ArcelorMittal

Core strengths, sustainable returns

Annual Report 2011

With revenues of $94 billion and crude steel production of 91.9 million tonnes, ArcelorMittal is the world's leading steel and mining company, with a presence in more than 60 countries.

Through our core values of sustainability, quality and leadership, we commit to operating in a responsible way with respect to the health, safety and well-being of our employees, contractors and the communities in which we operate.

The theme for this year's annual report is 'core strengths, sustainable returns'. We believe consistency is crucial in a fast-changing world. And at the heart of this belief is a consistent strategy that focuses on our five core strengths. By continually focusing on these strengths throughout our operations, ArcelorMittal can deliver sustainable returns.

Cover image
Port-Cartier, Canada

Global presence

ArcelorMittal is the world's leading steel and mining company. With a presence in more than 60 countries, we operate a balanced portfolio of cost competitive steel plants across both the developed and developing world. We are the leader in all the main sectors – automotive, household appliances, packaging and construction. We are also the world's fourth largest producer of iron ore, with a global portfolio of 16 operating units with mines in operation or development. In 2011, we employed around 261,000 people.

Flat Carbon

Belgium
Charleroi
Ghent
Geel
Genk
Huy
Liège
Seraing

Brazil
Tubarão
Vega

Canada
Dofasco
(Hamilton)

China
Hunan Valin (JV)

Czech Republic
Frýdek-Místek
Ostrava

France
Basse Indre
Châteauneuf
Desvres
Dunkerque
Florange
Fos-sur-Mer
Le Creusot
Mardyck
Montataire
Mouzon
Saint-Chamond
Saint-Chély

Germany
Bremen
Eisenhüttenstadt

Italy
Avellino
Canossa
Piombino

Kazakhstan
Temirtau

Luxembourg
Dudelange

Macedonia
Skopje

Mexico
Lázaro Cárdenas

Poland
Chorzów
Dąbrowa Górnicza
Kraków
Sosnowiec
Świętochłowice
Warsaw
Zdzieszowice

Romania
Galati

South Africa
Saldanha
Vanderbijlpark

Spain
Asturias
(Avilés and Gijón)
Etxebarri
Lesaka
Sagunto
Sestao
Zaragoza

US
Burns Harbor, IN
Cleveland, OH
Coatesville, PA
Columbus, OH
Conshohocken, PA
Double G, MS
Gallatin, KY
Gary Plate, IN
I/N Tek and
I/N Kote, IN
Indiana Harbor
(East and West), IN
Monessen, MI
Obetz, OH
Piedmont, NC
Pioneer, OH
Riverdale, IL
Warren, PA
Weirton, WV

Long Carbon

Algeria
Annaba

Argentina
Villa Constitución

Bosnia and Herzegovina
Zenica

Brazil
João Monlevade
Juiz de Fora
Piracicaba
Vitória

Canada
Contrecœur

China
China Oriental (JV)

Costa Rica
Caldera
Guápiles

Czech Republic
Ostrava

France
Gandrange

Germany
Duisburg
(Ruhrort and
Hochfeld)
Hamburg

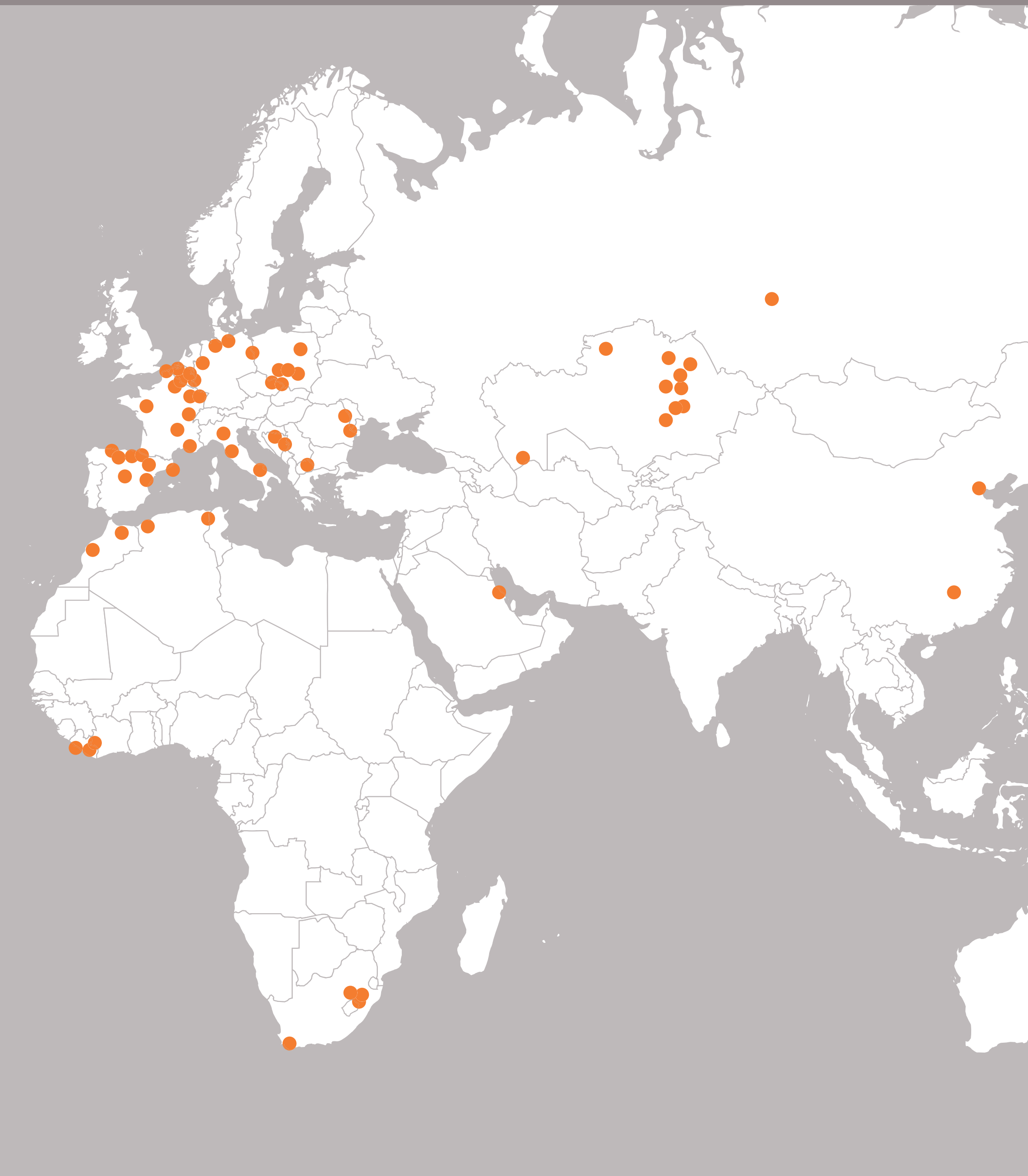
Kazakhstan
Temirtau

Luxembourg
Differdange
Esch-Belval
Rodange
Schifflange

Mexico
Celaya
Lázaro Cárdenas
Tultitlán

Morocco
Jorf
Lasfar
Nador

Poland
Chorzów
Dąbrowa Górnicza
Sosnowiec
Warsaw



Disclaimer – forward-looking statements

In this annual report, ArcelorMittal has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of our management. Such statements are identified by the use of forward-looking verbs such as 'anticipate', 'intend', 'expect', 'plan', 'believe', or 'estimate', or words or phrases with similar meanings. ArcelorMittal's actual results may differ materially from those implied by such forward-looking statements due to the known and unknown risks and uncertainties to which it is exposed, including, without limitation, the risks described in this annual report. Please refer to the 'Risks related to the global economy and the steel industry' section of this report page 192.

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 necessarily be viewed as the most likely to occur 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 in this annual report to 'ArcelorMittal', the 'group' and the 'company' or similar terms refer to ArcelorMittal, 'société anonyme', having its registered office at 19, Avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, and to its consolidated subsidiaries.

Romania
Hunedoara

South Africa
Newcastle
Vereeniging

Spain
Asturias (Gijón)
Guipuzcoa (Bergara and Zumarraga)
Madrid
Olaberria
Zaragoza

Trinidad
Point Lisas

Ukraine
Kryviy Rih

US
Georgetown, SC
Harriman, TN
Indiana Harbor, IN
LaPlace, LA
Pine Bluff, AR
Steelton, PA
Vinton, TX

Mining

Algeria
Tebessa

Bosnia and Herzegovina
Prijedor

Brazil
Andrade
Serra Azul

Canada
Mary River Project
Mont-Wright

Kazakhstan
Abaiskaya
Atansore
Atasu
Karazhal
Kazakhstanskaya
Kentobe
Kostenko
Kuzembayeva
Lenina
Lisakovsk
Saranskaya
Stepnogorsk
Temirtau
Tentekskaya

Liberia
Buchanan
Gbanga
Monrovia
Yekepa

Mexico
Las Truchas
Peña Colorada
Sonora

Russia
Kemerovo

US
Hibbing, MN
Minorca, MN
Princeton, WV

Ukraine
Kryviy Rih

Tubular

Algeria
Annaba

Canada
Brampton, ON
Hamilton, ON
Woodstock, ON

Czech Republic
Karviná
Ostrava

France
Chevillon
Hautmont
Vitry

Kazakhstan
Aktau

Mexico
Monterrey

Poland
Kraków

Romania
Galati
Lasi
Roman

Saudi Arabia
Jubail

South Africa
Vereeniging

US
Marion, OH
Shelby, OH

Venezuela
Unicon (Caracas)

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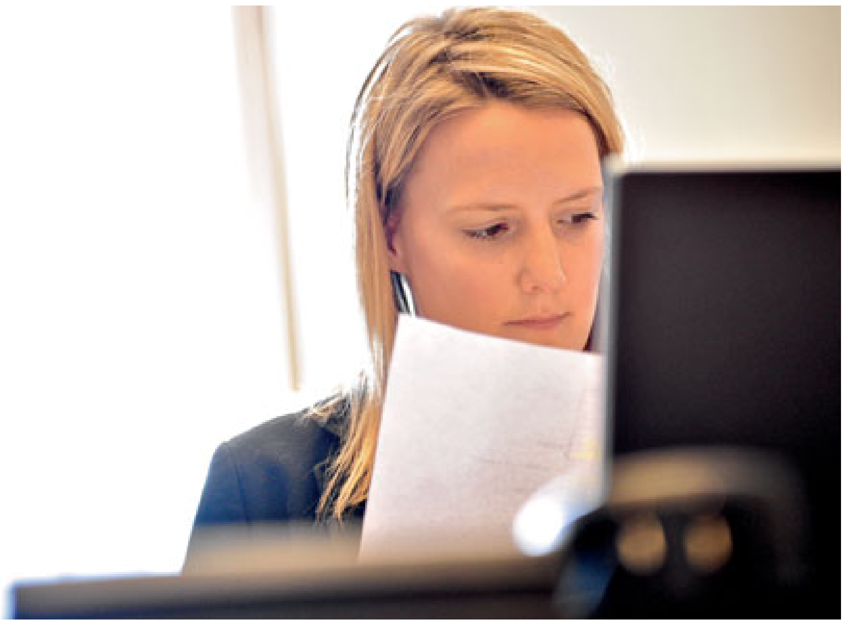


Left Chicago, US

Message from the chairman and CEO

Dear shareholders,

Thank you for taking the time to read ArcelorMittal's 2011 annual report, 'Core strengths, sustainable returns'.

I will start with the result that is most important to us: health and safety. We continue to put great emphasis on our Journey to Zero program through which we are aiming to eradicate injuries and fatalities in the workplace.

At the beginning of 2011 we held a special safety summit at ArcelorMittal Dofasco in Canada. This summit concluded with a commitment to embed health and safety in our core values; adapt our leadership style to better address employee commitment and engagement; ensure a stronger focus on fatality prevention; reduce contractor injuries and fatalities; and finally, use leading indicators to implement preventative measures to avoid similar incidents occurring again.

These commitments proved valuable as we succeeded in reducing our LTIFR (lost time injury frequency rate) for the year by the 20% target we set ourselves: from 1.77 to 1.42. Furthermore our performance in the fourth quarter of 2011 – an LTIFR of 1.2 – was the best we have reported yet for a single quarter. As is to be expected in an organization of the size and scale of ArcelorMittal, not all plants and sites are yet at the same standard. But we have some excellent examples that demonstrate what can be achieved. Tubular products has reduced its frequency rate by more than 50% from 1.92 to 0.81 – an impressive achievement. Our mining division has improved its frequency rate from 1.63 to 1.18. Tubarão in Brazil now has a frequency rate of 0.25 and Temirtau in Kazakhstan a very impressive 0.17. This shows us that our overall group target of reaching 1.0 by 2013 can be achieved. So valuable was the Canada meeting that we held a repeat meeting at the end of the year to discuss how to drive further improvement in 2012.

Although we still have some way to travel on our journey, I am very pleased with the progress made throughout the year and must commend the employees of ArcelorMittal and our subcontractors for their efforts. Safety is at the heart of everything we do and we truly believe that having a deeply embedded safety culture can only have a positive




effect on ArcelorMittal's performance as a whole.

Turning to the financials, Ebitda for the full year was $10.1 billion, an improvement of 18.7% year-on-year. Sales were $94.0 billion compared with $78.0 billion in 2010 while operating income increased by 36% from $3.6 billion to $4.9 billion. Net income decreased from $2.9 billion to $2.3 billion, due to $1.3 billion of non-recurring charges which partially offset an otherwise improved performance. Net debt at the end of the year was $22.5 billion.

Writing to you last year, I said that we expected to continue to see a gradual improvement in the economy and that 2011 would be a stronger year than 2010. The year started as we anticipated, with a continued albeit gradual improvement in the overall economy. However the second half, and particularly the fourth quarter, was negatively affected by a deterioration of the economy, most specifically linked to the debt crisis in Europe. Fears that a collapse of the eurozone could push the global economy back into recession affected sentiment globally. A combination of weak sentiment, slow underlying demand and falling raw material prices triggered a period of significant destocking that resulted in apparent steel demand falling by 5% in the final quarter.

In light of the changed environment, ArcelorMittal re-considered its capital expenditure program and decided to pause all growth projects in the steel business. Capital expenditure for the year therefore, although increasing to $4.8 billion compared to $3.3 billion in 2010, was below the initially planned $5-5.5 billion.

Projects temporarily paused include the Monlevade and Vega do Sul expansion projects in Brazil. Although Brazil has been affected by currency appreciation, inflation and rising wage costs which have decreased competitiveness, it remains one of the fastest growing economies, recently overtaking the UK to become the 6th largest economy in the world. It remains an important market for ArcelorMittal and our intention will be to re-start these projects when the economic situation and the market permit.

As we begin 2012, overall global sentiment is improving but downside risks remain. Steel will continue to remain a material of choice and we expect worldwide demand to grow further. With our global footprint, ArcelorMittal is well positioned to benefit from such continued growth. Nevertheless, in a challenged environment it is necessary to make some structural changes to strengthen our presence in weaker markets. This will also serve to enhance the positive impact of our exposure to stronger regional markets.

Europe remains the biggest challenge. Although the worst case scenario seems to have been avoided, demand is still substantially below pre-crisis levels and is set to remain so for some time. As a result, regretfully in 2011 we took the decision to propose the permanent closure of the liquid phase in Liège. In a move to operate as efficiently as possible, the liquid phase at a number of other facilities has also been temporarily idled while we concentrate slab production at a smaller number of our most competitive sites. Such decisions are always difficult to take, especially due to their social impact. ArcelorMittal is committed to strong social dialogue and where possible we look to find solutions for everyone affected. But I am certain that to be a stronger and therefore more sustainable business in Europe we have to adapt to the realities of the operating environment.

The US, although not without its challenges, provides a more positive picture. Demand at the beginning of this year is strong and is being supported by energy and automotive demand, which continues to improve. In February there were 15 million light vehicle sales on an annualized basis in the US, the highest since February 2008. Indicators of underlying steel demand continue to follow the economy on an upward trajectory supported by rising consumer and business confidence.

China has recently announced that it expects slower GDP[1] growth of approximately 7.5% this year. The main risk to the Chinese economy is a further downturn in private residential construction as the government has signaled its unwillingness to relax its clampdown on the property market until prices are more affordable. As a result, China's end-user demand continues to remain relatively weak as manufacturing exports slow and new construction in the private real estate market falls, though with some offset from public housing projects. While industrial output is expected to show improvements year-on-year and steel production is expected to pick up over the next few months, the overall message is that growth has slowed. Nevertheless we expect Chinese GDP growth to remain at least in line with government estimates and steel demand to expand close to 5% this year.

In this volatile economic environment, it is imperative that businesses have a clear strategy, underpinned by a set of core strengths. ArcelorMittal has many strengths but there are five in particular that we believe are fundamental to our continued success in responding to evolving market conditions and delivering sustainable returns.

These are our quality core assets; our ability to make cost improvements; our market-leading automotive steel; our world-class mining business; and a stronger balance sheet.

ArcelorMittal's portfolio of high quality core steel assets is well placed in terms of product quality and production costs. The group is well diversified and our production facilities outside North America and Europe generated approximately 40% of our steel-based Ebitda in 2011. As a result, despite low operating rates, particularly in Europe, the group generated Ebitda of $118 a tonne in 2011.

[1] *Gross Domestic Product.*

Message from the chairman and CEO

continued

We have always focused on cost competitiveness as an important lever of our business. The group has a strong track record of delivering consistent cost improvements through our management gains program. Since 2008, we have identified management gains of $4 billion with a further $0.8 billion to be achieved before the end of this year. During 2011 we also announced a new asset optimization plan, which will deliver an additional $1 billion of Ebitda on an annualized basis by the end of 2012.

Further resilience comes from the group's position as the industry leader in value-added steel. With a 40% share of major automotive steel markets, ArcelorMittal is the leading supplier to the automotive industry. This is a contract-based business and compared to more commodity-orientated businesses, the margins are inherently more stable and volumes less prone to short-term stocking/destocking cycles. This business performed well in 2011 despite the volatility in the broader market. We are at the forefront of steel research and development, with our spend being at least twice that of key European and American competitors. We work directly with our customers to stay ahead of the curve by offering steel technologies that go beyond the material itself. For example, our advanced high-strength steels and 'S-in motion' solutions are helping automotive customers balance the demands of improved safety with reduced fuel consumption.

The group's performance in 2011 was boosted by its world-class mining business. ArcelorMittal has always pursued a strategy of owning our own mines. However, we have now transformed from being the world's leading steel company with a strategy of vertical integration, into the world's leading steel and mining company with a portfolio of high-quality growth mining assets that sell to both internal and external customers. This combination gives us a unique profile among our peers.

In 2011, we separated the financial results of our mining business to clearly show the contribution this segment is bringing to the overall business. For ArcelorMittal, our mining segment is a significant advantage. It ensures security of raw materials supply to our steel business; it enables us to sell to a growing list of third party customers; it allows optimization of supply and logistics savings and it provides the group with diversification and an effective hedge against raw material price changes.

Mining is also a major source of growth. Production volumes increased 20% in coal and 10% in iron ore in 2011 and this growth will continue as we remain on-track to produce 100 million tonnes of iron ore by 2015. There are many interesting projects underway, but the biggest highlight from our mining business in 2011 was the official launch and first shipment of our iron ore project in Liberia in September. This project was a major milestone not only for ArcelorMittal, but also for the country and people of Liberia. In order to reach this stage, we had to rebuild the entire infrastructure that had been destroyed in the course of the country's prolonged turmoil – including 240km of railway line and the port and material handling facilities at Buchanan.

The final core strength I would like to highlight is our balance sheet, which is far stronger today than it was at the onset of the global financial crisis in the third quarter of 2008. We have significantly reduced net debt by $10 billion, more than doubled the debt maturity profile to over six years and diversified the sources of funding. We have a plan to further reduce net debt through Ebitda growth, ensuring discipline on capex plans, focusing on working capital management and generating cash through non-core asset divestments.

The combination of these five strengths makes ArcelorMittal a strong and unique company. As a result, despite the ongoing challenges in the global economy, we are able to continue to adapt to the evolving market-place and provide our customers with the high quality steel and raw materials they require – fulfilling our purpose of generating sustainable returns while helping build the infrastructure of the modern world.

The people of our group are the foundation from which we build on our strengths. I have always believed that ArcelorMittal has a world-class team and this was confirmed in 2011 when for the first time we featured in the Aon Hewitt ranking of top companies for leaders. This accolade is a testament to the quality of our leaders – and indeed all of our 261,000 employees. I recognize that these are challenging times for everyone and I would like to thank all our employees for their continued hard work and commitment.

This was not the only recognition we received during the year. There are too many to list them all. But a number stand out. Our internal assurance team was honored for excellence in the categories of Best Internal Audit Contribution and Best Risk Mapping Approach by the French Institute of Internal Assurance; and we have also regained the top spot in the metals sector in Fortune's annual list of most admired companies. Again, these are achievements of which the whole company is proud. ArcelorMittal is a company that can be admired on a number of fronts: for the quality of the products we produce; for our dedication to finding the best solutions for our customers; for our contribution to the economies in which we operate; and for our commitment to produce safe sustainable steel. How we do business is as important as what we do. We publish a separate corporate responsibility report which I would urge you all to read. To mention a few highlights, we retained our membership in the Dow Jones Sustainability and FTSE4Good indices; implemented a human rights policy with over 147,000 employees trained to date; published a responsible sourcing code; and significantly strengthened our stakeholder engagement plan.

Finally, I would like to thank all ArcelorMittal employees, my colleagues on the management committee, the Group Management Board and the board of directors, for their support, hard work and contribution to the company's performance in 2011.

We are all excited about 2012 – an Olympic year – when the ArcelorMittal Orbit will stand proud as a symbol of all that our company is capable of.

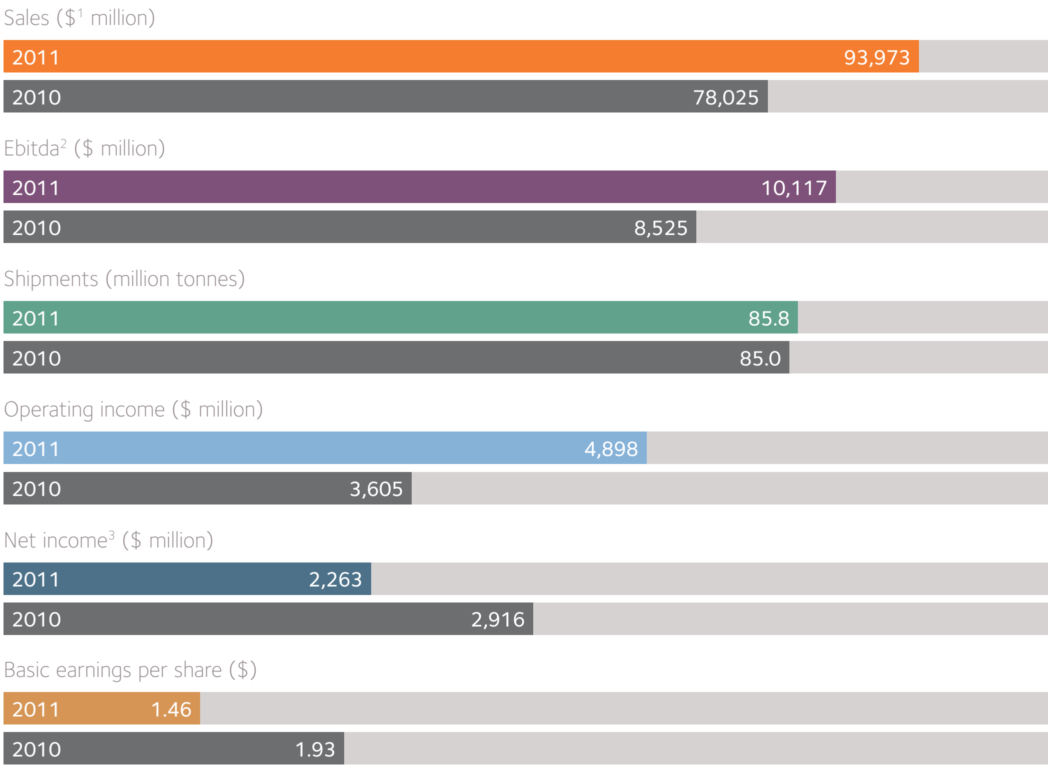
Lakshmi N Mittal
Chairman and CEO of ArcelorMittal

Financial highlights

Knowing your core strengths is important when faced with economic volatility and rapid change. At ArcelorMittal, having five core strengths at the heart of the business has helped to ensure we have effectively responded to evolving market conditions while maintaining a consistent strategy.

Aditya Mittal
CFO, member of the Group Management Board

Financial highlights



2011 steel shipments by location (thousand tonnes)[4]

Segment	Total
Flat Carbon Americas:	**22,249**
North America	17,084
South America	5,165
Flat Carbon Europe:	**27,123**
Europe	27,123
Long Carbon Americas and Europe:	**23,869**
North America	4,584
South America	5,660
Europe	12,547
Other[5]	1,078
AACIS (Asia, Africa and CIS[6]):	**12,516**
Africa	4,624
Asia, CIS and other	7,892

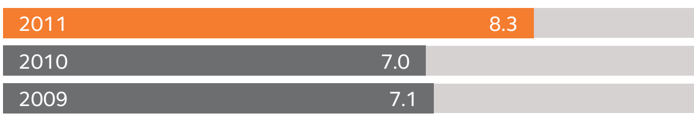
Number of employees[6] at December 31, 2011 according to segments

Segment	Total	%
Flat Carbon Americas	31,566	12
Flat Carbon Europe	62,130	24
Long Carbon Americas and Europe	53,558	21
AACIS (Asia, Africa and CIS[7])	57,774	22
Distribution Solutions	16,998	7
Mining	36,873	14
Other activities	1,624	—
Total	**260,523**	**100**

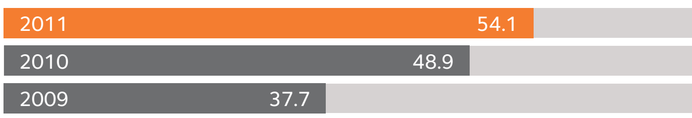
Allocation of employees[6] at December 31, 2011 according to geographic location

Region	Total	%
EU27[8]	97,619	37
Other European countries[9]	41,611	16
North America	36,662	14
South America	22,679	9
Asia	41,565	16
Middle East and Africa	20,387	8
Total	**260,523**	**100**

Own annual coal production (million tonnes)[10]



Own annual iron ore production (million tonnes)[10]



1 'US$', '$', 'dollars', 'USD' or 'US dollars' are to United States dollars, the official currency of the United States.
2 Ebitda is defined as operating income plus depreciation, impairment expenses and exceptional items.
3 Excluding non-controlling interests.
4 Shipments originating from a geographical location.
5 Includes tubular products business.
6 Full-time equivalent.
7 Commonwealth of Independent States.
8 EU27 includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.
9 Other European countries include Bosnia, Croatia, Macedonia, Norway, Russia, Serbia, Switzerland, Turkey and Ukraine.
10 Own iron ore and coal production excluding strategic long-term contracts.

Steel and raw materials: market analysis

Steel is at the core of the infrastructure that surrounds us, completely, in all aspects of everyday life. So infrastructure growth plans – whether government-backed or private – impact on demand for steel.

In 2011, the global steel market continued to build on the slow recovery in demand witnessed in 2010, although destocking in the latter part of 2011 – most apparent in Europe and China – limited the increase in apparent steel demand to 6.4% year-on-year. Crude steel production, which peaked in the first quarter of the year, increased by 6.8% to 1,527 million tonnes. Although this was a new record, average capacity utilization at the world's steel plants remains significantly below the levels recorded in 2006 and 2007, before the global economic crisis caused world demand to contract sharply. This is particularly so in Europe.

Movements in raw material prices played a major role in shifts in apparent demand – which combines both underlying real demand and changes in inventory – over the course of the year. The first quarter was marked by significant restocking by both steel service centers and end-users as a continuing increase in iron ore prices, rising to a new peak of over $190 a tonne in February 2011, raised expectations of a continuing rise in steel prices.

This process was further boosted by severe floods in Australia, which inhibited coal production and resulted in a rise of around one third in world coking coal prices to more than $300 a tonne. As a result of these factors in the first quarter, apparent demand rose around 10% year-on-year for the world, excluding China.

Spot steel prices increased during the first quarter of 2011 to nearly €630 a tonne for spot hot rolled coil (HRC) in Europe and about $970 a tonne in the US, from €485 and $617 respectively. After prices peaked in April and May 2011, all of the early 2011 price gains were lost over the following two quarters.

With substantial purchases of steel having been brought forward, the usual seasonal peak in demand in the northern hemisphere failed to materialize in 2011. However, with iron prices fluctuating within a narrow range from February to late September, apparent steel demand remained stable over the second and most of the third quarter – even though leading economic indicators such as purchasing managers indices were already turning down in the second quarter in Europe, the US and China.

Autumn shift in sentiment

The end of the third quarter saw a material shift in sentiment. With the eurozone sovereign crisis intensifying and stock markets in decline, the iron ore price fell sharply. This led to destocking at service centers, most markedly in Europe where inventories had risen to levels above historic norms. In the US, where steel inventories were some 25% below 2008 peak levels and auto inventories low by past standards, destocking was more limited – and had started to reverse on the back of strengthening real demand before the end of the year.

These contrasting demand patterns were reflected in a sharp divergence in steel prices between the US and Europe from November onwards. By the end of the year, the price of HRC in the US midwest was more than $120 a tonne higher than the equivalent steel in Germany. This was the widest price divergence since the first half of 2008. At the same time, a number of European steel producers scaled back on their production.

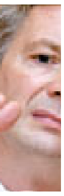
Globally, crude steel capacity utilization fell in December to its lowest level for two years, at 71.7%. That compared with a peak for the year of 83.3% in February. The principal reason for this sharp decline was a sizeable cut in Chinese production in the second half of the year.

Despite the difficult end to the year, apparent steel demand in both Europe and the US built on the recovery that started in 2010. In Europe, apparent demand grew by around 6.1% with particularly strong off-take in Germany and Poland. In the US market, there was growth of 11.5%. The strongest market of all was the CIS, which recorded growth in apparent demand of around 13% on the year.

800 mt*

China's estimated installed steel capacity

** millions of tonnes.*



Responsible sourcing program

ArcelorMittal incorporates social, ethical and environmental considerations into sourcing decisions in order to positively contribute to our goal of producing Safe Sustainable Steel. To this end, we have launched our 'responsible sourcing program'. This sets out how we will work with our suppliers and defines our minimum requirements from our responsible sourcing principles, such as health and safety and human rights. These responsible sourcing principles will be given systematic consideration alongside factors such as price and quality.

Brazil recorded reduced growth. In 2010, the V-shaped economic recovery had sucked in a large volume of imports to leave the country over-stocked in flat products. With destocking in progress through the second half of 2011, apparent demand actually fell.

China demand fluctuates

The rise of China as the unequivocal leading steel producer is a relatively recent phenomenon. At the start of the last decade, China was a net importer of steel. In 2005, its steel imports and exports were balanced. By 2007, it was the largest net exporter at more than 50 million tonnes, having built its production capacity at breakneck speed. Today, China is believed to have at least 800 million tonnes of installed steel capacity and regularly accounts for nearly half the global output (the figure for 2011 was 45.5%). In some sectors, such as rebar and other long products used in the construction industry, its share of world production is even higher.

In the first nine months of 2011, China experienced consistent growth in apparent demand, although inventory building peaked in early March and then leveled out. In June, domestic steel production reached a new all-time high, equivalent to more than 725 million tonnes a year. By the start of the fourth quarter, however, government initiatives to curb inflation and cool an overheated private real estate market were having a negative effect on underlying demand for steel.

Apparent demand fell severely during the final quarter of the year as economic factors combined with sharply falling iron ore prices to encourage destocking. The response of many steel producers was dramatic. A number either cut production or announced production cuts for future months. By November, crude steel production was running at a level equivalent to around 600 million tonnes a year – a reduction of 120 million tonnes compared with the June peak. For reference, a production cut on that scale is the equivalent of removing US and German production from the world marketplace. Despite the cutbacks, Chinese steel production still rose by nearly 9% year-on-year.

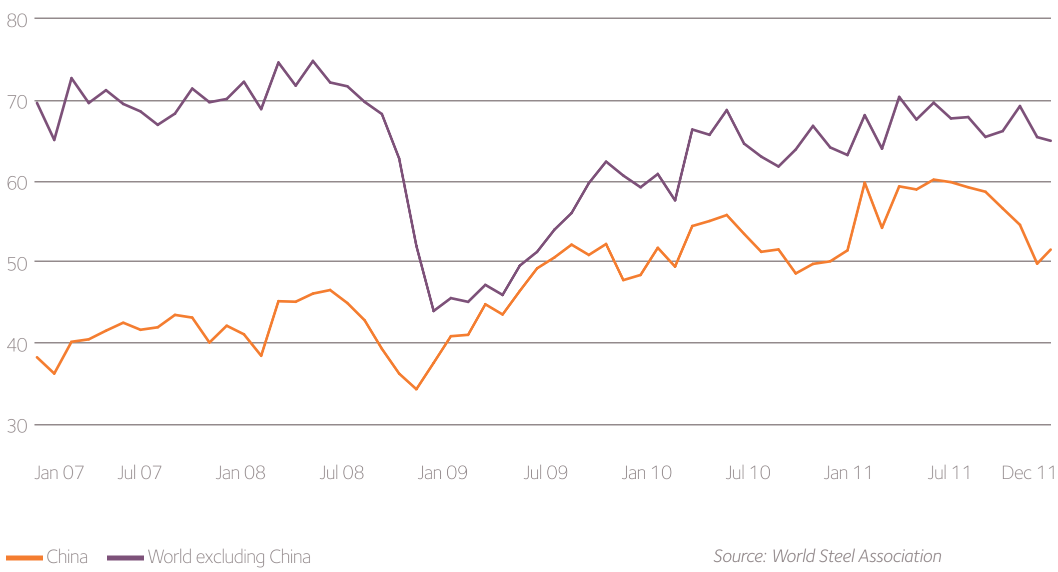
Special factors in Japan and North Africa

The disruption caused by the Japanese earthquake and tsunami in March 2011 caused a fall in apparent steel demand in Japan over the spring and summer. However, with a strong start to the year and a recovery in the fourth quarter, apparent demand stagnated despite production for the year falling 1.8%. In the Middle East and North Africa, the events of the 'Arab Spring' hit economic activity in a number of countries and apparent demand across the region finished slightly lower on the year-end.

