other than the U.S. dollars, for inclusion in the ArcelorMittal Consolidated Financial Statements.

The Company also uses the derivative instruments, described above, at the corporate level to hedge debt recorded in foreign currency other than the functional currency or the balance sheet risk incurred on certain monetary assets denominated in a foreign currency other than the functional currency.

#### Liquidity Risk

ArcelorMittal's principal sources of liquidity are cash generated from its operations, its credit lines at the corporate level and various working capital credit lines at its operating subsidiaries. The Company actively manages its liquidity. Following the Treasury and Financial Risk Management Policy, the levels of cash, credit lines and debt are closely monitored and appropriate actions are taken in order to comply with the covenant ratios, leverage, fixed and floating ratios, maturity profile and currency mix.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2008					
	Carrying amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Bonds/notes over 100	(5,730)	(7,722)	(477)	(1,458)	(3,966)	(1,821)
Loans over 100	(25,011)	(29,391)	(9,675)	(11,318)	(8,060)	(338)
Trade and other payables	(10,501)	(10,501)	(10,501)	—	—	—
Other non-derivative financial liabilities	(3,335)	(3,582)	(1,866)	(876)	(651)	(189)
<b>Total</b>	<b>(44,577)</b>	<b>(51,196)</b>	<b>(22,519)</b>	<b>(13,652)</b>	<b>(12,677)</b>	<b>(2,348)</b>
<b>Derivative financial liabilities</b>						
Interest rate instruments	(3)	(3)	(3)	—	—	—
Foreign exchange contracts	(749)	(749)	(461)	(97)	(191)	—
Other commodities contracts	(721)	(721)	(654)	(36)	(31)	—
<b>Total</b>	<b>(1,473)</b>	<b>(1,473)</b>	<b>(1,118)</b>	<b>(133)</b>	<b>(222)</b>	<b>—</b>

	December 31, 2009					
	Carrying amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Convertible Bonds	(2,041)	(4,253)	(204)	(937)	(3,112)	—
Other bonds	(12,363)	(19,517)	(1,782)	(873)	(7,792)	(9,070)
Loans over 100	(6,918)	(7,270)	(1,701)	(3,851)	(1,412)	(306)
Trade and other payables	(10,676)	(10,676)	(10,676)	—	—	—
Other non-derivative financial liabilities	(3,490)	(4,040)	(1,848)	(1,143)	(453)	(596)
Financial guarantees	(3,307)	(3,307)	(1,536)	(283)	(546)	(942)
<b>Total</b>	<b>(38,795)</b>	<b>(49,063)</b>	<b>(17,747)</b>	<b>(7,087)</b>	<b>(13,315)</b>	<b>(10,914)</b>
<b>Derivative financial liabilities</b>						
Interest rate instruments	(9)	(9)	—	—	(9)	—
Foreign exchange contracts	(1,240)	(1,240)	(825)	(407)	(8)	—
Other commodities contracts	(126)	(126)	(80)	(22)	(24)	—
<b>Total</b>	<b>(1,375)</b>	<b>(1,375)</b>	<b>(905)</b>	<b>(429)</b>	<b>(41)</b>	<b>—</b>

Notes to the Consolidated Financial Statements *continued*

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**Cash flow hedges**

The following table presents the periods in which cash flows hedges are expected to mature:

	(liabilities) Carrying amount	December 31, 2008 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 Years	More than 2 years
Forward exchange contracts	16	15	—	1	—	—
Commodities	(310)	(156)	(24)	(83)	(47)	—
Emission rights	(127)	(33)	(1)	(20)	(20)	(53)
<b>Total</b>	<b>(421)</b>	<b>(174)</b>	<b>(25)</b>	<b>(102)</b>	<b>(67)</b>	<b>(53)</b>

	(liabilities) Carrying amount	December 31, 2009 (outflows)/inflows				
		3 months and less	3-6 months	6-12 months	1-2 Years	More than 2 years
Commodities	(2)	(6)	1	3	—	—
Emission rights	(48)	—	—	(14)	(13)	(21)
<b>Total</b>	<b>(50)</b>	<b>(6)</b>	<b>1</b>	<b>(11)</b>	<b>(13)</b>	<b>(21)</b>

The following table presents the periods in which cash flows hedges are expected to impact the statement of operations:

	(liabilities) Carrying amount	December 31, 2008 (expense)/income				
		3 months and less	3-6 months	6-12 months	1-2 Years	More than 2 years
Forward exchange contracts	16	14	1	1	—	—
Commodities	(310)	(15)	(160)	(113)	(22)	—
Emission rights	(127)	(33)	(1)	(20)	(20)	(53)
<b>Total</b>	<b>(421)</b>	<b>(34)</b>	<b>(160)</b>	<b>(132)</b>	<b>(42)</b>	<b>(53)</b>

	(liabilities) Carrying amount	December 31, 2009 (expense)/income				
		3 months and less	3-6 months	6-12 months	1-2 Years	More than 2 years
Commodities	(2)	(7)	—	4	1	—
Emission rights	(48)	—	—	(14)	(13)	(21)
<b>Total</b>	<b>(50)</b>	<b>(7)</b>	<b>—</b>	<b>(10)</b>	<b>(12)</b>	<b>(21)</b>

Several forward exchange and options contracts related to the purchase of raw materials denominated in U.S. dollars were unwound during 2008. As of December 31, 2008 the effective portion recorded in equity was 2,678, excluding deferred tax expense of 777. The effective portion represents a deferred gain that will be recycled to the statement of operations when the converted raw materials are sold. In 2008, prior to unwinding the contracts the ineffective portion of 349 was recorded as operating income. During 2009, 979 was recycled to cost of sales related to the sale of inventory in 2009 and changes in the estimated future raw material purchases expected to occur. Including the effects of foreign currency fluctuations, the deferred gain was 1,736, excluding deferred tax expense of 503, as of December 31, 2009. The deferred gain is expected to be recycled to the statement of operations as follows:

Year	Amount
2010	447
2011	647
2012	570
2013	72
<b>Total</b>	<b>1,736</b>

#### Raw materials, freight, energy risks and emission rights

The Company uses financial instruments such as forward purchases or sales, options and swaps for certain commodities in order to manage the volatility of prices of certain raw materials, freight and energy. The Company is exposed to risks in fluctuations in prices of raw materials (including base metals such as zinc, nickel, aluminum, tin and copper) freight and energy, both through the purchase of raw materials and through sales contracts.

Fair values of raw material freight, energy and emission rights instruments are as follows:

	At December 31, 2008	At December 31, 2009
Base metals	(150)	32
Freight	(66)	4
Energy (oil, gas, electricity)	(366)	7
Emission rights	(33)	(48)
<b>Total</b>	<b>(615)</b>	<b>(5)</b>
Assets associated with raw material, energy, freight and emission rights	106	121
Liabilities associated with raw material, energy, freight and emission rights	(721)	(126)
<b>Total</b>	<b>(615)</b>	<b>(5)</b>

ArcelorMittal, consumes large amounts of raw materials (the prices of which are related to the London Metals Exchange price index), ocean freight (the price of which is related to a Baltic Exchange Index), and energy (the prices of which are related to the New York Mercantile Exchange index, the Intercontinental Exchange index and the Powernext index). As a general matter, ArcelorMittal is exposed to price volatility with respect to its purchases in the spot market and under its long-term supply contract. In accordance with its risk management policy, ArcelorMittal hedges a part of its risk exposure to its raw materials procurements.

The fair value of raw material freight, energy and emission rights derivatives liabilities decreased from (721) to (126) as hedges matured during 2009.

#### Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (cash purchase and sale, forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2008 and 2009, the Company had a net notional position of 171 with a net fair value of (32) and a net notional position of 162 with a net fair value of (47), respectively.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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**Credit risk**

The Company's treasury department monitors various market data regarding the credit standings and overall reliability of the financial institutions for all countries where the Company's subsidiaries operate. The choice of the financial institution for the financial transactions must be approved by the treasury department. Credit risk related to customers, customer credit terms and receivables is discussed in note 5.

**Sensitivity analysis***Foreign currency sensitivity*

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% strengthening and a 10% weakening in the U.S. dollar against the other currencies to which the Company is exposed. The sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in profit or loss and other equity where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2008		December 31, 2009	
	Income	Other Equity	Income	Other Equity
10% strengthening in U.S. dollar	(288)	120	(655)	—
10% weakening in U.S. dollar	288	(120)	655	—

*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 shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2008		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(153)	(19)	(172)
100 bp decrease	153	20	173

	December 31, 2009		
	Rate Instrument	Interest Rate Swaps/Forward Rate Agreements	Cash Flow Sensitivity (net)
100 bp increase	(29)	(11)	(40)
100 bp decrease	29	11	40

*Base metals, energy, freight, emissions rights*

The following table details the Company's sensitivity to a 10% increase and decrease in the price of the relevant base metals, energy, freight, and emissions rights. The sensitivity analysis includes only outstanding, un-matured base metal derivative instruments both held for trading at fair value through statement of operations and those designated in hedge accounting relationships.

	December 31, 2008		December 31, 2009	
	Income	Other Equity Cash Flow Hedging Value	Income	Other Equity Cash Flow Hedging Value
<b>+10% in prices</b>				
Base Metals	18	9	13	10
Freights	2	—	(3)	—
Emission rights	—	12	—	8
Energy	12	21	7	2
<b>-10% in prices</b>				
Base Metals	(18)	(9)	(13)	(10)
Freights	(2)	—	3	—
Emission rights	—	(12)	—	(8)
Energy	(12)	(21)	(7)	(2)

**Note 16: Equity**

On August 28, 2007, at the Extraordinary General Meeting of Mittal Steel the shareholders approved the merger of Mittal Steel into the former ArcelorMittal, a wholly-owned subsidiary of Mittal Steel. This merger was effective on September 3, 2007 and was the first step in the two-step merger process between Mittal Steel and Arcelor. Holders of Mittal Steel shares automatically received one newly issued share of the former ArcelorMittal for every one Mittal Steel share on the basis of their respective holdings. The Mittal Steel Class A common shares and the Mittal Steel Class B common shares have disappeared in this merger.

On November 5, 2007, at the Extraordinary General Meeting of ArcelorMittal and Arcelor, shareholders approved the merger of former ArcelorMittal into Arcelor effective on November 13, 2007. In this second step in the two-step merger process, a holder of the former ArcelorMittal shares received one newly issued Arcelor share for every one former ArcelorMittal share (the "Exchange Ratio"). This Exchange Ratio followed the completion of a share capital restructuring of Arcelor pursuant to which each seven pre-capital restructuring shares of Arcelor were exchanged for eight post-capital restructuring shares of Arcelor. After the second step merger Arcelor was renamed ArcelorMittal.

In addition, new share capital was approved of €6.4 billion represented by 1,470 million shares without nominal value for a period ending on November 5, 2012. At the Extraordinary General Meeting held on May 13, 2008, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €644 million represented by 147 million shares, or approximately 10% of ArcelorMittal's outstanding capital. The new total authorized share capital was €7.1 billion represented by 1,617 million shares without nominal value.

## Notes to the Consolidated Financial Statements *continued*

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

On April 29, 2009, the Company announced an offering of approximately 141 million common shares which was closed on May 6, 2009 (the "Offering"). Pending shareholder approval for authorization to increase issued share capital, the Company entered into a Share Lending Agreement dated April 29, 2009 (the "Agreement"), with Ispat International Investments S.L. ("Ispat"), a company controlled by Mr. Lakshmi and Mrs. Usha Mittal, under which the Company borrowed 98 million shares. The 98 million borrowed shares were accounted for as treasury shares and then issued, along with 29 million other treasury shares, to fulfill all subscriptions to the Offering other than the 14 million shares subscribed by Ispat.

On June 17, 2009, at an Extraordinary General Meeting, the shareholders approved an authorization for the Board of Directors to increase the issued share capital of the Company by a maximum of 168,173,653 shares during a period of five years. On June 22, 2009, the Company issued and returned the 98 million borrowed shares to Ispat and issued to Ispat the 14 million subscribed by it in the Offering. The proceeds from the Offering, net of transaction costs, were 3.2 billion. Under the terms of the Agreement, the Company paid a share lending fee to Ispat of 2.4. As a result of the Offering, the Company realized a loss on the sale of its treasury shares for tax purposes and reversed the deferred tax liability of 682, which was previously recognized in 2008. The deferred tax liability related to the potential future recapture of an impairment expense on treasury shares (see note 18).

Following the capital increase, the issued corporate share capital amounted to €6,837 million (9,950) represented by approximately 1,561 million shares, of which approximately 1,510 million shares were outstanding as of December 31, 2009. The authorized share capital of €7,082 million is represented by 1,617 million shares, without nominal value, for a period ending on July 14, 2014.

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 million bond mandatorily convertible into preferred shares of such subsidiary. The bond was placed privately with a Luxembourg affiliate of Calyon and is not listed. The bond matures on May 25, 2011. The Company has the option to call the mandatorily convertible bond from May 3, 2010 until 10 business days before conversion. The subsidiary invested the proceeds of the bond issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Erdemir of Turkey and Macarthur Coal Limited of Australia, both of which are publicly listed companies in which such subsidiaries hold a minority stake. In the Company's consolidated financial statements for the year ended December 31, 2009, the mandatory convertible bond is recorded as non-controlling interests of 684 and debt of 55. (See note 14).

#### Employee Share Purchase Plan

At the Annual General Shareholders' meeting held on May 12, 2009 the shareholders of ArcelorMittal adopted an Employee Share Purchase Plan ("ESPP") as part of a global employee engagement and participation policy. Similar to the previous ESPP implemented in 2008 and authorized at the Annual General Shareholders' meeting of May 13, 2008, the plan's goal is to strengthen the link between the Company and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the 2009 and 2008 plans are the following:

- In 2009, the plan was offered to 204,072 employees in 22 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 392,282 shares were subscribed (of which 1,300 shares by Members of the Group Management Board and the Management Committee of the Company). The subscription price was \$36.56 before discounts. The subscription period ran from November 10, 2009 until November 19, 2009 and was settled with treasury shares on January 21, 2010.

- In 2008, the plan was offered to 216,311 employees in 22 jurisdictions. The Company offered a maximum total number of 2,500,000 treasury shares (0.2% of issued shares). A total of 955,820 shares were subscribed, which are held in treasury for the employees. The implementation of the plan was split into two tranches (in September and November 2008). The subscription price for the first tranche was \$57.05 and \$21.71 for the second tranche, before discounts.
- Pursuant to the plans, eligible employees could apply to purchase a number of shares not exceeding that number of whole shares equal to the lower of (i) 200 shares and (ii) the number of whole shares that may be purchased for fifteen thousand U.S. dollars (rounded down to the nearest whole number of shares).

For both 2009 and 2008 plans, the purchase price is equal to the average of the opening and the closing prices of the Company shares trading on the New York Stock Exchange on the exchange day immediately preceding the opening of the relevant subscription period, which is referred to as the "reference price", less a discount equal to:

- a) 15% of the reference price for a purchase order not exceeding the lower of (i) 100 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of seven thousand five hundred U.S. dollars, and thereafter;
- b) 10% of the reference price for any additional acquisition of shares up to a number of shares (including those in the first cap) not exceeding the lower of (i) 200 shares, and (ii) the immediately lower whole number of shares corresponding to an investment of fifteen thousand U.S. dollars.

All shares purchased under the ESPP are currently held in custody for the benefit of the employees in global accounts opened by BNP Paribas Securities Services, except for shares purchased by Canadian and U.S. employees, which are held in custody in one global account by Mellon Investors LLC Services.



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

### Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's Luxembourg statutory accounts which are based on generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg, rather than its consolidated accounts which are based on IFRS. ArcelorMittal has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of (new) common shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in Euros.

On November 14, 2007, ArcelorMittal announced its Board of Directors had recommended increasing the Company's base dividend by 20 cents from \$1.30 to \$1.50 per share. The policy reconfirms a mechanism that will allow ArcelorMittal to return 30% of net income to shareholders through an annual base dividend, supplemented by additional share buy-backs. Based on the annual net income attributable to equity holders of the parent for the year ended December 31, 2007 of 10,368, ArcelorMittal would return a total of 3,068 to shareholders by paying a cash dividend of 2,068 and implementing a 1,000 share buy-back. This distribution policy was implemented as of January 1, 2008.

The dividend for 2008 amounted to 2,068 (\$1.50 per share) and was paid quarterly (\$0.375 cents per share) on March 17, 2008, June 16, 2008, September 15, 2008 and December 15, 2008.

In light of the adverse economic and market conditions, ArcelorMittal's Board of Directors recommended on February 10, 2009, to reduce the annual dividend in 2009 to \$0.75 per share (with quarterly dividend payment of \$0.1875). The reduced dividend was approved by the annual general meeting of shareholders on May 12, 2009. The new quarterly dividend payments took place on March 16, 2009 (an interim dividend), June 15, 2009, September 14, 2009 and December 14, 2009. The Company has suspended its previously announced policy to return 30% of net income to shareholders through an annual base dividend supplemented by share buy-backs.

On October 27, 2009, the Board of Directors recommended to maintain the Company's dividend at \$0.75 per share for the full year of 2010 with quarterly dividend payments of \$0.1875 to occur on March 15, 2010, June 14, 2010, September 13, 2010 and December 15, 2010, taking into account that the first quarterly dividend payment to be paid on March 15, 2010 will be an interim dividend.