2012 outlook

For 2012, we are forecasting a further improvement in steel demand, compared with 2011. However, that will still leave steel use in the developed world significantly below the pre-crisis level in 2007. Growth prospects should be brightest in the developing world, where the recovery has been strongest and where the medium and long-term outlook is the most positive.

Crude steel production (million tonnes per month)



Source: World Steel Association

1 billion people consume

400kg

of steel each year on average

Market analysis

continued

In the US, there are growing signs of economic recovery. Demand for steel in key industries is rising, underpinning real demand. Automotive production continues to recover. Energy and equipment investment remains strong. Rig counts indicate that activity in the oil and gas industry is on a rising curve. Service sector inventory, in terms of months' supply, is marginally below historic norms. Construction however, is still depressed.

In Europe the outlook is more subdued, with still significant uncertainty surrounding the eurozone debt crisis and government austerity measures weighing on demand. Although automotive production in Europe is helped by exports to emerging markets and the US, this is likely to be more than offset by weak domestic demand. In many other sectors, underlying demand for steel in Europe is at best flat but steel demand is supported as the severe destocking that began in the final quarter of 2011 has run its course, underpinning hopes for a slow recovery during the year.

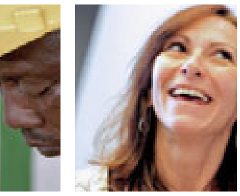
In China, the pace of growth has slowed but underlying demand continues to grow, albeit slowly. There are expectations of a pick-up in steel production by the second quarter as the government continues to gradually relax policy to stimulate demand. The property sector is slowing as real estate developers suffer from falling prices and rising inventory of unsold buildings. However, the government is committed to supporting the social housing program and this should support growth in steel demand close to 5% in 2012 after almost 8% in 2011.

Developing markets lead the way

For all the recovery in steel use witnessed over the past two years, there has been a marked divergence between the developed and the developing world. After allowing for projected growth in North America in 2012, apparent demand will still be more than 10% lower than in 2007 before the credit crisis hit. European demand will be 20% down on 2007 levels. Japanese demand for steel is projected to be almost 20% lower than pre-crisis levels.

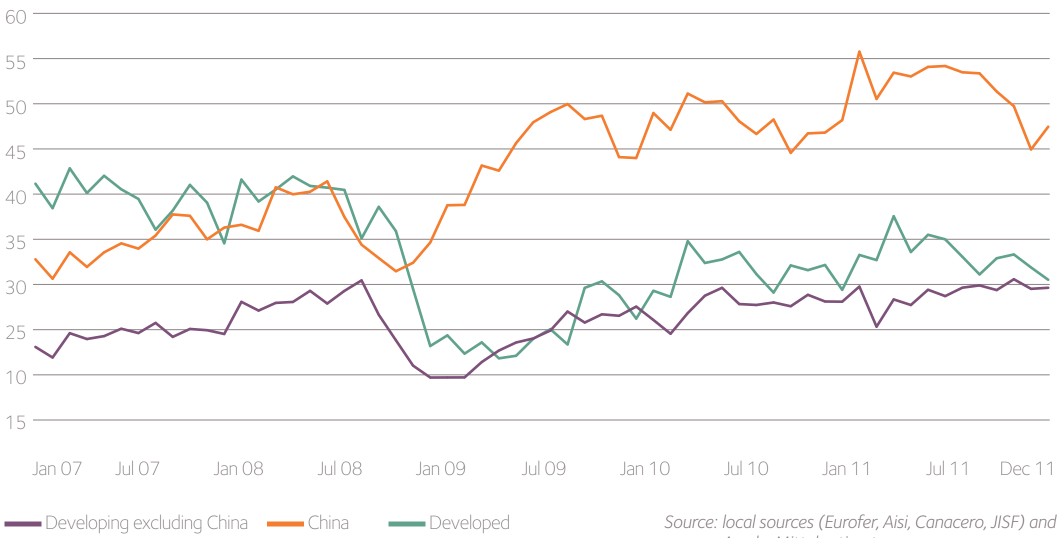
By contrast, steel use in the developing world has recovered strongly from the 2008 lows and in many regions is at, or approaching, a new peak. Apparent demand in Central and South America already set a new record in 2010. In the CIS, apparent demand is projected to hit a new record in 2012. Despite slowing growth rates in 2011, both China and India are expected to continue their upward trajectory in 2012.

Steel use in the developed world is expected to show low growth to leave underlying demand around 20% below pre-crisis levels in 2012[1]. In the developing world, the equivalent figure is 40% or more above pre-crisis levels, driven mainly by China. As a result of this divergence, the World Steel Association estimates that developing economies will account for 73% of world steel demand in 2012, compared with 61% in 2007.



ArcelorMittal ranks in 2011 Dow Jones Sustainability World Index
After first gaining entry in 2010, our company is proud to be included into the prestigious Dow Jones Sustainability World Index (DJSI) for the second consecutive year. Scoring highly in all dimensions (economic, environmental and social), ArcelorMittal was recognized for our strong sustainability performance.

Global apparent steel consumption (million tonnes per month)



Source: local sources (Eurofer, Aisi, Canacero, JISF) and ArcelorMittal estimates

[1] *Includes North America, EU27, Japan and Oceania.*

Long-term growth in steel demand

The shift in demand from north to south and from the Organization for Economic Co-operation (OECD) to developing countries is set to continue. The rate of steel consumption per head of population has long been a reliable indicator of a country's level of development. Steel is a vital element in the building of modern infrastructure, a key industrial material and the starting point for a host of consumer products – from household appliances to automotive. Service-based economies apart, steel use is in many ways a proxy for prosperity.

As developing countries invest in their power and transport infrastructure, and progressively industrialize, so their demand for steel increases. Urbanization is another driver of steel demand: the dawning of the 21st century marked the first time in history that a majority of the world's population was living in cities. It is estimated that a further 500 million people will move to live in cities during the present decade.

In the developed world, roughly one billion people consume an average of 400kg of steel each year. That figure is unlikely to increase. Population growth is low and many developed countries are becoming increasingly service-based economies. The challenge for steelmakers in these markets is to add value by providing the advanced steels industrial users increasingly demand.

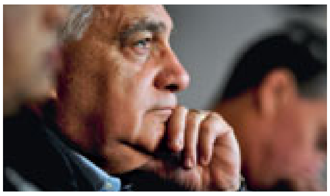
China and the rest of the developing world together account for around 85% of the world's population, and their share of world Gross Domestic Product (GDP) is growing. Today, China already consumes more steel per head of population – more than 450kg per head – than the developed nations' average, though much of that consumption reflects infrastructure and real estate construction.

By contrast, the rest of the developing world (excluding China), with a population of more than 4 billion people, is today consuming steel at around one quarter the rate of the developed world. In fast-developing India, the figure is even lower – at around 60kg per head. The scope for growth in steel demand in these countries is immense. It has been estimated that, between now and the end of the decade, steel demand in India could more than double.

Cost management will be vital for steelmakers

The ability to exploit these opportunities will, for all steelmakers, require strict cost controls. Rising iron ore and coal prices in recent years, driven largely by ballooning demand from China, have significantly altered the balance of steelmaking costs. In 2003, raw material costs represented 40% of HRC manufacturing costs. The equivalent figure today is around 65%.

Over the same period, global seaborne iron ore consumption has nearly doubled, to more than 1,000 million tonnes a year. Again, it is the need to feed an ever-increasing number of Chinese blast furnaces that has driven much of this growth. China's domestic production of iron ore has doubled over the same period, but is nowhere near sufficient to meet demand and the majority of domestic mining is relatively high-cost. The ability of seaborne supply of iron ore to meet rising demand in China and the rest of the developing world will be one of the keys to steel market dynamics in the medium-term.



Developing countries will account for

73%

of global steel demand by 2012 according to the World Steel Association

Above South Africa

Our five core strengths

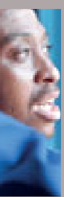
Supported by our consistent strategy, we possess five core strengths that allow us to generate sustainable returns through the economic cycle. Because of those strengths, we remain committed to our growth plans. Our core projects are not dependent on strong economic conditions in order for us to create value for our shareholders.

We have quality core assets

Our core steel plants are cost competitive. We have a global presence, spanning both developed and developing markets, with 40% of steel Ebitda now generated by facilities outside Europe and North America. Our product range is broad and we have an outstanding distribution network. Our knowledge base is unrivalled.

We are leaders in automotive steel

We have around one-fifth share of the global automotive market. As the automotive industry increasingly looks not for steel providers but solution providers, our technical know-how and leading position in advanced high-strength steels leaves us well placed to capitalize on our strong customer links.



We have a world-class mining business

Our fast-growing mining business spans the globe. As most of our mines are in close proximity to the group's steel plants, having our own production gives us a competitive advantage. Increasingly, we are marketing our iron ore and coal to external customers. With iron ore production set to increase from 65 million tonnes to 100 million tonnes by 2015 (including strategic contracts), mining is a key growth area for the group.

We have a stronger balance sheet

Since December 2008, we have reduced our net debt by around 15%. A further reduction is planned for 2012. We have also extended the maturity profile of our debt from 2.6 years to 6.3 years and diversified the sources of our funding. ArcelorMittal remains committed to maintaining its investment grade rating.

We are delivering cost improvement

Since 2008, our management gains program has delivered $4 billion of cost savings, with a further $800 million targeted for 2012. Our asset optimization plan, announced in 2011, is aimed at concentrating production at our lowest-cost plants to optimize productivity. It is targeted to add annual savings of $1 billion by the end of 2012.

We have quality core assets

Performance 2011

Sales ($ million)	93,973
Steel shipments (thousand tonnes)	85,757
Crude steel production (liquid steel in thousand tonnes)	91,891

Our core assets are competitive in terms of cost. This was amply demonstrated in 2011 when, despite low operating rates, we generated group Ebitda of $118 a tonne of steel shipments. Geographic diversification plays its part. We have a balanced portfolio of assets in both the developed and developing markets and are the leading steelmaker in the EU, North America, Africa, Latin America and the CIS. Facilities outside of Europe and North America account for around 40% of our steel Ebitda. We have important product diversity that enables us to provide solutions to meet customer requirements and needs, in all markets. We produce a broad range of high-quality products, and we operate an outstanding distribution network. Above all, we have an unrivalled knowledge base, which allows us to benchmark best practice, and a commitment to research and development (R&D) which keeps us ahead of the curve.

Picture Port-Cartier, Canada

Our business

ArcelorMittal is the world's leading steel and mining company. With a presence in more than 60 countries, we operate a balanced portfolio of cost-competitive steel plants across both the developed and developing world. We are the leader in all the main sectors – automotive, household appliances, packaging and construction. We are also the world's fourth largest producer of iron ore, with a global portfolio of 16 operating units with mines in operation or development. In 2011, we employed around 261,000 people.

With a total production capacity of around 125 million tonnes of crude steel, ArcelorMittal is a highly efficient steel producer with a diversified production process. It has industrial operations in 20 countries on four continents, producing flat and long steels and tubular products. In January 2011, the group's stainless steel operations were spun off into a separate company, Aperam. ArcelorMittal produced approximately 91.9 million tonnes of steel in 2011, compared with 90.6 million tonnes in 2010.

With our ongoing aim to develop a world-class mining business, our mining operations have reported as a separate segment since January 2011. We produced around 54.1 million tonnes of iron ore and 8.3 million tonnes of coal (excluding supplies under strategic long-term contracts) in 2011.

For many years, the group has pursued a consistent strategy focusing on product diversity, geographic breadth and vertical integration, both upstream and downstream. The aim of this three-dimensional strategy is to reduce exposure to risk and cyclicality.

Our upstream integration, through our investment in iron ore and coal mining assets, gives us a major competitive advantage, provides a measure of security of supply and is an important natural hedge against raw material price volatility.

Our downstream integration, through our Distribution Solutions segment, enables us to meet a wide range of customer needs in virtually all steel-consuming industries and markets. We sell into a total of approximately 174 countries. The exceptional breadth of this market reach improves our market intelligence and helps us optimize working capital through the better management of our supply chain inventories.

Above Port-Cartier, Canada

Steel

As a global steel producer with a diversified product range, we service a wide range of customers and markets. In 2011, approximately 38% of our steel was produced in the Americas, 46% in Europe and 16% in other countries such as Kazakhstan, South Africa and Ukraine.

With our global market reach and product diversification, we are able both to reduce risk, and benefit from the fast-growing demand for steel in developing economies – which currently account for around one-third of our shipments. While demand in the developed world is weighted towards flat products and a higher value-added mix, demand in the developing world is higher for long products and commodity grades. As these economies develop, their need for higher value products will increase. With our experience in developed markets, we are well placed to meet that demand.

Our global footprint also gives us a unique ability to serve our multinational customers by providing them with standard solutions and consistent quality around the globe. We have built strong and deep relationships with our biggest customers and frequently work with them in committed co-engineering programs. We have a strong presence in the design centers of most global automotive manufacturers and act as a strategic partner for many.

We support this with one of the largest research and development budgets in the European steel industry, a worldwide network of laboratories, and a knowledge management program that actively shares best practice around the group's operations.

We have a diversified production process, producing approximately 65.9 million tonnes of our crude steel through the basic oxygen furnace route, approximately 22.6 million tonnes through the electric arc furnace route and around 3.4 million tonnes of crude steel through the open hearth furnace. This gives us flexibility in raw material and energy usage and our scale helps us to optimize plant load factors. It also increases our ability to meet changing customer needs.

In flat products, we are the clear leader in coated steels, from hot dip to electro-galvanized and color coated. We continue to develop new grades of light but ultra-high strength steels for the world automotive industry. Our technical know-how has given us an 18% world market share in automotive steels. We also produce the biggest plates in the world.

In long products, we produce rebars, sections and beams in all sizes and qualities, and have helped build many of the world's tallest structures. We are the biggest producer of the very high-strength steels needed for wind turbines, and the leader in sheet piles. The world energy industry relies on ArcelorMittal pipes and tubes.

Our Distribution Solutions business sells both in local markets and through a centralized marketing organization. The service centers finish steels to suit individual applications, often providing customized solutions, and help the group service its customers more directly.

Left Belval, Luxembourg

Mining

ArcelorMittal has built up a world-class resource base in iron and coking coal through a combination of acquisitions and internal expansion. Our geographically diverse portfolio of mining assets gives us the opportunity to supply the developing world as well as our own steel facilities. Since January 2011, the mining business has reported as a separate segment. This has enhanced our ability to maximize returns, optimize the allocation of capital and pursue our growth plans – which involve a material increase in production and sales to third parties.

All raw materials that can practically be sold outside the group are now either marketed to third parties or transferred to ArcelorMittal facilities at market price. Production from captive mines closely linked to one of our steel facilities is transferred internally on a cost-plus basis. In 2011, approximately 17%[1] of the group's own iron ore production was sold to external customers.

In 2011, ArcelorMittal's own mines produced 54.1 million tonnes of iron ore[1]; our own mines and strategic contracts produced 65.2 million tonnes of iron ore which was equivalent to 57%[2] of the group's requirements. A total of 28.0 million tonnes was shipped internally and externally at market price[3]. Production of metallurgical coal hit 8.3 million tonnes[4]; this was an increase of 20%.

Our ore reserve estimation and reporting processes are now standardized and reserve estimates will be updated and reported annually. Following a full review of our life-of-mine plans, ore reserves and mineral resource estimates, our iron ore reserves are now put at 3.8 billion tonnes. Our principal iron ore mining operations are located in Canada, the US, Mexico, Brazil, Algeria, Bosnia and Herzegovina, Ukraine, Kazakhstan and Liberia.

Our total metallurgical coal reserves are estimated at 323 million tonnes. The group's coal mines are located in Kazakhstan, Russia and the US.

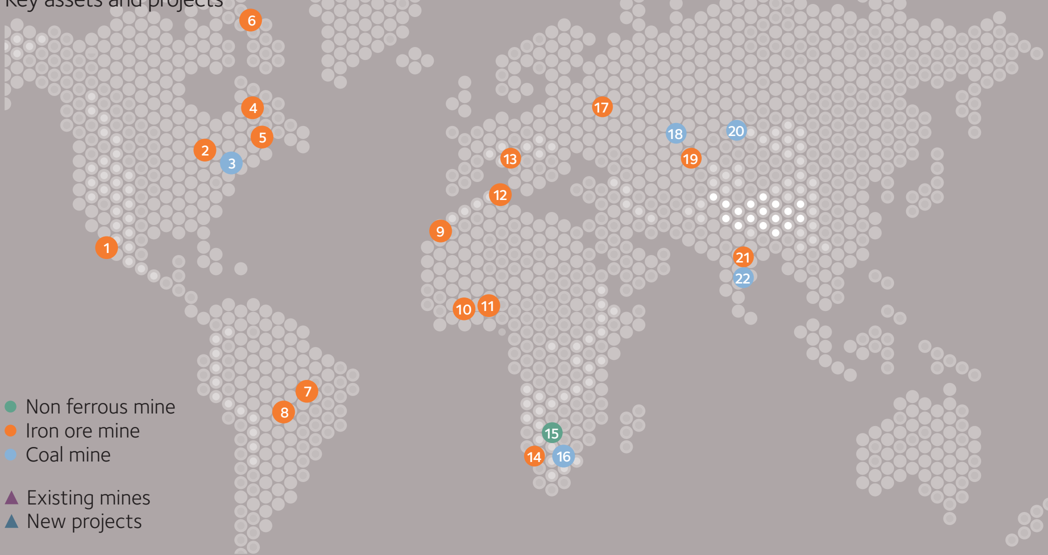
A number of growth projects are under way – most notably in Canada and Liberia. The group is on target to expand annual iron ore production (including off-take from long-term contracts) to 100 million tonnes by 2015.

[1] Own iron ore production excluding strategic long-term contracts.
[2] Assuming full production at Peña Colorada for own use.
[3] Market price tonnes represent amounts of iron ore and coal from ArcelorMittal mines that could be sold to third parties on the open market. Market priced tonnes that are not sold to third parties are transferred from the Mining segment to the company's steel producing segments at the prevailing market price. Shipments of raw materials that do not constitute market price tonnes are transferred internally on a cost-plus basis.
[4] Own coal production excluding strategic long-term contract.

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

Mining business portfolio

Key assets and projects



- 1 ▲ Mexico Iron Ore Las Truchas & Volcan 100%, Peña Colorada 50%*
- 2 ▲ US Iron Ore Minorca 100%, Hibbing 62.3%*
- 3 ▲ Princeton 7 mines 100%
- 4 ▲ Canada Iron Ore 100%
- 5 ▲ Canada Iron Ore expansion project (Mont-Wright)
- 6 ▲ Canada Iron Ore Baffinland 70%
- 7 ▲ Brazil Iron Ore Serra Azul 100%
- 8 ▲ Brazil Iron Ore Andrade expansion
- 9 ▲ Mauritania Iron Ore
- 10 ▲ Liberia Iron Ore 70%
- 11 ▲ Liberia Iron Ore phase two
- 12 ▲ Algeria Iron Ore 2 mines 70%
- 13 ▲ Bosnia Iron Ore 51%
- 14 ▲ South Africa Iron Ore*
- 15 ▲ South Africa Manganese 50%
- 16 ▲ Coal of Africa 15.9% interest
- 17 ▲ Ukraine Iron Ore 95%
- 18 ▲ Kazakhstan Coal 8 mines 100%
- 19 ▲ Kazakhstan Iron Ore 4 mines 100%
- 20 ▲ Russian Coal 2 mines 98%
- 21 ▲ India Iron Ore
- 22 ▲ India Steam Coal

** Includes share of production not controlled by ArcelorMittal.*

Our strategic priorities

1 **Health and safety**
Health and safety is our first priority across all sites, countries and levels of the company, and is embedded in all our values. We are driven to create a safe and healthy workplace with no accidents and fatalities. Journey to Zero, our company-wide health and safety program to reduce workplace accidents and occupational diseases, embodies our health and safety goals: to become the safest steel and mining company in the world.

2 **Maintain and improve cost competitiveness**
With $4.0 billion of management gains banked since 2008, ArcelorMittal is targeting a further $0.8 billion of savings by end of 2012. These will come from operational improvements, sales, general and administrative expenses (SG&A) and fixed cost savings.

In addition, progress has been made on the asset optimization plan launched in September 2011. By focusing production on our lowest-cost facilities and better aligning our footprint to market demand, we target $1 billion sustainable Ebitda run rate improvement by the end of 2012.

3 **Grow our mining resource base**
Our mining business currently accounts for around 30% of group profitability. We have ambitious growth plans to increase our supply of iron ore to 100 million tonnes (including strategic contracts, but excluding the potential output from Baffinland) by 2015, including doubling of our market-priced tonnages over five years.

4 **Preserve balance sheet strength**
Since the 2008 crisis, we have materially strengthened our balance sheet, reducing debt and extending the average maturity of our borrowings. While we will continue to invest in order to maintain our production facilities and sustain R&D and product quality, acquisitions will be made only selectively and where they are strategically important. We are committed to maintaining our investment grade rating. We are also considering some non-core asset divestments.

5 **Execute organic growth opportunities in emerging markets**
Although we have temporarily suspended steel growth expenditure due to current uncertainties arising from the eurozone sovereign debt crisis, depending on local market conditions and projected global and regional demand trends, we will continue to target growth in key developing markets.

2011 highlights

January
ArcelorMittal's stainless and specialty steels business is spun-off into Aperam.

March
ArcelorMittal and Nunavut Iron Ore Acquisition Inc. complete the acquisition of Baffinland Iron Mines Corporation shares under their joint offer (70% ArcelorMittal and 30% Nunavut).

May
ArcelorMittal plans to expand its Mont-Wright mining complex and have additional construction at Port-Cartier in Canada (subject to environmental and other regulatory approvals).

ArcelorMittal's Group Management Board and management committee grow. Lou Schorsch joins the GMB with responsibility for Flat Carbon Americas, group strategy, CTO, research and development, global automotive and as a member of the investment allocation committee. Christophe Cornier chooses to retire from the GMB and assumes the role of advisor to the CEO and GMB; he retires on December 14, 2011 as chairman of ArcelorMittal France. The management committee is extended from 12 to 24 members (more details on page 68).

June
ArcelorMittal received the Best Process Innovation award in American Metal Market's (AMM) 2011 Awards for Steel Excellence for our S-in motion concept and the company's continuous commitment to producing the most ground-breaking steel for the automotive sector.

September
ArcelorMittal commences commercial iron ore production from its mining operations in Liberia. This launch is an important milestone in the recovery of Liberia's economy, which was devastated by 14 years of civil war.

After first gaining entry in 2010, ArcelorMittal is included into the prestigious Dow Jones Sustainability World Index (DJSI) for the second consecutive year.

October
ArcelorMittal is given the 'Life Cycle Assessment Leadership' award by the World Steel Association for the quality of the work performed by the life cycle analysis team of global research and development, based in Maizières, France.

November
As a first-time entrant to the survey, ArcelorMittal is listed in Aon Hewitt's European list of 'Top Companies for Leaders' and ranks among the top seven companies in Europe.

December
ArcelorMittal celebrates its 4th annual International Volunteer Work Day: thousands of employees volunteer in different activities to improve the lives of the people in the community.

Health and safety: our number one priority

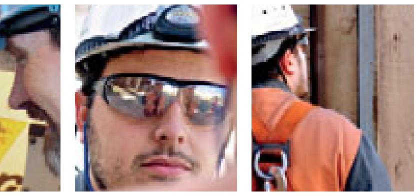
Health and safety is ArcelorMittal's number one priority – across all sites, in all countries and at every level. Our Journey to Zero safety improvement process has delivered four consecutive years of progress. Further significant improvement is targeted year by year.

At ArcelorMittal, we are committed to becoming the safest steel and mining company in the world. Our group-wide Journey to Zero safety program aims to achieve zero fatalities, accidents and occupational illnesses. Launched in 2008, it was followed by a global agreement on occupational health and safety with our trade unions, setting a precedent in the industry.

In 2011, our safety performance improved for the fourth consecutive year. Based on figures both for our own personnel plus our contractors, our lost time injury frequency rate (LTIFR) fell from 1.8 per million hours worked in 2010 to 1.4 now. Significant improvement was achieved in our Mining operations, in Flat Carbon Europe, in Long Carbon Americas and Europe, and in Asia, Africa and CIS. The fourth quarter of the year – the best performance achieved to date – saw a further fall in the LTIFR to 1.2, with improvement in all our operations other than Flat Carbon Americas.

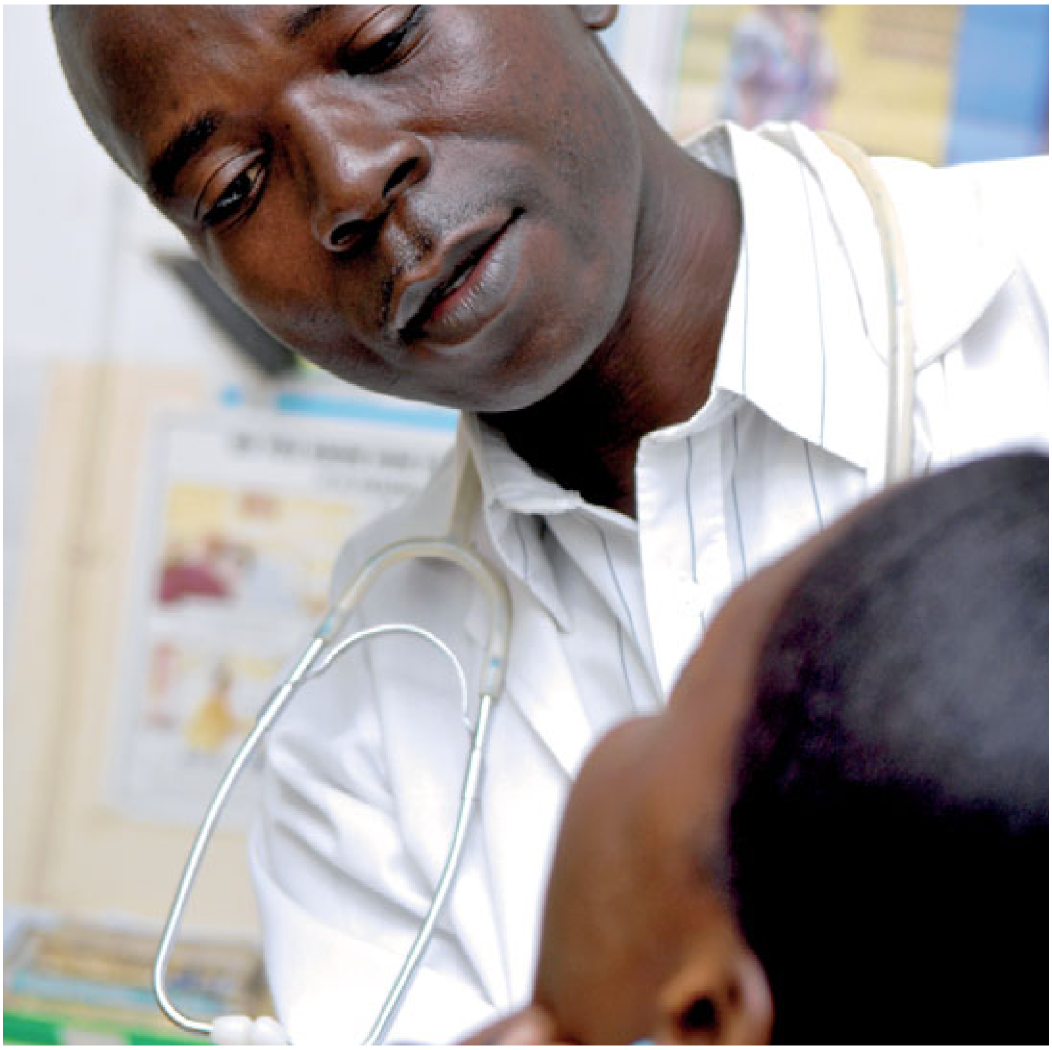
We sincerely regret the loss of 27 colleagues (20 in steel and seven in mining) in work-related incidents in 2011. While that is a one-third reduction on the number of fatalities from the previous year, every fatality is one too many. We have been working hard to drive the systematic application of our fatality prevention standards at all sites and at the same time focusing on improving contractor safety performance.

These were two of the key outcomes of a global health and safety summit held in Canada in January 2011 involving all of our top management. The purpose of the summit was to strengthen our journey to zero by agreeing measures that would achieve a quick and sustainable reduction in accidents and replicate the success of our top-performing sites across the rest of the group.



Wellness projects
In 2011, the group launched fact-finding communities for HIV/AIDS and certain types of addictions. The objective was to gather knowledge on their prevention to then be used to further educate on best practices within the company and therefore help to protect ArcelorMittal employees across other sites.

Right Buchanan, Liberia



The meeting drew on the examples of four of our larger sites – ArcelorMittal Dofasco in Canada, ArcelorMittal Bremen in Germany, ArcelorMittal Bergara in Spain and our Andrade iron ore mines in Brazil – to demonstrate how and why they are succeeding in driving down or eliminating accidents. Andrade last year celebrated its 19th year without a lost time injury.

The critical message that ArcelorMittal leaders took from the summit was that the key is to foster a culture of shared vigilance in which every employee is proactive about and responsible for his/her safety of and those around them. As part of that, it was agreed to strengthen 'visible felt leadership', with leaders at every level encouraging employee engagement in safety performance. We want our employees and contractors not only to comply but be committed to our health and safety standards.

One other area of focus is to make better use of leading indicators. Managers must know and understand the data on 'near hits' and unsafe situations so preventative measures can be taken. We are setting up advanced safety monitoring systems to better prevent accidents.

Based on the outcome of the January summit, every business unit was required to present an updated health and safety plan by April 28, 2011 – the date of the ArcelorMittal annual Health and Safety Day – at the latest. A follow-up seminar was held in London in December 2011, involving the GMB and management committee members, and action plans were discussed for 2012. That meeting agreed that top priority sites (those that had suffered two or more fatalities in the last two years) would receive closer attention month-by-month and there would be focus on sites having too high a LTIFR ('red sites').

It also noted that several sites had achieved a significant improvement in their safety record. Major improvements have been obtained by site in Temirtau, Monlevade, Lázaro Cárdenas, Tubarão and Asturias. The business units Industeel and tubular products have also made great progress.

At ArcelorMittal Tubarão in Brazil, a program to focus on contractor safety resulted in a 79% reduction in the LTIFR compared with the previous year. Some operations have a long-term record of exemplary safety performance. Our Al Jubail project in Saudi Arabia has obtained more than 10 million hours worked without any lost time injury, despite the presence of four major contractors on the site employing people of 14 different nationalities.

Within our Mining operation, Journey to Zero has had a significant impact on safety performance. The LTIFR has fallen steadily since 2008, reducing from 3.4 to 1.2 in 2011. In the US, ArcelorMittal Princeton has been recognized for open-mine safety by the Virginia Department of Mines, Minerals and Energy.

In order to create a culture where all employees and contractors are valued above all other priorities, the Mining team launched the 'courageous leadership' set of values. From top management to the shop floor, it clearly sets the expectation that everyone has the authority, responsibility and accountability to courageously speak up when someone is thought to be at risk.

The progress made to date confirms that our Journey to Zero program has set us on the right path. In 2012, the focus of our effort will be in further embedding a health and safety culture in all our sites and drastically reducing fatalities. We have set ourselves the target of achieving an LTIFR of 1.0 or less by 2013 at the latest.

Joint health and safety committee

As part of the global agreement with our unions, forged in 2008, we set up a joint health and safety committee, which meets once a quarter. In 2011, meetings were held in London (planning meeting), ArcelorMittal Acindar in Argentina, ArcelorMittal Tubarão in Brazil, ArcelorMittal Vinton and LaPlace (US sub-committee only), ArcelorMittal Zenica in Bosnia and Herzegovina and ArcelorMittal Dąbrowa Górnicza in Poland.

In August, we issued a report jointly with the European Metalworkers' Federation, the International Federation of Metalworkers and the United Steel Workers, examining how the company had worked together with its unions across the world to improve safety performance. The report concluded that the joint committee had helped to build a positive workplace culture and improved collaboration and coordination between unions and management, both locally and globally.

Health and Safety Day

As in prior years, the group-wide 'Health and Safety Day' was held in all of ArcelorMittal's sites to coincide with the International Labor Organization's World Day for Safety and Health at Work. The theme was 'from priority to value'.

Health Week

Our 'Health Week', launched as a pilot project in 2010, was extended across the entire group in 2011. Focusing on non-occupational diseases and wellness, the event received positive reactions and will now be an annual fixture. It has three objectives: screening, detection of high risk population and awareness plus education.

During one week, all employees of ArcelorMittal sites could receive education on health matters through health fairs, posters, stands, lectures, tests, etc., assess their health risk factors (obesity, hypertension, diabetes, stress, etc.), and discover how to improve both their physical and mental health while lowering risks of some diseases.

In addition to health subjects, all sites organized physical activities. For example, several sites in nine countries participated in the first global race.

In 2011, more than 103,000 people participated in activities. The event received positive reactions and will now be an annual fixture with the new name 'health awareness program'.

Health projects

We aim at improving the prevention of occupational diseases by various means in the long-term. In order to benefit both ArcelorMittal employees and the local community, we are working with Project CURE, a US non-profit organization providing second-hand medical equipment, consumables and material to improve local hospitals and clinics. Three projects have already been successfully conducted in our Liberian hospitals; similar projects are ongoing in Romania and Kazakhstan.

We are also focusing on educating our employees in the area of 'occupational hygiene'.

A lot of attention has been further paid to increasingly standardizing operations and medical emergency improvement projects on a number of sites, etc., as well as improving showers, restrooms, dressing rooms and canteens for several sites.

REACH legislation

We continued to file follow-up data on all substances registered under the EU REACH legislation concerning the authorization and restriction of chemicals, and prepared for the registration of smaller volume products (< 1000 t), for which the registration deadline is in 2013.

Our steel and mining operations

In 2011, all of the group's steel segments had to deal with challenging conditions. The final quarter saw a fall in apparent steel demand in a number of markets, most notably China. The European market was hard hit as the eurozone crisis intensified and the effect on steel demand was amplified by significant inventory reduction on the part of customers.

Safety
The safety performance improved in 2011 in all segments of the business except Flat Carbon Americas and Distribution Solutions. Overall, the group's lost time injury frequency rate (LTIFR) improved for the fourth year running, falling from 1.8 hours per million worked to 1.4. A further significant improvement in the safety performance is targeted over the next two years.