### Treasury shares

On November 5, 2007, ArcelorMittal announced the start of a 1.0 billion share buy-back program valid for a period of 18 months or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to such period. This program was completed on February 19, 2008 with the acquisition of 14.6 million shares from Carlo Tassara International S.A. ("Carlo Tassara") at a price of €46.60 (\$68.70) per share for a total amount of €680 million (1,003). Carlo Tassara is controlled by the Zygmunt Lubicz-Zaleski Foundation. Mr. Romain Zaleski was a member of the ArcelorMittal Board of Directors at the time of this transaction.

On December 12, 2007, ArcelorMittal announced the start of a share buy-back program for up to 44 million shares. This program has a two year term, and shares bought under this program may be used in potential future corporate opportunities or for cancellation. The Company acquired approximately 130,000 shares under this program through December 31, 2007, for a total amount of 9 at an average price of \$70.38 per share.

During 2008, ArcelorMittal acquired approximately 43.8 million shares under the 44 million share buy-back program for a total amount of 3,440 at an average price of \$78.58 per share. Of this amount, 10.4 million shares were acquired on February 19, 2008 from Carlo Tassara at a price of €46.40 (\$68.70) per share. In total, 25 million shares were acquired from Carlo Tassara. As of December 31, 2008, ArcelorMittal had acquired approximately 43.9 million shares under the 44 million share buy-back program for a total amount of 3,449 at an average price of \$78.56 per share.

On April 28, 2009, ArcelorMittal formally announced the termination of the share buy-back programs under which shares were repurchased until September 5, 2008.

As of December 31, 2009, ArcelorMittal owned 51,373,092 treasury shares. The decrease in the number of treasury shares since December 31, 2008 is primarily related to the Offering previously described for 28,794,371 shares, to the transfer to ArcelorMittal USA of 1,119,165 shares in order to meet their pension fund requirements (see note 22) and to the exercise of stock options during the period for 456,251 shares (as described below).

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### Earnings per common share

The following table provides the numerator and a reconciliation of the denominators used in calculating basic and diluted earnings per common share for the years ended December 31, 2008 and 2009:

	Year Ended December 31, 2008*	Year Ended December 31, 2009
Net income attributable to equity holders of the parent	9,466	118
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,383	1,445
Incremental shares from assumed conversion of stock options (in millions)	3	1
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	1,386	1,446

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 9 million and 26 million potential common shares from stock options outstanding for the years ended December 31, 2008 and 2009, respectively, because such stock options are anti-dilutive. Diluted weighted average common shares outstanding also excludes nil and 64 million potential common shares from the Convertible Bonds described in note 14 for the years ended December 31, 2008 and 2009 because the potential common shares are anti-dilutive.

#### Share Retention Agreements

ArcelorMittal Temirtau has entered into share retention agreements with the EBRD and the International Finance Corporation ("IFC"). Until the date on which the EBRD and IFC loans have been repaid in full, ArcelorMittal Temirtau's holding company or its nominee shall not, unless EBRD and IFC otherwise agree in writing, transfer, assign, pledge, dispose or encumber 67% of its share holding in ArcelorMittal Temirtau.

The Company has pledged 38.6% of its shareholding in ArcelorMittal Galati to AVAS (the governmental body in Romania responsible for privatization) in relation to the Company's ten-year capital expenditure commitment at ArcelorMittal Galati which commenced November 2001.

The Company has entered into a share pledge agreement with AVAS for 100% of its shareholding in ArcelorMittal Tubular Products Roman's share capital with respect to its investment commitment from 2003 to February 1, 2014.

The Company has also entered into a share pledge agreement with AVAS for 58% of its shareholding in ArcelorMittal Hunedoara's share capital towards its capital expenditure commitments for five years commencing April 2004. This share pledge agreement is still effective on December 31, 2009, as the Company did not receive written confirmation from AVAS on due fulfillment of the investment obligations undertaken for the five investment years.

#### Stock Option Plans

In 1999, the Company established the ArcelorMittal Global Stock Option Plan, known as "ArcelorMittalShares" with duration of ten years. As the initial plan reached expiration, a new "ArcelorMittal Global Stock Option Plan 2009-2018" was adopted by the Annual General Meeting shareholders on May 12, 2009 and took effect as of May 15, 2009. Under the terms of this new stock option plan, ArcelorMittal may grant options to purchase common stock to senior management of ArcelorMittal and its associates for up to 100,000,000 shares of common stock. The exercise price of each option equals not less than the fair market value of ArcelorMittal stock on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

On August 5, November 10 and December 15, 2008, ArcelorMittal granted 7,255,950, 20,585 and 48,000 options, respectively, under the ArcelorMittalShares plan to a group of key employees at an exercise price of \$82.57, \$22.25 and \$23.75, respectively. The options expire on August 5, November 10 and December 15, 2018, respectively.

On August 4, 2009, ArcelorMittal granted 6,128,900 options under the new ArcelorMittal Global Stock Option Plan 2009-2018 to a group of key employees at an exercise price of \$38.30. The options expire on August 4, 2019.

The Company determines the fair value of the options at the date of grant using the Black-Scholes model. The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of operations over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting.

The fair value of each option grant to purchase ArcelorMittal common shares is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions (based on year of grant):

	Year of grant 2008	Year of grant 2009
Exercise price per share	\$82.57-22.25	\$38.30
Dividend yield	1.82%-6.74%	1.96%
Expected annualized volatility	45%-57%	62%
Discount rate – bond equivalent yield	4.02%-2.52%	3.69%
Weighted average share price	\$82.57-22.25	\$38.30
Expected life in years	6	6
Fair value of options (per share)	\$34-9	\$20

The expected life of the options is estimated by observing general option holder behavior and actual historical lives of ArcelorMittal stock option plans. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on ArcelorMittal shares in the open market, as well as, historical patterns of volatility.

The compensation expense recognized for stock option plans was 228 and 176 for each of the years ended December 31, 2008, and 2009, respectively.

Option activity with respect to ArcelorMittalShares is summarized below as of and for each of the years ended December 31, 2008, and 2009:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
<b>Outstanding, December 31, 2007</b>	<b>13,579,438</b>	<b>2.26-74.54</b>	<b>46.15</b>
Granted	7,324,535	22.25-82.57	82.01
Exercised	(954,844)	2.26-64.30	31.88
Cancelled	(347,034)	2.26-82.57	51.28
Forfeitures	(43,629)	28.75-64.30	43.35
<b>Outstanding, December 31, 2008</b>	<b>19,558,466</b>	<b>2.26-82.57</b>	<b>60.01</b>
Granted	6,128,900	38.30	38.30
Exercised	(456,251)	2.26-33.76	24.56
Cancelled	(539,023)	33.76-82.57	70.02
Forfeitures	(644,712)	2.26-82.57	52.20
<b>Outstanding, December 31, 2009</b>	<b>24,047,380</b>	<b>2.26-82.57</b>	<b>55.22</b>
Exercisable, December 31, 2009	11,777,703	2.26-82.57	52.46
Exercisable, December 31, 2008	6,011,214	2.26-82.57	39.75

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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The following table summarizes information about total stock options of the Company outstanding as of December 31, 2009:

Exercise Prices (per option)	Options Outstanding		
	Number of Options	Weighted average contractual life (in years)	Options exercisable (number of options)
82.57	6,831,783	8.60	2,379,762
74.54	13,000	7.95	8,666
64.30	5,244,202	7.59	3,571,929
43.40	1,394,326	3.50	1,394,326
38.30	6,121,900	9.60	27,000
33.76	2,425,857	6.67	2,425,434
28.75	1,552,547	5.65	1,552,547
23.75	48,000	8.96	15,998
22.25	20,585	8.87	6,861
20.38	11,429	2.50	11,429
16.53	29,373	1.50	29,373
8.57	150,200	0.42	150,200
2.26	204,178	2.26	204,178
<b>\$2.26-82.57</b>	<b>24,047,380</b>	<b>7.84</b>	<b>11,777,703</b>

**Note 17: Financial Income and Expense**

Financial income and expense recognized in the years ended December 31, 2008 and 2009 is as follows:

	2008*	2009
<b>Recognized in the statement of operations</b>		
Interest expense	(2,044)	(1,696)
Interest income	497	190
Fair value adjustment on Convertible Bonds	—	(897)
Net gain (loss) on derivative instruments	(177)	(28)
Net foreign exchange result and others	(628)	(386)
<b>Total</b>	<b>(2,352)</b>	<b>(2,817)</b>
<b>Recognized in equity (Company share)</b>		
Net change in fair value of available-for-sale financial assets	(78)	48
Effective portion of changes in fair value of cash flow hedge	1,844	(535)
Foreign currency translation differences for foreign operations	(6,129)	3,115
<b>Total</b>	<b>(4,363)</b>	<b>2,628</b>

\* As required IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Net foreign exchange result and others include the net foreign exchange impact, bank fees, interest on defined benefit obligations and impairments of financial instruments. Bank fees, interests on defined benefit obligations and amounts related to taxes have been reclassified from interest expense to others to conform to current year presentation.

**Note 18: Income Tax****Income tax expense (benefit)**

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2008 and 2009, respectively, is summarized as follows:

	Year ended December 31, 2008*	Year ended December 31, 2009
Total current income tax expense	2,494	354
Total deferred tax expense (benefit)	(1,366)	(4,866)
<b>Total income tax expense (benefit)</b>	<b>1,128</b>	<b>(4,512)</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

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

	Year ended December 31, 2008*	Year ended December 31, 2009
<b>Net income:</b>	<b>9,466</b>	<b>118</b>
Non-controlling interests	1,032	(43)
Income from investments in associates and joint ventures	(1,653)	(58)
Income tax expense (benefit)	1,128	(4,512)
<b>Income (loss) before tax and income from investments in associates and joint ventures:</b>	<b>9,973</b>	<b>(4,495)</b>
Tax expense (benefit) at the domestic rates applicable to profits (losses) in the countries	1,429	(2,975)
Permanent items	(544)	(1,325)
Benefit arising from interest in partnership	(21)	(19)
Rate changes	(151)	(13)
Net change in measurement of deferred tax assets	(410)	230
Benefit of tax holiday	(7)	72
Effects of foreign currency translation	728	(521)
Tax deduction	—	—
Tax credits	(95)	(296)
Other taxes	177	216
Others	22	119
<b>Income tax expense (benefit)</b>	<b>1,128</b>	<b>(4,512)</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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The 2008 permanent items of (544) result from deemed deductions on taxable income of (979), tax expense relating to interest recaptures of 184, tax expense of 177 relating to non-deductible provisions and tax expense of 74 relating to other permanent items.

The 2009 permanent items of (1,325) result from deemed deductions on taxable income of (1,149), tax profit of (131) relating to tax exempt reversal on provision for litigation, tax profit of (99) relating to tax deductible capital loss on sale of shares and tax expense of 54 relating to other permanent items.

The 2008 tax benefit from rate changes of (151) mainly results from the decrease of corporate income tax rates in Kazakhstan, Luxembourg, South-Africa and Russia.

The 2008 net change in measurement of deferred tax assets of (410) primarily consists of a net tax benefit of 295 for recognition of acquired deferred tax assets and other net tax benefit of 115, mainly relating to recognized deferred tax assets for not acquired deferred tax assets, partly offset by non-recognition of deferred tax assets for losses of the year.

The 2009 net change in measurement of deferred tax assets of 230 primarily consists of tax expense of 467 due to not recognizing certain deferred tax assets in 2009 offset by additional recognition of deferred tax assets for losses of previous years of (161) and other items of (76).

Certain agreements, for example, tax holidays, relating to acquisitions and capital investments undertaken by the Company, provide reduced tax rates, fixed amounts of tax as in Kazakhstan (expiring in 2009), or, in some cases exemption from income tax as in Algeria (expiring in 2014).

The effects of foreign currency translation of 728 and 521 at December 31, 2008 and 2009, respectively, pertain to certain entities with the US dollar as functional currency and the local currency for tax purposes.

The tax credits of 95 and 296 in 2008 and 2009 respectively are mainly attributable to our operating subsidiaries in Spain. They relate to credits claimed on research and development, credits on investment and to tax sparing credits.

Other taxes include withholding taxes on dividends, services, royalties and interests. It also includes Secondary Taxation on Companies ("STC"), which is a tax levied on dividends declared by South African companies. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. On declaration of a dividend, the South African Operating Subsidiary includes the STC tax in its computation of the income tax expense. If the South African Operating Subsidiary distributed all of its undistributed retained earnings of 2,978 and 2,956 in 2008 and 2009, respectively, it would be subject to additional taxes of 271 and 269, respectively. STC on dividends declared in 2008 and 2009 were 31 and 17, respectively.

Others of 119 in 2009 mainly consists of a tax provision of 40 for the restructuring of a US subsidiary, tax expense of 51 due to recognition of a flat tax effect in Mexico and tax expense of 28 due to prior period taxes.

The net deferred tax benefit (expense) recorded directly to equity was (789) and 406 as of December 31, 2008 and 2009, respectively. The net current tax benefit (expense) recorded directly to equity was (67) and 18 as of December 31, 2008 and 2009, respectively.

## Income tax recognized directly in equity

	2008	2009
<b>Current tax</b>		
Recognized in other comprehensive income on:		
Foreign currency translation adjustments	(67)	18
	<b>(67)</b>	<b>18</b>
<b>Deferred tax</b>		
Recognized in other comprehensive income on:		
Unrealized gain (loss) on available-for-sale securities	9	(3)
Unrealized gain (loss) on derivative financial instruments	(868)	174
Foreign currency translation adjustments	55	(370)
Recognized in additional paid-in capital on:		
Movements on treasury shares	15	682
Recognized in retained earnings on:		
Cancellation of cash settlement option on 800 convertible senior notes	—	(81)
Recognized in non-controlling interests on:		
Issuance of bonds mandatorily convertible in shares of subsidiaries	—	4
	<b>(789)</b>	<b>406</b>

In 2008, the Company recognized an impairment expense for tax purposes as the market value of its treasury shares was lower than the recorded value. The impairment expense resulted in the recognition of a deferred tax asset as the Company had tax loss carryforwards in Luxembourg. In addition, the Company recognized a deferred tax liability for the potential future recapture of the recognized impairment expense. In accordance with IFRS, the corresponding tax benefit and expenses, netting to zero, was recognized in the consolidated statements of changes in equity. As a result of the Offering, the Company realized a loss on the sale of shares for tax purposes and reversed 682 of the deferred tax liability previously recognized.

The origin of deferred tax assets and liabilities is as follows:

	Assets 2008*	Assets 2009	Liabilities 2008*	Liabilities 2009	Net 2008*	Net 2009
Intangible assets	179	167	(1,195)	(1,104)	(1,016)	(937)
Property, plant and equipment	237	277	(9,712)	(9,293)	(9,475)	(9,016)
Inventories	565	421	(470)	(425)	95	(4)
Available-for-sale financial assets	—	—	(14)	(12)	(14)	(12)
Financial instruments	77	436	(67)	(92)	10	344
Other assets	98	258	(1,533)	(665)	(1,435)	(407)
Provisions	2,755	2,806	(574)	(1,008)	2,181	1,798
Other liabilities	861	455	(343)	(677)	518	(222)
Tax losses carried forward	3,164	7,468	—	—	3,164	7,468
Tax credits	424	724	—	—	424	724
Untaxed reserves	—	—	(41)	(42)	(41)	(42)
<b>Deferred tax assets/(liabilities)</b>	<b>8,360</b>	<b>13,012</b>	<b>(13,949)</b>	<b>(13,318)</b>	<b>(5,589)</b>	<b>(306)</b>
Deferred tax assets					805	4,838
Deferred tax liabilities					(6,394)	(5,144)

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).



Notes to the Consolidated Financial Statements *continued*

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Deferred tax assets not recognized by the Company as of December 31, 2008\* were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	11,370	3,557	3,164	393
Tax credits and other tax benefits	719	719	424	295
Other temporary differences	15,928	5,017	4,772	245
<b>Total</b>		<b>9,293</b>	<b>8,360</b>	<b>933</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

Deferred tax assets not recognized by the Company as of December 31, 2009 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	27,315	8,220	7,468	752
Tax credits and other tax benefits	1,410	844	724	120
Other temporary differences	15,845	4,966	4,820	146
<b>Total</b>		<b>14,030</b>	<b>13,012</b>	<b>1,018</b>

ArcelorMittal had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 933 and 1,018 as of December 31, 2008 and 2009, respectively. As of December 31, 2009, most of the deferred tax assets not recognized relate to tax loss carry forwards attributable to various subsidiaries located in different jurisdictions (primarily Belgium, Brazil, Luxembourg, Mexico and the United States) with different statutory tax rates. Therefore, the amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a given blended rate. The majority of unrecognized tax losses have an expiration date. In addition, the utilization of tax loss carry forwards is restricted to the taxable income of the subsidiary or tax consolidated group to which it belongs.

At December 31, 2009, 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 total deferred tax assets of 4,838 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the total deferred tax assets is approximately 16,409. 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 loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

In 2007, ArcelorMittal has recorded approximately 35 of deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income taxes due if these earnings would be distributed. There was no material change to these liabilities as of December 31, 2008 and December 31, 2009. Investments in our subsidiaries are not expected to reverse in the foreseeable future and therefore capital gains are not anticipated. The aggregate amount of deferred tax liabilities relating to investments in subsidiaries, branches and associates and investments that is not recognized is approximately 471.

*Tax loss carry forwards*

At December 31, 2009, the Company had total estimated net tax loss carry forwards of 27,315.

Such amount includes net operating losses of 5,914 primarily related to subsidiaries in Canada, Mexico, Poland, Romania, Spain, Russia and the United States, which expire as follows:

Year expiring	Amount
2010	70
2011	4
2012	8
2013	37
2014	1,174
2015-2029	4,621
<b>Total</b>	<b>5,914</b>

The remaining tax loss carry forwards of 21,401 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, France, Germany, Luxembourg and Trinidad and Tobago.

Tax loss carry forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax loss carry forwards in future years.

**Note 19: Provisions**

The movements by provision were as follows:

	Balance at December 31, 2007	Additions	Deductions – Payments and other releases	Acquisitions	Effects of Foreign Exchange and other movements	Balance at December 31, 2008
Environmental (see note 23)	889	125	(146)	—	(99)	769
Asset retirement obligations	176	22	(3)	71	12	278
Restructuring	565	215	(117)	8	(105)	566
Voluntary separation plans <sup>1</sup>	—	945	—	—	(10)	935
Litigation (see note 23)	1,023	847	(252)	66	(83)	1,601
Commercial agreements and onerous contracts	134	743	(29)	12	(5)	855
Other <sup>2</sup>	813	317	(519)	16	4	631
	<b>3,600</b>	<b>3,214</b>	<b>(1,066)</b>	<b>173</b>	<b>(286)</b>	<b>5,635</b>
Short-term provisions	1,144					3,292
Long-term provisions	2,456					2,343
	<b>3,600</b>					<b>5,635</b>

<sup>1</sup> Voluntary separation plans were announced at the end of 2008 by the Group Management Board and were largely completed in 2009. As of December 2009, the outstanding provision relates to remaining plans primarily in France, Romania, USA, Poland, Bosnia, Ukraine, Belgium, Czech Republic, Argentina, Kazakhstan, Germany and Spain.

<sup>2</sup> Other includes provisions for technical warranties, guarantees as well as other disputes.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

	Balance at December 31, 2008	Additions	Deductions – Payments and other releases	Acquisitions	Effects of Foreign Exchange and other movements	Balance at December 31, 2009
Environmental (see note 23)	769	72	(131)	—	33	743
Asset retirement obligations	278	49	(2)	—	11	336
Restructuring	566	78	(131)	1	(183)	331
Voluntary separation plans <sup>1</sup>	935	280	(685)	—	(218)	312
Litigation (see note 23)	1,601	296	(803)	2	125	1,221
Commercial agreements and onerous contracts	855	471	(1,150)	—	(2)	174
Other <sup>2</sup>	631	266	(321)	3	(142)	437
	<b>5,635</b>	<b>1,512</b>	<b>(3,223)</b>	<b>6</b>	<b>(376)</b>	<b>3,554</b>
Short-term provisions	3,292					1,433
Long-term provisions	2,343					2,121
	<b>5,635</b>					<b>3,554</b>

<sup>1</sup> Voluntary separation plans were announced at the end of 2008 by the Group Management Board and were largely completed in 2009.

As of December 2009, the outstanding provision relates to remaining plans primarily in France, Romania, USA, Poland, Bosnia, Ukraine, Belgium, Czech Republic, Argentina, Kazakhstan, Germany and Spain.

<sup>2</sup> Other includes provisions for technical warranties, guarantees as well as other disputes.

There are uncertainties regarding the timing of the provisions which are planned to be used in a period of one to four years except for the environmental provisions which are planned to be used for up to 20 years.

**Note 20: Accrued Expenses and Other Liabilities**

Accrued expenses were comprised of the following as of December 31:

	2008*	2009
Accrued payroll and employee related expenses	1,949	1,949
Other payables	1,942	1,810
Other creditors	1,143	1,349
Revaluation of derivative instruments	1,094	905
Other amounts due to public authorities	791	731
Unearned revenue and accrued payables	317	217
<b>Total</b>	<b>7,236</b>	<b>6,961</b>

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

## Note 21: Commitments

The Company's commitments consist of three main categories:

- non-cancellable operating leases,
- various purchase and capital expenditure commitments,
- pledges, guarantees and other collateral instruments given to secure financial debt and credit lines.

### Operating leases

The Company leases various facilities, land and equipment under non-cancellable lease arrangements. Future payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2009 according to maturity periods are as follows:

Less than 1 year	88
1-3 years	172
4-5 years	120
More than 5 years	141
<b>Total</b>	<b>521</b>

The operating leases are mainly related to land, properties, warehouses, machineries and technical equipment.

### Commitments given

	December 31. 2008	December 31. 2009
Purchase commitments	29,724	26,229
Capital expenditure commitments	2,233	1,515
Guarantees, pledges and other collateral	4,796	4,944
Other commitments	5,759	5,895
<b>Total</b>	<b>42,512</b>	<b>38,583</b>

### Purchase commitments

Purchase commitments consist primarily of major agreements for procuring iron ore, coking coal, coke and hot metal. The Company also has a number of agreements for electricity, industrial and natural gas, as well as freight contracts.

### Guarantees, property and other collateral

Property pledges and guarantees mainly relate to mortgages entered into by the Company's Operating Subsidiaries and guarantees issued related to external debt financing.

Guarantees consist of guarantees of financial loans and credit lines granted to non-consolidated subsidiaries and investments and joint ventures accounted for under the equity method, first demand and documentary guarantees, as well as guarantees provided to state authorities such as customs.

Other collateral and guarantees include documentary credits, letters of credit and sureties.

### Other commitments given

Other commitments given comprise commitments incurred for the long-term use of goods belonging to a third party, commitments incurred under operating leases and credit lines confirmed to customers but not drawn, and commitments relating to grants.

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

*Commitments received*

	December 31. 2008	December 31. 2009
Endorsements and guarantees received from non-consolidated companies	921	1,033
Other commitments received	7,037	13,647
<b>Total</b>	<b>7,958</b>	<b>14,680</b>

**Other commitments received**

Other commitments received includes commitments deriving from bills, sureties and guarantees provided by third parties. It also includes the unutilized and available portions of the Company's €5 billion revolving credit facility and \$4 billion credit facility (see note 14).

Multi-currency Letter of Credit Facility: On December 30, 2005 the Company entered into a multi-currency revolving letter of credit facility in an aggregate amount equal to 800 with a consortium of lenders. The amount available under this facility was 418 as of December 31, 2009. This facility is used by the Company and its subsidiaries for the issuance of letters of credit and guarantees. The terms of the letter of credit and guarantees contain certain restrictions as to duration. On December 16, 2009 the financial covenant has been aligned to the financial covenant included in the €17 billion credit facility and the \$4 billion credit facility.

Other guarantee credit and letter of credit facilities: In 2004, 2005 and 2006 the Company entered guarantee credit facilities currently totaling €220 million (317).

**Note 22: Deferred Employee Benefits**

ArcelorMittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer other post-employment benefits, principally healthcare. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the statements of financial position are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets, future healthcare cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial loss amounted to 1,678 for pensions and 401 for other post retirement benefits as of December 31, 2009.

On August 30, 2008 ArcelorMittal USA reached a labor agreement with the United Steelworkers of America (the "USW") for most of its steel plants and iron ore operations in the US. The USW ratified this agreement on October 21, 2008. The agreement increased wages, provided a signing bonus of six thousand dollars per employee, increased the pension multiplier for certain employees, increased payments into Steelworkers pension trust, provided for a lump sum payment upon retirement for certain employees, and reduced the premium retirees must pay for healthcare.

The most significant change to this agreement is the change in the funding principles of a Voluntary Employee Benefit Association ("VEBA") for retiree healthcare. Previously this fund was accounted for as a profit-sharing arrangement. The change in the contractual obligation led to the recognition in 2008 of a liability and other post-employment expense of 1,424 for those obligations had previously vested. The cash outflow related to these benefits is a requirement to fund 25 per quarter into the VEBA for the first four years plus a cash payment of 90 in 2008 for profits earned prior to signing the contract. The impact of those changes is discussed further in the post-employment benefits section of this note.

The Company agreed in 2008 to transfer to ArcelorMittal USA a number of shares held in treasury equal to 130, subject to certain adjustments, in several tranches until the end of 2010 to provide a means for ArcelorMittal USA to meet its cash funding requirements to the ArcelorMittal USA Pension Trust. The first tranche, consisting of 1,121,995 treasury shares, was transferred on December 29, 2008 for consideration of \$23.72 per share, the New York Stock Exchange opening price on December 23, 2008. The second tranche, consisting of 119,070 treasury shares, was transferred on June 29, 2009 for consideration of \$32.75 per share, the New York Stock Exchange opening price on June 26, 2009. The third tranche, consisting of 1,000,095 treasury shares, was transferred on September 15, 2009, for consideration of \$39.00 per share, the New York Stock Exchange opening price on September 14, 2009.

**Pension Plans**

A summary of the significant defined benefit pension plans is as follows:

*U.S.*

ArcelorMittal USA's Pension Plan and Pension Trust is a non-contributory defined benefit plan covering approximately 24% of its employees. Benefits for most non-represented employees who receive pension benefits are determined under a "Cash Balance" formula as an account balance which grows as a result of interest credits and of allocations based on a percentage of pay. Benefits for other non-represented salaried employees who receive pension benefits are determined as a monthly benefit at retirement depending on final pay and service. Benefits for wage and salaried employees represented by a union are determined as a monthly benefit at retirement based on fixed rate and service.

*Canada*

The primary pension plans are those of ArcelorMittal Dofasco and ArcelorMittal Mines Canada. The ArcelorMittal Dofasco pension plan is a hybrid plan providing the benefits of both a defined benefit and defined contribution pension plan. The defined contribution component is financed by both employer and employee contributions. The employer also contributes a percentage of profits in the defined contribution plan. The ArcelorMittal Mines Canada defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on an employee's length of service. This plan was closed for new hires on December 31, 2009, and replaced by a defined contribution pension plan with contributions related to age and services. The ArcelorMittal Mines Canada hourly workers' defined benefit plan is a unionized plan and is still open to new hires.

*Brazil*

The primary defined benefit plans, financed through trust funds, have been closed to new entrants. Brazilian entities have all established defined contribution plans that are financed by employer and employee contributions.

*Europe*

Certain European Operating Subsidiaries maintain primarily unfunded defined benefit pension plans for a certain number of employees. Benefits are based on such employees' length of service and applicable pension table under the terms of individual agreements. Some of these unfunded plans have been closed to new entrants and replaced by defined contributions pension plans for active members financed by employer and employee contributions.

*South Africa*

There are two primary defined benefit pension plans. These plans are closed to new entrants. The assets are held in pension funds under the control of the trustees and both funds are wholly funded for qualifying employees. South African entities have also implemented defined contributions pension plans that are financed by employers' and employees' contributions.

*Other*

A limited number of funded defined benefit plans are in place in countries where funding of multi-employer pension plans is mandatory.

ArcelorMittal and Subsidiaries

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

The weighted-average asset allocations for the funded defined benefit pension plans by asset category were as follows:

	December 31, 2008					
	U.S.	Canada	Brazil	Europe	South Africa	Others
Equity Securities	45%	55%	7%	13%	34%	39%
Fixed Income (including cash)	35%	40%	91%	69%	52%	56%
Real Estate	7%	—	—	—	—	—
Other	13%	5%	2%	18%	14%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

[illegible]

These assets do not include any direct investment in ArcelorMittal or in property or other assets occupied or used by ArcelorMittal except for the transaction explained previously. This does not exclude ArcelorMittal shares included in mutual fund investments. The invested assets produced an actual return of (1,128) and 950 in 2008 and 2009, respectively.

The Finance and Retirement Committees of the Board of Directors for the respective Operating Subsidiaries have general supervisory authority over the respective trust funds. These committees have established the following asset allocation targets. These targets are considered benchmarks and are not mandatory.

	December 31, 2009					
	U.S.	Canada	Brazil	Europe	South Africa	Others
Equity Securities	63%	60%	15%	15%	35%	50%
Fixed Income (including cash)	23%	40%	85%	77%	55%	50%
Real Estate	5%	—	—	2%	—	—
Other	9%	—	—	6%	10%	—
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



The following tables detail the reconciliation of defined benefit obligation, plan assets and statement of financial position.

	Year December 31, 2008						
	Total	U.S.	Canada	Brazil	Europe	South Africa	Other
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	10,512	3,078	3,034	639	2,486	1,069	206
Service cost	163	42	61	11	38	—	11
Interest cost	625	181	161	69	127	69	18
Plan amendments	180	155	11	—	10	—	4
Plan participants' contribution	6	—	1	3	1	—	1
Acquisition	20	—	—	—	—	—	20
Curtailments and settlements	12	—	(1)	(1)	(12)	—	26
Actuarial (gain) loss	(141)	50	(248)	37	42	(15)	(7)
Benefits paid	(760)	(225)	(167)	(37)	(194)	(92)	(45)
Foreign currency exchange rate differences and other movements	(1,258)	—	(577)	(171)	(182)	(288)	(40)
<b>Benefit obligation at end of the period</b>	<b>9,359</b>	<b>3,281</b>	<b>2,275</b>	<b>550</b>	<b>2,316</b>	<b>743</b>	<b>194</b>
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	8,091	2,627	2,707	731	623	1,290	113
Expected return on plan assets	584	215	182	82	25	69	11
Actuarial loss	(1,712)	(915)	(631)	(24)	(24)	(103)	(15)
Employer contribution	458	213	170	18	56	—	1
Plan participants' contribution	6	—	1	3	1	—	1
Settlements	(11)	—	—	—	(11)	—	—
Benefits paid	(589)	(224)	(166)	(37)	(64)	(92)	(6)
Foreign currency exchange rate differences and other movements	(1,039)	—	(477)	(184)	(40)	(338)	—
<b>Fair value of plan assets at end of the period</b>	<b>5,788</b>	<b>1,916</b>	<b>1,786</b>	<b>589</b>	<b>566</b>	<b>826</b>	<b>105</b>
(Unfunded) funded status of the plans	(3,571)	(1,365)	(489)	39	(1,750)	83	(89)
<i>of which net present value of funded obligation</i>	<i>(2,170)</i>	<i>(1,323)</i>	<i>(477)</i>	<i>39</i>	<i>(506)</i>	<i>83</i>	<i>14</i>
<i>of which present value of unfunded obligation</i>	<i>(1,401)</i>	<i>(42)</i>	<i>(12)</i>	<i>—</i>	<i>(1,244)</i>	<i>—</i>	<i>(103)</i>
Unrecognized net actuarial loss	1,969	1,700	179	44	22	—	24
Unrecognized past service cost	29	28	—	—	1	—	—
Prepaid due to unrecoverable surpluses	(155)	—	—	(69)	(3)	(83)	—
<b>Net amount recognized</b>	<b>(1,728)</b>	<b>363</b>	<b>(310)</b>	<b>14</b>	<b>(1,730)</b>	<b>—</b>	<b>(65)</b>
Net assets related to funded obligations	491	406	49	17	—	—	19
<b>Recognized liabilities</b>	<b>(2,219)</b>	<b>(43)</b>	<b>(359)</b>	<b>(3)</b>	<b>(1,730)</b>	<b>—</b>	<b>(84)</b>

Notes to the Consolidated Financial Statements *continued*

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	Year December 31, 2009						
	Total	U.S.	Canada	Brazil	Europe	South Africa	Other
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	9,359	3,281	2,275	550	2,316	743	194
Service cost	160	53	51	10	37	—	9
Interest cost	635	183	168	70	126	71	17
Plan amendments	46	—	6	—	35	—	5
Plan participants' contribution	5	—	1	2	1	—	1
Acquisition	3	—	—	—	3	—	—
Curtailments and settlements	(24)	—	—	(10)	(9)	—	(5)
Actuarial (gain) loss	330	—	168	22	141	(4)	3
Benefits paid	(769)	(247)	(174)	(43)	(188)	(90)	(27)
Foreign currency exchange rate differences and other movements	867	—	393	198	82	190	4
<b>Benefit obligation at end of the period</b>	<b>10,612</b>	<b>3,270</b>	<b>2,888</b>	<b>799</b>	<b>2,544</b>	<b>910</b>	<b>201</b>
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	5,788	1,916	1,786	589	566	826	105
Expected return on plan assets	479	156	140	79	23	71	10
Actuarial gain (loss)	471	265	130	39	42	(4)	(1)
Employer contribution	302	48	202	13	38	—	1
Plan participants' contribution	5	—	1	2	1	—	1
Settlements	(3)	—	—	(9)	6	—	—
Benefits paid	(613)	(244)	(173)	(43)	(55)	(90)	(8)
Foreign currency exchange rate differences and other movements	766	—	310	215	23	218	—
<b>Fair value of plan assets at end of the period</b>	<b>7,195</b>	<b>2,141</b>	<b>2,396</b>	<b>885</b>	<b>644</b>	<b>1,021</b>	<b>108</b>
(Unfunded) funded status of the plans	(3,417)	(1,129)	(492)	86	(1,900)	111	(93)
<i>of which net present value of funded obligation</i>	<i>(1,883)</i>	<i>(1,095)</i>	<i>(477)</i>	<i>86</i>	<i>(519)</i>	<i>111</i>	<i>11</i>
<i>of which present value of unfunded obligation</i>	<i>(1,534)</i>	<i>(34)</i>	<i>(15)</i>	<i>—</i>	<i>(1,381)</i>	<i>—</i>	<i>(104)</i>
Unrecognized net actuarial loss	1,678	1,242	251	30	127	—	28
Unrecognized past service cost	3	2	—	—	1	—	—
Prepaid due to unrecoverable surpluses	(221)	—	(3)	(104)	(3)	(111)	—
<b>Net amount recognized</b>	<b>(1,957)</b>	<b>115</b>	<b>(244)</b>	<b>12</b>	<b>(1,775)</b>	<b>—</b>	<b>(65)</b>
Net assets related to funded obligations	294	194	65	17	—	—	18
<b>Recognized liabilities</b>	<b>(2,251)</b>	<b>(79)</b>	<b>(309)</b>	<b>(5)</b>	<b>(1,775)</b>	<b>—</b>	<b>(83)</b>

*Asset Ceiling*

The amount not recognized in the fair value of plan assets due to the asset ceiling was 155 and 221 at December 31, 2008 and 2009, respectively.