Performance
In 2011 Ebitda rose by 18.7% to $10.1 billion, with much of the improvement driven by our Mining segment. Crude steel production rose from 90.6 million tonnes to 91.9 million tonnes, while steel shipments rose fractionally to 85.8 million tonnes. Ebitda per tonne finished 18% higher than in 2010, at $118.

There was a marked variation in the performance of different segments, reflecting the divergence in regional and sectoral demand patterns. While Flat Carbon Europe bore the brunt of European destocking and a significant price-cost squeeze towards the end of the year, Flat Carbon Americas benefited from strengthening underlying demand in North America, offset in part by a soft market in Brazil. Long Carbon Americas and Europe saw a softening in demand and pricing in its major markets in the second half of the year.

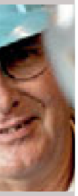
Asia, Africa and CIS suffered a number of production problems in 2011 which constrained its output, but its financial performance improved on the back of stronger average selling prices. Our Distribution Solutions segment achieved significantly higher selling prices in 2011 than in 2010, though inventory reduction in Europe in the final quarter resulted in a price-cost squeeze.

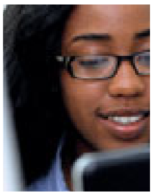
Our Mining segment made strong progress in 2011, lifting Ebitda by around one-third. Now managed and reporting separately, it delivered on its targets to increase iron ore and coal production by 2012 by 10%. By the fourth quarter, it was producing iron ore at an annualized rate of 60 million tonnes as our greenfield venture in Liberia progressively ramped up production.

As part of the move to manage our Mining segment's results separately, where production of iron ore or coal is marketable, it is now either transferred to the group's internal customers at market price or sold on world markets. In 2011, just over half of our iron ore production was shipped at market price, an increase of 11.5% year-on-year. Increasingly, new iron ore and coal production will be marketed commercially to third parties. Iron ore and coal production is targeted to increase by a further 10% in 2012.

2011 Ebitda split by segment

Segment	$ million
Flat Carbon Americas	2,109
Flat Carbon Europe	1,500
Long Carbon Americas and Europe	1,866
AACIS	1,238
Distribution Solutions	271
Mining	3,063





Health, Safety and Environment (HSE) Excellence Awards for ArcelorMittal Point Lisas
After more than one year with zero lost time injuries and the inauguration of an improved health care facility for employees, ArcelorMittal Point Lisas was presented with the HSE Excellence Award by the American Chamber of Commerce of Trinidad and Tobago (AmCham).

This site is making significant progress on the collective journey to zero.

Flat Carbon Americas

With 19 plants spanning Canada, the US, Mexico and Brazil, Flat Carbon Americas (FCA) produces a complete range of flat rolled products. It is the largest plate producer in North America, a leader in tinplate and a major supplier to the automotive market throughout the western hemisphere. Its market share in the North American automotive market exceeds 35%.

Flat Carbon Americas

+36%

Rise in Ebitda as compared with the year ended December 31, 2010

Below Belval, Luxembourg

Safety

The lost time injury frequency rate remained flat in 2011 at around 1.9 hours per million worked. One fatality was sustained at the Burns Harbor plant. "This was distressing and highly regrettable," says Lou Schorsch, GMB member, responsible for Flat Carbon Americas, "but it represents our best performance on fatalities since the merger." Two of the segment's operations, ArcelorMittal Dofasco in Canada and ArcelorMittal Tubarão in Brazil, typically figure among the group's top performing plants for safety. The Brazilian operation made substantial headway on contractor safety in 2011.

"A major focus for FCA in terms of safety is to sustain the positive momentum in the US plants," says Mr Schorsch. "The commitment and the focus are there."

Performance

Most areas of Flat Carbon Americas made a good recovery in 2011, with the North American operations buoyed by an upturn in the US automotive, capital goods and energy sectors. There was a continued strong performance from ArcelorMittal Lázaro Cárdenas in Mexico, aided by low natural gas prices and strong operating performance.

The Brazilian operations were negatively impacted by an inventory overhang from 2010. "The combination of a high currency, inflation, and a domestic market that had suffered a surge in imports the previous year made conditions challenging," says Mr Schorsch. Slab operations in both Brazil and Mexico were affected towards the end of the year by weakness in the international markets occasioned by the euro crisis; Brazil exports roughly one quarter of its production as slabs.

Overall, crude steel production rose from 23.1 million tonnes to 24.2 million tonnes, while shipments increased from 21.0 million tonnes to 22.2 million tonnes. With a substantial improvement in North American steel prices, Flat Carbon Americas lifted Ebitda by 36% to $2.1 billion on sales of $21 billion (2010: $17.7 billion).

"The year 2011 was a relatively solid one, but we have a long way to go to recapture the position we were in before the crisis," stresses Mr Schorsch.

Investments

Two substantial projects are due to complete in the first half of 2012. An upgrade to the hot strip mill at Indiana Harbor will allow the plant to meet growing demand for high-strength steel grades of 20mm thickness or more. At Burns Harbor, upgrades to the plate mill are focused on improving product quality. Both projects will cost in the region of $50 million.

Two other projects, at ArcelorMittal Dofasco in Canada and ArcelorMittal Vega do Sul in Brazil, are on hold pending an improvement in demand. During the first half we will also be commencing a major reline of blast furnace no. 1 in Tubarão – its first in 28 years, a world record.

Outlook

US automotive production is forecast to increase to around 13.8 million units in 2012. That is around one million units more than in 2011, but is still some 15% below peak production levels. With the capital goods and energy sectors demonstrating a confident recovery, Mr Schorsch expects demand for flat steel in North America to grow by around 5% in 2012. Moreover, North American spot prices began to improve in mid-November and sustained those gains into 2012.

Elsewhere, the outlook is more mixed. In Mexico, improved performance is dependent on an expansion in iron ore production, which is currently underway. Supply and demand are now in better balance in Brazil, but the underlying rate of growth has slowed, at least temporarily. "We continue to look at ways to participate in the expected longer-term growth in these developing markets, by, for instance, increasing our downstream footprint," says Mr Schorsch.

Flat Carbon Europe

Flat Carbon Europe is the largest flat steel producer in Europe and operates 15 integrated and mini-mill sites in Belgium, France, Germany, Poland, Romania and Spain, with downstream activities in a further five countries. It produces hot-rolled and cold-rolled coil, coated products, tinplate, laser-welded blanks, plate and slab. It sells to a variety of industries, including packaging and general industry, thanks to ArcelorMittal's high value-added products and steel solutions, which have contributed to major improvements to crash worthiness and weight reduction.

Safety

There was further good progress in our safety performance in 2011. The lost time injury frequency rate fell from 2.3 hours per million worked to 1.6. It is still a matter of huge regret that there were four fatalities in Flat Carbon Europe, for which we implemented very intensive fatality prevention standard programs. "At the end of the day, our frequency rates in Flat Carbon Europe are good but they need to be improved," says Aditya Mittal, GMB member, responsible for Flat Carbon Europe. "Within Flat Carbon Europe, there is a list of 15 mandatory actions that we want implemented, and there is a specific program to implement mandatory actions across the organization."

Performance

After a solid first half, market conditions deteriorated with the onset of the euro crisis in the third quarter, leading to severe inventory reduction and a decline in average selling price per tonne in the fourth quarter. Against this backdrop, the company announced the intended closure of the two blast furnaces, sinter plant, steel shop and continuous casters in Liège, Belgium. We also temporarily idled some other plants in order to balance the production to market demand.

Over the year, crude steel production fell from 30 million tonnes to 29.5 million tonnes, while steel shipments were 0.4 million tonnes lower at 27.1 million tonnes. Ebitda reduced from $2.0 billion to $1.5 billion on sales of $31.1 billion (2010: $25.6 billion).

Flat Carbon Europe recorded an operating loss in both the third and fourth quarters. The figures were impacted by impairment charges relating to the intended closures at Liège and costs associated with the implementation of the asset optimization plan, primarily in Spain, offset by a number of positive items.

Investments

Flat Carbon Europe invested $1 billion as capital expenditure in 2011 ($792 million in 2010), of which 12% was spent on health, safety and environment, 30% on maintenance and renewals and the remaining major part was invested on efficiency and growth projects. The key projects were the relining of blast furnace no. 2 in Fos-sur-Mer in the third quarter and the revamping of blast furnace no. 5 in Galati, Romania in the fourth quarter. Also, the proceeds of the carbon dioxide (CO_2) sales will be entirely used to fund the energy efficiency projects.

In 2011, Flat Carbon Europe acquired the 2 million tonne coke plant located in Bottrop, Germany from Ruhrkohle AG, in order to increase its coke self-sufficiency. Flat Carbon Europe also acquired controlling stake in ATIC Services (logistics and harbor company) in December 2011.

Outlook

"While the economic indicators remain mixed, we expect some pick-up in demand from mid-year as the destocking initiated in the fourth quarter runs its course," says Mr Mittal. Many of Europe's automotive manufacturers continue to enjoy strong export demand. The outlook for much of Central and Eastern Europe and the CIS is positive.

Since the start of 2012, European steel prices have edged higher, but US prices still remain at $100 a tonne higher. "There is still not premium on import parity," says Mr Mittal, "and we expect this gap to narrow further as we move through the first half of the year."

We anticipate a limited recovery of sales volumes for Flat Carbon Europe in 2012 with steady improvements thereafter. Prices and margins over raw materials are expected to marginally improve over 2012.

ArcelorMittal Skopje: Macedonia's 'Best Employer in the field of Health and Safety 2010'
ArcelorMittal Skopje was recognized as 'Best Employer in Macedonia in the field of Health and Safety' by the Macedonian Occupational Safety and Health Association, under recommendation from the Federation of Macedonian Unions. On April 28, 2011, ArcelorMittal's Health and Safety Day was further celebrated as ArcelorMittal Skopje was announced the winner at a special ceremony held in Skopje.

Right Poland

Long Carbon Americas and Europe

Long Carbon is a global business operating 35 mills in 17 different countries. It enjoys strong market penetration in Europe, America and Northern Africa. Long Carbon is the largest producer of steel sections, offering the widest range – from small and medium to jumbo beams. It is also a leader in wire rod, rebars, special and merchant bar.

Increasingly, Long Carbon is a provider of engineering support services. As the world leader in sheet piles, we provide technical solutions to some of the world's most challenging infrastructure projects. With strong support from R&D, and a downstream presence in wire drawing and distribution, we are continuously adding to the range of higher value services.

Long Carbon Americas and Europe

$25.2bn

Sales 2011

Safety

There was a marked improvement in overall safety metrics in 2011, with a 30% drop in the LTIFR in the Americas and one of 20% in Europe. However, there were five fatalities in Long Carbon Europe and one in Long Carbon Americas. "These six fatalities are too many," says Michel Wurth, GMB member, responsible for Long Carbon. "We are putting even more emphasis on the implementation of our fatality prevention standards and working to change the mindset of our people to build in a sense of responsibility for others."

Below Belval, Luxembourg

Performance

After a solid first half, demand for long products weakened from the third quarter as market sentiment was affected by the European sovereign debt crisis. The downturn was most marked in Europe but US demand also softened. Appreciation of the Brazilian Real had a negative impact on the local market. Construction markets in 2011 declined for the fourth year in a row especially in Southern Europe.

Long Carbon shipments rose from 23.1 million tonnes in 2010 to 23.9 million tonnes in 2011. Production was around one million tonnes higher, at 23.6 million tonnes. Sales rose from $21.3 billion to $25.2 billion. However, with profitability per tonne falling sharply in the second half of 2011, Long Carbon recorded an Ebitda of $1.9 billion compared with $2.1 billion the previous year.

For Long Carbon Americas, the market improved in the second part of 2011 compared with the first semester; this improvement, combined with a strong cost-cutting drive, enabled the segment to be close to the budget target.

The figures were also impacted by the restructuring costs associated with the asset optimization plan. With demand levels more than 20% below pre-crisis levels, we have taken steps to idle higher cost plants. In September, the decision was taken to temporarily idle the Rodange and Schifflange plants in Luxembourg. In January 2012, the Madrid section mill was put on indefinite idle.

"The changes have improved cohesion within the management teams and delivered early gains," says Mr Wurth. Long Carbon Europe was reorganized into four business units in 2011 in order to better align the operational structure with the customer base. The new units are Europe North, East, South and North Africa.

Investments

Two new projects were started in 2011. A new wire rod mill at ArcelorMittal Duisburg in Germany is expected to enter production at the end of the first quarter of 2012. With a capacity of 450,000 tonnes, its higher quality range of long products will take Long Carbon into new, value-added markets, including automotive, where Flat Carbon Europe already has a strong presence.

A project to produce head-hardening of rails, for railway systems with heavy loads, was initiated in Veriña, Spain. The new plant has been operational since January 2012. Plans to expand wire rod capacity at Monlevade in Brazil have been put on temporary hold, as sufficient capacity at other sites is available to serve our customers.

Outlook

The outlook for the first quarter of 2012 is improving with better economic indicators in the US and, to a lesser extent, in Europe. Demand in much of South America is firm. Brazil's preparations for the football World Cup in 2014 and the Olympics in 2016 should positively impact demand for steel for construction and infrastructure from 2013. "Long Carbon is also set to benefit from a progressive shift towards higher value and quality products within its sales mix," says Mr Wurth.

Tubular products

ArcelorMittal is one of the world's major producers of tubular products, serving markets as diverse as energy, mechanical, construction and automotive. With 23 facilities in 11 countries, we produce a complete range of products, spanning seamless, spiral welded and longitudinal welded.

In 2011, our tubular products business produced just under 1.6 tonnes of steel tubes. The Al Jubail joint venture in Saudi Arabia to produce seamless tubes is expected to start hot commissioning by September 2012 and to enter production in the second quarter of 2013. Planned capacity is 600,000 tonnes.

Safety performance in tubular products was good – with a LTIFR of 0.8, well below the group's average, and zero fatalities.

Our steel and mining operations

continued

AACIS

Our Asia, Africa and CIS segment operates steelmaking facilities in Ukraine, Kazakhstan and South Africa. Kryviy Rih in Ukraine is the world's largest producer of long products, specializing in rebars and wire rod, with 5.7 million tonnes of production in 2011. Temirtau in Kazakhstan produces flat products. It is the largest integrated steelmaker in Kazakhstan with a production of 3.6 million tonnes in 2011. Our four plants in South Africa produced 5.3 million tonnes last year. Around 65% of their output is in flat products.

Safety
Overall safety metrics in AACIS showed a further improvement in 2011, with the lost time injury frequency rate falling from 0.9 hours per million worked to 0.7, around half the average for the group as a whole. While this testifies to the amount of effort invested in improving safety in recent years, there were still seven fatalities, including four in one plant in South Africa. "A renewed push, including additional safety audits, more training and moves to target sub-contractors in particular, is under way; management is fully committed to the goal of zero fatalities," says Gonzalo Urquijo, GMB member, responsible for AACIS.

Performance
Following production problems in South Africa and Ukraine that resulted in the loss of around 2.3 million tonnes of output, crude steel production finished the year marginally lower than before, at 14.6 million tonnes. That compares with 14.9 million in 2010. Steel shipments were down from 13.3 million tonnes to 12.5 million tonnes. With average selling prices around 21% higher than in 2010, Ebitda rose from $1.1 billion to $1.2 billion on sales of $10.8 billion, up from $9.7 billion the previous year.

Investments
A $600 million investment program is under way across AACIS plants to improve productivity, expand the product range and address safety and environmental issues.

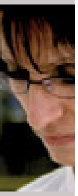
In Ukraine, a new ladle furnace and 6-strand billet continuous caster at Kryviy Rih is scheduled to come on stream in the final quarter of 2012. Costing $93 million, it will add 1.2 million tonnes of capacity, improve productivity and product quality and take Kryviy Rih into smaller diameter products.

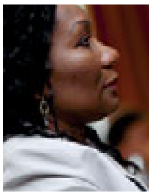
In Kazakhstan, a new 6-strand billet continuous caster is being commissioned at Temirtau in the first quarter of 2012. Built at a cost of $40 million, it takes the Kazakh plant into long products with the ability to produce 1.4 million tonnes of semis. A reline of the blast furnace no. 2 at Temirtau is due to be completed in April 2012, at a cost of $110 million. A gas cleaning project will also be completed later this year and other safety projects are under way.

In South Africa, new sinter plant dedusting equipment is being installed at the Vanderbijlpark plant at a cost of around $40 million. It will be completed by mid-year. A number of other safety and environmental projects are also under way.

Our development strategy in India and China progressed in 2011. In both countries, we secured assets to provide the company with options. Even though the investment environment is challenging in India, especially in land acquisition, resource allocation for industrial development, high interest rate and high inflation environment, we are still interested and we hope that this environment will improve in coming years.

Outlook
In the emerging economies that AACIS mainly serves, demand is stable, although customers remain wary of carrying excess stocks and there is a lack of forward visibility, says Mr Urquijo. "The biggest challenges we face for 2012 are improving our safety record and dealing with the issue of reliability," he says. "That means investing in training at all levels. We also need to step up productivity to maintain our competitiveness."





Community development in South Africa
The ArcelorMittal Foundation supports 'Collect a Can' in South Africa, a project which aims to collect metal cans, separate the tin from steel and then sell the recuperated materials.

Given that the recovery rate of cans has risen from 18% to 67% in the last 15 years, protection of the environment is one of the project's biggest achievements. It also helps to educate children, who are taught not to drop litter.

'Collect a Can' has also had a positive effect on community development, since it provides regular employment for around 37,000 people.

Above South Africa

Distribution Solutions

Centered on Europe, our Distribution Solutions segment operates from around 400 sites and has more than 40,000 active customers. It enjoys a 12.8% share of the European steel market, with leading positions in France, Belgium, the Netherlands, Luxembourg, Spain, Italy and Poland. Approximately 65% of its sales are in flat products, with most of the remainder in long. Through its network of steel service centers, Distribution Solutions is able to provide highly customized solutions to even small customers.

In addition, the business acts as an international sales network for the group's steel mills.

Safety

With a lost time injury frequency rate of 3.2 hours per million worked, including two fatalities, Distribution Solutions' safety performance in 2012 fell a long way short of target. "We benchmark our performance against competitors," says Gonzalo Urquijo, GMB member, responsible for Distribution Solutions. "But just being better than the industry norm is not good enough. We are redoubling our efforts, with now more than 20% of all our managers' time dedicated to safety. We have everyone's full involvement and we are looking for a major improvement," he says.

Performance

Distribution Solutions shipped 18.4 million tonnes of steel in 2011, up from 18.2 million tonnes in 2010. Amidst destocking on the part of customers, average selling prices declined towards the latter part of the year. With a severe price-cost squeeze, Ebitda fell to $271 million from $456 million in 2010. Sales were $19.1 billion (2010: $15.7 billion).

Investments

In May 2011, Distribution Solutions acquired the Cognor distribution network in Poland. Comprising 12 warehouses, Cognor complements our existing distribution network in the country and extends the sales platform for our six steel mills in Poland. Greenfield investments were made to extend distribution facilities in Dubai and Turkey.

Outlook

Mr Urquijo says that, following the destocking that has taken place, the outlook in Europe is stable, although underlying demand is flat. "We have three challenges for 2012," he says. "The first is to improve our safety performance; the second is to review our cost structure; and the third is to work more closely with the upstream businesses to better manage our stocks and reduce cyclical volatility." Our aim is to become the preferred supplier of our customers by accomplishing the above.

Distribution Solutions

18.4mt

Steel shipments in 2011

285 new apartments

In December 2011, ArcelorMittal Kryviy Rih commissioned new residential housing for its employees, thus fulfilling one of the key investor obligations in the social area according to the sales and purchase agreement (SPA). The plant invested around 64 million UAH into the construction of two new modern nine-storied buildings in the 2nd and the 3rd Vostochny microdistrict in Gutovsky street.

VV Vaideeswaran, the CEO of ArcelorMittal Kryviy Rih commented, "We are proud today to finalize one of our main investment obligations according to the SPA. Even in the midst of the most severe crisis in the industry's history we continued fulfilling our social obligations and building apartments for our workers. We care about the safety of our workers and their overall well-being, as well as the well-being of their families."

Right Kryvih Riy, Ukraine

"Our competitive position has been set as one of our priorities for 2012 with specific actions in terms of developing our high value-added products. We aim to improve our customer service and to further develop the cooperation between upstream, downstream and our distribution network which is very close to our end customer."

Michel Wurth
Member of Group Management Board, responsible for Long Carbon

Our steel and mining operations

continued

Mining

With major expansion and development programs underway in Canada, the US, Brazil and Liberia, and increasing tonnages of both iron ore and coal being marketed externally, Mining is an important growth engine for the group.

Since the start of 2011, Mining has reported as a separate segment within the group. This has facilitated improved operating decisions and the optimal allocation of capital. At the same time, all production that can practically be sold outside the group is now either transferred to internal customers at market prices or sold to third parties through the business's global marketing arm. Production from captive mines – where marketing to third parties is limited by logistics or quality – continues to be transferred on a cost-plus basis to the group's steel facilities.

The portfolio of mining assets stretches around the globe, from Mexico to Russia and from the Arctic Circle to the southern tip of Africa. With a geographically diversified portfolio of operating assets and growth projects in iron ore, coal and manganese, the mining business is strategically positioned to supply the emerging markets as well as its internal customers globally.

Peter Kukielski, GMB member, chief executive of Mining, says the "vision within Mining is to create value through operational excellence and profitable growth, while caring for the environment and our people, and maintaining safety first – always."

In 2011, Mining achieved demanding production targets. With the first shipments of ore from the new mine in Liberia, iron ore production, excluding ore sourced from strategic long-term contracts, increased by 11% to 54.1 million tonnes. Of that total, just over half (28 million tonnes) was shipped at market price. That was an increase of 12% year-on-year.

Coal production was lifted by 20% year-on-year to 8.3 million tonnes. Of that total, 4.9 million tonnes was shipped at market price, an increase of 46%.

Mining achieved an Ebitda of $3.1 billion on sales of $6.3 billion. That compared with $2.3 billion on sales of $4.4 billion the previous year.

Safety performance

Safety is the number one priority in the Mining business as in all ArcelorMittal operations. "Our target is to become the safest metals and mining company in the world," says Mr Kukielski. Mining has made great strides in the past four years, reducing the lost time injury frequency rate (LTIFR) from 4.0 per million hours worked in 2007 to 1.2 in 2011. The latest figure represents an improvement of 23.5% on the 2010 outturn.

There have been some dramatic improvements in safety performance. ArcelorMittal Princeton in the US has gone from being the worst performer among all the group's mines in 2008 to recording a LTIFR of zero in 2011.

Mining responsibly

In 2011, ArcelorMittal began iron ore mining in Liberia. Prior to this, ArcelorMittal launched the most comprehensive environmental study ever undertaken in Liberia of the Nimba mountain range. This is home to Liberia's biggest iron ore deposits, and it is also one of West Africa's few remaining wet-zone forests.

ArcelorMittal partnered with a number of international conservation groups to explore how the company can help reverse the history of environmental damage in Nimba. As a result, ArcelorMittal found several new species including a fish, a frog and a dragonfly and confirmed that the Nimba mountains are home to animals that live nowhere else but in this part of Liberia. A biodiversity conservation program has now been launched as the protection of the rainforest is crucial to ArcelorMittal's plan for Liberia, and the future of rural livelihoods.

Above Buchanan, Liberia
Right Kazakhstan

Regrettably, there were still seven fatalities in the coal mining operations in 2011. Efforts are being redoubled to drive home the message that safety is a shared responsibility. "In developing our culture in Mining we emphasize what we call 'courageous leadership' in order to equip our leaders and our people with a set of values," says Mr Kukielski. "It empowers people to speak up when something is not right. It is about creating a culture in which people know they are valued, where they bring a positive attitude to work and accept the responsibilities of leadership – in safety as in everything else," he says. The mining business is targeting a LTIFR of 1.0 or less by 2013.

Management team

With a number of key hires in 2011, Mining now has a leadership team with huge industry experience. Built up over two years, the team has a proven track record of project execution, operational performance and commercial marketing. "Getting the right people in the right place at the right time is one of the biggest challenges," says Mr Kukielski. "We have been able to cherry-pick, taking people from leading roles in the industry."

Reserve and resource update

In 2011, Mining carried out its commitment to complete a full review of all of its life-of-mine plans, ore reserves and resource estimates. Reserve estimation and reporting methods were standardized to ensure best practice and alignment with Securities & Exchange Commission requirements. We also standardized our mineral resource estimates to meet the Canadian Ni 43-101 requirements. Ore reserve estimates will now be updated and reported annually.

All ore reserve and mineral resource estimates are now subject to a rigorous corporate governance process with internal technical reports, sign-off by qualified personnel and periodic validation by external specialists.

At the end of 2011, proven and probable reserves of iron ore amounted to 3.8 billion tonnes of run-of-mine material. These reserves constitute the basis of 90% of the group's long-term production forecasts. In addition, we have measured and indicated resources of iron ore estimated at approximately 8.2 billion tonnes, with further inferred resources of 4.1 billion tonnes. These resource estimates provide considerable scope for growth and underpin the long-term sustainability of our operations.

Proven and probable reserves of metallurgical coal were estimated at 323 million tonnes of run-of-mine coal with an average yield of 52%. The life-of-mine plans of our coal operations are entirely based on these reserves and extend for 20 years or more. We also have a substantial further coal resource, estimated at more than 900 million tonnes, on which to base future expansion.

For more details on reserves and resources, please see page 202.

Growth plans

Capital expenditure in Mining more than doubled to around $1.3 billion in 2011 and is set to remain at a high level as existing mines are expanded and new ones developed. The focus is firmly on growing marketable volumes. In 2012, production of both iron ore and coking coal is planned to increase by around 10%.

However, this increase is just one stop on the growth journey. The near-term target is to expand iron ore production to 100 million tonnes by 2015. That includes ore sourced from strategic contracts, forecast to be around 16 million tonnes by that date. Within Mining's own production, marketable tonnages are expected to double on 2010 levels.

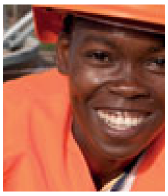
Coal production is planned to rise to at least 11 million tonnes over the same period. In early 2011, Mining completed the underground mine expansion program at Princeton Coal, increasing production capacity by 0.7 million tonnes a year.

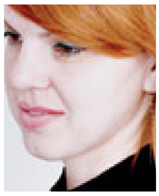
Key projects underway include:

Liberia: The first shipments from our greenfield iron ore project in Liberia commenced in September 2011. This was the culmination of four years' development work that included the rehabilitation of 240km of railway and upgrades to the port and material handling facilities at Buchanan. The mine was brought into production on schedule and within budget. In 2012, production will be lifted to around 4 million tonnes.

"While our expansion plans are ambitious, we have rigorous controls in place to ensure that we are not simply increasing production tonnage. Our business plan envisages strong Ebitda growth even on flat iron ore price assumptions. In other words, we are well positioned to continue to deliver superior value whatever the economic backdrop."

Peter Kukielski
Member of the Group Management Board, chief executive of Mining





Mining

Engineering for the second phase of the project is now under way. If approved, this would lift production of iron ore from 4 million tonnes a year of direct shipment ore to 15 million tonnes a year of concentrate from 2015. It includes the construction of a concentrator and a further upgrade to the port facilities. Planned expenditure on phase two amounts to $1.8 billion.

ArcelorMittal Mines Canada: Expansion of the Mont-Wright mine and concentrator capacity will increase annual production of iron ore concentrate from 16 million tonnes to 24 million tonnes by 2013. The project cost is approximately $1.2 billion. This expansion capitalizes on existing rail and port facilities, the quality of our product and our experienced workforce. Its location offers easy access to US and European markets – an important consideration given that the additional production will be sold on world markets.

Above Baffinland, Canada

The Mont-Wright operations have more than 2.0 billion tonnes of iron ore reserves – sufficient to support a 28-year mine life at the expanded production level. This is before taking account of substantial additional resources, which could form the basis of a further doubling of production over time. Scoping studies are underway to confirm the potential for further mine expansion in the Mont-Wright, Fire Lake and Mont Reed areas. We are also actively exploring in areas of inferred mineral resources.

Andrade Mines, Brazil: Investment in the Andrade Mines in Brazil will lift production or iron ore from 1.5 million tonnes a year to 3.5 million tonnes. The expansion, which is set to cost $75 million, will be completed in 2012.

Baffinland, Canada: In March 2011, ArcelorMittal, in partnership with Nunavut Iron Ore Acquisition Inc. (now WW Mines), acquired a 70% controlling interest in Baffinland Iron Mines Corporation. Baffinland owns the Mary River project, a high-grade iron ore reserve in Northern Canada. The acquisition consolidated ArcelorMittal's position as a major iron ore producer.

The existing feasibility study has been updated ahead of a board-level construction decision. In addition, a draft environmental impact statement has been submitted to regulators, instituting the process of environmental review. Constructive talks are proceeding with local stakeholders to finalize the Inuit impact benefits agreement.

The Baffinland product will be a high-quality, direct shipping mix of premium lump ore and premium fine ore sinter feed with only crushing and screening required.

Our commercial strategy will focus on building a customer base in both the Atlantic and Pacific growth markets to develop stable, long-term demand.

Other projects
While Baffinland is a key project in the drive to sustain future production growth beyond 2015, Mining has an internal pipeline of both brownfield and greenfield projects currently under consideration. With our significant resource base, these projects offer the potential over the medium-term for an expansion in our own iron ore production up to and beyond 100 million tonnes, before including strategic contracts.

Global marketing

With a highly experienced marketing team now in place, Mining is building a strong commercial presence in global markets. Our goal is to be a preferred supplier in an otherwise highly concentrated iron ore and coal industry with a broad customer base and a portfolio of long-term contracts, thereby allowing us to produce evenly through the steel cycle.

Unlike many producers, we bring an understanding of our customers' total feed requirements and we have the ability to provide bundled deliveries of steelmaking raw materials to their mills. We are also able to leverage the group's strong shipping capability. In 2011, marketing trials were undertaken in a number of markets. The focus was on the growth markets of Asia, South America and the Middle East.

Corporate responsibility

The Mining team actively works to minimize the environmental impact of its operations and engages with local stakeholders to foster sustainable communities.

While preparing to develop our iron ore mine in Liberia, we undertook an extensive biodiversity study and are now working alongside local people to improve management of the local environment. We have built schools, a training center and hospitals – all of which we fund and operate. And we have sunk and equipped wells to bring fresh water to isolated villages.

At our Baffinland development, we have now completed in-depth, base-line environmental studies. Ongoing monitoring continues. Given its exceptional quality, the extracted ore will require no processing and will leave behind no tailings deposits or processing pollution. We have also formed a joint environmental management committee with the elders of the local Inuit communities to gain knowledge of their traditions as hunters and fishermen. The committee will scrutinize and approve all design aspects of the project.

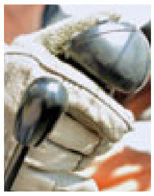
Competitive cost base

The Mining business strives to achieve its planned organic growth at an attractive cost per tonne. Compared with industry peers, the estimated capital costs for the major planned projects are competitive, offering the prospect of compelling returns even on flat assumptions of long-term iron ore and coal prices.

As production of both iron ore and coking coal increases, Mining's operating unit costs are expected to fall. The investments now being made in ArcelorMittal Mines Canada and the Liberian operations will materially reduce our global cost position in iron ore. By 2015, iron ore cash costs are expected to be around 15% lower than today on a constant currency basis. Ongoing capital investment in the coal mines will similarly improve the cost position in coal.

"While our expansion plans are ambitious, we have rigorous controls in place to ensure that we are not simply increasing production tonnage," says Mr Kukielski. "Our business plan envisages strong Ebitda growth even on conservative iron ore price assumptions. In other words, we are well positioned to continue to deliver superior value whatever the economic backdrop."

Safety is always a challenge for the company and especially for mining. To improve safety in the group's mines in Kazakhstan, ArcelorMittal has invested $365 million in an extensive modernization program since 2007. On Baffin Island in the Canadian Arctic, site exploration requires people to work on frozen ice. "To minimize risks, our team trained in a new operating procedure for measuring the thickness of ice and evaluating conditions on floating ice covers," said Dave McCann, responsible for mining project sites, Baffin Island.



Baffinland commitment
Baffinland Iron Mines Corporation is committed throughout all phases of the Mary River project to plan and conduct operations in an environmentally responsible manner, one that is beneficial to all.

Left Port-Cartier, Canada

We are leaders in automotive steel

Picture Belval, Luxembourg

Our global share of the automotive steel market is around 18%. In all, the auto industry consumes around 15% of all the steel we produce. Long-term contracts add to the stability of our business. We have built close relationships with our customers, often working with them at the vehicle design stage. These relationships are founded on our continuing investment in R&D and our ability to provide highly engineered solutions that help make vehicles lighter, safer and more fuel-efficient. We are the leader in the fast-growing market for advanced high-strength steels. Together with a range of press-hardened steels, these steels form the basis of our revolutionary S-in motion solution, which opens the way to big CO_2 savings over the life of the average vehicle.

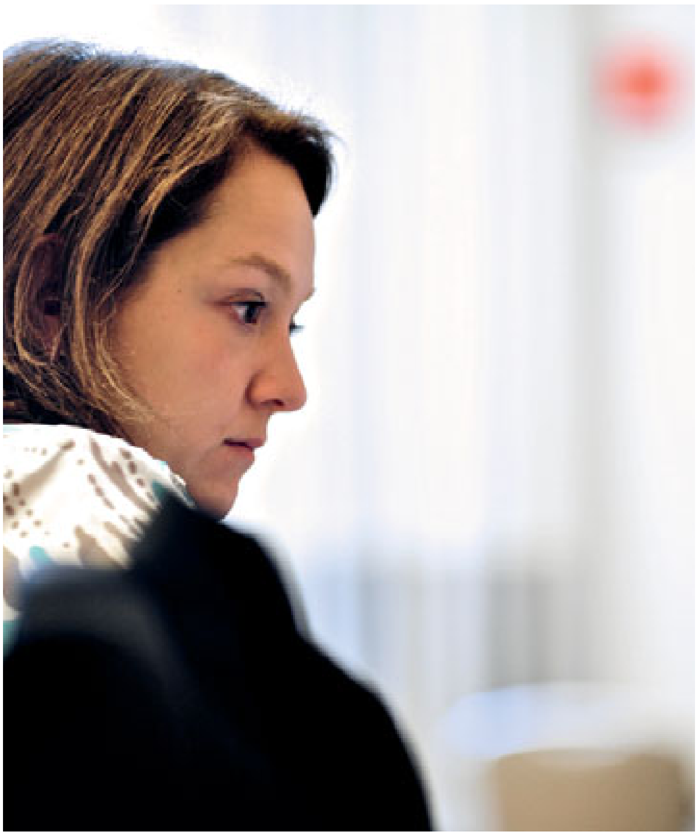
Ebitda 2011

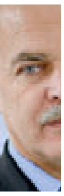
$10,117m

Corporate responsibility

At ArcelorMittal, corporate responsibility (CR) is about embedding good practice in every aspect of the group's activities. By aiming at all times to act in a responsible and transparent manner, and to maintain good relations with our stakeholders, we are better able to manage social and environmental risk and deliver long-term shareholder value.