The following tables detail the components of net periodic pension cost:

	Year December 31, 2008						
	Total	U.S.	Canada	Brazil	Europe	South Africa	Other
<b>Net periodic pension cost (benefit)</b>							
Service cost	163	42	61	11	38	—	11
Interest cost	625	181	161	69	127	69	18
Expected return on plan assets	(584)	(215)	(182)	(82)	(25)	(69)	(11)
Charges due to unrecoverable surpluses	(8)	—	—	(11)	3	—	—
Curtailements and settlements	25	—	(1)	—	—	—	26
Amortization of unrecognized past service cost	152	127	11	—	10	—	4
Amortization of unrecognized actuarial (gain) loss	78	69	(6)	12	2	—	1
<b>Total</b>	<b>451</b>	<b>204</b>	<b>44</b>	<b>(1)</b>	<b>155</b>	<b>—</b>	<b>49</b>

	Year Ended December 31, 2009						
	Total	U.S.	Canada	Brazil	Europe	South Africa	Other
<b>Net periodic pension cost</b>							
Service cost	160	53	51	10	37	—	9
Interest cost	635	183	168	70	126	71	17
Expected return on plan assets	(479)	(156)	(140)	(79)	(23)	(71)	(10)
Charges due to unrecoverable surpluses	13	—	3	10	—	—	—
Curtailements and settlements	(13)	—	—	1	(11)	—	(3)
Amortization of unrecognized past service cost	72	26	6	—	35	—	5
Amortization of unrecognized actuarial loss	201	184	10	6	—	—	1
<b>Total</b>	<b>589</b>	<b>290</b>	<b>98</b>	<b>18</b>	<b>164</b>	<b>—</b>	<b>19</b>

#### Other post-employment benefits

ArcelorMittal's principal Operating Subsidiaries in the U.S., Canada and Europe, among certain others, provide other post-employment benefits ("OPEB"), including medical benefits and life insurance benefits, to retirees. Substantially all union-represented ArcelorMittal USA employees are covered under post-employment life insurance and medical benefit plans that require deductible and co-insurance payments from retirees. The post-employment life insurance benefit formula used in the determination of post-employment benefit cost is primarily based on applicable annual earnings at retirement for salaried employees and specific amounts for hourly employees. ArcelorMittal USA does not pre-fund most of these post-employment benefits.

In connection with the current labor agreement between ArcelorMittal USA and the USW, the Company agreed to changes to an existing Voluntary Employee Benefit Association ("VEBA"). The VEBA provided limited healthcare benefits to the retirees of certain companies whose assets were acquired (referred to as Legacy Retirees). Contributions into the trust were calculated based on quarterly operating income and on certain overtime hours worked. Benefits paid were based on the availability of funds in the VEBA.

Under the current agreement ArcelorMittal USA agreed to contribute a fixed amount of 25 per quarter and to develop a program of benefits for the Legacy Retirees. Agreements with the USW capped ArcelorMittal USA's share of healthcare costs for ArcelorMittal USA retirees at 2008 levels for years 2010 and beyond. The VEBA will be responsible for reimbursing ArcelorMittal USA for any costs in excess of the cap for retirees of ArcelorMittal USA. Because the current labor agreement specifies the level of benefits to be provided and ArcelorMittal USA is the only source of funding, the obligation meets the definition of a defined benefit plan. Accordingly, ArcelorMittal USA recognized a liability of 571 for the actuarial determined amount of benefits expected to be paid to the Legacy Retirees net of the existing assets in the VEBA trust in 2008. Since these individuals have all retired, the expense was recognized immediately in 2008. ArcelorMittal USA also determined that removing the cap on future healthcare costs increased the defined benefit obligation by 1,061 of which 853 was vested and recognized immediately in 2008. The remaining balance will be recognized evenly over the average period of estimated future service life until the benefits become vested.

The Company has significant assets mostly in the aforementioned VEBA post employment benefit plans. These assets consist of 99% in fixed income and 1% in cash. The total fair value of the assets in VEBA trust was 531 as of December 31, 2009.

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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Summary of changes in the other post employment benefit obligation and the change in plan assets:

	Year December 31, 2008					
	Total	U.S.	Canada	Brazil	Europe	Other
<b>Change in post-employment benefit obligation</b>						
Benefit obligation at beginning of period	2,805	1,215	983	6	522	79
Service cost	54	12	14	—	23	5
Interest cost	212	121	48	1	34	8
Plan amendment	1,695	1,642	2	—	8	43
Actuarial loss (gain)	224	379	(155)	—	(18)	18
Benefits paid	(250)	(135)	(36)	(1)	(78)	—
Curtailments and settlements	4	4	—	—	—	—
Divestitures	(47)	(47)	—	—	—	—
Foreign currency exchange rate changes and other movements	557	670 <sup>1</sup>	(189)	(1)	112	(35)
<b>Benefits obligation at end of period</b>	<b>5,254</b>	<b>3,861</b>	<b>667</b>	<b>5</b>	<b>603</b>	<b>118</b>
Fair value of assets	635	623	—	—	12	—
<b>Unfunded (net) status of the plans</b>	<b>(4,619)</b>	<b>(3,238)</b>	<b>(667)</b>	<b>(5)</b>	<b>(591)</b>	<b>(118)</b>
of which net present value of funded obligation	(774)	(742)	—	—	(32)	—
of which present value of unfunded obligation	(3,845)	(2,496)	(667)	(5)	(559)	(118)
Unrecognized net actuarial loss (gain)	454	695	(223)	—	(35)	17
Unrecognized past service cost (benefit)	199	197	(1)	—	3	—
<b>Net amount recognized</b>	<b>(3,966)</b>	<b>(2,346)</b>	<b>(891)</b>	<b>(5)</b>	<b>(623)</b>	<b>(101)</b>

<sup>1</sup> Includes the existing VEBA trust assets.

	Year December 31, 2009					
	Total	U.S.	Canada	Brazil	Europe	Other
<b>Change in post-employment benefit obligation</b>						
Benefit obligation at beginning of period	5,254	3,861	667	5	603	118
Service cost	60	26	10	—	19	5
Interest cost	299	217	46	—	29	7
Plan amendment	42	24	—	—	18	—
Actuarial loss (gain)	46	38	(17)	(1)	32	(6)
Benefits paid	(327)	(203)	(36)	—	(68)	(20)
Curtailments and settlements	(70)	—	—	—	(70)	—
Divestitures	(4)	—	—	—	(4)	—
Foreign currency exchange rate changes and other movements	116	—	108	1	5	2
<b>Benefits obligation at end of period</b>	<b>5,416</b>	<b>3,963</b>	<b>778</b>	<b>5</b>	<b>564</b>	<b>106</b>
Fair value of assets	577	559	—	—	18	—
<b>Unfunded (net) status of the plans</b>	<b>(4,839)</b>	<b>(3,404)</b>	<b>(778)</b>	<b>(5)</b>	<b>(546)</b>	<b>(106)</b>
of which net present value of funded obligation	(747)	(715)	—	—	(32)	—
of which present value of unfunded obligation	(4,092)	(2,689)	(778)	(5)	(514)	(106)
Unrecognized net actuarial loss (gain)	401	670	(259)	—	(20)	10
Unrecognized past service cost	131	129	—	—	2	—
<b>Net amount recognized</b>	<b>(4,307)</b>	<b>(2,605)</b>	<b>(1,037)</b>	<b>(5)</b>	<b>(564)</b>	<b>(96)</b>

The following tables detail the components of net periodic other post-employment cost:

	Year December 31, 2008					
	Total	U.S.	Canada	Brazil	Europe	Other
<b>Components of net periodic OPEB cost</b>						
Service cost	54	12	14	—	23	5
Interest cost	212	121	48	1	34	8
Expected return on plan assets	(16)	(15)	—	—	(1)	—
Curtailements and settlements	6	6	—	—	—	—
Amortization of unrecognized past service cost	1,504	1,458	1	—	2	43
Amortization of unrecognized actuarial (gain) loss	6	12	(15)	—	9	—
<b>Total</b>	<b>1,766</b>	<b>1,594</b>	<b>48</b>	<b>1</b>	<b>67</b>	<b>56</b>

	Year December 31, 2009					
	Total	U.S.	Canada	Brazil	Europe	Other
<b>Components of net periodic OPEB cost (benefit)</b>						
Service cost	60	26	10	—	19	5
Interest cost	299	217	46	—	29	7
Expected return on plan assets	(39)	(38)	—	—	(1)	—
Curtailements and settlements	(70)	—	—	—	(70)	—
Amortization of unrecognized past service cost	110	92	—	—	18	—
Amortization of unrecognized actuarial (gain) loss	35	32	(16)	(1)	19	1
<b>Total</b>	<b>395</b>	<b>329</b>	<b>40</b>	<b>(1)</b>	<b>14</b>	<b>13</b>

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Plans		Other Post-employment Benefits	
	2008	2009	2008	2009
Discount rate	5.42%-10.77%	4.97%-15%	4.25%-10.77%	4.5%-10.77%
Rate of compensation increase	2.50%-9.2%	1.71%-14%	1.5%-7.12%	2%-7.12%
Expected long-term rate of return on plan assets	3.47%-11.72%	3.52%-11.26%	4.5%-6.11%	4.5%-6.12%

#### Healthcare Cost Trend Rate

	December 31, 2008	December 31, 2009
Healthcare cost trend rate assumed	3%-5.71%	3%-5.4%

#### Cash Contributions

In 2010, the Company expects its cash contributions to amount to 546 for pension plans, 203 for other post employment benefits plans and 149 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 207 in 2009.

Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

## Statement of Financial Position

Together with plans and obligations that do not constitute pension or other post-employment benefits, the total deferred employee benefits are as follows:

	December 31, 2008	December 31, 2009
Pension plan benefits	2,219	2,251
Other post-employment benefits	3,966	4,307
Early retirement benefits	669	886
Other long-term employee benefits	257	139
<b>Total</b>	<b>7,111</b>	<b>7,583</b>

## Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plans (as of December 31, 2009, the defined benefit obligation ("DBO") for pension plans was 10,612):

Change in assumption	Effect on 2010 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2009 DBO
100 basis point decrease in discount rate	(11)	1,134
100 basis point increase in discount rate	8	(948)
100 basis point decrease in rate of compensation	(33)	(255)
100 basis point increase in rate of compensation	39	278
100 basis point decrease in expected return on plan assets	(67)	—
100 basis point increase in expected return on plan assets	67	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal's OPEB plans (as of December 31, 2009 the DBO for post-employment benefit plans was 5,416):

Change in assumption	Effect on 2010 Pre-Tax OPEB Expense (sum of service cost and interest cost)	Effect of December 31, 2009 DBO
100 basis point decrease in discount rate	(10)	640
100 basis point increase in discount rate	8	(532)
100 basis point decrease in healthcare cost trend rate	(39)	(504)
100 basis point increase in healthcare cost trend rate	42	576

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

### Experience adjustments

The two year history of the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit in the pension plans is as follows:

	At December 31, 2008	At December 31, 2009
Present value of the defined benefit obligations	(9,359)	(10,612)
Fair value of the plan assets	5,788	7,195
Deficit	(3,571)	(3,417)
Experience adjustments: (increase)/decrease plan liabilities	(122)	(161)
Experience adjustments: increase/(decrease) plan assets	(1,712)	471

This table illustrates the present value of the defined benefit obligations, the fair value of the plan assets and the surplus or the deficit for the OPEB plans:

	At December 31, 2008	At December 31, 2009
Present value of the defined benefit obligation	(5,254)	(5,416)
Fair value of the plan assets	635	577
Deficit	(4,619)	(4,839)
Experience adjustments: (increase)/decrease in plan liabilities	(142)	14
Experience adjustments: increase/(decrease) in plan assets	(19)	11

### Note 23: Contingencies

ArcelorMittal may be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in note 2.

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

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

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

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



## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### Environmental Liabilities

ArcelorMittal's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2009, ArcelorMittal had established reserves of 743 for environmental remedial activities and liabilities, including 348 in provisions relating to Europe, 219 in provisions relating to the United States, 151 in provisions relating to South Africa and 17 in provisions relating to Canada. ArcelorMittal and the previous owners of its facilities have expended substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations. ArcelorMittal expects to continue recording provisions in this respect in the future.

##### *United States*

ArcelorMittal USA's environmental provisions of 210 are mainly related to investigation, monitoring and remediation of soil and groundwater investigation at its current and former facilities and to removal and disposal of PCBs and asbestos-containing material. The environmental provisions include one to address ArcelorMittal USA's potential liability at two Superfund sites. ArcelorMittal USA's largest environmental provisions relate to investigation and remediation at Indiana Harbor (East), Lackawanna, and its closed mining operations in southwestern Pennsylvania.

In 1990, ArcelorMittal USA's Indiana Harbor (East) facility was party to a lawsuit filed by the U.S. Environmental Protection Agency (the "EPA") under the U.S. Resource Conservation and Recovery Act ("RCRA"). In 1993, ArcelorMittal Indiana Harbor (East) entered into a Consent Decree, which, among other things, requires facility-wide RCRA Corrective Action and sediment assessment and remediation in the adjacent Indiana Harbor Ship Canal. ArcelorMittal USA's provisions for environmental liabilities include approximately 11 for RCRA Corrective Action, and 25 for sediment assessment and remediation at this site. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor (East), but the potential costs of any such remediation cannot yet be reasonably estimated.

ArcelorMittal USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA Corrective Action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires the Company to perform a Remedial Facilities Investigation ("RFI") and a Corrective Measures Study, to implement appropriate interim and final remedial measures, and to perform required post-remedial closure activities. In 2006, the New York State Department of Environmental Conservation and the EPA conditionally approved the RFI.

ArcelorMittal USA has executed Orders on Consent to perform certain interim corrective measures while advancing the Corrective Measures Study. These include installation and operation of a ground water treatment system and dredging of a local waterway known as Smokes Creek. The Company executed a Corrective Measure Order on Consent in 2009 for other site remediation activities. ArcelorMittal USA's provisions for environmental liabilities include approximately 47 for anticipated remediation and post remediation activities at this site. The reserved amount is based on the extent of soil and groundwater contamination identified by the RFI and the remedial measures likely to be required, including excavation and consolidation of containments in an on-site landfill and continuation of groundwater pump and treatment systems.

ArcelorMittal USA is required to prevent acid mine drainage from discharging to surface waters at closed mining operations in southwestern Pennsylvania. In 2003, ArcelorMittal USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the "PaDEP") requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required ArcelorMittal USA to propose a long-term financial assurance mechanism. In 2004, ArcelorMittal USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. ArcelorMittal USA has been funding the treatment trust and has a period of up to ten years to reach the current target value of approximately 29. After the treatment trust is fully funded, the treatment trust will then be used to fund the continuing cost of treatment of acid mine drainage. Although remote, ArcelorMittal USA could be required to make up any deficiency in the treatment trust in the future. ArcelorMittal USA's provisions for environmental liabilities include approximately 28 for this matter.

On August 8, 2006, the U.S. EPA Region V issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation ("NOV") alleging that in early 1994 the facility (then owned by Bethlehem Steel, from whom the assets were acquired out of bankruptcy) commenced a major modification of its #2 Coke Battery without obtaining a Prevention of Significant Deterioration ("PSD") permit and has continued to operate without the appropriate PSD permit. ArcelorMittal USA has discussed the allegations with the EPA, but to date there have been no further formal proceedings. The U.S. EPA Region V also has conducted a series of inspections and submitted information requests under the U.S. Clean Air Act relating to the Burns Harbor facility and several other ArcelorMittal facilities located in Indiana and Ohio. ArcelorMittal has held discussions with the EPA and state environmental agencies regarding their concerns. During such discussions, in addition to the matters raised in the NOV, EPA alleged that ArcelorMittal's Burns Harbor, Indiana Harbor and Cleveland facilities were non-compliant with certain requirements of the U.S. Clean Air Act. Some of EPA's allegations relate to recent compliance performance and some relate to acts by former facility owners that occurred 15-25 years ago. Preliminary analysis by counsel indicates that the allegations related to the acts of former owners appear to be unsound and that the current operations at the Burns Harbor, Indiana Harbor and Cleveland facilities achieve high rates of compliance with existing or, where applicable, anticipated permits and regulations under the U.S. Clean Air Act. Further discussions with EPA and affected state environmental agencies are planned with regard to EPA's expressed concerns.