Below Chicago, US





Our CR strategy focuses on four areas:

- Transparent governance – our business strategy, operations and everyday practices are all underpinned by transparent governance.
- Investing in our people – we want to make each and every person working on our behalf feel valued.
- Making steel more sustainable – we are using our expertise in steel and mining to develop cleaner processes and greener technologies.
- Enriching our communities – we play an important role in all the communities where we operate.

In 2011, we made good progress in all four areas of the CR strategy. Health and safety remained our number one priority. In 2011, a report jointly issued by the company, the European Metalworkers' Federation, the International Federation of Metalworkers and the United Steelworkers was published. This report concluded that the collaboration between the company and its unions had helped build a positive workplace culture and improved coordination between unions and management both locally and globally.

Respecting human rights is important for our business. In 2011, we commenced a training program to raise awareness of our human rights policy, both internally and throughout our supply chain.

In September 2011, ArcelorMittal was reconfirmed as a member of the Dow Jones Sustainability World Index following its annual review. The company is also a member of the FTSE4Good Index.

The following pages provide an outline of the group's CR strategy and performance. A separate CR report, published alongside this annual report, provides additional detail and analysis. It can be accessed at *www.arcelormittal.com/corporateresponsibility*

Transparent governance

CR has the committed support of both the board of directors, which formally oversees CR across the company, and the Group Management Board. The board of directors receives a consolidated report on key CR topics for each of its meetings (it met eight times in 2011), enabling it to monitor performance and make assessments in key areas including human resources, health and safety, social and the environment. With the diversity of their backgrounds, the directors bring an exceptional breadth of experience to their decision-making.

The Group Management Board reviews the CR program on a quarterly basis. It also receives in-depth subject matter reports several times a year to permit more detailed analysis. With operational responsibilities that engage them daily in health and safety, social, environmental and ethical issues, all Group Management Board members are able to bring key insights to the CR management process.

The group CR team is tasked with promoting the CR strategy across the group and also to provide regular reports to other board committees. In 2011, each meeting of the audit committee received a statistical update on the implementation of our human rights policy as part of their responsibility for monitoring the compliance program. The risk management committee also assesses risks from a social, environmental or ethical perspective.

The implementation of the CR strategy is advised by the CR coordination group which reviews standards, assesses risks and monitors the implementation of CR strategy. It is comprised of senior managers from a variety of other corporate areas and meets regularly. In 2011, there were eleven meetings, including a site visit to South Africa.

All business units are in the process of implementing CR governance structures at a local level. These are designed to promote effective CR management, reinforce cross-functional collaboration and foster good community relations. Clearly defined CR responsibility forms part of the job description of all CEOs, plant managers and designated CR coordinators. All are accountable at their respective levels. This activity is supported by regular training events, courses and information sharing meetings on key subjects that are held locally, regionally or hosted at the headquarters.

The group compliance program plays an important role in establishing a responsible and ethical business culture. Compliance training was expanded in 2011 to encompass a group-wide training program on the human rights policy launched in 2010. Using both online and face-to-face training, we delivered training to a total of 147,000 employees, raising their awareness of what their human rights are and how they are expected to behave. ArcelorMittal's human rights policy is now available in the 19 most commonly spoken languages within the group. A guidance manual was published to assist employees in dealing with any issues they encounter in their day-to-day operations and a governance framework was set up to ensure that we can effectively deal with any violations of the policy. In 2012, we will continue impact assessments in priority countries and our training program to support human rights in line with the United Nations Guiding Principles on Business and Human Rights.

We also continue to make progress on our code for responsible sourcing launched in December 2010. The code has started to be distributed to all our main suppliers together with a publicly available guidance document on its implementation.

Investing in our people

Health and safety

The safety of our employees is our top priority. Our company-wide safety program, Journey to Zero, aims to make a continuous improvement in our safety record and eliminate fatalities. In 2011, our employee and contractor lost time injury frequency rate (LTIFR) fell from 1.8 per million hours worked in 2010 to 1.4. This was in line with our target for a further 20% reduction in the injury rate and represents the fourth consecutive year of improvement. A target of LTIFR of 1.0 has been set for the end of 2013.

Regrettably, there were still 27 work-related fatalities among employees and contractors in 2011 (20 in steel and 7 in mining). We mount a thorough investigation following each such accident. The findings are discussed at the Group Management Board level and action plans are drawn up to ensure the lessons are systematically shared throughout the group.

Journey to Zero focuses on preventative action and improved standards through the sharing of best practice and group-wide benchmarking. A number of initiatives designed to reinforce the program were introduced in 2011 following a company-internal Health and Safety Summit held in Canada in January 2011. A follow-up meeting was held in London in December 2011 for the Group Management Board and management committee members. Significant improvements were recorded at several priority sites. A major effort was made to reinforce safety procedures among contractors, whose safety record lags behind that of our direct employees.

The joint global health and safety committee, set up with the group's trade unions, meets once a quarter. As in prior years, our group-wide annual Health and Safety Day was held on a date chosen to coincide with the International Labor Organization's World Day for Safety and Health at Work on April 28.

We view the health of our employees both as an important contributor to safety standards and as a key element in our success as a company. In 2011, our 'Health Week', focusing on non-occupational diseases and wellness, was extended to every site in the group.

"Clear reporting is one of the best ways of engaging with our global and local stakeholders. In addition to the group corporate responsibility report, 10 local corporate responsibility reports were published in 2011 – all aligned to the group-wide corporate responsibility priorities."

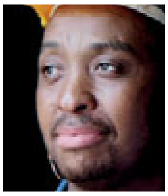
Gonzalo Urquijo
Member of the Group Management Board, responsible for corporate responsibility

ArcelorMittal personnel and contractors – lost time injury frequency rate (LTIFR)

	2010	2011
Total mines	1.5	1.2
Flat Carbon Americas	1.8	1.9
Flat Carbon Europe	2.3	1.6
Long Carbon Americas and Europe	2.0	1.4
Asia, Africa and CIS	0.9	0.7
Distribution Solutions	2.7	3.2
Total steel	**1.8**	**1.5**
Total (steel and mines)	**1.8**	**1.4**

Corporate responsibility

continued



Leadership award
In November 2011, ArcelorMittal was ranked seventh in the 'Top Companies for Leaders' ranking in Europe. A first-time entrant to the survey, the company was competing with 60 other big European businesses and judged on the strength of its leadership practices and culture, its leadership development, and its performance and reputation.

Human resources
Against the backdrop of a challenging marketplace, the human resources team has engaged actively with trade unions and employees to maintain constructive employee relations and minimize the impact of the group's restructuring. ArcelorMittal recognizes the right to collective bargaining and approximately 85% of our employees are currently covered by such agreements.

We believe in open and continuous dialogue with our employees. Our employee relations policy, together with our guidelines on best practices and training ensure that our processes are implemented across the business in a consistent manner. We have established employee relations diagnostics at key sites where groups of management and employee representatives together monitor the implementation of relevant policies.

We attach great importance to the development of our people. Our global executive development program (GEDP) is the foundation of our performance and people management processes and a key instrument for identifying and promoting talent. It is supported by a succession management process designed to ensure talent development and to encourage individual advancement and motivation.

Two other programs play an important role in talent identification: the group engineers program to create a pool of internationally mobile engineers and the career accelerator program designed to develop key talents in a structured manner. These programs, together with other workforce planning programs, are informed by our diversity and inclusion policy.

Looking towards 2012, we are launching an employee engagement campaign across the group. Our aim is to motivate employees to play their part in implementing ArcelorMittal's corporate responsibility program. It will raise awareness about our CR strategy and encourage employees to take action at work and at home.

Training and development
ArcelorMittal University is at the heart of the group's training and development activities, offering programs for leadership development and technical training through online and classroom delivery. In 2011, more than 23,000 employees participated in a total of around 358,000 hours of courses and training linked to the University.

The University is constantly evolving. In 2011, it introduced programs to address business challenges in emerging economies to align with the company's growth strategy in these markets. More training was delivered locally, through an expanding network of local and regional training centers. In 2011, three new campuses were inaugurated in South Africa, Czech Republic and Spain. Tailored induction programs have been developed for both employees and contractors at the group's new greenfield operations.

Making steel more sustainable

Addressing climate change

Steel production has an environmental impact that we are committed to reduce. In 2011, greenhouse gas emissions from our steel operations remained broadly in line with the previous year.

We continue to invest in environmental solutions. In 2011, the ArcelorMittal investment allocation committee approved environmental projects with a total value of $383 million and energy efficiency projects for a total of $164 million. We have set ourselves a target of reducing our CO_2 emissions by 170kg a tonne of steel produced by 2020. That is equivalent to an 8% reduction in normalized emissions from our 2007 base-line.

We are the largest recycler of scrap steel in the world. Each year, we recover and recycle more than 30 million tonnes of scrap, saving 40 million tonnes of CO_2. We have a dedicated team to evaluate our processes and products using a life cycle assessment methodology.

We are a key member of the EU Ultra-Low CO_2 Steelmaking initiative (ULCOS). The program is now in its second phase, which will include a demonstration project involving the recycling of blast furnace gases and carbon capture and storage at our operations in Florange, France, and Eisenhüttenstadt, Germany.

Within our own operations, we continue our energy-saving efforts. Our industry-leading R&D expertise has played a key role in delivering energy optimization models that are now being deployed across the group. Our US operations have been awarded an Energy Star by the U.S. Department of Energy for four consecutive years.

We monitor air, water, energy and waste data at all of our facilities. By the end of 2011, 98% of all main industrial sites had achieved ISO 14001 certification, the international standard for environmental management.

To improve air quality, we have finalized a new dedusting system at our sinter plant in Ostrava, Czech Republic, which will reduce emissions of dust by 70%. Sulfur dioxide will also be reduced. A similar investment was made at the sinter plant of Vanderbijlpark in South Africa which is now being commissioned.

We are also targeting improved water management at plants with high consumption levels. A case study using best practice analysis of the water flows was successfully developed at our Bremen plant in Germany in 2011, leading to a significant reduction in potable and industrial water usage.

In Brazil, ArcelorMittal BioFlorestas is working on technology to recycle the waste gas emitted during charcoal carbonization and use its heat content in electricity generation.

The need to sustain biodiversity is an important part of our environmental strategy. Before establishing our iron ore mining operation in the Nimba region of Liberia, we conducted a long-term ecological study which highlighted how the local environment might be impacted in the future. This prompted us to work with international conservation groups and with local stakeholders to develop shared plans for the management of the forest and make conservation a priority. In Baffin Island, Canada, where our new mining operation is planned, an extensive environmental impact assessment was carried out to determine the necessary conditions for future activities to be managed with respect for the physical environment.

We place great emphasis on helping our customers achieve greater sustainability profiles for their products. In 2011, our R&D team continued to pioneer new high-strength steels that permit major weight reductions, and therefore fuel savings, in automotives. We are developing advanced steel for electrical engines and rail transport which will help reduce CO_2 emissions. In the construction industry, the strength-to-weight ratio of our Histar™ steel delivers CO_2 savings of up to 30% in the construction of new buildings.

Together with our market-leading role in areas such as steel sheets for flood barriers and a growing presence in supplying the bases, towers and many of the moving parts of wind turbines, this demonstrates both the role steel will play in a sustainable future and ArcelorMittal's ability to anticipate it. See research and development, page 38.

Enriching our communities

Wherever we operate, we contribute to the development of strong and sustainable communities. We conduct local assessments to define the key areas for engagement that help us assign our resources and identify new issues. We aim to engage with our external stakeholders in a transparent manner and work in partnership with local organizations as defined by our external stakeholder engagement procedure, previously called 'community engagement standard'.

Four of the 12 policy aspects covered by the ArcelorMittal human rights policy relate to our communities – ranging from topics such as access to land and water to resettlement. As part of our work to implement the policy across the group, local grievance mechanisms are being strengthened.

Our program of interactive training workshops designed to build local community engagement capabilities was continued in 2011 in Bosnia and Herzegovina, Czech Republic, Kazakhstan, Poland and Ukraine.

ArcelorMittal Foundation

Created in 2007, the ArcelorMittal Foundation develops projects to benefit the communities where the company's operations are located. It operates in 30 countries and supports around 580 projects each year. These are aimed at maximizing the potential of each community while respecting its specific needs and empowering local people. The Foundation also promotes entrepreneurship by helping people develop their own talents. In 2011, investment in the Foundation's projects amounted to $35 million.

The Foundation's main areas of activity are education, health and community development. It also has a standing commitment to provide immediate help to communities affected by emergencies.

In addition to local projects, the Foundation takes on global projects through partnerships with Habitat for Humanity, International Baccalaureate, Junior Achievement and Bone Marrow Donation.

The Foundation also works to encourage ArcelorMittal employees to invest their time and expertise in community projects. Its initiatives include the international volunteer day, in which around 7,500 employees participate each year, and the solidarity holidays program which gives employees the opportunity to spend part of their annual leave volunteering in a Foundation project overseas. In 2011, the Foundation carried out 10 solidarity holidays projects in Argentina, Brazil, Bosnia and Herzegovina, Haiti, Liberia, Macedonia, Mexico, Senegal, South Africa and Ukraine.

The ArcelorMittal Foundation also provides 'minigrants' of up to $5,000 to non-governmental organizations with whom our employees are actively engaged as volunteers. In 2011, 73 non-governmental organizations in 17 countries received such a grant.

Enhancing the lives of older people

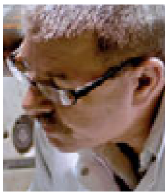
In 2005 and as a proposal from ArcelorMittal volunteers, the ArcelorMittal Foundation started a project to enhance the quality of life for older people. ArcelorMittal volunteers teach crafts to older people waiting for treatment at a health center in Cariacica, Brazil. In 2010, the project won an ArcelorMittal Excellence Award and it is now a reference in enhancing the quality of life for the community's older people. In 2011 this life-changing work continued.

"What makes the Foundation's initiatives even more unique is that they do not only benefit communities, but they also bring value to our employees and help to foster a sense of belonging."

Lakshmi N Mittal
Chairman and CEO

Research and development

Research and development (R&D) plays a key role in the sustainability and long-term success of the group. Continuous technological development helps us maintain and grow market share, sustain competitiveness and lead the way in energy and resource efficiency. The influence of R&D permeates all parts of the business – fostering innovative thinking at all levels.



S-in motion is something no other steel company has done before: a pioneering weight-saving solution that produces a big advance in vehicle energy-efficiency.

We have now shared it with nearly all of the major automotive manufacturers in the developed countries and it has been a major success.

Lou Schorsch
Member of the Group Management Board, responsible for research and development

With 1,330 researchers and 11 research centers, ArcelorMittal's 2011 expense for R&D was approximately $306 million. Just over half of that spending is on product and applications development, either addressing or anticipating customer requirements. Around 40% is dedicated to process improvements within the group. A quarter of all spending is on longer-term projects.

There is a strong strategic orientation and customer alignment to all we do. Representatives of the business units, not scientists, chair the multiple committees that define R&D priorities and allocate resources. A number of our scientists are located not in our laboratories but at customer locations. For some key customers, we have research staff on-site, engaged in design work and materials selection.

Product R&D focuses on four main areas:

Automotive
We continue to set new standards for steel solutions that make vehicles lighter, safer and more environmentally friendly. With the deployment of our ground-breaking S-in motion program, involving 60 different press-hardened and advanced high-strength steels solutions for weight saving, ArcelorMittal won the Best Process Innovation award in American Metal Market's 2011 awards for steel excellence. S-in motion allows a weight reduction of 19% in the structural components of a vehicle (body-in-white and chassis). Progress does not stop there: new products now in development will allow a further 7% reduction.

In 2011, a new steel for bumper applications, MartINsite M1700, was released. With a strength of 1,700 megapascals (MPa), it provides the weight savings of aluminum with much greater strength and at lower-cost.

We are already working on the next generation of MartINsite, M1900. Increasingly, we are trialing new concepts and materials in the search for ever greater strength to weight ratios.

Packaging
R&D has collaborated with ArcelorMittal Flat Carbon Europe, the leading provider of steel for packaging in Europe, to develop new, low-thickness grades of steel that combine high-strength and excellent formability, reducing costs to the customer. Examples include the Maleis™ system for easy-open ends and a can-opening tab that combines double cold-reduced material yield and tensile strengths with the formability of standard rolled cold-reduced material. As a result of this program, steels with a thickness of 0.1mm have been trialed and simulations for 0.09mm are already underway.

Research also focuses on increasing the formability of steel to make appealingly shaped cans, and ensuring that products meet increasingly stringent environmental and safety regulations.

Construction
Much of our work focuses on thermal efficiency, acoustics, fire resistance and earthquake protection. Our new metallic coated steel, Magnelis®, offers superior resistance to corrosion in harsh environments and has diverse applications within the building and civil engineering industries.

In 2011, we launched a new range of sustainable organic coated steels, Nspired by Nature. The range offers high corrosion resistance and is 100% compliant with both current and pending European regulations on the restriction of chemical substances. Other new solutions, such as our Flontec anti-graffiti coating, were showcased at the Batimat construction exhibition in November 2011.

In structural long products, we have developed new applications, products and technical solutions to facilitate the use of steel in construction. At the same time, we continue to work towards reducing CO_2 consumption in housing.

In heavy long products, ArcelorMittal Belval & Differdange, together with the R&D team, have continued the development of the largest rolled sections in the world that are used for multistory buildings such as New York's Freedom Tower. We also continued the development of new products and applications for sheet piles to fight flooding, as used in the gating system to protect Venice. AMLoCor™ is ArcelorMittal's new 'low corrosion' steel grade allowing design engineers and port authorities to build more durable quay walls, breakwaters and jetties. The key advantage of AMLoCor™ is a significant reduction of the corrosion rates in seawater, specifically in low water and permanent immersion zones. AMLoCor™ also leads to considerable savings in steel weight compared to an unprotected standard structural steel, which is a major advantage against alternative solutions that use concrete. This new steel grade will allow engineers to design safe and even more cost-effective structures that will last for over 50 years without any additional surface protection.

Energy market

Our innovative product program for the energy market, dealing with renewable energy sources, fossil fuels or nuclear applications, is rapidly growing. We wish to help the global society move forward in a direction where energy does not become a scarcity.

In 2011, we developed a range of high-performance and high-durability pipes, plates and electrical steels for the energy market. The focus of R&D is on development of heavy gauge, high-strength, corrosion resistance and improved welding.

Process R&D

Process R&D has a dual mission – improving plant performance in terms of cost-efficiency and product quality, and developing innovative manufacturing processes.

We are constantly developing process models that leverage our scale and inventory of best practices. A new system for the real-time remote monitoring of blast furnace conditions and performance (RMDS), piloted in 2010, is now being installed across the group. It is expected to be in 18 blast furnaces by the end of 2012. Tracking more than 500 data points and 30 key performance indicators, RMDS will provide early feedback on potential problems – so allowing major cost savings – while helping to optimize performance and accelerate the standardization of best practices. The process R&D team is now working on a similar system for our electric arc furnace (EAF) operations.

Optimizing raw material usage is a key element in the drive for cost efficiency. The volatility seen in the coal and iron ore markets makes it important to be able to respond to variations in availability and quality while minimizing our environmental impact. We are exploring the use of high pulverized coal injection (PCI) ratios in our blast furnaces and researching ways of using a high proportion of non-coking coals to produce coke.

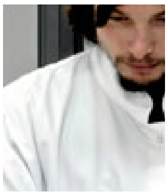
Environmental impact

Reducing environmental impact is a consistent theme in what we do. We are increasingly applying the high-strength steels developed for our automotive customers in areas such as pipe and metal processing. Our research into steels for electrical engineering targets improved efficiency and reduced core loss in electrical motors used in the appliances, household goods and increasingly automotive markets.

Internally, we have developed energy optimization models that have been deployed at three of our plants and will now be deployed globally. We are working on breakthrough technologies with the potential to significantly reduce the amount of energy required to produce steel.

Fostering innovation throughout the group

At ArcelorMittal, innovation means more than new products or processes. It involves getting people to think about new and better ways of doing things. R&D holds workshops across the group to help release innovative thinking. For example, R&D conducted a creativity session for the group finance leaders in the framework of the finance academy program. The use of the tools and methods to leverage creative ideas demonstrated how these can be gainfully deployed in finance as well.



ArcelorMittal awarded Steely Award for its LCA activity

The World Steel Association (WSA) announced its 2010 Steelies Awards at its annual meeting in Paris, October 13, 2011. ArcelorMittal was awarded the 'Life Cycle Assessment Leadership' Steely.

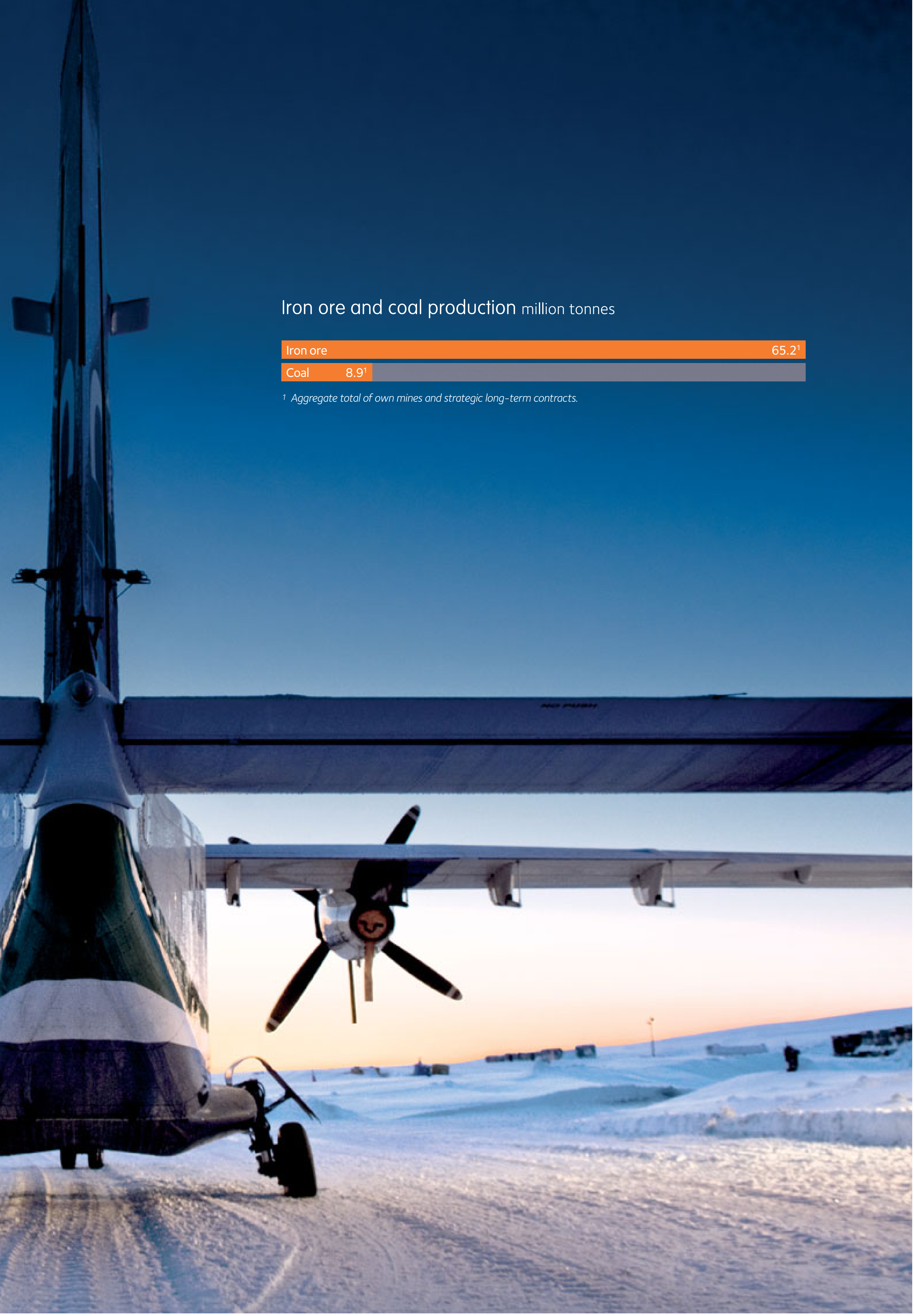
It recognizes the quality of work performed by the life cycle analysis (LCA) team of global R&D, based in Maizières, France, but also the way in which ArcelorMittal uses LCA to develop new steel solutions, new steel grades and new production processes. As a first recognition of the work done in this field, Jean-Sébastien Thomas, head of the Maizières team, was appointed chairman of the World Steel LCA Expert Group mid-2011.

Left Maizières, France

We have a world-class mining business

We have a fast-growing and geographically spread portfolio of mining assets, focused on iron ore and coking coal. Managed and reported as a separate segment since the start of 2011, our mining business represents both a source of strength and future growth to ArcelorMittal. While Mining supplies many of the group's steel facilities, new production is increasingly being marketed externally. Our spread of assets leaves us well placed to supply the emerging markets. In the near-term, our growth plans center on three projects in Canada, Liberia and Brazil which are expected to lift our production of iron ore from 65 million tonnes in 2011 to 100 million tonnes by 2015 (including strategic contracts). Beyond that date, our Baffinland project in the Canadian Arctic promises to contribute a new source of high-grade iron ore to sustain Mining's continued growth.

Picture Baffinland, Canada



Iron ore and coal production million tonnes

Iron ore	65.2[1]
Coal	8.9[1]

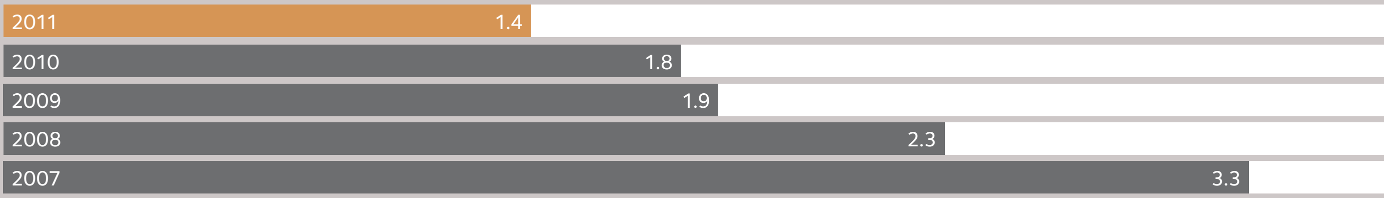
[1] *Aggregate total of own mines and strategic long-term contracts.*

Key performance indicators (KPIs)

The key performance indicators that ArcelorMittal's management uses to analyze operations are provided below.

Health and safety

(lost time injury frequency rate for steel and mining)

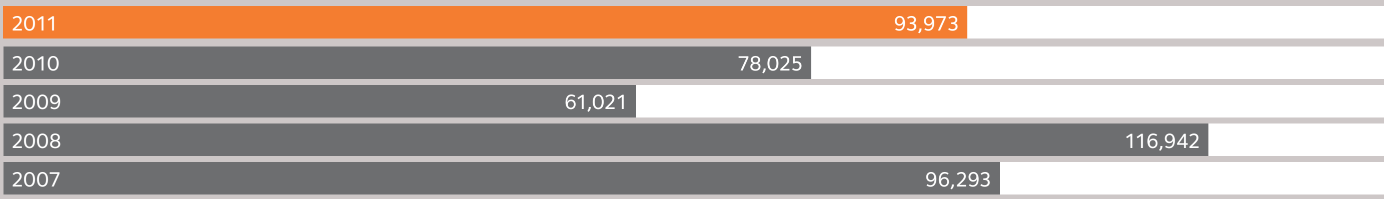


ArcelorMittal has a clear and strong health and safety policy aimed at reducing the severity and frequency of accidents on a continuing basis across the entire organization. The corporate health and safety department defines and follows-up performance targets and monitors results from every business unit and site. We have also implemented an injury tracking and reporting database to track all information on injuries, lost man-days and other significant events.

Health and safety performance, based on own personnel figures and contractors' lost time injury frequency rate, improved to 1.4 for the year 2011 from 1.8 for the year 2010 with significant improvement in Mining operations, Flat Carbon Europe, Long Carbon Americas and Europe, and Asia, Africa and CIS operations, only partially offset by deterioration in the Flat Carbon Americas and the Distribution Solutions segments.

Sales[1]

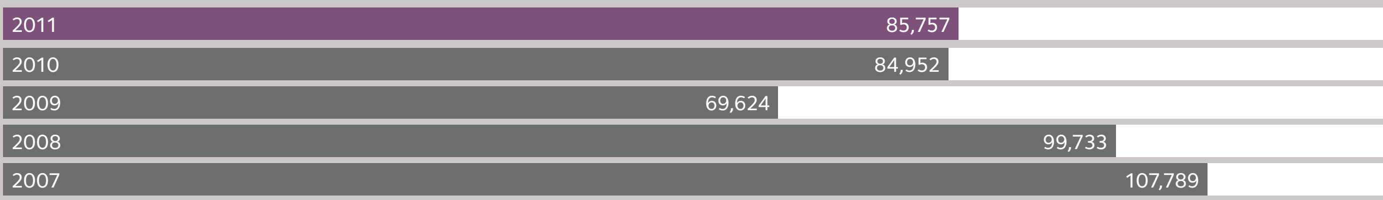
($ million)



The majority of steel sales from ArcelorMittal are destined for domestic markets; these sales are usually approached as a decentralized activity, managed either at the business unit or at the production unit level. For some specific markets, such as automotive, there is a global approach offering similar products manufactured in different production units around the world. In 2011, sales approximated $94.0 billion, compared with 2010 sales of $78.0 billion. This 20% increase was due to higher average steel selling prices (+18%) and marginally higher steel shipments (+1%).

Steel shipments[2]

(thousand tonnes)

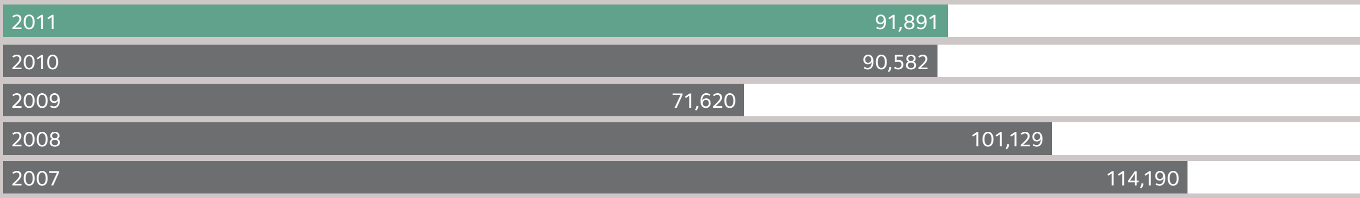


ArcelorMittal had steel shipments of 85.8 million tonnes for 2011, representing an increase of 1% from steel shipments of 85.0 million tonnes in 2010. Group shipments remain some 20% below pre-crisis levels.

Steel shipments increased in the Flat Carbon Americas and Long Carbon segments and declined in the Flat Carbon Europe and AACIS segments.

Crude steel production

(liquid steel in thousand tonnes)



In 2011, around 65.9 million tonnes of crude steel were produced through the basic oxygen furnace route, around 22.6 million tonnes through the electric arc furnace route and approximately 3.4 million tonnes of crude steel through the open hearth furnace route. This provides ArcelorMittal with greater flexibility in raw material and energy use, and increased ability to meet varying customer requirements in the markets we serve. In 2011, about 38% of crude steel was produced in the Americas, 46% in Europe and 16% in other countries such as Kazakhstan, South Africa and Ukraine.

Ebitda

($ million)

Ebitda is defined as operating income plus depreciation, impairment expenses and exceptional items. ArcelorMittal generated Ebitda of $10.1 billion in 2011, 19% higher than 2010.

Ebitda a tonne shipped increased to $118 a tonne in 2011, compared with $100 a tonne in 2010, $80 a tonne in 2009 and $242 a tonne in 2008.

[1] Including $4,767 million, $6,405 million, $3,169 million, $4,873 million and $5,875 million of sales to related parties for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 respectively.

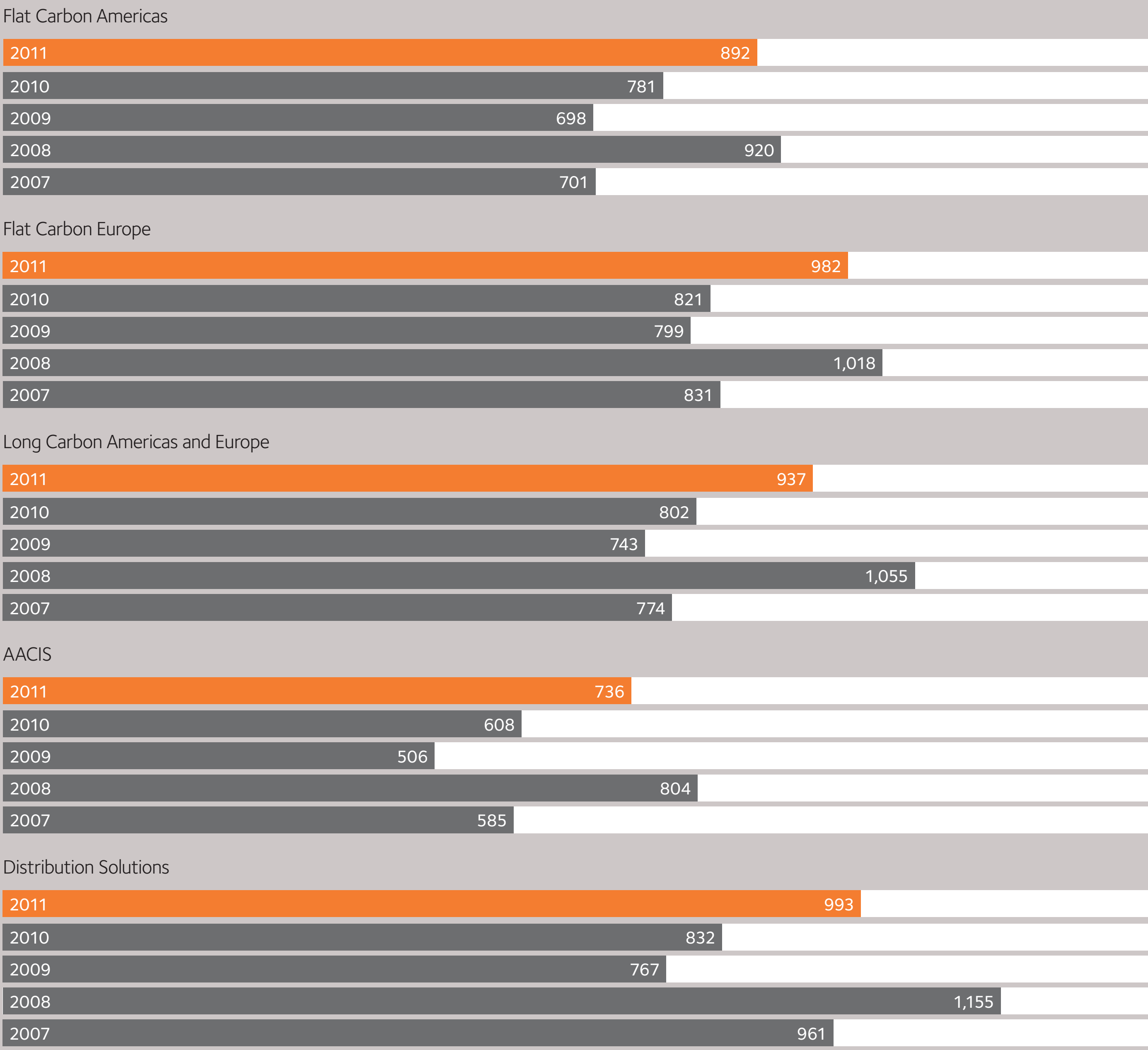
[2] Shipment volumes of steel products for the operations of the company include certain inter-segment shipments.