#### Europe

Provisions total 348 and are mainly related to investigation and remediation of environmental contamination at current and former operating sites in France (119), Luxembourg (99) and Belgium (97). This remediation work relates to various elements such as decontamination of water discharges, waste disposal, cleaning water ponds and certain remediation activities that involve the clean-up of soil and groundwater. These reserves are also related to human health protection measures such as fire prevention and additional contamination prevention measures to comply with local health and safety regulations.

#### France

In France, there is an environmental provision of 119, principally relating to the remediation of former coke plant sites and the capping and monitoring of landfills or basins previously used for residues and secondary materials. The remediation of the coke plants concerns mainly the Thionville, Moyeuvre Grande, Homecourt and Hagondange sites and is related to treatment of soil and groundwater. Douchy's basins will be covered and closed and major treatments will be carried out with respect to the Charleville, Mézières and Biache basins. The Besseges site, an old wiredrawing factory in south of France, also requires significant environmental remediation such as soil and groundwater treatment and remediation of waste equipment.

ArcelorMittal Atlantique et Lorraine has an environmental provision that principally relates to the remediation and the improvement of storage of secondary materials and disposal of waste at different ponds and landfills and an action plan for removing asbestos from the installations. Most of the provision relates to the stocking areas at the Dunkirk site that will need to be restored to comply with local law. The environmental provisions also include treatment of slag dumps at Florange and Dunkirk sites as well as removal and disposal of PCBs and asbestos-containing material at the Dunkirk, Montataire and Mardyck sites.

The Stainless France environmental provision relates to the demolition and clean-up of the Ardoise plant following the end of activity at this site. For the Isbergues site, the provision is related to environmental risks (PCB and asbestos removal) and demolition and clean-up for adaptation of the activity. A provision at Gueugnon plant is related to environmental risks such as soil remediation, PCB removal and asbestos removal.

#### Luxembourg

In Luxembourg, there is an environmental provision of 99, which relates to the post-closure monitoring and remediation of former landfill and mining sites.

ArcelorMittal Belval and Differdange has a provision to clean pond water in Differdange in order to meet the requirements of the Luxembourg Environment Administration (Administration de l'Environnement) regarding discharge in the Chiers River and maintaining sufficient cold water reserves to permit the production of degassed steel in warmer months. The cleaning started in 2006 and is expected to complete in 2011.

In 2007, ArcelorMittal Luxembourg sold the former Ehlerange slag deposit (93 hectares) to the State of Luxembourg. ArcelorMittal Luxembourg is contractually obligated to clean the site and move approximately 530,000 cubic meters of material to other sites.

ArcelorMittal Luxembourg also has a provision to secure, stabilize and conduct waterproofing treatment on mining galleries and entrances and various dumps in Monderlange, Dudelange, Differdange and Dommeldange. Soil and groundwater treatment needs to be performed in Terre-Rouge within the next two years, to eliminate the sludge and clean the soil to accommodate the expansion of the city of Esch-sur-Alzette.

#### Belgium

In Belgium, there is an environmental provision of 97, of which the most significant elements are legal obligations linked to the dismantling of steelmaking installations and soil treatment. Soil treatment is mainly related to cleaning of the groundwater underneath the Coking Plant at the AM Gent site and cleaning of the soil at the Cockerill Sambre site. The provisions also concern the removal of transformers and the disposal of waste that cannot be recycled internally on the AM Gent site and the removal and disposal of PCBs and asbestos-containing material.

#### South Africa

ArcelorMittal South Africa has environmental provisions of approximately 151 to be used over 20 years, mainly relating to environmental remediation obligations that represent the present value of the costs of remedial action to clean and secure a site. These actions are primarily attributable to historical or legacy waste disposal activities. With subsequent changes in national environmental legislation, the unit has a legal obligation to remediate these facilities.

Approximately 48 relates to the decommissioned Pretoria Works site. This site is in a state of partial decommissioning and rehabilitation with one coke battery and a rolling facility still in operation. ArcelorMittal South Africa is in the process of transforming this old plant into an industrial hub for light industry, a process that commenced in the late 1990s. Particular effort is directed to landfill sites. Remediation actions for these sites are long-term in nature due to a complex legal process that needs to be followed. The Vanderbijlpark Works site, the main flat carbon steel operation of the South Africa unit, has been in operation for more than 66 years, and thus contains a number of legacy facilities and areas requiring retirement and remediation. Approximately 57 of the obligation is allocated to this site.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

The ground and surface water allocation largely represent the cost of investigatory work. Consequently, the percentage allocation is expected to increase once the investigatory work is complete and final remediation actions are devised. Newcastle Works site is the main long carbon steel operation of the South Africa unit has been in operation for more than 30 years. Approximately 35 of the obligation is allocated to this site. As with all operating sites of the South African unit the above retirement and remediation actions dovetail with numerous large capital expenditure projects dedicated to environmental management. In the case of the Newcastle site, such dovetailing is currently particularly prevalent with regards to water treatment. The remainder of the obligation of approximately 11 relates to the Vereeniging and Saldanha site.

#### Asset Retirement Obligations ("AROs")

AROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to retire plant and equipment. As of December 31, 2009, ArcelorMittal had established reserves for asset retirement obligations of 35 in provisions relating to Canada and 27 in provisions relating to South Africa. Most of the AROs relate to ancillary plants and equipment that will be retired as part of the closure of the facilities subject to remediation obligations.

The AROs in Canada are legal obligations for site restoration and dismantling of the facilities near the mining site in Mont-Wright and at the facility of Port-Cartier in Quebec, upon closure of the mine pursuant to the restoring plan of the mine.

The AROs of approximately 27 for utilization over 18 years in South Africa are spread evenly between the Pretoria and Vanderbijlpark sites, and relates to the closure and clean-up of the plant associated with decommissioned tank farms, tar plants, chemical stores, railway lines, pipelines and defunct infrastructure.

#### Environmental Remediation Obligations ("EROs")

EROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to restore a site at the end of its useful life. As of December 31, 2009, ArcelorMittal had established reserves for environmental remediation obligations of 130 in provisions relating to Ukraine and 96 in provisions relating to Russia.

The EROs in Ukraine are legal obligations for site rehabilitation at the iron ore mining site in Kryviy Rih, upon closure of the mine pursuant to the restoration plan of the mine.

The EROs in Russia are related to rehabilitation of three coal mines upon closure of the mines pursuant to the mining plan. It is mainly related to quality control of water pumped out of mines and monitoring of gas drainage bore-holes, soil and air.

#### Legal Claims

ArcelorMittal is a party to various legal actions. The principal legal actions are disclosed below.

#### Tax Claims

ArcelorMittal is a party to various tax claims. As of December 31, 2009, ArcelorMittal has established reserves in the aggregate of approximately 9 for the claims disclosed below.

##### *Brazil*

The Brazilian Federal Revenue Service has claimed that ArcelorMittal Brasil owes 138 for IPI (Manufactured Goods Tax) concerning (1) its use of tax credits on the purchase of raw materials that were non-taxable, exempt from tax or subject to a 0% tax rate and (2) the disallowance of IPI credits recorded five to ten years after the relevant acquisition. On March 31, 2009, ArcelorMittal Brasil agreed to participate in a Federal Revenue program settling a number of these disputes. On November 30, 2009, ArcelorMittal Brasil paid the full amount due under the program (i.e., 60) with 13 in cash and the remainder by utilization of tax loss carryforwards, closing this case.

In 2003, the Brazilian Federal Revenue Service granted ArcelorMittal Brasil (through its predecessor company, then known as CST) a tax benefit for certain investments. ArcelorMittal Brasil had received certificates from SUDENE, the former Agency for the Development of the Northeast Region of Brazil, confirming ArcelorMittal Brasil's entitlement to this benefit. In September 2004, ArcelorMittal Brasil was notified of the annulment of these certificates. ArcelorMittal Brasil has pursued its right to this tax benefit through the courts against both ADENE, the successor to SUDENE, and against the Brazilian Federal Revenue Service. The Brazilian Federal Revenue Service issued a tax assessment in this regard for 451 in December 2007. Taking into account interest and currency fluctuations, this amount totaled 690 at December 31, 2009. In December 2008, the administrative tribunal of first instance upheld the amount of the assessment, ArcelorMittal Brasil is appealing to the administrative tribunal of second instance.

The Brazilian Social Security Administration has claimed that ArcelorMittal Brasil owes certain amounts for social contributions in respect of amounts paid by ArcelorMittal Brasil to employees under its profit sharing scheme for the 1998-2005 period. In December 2007, it issued a further 11 tax assessments to ArcelorMittal Brasil in respect of the same subject matter, bringing the total amount claimed to 112. On November 30, 2009, ArcelorMittal adhered to a Federal Revenue program pursuant to which it was required to pay 56 of which 40 is payable in 30 monthly installments and the remainder by utilization of tax loss carryforwards, closing this case.

### Spain

Spanish tax authorities have claimed that amortization recorded by the former Siderúrgica del Mediterraneo, S.A. (currently ArcelorMittal Segunto S.L.) in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 61, including the amount of tax, interest and penalties. A first instance judgment dated April 30, 2009 cancelled any liability for 1995 and 1996 and penalties for all three years. The tax liability of ArcelorMittal for 1997 was assessed at 8 (including interest). Both parties are appealing the decision.

### Competition/Antitrust Claims

ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2009, ArcelorMittal has established reserves of approximately 235 in the aggregate for the claims disclosed below:

#### United States

On September 12, 2008, Standard Iron Works filed a purported class action complaint in U.S. District Court in the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA Inc., and other steel manufacturers, alleging that the defendants had conspired since 2005 to restrict the output of steel products in order to fix, raise, stabilize and maintain prices at artificially high levels in violation of U.S. antitrust law. Since the filing of the Standard Iron Works lawsuit, other similar lawsuits have been filed in the same court and have been consolidated with the Standard Iron Works lawsuit. In January 2009, ArcelorMittal and the other defendants filed a motion to dismiss the claims. On June 12, 2009, the court denied the motion to dismiss. It is too early in the proceedings for ArcelorMittal to determine the amount of its potential liability, if any. ArcelorMittal considers the allegations against it to be entirely unfounded.

#### Brazil

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council (CADE) issued a decision against ArcelorMittal Brasil that resulted in ArcelorMittal Brasil's having to pay a penalty of 62. ArcelorMittal Brasil has appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

There is also a related class action commenced by the Federal Public Prosecutor of the state of Minas Gerais against ArcelorMittal Brasil for damages based on the alleged violations investigated by CADE.

#### Europe

In late 2002, three subsidiaries of ArcelorMittal (Tréfileurope, Tréfileurope Italia S.r.l. and Fontainunion S.A.) – now known as ArcelorMittal Wire France, ArcelorMittal Verderio and ArcelorMittal Fontaine – and two former subsidiaries of ArcelorMittal España (Emesa and Galycas), along with other European manufacturers of pre-stressed wire and strands steel products, received notice that the European Commission was conducting an investigation into possible anti-competitive practices by these companies. In 2004, Emesa and Galycas were sold. ArcelorMittal and its subsidiaries are cooperating fully with the European Commission in this investigation. On October 2, 2008, the European Commission sent a Statement of Objections to (1) ArcelorMittal Wire France, ArcelorMittal Verderio and ArcelorMittal Fontaine for their involvement in the alleged practices under investigation; and (2) ArcelorMittal France (as successor of Usinor), ArcelorMittal Espana and ArcelorMittal (as legal successor to Mittal Steel) in their capacity as former or current parent companies of the current and former subsidiaries involved in the investigation. The Statement of Objections does not indicate the amount of the fine that the European Commission intends to impose on any of the companies. A response to the Statement of Objections was submitted in December 2008 and a hearing took place in February 2009. The European Commission can impose fines for breaches of EU competition law of up to a maximum of 10% of the worldwide annual revenues of the relevant entity in the business year preceding the Commission's decision. The amount of the fine is influenced by, inter alia, the relevant entity's direct or indirect involvement in the alleged anti-competitive practices. ArcelorMittal is currently unable to assess the amount of any fines that will result. ArcelorMittal is contractually required to indemnify the present owner of Emesa and Galycas if a fine is imposed on it relating to any matters that occurred while these entities were owned by Arcelor.

On April 23, 2007, ArcelorMittal received a decision of the Financial Directorate in Ostrava, Czech Republic, which ordered ArcelorMittal Ostrava to pay approximately 120 for allegedly abusing its economic position and, as a result, acquiring unjustified profits in respect of prices of blast furnace coke produced by ArcelorMittal Ostrava and delivered in 2004. The Financial Directorate subsequently ordered ArcelorMittal Ostrava to pay an additional fine of 28 for the period from January to March 2005. After its previous decision in October 2006 was cancelled by the Czech Ministry of Finance, the matter was returned to the Financial Directorate in Ostrava for reexamination. ArcelorMittal Ostrava received notice on June 14, 2007 that the Ministry of Finance had upheld the Financial Directorate of Ostrava's decision. ArcelorMittal Ostrava filed a petition against the decision with the Municipal Court of Prague on June 29, 2007. Filing the petition had the effect of suspending payment of the fines.

In 2004, the French competition authorities (*La Direction Générale de la Consommation et de la Repression des Fraudes*) commenced an investigation into alleged anti-competitive practices in the steel distribution sector in France, including by Arcelor Négoc Distribution, a subsidiary of Arcelor. The case was then referred to the French Competition Council (*Conseil de la Concurrence*), which conducted an investigation. On March 5, 2008, a Statement of Objections was issued to three subsidiaries of ArcelorMittal (PUM Service d'Acier, Arcelor Profil and AMD Sud/Ouest). On December 16, 2008, the French Competition Council imposed fines of €575 million, of which €302 million was apportioned to subsidiaries of ArcelorMittal. In its decision, the French Competition Council concluded that these companies had agreed to fix prices and allocate markets and customers from the period of 1999 to 2004 through regular meetings and exchanges of information. ArcelorMittal appealed the amount of the fine in January 2009 and in January 2010, the Paris Court of Appeals reduced it from €575 million to €74 million (of which €42 million is payable by ArcelorMittal). This decision is subject to appeal.



## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### *South Africa*

ArcelorMittal South Africa was involved in a dispute with Harmony Gold Mining Company Limited and Durban Roodeport Deep Limited in which the latter companies alleged that ArcelorMittal South Africa was in violation of the Competition Act. In 2007, the Competition Tribunal ruled in favor of the plaintiffs and imposed a penalty on ArcelorMittal South Africa of approximately 97 and behavioral remedies. On May 29, 2009, the Competition Appeal Court ordered both decisions of the Competition Tribunal of 2007 to be set aside, both on the merits and on the remedies thereof, and referred the matter back to the Competition Tribunal. On September 14, 2009, the plaintiffs withdrew their complaint before the Competition Tribunal against ArcelorMittal South Africa following a settlement between the parties, which did not include any admission of liability or wrongdoing by ArcelorMittal South Africa.

In February 2007, the complaint previously filed with the South African Competition Commission by Barnes Fencing, a South African producer of galvanized wire, alleging that ArcelorMittal South Africa, as a "dominant firm", discriminated in pricing its low carbon wire rod, was referred to the Competition Tribunal. The claimant seeks, among other sanctions, a penalty of 10% of ArcelorMittal South Africa's sales for 2006 in respect of low carbon wire rod and an order that ArcelorMittal South Africa cease its pricing discrimination. In March 2008, the Competition Tribunal accepted the claimants' application for leave to intervene, prohibiting, however, the claimant from seeking as relief the imposition of an administrative penalty. ArcelorMittal is unable to assess the outcome of this proceeding or the amount of ArcelorMittal South Africa's potential liability, if any.

On September 1, 2009, the South African Competition Commission referred a complaint against four producers of long carbon steel in South Africa, including ArcelorMittal South Africa, and the South African Iron and Steel Institute to the Competition Tribunal. The complaint referral followed an investigation into alleged collusion among the producers initiated in April 2008, on-site inspections conducted at the premises of some of the producers and a leniency application by Scaw South Africa, one of the producers under investigation. The Competition Commission recommended that the Competition Tribunal impose an administrative penalty against ArcelorMittal South Africa, Cape Gate and Cape Town Iron Steel Works in the amount of 10% of their annual revenues in South Africa and exports from South Africa for 2008. The referral and the allegations are currently being analyzed and it is too early for ArcelorMittal to assess the potential outcome of the procedure, including the financial impact.

#### **Other Legal Claims**

ArcelorMittal is a party to various other legal claims. As of December 31, 2009, ArcelorMittal has established reserves of approximately 65 in the aggregate for the claims disclosed below.

#### *United States*

In July 2004, the Illinois Environmental Protection Agency (the "IEPA") notified Indiana Harbor (East) that it had identified that facility as a potentially responsible party in connection with alleged contamination relating to Hillside Mining Co. ("Hillside"), a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940s and whose assets it sold in the early 1950s, in conjunction with the corporate dissolution of that company. The IEPA has required other potentially responsible parties to conduct an investigation of certain areas of potential contamination and it is likely that ArcelorMittal USA may be required to participate at some level in the future. ArcelorMittal USA intends to defend itself fully in this matter. As of December 31, 2009, ArcelorMittal was not able to reasonably estimate the amount of liabilities relating to this matter, if any.

#### *Brazil*

Companhia Vale do Rio Doce ("Vale") has commenced arbitral proceedings against ArcelorMittal España in Brazil, claiming damages arising from allegedly defective rails supplied by ArcelorMittal España to Vale for the Carajas railway in Brazil, which Vale alleges caused a derailment on the railway line. Vale quantifies its claim as 64. Initial submissions were filed by the parties on November 26, 2009 and rebuttals were filed on January 29, 2010. ArcelorMittal España intends to defend itself fully in this matter.

### Canada

In 2008, two complaints filed by Canadian Natural Resources Limited ("CNRL") in Calgary, Alberta against ArcelorMittal, ArcelorMittal USA Inc, Mittal Steel North America Inc. and ArcelorMittal Tubular Products Roman S.A were filed. CNRL alleges negligence in both complaints, seeking damages of 50 and 22, respectively. The plaintiff alleges that it purchased a defective pipe manufactured by ArcelorMittal Tubular Products Roman and sold by ArcelorMittal Tubular Products Roman and Mittal Steel North America Inc. In May 2009, in agreement with CNRL, ArcelorMittal and ArcelorMittal USA were dismissed from the cases without prejudice to CNRL's right to reinstate the parties later if justified. ArcelorMittal is unable to reasonably estimate the amount of Mittal Steel North America Inc.'s and ArcelorMittal Tubular Products Roman's liabilities relating to this matter, if any.

### Mexico

Sicartsa is involved in a dispute with Ejido Santa Maria of the Municipality of La Union Guerrero over the payment of materials and related damages under a joint venture agreement between the parties. In October 2006, the Agrarian Unity Tribunal entered a judgment ordering Sicartsa to pay the plaintiff damages of 54. In April 2007, upon appeal by Sicartsa, a higher court set aside the judgment and ordered further expert evidence relating to the matters in dispute. The accounting expert appointed by the Agrarian Unity Tribunal filed its report on September 5, 2008 stating that the amount to be paid to Ejido Santa Maria is approximately seven hundred fifty US dollars. In June 2009, the court ruled that ArcelorMittal should pay five hundred seventy-one US dollars. The claimant has appealed this decision.

### France

In May 2008, the liquidator of SAFET brought an action in the Commercial Court of Nanterre against the Directors of SAFET, including ArcelorMittal Packaging, alleging that the Directors are liable for all of SAFET's debts amounting to 52 due to their default in the management of SAFET's business. ArcelorMittal and the other directors are vigorously defending the action. It is too early in the proceedings for ArcelorMittal to determine the amount of its liability, if any. However, ArcelorMittal considers the allegations against it to be entirely unfounded.

Various retired or present employees of certain French subsidiaries of the former Arcelor have initiated lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security ("Social Security"). Asbestos claims in France initially are made by way of a declaration of a work-related illness by the claimant to the Social Security authorities resulting in an investigation and a level of compensation paid by Social Security. Once the Social Security authorities recognize the work-related illness, the claimant, depending on the circumstances, can also file an action for inexcusable negligence (*faute inexcusable*) to obtain additional compensation from the company before a special tribunal. Where procedural errors are made by Social Security, it is required to assume full payment of damages awarded to the claimants. Due to fewer procedural errors and, consequently, fewer rejected cases, ArcelorMittal was required to pay some amounts in damages in 2009.

The number of claims outstanding for asbestos exposure at December 31, 2009 was 402, as compared to 431 at December 31, 2008. The range of amounts claimed for the year ended December 31, 2009 was €7,500 to €865,000 (approximately ten thousand US dollars to one million one hundred fifty thousand US dollars). The aggregate costs and settlements for the year ended December 31, 2009 were 3.5, of which 0.4 represents legal fees and 3 represents damages paid to the claimant. The aggregate costs and settlements for the year ended December 31, 2008 were approximately five hundred ten thousand US dollars and zero, respectively.

	in number of cases	
	2008	2009
Claims unresolved at beginning of period	449	431
Claims filed	63	76
Claims settled, dismissed or otherwise resolved	(81) <sup>1</sup>	(105)
Claims unresolved at December 31	431	402

<sup>1</sup> After purchase of a new company, sale of a subsidiary and further verification.

## Notes to the Consolidated Financial Statements *continued*

### ArcelorMittal and Subsidiaries

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

#### Minority Shareholder Claims Regarding the Exchange Ratio in the Second-Step Merger of ArcelorMittal into Arcelor

Several former minority shareholders of Arcelor or their representatives have brought legal proceedings relating to the exchange ratio in the second-step merger between ArcelorMittal and Arcelor. In proceedings that remain ongoing following the completion of the merger process that are summarized below, the claimants make the following principal allegations:

- The exchange ratio in the second-step merger should have been the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e., 11 Mittal Steel shares for seven Arcelor shares), and investors had a legitimate expectation that this would be the case based on Mittal Steel's and Arcelor's disclosure and public statements;
- The exchange ratio applied in the second-step merger was unfair to minority shareholders of Arcelor, particularly in light of developments between the June 2006 tender offer and the merger of Mittal Steel into Arcelor;
- Mittal Steel's disclosure regarding the merger of Mittal Steel into Arcelor and specifically the exchange ratio (in the second-step merger) was late, insufficient and misleading;
- The two-step process was detrimental to interests of Arcelor minority shareholders; and
- The second-step merger did not comply with certain provisions of Luxembourg company law.

ArcelorMittal believes that the allegations made and claims brought by the minority shareholders regarding the exchange ratio applied in the second step merger and the merger process as a whole are without merit and that such exchange ratio and process complied with the requirements of applicable law, were consistent with previous guidance on the principles that would be used to determine the exchange ratio in the second-step merger and that the merger exchange ratio was relevant and reasonable to shareholders of both merged entities.

The following summarizes the current status of proceedings brought by minority shareholders in this regard:

In June and July 2007, two hedge funds that were shareholders of Arcelor wrote to the Netherlands Authority for the Financial Markets (the Stichting Autoriteit Financiële Markten, or the "AFM"), the Dutch securities regulator, requesting it to take various measures against Mittal Steel relating in particular to disclosure regarding the proposed exchange ratio, and making in substance the allegations summarized above. On August 17, 2007 the AFM rejected the claimants' demands.

On September 20, 2007, the claimants filed formal objections with the AFM against the decision of August 17, 2007, asking the AFM to overturn its decision on the same grounds as those presented in support of their initial request.

On February 4, 2008, the AFM confirmed its decision of August 17, 2007. On March 13, 2008, the claimants lodged an appeal against the AFM's decision with the Rotterdam Administrative Court. By judgment dated December 10, 2008, the Court nullified the AFM's decision of February 4, 2008, on the grounds that the AFM's limited investigation was an insufficient basis for its decision, and requiring it to conduct a further investigation and issue a new decision. The AFM and ArcelorMittal are both appealing the court's ruling.

On October 18, 2007 and November 19, 2007, ArcelorMittal (the entity resulting from the first-step merger) and Arcelor were notified of an appeal by three former hedge fund shareholders of Arcelor before the administrative court of Luxembourg against the March 2, 2007 decision of the CSSF exempting the significant shareholder from the obligation (under the Luxembourg law implementing the European Takeover Directive) under specified circumstances to launch a tender offer for all Arcelor shares outstanding after the merger. The CSSF had based its grant of an exemption on the fact that the merger would not result either in an acquisition of shares or in a change of the ultimate control of the company. The hearing took place on July 7, 2008. In its decision of August 26, 2009, the court rejected the appeal. The decision is final and no longer appealable.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the significant shareholder. The claimants request, among other things (1) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for seven Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (2) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of €180 million. ArcelorMittal submitted its brief in response on October 16, 2008, challenging the validity, the admissibility and the merits of the claims. The claimants filed their conclusions on January 5, 2010. Hearing and judgment in the first instance are not expected before the end of 2010.

#### Note 24: Segment and Geographic Information

ArcelorMittal has a high degree of geographic diversification relative to other steel companies. During 2009, ArcelorMittal shipped its products to customers in approximately 177 countries, with its largest markets in the Flat Carbon Europe, Flat Carbon Americas and Long Carbon Americas and Europe segments. ArcelorMittal conducts its business through its Operating Subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As of December 31, 2009, ArcelorMittal employed approximately 282,000 persons.

The Company adopted IFRS 8, "Operating Segments" on January 1, 2009. As the Company previously defined its operating segments in alignment with the Group Management Board's responsibilities, the adoption of IFRS 8 did not impact the Company's segment presentation.

An operating segment is a component of the Company:

- that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the Company);
- whose operating results are regularly reviewed by the Company's chief operating decision-makers to make decisions about resources to be allocated to the segment and to assess its performance;
- and for which discrete financial information is available.

#### Reportable segments

ArcelorMittal reports its operations in six segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, AACIS, Stainless Steel and Steel Solutions and Services.

- Flat Carbon Americas represents the flat facilities of the Company located on the American Continent (Canada, Brazil, Mexico, United States). Flat Carbon Americas produces slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following industries: distribution and processing, automotive, pipe and tubes, construction, packaging, and appliances;
- Flat Carbon Europe is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east, and covering the flat carbon steel product portfolio in all major countries and markets. Flat Carbon Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. These products are sold primarily to customers in the automotive, general industry and packaging industries;
- Long Carbon Americas and Europe operates in Europe and America. Production consists of sections, wire rod, rebar, billets, blooms and wire drawing, and tubular products;
- AACIS produces a combination of flat and long products and tubular products. Its facilities are located in Asia, Africa and Commonwealth of Independent States;
- Stainless Steel produces flat and long stainless steel and alloy products from its plants in Europe and South America; and
- ArcelorMittal Steel Solutions and Services is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements.



Notes to the Consolidated Financial Statements *continued*

## ArcelorMittal and Subsidiaries

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

The following table summarizes certain financial data relating to ArcelorMittal's operations in its different reportable segments.

	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas & Europe	Asia & Africa & CIS	Stainless Steel	Steel Solutions and Services	Others/ Eliminations*	Total
<b>Year ended December 31, 2008***</b>								
Sales to external customers	24,687	31,402	27,812	9,218	7,978	21,061	2,778	124,936
Intersegment sales**	2,344	6,898	4,456	3,915	363	2,065	(20,041)	—
Operating income	2,638	2,773	4,154	3,145	383	181	(949)	12,325
Depreciation	937	1,648	1,269	540	323	200	128	5,045
Impairment	291	276	456	9	20	5	2	1,059
Capital expenditures	1,082	1,443	1,195	891	262	280	378	5,531
Total assets	22,474	35,083	19,837	8,533	7,447	6,546	33,235	133,155
Total liabilities	7,375	11,853	6,571	2,222	1,738	3,842	40,237	73,838
<b>Year ended December 31, 2009</b>								
Sales to external customers	11,608	16,284	14,836	5,349	4,077	12,382	574	65,110
Intersegment sales**	1,732	3,697	1,931	2,278	157	1,142	(10,937)	—
Operating income (loss)	(757)	(540)	(29)	265	(172)	(286)	(159)	(1,678)
Depreciation	1,129	1,417	1,092	544	315	215	182	4,894
Impairment	41	88	287	3	14	141	(10)	564
Capital expenditures	523	937	545	435	127	131	94	2,792
Total assets	17,571	29,627	25,778	7,648	3,772	4,845	38,456	127,697
Total liabilities	8,687	10,026	6,083	1,727	1,466	3,075	31,235	62,299

\* Others/Eliminations includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.

\*\* Transactions between segments are conducted on the same basis of accounting as transactions with third parties.

\*\*\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

The reconciliation from operating income (loss) to net income is as follows:

	Year Ended December 31, 2008*	Year Ended December 31, 2009
Operating income (loss)	12,325	(1,678)
Income from investments in associates and joint ventures	1,653	58
Financing costs – net	(2,352)	(2,817)
Income (loss) before taxes	11,626	(4,437)
Income tax expense (benefit)	1,128	(4,512)
Net income (including non-controlling interests)	10,498	75

\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

## Geographical information

*Sales (by destination)*

	Year Ended December 31, 2008	Year Ended December 31 2009
<b>Americas</b>		
United States	20,200	9,444
Brazil	9,759	4,809
Canada	4,505	2,070
Argentina	1,485	875
Others	4,989	2,815
<b>Total Americas</b>	<b>40,938</b>	<b>20,013</b>
<b>Europe</b>		
Germany	14,185	6,500
France	9,578	5,288
Spain	8,441	4,006
Poland	5,113	2,444
Italy	5,782	2,337
United Kingdom	2,605	1,742
Turkey	3,001	1,693
Belgium	2,574	1,231
Czech Republic	2,492	1,052
Romania	1,347	633
Others	12,247	6,736
<b>Total Europe</b>	<b>67,365</b>	<b>33,662</b>
<b>Asia &amp; Africa</b>		
South Africa	5,163	2,514
Others	11,470	8,921
<b>Total Asia &amp; Africa</b>	<b>16,633</b>	<b>11,435</b>
<b>Total</b>	<b>124,936</b>	<b>65,110</b>

Notes to the Consolidated Financial Statements *continued*

ArcelorMittal and Subsidiaries

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

## Capital expenditures and assets\* per significant country

	Capital expenditures		Total assets		Non-current assets	
	For the year ended December 31, 2008	For the year ended December 31, 2009	As of December 31, 2008**	As of December 31, 2009	As of December 31, 2008**	As of December 31, 2009
<b>Americas</b>						
Brazil	621	361	12,358	12,165	8,729	9,081
United States	530	225	10,918	9,511	6,471	6,279
Canada	267	136	5,598	5,753	4,151	4,281
Mexico	195	89	2,561	2,120	1,698	1,614
Others	66	48	2,412	1,921	1,433	1,085
<b>Total Americas</b>	<b>1,679</b>	<b>859</b>	<b>33,847</b>	<b>31,470</b>	<b>22,482</b>	<b>22,340</b>
<b>Europe</b>						
France	680	432	17,506	15,658	7,624	7,540
Luxembourg	212	105	4,822	5,041	2,689	2,716
Belgium	345	220	8,700	7,460	5,470	5,414
Spain	219	135	6,874	6,081	4,591	4,520
Ukraine	309	136	5,446	5,295	4,611	4,514
Poland	265	156	4,801	4,294	3,171	3,207
Germany	282	116	6,685	5,465	3,681	3,665
Czech Republic	227	91	2,518	1,604	1,010	995
Romania	148	96	1,940	1,271	874	708
Italy	36	12	1,192	815	411	395
Others	164	40	3,675	3,281	1,481	1,788
<b>Total Europe</b>	<b>2,887</b>	<b>1,539</b>	<b>64,159</b>	<b>56,265</b>	<b>35,613</b>	<b>35,462</b>
<b>Asia &amp; Africa</b>						
South Africa	203	110	3,753	3,808	1,703	2,152
Kazakhstan	305	183	2,493	2,242	1,754	1,734
Liberia	275	56	299	68	285	58
Others	182	45	2,578	2,178	874	846
<b>Total Africa &amp; Asia</b>	<b>965</b>	<b>394</b>	<b>9,123</b>	<b>8,296</b>	<b>4,616</b>	<b>4,790</b>
Unallocated assets	—	—	26,026	31,666	26,026	32,298
<b>Total</b>	<b>5,531</b>	<b>2,792</b>	<b>133,155</b>	<b>127,697</b>	<b>88,737</b>	<b>94,890</b>

\* Assets are operational assets, which include intangible assets and property, plant and equipment, as well as current assets used in the operating activities. They do not include goodwill, deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are shown under the caption "Unallocated assets".

\*\* As required by IFRS, the 2008 information has been adjusted retrospectively for the finalization in 2009 of the allocation of purchase price of acquisitions made in 2008 (see note 3).

## Note 25: Employees and Key Management Personnel

The total annual compensation of ArcelorMittal's employees paid in 2008, and 2009 was as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2009
Employee Information		
Wages and salaries	12,593	9,759
Pension cost	2,080	593
<b>Total</b>	<b>14,673</b>	<b>10,352</b>

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2008, and 2009 was as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2009
Base salary and/or directors fees	24	18
Short-term performance-related bonus	21	18
Post-employment benefits	1	1
Share based compensation	18	20

The fair value of the stock options granted to the ArcelorMittal's key management personnel is recorded as an expense in the consolidated statement of operations over the relevant vesting periods. The Company determines the fair value of the options at the date of the grant using the Black-Scholes model.

As of December 31, 2008 and 2009, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors or key management personnel, and, as of December 31, 2008 and 2009, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

#### Note 26: Subsequent Events

On January 19, 2010, the Company announced it had entered into initial discussions with BHP Billiton to potentially combine its respective iron ore mining and infrastructure interests in Liberia and Guinea within a joint venture.

In January 2010, the Company completed the acquisition of an additional 13.88% in ArcelorMittal Ostrava from a subsidiary of PPF Group N.V. for a total consideration amounting to 371.

Following the closure of the tender offer on January 7, 2010, the Company acquired a 28.8% stake in Uttam Galva Steels Limited, a leading producer of cold rolled steel, galvanized products (including plain and corrugated) and color coated coils and sheets based in Western India that is listed on the major stock exchanges of India.