Key performance indicators (KPIs)

continued

Average steel selling prices[1]

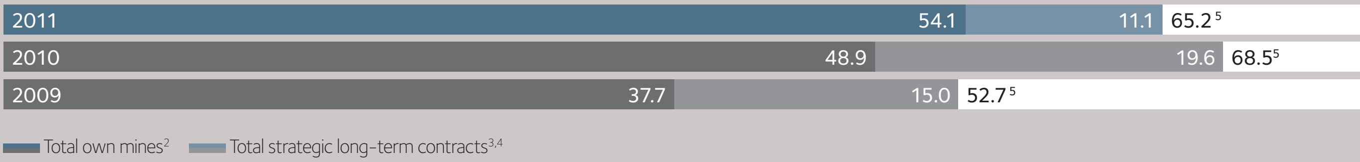
($ a tonne)



Over the last years, the impact of changes in raw material spot prices on the steel pricing has been significantly increased.This is due to a sharp increase in the absolute value of raw material prices, but also due to a changing pricing model for iron ore shifting from yearly benchmark pricing to quarterly and lately even spot pricing. As customers anticipate changes in raw material costs feeding into steel prices, this raw material price volatility has impacted buying behavior of our customers leading to more pronounced stocking and destocking cycles, which again affect steel prices.

Average steel selling price for the group in 2011 increased 18% compared with 2010, following the increase in key raw material prices.

Iron ore production
(million tonnes)



ArcelorMittal sources significant portions of its iron ore needs from its own mines in Kazakhstan, Ukraine, Bosnia and Herzegovina, Algeria, Canada, the United States, Mexico and Brazil. During 2011, the company's iron ore mining complex in Liberia became operational and contributed to the supplies of ArcelorMittal. We are also expanding capacity of existing mines in Canada, Liberia and Brazil. Several of our steel plants also have in place off-take arrangements with mineral suppliers located near its production facilities, some of which are considered strategic long-term contracts.

In 2012, the company is targeting an increase of approximately 10% in its iron ore production, compared with 2011.

ArcelorMittal had own iron ore production of 54.1 million tonnes in 2011, an increase of 11%, compared with 48.9 million tonnes in 2010.

Coal production
(million tonnes)

As with iron ore, ArcelorMittal sources a percentage of its coking coal from its own coal mines in Kazakhstan, Russia and the United States. Our mines in Kazakhstan supply substantially all the requirements for steelmaking operations at ArcelorMittal Temirtau, while our mines in Russia and the US supply other steel plants within the group.

ArcelorMittal had own coking coal production of 8.3 million tonnes in 2011, an increase of 19%, compared with 7.0 million tonnes in 2010.

[1] *Average steel selling prices are calculated as steel sales divided by steel shipments. Steel sales exclude sales of coke, coal, direct reduced iron, pig iron, hot metal, slag, by-products, energy, etc.*

[2] *North America: includes ArcelorMittal's share of production from Hibbing (US, 62.30%) and Peña Colorada (Mexico, 50%).*

[3] *North America: consists of long-term supply contracts with Cliffs Natural Resources Inc. ('Cliffs'). On April 8, 2011, ArcelorMittal announced that it had reached a negotiated settlement with Cliffs regarding all pending contract disputes related to the procurement of iron ore pellets for certain facilities in the US. As part of the settlement, Cliffs and ArcelorMittal agreed to specific pricing levels for 2009 and 2010 pellet sales and related volumes and, beginning in 2011, agreed to replace the previous pricing mechanism in one of the parties' two iron ore supply agreements with a world market-based pricing mechanism. Accordingly, beginning first quarter of 2011, this excludes the long-term supply contract for which the market-based pricing mechanism was reached.*

[4] *Includes purchases made under the July 2010 interim agreement with Kumba, South Africa.*

[5] *Total of all finished production of fines, concentrate, pellets and lumps (includes ArcelorMittal's shares of production of less than wholly-owned mines and strategic long-term contracts).*

[6] *North America: strategic agreement – prices on a cost-plus basis.*

[7] *Africa: long-term lease – prices on a cost-plus basis.*

Financial review

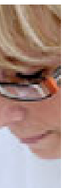
ArcelorMittal reports its operations in six segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and CIS (AACIS), Distribution Solutions and Mining. The information in this section relates to the year ended December 31, 2011, compared with the year ended December 31, 2010.

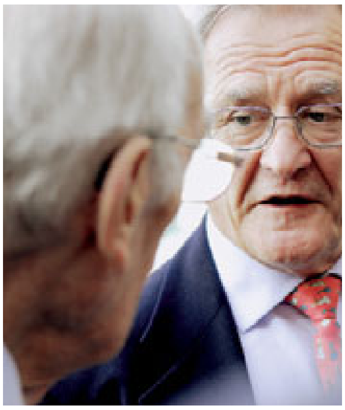
Sales, steel shipments, average steel selling prices and mining production

The table opposite provides a summary of ArcelorMittal's sales, steel shipments, average steel selling prices and mining production by reportable segment for the year ended December 31, 2011, compared with the year ended December 31, 2010.

ArcelorMittal had sales of $94.0 billion for the year ended December 31, 2011, representing an increase of 20% from sales of $78.0 billion for the year ended December 31, 2010. In the first half of 2011, sales of $47.3 billion represented a 26% increase from sales of $37.6 billion in the first half of 2010, due to a strong rise in steel prices and a more modest rise in steel shipments, resulting from the global economic recovery and improved steel demand compared with the same period a year earlier. In the second half of 2011, sales of $46.7 billion represented a 15% increase from sales of $40.4 billion in the second half of 2010, primarily driven by higher average steel selling prices as well as higher sales of mining products.

ArcelorMittal had steel shipments of 85.8 million tonnes for the year ended December 31, 2011, representing an increase of 1% from steel shipments of 85.0 million tonnes for the year ended December 31, 2010. Average steel selling price for the year ended December 31, 2011 increased 18% compared with the year ended December 31, 2010 following the increase in key raw material prices. Average steel selling price in the first half of 2011 was up 23% from the same period in 2010, while average steel selling price in the second half of the year was up 13% from the same period in 2010 (notwithstanding a 6% decrease in average steel selling price in the fourth quarter of 2011 compared with the third quarter of 2011).





ArcelorMittal Temirtau

During 2011, ArcelorMittal Termirtau renovated the aspiration system at blast furnace no. 4 and installed two new electric filters, which replaced the old multi-cyclone dust collectors. The project eliminated fugitive emissions at the cast house, with dust concentration in emissions falling to under 50 mg/m³ (from around 140 mg/m³). The project budget was $10.3 million.

A closed-circuit cooling system was also introduced for coke gas. Prior to this project, contaminated water was cooled in open cooling towers, which resulted in permanent air emission of toxic substances. Now the water is cooled in a closed-circuit heat-exchange unit, which eliminates all emissions of about 300 tonnes of contaminants a year. The budget for this project was $3.4 million.

Sales to external customers

by segment year ended December 31, 2011

Segment	$ billion
Flat Carbon Americas	21.0
Flat Carbon Europe	31.1
Long Carbon	25.2
AACIS	10.8
Distribution Solutions	19.1
Mining	6.3

Flat Carbon Americas performance

+19%

Increase in sales for Flat Carbon Americas in 2011, as compared with the year ended December 31, 2010

ArcelorMittal had own iron ore production of 54.1 million tonnes for the year ended December 31, 2011, an increase of 11% compared with 48.9 million tonnes for the year ended December 31, 2010. ArcelorMittal had own coking coal production of 8.3 million tonnes for the year ended December 31, 2011, an increase of 20% compared with 7.0 million tonnes for the year ended December 31, 2010.

Flat Carbon Americas

Sales in the Flat Carbon Americas segment were $21.0 billion for the year ended December 31, 2011, representing an increase of 19% compared with $17.7 billion for the year ended December 31, 2010. Sales increased primarily due to a 6% increase in steel shipments and a 14% increase in average steel selling price. Sales in the first half of 2011 were $10.5 billion, up 21% from the same period in 2010, and in the second half of the year sales were also $10.5 billion, up 17% from the same period in 2010.

Total steel shipments were 22.2 million tonnes for the year ended December 31, 2011, an increase of 6% from steel shipments for the year ended December 31, 2010. Shipments were 11.1 million tonnes in the first half of 2011, up 4% from the same period in 2010, while shipments in the second half of the year were 11.2 million tonnes, up 7% from the same period in 2010. Shipments nonetheless declined in the fourth quarter of 2011 compared with the third quarter of 2011.

Average steel selling price increased 14% for the year ended December 31, 2011 compared with the year ended December 31, 2010. Average steel selling price in the first half of 2011 was up 17% from the same period in 2010, while average steel selling price in the second half of the year was up 12% from the same period in 2010 (notwithstanding a 5% decrease in average selling price in the fourth quarter of 2011 compared with the third quarter of 2011).

Flat Carbon Europe

Sales in the Flat Carbon Europe segment were $31.1 billion for the year ended December 31, 2011, representing an increase of 22% compared with $25.6 billion for the year ended December 31, 2010. The increase was primarily due to a 20% increase in average steel selling price, while steel shipments decreased by 1%. Sales in the first half of 2011 were $16.4 billion, up 31% from the same period in 2010, and in the second half of the year sales were $14.7 billion, up 12% from the same period in 2010.

Total steel shipments reached 27.1 million tonnes for the year ended December 31, 2011, a decrease of 1% from steel shipments for the year ended December 31, 2010. Shipments were 14.6 million tonnes in the first half of 2011, up 1% from the same period in 2010, while shipments in the second half of the year were 12.6 million tonnes, down 4% from the same period in 2010. The decrease in the second half of 2011 resulted in particular from market weakening and strong destocking activity in the fourth quarter.

Average steel selling price increased 20% for the year ended December 31, 2011 compared with the year ended December 31, 2010. Average steel selling price in the first half of 2011 was up 27% from the same period in 2010, while average steel selling price in the second half of the year was up 12% from the same period in 2010 (notwithstanding a 7% decrease in average selling price in the fourth quarter of 2011 compared with the third quarter of 2011).

Segment	Sales for the year ended December 31[1] 2010 ($ million)	Sales for the year ended December 31[1] 2011 ($ million)	Steel shipments for the year ended December 31[1] 2010 (thousand tonnes)	Steel shipments for the year ended December 31[1] 2011 (thousand tonnes)	Changes in sales (%)	Steel shipments (%)	Average steel selling price (%)
Flat Carbon Americas	17,684	21,035	21,028	22,249	19	6	14
Flat Carbon Europe	25,550	31,062	27,510	27,123	22	(1)	20
Long Carbon Americas and Europe	21,315	25,165	23,148	23,869	18	3	17
AACIS	9,706	10,779	13,266	12,516	11	(6)	21
Distribution Solutions[2]	15,744	19,055	18,173	18,360	21	1	19
Mining	4,380	6,268	N/A	N/A	43	N/A	N/A
Total	**78,025**	**93,973**	**84,952**	**85,757**	**20**	**1**	**18**

Mining shipments (million tonnes)[3]	Year ended December 31, 2011	Year ended December 31, 2010
Total iron ore shipments[4]	51.6	46.7
Iron ore shipped externally and internally at market price[5]	28.0	25.2
Iron ore shipped internally at cost-plus[5]	23.6	21.6
Total coal shipments[6]	8.2	6.6
Coal shipped externally and internally at market price[5]	4.9	3.4
Coal shipped internally at cost-plus[5]	3.3	3.2

1 *Amounts are prior to inter-segment eliminations except for total.*
2 *Distribution Solutions shipments are eliminated in consolidation as they primarily represent shipments originating from other ArcelorMittal operating subsidiaries.*
3 *There are three categories of sales: (1) 'External sales': mined product sold to third parties at market price; (2) 'Market-priced tonnes': internal sales of mined product to ArcelorMittal facilities at prevailing market prices; (3) 'Cost-plus tonnes': internal sales of mined product to ArcelorMittal facilities on a cost-plus basis. The determinant of whether internal sales are transferred at market price or cost-plus is whether or not the raw material could practically be sold to third parties (i.e. there is a potential market for the product and logistics exist to access that market).*
4 *Total of all finished products of fines, concentrate, pellets and lumps and includes shipped externally and internally at market price as well as shipped internally at cost-plus basis.*
5 *Market-priced tonnes represent amounts of iron ore and coal from ArcelorMittal mines that could practically be sold to third parties. Market-priced tonnes that are not sold to third parties are transferred from the Mining segment to the company's steel producing segments at the prevailing market price. Shipments of raw materials that do not constitute market-priced tonnes are transferred internally on a cost-plus basis.*
6 *Total of all finished products of coal and includes those shipped externally and internally at market price as well as those shipped internally on a cost-plus basis.*

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, sales were $25.2 billion for the year ended December 31, 2011, representing an increase of 18% from sales of $21.3 billion for the year ended December 31, 2010. The increase was primarily due to a 17% increase in average steel selling price along with a 3% increase in steel shipments. Sales in the first half of 2011 were $12.6 billion, up 23% from the same period in 2010, while sales in the second half of the year were $12.6 billion, up 14% from the same period in 2010.

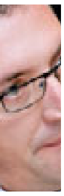
Total steel shipments reached 23.9 million tonnes for the year ended December 31, 2011, an increase of 3% from steel shipments for the year ended December 31, 2010. Shipments were 12.0 million tonnes in the first half of 2011, up 3% from the same period in 2010, while shipments in the second half of the year were 11.8 million tonnes, up 3% from same period in 2010. Steel shipments nonetheless decreased in the fourth quarter of 2011 compared with the third quarter, particularly due to the summer holiday period in Brazil and lower demand in North America and Europe.

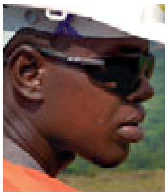
Average steel selling price increased 17% for the year ended December 31, 2011 compared with the year ended December 31, 2010. Average steel selling price in the first half of 2011 was up 22% from the same period in 2010, while average steel selling price in the second half of the year was up 12% from the same period in 2010 (notwithstanding a 6% decrease in average selling price in the fourth quarter of 2011 compared with the third quarter of 2011).

AACIS

In the AACIS segment, sales were $10.8 billion for the year ended December 31, 2011, representing an increase of 11% from sales of $9.7 billion for the year ended December 31, 2010. The increase was primarily due to a 21% increase in average selling price. Sales in the first half of 2011 were $5.4 billion, up 17% from the same period in 2010, while sales in the second half of the year were $5.4 billion, up 6% from the same period in 2010.

Total steel shipments reached 12.5 million tonnes for the year ended December 31, 2011, a decrease of 6% from steel shipments for the year ended December 31, 2010. Shipments were 6.4 million tonnes in the first half of 2011, down 3% from the same period in 2010, while shipments in the second half of the year were 6.1 million tonnes, down 9% from the same period in 2010, due primarily to operational issues at ArcelorMittal South Africa and ArcelorMittal Kryviy Rih.





Road and rail safety in Liberia
ArcelorMittal's iron ore mining operations began in September 2011 in Nimba County, North East Liberia. One of the most important preparations for this activity has been to upgrade local transport infrastructure that had been severely neglected during 14 years of civil war and upheaval. Rehabilitation of the 240km railway and service road that connects the mine in Yekepa to the port of Buchanan was done in close collaboration with the local communities along these routes. Many local residents and especially children have never seen the railway in operation, so a key element of the activity has been a high-profile road and rail safety campaign.

Right Vitória, Brazil

Average steel selling price increased 21% for the year ended December 31, 2011 compared with the year ended December 31, 2010. Average steel selling price in the first half of 2011 was up 24% from the same period in 2010, while average steel selling price in the second half of the year was up 19% from the same period in 2010 (notwithstanding an 8% decrease in average selling price in the fourth quarter of 2011 compared with the third quarter of 2011).

Distribution Solutions
In the Distribution Solutions segment, sales were $19.1 billion for the year ended December 31, 2011, representing an increase of 21% from sales of $15.7 billion for the year ended December 31, 2010. The increase was primarily due to a 19% increase in average steel selling price. Sales in the first half of 2011 were $9.3 billion, up 24% from the same period in 2010, while sales in the second half of the year were $9.8 billion, up 18% from the same period in 2010.

Total steel shipments reached 18.4 million tonnes for the year ended December 31, 2011, an increase of 1% from steel shipments for the year ended December 31, 2010. Shipments were 8.8 million tonnes in the first half of 2011, down 2% from the same period in 2010, while shipments in the second half of the year were 9.6 million tonnes, up 4% from the same period in 2010.

Average steel selling price increased 19% for the year ended December 31, 2011 compared with the year ended December 31, 2010. Average steel selling price in the first half of 2011 was up 26% from the same period in 2010, while average steel selling price in the second half of the year was up 14% from the same period in 2010 (notwithstanding a 6% decrease in average selling price in the fourth quarter of 2011 compared with the third quarter of 2011).

Mining
In the Mining segment, sales were $6.3 billion for the year ended December 31, 2011, representing an increase of 43% from sales of $4.4 billion for the year ended December 31, 2010. The increase was primarily due to higher selling prices of iron ore and coal in line with increase in international prices, as well as higher shipments from own mines for both iron ore and coal. Sales in the first half of 2011 were $2.8 billion, up 41% from the same period in 2010, while sales in the second half of the year were $3.5 billion, up 45% from the same period in 2010.

Total iron ore shipments were 51.6 million tonnes for the year ended December 31, 2011, representing an increase of 10% from 46.7 million tonnes for the year ended December 31, 2010. Marketable iron ore shipments were 28 million tonnes for the year ended December 31, 2011, representing an increase of 11% from 25.2 million tonnes for the year ended December 31, 2010.

Operating income (loss)
The table below provides a summary of operating income (loss) and operating margin of ArcelorMittal for the year ended December 31, 2011, compared with operating income and operating margin for the year ended December 31, 2010.

ArcelorMittal's operating income for the year ended December 31, 2011 was $4.9 billion, compared with an operating income of $3.6 billion for the year ended December 31, 2010. The rise in operating income in 2011 was primarily driven by a profitability improvement in Flat Carbon Americas and the Mining segment.

Operating income was higher in the first half of 2011 than in the second half of the year, due mainly to a price-cost squeeze in the second half resulting from an overhang of high-cost raw material inventories from the first half of the year and a time lag in passing along increases in costs to customers. Cost of sales consists primarily of purchases of raw materials necessary for steelmaking (iron ore, coke and coking coal, scrap and alloys), electricity, repair and maintenance costs, as well as direct labor costs. Cost of sales for the year ended December 31, 2011 was $85.5 billion compared with $71.1 billion for the year ended December 31, 2010. The increase was primarily due to higher prices of raw materials in 2011, in particular iron ore and coal. Selling, general and administrative expenses ('SG&A') for the year ended December 31, 2011 were $3.6 billion compared with $3.3 billion for the year ended December 31, 2010. SG&A represented 3.8% of sales for the year ended December 31, 2011 compared with 4.3% for the year ended December 31, 2010. This reduction resulted from higher sales in 2011 compared with 2010.

Long Carbon performance

+18%

Increase in sales for Long Carbon Americas and Europe in 2011, compared with the year ended December 31, 2010

	Operating income (loss) year ended December 31		Operating margin	
Segment[1]	2010 ($ million)	2011 ($ million)	2010 (%)	2011 (%)
Flat Carbon Americas	691	1,198	4	6
Flat Carbon Europe	534	(324)	2	(1)
Long Carbon Americas and Europe	1,004	646	5	3
AACIS	680	721	7	7
Distribution Solutions	164	52	1	–
Mining	1,624	2,568	37	41

[1] *Amounts are prior to inter-segment eliminations and include non-steel sales.*

Financial review

continued

Operating income for the year ended December 31, 2011 included impairment losses of $331 million, which compared with impairment losses of $525 million for the year ended December 31, 2010. These impairment losses included a charge of $178 million for the Long Carbon segment, of which $151 million related to the extended idling of the ArcelorMittal Madrid electric arc furnace and a charge of $141 million related to various idled facilities in the Flat Carbon Europe segment, including $85 million for the primary facilities of ArcelorMittal Liège Upstream, Belgium in connection with its intended closure. In determining these expenses, the company took into account permanently idled assets, and with respect to other assets, analyzed the recoverable amount of these facilities based on their value in use and determined that the recoverable amount from these facilities was less than their carrying amount.

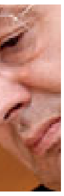
Operating income for the year ended December 31, 2011 was positively impacted by a net gain of $93 million recorded on the sale of carbon dioxide credits (the proceeds of which will be re-invested in energy saving projects), a non-cash gain of $600 million relating to unwinding of hedges on raw material purchases and $104 million related to the reversal of provisions for litigation. Operating income for the year ended December 31, 2010 had been positively impacted by a gain of $140 million recorded on the sale of carbon dioxide credits and a non-cash gain of $354 million relating to unwinding of hedges on raw material purchases.

Operating income for the year ended December 31, 2011 was negatively impacted by restructuring costs associated with the implementation of the Asset Optimization Plan, totaling $219 million, primarily affecting Flat Carbon Europe and Long Carbon Europe operations, as well as various Distribution Solutions entities.

AACIS performance

+11%

Increase in sales for AACIS in 2011, compared with the year ended December 31, 2010



Flat Carbon Americas
Operating income for the Flat Carbon Americas segment amounted to $1.2 billion for the year ended December 31, 2011, compared with operating income of $0.7 billion for the year ended December 31, 2010. The rise in operating income in 2011 generally reflected higher steel shipments and a higher average steel selling price, which were positively impacted by product mix improvement. Operating income for the segment amounted to $0.2 billion for the second half of the year, compared with $1.0 billion in the first half. The decrease in operating income in the second half of 2011 reflected the effect of a price-cost squeeze, especially in the fourth quarter in which operating income decreased substantially, driven primarily by a 5% decrease in average selling price compared with the third quarter of 2011.

Flat Carbon Europe
Operating loss for the Flat Carbon Europe segment for the year ended December 31, 2011 was $0.3 billion compared with operating income of $0.5 billion for the year ended December 31, 2010. The decrease in operating income in 2011 reflected the effect of a significant price-cost squeeze and lower steel shipments primarily in the second half of 2011, as customers destocked and then adopted a 'wait and see' attitude in light of market conditions and macro-economic uncertainty. Operating loss for the segment amounted to $0.7 billion for the second half of the year, compared with operating income of $0.4 billion in the first half of the year, primarily driven by lower steel shipment volumes and a significant price-cost squeeze.

Operating income for the year ended December 31, 2011 (in particular in the second half of 2011) was negatively impacted by impairment losses of $141 million relating to various idled facilities (including $85 million for the primary facilities of ArcelorMittal Liège Upstream, Belgium). These charges were offset by a gain of $93 million recorded on the sale of carbon dioxide credits (the proceeds of which will be re-invested in energy saving projects) and a non-cash gain of $600 million relating to unwinding of hedges on raw material purchases. Operating income for the year ended December 31, 2010 had been negatively impacted by impairment losses of $78 million primarily relating to idled downstream assets, offset by a net gain of $140 million recorded on the sale of carbon dioxide credits and a non-cash gain of $354 million relating to unwinding of hedges on raw material purchases.

In addition, operating income for the year ended December 31, 2011 (in particular in the second half of 2011) was negatively impacted by restructuring costs associated with the implementation of the Asset Optimization Plan, totaling $143 million, primarily relating to Spanish entities.

Long Carbon Americas and Europe
Operating income for the Long Carbon Americas and Europe segment for the year ended December 31, 2011 was $0.6 billion compared with $1.0 billion for the year ended December 31, 2010. The decrease in operating income in 2011 generally reflected the effect of a price-cost squeeze primarily from South American operations and particularly in the second half of the year. Operating income for the segment amounted to $0.1 billion for the second half of the year, compared with $0.6 billion in the first half of the year, primarily driven by lower steel shipment volumes and lower average selling price.

Operating income for the year ended December 31, 2011 (in particular in the second half of 2011) was negatively impacted by impairment losses of $178 million of which $151 million related to the extended idling of the ArcelorMittal Madrid electric arc furnace.

In addition, operating income for the year ended December 31, 2011 was negatively impacted by restructuring costs associated with the implementation of the Asset Optimization Plan, totaling $37 million.

AACIS
Operating income for the AACIS segment for the year ended December 31, 2011 remained flat at $0.7 billion, compared with the year ended December 31, 2010. Operating income in 2011 was positively affected by higher average steel selling prices, offset by lower steel shipments primarily driven by loss of production at South African and Ukrainian operations due to operational issues. Operating income for the segment amounted to $0.3 billion for the second half of the year, compared with $0.5 billion in the first half. The decrease in operating income in the second half of 2011 reflected primarily lower shipments for ArcelorMittal South Africa due to loss of production following operational issues as well as seasonality effects.

Distribution Solutions
Operating income for the Distribution Solutions segment for the year ended December 31, 2011 was $0.1 billion, compared with operating income of $0.2 billion for the year ended December 31, 2010. The decrease in operating income in 2011 generally reflected the effect of a price-cost squeeze in the distribution business. Operating loss for the segment amounted to $0.1 billion for the second half of the year, compared with operating income of $0.2 billion in the first half of 2011, primarily reflecting significant price-cost squeeze.

Operating income for the year ended December 31, 2010 had been negatively impacted by impairment losses of $113 million relating to impairment on certain subsidiaries, primarily reflecting the weak construction market.

Operating income for the year ended December 31, 2011 was negatively impacted by restructuring costs associated with the implementation of the Asset Optimization Plan, totaling $40 million across various entities.

Mining
Operating income for the Mining segment for the year ended December 31, 2011 was $2.6 billion, compared with operating income of $1.6 billion for the year ended December 31, 2010. The rise in operating income in 2011 generally reflected higher iron ore and coal prices and higher shipments from own mines for both iron ore and coal. Operating income for the segment amounted to $1.4 billion for the second half of the year, compared with $1.2 billion in the first half. The increase in the second half of 2011 was primarily driven by higher iron ore shipments from own mines, tempered in the fourth quarter by lower average selling prices following the change to the seaborne benchmarking pricing system impacting a substantial proportion of marketable volumes compared with the third quarter of 2011.

Operating income for the year ended December 31, 2010 had been negatively impacted by impairment losses of $305 million relating to the company's coal mines in Russia (including the disposal of the Anzherskaya mine).

Income from investment in associates and joint ventures
ArcelorMittal recorded income of $0.6 billion from investments in associates and joint ventures for the year ended December 31, 2011, compared with income from investments in associates and joint ventures of $0.5 billion for the year ended December 31, 2010. Income for the year ended December 31, 2011 included an impairment loss of $107 million, reflecting the reduction of the carrying amount of the investment in Macarthur Coal to the net proceeds from the sale, as a result of the company's withdrawal from the joint venture with Peabody Energy to acquire ownership of Macarthur Coal.

Financing costs-net
Net financing costs include net interest expense, revaluation of financial instruments, net foreign exchange income/expense (i.e. the net effects of transactions in a foreign currency other than the functional currency of a subsidiary) and other net financing costs (which mainly include bank fees, accretion of defined benefit obligations and other long-term liabilities). Net financing costs were 29% higher for the year ended December 31, 2011, at $2.8 billion, compared with $2.2 billion for the year ended December 31, 2010.

Net interest expense (interest expense less interest income) was $1.8 billion for the year ended December 31, 2011 compared with $1.4 billion for the year ended December 31, 2010. Interest expense increased to $1.9 billion for the year ended December 31, 2011, compared with interest expense of $1.6 billion for the year ended December 31, 2010, primarily due to the higher level of borrowing and the higher cost of bond financing compared to bank loans. Interest income for the year ended December 31, 2011 amounted to $0.1 billion, the same as the year ended December 31, 2010.

Foreign exchange and other net financing costs (which include bank fees, interest on pensions and impairments of financial instruments) were $1 billion for the year ended December 31, 2011 compared with $1.2 billion for the year ended December 31, 2010, reflecting primarily foreign exchange impacts (in particular, the impact of dollar appreciation and depreciation on euro-denominated debt).

Mark-to-market adjustments on the call option of the mandatory convertible bonds for the year ended December 31, 2011 were a gain of $42 million, compared with a gain of $0.4 billion for the year ended December 31, 2010. The 2011 effect related to the company's mandatory convertible bond while the 2010 effect related to convertible bonds issued by the company in the spring of 2009. On April 1, 2009 and May 6, 2009, the company issued approximately $2.5 billion of bonds convertible into its shares (€1.25 billion euro-denominated convertible bonds due 2014 (OCEANEs) and $800 million US dollar-denominated convertible bonds due 2014), which were determined to be hybrid instruments as defined by International Financial Reporting Standards ('IFRS'), with certain components of the contracts being embedded derivatives in accordance with IAS 39 and requiring, at each reporting period, changes in the fair value of the embedded derivatives (recorded at $597 million at inception) to be recorded in the consolidated statements of operations, resulting in gains or losses depending on marking to market. In October 2009 and December 2010, respectively, the company waived the cash settlement option with respect to its $800 million US dollar-denominated convertible bonds and undertook hedging transactions with respect to its euro-denominated convertible bonds, each of which actions had the effect of offsetting the mark-to-market adjustments on such bonds. As a result, no additional mark-to-market gains or losses on the convertible bonds issued in April/May 2009 were recorded in 2011 or are expected going forward. The company's call option on the mandatory convertible bond issued in December 2009 remains subject to mark-to-market adjustments.

Loss related to the fair value of freight, commodity and other non-foreign exchange and interest rate-related derivative instruments not qualifying for hedge accounting, amounted to $10 million for the year ended December 31, 2011, compared with a gain of $43 million for the year ended December 31, 2010.

Income tax expense (benefit)
ArcelorMittal recorded a consolidated income tax expense of $0.9 billion for the year ended December 31, 2011, compared with a consolidated income tax benefit of $1.5 billion for the year ended December 31, 2010. The higher income tax of $0.9 billion for full year 2011 was primarily due to lower recognition of deferred tax assets following dividend upstreaming preventing interest deductibility in Luxembourg, partial reversal of deferred tax assets in our Belgian operations triggered by changes in local tax law and partial reversal of deferred tax assets in Spain imposed by time limitations

for utilization of tax losses. For additional information related to ArcelorMittal's income taxes, see Note 19 to ArcelorMittal's consolidated financial statements.

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

The statutory income tax expense (benefit) and the statutory income tax rates of the countries that most significantly resulted in the tax expense (benefit) at statutory rate for each of the years ended December 31, 2010 and 2011 are set forth below.

Non-controlling interest

Net loss attributable to non-controlling interests was $4 million for the year ended December 31, 2011, compared with net income attributable to non-controlling interests of $89 million for the year ended December 31, 2010. The decrease relates to lower income in subsidiaries with non-controlling interests, particularly ArcelorMittal South Africa, due to the weakening of market conditions in 2011.

Discontinued operations

Net income from discontinued operations (i.e. the company's stainless steel business, which was spun-off into a separate company, Aperam, whose shares were distributed to ArcelorMittal shareholders in the first quarter of 2011) for the year ended December 31, 2011 amounted to $461 million, including $42 million of the post-tax net results contributed by the stainless steel business prior to the completion of the spin-off on January 25, 2011. The balance of $419 million represents a one-time income from the recognition through the consolidated statements of operations of gains/losses relating to the demerged assets previously recognized in equity.

Net income attributable to equity holders of the parent

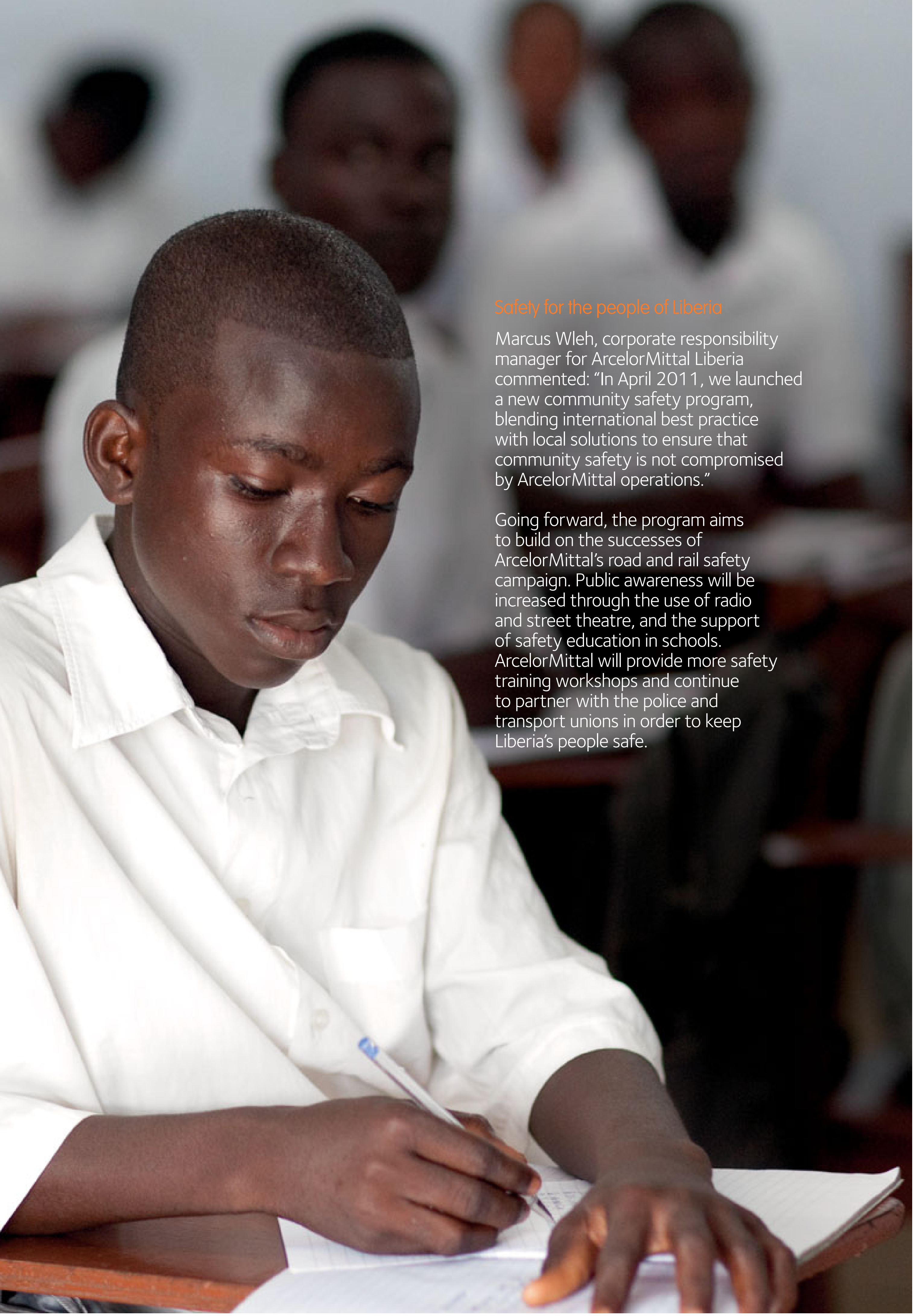
ArcelorMittal's net income attributable to equity holders of the parent for the year ended December 31, 2011 decreased to $2.3 billion from net income attributable to equity holders of $2.9 billion for the year ended December 31, 2010, for the reasons discussed above.

	2010		2011	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	(191)	35.00%	116	35.00%
Argentina	46	35.00%	30	35.00%
France	52	34.43%	(141)	34.43%
Brazil	270	34.00%	(15)	34.00%
Belgium	817	33.99%	617	33.99%
Germany	(66)	30.30%	(136)	30.30%
Spain	(190)	30.00%	(261)	30.00%
Luxembourg	(2,249)	28.80%	(534)	28.80%
Mexico	49	28.00%	110	28.00%
South Africa	62	28.00%	9	28.00%
Canada	127	26.90%	259	26.90%
Algeria	(29)	25.00%	(26)	25.00%
Russia	(43)	20.00%	7	20.00%
Kazakhstan	55	20.00%	114	20.00%
Czech Republic	30	19.00%	2	19.00%
Poland	6	19.00%	(4)	19.00%
Romania	(21)	16.00%	(29)	16.00%
Ukraine	12	16.00%	28	16.00%
Dubai	–	0.00%	–	0.00%
Others	(47)		(113)	
Total	**(1,310)**		**33**	

Courageous leadership
The concept of 'courageous leadership' is being introduced through a series of workshops, training sessions and ongoing communications programs throughout the many ArcelorMittal Mining sites around the world. At its core is a belief that courageous leadership – standing up and speaking out about a potentially dangerous situation – can play a major role in safeguarding employees and contractors at our mines and plants.

During 2011, we introduced employees to courageous leadership in Brazil, West Virginia, US, ArcelorMittal Mines Canada and Kuzbass, Russia. In 2012 they are in turn passing down their knowledge to their team members.

Opposite Liberia

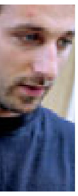


Safety for the people of Liberia

Marcus Wleh, corporate responsibility manager for ArcelorMittal Liberia commented: “In April 2011, we launched a new community safety program, blending international best practice with local solutions to ensure that community safety is not compromised by ArcelorMittal operations.”

Going forward, the program aims to build on the successes of ArcelorMittal’s road and rail safety campaign. Public awareness will be increased through the use of radio and street theatre, and the support of safety education in schools. ArcelorMittal will provide more safety training workshops and continue to partner with the police and transport unions in order to keep Liberia’s people safe.

Liquidity and capital resources



ArcelorMittal's principal sources of liquidity are cash generated from its operations, its credit facilities at the corporate level and various working capital credit lines at its operating subsidiaries.

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

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

As of December 31, 2011, ArcelorMittal's cash and cash equivalents, including restricted cash and short-term investments, amounted to $3.9 billion compared with $6.3 billion as of December 31, 2010. In addition, ArcelorMittal had available borrowing capacity of $8.6 billion under its credit facilities as of December 31, 2011 compared with $11.3 billion as of December 31, 2010. ArcelorMittal also has a €2 billion (approximately $2.6 billion) commercial paper program (of which €0.5 billion or approximately $0.6 billion was outstanding as of December 31, 2011), and its policy has been to maintain availability under its credit facilities as back-up for its commercial paper program.

As of December 31, 2011, ArcelorMittal's total debt, which includes long-term debt and short-term debt, was $26.4 billion, compared with $26.0 billion as of December 31, 2010. Net debt (defined as long-term debt plus short-term debt, less cash and cash equivalents and restricted cash) was $22.5 billion as of December 31, 2011, up from $19.7 billion at December 31, 2010. Most of the external debt is borrowed by the parent company on an unsecured basis and bears interest at varying levels based on a combination of fixed and variable interest rates. Gearing (defined as net debt divided by total equity) at December 31, 2011 was 37% compared with 30% at December 31, 2010. Total debt increased period-on-period primarily due to the bond issuances made during the year and debt drawn under credit lines. Net debt increased period-on-period primarily due to increases in working capital resulting from higher levels of steel production, essentially in the first half, and notwithstanding a substantial working capital reduction in the fourth quarter.

ArcelorMittal's principal credit facilities, which are the $6 billion revolving credit facility entered into on March 18, 2011 (the '$6 billion facility'), the $4 billion revolving credit facility entered into on May 6, 2010 (the '$4 billion facility'), the revolving credit bilateral facility of $300 million entered into on June 30, 2010 (the '$300 million facility') and the $500 million multi-currency revolving letter of credit facility entered into on September 30, 2010, contain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. These agreements also require compliance with a financial covenant, as summarized below.

The company must ensure that the ratio of 'consolidated total net borrowings' (consolidated total borrowings less consolidated cash and cash equivalents) to 'consolidated Ebitda' (the consolidated net pre-taxation profits of ArcelorMittal for a measurement period, subject to certain adjustments as set out in the facilities) does not, at the end of each 'measurement period' (each period of 12 months ending on the last day of a financial half-year or a financial year of the company), exceed a certain ratio, currently 3.5 to one.

The company refers to this ratio as the leverage ratio. As of December 31, 2011, the 'leverage ratio' stood at approximately 2.2 to one, constant compared with 2.2 to one as of December 31, 2010. The financial covenant in the above referenced principal credit facilities would permanently fall away were the company to meet certain defined rating criteria.

Non-compliance with the covenants in the facilities described above would entitle the lenders under such facilities to accelerate the company's repayment obligations. The company was in compliance with the financial covenants in the agreements related to all of its borrowings as of December 31, 2010 and December 31, 2011.

The following table summarizes the repayment schedule of ArcelorMittal's outstanding indebtedness, which includes short-term and long-term debt, as of December 31, 2011:

	Repayments amount per year ($ billion)						
Type of indebtedness as of December 31, 2011	2012	2013	2014	2015	2016	>2016	Total
Term loan repayments							
– Convertible bonds[1]	–	0.1	2.1	–	–	–	2.2
– Bonds	–	3.4	1.3	1.7	1.8	9.2	17.4
Subtotal	–	3.5	3.4	1.7	1.8	9.2	19.6
Long-term revolving credit facilities							
– $6 billion facility	–	–	–	–	1.7	–	1.7
– $4 billion facility	–	–	–	–	–	–	–
– $300 million facility	–	–	–	–	–	–	–
Commercial paper[2]	0.6	–	–	–	–	–	0.6
Other loans	2.2	0.5	0.3	0.3	0.7	0.5	4.5
Total gross debt	**$2.8**	**$4.0**	**$3.7**	**$2.0**	**$4.2**	**$9.7**	**$26.4**

The following table summarizes the amount of credit available as of December 31, 2011 under ArcelorMittal's principal credit facilities:

Credit lines available	Facility amount	Drawn	Available
$6 billion facility	$6.0	$1.7	$4.3
$4 billion facility	$4.0	–	$4.0
$300 million facility	$0.3	–	$0.3
Total committed lines	**$10.3**	**$1.7**	**$8.6**

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

2 *Commercial paper is expected to continue to be rolled over in the normal course of business.*

Supporting House of Hope
The ArcelorMittal Foundation supports House of Hope ('Dar el Amal'), an association which helps children living in the streets of El Jadida, south of Casablanca. Children are provided with food as well as workshops to improve school results and psychological support.

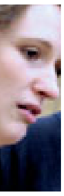
Liquidity and capital resources

continued

As of December 31, 2011, ArcelorMittal had guaranteed approximately $1.0 billion of debt of its operating subsidiaries and $1.3 billion of total debt of ArcelorMittal Finance. ArcelorMittal's debt facilities have provisions whereby the acceleration of the debt of another borrower within the ArcelorMittal group could, under certain circumstances, lead to acceleration under such facilities. Pursuant to amendment agreements entered into on March 18, 2011, the above referenced principal credit facilities no longer contain covenants involving restrictions on dividends, capital expenditures or acquisitions.

The average debt maturity of the company was 6.3 years as of December 31, 2011, compared with 5.1 years as of December 31, 2010.

Further information regarding ArcelorMittal's outstanding long-term indebtedness as of December 31, 2011 is set forth in Note 15 to ArcelorMittal's consolidated financial statements.



Financings

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

Principal credit facilities

On March 18, 2011, ArcelorMittal entered into the $6 billion facility, which may be utilized for general corporate purposes and which matures in 2016. The $6 billion facility replaced the company's previous €17 billion credit facility dated November 30, 2006 (the '€17 billion facility') after it was fully repaid and cancelled on March 31, 2011. As of December 31, 2011, $1.7 billion of principal was outstanding under the $6 billion facility.

On May 6, 2010, ArcelorMittal entered into the $4 billion facility, a three-year revolving credit facility for general corporate purposes which replaced the company's previous $4 billion revolving credit facility dated May 13, 2008 and the related $3.25 billion forward-start facility dated February 13, 2009. These facilities were cancelled on May 12, 2010 (following this cancellation, neither of the forward-start facilities entered into by the company during the first half of 2009 remain in effect). On September 30, 2011, the maturity date of the $4 billion facility was extended to May 6, 2015. As of December 31, 2011, the $4 billion facility remains fully available.

On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of $300 million. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of $300 million, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. As of December 31, 2011, one facility was cancelled and the other facility remained fully available.

On September 30, 2010, ArcelorMittal entered into the $500 million revolving multi-currency letter of credit facility (the 'letter of credit facility'), which replaced an $800 million multi-currency letter of credit facility entered into on December 30, 2005. The letter of credit facility is used by the company and its subsidiaries for the issuance of letters of credit and other instruments. The terms of the letters of credit and other instruments contain certain restrictions as to duration. On September 30, 2011, the maturity of the letter of credit facility was extended from September 30, 2015 to September 30, 2016.

2011 capital markets transactions

On March 7, 2011, ArcelorMittal completed an offering of three series of US dollar-denominated notes, consisting of $500 million aggregate principal amount of 3.75% notes due 2016, $1.5 billion aggregate principal amount of 5.50% notes due 2021 and $1 billion aggregate principal amount of 6.75% notes due 2041. The proceeds were used to prepay the last two term loan installments under the €17 billion facility.

On April 20, 2011, the conversion date of the $750 million mandatory convertible bond was extended from May 25, 2011 to January 31, 2013.

On September 27, 2011, the company increased the size of the $750 million mandatory convertible bond by $250 million to $1 billion.

On December 9, 2011, ArcelorMittal completed a private placement of €125 million of 6.20% notes due in 2016, under its wholesale EMTN program established on September 29, 2011.

Please refer to note 27 of the consolidated financial statements for capital market transactions completed in 2012.

Other outstanding loans and debt securities

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

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

The company has entered into five separate agreements with the European Bank for Reconstruction and Development ('EBRD') for on-lending to the following subsidiaries: ArcelorMittal Galati on November 18, 2002, ArcelorMittal Kryviy Rih on April 4, 2006, ArcelorMittal Temirtau on June 15, 2007, and ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last repayment installment under these loans is in January 2015. The amount outstanding under these loans in the aggregate as of December 31, 2011 was $118 million, compared with $178 million as of December 31, 2010. The loan relating to ArcelorMittal Galati was fully repaid on November 23, 2009.

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

On May 27, 2008, the company issued unsecured and unsubordinated fixed rate US dollar-denominated notes in two tranches totaling $3 billion. The $1.5 billion notes due 2013 bear interest at the rate of 5.375%, and the $1.5 billion notes due 2018 bear interest at the rate of 6.125%.

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

- an offering of €1.25 billion (approximately $1.6 billion) of 7.25% bonds convertible into and/or exchangeable for new or existing ArcelorMittal shares (OCEANEs) due 2014 which closed on April 1, 2009;
- an offering of US dollar-denominated 5% convertible bonds due 2014 for $800 million which closed on May 6, 2009;
- an offering of two series of US dollar-denominated bonds (9% notes due 2015 and 9.85% notes due 2019) totaling $2.25 billion which closed on May 20, 2009;
- an offering of two series of euro-denominated notes (8.25% notes due 2013 and 9.375% notes due 2016) totaling €2.5 billion ($3.5 billion) which closed on June 3, 2009;
- an offering of $1 billion of US dollar-denominated 7% notes due 2039 which closed on October 1, 2009; and
- a private placement of a $750 million, 17-month mandatory convertible bond by a wholly owned Luxembourg subsidiary of

ArcelorMittal Jubail celebrates

On February 21, 2012, our Jubail project in Saudi Arabia celebrated a significant health and safety milestone in the ongoing construction of the new seamless tubular products facility. More than ten million hours have been worked on the construction site without any lost time injuries as of mid-January 2012 – a special moment on our journey to zero.

To commemorate this accomplishment, more than 2,000 employees, contractors, suppliers and special guests gathered in Jubail to celebrate.

Nearly 30 special awards were given to employees and contractors recognizing outstanding individual achievements and efforts.

Liquidity and capital resources

continued

the company to a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.), with the proceeds invested in notes linked to shares of Erdemir of Turkey and Macarthur Coal Limited of Australia, both of which were publicly listed companies in which ArcelorMittal held a minority stake. In ArcelorMittal's consolidated financial statements for the year ended December 31, 2009, the mandatory convertible bond was recorded as non-controlling interests of $695 million ($684 million net of fees and tax) and $55 million as debt. As a result of the completion of the sale of the shares in Macarthur on December 21, 2011, the notes linked to the Macarthur shares were subject to an early redemption for $1,208 million. The proceeds from the redemption of the notes were placed with Crédit Agricole until January 17, 2012. On that date, notes linked to China Oriental Group Company Limited were issued by a subsidiary of ArcelorMittal.

Commercial paper program

ArcelorMittal has a €2.0 billion commercial paper program in the French market, which had approximately €0.5 billion ($0.6 billion) outstanding as of December 31, 2011 compared with €1.7 billion ($2.2 billion) as of December 31, 2010.

True sale of receivables ('TSR') programs

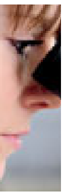
The company has established sales without recourse of trade accounts receivable programs with financial institutions for a total amount as of December 31, 2011 of €2,540 million, $900 million and CAD 215 million, referred to as true sale of receivables ('TSR') programs. Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the consolidated statements of financial position at the moment of sale. The total amount of receivables sold under TSR programs and derecognized in accordance with IAS 39 for the years ended December 31, 2009, 2010 and 2011 was $21.8 billion, $29.5 billion and $35.3 billion, respectively (with amounts of receivables sold in euros and Canadian dollars converted to US dollars at the monthly average exchange rate). Expenses incurred under the TSR programs (reflecting the discount granted to the acquirers of the accounts receivable) recognized in the consolidated statements of operations for the years ended December 31, 2010 and 2011 were $110 and $152 million, respectively.

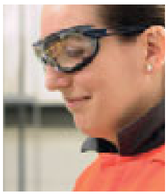
Earnings distribution

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

The board of directors will submit to the approval of the shareholders at the annual general meeting of shareholders to be held in May 2012, a proposal to maintain the quarterly dividend at $0.1875 per share, with dividends payments to occur on a quarterly basis in 2012. The dividend payment calendar is available on *www.arcelormittal.com*

ArcelorMittal held 12.0 million shares in treasury as of December 31, 2011, compared with 12.4 million shares as of December 31, 2010. As of December 31, 2011, the number of treasury shares was equivalent to approximately 0.77% of the total issued number of ArcelorMittal shares.





Health and safety day around the world

At Baffinland Iron Ore Corporation in the Arctic Circle, one of the key safety aspects to consider is outdoor sun safety. The team received classes and a review of the appropriate controls including the use of clothing, hats, sun block lotion and industrial safety sunglasses. In these harsh conditions this must be taken seriously as for some parts of the year, there is 24 hour sunlight. A lip balm of SPF 30 was handed out to all as a reminder to keep in their pockets.

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

	Summary of cash flow year ended December 31	
	2010 ($ million)	2011 ($ million)
Net cash provided by operating activities	4,015	1,777
Net cash used in investing activities	(3,438)	(3,678)
Net cash used in financing activities	(7)	(540)

Sources and uses of cash

Net cash provided by operating activities

For the year ended December 31, 2011, net cash provided by operating activities decreased to $1.8 billion, compared with $4.0 billion for the year ended December 31, 2010, mainly because of operating working capital deployment. The net cash provided by operating activities was negatively impacted by a $3.8 billion increase (excluding discontinued operations) in working capital (consisting of inventories plus trade accounts receivable less trade accounts payable) as inventories increased by $3.1 billion; accounts receivable increased by $0.7 billion and accounts payable decreased by $0.1 billion. The increase in inventories was largely attributable to higher raw material prices and higher levels of steel production compared with 2010. The year-on-year decrease in net cash provided by operating activities was reduced somewhat by strong operating cash flow generation in the fourth quarter ($2.9 billion) driven by a $1.8 billion release of working capital (itself resulting largely from lower inventories), which was a reversal of the trend of an investment in working capital in the first three quarters of 2011.

Net cash used in investing activities

Net cash used in investing activities was $3.7 billion for the year ended December 31, 2011 compared with $3.4 billion in 2010, primarily due to higher capital expenditures, as well as inflows of $796 million from the sale of the company's stake in Macarthur Coal and $129 million from the sale of the company's 12% stake in Baosteel-NSC/Arcelor (BNA) Automotive Co.

Capital expenditures totaled $4.8 billion for the year ended December 31, 2011 compared with $3.3 billion for the year ended December 31, 2010. The company currently expects that capital expenditures for the year ended December 31, 2012 will amount to approximately $4.0 to $4.5 billion, most of which relates to the maintenance and improvement of existing sites (including health and safety investments). Growth capital expenditure is expected to target mainly mining projects.

ArcelorMittal's major capital expenditures in the year ended December 31, 2011 included the following major projects: Liberia greenfield mining project; Andrade capacity expansion plan in Andrade mine in Brazil; capacity expansion plan in ArcelorMittal Mines in Canada; optimization of galvanizing and galvalume operations in Dofasco, Canada; Baffinland project in Canada; and a capacity expansion plan in Monlevade, Brazil.

Net cash used in financing activities

Net cash used in financing activities was $0.5 billion for the year ended December 31, 2011, compared with $7 million in 2010. The increase in cash used in financing activities was primarily due to an increase in debt repayments, offset by proceeds of long-term debt, primarily due to bond issuances and drawdowns on credit facilities. Net cash used in financing activities also included outflow for purchases of non-controlling interests, offset by proceeds from the increase in the outstanding amount of the mandatory convertible bonds.

Dividends paid during the year ended December 31, 2011 were $1.2 billion, including $1,162 million paid to ArcelorMittal shareholders and $32 million paid to non-controlling shareholders in subsidiaries. Dividends paid in the year ended December 31, 2010 were $1.3 billion.

Equity

Equity attributable to the equity holders of the parent decreased to $56.7 billion at December 31, 2011, compared with $62.4 billion at December 31, 2010, primarily due to the stainless spin-off for $4.0 billion on January 25, 2011 and the dividend distribution for $1.2 billion. See Note 17 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2011.

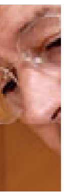
"Our strategy for 2012 will include the disposal of selected and targeted non-core non-consolidated assets and we will work closely with our rating agencies in order to preserve our investment grading. Furthermore, we will aim to institutionalize the risk management culture."

Sudhir Maheshwari
Member of the Group Management Board, responsible for corporate finance, M&A and risk management

Disclosures about market risk

Quantitative and qualitative disclosures about market risk

ArcelorMittal is exposed to a number of different market risks arising from its normal business activities. Market risk is the possibility that changes in raw materials prices, foreign currency exchange rates, interest rates, base metal prices (zinc, nickel, aluminum and tin) and energy prices (oil, natural gas and power) will adversely affect the value of ArcelorMittal's financial assets, liabilities or expected future cash flows.



The fair value information presented below is based on the information available to management as of the date of the consolidated statements of financial position. Although ArcelorMittal is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for the purposes of this annual report since that date, and therefore, the current estimates of fair value may differ significantly from the following amounts presented. The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. The fair value estimates presented below are not necessarily indicative of the amounts that ArcelorMittal could realize in current market transactions.

Risk management

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

All financial market risks are managed in accordance with the treasury and financial risk management policy. These risks are managed centrally through group treasury by a group specializing in foreign exchange, interest rate, commodity, internal and external funding and cash and liquidity management.

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

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

Counterparty risk

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

All counterparties and their respective limits require the prior approval of the corporate finance and tax committee. Standard agreements, such as those published by the International Swaps and Derivatives Association, Inc. (ISDA) are negotiated with all ArcelorMittal trading counterparties.

Derivative instruments

ArcelorMittal uses derivative instruments to manage its exposure to movements in interest rates, foreign exchange rates and commodity prices. Changes in the fair value of derivative instruments are recognized in the consolidated statements of operations or in equity according to nature and effectiveness of the hedge.

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

Currency exposure

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

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the US dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the US dollar. These currency fluctuations, especially the fluctuation of the value of the US dollar relative to the euro, the Canadian dollar, the Brazilian real and the South African rand, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and/or sales, could have a material impact on the result of its 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-US subsidiaries may purchase raw materials, including iron ore and coking coal, in US dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the US dollar will increase the cost of raw materials, thereby negatively impacting the company's operating margins.

Based on high-level estimates for 2011, the table below reflects the impact of a 10% depreciation of the functional currency on budgeted cash flows expressed in the respective functional currencies of the various entities:

Entity functional currency	Transaction impact of move of foreign currency on cash flows in $ equivalent (in millions)
US dollar	(39)
Euro	(900)
Other	(145)

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates the consolidated statements of operations of its subsidiaries, its corporate net debt and other items denominated in currencies other than the US dollars for inclusion in ArcelorMittal's consolidated financial statements.

Based on high-level estimates for 2011, the table below, in which it is assumed that there is no indexation between sales prices and exchange rates, illustrates the impact of an appreciation of 10% of the US dollar.

Entity functional currency	Translation impact of appreciation of dollar on cash flows in $ equivalent (in millions)
Euro	(179)
Other	(166)

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

Currency	Impact of 10% move of the US dollar on net debt translation in $ equivalent (in millions)
Brazilian real	16
Canadian dollar	(14)
Euro	(940)
US dollar	–
Other	(3)

Disclosures about market risk

continued

Interest rate sensitivity

Short-term interest rate exposure and cash

Cash balances, which are primarily composed of euros and US dollars, are managed according to the short-term (up to one year) guidelines established by senior management on the basis of a daily interest rate benchmark, primarily through short-term interest rate swaps and short-term currency swaps, without modifying the currency exposure.

Interest rate risk on debt

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

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

	2010		2011	
($ million)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Instruments payable bearing interest at variable rates	5,386	5,378	4,156	3,743
Instruments payable bearing interest at fixed rates	17,714	21,337	20,731	21,675
Long-term debt, including current portion	23,100	26,715	24,887	25,418
Short-term debt	2,908	2,769	1,531	1,561

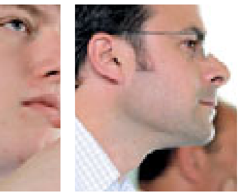
Commodity price sensitivity

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

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

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

The table below reflects commodity price sensitivity.



Local corporate responsibility reporting

In 2011, 10 local corporate responsibility reports were published, in Ukraine, Kazakhstan, Mexico, the US, Luxembourg, Czech Republic, Brazil, South Africa, Poland and Argentina (Mexico, Poland and Ukraine were first time reporters).

Commodities	Impact of 10% move of market prices as at December 31, 2011 in $ equivalent (in millions)
Zinc	75
Nickel	14
Tin	12
Aluminum	6
Gas	49
Brent	112
Freight	19

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

Summary of risks and uncertainties

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

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

These factors are discussed in more detail in this annual report on page 192.

We have a stronger balance sheet

Picture Vitória, Brazil

Since the onset of the global financial crisis three years ago, we have significantly strengthened our balance sheet. Over that period, we have reduced our net debt by $4 billion, to $22.5 billion, and we expect to go on reducing it in 2012. As importantly, we have extended the maturity profile of our debt from an average of 2.6 years to 6.3 years. We have also diversified the sources of our funding. In 2008, bank debt was the main source of funding for ArcelorMittal; today it is limited primarily to our liquidity lines, of which we have drawn just $1.7 billion. The business remains highly cash generative. In 2011, operating cash flow excluding working capital was $5.8 billion. Our debt is rated investment grade by the ratings agencies, maintaining that credit rating remains a key priority for ArcelorMittal.

Cash flow summary

$1,777m

Net cash provided by operating activities, year ended December 31, 2011

Board of directors

ArcelorMittal's annual general meeting of shareholders on May 10, 2011 acknowledged the expiration of the terms of office of the following directors: Mr Lakshmi N Mittal, Mr Antoine Spillmann, Mr Lewis B Kaden and HRH Prince Guillaume de Luxembourg.

At the same meeting, the shareholders re-elected Mr Lakshmi N Mittal, Mr Antoine Spillmann, Mr Lewis B Kaden and HRH Prince Guillaume de Luxembourg for a new term of three years. The board of directors proposed to elect Mr Bruno Lafont as a new board member, and the shareholders elected him for a three-year term on May 10, 2011. Mr Bruno Lafont is considered an independent director.

As a result of these changes, the board of directors is composed of ten directors, of whom nine are non-executive directors and seven are independent directors. The directors are: Mr Lakshmi N Mittal, Ms Vanisha Mittal Bhatia, Mr Antoine Spillmann, Mr Wilbur L Ross, Mr Lewis B Kaden, Mr Narayanan Vaghul, Mr Jeannot Krecké, HRH Prince Guillaume de Luxembourg, Ms Suzanne P Nimocks and Mr Bruno Lafont. The board of directors comprises one executive director, Mr Lakshmi N Mittal, the chairman and chief executive officer of ArcelorMittal. Mr Lewis B Kaden is the lead independent director.

None of the members of the board of directors, including the executive director, have entered into service contracts with ArcelorMittal or any of its subsidiaries providing for benefits upon the termination of their terms.

Lakshmi N Mittal

Lakshmi N Mittal, 61 and an Indian citizen, is the chairman and CEO of ArcelorMittal. Mr Mittal founded Mittal Steel in 1989, and guided its strategic development, culminating in the merger in 2006 with Arcelor. He is a member of various boards and trusts and also of the Indian Prime Minister's Global Advisory Council, Kazakhstan's Foreign Investors' Council, World Economic Forum's International Business Council and World Steel Association's (WSA) Executive Committee. He has received numerous awards and honors such as Fortune's 2004 'European Businessman of the Year', Financial Times' 2006 'Person of the Year', 2007 Dwight D Eisenhower Global Leadership Award and Forbes 2008 'Lifetime Achievement Award'. In October 2010, he was awarded WSA's medal for services to the Association and for contributing to the sustainable development of the global steel industry.

Lewis B Kaden

Lewis B Kaden, 69 and a US citizen, is the lead independent director of ArcelorMittal. He has approximately 39 years of experience in corporate governance, financial services, dispute resolution and economic policy. He is currently vice chairman of Citigroup. Mr Kaden served as a director of Bethlehem Steel Corporation for ten years and is currently chairman of the board of directors of the Markle Foundation and vice chairman of the Board of Trustees of Asia Society.

Vanisha Mittal Bhatia

Vanisha Mittal Bhatia, 31 and an Indian citizen, was appointed as a member of the LNM Holdings board of directors in June 2004. Ms Vanisha Mittal Bhatia was appointed to Mittal Steel's board of directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School and has worked at Mittal Shipping Ltd, Mittal Steel Hamburg GmbH, an Internet-based venture capital fund, within the procurement department of Mittal Steel, in charge of a cost-cutting project, and is currently head of strategy for Aperam.

Narayanan Vaghul

Narayanan Vaghul, 75 and an Indian citizen, has over 50 years' experience in the financial sector and was the chairman of ICICI Group, a leading financial services group in India from 1985 to 2009. Mr Vaghul is chairman of the Indian Institute of Finance Management & Research and is also a board member of Wipro Limited, Mahindra & Mahindra, Piramal Healthcare and Apollo Hospitals.

Wilbur L Ross, Jr

Wilbur L Ross, Jr, 74 and a US citizen, is the chairman and CEO of WL Ross & Co. LLC, a merchant banking firm, a position that he has held since April 2000. WL Ross & Co is part of Invesco Private Capital, a listed company, of which Mr Ross is Chairman. Mr Ross is also the Chairman and CEO of Invesco subsidiaries WLR Recovery Fund L.P., WLR Recovery Fund II L.P., WLR Recovery Fund III, WLR Recovery Fund IV, WLR Recovery Fund V, Asia Recovery Fund, Asia Recovery Fund Co-Investment, Absolute Recovery Hedge Fund and American Home Mortgage Servicing Inc., none of which are listed. Mr Ross is the Chairman of Ohizumi Manufacturing Company in Japan, International Textile Group and Diamond Shipping, which are unlisted companies. Mr Ross is a director of International Automotive Components and Compagnie Européenne de Wagons SARL (Luxembourg), both non-listed companies. Mr Ross is also a director of the Yale School of Management.

Jeannot Krecké

Jeannot Krecké, 61 and a Luxembourg citizen, was appointed as Luxembourg's Minister of the Economy and Foreign Trade and Minister of Sport in 2004. As of July 2004, he represents the Luxembourg government at the Council of Ministers of the European Union in the internal market and industry sections of its competitiveness configuration. On February 1, 2012, Jeannot Krecké retired from government and decided to end his active political career in order to pursue a range of different projects.

Antoine Spillmann

Antoine Spillmann, 48 and a Swiss citizen, worked for leading investment banks in London from 1986 to 2000. He is now an asset manager and executive partner at the firm Bruellan Wealth Management, an independent asset management company based in Geneva. Mr Spillmann studied in Switzerland and London, receiving diplomas from the London Business School in Investment Management and Corporate Finance.

HRH Prince Guillaume de Luxembourg

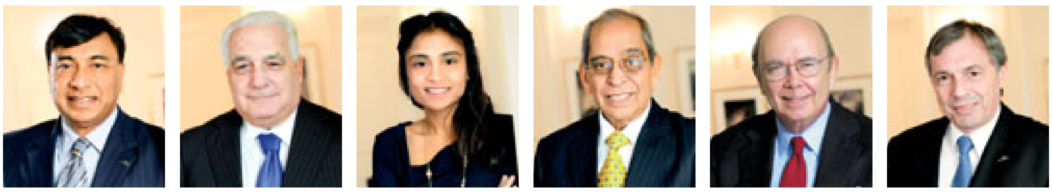
HRH Prince Guillaume de Luxembourg, 48 and a Luxembourg citizen, worked for five years at the International Monetary Fund in Washington, D.C., and spent two years working for the Commission of European Communities in Brussels. Prince Guillaume headed a governmental development agency, Lux-Development, for 12 years.

Suzanne P Nimocks

Suzanne P Nimocks, 52 and a US citizen, was a director (senior partner) with McKinsey & Company from 1999 to 2010 and was with the firm in various other capacities since 1989. Ms Nimocks is currently a board member for Encana Corporation and Rowan Companies, Inc. both listed companies, and Valerus, a private company. In the non-profit sector, she serves on the board of directors of the Houston Zoo and she is expected to assume the chairmanship of its board of directors on July 1, 2012.

Bruno Lafont

Bruno Lafont, 55 and a French citizen, started his career at Lafarge in 1983. On January 1, 2006, he became chief executive officer and in May 2007, he was appointed chairman and chief executive officer of the group. Mr Lafont is Special Adviser to the Mayor of Chongqing (China), President of the EPE French Association ('Enterprises for Environment'), a board member of EDF and a board member of ArcelorMittal.



Left to right
Lakshmi N Mittal
Lewis B Kaden
Vanisha Mittal Bhatia
Narayanan Vaghul
Wilbur L Ross, Jr
Jeannot Krecké

Left to right
Antoine Spillmann
HRH Prince Guillaume de Luxembourg
Suzanne P Nimocks
Bruno Lafont

Senior management

The strategic direction of ArcelorMittal is the responsibility of the Group Management Board (GMB). The GMB members are elected by the board of directors and the GMB is headed by Lakshmi N Mittal as chief executive officer (CEO). The GMB is supported by a strong team of 24 management committee members, working towards delivering the best possible performance to all stakeholders while continuously working to improve health and safety results.

Lakshmi N Mittal

Lakshmi N Mittal is the chairman and CEO of ArcelorMittal. Mr Mittal founded Mittal Steel in 1989, and guided its strategic development, culminating in the merger in 2006 with Arcelor. He is a member of various boards and trusts and also of the Indian Prime Minister's Global Advisory Council, Kazakhstan's Foreign Investors' Council, World Economic Forum's International Business Council and World Steel Association's (WSA) Executive Committee. He has received numerous awards and honors such as Fortune's 2004 'European Businessman of the Year', Financial Times' 2006 'Person of the Year', 2007 Dwight D Eisenhower Global Leadership Award and Forbes 2008 'Lifetime Achievement Award'. In October 2010, he was awarded WSA's medal for services to the Association and for contributing to the sustainable development of the global steel industry.