## Auditors' Report on the Consolidated Financial Statements

Report of the Réviseur D'entreprises

To the shareholders of  
ArcelorMittal, Société Anonyme  
19, avenue de la Liberté  
L-2930 Luxembourg

### Report on the consolidated financial statements

Following our appointment by the General Meetings of the Shareholders held on May 12, 2009, we have audited the accompanying consolidated financial statements of ArcelorMittal and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of directors' responsibility for the consolidated financial statements*

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Responsibility of the réviseur d'entreprises*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the *Institut des réviseurs d'entreprises*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of ArcelorMittal as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

The management report, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

Deloitte S.A.  
Réviseur d'entreprises  
Eric van de Kerkhove  
Partner

February 19, 2010  
560, rue de Neudorf  
L-2220 Luxembourg

## Balance Sheet

ArcelorMittal, Société Anonyme  
(expressed in millions of U.S. dollars)

		December 31, 2009	December 31, 2008
<b>Assets</b>			
<b>C. Fixed assets</b>		<b>72,251</b>	<b>72,347</b>
<b>I. Intangible assets</b>	<b>Note 3</b>	<b>64</b>	<b>63</b>
2. Concessions, patents, licences, trademarks and similar rights and assets		64	63
<b>II. Tangible assets</b>	<b>Note 4</b>	<b>48</b>	<b>43</b>
1. Land and buildings		42	23
3. Other fixtures and fittings, tools and equipment		5	5
4. Payment on account and tangible assets in course of construction		1	15
<b>III. Financial assets</b>	<b>Note 5</b>	<b>72,139</b>	<b>72,241</b>
1. Shares in affiliated undertakings		67,125	68,645
2. Loans to affiliated undertakings		3,972	2,528
3. Participating interests		985	1,015
5. Securities held as fixed assets		47	47
6. Other loans		10	6
<b>D. Current assets</b>		<b>20,453</b>	<b>10,954</b>
<b>II. Debtors becoming due in one year or less</b>		<b>19,710</b>	<b>9,641</b>
1. Trade debtors		—	5
2. Amounts owed by affiliated undertakings	<b>Note 6</b>	19,694	9,626
4. Other debtors		16	10
<b>III. Transferable securities</b>	<b>Note 7</b>	<b>742</b>	<b>1,298</b>
2. Treasury shares (23,054,885 own shares with an accounting par value of USD 6.37)		742	1,298
<b>IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand</b>		<b>1</b>	<b>15</b>
<b>E. Prepayments and accrued income</b>		<b>187</b>	<b>49</b>
<b>Total assets</b>		<b>92,891</b>	<b>83,350</b>

The accompanying notes are an integral part of these annual accounts.

Balance Sheet *continued*

ArcelorMittal, Société Anonyme  
(expressed in millions of U.S. dollars)

		December 31, 2009	December 31, 2008
<b>Liabilities</b>			
<b>A. Capital and reserves</b>	<b>Note 8</b>	<b>57,875</b>	<b>56,939</b>
<b>I. Subscribed capital</b>		<b>9,950</b>	<b>9,269</b>
<b>II. Share premium account</b>		<b>19,682</b>	<b>17,811</b>
<b>IV. Reserves</b>		<b>1,669</b>	<b>2,120</b>
1. Legal reserve		927	822
2. Reserve for treasury shares		742	1,298
<b>V. Profit brought forward</b>		<b>27,081</b>	<b>8,645</b>
<b>VI. Profit/(Loss) for the financial year</b>		<b>(507)</b>	<b>19,094</b>
<b>B. Provisions for liabilities and charges</b>		<b>5</b>	<b>39</b>
1. Provisions for pensions and similar obligations		5	6
3. Other provisions	<b>Note 9</b>	—	33
<b>C. Liabilities</b>	<b>Note 10</b>	<b>35,011</b>	<b>26,372</b>
1.a Convertible debenture loans	<b>Note 11</b>	2,639	—
<i>Becoming due in one year or less</i>		38	—
<i>Becoming due in more than one year</i>		2,601	—
1.b Non convertible debenture loans	<b>Note 12</b>	10,191	3,089
<i>Becoming due in one year or less</i>		250	—
<i>Becoming due in more than one year</i>		9,941	3,089
2. Amounts owed to credit institutions	<b>Note 13</b>	5,408	20,944
<i>Becoming due in one year or less</i>		1,625	6,144
<i>Becoming due in more than one year</i>		3,783	14,800
4. Trade payables becoming due in one year or less		47	54
6. Amounts owed to affiliated undertakings	<b>Note 14</b>	16,687	2,087
<i>Becoming due in one year or less</i>		16,658	2,057
<i>Becoming due in more than one year</i>		29	30
8. Tax and social security liabilities becoming due in one year or less		—	124
9. Other liabilities becoming due in one year or less		39	74
<b>Total liabilities</b>		<b>92,891</b>	<b>83,350</b>

The accompanying notes are an integral part of these annual accounts.

## Profit and Loss Account

ArcelorMittal, Société Anonyme  
(expressed in millions of U.S. dollars)

		Year ended December 31, 2009	Year ended December 31, 2008
<b>A. Expenses</b>			
3. Staff costs		110	137
a) Wages and salaries		85	86
b) Social security costs attributable to wages and salaries		8	8
c) Supplementary pensions		11	14
d) Other social security costs		6	29
4. a) Value adjustments in respect of formation expenses and tangible and intangible fixed assets	<b>Note 4</b>	7	4
5. Other operating expenses	<b>Note 15</b>	227	284
6. Value adjustments in respect of financial assets and of transferable securities held as current assets	<b>Note 5, 7</b>	80	2,655
7. Interest payable and similar expenses	<b>Note 16</b>	3,799	1,078
a) In respect of affiliated undertakings		128	653
b) Other interest payable and expenses		3,671	425
<b>13. Profit/(Loss) for the financial year</b>		<b>(507)</b>	<b>19,094</b>
<b>Total expenses</b>		<b>3,716</b>	<b>23,252</b>

		Year ended December 31, 2009	Year ended December 31, 2008
<b>B. Income</b>			
4. Other operating income		30	437
5. Income from participating interests	<b>Note 17</b>	54	18,701
a) Derived from affiliated undertakings		54	18,701
6. Income from other transferable securities and from loans forming part of the fixed assets		2,652	662
a) Derived from affiliated undertakings		191	662
b) Other income	<b>Note 7</b>	2,461	—
7. Other interest receivable and similar income	<b>Note 16</b>	980	3,452
a) Derived from affiliated undertakings		382	76
b) Other interest receivable and similar income		598	3,376
<b>Total income</b>		<b>3,716</b>	<b>23,252</b>

The accompanying notes are an integral part of these annual accounts.



## Notes to the Annual Accounts

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars, unless otherwise stated)

### Note 1: General

ArcelorMittal ('the Company') was incorporated as a 'Société Anonyme' under Luxembourg law on June 8, 2001 for an unlimited period.

The Company has its registered office in 19 avenue de la Liberté, Luxembourg City and is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

The financial year of the Company starts on January 1 and ends on December 31 each year.

The Company's corporate goal is the manufacturing, processing and marketing of steel products and all other metallurgical products; and any other activity directly or indirectly related thereto. The Company realizes its corporate goal either directly or through the creation of companies or the acquisition and holding of interests in companies, partnership, associations, consortia and joint-ventures.

In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

### Note 2: Summary of Significant Accounting Principles

#### General principles

These annual accounts corresponding to the standalone financial statements of the parent company, ArcelorMittal, have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

#### Main valuation rules

##### *Translation of currencies*

The Company maintains its accounting records in United States Dollars ('USD') and the annual accounts are prepared in this currency. Unless otherwise stated, all amounts in the annual accounts are stated in millions of USD.

The following principles are applied to items denominated in a currency other than the USD:

- Fixed assets and creditors due after more than one year are translated at historical exchange rates or the current rate if unrealized exchange losses exist. Differences in the exchange rates leading to an unrealized loss are recorded in the profit and loss for the year. A reversal of the unrealized loss is recorded to the extent the factors, which caused its initial recording, have ceased to exist.
- Foreign currency swaps are accounted for at the current rate and unrealized foreign exchange gains and losses are recognized so as to offset unrealized foreign exchange gains and losses with respect to hedged debenture loans and amounts owed to credit institutions.
- Other balance sheet items are translated at the year-end exchange rate and related exchange differences are recorded in the profit and loss for the year.
- Profit and loss items are translated at the exchange rate prevailing at the transaction date.
- Off balance sheet commitments are disclosed based upon the historical exchange rate.

##### *Financial assets*

Shares in affiliated undertakings, associates and participating interests are recorded at acquisition cost including related acquisition costs. At the end of each accounting period, shares in affiliated undertakings are subject to an impairment review. Where a permanent diminution in value is identified, this diminution is recorded in the profit and loss account as a value adjustment. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Loans to affiliated undertakings and other loans are recorded in the balance sheet at their nominal value. At the end of each accounting period value adjustments are recorded on loans which appear to be partly or wholly irrecoverable.

##### *Debtors*

Debtors are recorded in the balance sheet at their nominal value. At the end of each accounting period value adjustments are recorded on debtors, which appear to be partly or wholly irrecoverable.

##### *Transferable securities*

Transferable securities are valued at the lower of cost or market value. A value adjustment is recorded when the market price is lower than the acquisition price. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

##### *Provisions for liabilities and charges*

Provisions for liabilities and charges are recorded to cover all foreseeable liabilities and charges for which there is a legal or constructive obligation as a result of past events as of the balance sheet date. Provisions relating to previous periods are regularly reviewed and released if the reasons for which the provisions were recorded have ceased to apply.

##### *Liabilities*

Liabilities are recorded in the balance sheet at their nominal value.

## Note 3: Intangible Assets

	Concessions, patents, licences, trademarks and similar rights and assets
<b>Acquisition cost</b>	
Opening balance	64
Additions	2
<b>Closing balance</b>	<b>66</b>
<b>Value adjustment</b>	
Opening balance	(1)
Charge for the year	(1)
<b>Closing balance</b>	<b>(2)</b>
<b>Net book value</b>	
Opening balance	63
<b>Closing balance</b>	<b>64</b>

## Note 4: Tangible Assets

	Land and buildings	Other fixtures, fittings tools and equipment	Payment on account and tangible assets under construction	Total
<b>Acquisition cost</b>				
Opening balance	29	14	15	58
Additions	14	2	—	16
Transfers	14	—	(14)	—
Disposals	(8)	(8)	—	(16)
<b>Closing balance</b>	<b>49</b>	<b>8</b>	<b>1</b>	<b>58</b>
<b>Value adjustment</b>				
Opening balance	(6)	(9)	—	(15)
Charge for the year	(2)	(1)	—	(3)
Disposals	1	7	—	8
<b>Closing balance</b>	<b>(7)</b>	<b>(3)</b>	<b>—</b>	<b>(10)</b>
<b>Net book value</b>				
Opening balance	23	5	15	43
<b>Closing balance</b>	<b>42</b>	<b>5</b>	<b>1</b>	<b>48</b>

## Note 5: Financial Assets

	Shares in affiliated undertakings	Loans to affiliated undertakings	Participating interests	Securities held as fixed assets	Other loans	Total
<b>Acquisition cost</b>						
Opening balance	68,645	2,528	1,209	47	6	72,435
Additions	561	18,451	—	—	10	19,022
Disposals	(2,081)	—	—	—	(6)	(2,087)
Transfer to current assets	—	(16,919)	—	—	—	(16,919)
Foreign exchange differences	—	(38)	—	—	—	(38)
<b>Closing balance</b>	<b>67,125</b>	<b>4,022</b>	<b>1,209</b>	<b>47</b>	<b>10</b>	<b>72,413</b>
<b>Value adjustments</b>						
Opening balance	—	—	(194)	—	—	(194)
Charge for the year	—	(50)	(30)	—	—	(80)
<b>Closing balance</b>	<b>—</b>	<b>(50)</b>	<b>(224)</b>	<b>—</b>	<b>—</b>	<b>(274)</b>
<b>Net book value</b>						
Opening balance	68,645	2,528	1,015	47	6	72,241
<b>Closing balance</b>	<b>67,125</b>	<b>3,972</b>	<b>985</b>	<b>47</b>	<b>10</b>	<b>72,139</b>

Notes to the Annual Accounts *continued*

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars, unless otherwise stated)

## Shares in affiliated undertakings

Name and registered office	Carrying amount	Percentage of Capital held %	Result for 2009*	Capital and reserves (including result for 2009)*
AMO Holding Switzerland A.G. Zug (Switzerland)	26,387	100.00	—	56,286
ArcelorMittal Cyprus Holding Limited, Nicosia (Cyprus)	18,332	100.00	59	17,023
ArcelorMittal Finance and Services Belgium S.A., Brussels (Belgium)	12,024	26.74	1,949	50,185
AM Global Holding S.à.r.l., Luxembourg (Luxembourg)	6,705	100.00	(1,073)	5,034
ArcelorMittal Investment S.A., Luxembourg (Luxembourg)	3,057	100.00	(889)	9,075
Hera Ermac S.A., Luxembourg (Luxembourg)	420	100.00	69	489
ArcelorMittal Canada Holdings Inc., Contrecoeur (Canada)	97	1.18**	273	3,100
Other	103			
<b>Total</b>	<b>67,125</b>			

\* In accordance with unaudited IFRS reporting packages

\*\* 100.00% of voting rights

## Participating interests

Name and registered office	Carrying amount	Percentage of Capital held %	Result for 2009*	Capital and reserves (including result for 2009)*
Hunan Valin Steel Co., Ltd., Changsha (China)	552	33.02	18	2,220
Kalagadi Manganese (Pty) Ltd. Rivonia (South Africa)	433	50.00	(33)	172
<b>Total</b>	<b>985</b>			

\* In accordance with unaudited IFRS reporting packages

## Description of main changes

During the year, the Company has granted a facility of 2,300 to ArcelorMittal USA Holdings Inc. maturing on June 18, 2014. Total borrowings under the facility as at December 31, 2009 were 1,982.

On February 27, 2009, ArcelorMittal Finance S.C.A. transferred to the Company a loan to AMO Group Finance (Dubai) Ltd. amounting to EUR 12,739 (16,283). This loan was transferred to current assets on December 16, 2009 following the rescheduling of the maturity of the loan (see note 6).

As part of the legal reorganization in Canada in May 2009, 4313267 Canada Inc. reduced its outstanding capital through a cash disbursement and the remaining investment held by the Company was contributed to ArcelorMittal Canada Holdings Inc. Contrecoeur (Canada) in exchange of new shares in this company representing 1.18% of the capital and 100.00% of the voting rights. As of May 28, 2009, 4313267 Canada Inc. merged into ArcelorMittal Canada Holdings Inc.

On December 28, 2009, the Company made an equity contribution amounting to 420 in Hera Ermac S.A., a wholly-owned Luxembourg affiliate, which also placed with an affiliate of Calyon an unsecured and unsubordinated 750 bond mandatorily convertible into preferred shares of such subsidiary. The total proceeds were invested in notes issued by affiliates of the Company and linked to shares of the listed related parties Erdemir (Turkey) and Mac Arthur Coal Ltd. (Australia) (note 19). The Company has the option to call the mandatorily convertible bond from May 3, 2010 until ten business days before the maturity date.

## Note 6: Amounts Owed by Affiliated Undertakings

Amounts owed by affiliated undertakings have increased by 10,068 over the year under review. This change is primarily a consequence of the following elements:

- 1) The transfer to current assets of the loan to AMO Group Finance (Dubai) Ltd. amounting to EUR 12,739 (18,352 as of December 31, 2009). The interest rate on the loan is EURIBOR + margin of 1.1% per annum. The initial maturity date for the loan as per the agreement was three years following the drawdown date of January 18, 2008. On December 16, 2009, the maturity was amended to December 20, 2010 by virtue of an addendum to the original agreement.
- 2) The cash-pooling accounts held with ArcelorMittal Treasury S.N.C. which have decreased by 6,308 over the year as a result of the funding of the loan mentioned above.
- 3) The decrease by 1,422 of amounts receivable from other Group companies with respect to the tax consolidation (note 18).

## Note 7: Transferable Securities

	Treasury shares
<b>Acquisition cost</b>	
Opening balance	3,759
Additions	2,231
Disposals	(5,248)
<b>Closing balance</b>	<b>742</b>
<b>Value adjustments</b>	
Opening balance	(2,461)
Charge for the year	—
Utilization	1,289
Reversal	1,172
<b>Closing balance</b>	<b>—</b>
<b>Net book value</b>	
Opening balance	1,298
<b>Closing balance</b>	<b>742</b>

As of December 31, 2009, the Company holds 23,054,885 (2008: 54,490,240) of treasury shares (shares owned by the Company).

On April 29, 2009, the Company announced an offering of 140,882,634 common shares which was closed on May 6, 2009 (the 'Offering'). Pending shareholder approval for authorization to increase issued share capital, the Company entered into a Share Lending Agreement dated April 29, 2009 (the 'Agreement'), with Ispat International Investments S.L. ('Ispat'), a company controlled by Mr Lakshmi and Mrs Usha Mittal, under which the Company borrowed 98,000,000 shares. The 98,000,000 borrowed shares were accounted for as treasury shares and then issued, along with 28,794,371 other treasury shares, to fulfill all subscriptions to the Offering other than the 14,088,263 shares subscribed by Ispat. As a result of the Offering, the sale of treasury shares utilized 1,282 of the value adjustment recognized as of December 31, 2008. Under the terms of the Agreement, the Company paid a share lending fee of 2.