Aditya Mittal

Aditya Mittal is CFO of ArcelorMittal, and a member of the Group Management Board with additional responsibility for Flat Carbon Europe, investor relations and communications. Prior to the merger to create ArcelorMittal, Aditya Mittal held the position of President and CFO of Mittal Steel from October 2004 to 2006. In 2008, Mr Aditya Mittal was awarded 'European Business Leader of the Future' by CNBC Europe. In 2011, he was also ranked 4th in the '40 under 40' list of Fortune magazine. He is a member of the World Economic Forum's The Forum of Young Global Leaders, the Young Presidents' Organization, a board member at the Wharton School and PPR.

Davinder Chugh

Davinder Chugh, member of the Group Management Board, responsible for shared services, has over 33 years of experience in the steel industry in general management, materials purchasing, marketing, logistics, warehousing and shipping. Mr Chugh is a member of the Investment Allocation Committee ('IAC'). Before becoming a senior executive vice president of ArcelorMittal, he served as the CEO of Mittal Steel South Africa until 2006. Mr Chugh was involved in the turnaround and consolidation of the South African operations of ArcelorMittal.

Peter Kukielski

Peter Kukielski, member of the Group Management Board, chief executive of Mining, was appointed senior executive vice president and head of Mining in December 2008. Mr Kukielski was previously executive vice president and chief operating officer at Teck Cominco Limited. Prior to joining Teck Cominco, he was chief operating officer of Falconbridge Limited before which he held senior engineering and project management positions with BHP Billiton and Fluor Corporation.

Sudhir Maheshwari

Sudhir Maheshwari, member of the Group Management Board, responsible for corporate finance, M&A and risk management and India and China operations, is also alternate chairman of the corporate finance and tax committee and chairman of the risk management committee. Mr Maheshwari was previously a member of the management committee of ArcelorMittal, responsible for finance and M&A. Prior to this, he was managing director, business development and treasury at Mittal Steel from January 2005 until its merger with Arcelor in 2006. Mr Maheshwari also serves on the board of directors of various subsidiaries of ArcelorMittal.

Lou Schorsch

Lou Schorsch, member of the Group Management Board, responsible for Flat Carbon Americas, group strategy, CTO, research and development, commercial coordination, global automotive and member of the IAC. Dr Schorsch was elected to the Group Management Board in May 2011. Prior to this appointment he had been president and chief executive officer of Flat Carbon Americas, a position established with the 2006 merger of Arcelor and Mittal Steel, as well as a member of the ArcelorMittal management committee.

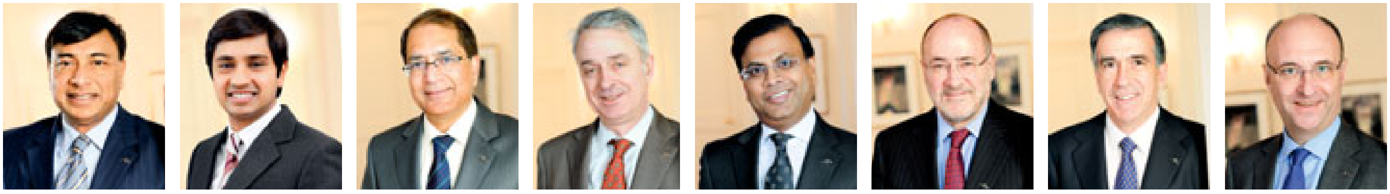
Gonzalo Urquijo

Gonzalo Urquijo, member of the Group Management Board, responsible for AACIS (excluding China and India), Distribution Solutions, Tubular Products, corporate responsibility, IAC chairman, was previously senior executive vice president and CFO of Arcelor, with responsibility for finance, purchasing, IT, legal affairs, investor relations, Arcelor Distribution Solutions, and other activities. Prior to that, Mr Urquijo also held several other positions within Arcelor, including deputy senior executive vice president and head of the functional directorates of distribution.

Michel Wurth

Michel Wurth, member of the Group Management Board, responsible for Long Carbon worldwide, was previously in charge of Flat Carbon Europe and Global R&D between 2006 and June 2011 as well as Distribution Solutions between 2009 and June 2011. Prior to this he was vice president of the Group Management Board of Arcelor and Deputy CEO, with responsibility for Flat Carbon Steel including auto, coordination Brazil, R&D and NSC alliance. The creation of Arcelor in 2002 led to Mr Wurth's appointment as senior executive vice president and CFO of Arcelor.

From left to right Lakshmi N Mittal, Aditya Mittal, Davinder Chugh, Peter Kukielski, Sudhir Maheshwari, Lou Schorsch, Gonzalo Urquijo, Michel Wurth



Management committee

Name	Age[1]	Position
Bhikam Agarwal	59	Executive vice president, head of finance
Vijay Bhatnagar	64	Executive vice president, CEO India and China
Davinder Chugh	55	Member of the Group Management Board, responsible for shared services and member of the investment allocation committee
Jefferson de Paula	53	Executive vice president, CEO Long Carbon Americas
Phil du Toit	59	Executive vice president, head of mining projects and exploration
Robrecht Himpe	53	Executive vice president, CEO Flat Carbon Europe
Peter Kukielski	55	Member of the Group Management Board, head of Mining
Sudhir Maheshwari	48	Member of the Group Management Board, responsible for corporate finance, M&A and risk management and India and China operations
Aditya Mittal	35	CFO, member of the Group Management Board, with additional responsibility for Flat Carbon Europe, investor relations and communications
Lakshmi N Mittal	61	Chairman and chief executive officer
Michael Pfitzner	62	Executive vice president, head of marketing and commercial coordination
Arnaud Poupart-Lafarge	46	Executive vice president, CEO Long Carbon Europe (including Annaba, Bosnia and Herzegovina, Ostrava and Sonasid)
Michael Rippey	54	Executive vice president, CEO USA
Lou Schorsch	62	Member of the Group Management Board, responsible for Flat Carbon Americas, group strategy, CTO, research and development, global automotive and member of the investment allocation committee
Bill Scotting	53	Executive vice president, head of strategy
Willie Smit	54	Executive vice president, head of human resources
Gonzalo Urquijo	50	Member of the Group Management Board, responsible for AACIS (excluding China and India), Distribution Solutions, Tubular Products, corporate responsibility, investment allocation committee chairman
Michel Wurth	57	Member of the Group Management Board, responsible for Long Carbon worldwide

[1] *Age on December 31, 2011*

Additional members of the management committee include Augusto Espeschit de Almeida (CEO Long Carbon Central and South America), Brian Aranha (chief marketing officer, global automotive and Flat Carbon Americas, commercial coordination), Benjamin Baptista (CEO Flat South America), Bill Chisholm (CEO ArcelorMittal Mexico), Gregory Ludkovsky (global research and development), Jean-Luc Maurange (CEO Flat Carbon Europe, business division south west), Nku Nyembezi-Heita (CEO ArcelorMittal South Africa), Geert Van Poelvoorde (CEO Flat Carbon Europe, business division north), Sanjay Samaddar (CEO Flat Carbon Europe, business division east and CEO ArcelorMittal Poland), Juergen Schachler (CEO ArcelorMittal Dofasco), Kleber Silva (mining operations), PS Venkat (CEO Long Carbon North America), Marc Vereecke (chief technology officer, with additional responsibility for in-house manufacturing services) and Alain Le Grix (CEO Distribution Solutions).

Group structure

ArcelorMittal

Flat Carbon Americas

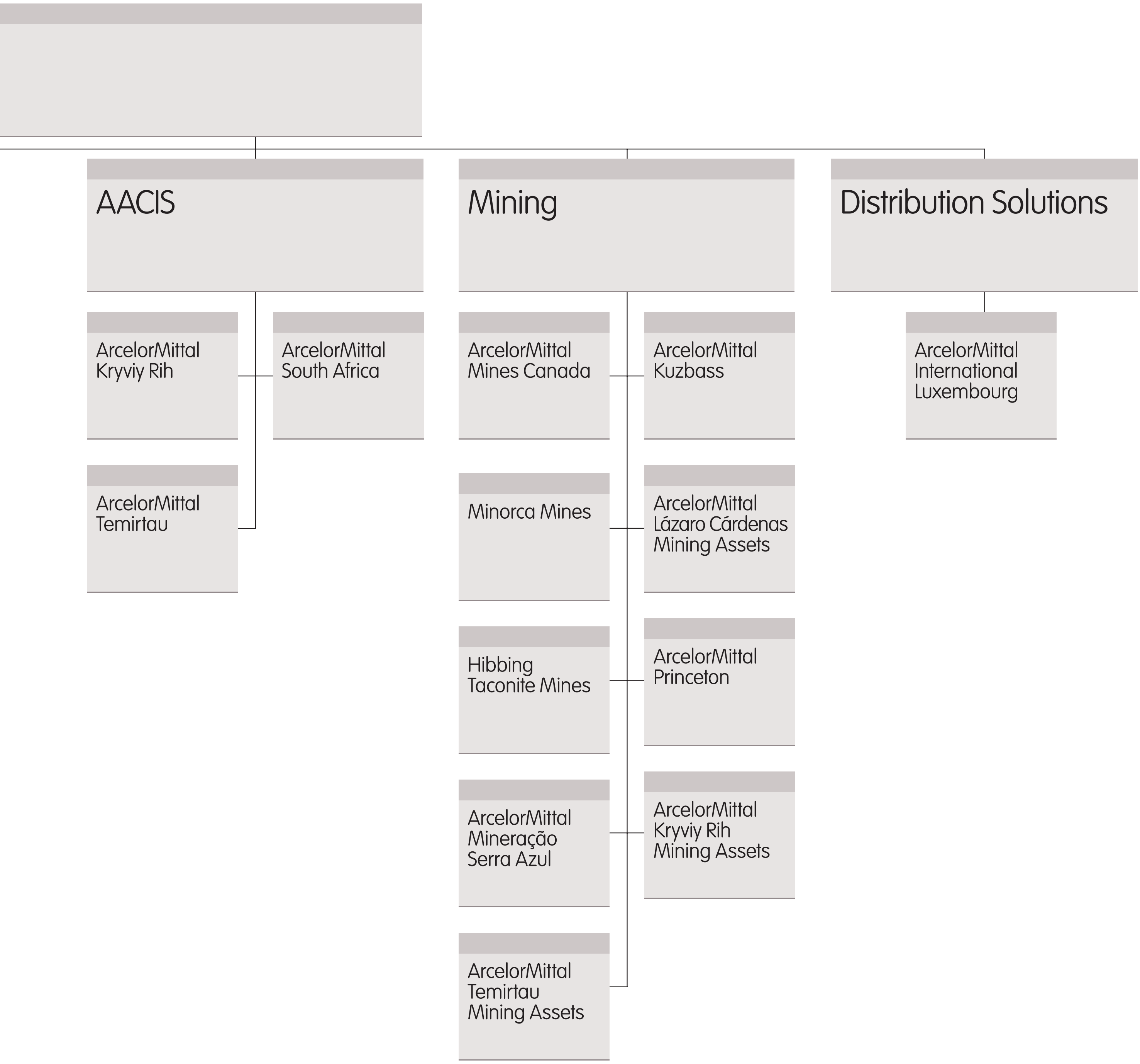
- ArcelorMittal Brasil
- ArcelorMittal USA
- ArcelorMittal Lázaro Cárdenas
- ArcelorMittal Dofasco

Flat Carbon Europe

- ArcelorMittal Atlantique et Lorraine
- ArcelorMittal Belgium
- ArcelorMittal España
- ArcelorMittal Flat Carbon Europe
- ArcelorMittal Galati
- ArcelorMittal Poland
- ArcelorMittal Méditerranée
- ArcelorMittal Bremen
- ArcelorMittal Eisenhüttenstadt
- Industeel Belgium
- Industeel France

Long Carbon Americas and Europe

- Acindar
- ArcelorMittal Belval & Differdange
- ArcelorMittal Brasil
- ArcelorMittal Hamburg
- ArcelorMittal Duisburg
- ArcelorMittal Las Truchas
- ArcelorMittal Gipuzkoa
- ArcelorMittal Montreal
- ArcelorMittal Point Lisas
- ArcelorMittal Ostrava
- ArcelorMittal Warszawa
- Sonasid
- ArcelorMittal Annaba


AACIS
ArcelorMittal Kryviy Rih
ArcelorMittal South Africa
ArcelorMittal Temirtau
Mining
ArcelorMittal Mines Canada
ArcelorMittal Kuzbass
Minorca Mines
ArcelorMittal Lázaro Cárdenas Mining Assets
Hibbing Taconite Mines
ArcelorMittal Princeton
ArcelorMittal Mineração Serra Azul
ArcelorMittal Kryviy Rih Mining Assets
ArcelorMittal Temirtau Mining Assets
Distribution Solutions
ArcelorMittal International Luxembourg

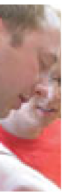
Corporate governance

This section provides a summary of the corporate governance practices of ArcelorMittal.

Board of directors, Group Management Board and management committee

ArcelorMittal is governed by a board of directors and managed by a Group Management Board. The Group Management Board is assisted by a management committee.

A number of corporate governance provisions in the articles of association of ArcelorMittal reflect provisions of the Memorandum of Understanding signed on June 25, 2006 (prior to Mittal Steel's merger with Arcelor), amended in April 2008 and which mostly expired on August 1, 2009.



Board of directors

Composition of the board of directors

The board of directors is in charge of the overall governance and direction of ArcelorMittal. It is responsible for the performance of all acts of administration necessary or useful in furtherance of the corporate purpose of ArcelorMittal, except for matters reserved by Luxembourg law or the articles of association to the general meeting of shareholders. The articles of association provide that the board of directors is composed of a minimum of three and a maximum of 18 members, all of whom, except the chief executive officer, must be non-executive directors. None of the members of the board of directors, except for the chief executive officer, may hold an executive position or executive mandate within ArcelorMittal or any entity controlled by ArcelorMittal.

Mr Lakshmi N Mittal was elected chairman of the board of directors on May 13, 2008. Mr Mittal is also ArcelorMittal's chief executive officer. Mr Mittal was re-elected to the board of directors for a three-year term by the annual general meeting of shareholders on May 10, 2011.

The board of directors is comprised of 10 members, of which nine are non-executive directors and one is an executive director. The chief executive officer of ArcelorMittal is the sole executive director. Ms Suzanne P Nimocks was elected to the board of directors on January 25, 2011, and Mr Bruno Lafont was elected to the board of directors in May 2011. Mr François Pinault resigned in 2011. The board of directors now therefore has one additional member.

Seven of the ten members of the board of directors are independent. A director is considered 'independent' if (a) he or she is independent within the meaning of the Listed Company Manual of the New York Stock Exchange, as amended from time to time, or any successor manual or provisions, subject to the exemptions available for foreign private issuers (the 'NYSE standards'), (b) he or she is unaffiliated with any shareholder owning or controlling more than 2% of the total issued share capital of ArcelorMittal, and (c) the board of directors makes an affirmative determination to this effect. For these purposes, a person is deemed affiliated to a shareholder if he or she is an executive officer, a director who also is an employee, a general partner, a managing member or a controlling shareholder of such shareholder. The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute ArcelorMittal's domestic corporate governance code, require ArcelorMittal to define the independence criteria that apply to its directors.

In line with Luxembourg practice, the articles of association do not require directors to be shareholders of the company.

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

None of the members of the board of directors, including the executive director, have entered into service contracts with ArcelorMittal or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term. The remuneration of the members of the board of directors is determined on a yearly basis by the annual general meeting of shareholders.

Operation of the board of directors

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

Meetings
The board of directors meets when convened by the chairman of the board or any two members of the board of directors. The board of directors holds physical meetings at least on a quarterly basis as five regular meetings are scheduled per year. The board of directors holds additional meetings if and when circumstances require, in person or by teleconference and can take decisions by written circulation, provided that all members of the board of directors agree.

The board of directors held eight meetings in 2011. The average attendance rate of the directors at the board of directors' meetings was 96.6%.

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

Each director has one vote and none of the directors, including the chairman, has a casting vote. Decisions of the board of directors are made by a majority of the directors present and represented at a validly constituted meeting.

Lead independent director
In April 2008, the board of directors created the role of lead independent director. His or her function is to:

- coordinate the activities of the independent directors,
- liaise between the chairman of the board of directors and the independent directors,
- call meetings of the independent directors when he or she considers it necessary or appropriate, and
- perform such other duties as may be assigned to him or her by the board of directors from time to time.

Mr Lewis B Kaden was elected by the board of directors as ArcelorMittal's first lead independent director in April 2008 and remains lead independent director, having been re-elected as a director for a three-year term on May 10, 2011.

The agenda of each meeting of the board of directors is decided jointly by the chairman of the board of directors and the lead independent director.

Separate meetings of independent directors
The independent members of the board of directors may schedule meetings outside the presence of non-independent directors. Four meetings of the independent directors outside the presence of management and non-independent directors were held in 2011.

Annual self-evaluation
The board of directors decided in 2008 to start conducting an annual self-evaluation of its functioning in order to identify potential areas for improvement. The first self-evaluation process was carried out in early 2009. The 2011 self-evaluation process was implemented through structured interviews between the lead independent director and each director and covers the overall performance of the board of directors, its relations with senior management, the performance of individual directors, and the performance of the committees. The process is supported by the company secretary under the supervision of the chairman and the lead independent director. The findings of the self-evaluation process are examined by the appointments, remuneration and corporate governance ('ARCG') committee and presented with recommendations from the ARCG committee to the board of directors for adoption and implementation. Suggestions for improvement of the board of directors' process based on the prior year's performance and functioning are implemented during the following year.

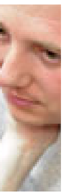
The 2011 board of directors' self-evaluation was completed and discussed by the board in early February 2012. Overall satisfaction with the quality of the board process increased compared with the previous year, based on high participation levels by directors in the board of directors as well as its committees in 2011 and the successful integration of the two new directors who joined the board in 2011. The balance of the time spent by the board of directors on strategic and other specific issues compared with the review of financial and operational results and performance was an issue identified to merit further consideration.

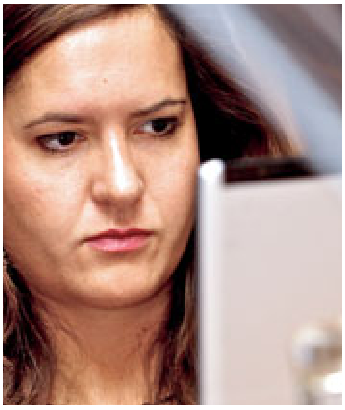
Corporate governance

continued

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

Continuing education program
To further bolster the skills of its members, the board of directors launched a continuous education program in 2009. The topics to be addressed through the program include areas of importance for the future growth and development of the company (e.g. strategy, marketing, human resources, industrial development, corporate governance, corporate responsibility, legal and regulatory). Additional topics may be added at the request of the members of the board of directors. The education program usually consists of an introduction by recognized experts in the relevant fields, who may be practitioners or academics, followed by a facilitated discussion between the presenter and the board of directors. The members of the board of directors also have the opportunity to participate in specific programs designed for directors of publicly listed companies at reputable academic institutions and business schools.





In 2011, the directors attended a total of four presentations made to them by internal specialists on specific areas of activity or corporate functions (e.g. human resources, the Flat Carbon Europe segment) to enhance the directors' knowledge in these areas and give them the opportunity to ask questions directly to line managers. Site visits in France and Luxembourg were also conducted by members of the board of directors.

Board of directors' committees
The board of directors has three committees:

- the audit committee;
- the appointments, remuneration and corporate governance committee; and
- the risk management committee.

Audit committee
The audit committee must be composed solely of independent members of the board of directors. The members are appointed by the board of directors each year after the annual general meeting of shareholders. All of the audit committee members must be independent as defined in the Rule 10A-3 of the US Securities Exchange Act of 1934, as amended. The audit committee makes decisions by a simple majority with no member having a casting vote. The primary function of the audit committee is to assist the board of directors in fulfilling its oversight responsibilities by reviewing:

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

The audit committee's primary duties and responsibilities are to:

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

Since May 10, 2011, the audit committee consists of four members: Mr Narayanan Vaghul (chairman), Mr Wilbur L Ross, Mr Antoine Spillmann, and Mr Bruno Lafont, each of whom is an independent director according to the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The chairman of the audit committee is Mr Vaghul. Mr Bruno Lafont joined the board of directors on May 10, 2011 and was appointed by the board of directors to the audit committee on the same date.

According to its charter, the audit committee is required to meet at least four times a year. During 2011, the audit committee met six times. The average attendance rate of the directors at the audit committee meetings held in 2011 was 90.0%.

The audit committee performs an annual self-evaluation, which was completed in February 2012 with respect to its 2011 performance.

Appointments, remuneration and corporate governance committee
The appointments, remuneration and corporate governance committee (the 'ARCG committee') is comprised since May 10, 2011 of four directors, each of whom is independent under the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

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

The board of directors has established the ARCG committee to:

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

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

The four members of the ARCG committee are Mr Lewis B Kaden, HRH Prince Guillaume de Luxembourg, Mr Narayanan Vaghul, and Ms Suzanne P Nimocks, each of whom is independent in accordance with the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The chairman of the ARCG committee is Mr Kaden, Ms Nimocks joined the ARCG committee on May 10, 2011.

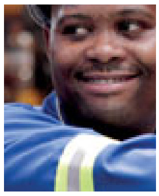
The ARCG committee is required to meet at least twice a year. During 2011, this committee met six times. The average attendance rate at the ARCG committee meetings held in 2011 was 100%.

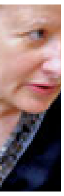
The ARCG committee performs an annual self-evaluation, which was completed in February 2012 with respect to its 2011 performance.

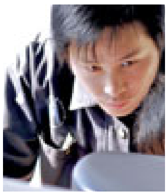
Risk management committee
In June 2009, the board of directors created a risk management committee to assist it with risk management, in line with recent developments in corporate governance best practices and in parallel with the creation of a group risk management committee ('GRMC') at the executive level.

The members are appointed by the board of directors each year after the annual general meeting of shareholders. The risk management committee must be comprised of at least two members. At least half of the members of the risk management committee must be independent under the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The risk management committee consists of three members: Mr Jeannot Krecké, Mr Antoine Spillmann and Ms Suzanne P Nimocks. Ms Nimocks joined the risk management committee on May 10, 2011. Mr Sudhir Maheshwari, a member of the Group Management Board who chairs the GRMC, is an invitee to the meetings of the risk management committee.

The risk management committee held a total of five meetings in 2011. According to its charter, it is required to meet at least four times per year on a quarterly basis or more frequently if circumstances so require. The average attendance rate at the risk management committee meetings held in 2011 was 100%.







The members of the risk management committee may decide to appoint a chairman by majority vote. Mr Spillmann currently acts as chairman.

Decisions and recommendations of the risk management committee are adopted by a simple majority. The chairman or, in the absence of the chairman, any other member of the risk management committee, will report to the board of directors at each of the latter's quarterly meetings or more frequently if circumstances so require. The risk management committee conducts an annual self-evaluation of its own performance and the review of its 2011 performance was completed in February 2012.

The purpose of the risk management committee is to support the board of directors in fulfilling its corporate governance and oversight responsibilities by assisting with the monitoring and review of the risk management framework and process of ArcelorMittal. Its main responsibilities and duties are to assist the board of directors by making recommendations regarding the following matters:

- the oversight, development and implementation of a risk identification and management process and the review and reporting on the same in a consistent manner throughout the ArcelorMittal group;
- the review of the effectiveness of the group-wide risk management framework, policies and process at corporate, segment and business unit levels, and the proposing of improvements, with the aim of ensuring that the group's management is supported by an effective risk management system;
- the promotion of constructive and open exchanges on risk identification and management among senior management (through the GRMC), the board of directors, the internal assurance department, the legal department and other relevant departments within the ArcelorMittal group;
- the review of proposals for assessing, defining and reviewing the risk appetite/tolerance level of the group and ensuring that appropriate risk limits/tolerance levels are in place, with the aim of helping to define the group's risk management strategy;
- the review of the group's internal and external audit plans to ensure that they include a review of the major risks facing the ArcelorMittal group; and
- making recommendations within the scope of its charter to ArcelorMittal's senior management and to the board of directors about senior management's proposals concerning risk management.

Transition committee
Following the spin-off of ArcelorMittal's stainless and specialty steels business into Aperam on January 25, 2011, an ad hoc transition committee was formed in order to monitor the implementation of the transitional agreements entered into with Aperam. The transition committee reviewed the terms and conditions of the transitional services provided to Aperam in the course of 2011 at the sole meeting of the transition committee, which took place in November 2011. The transition committee members are Mr Vaghul, Mr Ross and Mr Kaden, with Mr Kaden acting as chairman. The transition committee met once in 2011. The transition committee will remain in place for a maximum of three years. The decision has been taken that the transition committee will be reconducted in 2012 and will meet at the time of the review of the third quarter 2012 results.

Group Management Board

The Group Management Board is entrusted with the day-to-day management of ArcelorMittal and the implementation of the company's strategy. Mr Lakshmi N Mittal, the chief executive officer, is the chairman of the Group Management Board. On June 1, 2011, Mr Louis Schorsch joined the Group Management Board. Mr Schorsch is in charge of Flat Carbon Americas, group strategy, CTO, global automotive and research and development.

The members of the Group Management Board are appointed and dismissed by the board of directors. As the Group Management Board is not a corporate body created by Luxembourg law or ArcelorMittal's articles of association, it may exercise only the authority granted to it by the board of directors.

In implementing ArcelorMittal's strategic direction and corporate policies, the chief executive officer is supported by members of ArcelorMittal's senior management, who have substantial experience in the steel and mining industries worldwide: the members of the Group Management Board and the members of the management committee.

Management committee

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

Succession planning

Succession management at ArcelorMittal is a systematic and deliberate process for identifying and preparing employees with potential to fill key organizational positions should the current incumbent's term expire. This process applies to all ArcelorMittal executives up to and including the Group Management Board. Succession management aims to ensure the continued effective performance of the organization by providing for the availability of experienced and capable employees who are prepared to assume these roles as they become available.

For each position, candidates are identified based on performance and potential and their 'years to readiness' and development needs are discussed and confirmed. Regular reviews of succession plans are conducted to ensure that they are accurate and up to date. Succession management is a necessary process to reduce risk, create a pipeline of future leaders, ensure smooth business continuity and improve employee motivation. Although ArcelorMittal's predecessor companies each had certain succession planning processes in place, the process has been reinforced, widened and made more systematic since 2006. The responsibility to review and approve succession plans and contingency plans at the highest level rests with the board's appointments, remuneration and corporate governance committee.

Other corporate governance practices

ArcelorMittal is committed to apply best practice standards in terms of corporate governance in its dealings with shareholders and aims to ensure good corporate governance by applying rules on transparency, quality of reporting and the balance of powers. ArcelorMittal continually monitors US, European Union and Luxembourg legal requirements and best practices in order to make adjustments to its corporate governance controls and procedures when necessary.

ArcelorMittal complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange in all respects except for the recommendation to separate the posts of chairman of the board of directors and chief executive officer. The nomination of the same person to both positions was approved in 2007 by the shareholders (with the significant shareholder abstaining) of Mittal Steel Company N.V., which was at that time the parent company of the combined ArcelorMittal group. Since that date, the rationale for combining the positions of chief executive officer and chairman of the board of directors has become even more compelling. The board of directors is of the opinion that Mr Mittal's strategic vision for the steel industry in general and for ArcelorMittal in particular in his role as CEO is a key asset to the company, while the fact that he is fully aligned with the interests of the company's shareholders means that he is uniquely positioned to lead the board of directors in his role as chairman. The combination of these roles was revisited at the annual general meeting of shareholders of the company held in May 2011, when Mr Lakshmi N Mittal was re-elected to the board of directors for another three year term by a strong majority.

Ethics and conflicts of interest

Ethics and conflicts of interest are governed by ArcelorMittal's code of business conduct, which establishes the standards for ethical behavior that are to be followed by all employees and directors of ArcelorMittal in the exercise of their duties. They must always act in the best interests of ArcelorMittal and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to ArcelorMittal. Employees are prohibited from acquiring any financial or other interest in any business or participate in any activity that could deprive ArcelorMittal of the time or the attention needed to devote to the performance of their duties. Any behavior that deviates from the code of business conduct is to be reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the internal assurance department.

Code of business conduct training is offered throughout ArcelorMittal on a regular basis in the form of face-to-face trainings, webinars and online trainings. All new employees of ArcelorMittal must acknowledge the code of business conduct in writing upon joining and are periodically trained about the code of business conduct in each location where ArcelorMittal has operations. The code of business conduct is available in the 'corporate governance – code of business conduct' section of ArcelorMittal's website at *www.arcelormittal.com*

In addition to the code of business conduct, ArcelorMittal has developed a human rights policy and a number of other compliance policies in more specific areas, such

as anti-trust, anti-corruption, economic sanctions and insider dealing. In all these areas, specifically targeted groups of employees are required to undergo specialized compliance training. Furthermore, ArcelorMittal's compliance program also includes a quarterly compliance certification process covering all business segments and entailing reporting to the audit committee.

Process for handling complaints on accounting matters

As part of the procedures of the board of directors for handling complaints or concerns about accounting, internal controls and auditing issues, ArcelorMittal's anti-fraud policy and code of business conduct encourage all employees to bring such issues to the audit committee's attention on a confidential basis. In accordance with ArcelorMittal's anti-fraud and whistleblower policy, concerns with regard to possible fraud or irregularities in accounting, auditing or banking matters or bribery within ArcelorMittal or any of its subsidiaries or other controlled entities may also be communicated through the 'corporate responsibility - ethics and governance – whistleblower' section of the ArcelorMittal website at *www.arcelormittal.com* where ArcelorMittal's anti-fraud policy and code of business conduct are also available on the ArcelorMittal intranet in each of the main working languages used within the group. In recent years ArcelorMittal has implemented local whistleblowing facilities, as needed.

During 2011, a total of 100 complaints relating to accounting fraud were referred to the company's internal assurance team (described below). Following review by the audit committee, none of these complaints was found to be significant.

Internal assurance

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

Independent auditors

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

Measures to prevent insider dealing and market manipulation

The board of directors of ArcelorMittal has adopted insider dealing regulations ('IDR'), which are updated when necessary and in relation to which training is conducted throughout the group. The IDR's most recent version is available on ArcelorMittal's website, *www.arcelormittal.com*

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

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

Controls and procedures

Disclosure controls and procedures

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

We carried out an evaluation under the supervision, and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2011 and provided reasonable assurance that information required to be disclosed by us in the reports required to be published by ArcelorMittal is (1) recorded, processed, summarized and reported in a timely manner in accordance with applicable laws, and (2) accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

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

Management's annual report on internal control over financial reporting

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

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

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

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

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2011 based upon the framework in '*Internal Control – Integrated Framework*' issued by the Committee of Sponsoring Organizations of the Treadway Commission ('COSO'). Based on this assessment, management concluded that ArcelorMittal's internal control over financial reporting was effective as of December 31, 2011.

"Of all the stakeholders we work in partnership with, some of the most crucial for supporting our commitment to sustainability, are our suppliers. For this partnership to be successful, we need to build trust, and that can only come with transparency and good communications."

Davinder Chugh
Member of the Group Management Board, responsible for shared services

Compensation

Board of directors compensation

The appointments, remuneration and corporate governance committee of ArcelorMittal's board of directors prepares proposals on the remuneration to be paid annually to the members of the board of directors.
The total annual compensation of the members of ArcelorMittal's board of directors paid in 2010 and 2011 was as follows:

(Amounts in $ thousands except option information)	2010[1]	2011[1]	2010 Short-term performance related	2011 Short-term performance related	2010 Long-term number of options	2011 Long-term number of RSUs
Lakshmi N Mittal	$1,651	$1,739[7]	$692	$2,074	56,500	12,500
Vanisha Mittal Bhatia	172	174	–	–	–	–
Narayanan Vaghul	219	220	–	–	–	–
Suzanne P Nimocks[2]	–	179	–	–	–	–
Wilbur L Ross, Jr	191	194	–	–	–	–
Lewis B Kaden	264	264	–	–	–	–
François Pinault[3]	159	11	–	–	–	–
José Ramón Álvarez Rendueles Medina[4]	71	–	–	–	–	–
Bruno Lafont[5]	–	126	–	–	–	–
John Castegnaro[6]	63	–	–	–	–	–
Antoine Spillmann	212	213	–	–	–	–
HRH Prince Guillaume de Luxembourg	180	186	–	–	–	–
Jeannot Krecké	184	187	–	–	–	–
Total	**3,366**	**3,493**	**692**	**2,074**	**56,500**	**12,500**

1 Compensation with respect to 2010 (paid after shareholder approval at the annual general meeting held on May 10, 2011) and attendance fees for 2010 amounting to approximately $0.3 million (paid in February 2011) are included in the 2010 column. Compensation with respect to 2011 will be paid in 2012 and is included in the 2011 column.

2 Ms Nimocks was elected to ArcelorMittal's board of directors effective January 25, 2011.

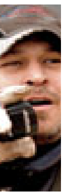
3 Mr Pinault resigned effective as of January 25, 2011.

4 The term of Mr Álvarez Rendueles Medina ended on May 11, 2010.

5 Mr Lafont was elected to ArcelorMittal's board of directors effective May 10, 2011.

6 The term of Mr Castegnaro ended on May 11, 2010.

7 These sums include attendance fees of $13,000 paid in relation to 2010. Payment of attendance fees has been suppressed in relation to 2011. The base salary of the CEO has been increased by 3% effective from April 2011.



As of December 31, 2010 and 2011, ArcelorMittal did not have any outstanding loans or advances to members of its board of directors and, as of December 31, 2011, ArcelorMittal had not given any guarantees for the benefit of any member of its board of directors. None of the members of the board of directors, including the executive director, benefit from an ArcelorMittal pension plan.