Other transactions on treasury shares resulted in an additional utilization of the value adjustment for 7. The remaining value adjustment recognized in 2008 and amounting to 1,172 was reversed in 2009 as a result of the increase of the market value of the treasury shares above the aggregate cost (note 16).

## Note 8: Capital and Reserves

	Number of shares	Subscribed capital	Share premium account	Legal reserve	Reserve for treasury shares	Profit brought forward	Profit/(Loss) for the year	Total
<b>Balance as at January 1, 2008</b>	<b>1,448,826,347</b>	<b>9,269</b>	<b>17,811</b>	<b>822</b>	<b>1,298</b>	<b>8,645</b>	<b>19,094</b>	<b>56,939</b>
Allocation of net result				105		18,989	(19,094)	
Profit/(Loss) for the year							(507)	(507)
Director's fees						(3)		(3)
Dividends paid*						(1,106)		(1,106)
Capital increase	112,088,263	681	1,871					2,552
Reserve for treasury shares					(556)	556		
<b>Balance as at December 31, 2009</b>	<b>1,560,914,610</b>	<b>9,950</b>	<b>19,682</b>	<b>927</b>	<b>742</b>	<b>27,081</b>	<b>(507)</b>	<b>57,875</b>

\* Equivalent to the 2008 Dividend of 1,086; net of dividends on treasury shares.

## Notes to the Annual Accounts *continued*

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars, unless otherwise stated)

### 8.1: Share capital and share premium account

At December 31, 2009 the subscribed capital comprises 1,560,914,610 ordinary shares, fully paid up and amounting to EUR 6,836,805,992 (9,950).

At December 31, 2008 the subscribed capital comprised 1,448,826,347 ordinary shares, fully paid up and amounting to EUR 6,345,859,400 (9,269). The ordinary shares do not have a nominal value.

On June 17, 2009, at an Extraordinary General Meeting, the shareholders approved an authorization for the Board of Directors to increase the issued share capital of the Company by a maximum of 168,173,653 shares during a period of five years. On June 22, 2009, the Company issued 112,088,263 shares to Ispat as a return of the 98,000,000 borrowed shares and delivery of the 14,088,263 shares subscribed under the Offering for a total amount of EUR 1,907,281,883 of which EUR 490,946,592 (681) allocated to subscribed capital and EUR 1,416,335,291 (1,871) allocated to share premium.

To the knowledge of the Board, the shareholding may be specified as follows:

	December 31, 2009
Mittal Investments S.à r.l.	33.63%
Ispat International Investment S.L.	7.20%
Other shareholders*	59.17%
<b>Total</b>	<b>100.00%</b>

\* Including treasury shares and shares held by affiliated undertakings.

### 8.2: Legal reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the subscribed capital. The legal reserve is not available for distribution to the shareholders.

### 8.3: Reserve for treasury shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the release of 556 from the reserve for treasury shares equivalent to the carrying value (note 7) of its treasury shares in accordance with Luxembourg Company Law. In anticipation of such an approval this has been already reflected in the annual accounts.

### Note 9: Other Provisions

The Company is jointly and severally liable for the following entities:

- ArcelorMittal Finance S.C.A. (Luxembourg)
- ArcelorMittal Treasury S.N.C. (France)

The provision equivalent to 22 recognized in 2008 in connection with ArcelorMittal Finance S.C.A. was utilized in 2009.

## Note 10: Maturity of Liabilities

	December 31, 2009				December 31, 2008			
	Up to 1 year	From 1 to 5 years	5 years or more	Total	Up to 1 year	From 1 to 5 years	5 years or more	Total
Convertible debenture loans	38	2,601	—	2,639	—	—	—	—
Non convertible debenture loans	250	3,661	6,280	10,191	—	1,500	1,589	3,089
Amounts owed to credit institutions	1,625	3,742	41	5,408	6,144	14,800	—	20,944
Trade payables	47	—	—	47	54	—	—	54
Amounts owed to affiliated undertakings	16,658	—	29	16,687	2,057	30	—	2,087
Tax and social security liabilities	—	—	—	—	124	—	—	124
a) Tax	—	—	—	—	121	—	—	121
b) Social security	—	—	—	—	3	—	—	3
Other liabilities	39	—	—	39	74	—	—	74
	<b>18,657</b>	<b>10,004</b>	<b>6,350</b>	<b>35,011</b>	<b>8,453</b>	<b>16,330</b>	<b>1,589</b>	<b>26,372</b>

## Note 11: Convertible Debenture Loans

On April 1, 2009, the Company issued EUR1.25 billion (1,662) of unsecured and unsubordinated convertible bonds due April 1, 2014. These bonds bear interest at 7.25% per annum payable semi-annually on each April 1 and October 1 of each year commencing on October 1, 2009. As of December 31, 2009, the amount was 1,801.

On May 6, 2009, ArcelorMittal issued 800 of unsecured and unsubordinated convertible senior notes due May 15, 2014. These notes bear interest at 5.00% per annum payable semi-annually on each May 15 and November 15 of each year commencing on November 15, 2009.

At inception, the Company had the option to settle the convertible debentures for common shares or the cash value of the common shares upon exercise of the conversion option by the bondholders, as defined in the debentures. On October 28, 2009, the Company announced that it had decided to irrevocably waive the option to settle the 800 convertible senior notes in cash for the cash value of the common shares at the date of the settlement.

The EUR 1.25 billion convertible bonds may be converted by the bondholders from May 11, 2009 until the end of the seventh business day preceding maturity. The 800 convertible senior notes may be converted by the bondholders from May 6, 2009 until the end of the seventh business day preceding maturity.

## Note 12: Non Convertible Debenture Loans

On May 27, 2008, ArcelorMittal issued secured, redeemable and non convertible debentures in the form of 5 year and 10 year bonds, with an aggregate principal amount of 3,000 split equally between the 5 year and the 10 year issue. The bonds will bear interest at a rate of 5.375% for the 5 year issue and 6.125% for the 10 year issue and will mature on June 1, 2013 and June 1, 2018, respectively.

On May 20, 2009, the Company issued unsecured and unsubordinated notes in two tranches for an aggregate principal amount of 2,250 consisting of 750 (issued at 98.391%) maturing February 15, 2015 and 1,500 (issued at 97.522%) maturing June 1, 2019. These notes bear interest at 9.00% per annum payable semi-annually on August 16 and February 16 of each year commencing on August 17, 2009 and 9.85% per annum payable semi-annually on December 1 and June 1 of each year commencing on December 1, 2009, respectively.

On June 3, 2009, the Company issued unsecured and unsubordinated bonds in two tranches for an aggregate principal amount of EUR 2.5 billion (3,560) consisting of EUR 1.5 billion (issued at 99.589%) maturing June 3, 2013 and EUR 1 billion (issued at 99.381%) maturing June 3, 2016. These notes bear interest at 8.25% per annum and 9.375% per annum, respectively payable annually on June 3 of each year commencing on June 3, 2009. As of December 31, 2009, the amount was 3,602.

On October 1, 2009, the Company issued unsecured and unsubordinated notes for an aggregate principal amount of 1,000 issued at 95.202% maturing October 15, 2039. These notes bear interest at 7.0% per semi-annum payable annually on April 15 and October 15 of each year commencing on April 15, 2010.

## Notes to the Annual Accounts *continued*

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars, unless otherwise stated)

### Note 13: Amounts Owed to Credit Institutions

On April 7, 2005, Mittal Steel, prior to the merger with the Company, and certain subsidiaries signed a five-year 3,200 credit facility with a consortium of banks. This facility bears interest at a variable rate. On September 5, 2008, the total outstanding amount under this credit facility was transferred from ArcelorMittal Finance S.C.A. to the Company. In 2009 the total outstanding amount of 1,500 was repaid and the 2005 Credit Facility was cancelled.

On November 30, 2006, the Company and ArcelorMittal Finance S.C.A. entered into a EUR 17 billion credit agreement, comprised of a EUR 12 billion term loan facility and a EUR 5 billion revolving credit facility, with a group of lenders to refinance certain of the Company's existing credit facilities. The maturity of the EUR 5 billion revolving credit facility is November 30, 2012. These facilities bear interest at a variable rate. On October 31, 2008, the total outstanding amount under this credit facility was transferred from ArcelorMittal Finance S.C.A. to the Company. Out of the outstanding amount of EUR 2.4 billion under the EUR 12 billion term loan, EUR 1.2 billion is due in May 2011 and EUR 1.2 billion is due in November 2011. The EUR 5 billion revolving credit facility remains unutilized as of December 31, 2009 as the outstanding loan balances under the facility were repaid during the second quarter of 2009 with proceeds from the Company's debt, convertible debt and equity issuances. During the year ended December 31, 2009, the Company repaid EUR 4.8 billion of the outstanding amount under the EUR 12 billion term loan facility. The outstanding amount under this contract as of December 31, 2009 was 3,493 (2008: 16,289).

The Company runs a commercial paper program enabling borrowing of up to EUR 3 billion. The balance outstanding under this program as of December 31, 2009 amounts to 1,474 (2008: 2,433).

### Note 14: Amounts Owed to Affiliated Undertakings

The increase in amounts owed to affiliated undertakings by 14,600 in 2009 includes mainly the funding through cash pooling of the loan to AMO Group Finance (Dubai) Ltd. amounting to EUR 12,739 (18,352 as of December 31, 2009) and which was transferred from ArcelorMittal Finance S.C.A. to the Company (notes 5 and 6).

### Note 15: Other Operating Expenses

Other operating expenses correspond to expenses incurred to operate the Company net of recharged service fees.

### Note 16: Interest Receivable/Payable and Similar Income/(Expenses)

	Year ended December 31, 2009 expenses	Year ended December 31, 2009 income	Year ended December 31, 2008 expenses	Year ended December 31, 2008 income
<b>Interests in respect of affiliated undertakings</b>	<b>(128)</b>	<b>382</b>	<b>(653)</b>	<b>76</b>
Interests in respect of credit institutions	(366)	1	(206)	—
Interests in respect of bonds	(628)	—	(105)	—
Fees	(378)	2	(114)	116
Loss on disposal of treasury shares	(2,299)	—	—	—
Effects of foreign exchange	—	583	—	1,469
Amounts received in connection with tax consolidation (note 18)	—	12	—	1,772
Other	—	—	—	19
<b>Total similar income (expenses)</b>	<b>(3,671)</b>	<b>598</b>	<b>(425)</b>	<b>3,376</b>
<b>Total interest and similar income (expenses)</b>	<b>(3,799)</b>	<b>980</b>	<b>(1,078)</b>	<b>3,452</b>

The loss on disposal of treasury shares is mainly related to the borrowing of 98,000,000 shares accounted for as treasury shares and then issued, along with the disposal of 28,794,371 other treasury shares (note 7).

Interests in respect of bonds increased as a result of the issuance of convertible and non convertible debenture loans during the year.

Effects on foreign exchange are mainly due to gains related to cash-pooling balances denominated in Euros.

## Note 17: Income from Participating Interests

	Year ended December 31, 2009	Year ended December 31, 2008
Dividends received <sup>1</sup>	12	3,639
Profit on disposal of financial assets <sup>2</sup>	42	15,062
Others	—	—
<b>Total</b>	<b>54</b>	<b>18,701</b>

<sup>1</sup> This amount included in 2008 a dividend-in-kind of 3,563 received from ArcelorMittal Investment S.A. in connection with a legal reorganization.

<sup>2</sup> This amount included in 2008 profits of 14,692 related to the disposal of the Company's investment in ArcelorMittal Belgium Holding S.A. in connection with a legal reorganization.

## Note 18: Income Tax

The Company is the head of a tax consolidation and is fully liable for the overall tax liability. Each of the entities included in the tax consolidation is charged with the amount of tax that relates to its individual taxable profit.

As a consequence of the net tax losses within the tax consolidation, no income tax is payable in respect of 2009 (2008: nil). The amount charged to affiliated undertakings amounts to 12 (2008:1,772).

## Note 19: Commitments and Contingencies

### Commitments given

	Year ended December 31, 2009	Year ended December 31, 2008
Guarantees on debts <sup>1</sup>	923	939
Other commitments <sup>2</sup>	1,870	1,134
Foreign exchange derivative instruments <sup>3</sup>	22,831	4,989
<b>Total</b>	<b>25,624</b>	<b>7,062</b>

<sup>1</sup> Excluding the debt of ArcelorMittal Finance S.C.A. for which the Company is jointly and severally liable (2,924 and 3,075 for 2009 and 2008 respectively).

<sup>2</sup> Other commitments comprise amounts committed with regard to credit lines and guarantees given on behalf of Group companies.

<sup>3</sup> Foreign exchange derivative instruments mainly consist of EUR/USD currency swaps whose maturity is comprised between January 2010 and November 2011. As of December 31, 2009, a loss amounting to 246 (2008: -87) has been recognized as effects on foreign exchange on these instruments.

With respect to the notes linked to shares of the listed related parties Erdemir (Turkey) and Macarthur Coal Ltd. (Australia) and issued by its affiliates ArcelorMittal Netherlands BV, Arcelor Investment Services S.A. and Expert Placement Services Ltd. (note 5), 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.

### Available lines of credit

The Company has available lines of credit for an aggregate amount of 11,240 as of December 31, 2009 (2008: 5,829).

### Contingencies

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the Significant shareholder. The claimants request, among other things (1) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for seven Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (2) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of EUR 180 million. ArcelorMittal submitted its brief in response on October 16, 2008, challenging the validity, the admissibility and the merits of the claims. The Claimants filed their conclusions on January 5, 2010. Hearing and judgment in the first instance are not expected before the end of 2010.



Notes to the Annual Accounts *continued*

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars, unless otherwise stated)

## Note 20: Staff

## Average number of staff

	Year ended December 31, 2009	Year ended December 31 2008
Employees	386	411
Workers	20	28
<b>Total</b>	<b>406</b>	<b>439</b>

## Note 21: Directors' Remuneration

Members of the Board of Directors are entitled to a total remuneration of 6.4 for the year 2009 (2008: 7.8).

## Note 22: Stock Option Plan

On August 4, 2009 ArcelorMittal granted 6,128,900 options to a group of key employees at an exercise price of 38.30. The options expire on August 4, 2019.

Allocated share options at December 31, 2009 are as follows:

	Number of shares	Exercise price	Maturity
Plan 2000 (legacy Mittal Steel)	150,200	8.57	June 1, 2010
Plan 2002 (legacy Mittal Steel)	204,178	2.26	April 5, 2012
Plan 2004	29,373	16.53	June 30, 2011
Plan 2005 (legacy Mittal Steel)	1,552,547	28.75	August 23, 2015
Plan 2005	11,429	20.38	June 30, 2012
Plan 2006 (legacy Mittal Steel)	2,425,857	33.76	September 1, 2016
Plan 2006	1,394,326	43.40	June 30, 2013
Plan August 2007	5,244,202	64.30	August 2, 2017
Plan December 2007	13,000	74.53	December 11, 2017
Plan August 2008	6,831,783	82.57	August 5, 2018
Plan November 2008	20,585	22.25	November 10, 2018
Plan December 2008	48,000	23.75	December 15, 2018
Plan August 2009	6,121,900	38.30	August 4, 2019

The movements in the number of outstanding share options during the year are as follows:

Number of shares options	2009	2008
Options outstanding at the beginning of the year	19,558,466	13,579,438
Options granted during the year	6,128,900	7,324,535
Options forfeited during the year	(644,712)	(43,629)
Options exercised during the year	(456,251)	(954,844)
Options expired during the year	(539,023)	(347,034)
<b>Options outstanding at the end of the year</b>	<b>24,047,380</b>	<b>19,558,466</b>

## Auditors' Report on the Annual Accounts

Report of the Réviseur D'entreprises

To the shareholders of  
ArcelorMittal, Société Anonyme  
19, avenue de la Liberté  
L-2930 Luxembourg

### Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders held on May 12, 2009, we have audited the accompanying annual accounts of ArcelorMittal, which comprise the balance sheet as at December 31, 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of directors' responsibility for the annual accounts*

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Responsibility of the réviseur d'entreprises*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the *Institut des réviseurs d'entreprises*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of ArcelorMittal as of December 31, 2009 and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

### Report on other legal and regulatory requirements

The management report, which is the responsibility of the board of directors, is consistent with the annual accounts.

Deloitte S.A.  
Réviseur d'entreprises  
Eric van de Kerkhove  
Partner

February 19, 2010  
560, rue de Neudorf  
L-2220 Luxembourg


## Proposed Allocation of Results for 2009

Proposed allocation of results and determination of dividend:

	In U.S. dollars
Loss for the year	(507,141,204)
Profit brought forward ( <i>Report à nouveau</i> )	26,525,260,379
<b>Results to be allocated and distributed</b>	<b>26,018,119,175</b>
Release of reserve for treasury shares	(555,778,723)
Allocation to the legal reserve	—
Directors' fees, compensation and attendance fees	2,564,923
Dividend of 0.75 (gross) per share for the 2009 financial year*	1,132,156,138
<b>Profit carried forward</b>	<b>25,439,176,837</b>

\* On the basis of 1,509,541,518 in issue at December 31, 2009 net of treasury shares.  
Dividends are paid quarterly, resulting in a total annualized cash dividend per share of \$0.75.





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