The following table provides a summary of the Restricted Share Units (RSU) and the options outstanding and the exercise price of the options granted to ArcelorMittal's board of directors as of December 31, 2011 (in 2003 and 2004, no options were granted to members of ArcelorMittal's board of directors; in 2011, RSUs were granted but no options):

	Options granted in									
	2002	2005	2006	2007	2008	2009	2010	RSUs granted 2011	Options total[1]	Weighted average exercise price of options[1]
Lakshmi N Mittal	80,000	100,000	100,000	60,000	60,000	60,000	56,500	12,500[1]	516,500	$35.62
Vanisha Mittal Bhatia	–	–	–	–	–	–	–	–	–	–
Narayanan Vaghul	–	–	–	–	–	–	–	–	–	–
Suzanne P Nimocks[2]	–	–	–	–	–	–	–	–	–	–
Wilbur L Ross	–	–	–	–	–	–	–	–	–	–
Lewis B Kaden	–	–	–	–	–	–	–	–	–	–
François Pinault[3]	–	–	–	–	–	–	–	–	–	–
Bruno Lafont[4]										
Antoine Spillmann	–	–	–	–	–	–	–	–	–	–
HRH Prince Guillaume de Luxembourg	–	–	–	–	–	–	–	–	–	–
Jeannot Krecké	–	–	–	–	–	–	–	–	–	–
Total	**80,000**	**100,000**	**100,000**	**60,000**	**60,000**	**60,000**	**56,500**	**12,500[1]**	**516,500**	**–**
Exercise price[5]	$2.15	$27.31	$32.07	$61.09	$78.44	$36.38	$30.66	–	–	$35.62
Term (in years)	10	10	10	10	10	10	10	–	–	–
Expiration date	Apr. 5, 2012	Aug. 23, 2015	Sep. 1, 2016	Aug. 2, 2017	Aug. 5, 2018	Aug. 4, 2019	Aug. 3, 2020	–	–	–

1 The RSUs granted are not included in the total or in the weighted average exercise price of options. The corresponding treasury shares will be transferred to the participant on September 29, 2014.
2 Ms Nimocks was elected to ArcelorMittal's board of directors effective January 25, 2011.
3 Mr Pinault resigned effective as of January 25, 2011.
4 Mr Lafont was elected to ArcelorMittal's board of directors effective May 10, 2011.
5 Due to the spin-off of Aperam on January 25, 2011, the strike price of outstanding options was reduced by 5% in line with the spin-off ratio. The table above reflects this adjustment.

Senior management compensation

The total compensation paid in 2011 to members of ArcelorMittal's senior management (including Mr Lakshmi N Mittal in his capacity as CEO) was $16.2 million in base salary (including certain allowances paid in cash, such as allowances relating to car, petrol, lunch and financial services) and $17.2 million in short-term performance-related variable pay consisting of a bonus linked to 2010 results. The bonus linked to 2010 results was paid fully in cash, unlike the bonus linked to the 2009 results which was paid partly in 2009 and partly in 2010, and partly in cash and partly in share-based compensation. The base salaries were increased by an average percentage of 2.7% (promotions not included) effective April 2011.

During 2011, approximately $1.5 million was accrued by ArcelorMittal to provide pension benefits to senior management. No loans or advances to ArcelorMittal's senior management were made during 2011, and no such loans or advances were outstanding as of December 31, 2011.

Compensation policy

Scope

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

- the chief executive officer;
- the seven members of the Group Management Board; and
- the ten executive vice presidents.

The compensation philosophy and governing principles also apply, with certain limitations, to a wider group of employees that includes vice presidents, general managers and managers.

Compensation philosophy

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

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

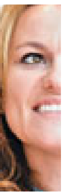
Compensation framework

The appointments, remuneration and corporate governance committee of ArcelorMittal's board of directors draws up proposals annually on senior management compensation for the board of directors' consideration. Such proposals relating to compensation comprise the following elements:

- fixed annual salary;
- short-term incentives: performance bonus; and
- long-term incentives: stock options (until May 2011), restricted share units and performance share units (after May 2011).

Fixed annual salary

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



Short-term incentives: performance bonus

ArcelorMittal has a short-term incentive plan in place which consists of a performance bonus plan. The performance of the ArcelorMittal group as a whole, the performance of the relevant business units, the achievement of objectives specific to the department, and the individual employee's overall performance and potential determine the outcome of the bonus calculation for each employee.

The calculation of ArcelorMittal's 2011 performance bonus is aligned with ArcelorMittal's strategic objectives of improving health and safety performance and our overall competitiveness:

- no performance bonus will be triggered if the achievement level of the performance measures is less than the threshold of 80%;
- achievement of 100% of the performance measure yields 100% of the performance bonus pay-out; and
- achievement of more than 100% and up to a ceiling of 120% of the performance measures generates a higher performance bonus pay-out, except as explained below.

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

For the chief executive officer and the other members of the Group Management Board, the 2011 bonus formula is based on:

- Ebitda at group level: 60% (this acts as 'circuit breaker' with respect to group-level financial performance measures, as explained below);
- operating free cash flow ('OFCF') at group level: 20%; and
- health and safety performance at group level: 20%.

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

For the chief executive officer, the performance bonus at 100% achievement of the business plan is equal to 100% of base salary. For the members of the Group Management Board and the executive vice presidents, the target is set at 80% and 60% of base salary, respectively, with a few exceptions for individuals whose employment agreements provide for a higher percentage for historical reasons.

For executive vice presidents outside of the corporate departments and shared services, the 2011 bonus formula contains the same measures as described above, with more weight attributed to these measures at the level of their respective business areas:

- Ebitda at group level: 20%;
- Ebitda at business unit level: 30% (this acts as circuit breaker with respect to the financial performance measures, as explained above);
- OFCF at business unit level (which is a function of Ebitda, capex and operating working capital ('OWC'); the OWC average over the full year is taken into account): 30%; and
- health and safety performance at business unit level: 20%.

For the ArcelorMittal Distribution Services ('AMDS') and Mining segments, the above mentioned measures have been adapted to the specific characteristics of these businesses. For AMDS, the Ebitda at business level parameter (30% weighting) is replaced by return on capital employed ('ROCE'). Mining, OFCF and Ebitda at business level are reduced to a weighting of 15% each and an additional parameter is given a weighting of 30%: the Mining total shipment volumes for iron ore and coal.

For executive vice presidents in charge of shared services or corporate departments, the 2011 performance bonus formula is based on:

- Ebitda at group level: 30% (acts as circuit breaker for financial performance measures, as explained above);
- OFCF at group level: 20%;
- health and safety performance at group level: 10% on the average group lost time injury frequency rate;
- budget of the department: 20%; and
- quantified specific measures: 20%.

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

The individual performance and potential assessment ratings define the individual bonus multiplier that will be applied to the performance bonus calculated based on actual performance against the performance measures. Those individuals who consistently perform at expected levels will have an individual multiplier of 1. For outstanding performers, an individual multiplier of up to 1.3 may cause the performance bonus pay-out to be higher than 150% of the target bonus, up to 195% of target bonus being the absolute maximum. Similarly, a reduction factor will be applied for those at the lower end. No bonus pay-out is a possible outcome for substandard performance.

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

Other benefits

In addition to the compensation elements described above, other benefits may be provided to members of the Group Management Board, the management committee and in certain cases other employees. These other benefits can include insurance, housing (in cases of international mobility), car allowances, and tax assistance for employees on international assignments.

Long-term incentives: equity based incentives

Share unit plan: RSUs and PSUs

The annual shareholders' meeting on May 10, 2011 approved a new equity-based incentive plan to replace the global stock option plan. The new plan comprises a restricted share unit plan ('RSU plan') and a performance share unit plan ('PSU plan') designed to incentivize the targeted employees, to improve the long-term performance of the company and to retain key employees. Both the RSU plan and the PSU plan are intended to promote the alignment of interests between the company's shareholders and eligible employees by allowing them to participate in the success of the company.

The maximum number of restricted share units (each, an 'RSU') and performance share units (each, a 'PSU') available for grant during any given year is subject to the prior approval of the company's shareholders at the annual general meeting.

The RSU plan

The aim of the RSU plan is to provide a retention incentive to eligible employees. It is subject to 'cliff vesting' after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the ArcelorMittal group. The RSUs are an integral part of the company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

For the period from the May 2011 annual general shareholders' meeting to the annual general meeting of shareholders to be held in May 2012, a maximum of 2,500,000 RSUs may be allocated to eligible employees under the RSU plan. The RSU plan targets the 500 to 800 most senior managers across the ArcelorMittal group, including the chief executive officer, the other Group Management Board members and the executive vice presidents. In September 2011, a total of 1,303,515 shares under the RSU plan were granted to a total of 772 employees.

The PSU plan

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

For the period from the May 2011 annual general shareholders' meeting to the annual general meeting of shareholders to be held in May 2012, a maximum of 1,000,000 PSUs may be allocated to eligible employees under the PSU plan.

The allocation of PSUs is expected to take place in March 2012.

PSUs will vest three years after their date of grant subject to the eligible employee's continued employment with the company and the fulfillment of targets related to the following performance measures: return on capital employed (ROCE) and total cost of employment (in $ a tonne) for the steel business (TCOE) and the Mining volume plan 2011 for the Mining segment. Each performance measure has a weighting of 50%. In case the level of achievement of both performance targets together is below 80%, there is no vesting, and the rights are automatically forfeited.

The allocation of RSUs and PSUs to members of the Group Management Board and the management committee under the RSU plan and the PSU plan is reviewed by the appointments, remuneration and corporate governance committee, comprised of four independent directors, which makes a recommendation to the full board of directors. The appointments, remuneration and corporate governance committee also reviews the proposed grants of RSUs and PSUs to eligible employees other than the members of the Group Management Board and the management committee and the principles governing their proposed allocation. The committee also decides the criteria for granting PSUs and makes its recommendation to the board of directors. These criteria are based on the principle of rewarding performance upon the achievement of clear and measurable metrics for shareholder value creation.

The global stock option plan

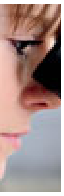
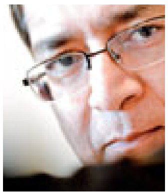
Prior to the adoption of the share unit plan described above, ArcelorMittal's equity based incentive plan took the form of a stock option plan called the global stock option plan.

Under the terms of the ArcelorMittal global stock option plan 2009-2018 (which replaced the ArcelorMittal shares plan that expired in 2009), ArcelorMittal may grant options to purchase common 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.

With respect to the spin-off of Aperam, an addendum to the ArcelorMittal global stock option plan 2009-2018 was adopted to reduce by 5% the exercise prices of existing stock options. This change is reflected in the information given below.

On August 3, 2010, ArcelorMittal granted 5,864,300 options under the ArcelorMittal global stock option plan 2009-2018 to a group of key employees at an exercise price of $32.27 per share. The options expire on August 3, 2020. No options were granted in 2011 (RSUs were granted; see 'restricted share units (RSUs) and performance share units (PSUs)' above).

The fair values for options and other share-based compensation are recorded as expenses in the consolidated statements of operations over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting. The fair value of each option grant to purchase ArcelorMittal common shares is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the weighted average assumptions (based on year of grant and recalculated at the spin-off date of the stainless steel business) shown below.

Year of grant	Initial exercise prices (per option)	New exercise prices (per option)
August 2008	$82.57	$78.44
December 2007	74.54	70.81
August 2007	64.30	61.09
June 2006	38.99	37.03
August 2009	38.30	36.38
September 2006	33.76	32.07
August 2010	32.27	30.66
August 2005	28.75	27.31
December 2008	23.75	22.56
November 2008	22.25	21.14
April 2002	2.26	2.15

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

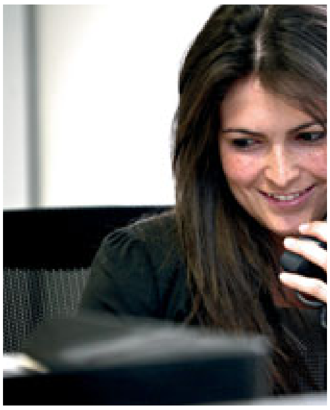
The expected life of the options is estimated by observing general option holder behavior and actual historical lives of ArcelorMittal stock option plans. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on ArcelorMittal shares in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

The compensation expense recognized for stock option plans was $176 million, $133 million and $73 million for each of the years ended December 31, 2009, 2010, and 2011, respectively. At the date of the spin-off of Aperam, the fair values of the stock options outstanding have been recalculated with the modified inputs of the Black-Scholes-Merton option pricing model, including the weighted average share price, exercise price, expected volatility, expected life, expected dividends, the risk-free interest rate and an additional expense of $11 million has been recognized in the year ended December 31, 2011 for the current and past periods.

Option activity with respect to ArcelorMittalShares and ArcelorMittal global stock option plan 2009-2018 is summarized below as of and for each of the years ended December 31, 2009, 2010 and 2011.

For RSUs, the fair value determined at the grant date is expensed on a straight line method over the vesting period and adjusted for the effect of non-market-based vesting conditions. In 2011, the compensation expense recognized for the RSUs granted was $2 million.

	Number of options	Range of exercise prices (per option)	Weighted average exercise price (per option)
Outstanding, December 31, 2009	**24,047,380**	**$2.26–82.57**	**$55.22**
Granted	5,864,300	32.27	32.27
Exercised	(371,200)	2.26–33.76	21.27
Forfeited	(223,075)	28.75–82.57	53.42
Expired	(644,431)	2.26–82.57	49.55
Outstanding, December 31, 2010	**28,672,974**	**2.26–82.57**	**50.95**
Exercised	(226,005)	2.15–32.07	27.57
Forfeited	(114,510)	27.31–78.44	40.26
Expired	(662,237)	15.75–78.44	57.07
Outstanding, December 31, 2011	**27,670,222**	**2.15–78.44**	**48.35**
Exercisable, December 31, 2011	21,946,104	2.15–78.44	52.47
Exercisable, December 31, 2010	16,943,555	2.26–82.57	56.59
Exercisable, December 31, 2009	11,777,703	2.26–82.57	52.46



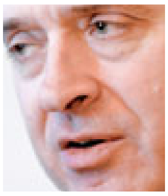
The following table summarizes certain information regarding total stock options of the company outstanding as of December 31, 2011:

Options outstanding

Exercise prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
78.44	6,468,150	6.60	6,468,150	August 5, 2018
70.81	13,000	5.95	13,000	December 11, 2017
61.09	4,753,137	5.59	4,753,137	August 2, 2017
37.03	1,268,609	1.50	1,268,609	June 30, 2013
36.38	5,889,296	7.60	3,988,364	August 4, 2019
32.07	2,040,380	4.67	2,040,380	September 1, 2016
30.66	5,772,634	8.60	1,949,448	August 3, 2020
27.31	1,244,936	3.65	1,244,936	August 23, 2015
22.56	32,000	6.96	32,000	December 15, 2018
21.14	20,585	6.87	20,585	November 10, 2018
2.15	167,495	0.26	167,495	April 5, 2012
$2.15–78.44	27,670,222	6.51	21,946,104	

Share ownership

As of December 31, 2011, the aggregate beneficial share ownership of ArcelorMittal directors and senior management (26 individuals) totaled 2,438,436 ArcelorMittal shares (excluding shares owned by ArcelorMittal's significant shareholder and including options to acquire 1,840,202 ArcelorMittal common shares that are exercisable within 60 days of December 31, 2011), representing 0.16% of the total issued share capital of ArcelorMittal. Excluding options to acquire ArcelorMittal common shares, these 26 individuals beneficially own 598,234 ArcelorMittal common shares. Other than the significant shareholder, each director and member of senior management beneficially owns less than 1% of ArcelorMittal's shares.



In 2009, the percentage of total common shares (including treasury stock) in the possession of the significant shareholder decreased from 43.05% to 40.84% as a result of an offering of new shares of which the significant shareholder acquired 10%. The ownership of the significant shareholder increased in 2010, and was 40.87% as of December 31, 2010.

In 2010, the number of ArcelorMittal options granted to directors and senior management (including the significant shareholder) was 643,900 at an exercise price of $30.66. 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 grantee) and expire ten years after the grant date. In 2011, the number of ArcelorMittal RSUs granted to directors and senior management (including the significant shareholder) was 132,500; upon vesting of the RSUs, the corresponding shares will be transferred to the beneficiaries on September 29, 2014.

In 2003 and 2004, no options were granted to members of Mittal Steel's senior management.

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

Employee share purchase plan (ESPP)

The annual general shareholders' meeting held on May 11, 2010 adopted an employee share purchase plan (the 'ESPP 2010') as part of a global employee engagement and participation policy. As with the previous employee share purchase plans implemented in 2008 and 2009, the ESPP 2010's goal was to strengthen the link between the group and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the plan, which was implemented in November 2010, are outlined below:

The ESPP 2010 was offered to 183,560 employees in 21 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 shares (0.16% of the current issued shares on a fully diluted basis). A total of 164,171 shares were subscribed, 1,500 of which were subscribed by members of the Group Management Board and the management committee of the company. The subscription price was $34.62 before discounts. The subscription period ran from November 16, 2010 until November 25, 2010 and was settled with treasury shares on January 10, 2011.

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

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

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

All shares purchased under the ESPP 2008, 2009 and 2010 are held in custody for the benefit of the employees in global accounts with BNP Paribas Securities Services, except for shares purchased by Canadian and US employees, which are held in custody in one global account with Computershare, which recently acquired the shareowner services business of The Bank of New York Mellon.

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

During this period, and subject to the early exit events, dividends paid on shares are held for the account of the employee and accrue interest. Employee shareholders are entitled to any dividends paid by ArcelorMittal after the settlement date and they are entitled to vote their shares.

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

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

The following table summarizes outstanding share options and RSUs, as of December 31, 2011, granted to the members of senior management of ArcelorMittal (or its predecessor company Mittal Steel, prior to 2007).

	Year of grant							RSU year of grant 2011	Total[1,2]	Average weighted exercise price[2]
	2002	2005	2006	2007	2008	2009	2010			
Senior managers (including significant shareholder)	105,000	247,180	333,372	471,000	529,000	588,000	568,450	132,500	2,984,717	
Exercise price[3]	$2.15	$27.31	$32.07	$61.09	$78.44	$36.38	$30.66	–	–	$44.08
Term (in years)	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**–**	**–**	**–**
Expiration date	Apr. 5, 2012	Aug. 23, 2015	Sep. 1, 2016	Aug. 2, 2017	Aug. 5, 2018	Aug. 4, 2019	Aug. 3, 2020	–	–	–

1 *The 110,715 options granted by Arcelor in 2006 for an exercise price of €28.62 (at a conversion rate of 1 euro = 1.2939 US dollars) and 32,000 options granted on December 15, 2008 at an exercise price of $22.56 have been included in the total number of options and the average weighted exercise price.*

2 *The RSUs granted are not included in the total or in the weighted average exercise price of options.*

3 *Due to the spin-off of Aperam on January 25, 2011, the exercise price of outstanding options was reduced by 5% in line with the spin-off ratio. The table above reflects this adjustment.*

Major shareholders and related party transactions

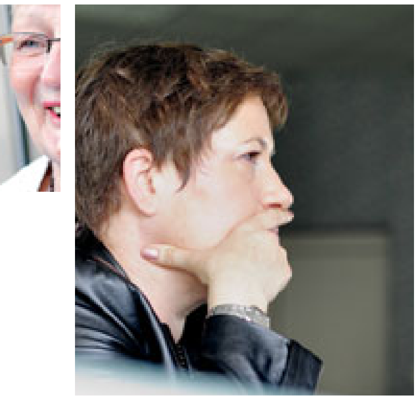
Major shareholders

As of December 31, 2011, the authorized share capital of ArcelorMittal consisted of 1,617,000,000 common shares, without nominal value. At December 31, 2011, 1,560,914,610 common shares, compared to 1,560,914,610 common shares at December 31, 2010, were issued and 1,548,951,866 common shares, compared to 1,548,561,690 common shares at December 31, 2010, were outstanding.

The following table sets forth information as of December 31, 2011 with respect to the beneficial ownership of ArcelorMittal common shares by each person who is known to be the beneficial owner of more than 5% of the shares and all directors and senior management as a group.

The ArcelorMittal common shares may be held in registered form only. Registered shares may consist of (a) shares traded on the NYSE, or New York Shares, which are registered in a register kept by or on behalf of ArcelorMittal by its New York transfer agent, (b) shares traded on Euronext Amsterdam by NYSE Euronext, Euronext Paris by NYSE Euronext, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges (Madrid, Bilbao, Valencia and Barcelona), which are registered in ArcelorMittal's shareholders' register, or (c) ArcelorMittal European Register Shares, which are registered in a local shareholder register kept by or on behalf of ArcelorMittal by BNP Paribas Securities Services in Amsterdam, or directly on ArcelorMittal's Luxembourg shareholder register without being held on ArcelorMittal's local Dutch shareholder register. Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by such shareholder and the amount paid up on each share in the shareholder register of ArcelorMittal.

At December 31, 2011, there were 2,653 shareholders other than the significant shareholder, Mr Mittal and Mrs Mittal holding an aggregate of 52,994,104 ArcelorMittal common shares registered in ArcelorMittal's shareholder register, representing approximately 3% of the common shares issued (including treasury shares).



	ArcelorMittal common shares[1]	
	Number	%
Significant shareholder[2]	638,063,696	40.88
Treasury stock[3]	9,663,709	0.62
Other public shareholders	913,187,205	58.50
Total	**1,560,914,610**	**100.00**
Of which: directors and senior management[4,5]	2,438,436	0.16

1 For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any ArcelorMittal common shares as of a given date on which such person or group of persons has the right to acquire such shares within 60 days after December 31, 2011 upon exercise of vested portions of stock options. The first third of the stock options granted on August 3, 2010 vested on August 3, 2011 and the first and second third of the stock options granted on August 4, 2009 vested on August 4, 2010 and August 4, 2011 respectively; all stock options of the previous grants have vested.

2 Mr Lakshmi N Mittal and his wife, Mrs Usha Mittal, have direct ownership of ArcelorMittal common shares and indirect ownership of holding companies that own ArcelorMittal common shares. Nuavam Investments S.à r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 112,338,263 ArcelorMittal common shares. Lumen Investments S.à r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 525,000,000 ArcelorMittal common shares. Mr Mittal is the direct owner of 221,600 ArcelorMittal common shares and holds options to acquire an additional 516,500 ArcelorMittal common shares, of which 458,833 are, for the purposes of this table, deemed to be beneficially owned by Mr Mittal due to the fact that those options are exercisable within 60 days. Mrs Mittal is the direct owner of 45,000 ArcelorMittal common shares. Mr Mittal, Mrs Mittal and the significant shareholder share indirect beneficial ownership of 100% of each of Nuavam Investments S.à r.l. and Lumen Investments S.à r.l. Accordingly, Mr Mittal is the beneficial owner of 638,018,696 ArcelorMittal common shares, Mrs Mittal is the beneficial owner of 637,383,263 common shares and the significant shareholder is the beneficial owner of 638,063,696 common shares. Excluding options, Mr Lakshmi N Mittal and Mrs Usha Mittal together beneficially own 637,604,863 ArcelorMittal common shares.

3 Represents ArcelorMittal common shares repurchased pursuant to share repurchase programs in prior years, fractional shares returned in various transactions, and the use of treasury shares in various transactions in prior years; excludes (1) 164,171 shares used to settle purchases under the ESPP 2010 offering that closed on January 10, 2011, (2) 226,005 options that were exercised during the 12 months ended December 31, 2011, (3) 1,840,202 stock options that can be exercised by directors and senior management (other than Mr Mittal) and (4) 458,833 stock options that can be exercised by Mr Mittal, in each case within 60 days of December 31, 2011. Holders of these stock options are deemed to beneficially own ArcelorMittal common shares for the purposes of this table due to the fact that such options are exercisable within 60 days.

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

5 These 2,438,436 ArcelorMittal common shares are included in shares owned by the public shareholders indicated above.

At December 31, 2011, there were 188 US shareholders holding an aggregate of 86,758,078 New York Shares, representing approximately 5.56% of the common shares issued (including treasury shares). ArcelorMittal's knowledge of the number of New York Shares held by US holders is based solely on the records of its New York transfer agent regarding registered ArcelorMittal common shares.

At December 31, 2011, there were 783,824,165 ArcelorMittal common shares being held through the Euroclear/Iberclear clearing system in the Netherlands, France, Luxembourg and Spain. The spin-off of ArcelorMittal's stainless and specialty steels business into Aperam effective January 25, 2011 had no impact on the number of ArcelorMittal's issued shares, which remains at 1,560,914,610.

Related party transactions

ArcelorMittal engages in certain commercial and financial transactions with related parties, all of which are affiliates and joint ventures of ArcelorMittal. Please refer to Note 14 of ArcelorMittal's consolidated financial statements.

Shareholder's agreement

Mr Lakshmi N Mittal, a company controlled by the significant shareholder and ArcelorMittal are parties to a shareholder and registration rights agreement (the 'shareholder's agreement') dated August 13, 1997. Pursuant to the shareholder's agreement and subject to the terms and conditions thereof, ArcelorMittal shall, upon the request of certain holders of restricted ArcelorMittal shares, use its reasonable efforts to register under the Securities Act of 1933, as amended, the sale of ArcelorMittal shares intended to be sold by those holders.

Memorandum of understanding

On June 25, 2006, Mittal Steel, the significant shareholder and Arcelor signed a binding Memorandum of Understanding ('MoU') to combine Mittal Steel and Arcelor in order to create the world's leading steel company. In April 2008, the board of directors approved resolutions amending certain provisions of the MoU in order to adapt it to the company's needs in the post-merger and post-integration phase.

On the basis of the binding MoU, Arcelor's board of directors recommended Mittal Steel's offer for Arcelor and the parties to the MoU agreed to certain corporate governance and other matters relating to the combined ArcelorMittal group. Certain provisions of the MoU relating to corporate governance were incorporated into the articles of association of ArcelorMittal at the extraordinary general meeting of the shareholders on November 5, 2007.

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

The following summarizes the main provisions of the MoU that remain in effect or were in effect in 2011.

Standstill

The significant shareholder agreed not to acquire, directly or indirectly, ownership or control of an amount of shares in the capital stock of the company exceeding the percentage of shares in the company that it will own or control following completion of the offer (as defined in the MoU) for Arcelor and any subsequent offer or compulsory buy-out, except with the prior written consent of a majority of the independent directors on the company's board of directors. Any shares acquired in violation of this restriction will be deprived of voting rights and shall be promptly sold by the significant shareholder. Notwithstanding the above, if (and whenever) the significant shareholder holds, directly and indirectly, less than 45% of the then-issued company shares, the significant shareholder may purchase (in the open market or otherwise) company shares up to such 45% limit. In addition, the significant shareholder is also permitted to own and vote shares in excess of the threshold mentioned in the immediately preceding paragraph or the 45% limit mentioned above, if such ownership results from (1) subscription for shares or rights in proportion to its existing shareholding in the company where other shareholders have not exercised the entirety of their rights or (2) any passive crossing of this threshold resulting from a reduction of the number of company shares (e.g. through self-tender offers or share buy-backs) if, in respect of (2) only, the decisions to implement such measures were taken at a shareholders' meeting in which the significant shareholder did not vote or by the company's board of directors with a majority of independent directors voting in favor.

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

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

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

Major shareholders

continued

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

Non-compete
For so long as the significant shareholder holds and controls at least 15% of the outstanding shares of the company or has representatives on the company's board of directors or Group Management Board, the significant shareholder and its affiliates will not be permitted to invest in, or carry on, any business competing with the company, except for Ispat Indonesia.

Repurchase of shares from entity related to director
Following the contribution of 76.88% of Saar Ferngas, a German gas and electricity producer and distributor, 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%. On February 16, 2009, ArcelorMittal sold 2.48% of Soteg to the Government of Luxembourg and SNCI ('Société Nationale de Crédit et d'Investissement'), a Luxembourg government controlled investment company.

Subscription to, and share lending agreement in connection with, the May 2009 share offering
ArcelorMittal sold 140,882,634 common shares in a transaction that closed on May 6, 2009. Ispat International Investments S.L. ('Ispat'), a holding company beneficially owned by Mr Lakshmi N Mittal and Mrs Usha Mittal, subscribed for 14,088,063 common shares (or 10%) in the offering on a deferred-delivery basis. The offering was settled by the company on May 6, 2009 (except with respect to Ispat) with 98 million common shares borrowed from Ispat pursuant to a share lending agreement dated April 29, 2009 and the remainder was settled using shares held in treasury. The company returned the borrowed shares to, and delivered the shares subscribed by, Ispat on June 22, 2009 by issuing 112,088,263 shares following shareholder approval at an extraordinary general meeting held on June 17, 2009 of a resolution broadening the authorization of the board of directors to increase the company's share capital. Under the terms of the share lending agreement, the company paid Ispat a share lending fee of $2 million.

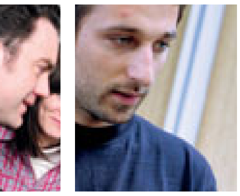
Agreements with Aperam in connection with stainless steel spin-off
In connection with the spin-off of its stainless steel division into a separately focused company, Aperam, which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam. These agreements include a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

Transitional services and related agreements
Aperam has extended the transitional services agreement for an additional term of one year until December 31, 2012, according to the terms and conditions of such agreement. In addition, Aperam will be entitled to terminate the transitional services agreement at any time by giving three months' notice to ArcelorMittal. ArcelorMittal, however, may not terminate the transitional services agreement other than for material breaches of the agreement, Aperam's insolvency or if control over Aperam changes.

Among other services, ArcelorMittal will provide the following services to Aperam under the transitional services agreement: (i) corporate insurance, (ii) consolidation, (iii) legal services, (iv) treasury back office services, (v) health and safety (REACH implementation platform), (vi) company secretary , (vii) technical office, (viii) corporate IS/IT and (ix) communication. The service charges payable by Aperam to ArcelorMittal will be calculated individually for each service provided on a cost-plus margin basis.

In particular, under the transitional services agreement, consolidation services means the maintenance and development of certain software necessary for Aperam's reporting and consolidation.

Insurance service is limited to high-level advice for the management of Aperam's insurance policies. Access to certain continuing education programs provided by ArcelorMittal will be on an on-demand basis. ArcelorMittal will also continue to provide limited legal support, with the possible assistance of external legal counsel.



Wind fence system in Brazil
In 2011, ArcelorMittal Tubarão announced the installation of a wind fence system around the coal yard that supplies the Sol Coqueria coke plant in Brazil in order to contain dust emissions. The screens are 450 meters long and 20 meters high, one and a half times the height of the piles of coal. The $3.6 million installation was completed in December and addresses the issue of dust being generated in the coal yard which then affects local communities.

ArcelorMittal continued to manage the administrative aspects of Aperam's trademarks, domain names and patents portfolio for one year, and Aperam had the right to continue to use the ArcelorMittal brand for a transitional six month period that is now over.

In the area of research and development, Aperam entered into arrangements with ArcelorMittal for its withdrawal from the ArcelorMittal global research and development organization and for setting out a framework for future cooperation between the two groups in relation to certain ongoing research and development programs. In addition, Aperam and ArcelorMittal organized the fair transfer of certain patents to Aperam, as well as the licensing of some patents between them. Moreover, Aperam and ArcelorMittal are keeping open the possibility of entering into ad hoc cooperation agreements for future research and development purposes.

The purchasing and sourcing of raw materials generally are not covered by the transitional services agreement. Aperam will be responsible for the sourcing of its key raw materials, including nickel, chromium, molybdenum and stainless steel scrap. However, under the terms of the purchasing services agreement and the sourcing services agreement, Aperam relies on ArcelorMittal for advisory services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: energy (electricity, natural gas, industrial gas), raw materials (ferro-alloys, certain base materials), operating materials (rolls, electrodes, refractories) and industrial products and services.

The purchasing services agreement also permit Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items not specific to stainless and specialty steel production. The purchasing services agreement and the sourcing services agreement have been entered into for a term of two years, expiring on January 24, 2013.

In South America, ArcelorMittal Brasil performed certain corporate functions and certain purchasing activities for the benefit of certain Brazilian subsidiaries of Aperam until March 31, 2011. On April 1, 2011, ArcelorMittal Brasil ceased performing the corporate functions of the relevant Brazilian subsidiaries of Aperam and transferred the necessary personnel to ArcelorMittal Inox Brasil to enable the latter to perform itself the required corporate functions, except for the legal activities and personnel, which were transferred as of May 1, 2011. Insurance, real estate, purchasing and payroll activities, however, continued to be performed by ArcelorMittal Brasil for the benefit of certain Brazilian subsidiaries of Aperam, it being understood that, as of April 1, 2011, the costs of these activities are being shared by Aperam's relevant Brazilian subsidiaries on the basis of new cost allocation agreed upon between the parties.

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

Financing agreements

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

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

ArcelorMittal as parent company

ArcelorMittal, incorporated under the laws of Luxembourg, is the parent company of the ArcelorMittal group and is expected to continue this role during the coming years. The company has no branch offices and generated a net loss of $480 million in 2011.

Group companies listed on the Luxembourg Stock Exchange

ArcelorMittal's securities are traded on several exchanges, including the Luxembourg Stock Exchange, and its primary stock exchange regulator is the Luxembourg CSSF (*Commission de Surveillance du Secteur Financier*). ArcelorMittal's CSSF issuer number is E-0001.

In addition to ArcelorMittal, the securities of one other ArcelorMittal group company are listed on the Luxembourg Stock Exchange.

ArcelorMittal Finance S.C.A. is a *société en commandite par actions* with registered office address at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, registered with the *Registre du Commerce et des Sociétés Luxembourg* under number B 13.244. ArcelorMittal Finance is indirectly 100% owned by ArcelorMittal. ArcelorMittal Finance was, until June 18, 2008, the principal finance vehicle of the ArcelorMittal group and, in this connection, it issued a number of bonds listed on the Luxembourg Stock Exchange. ArcelorMittal Finance's CSSF issuer number is E-0225.

ArcelorMittal Rodange & Schifflange S.A., a *société anonyme* with registered office address at 2, rue de l'Industrie, L-4823 Rodange, Grand Duchy of Luxembourg, registered with the *Registre du Commerce et des Sociétés Luxembourg* under number B 10.643, approximately 79.84% owned indirectly by ArcelorMittal, was listed on the Luxembourg Stock Exchange until October 31, 2011, when its de-listing became effective.

Minority shareholders litigation

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the board of directors of ArcelorMittal at the time of the merger and on the significant shareholder. The claimants requested, among other things, 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, 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. A hearing on the merits took place on February 15, 2011. By judgment dated November 30, 2011, the Luxembourg civil court declared all the plaintiff's claims inadmissible and dismissed them. The judgment is subject to appeal.

Left Port-Cartier, Canada

Shareholder information

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

ArcelorMittal, with its diversified business model, strong cash flow and cost leadership position, is well placed to weather the current challenging economic environment and has the ambition to develop and balance its shareholder base on the major listed markets and to attract new investors.

ArcelorMittal remains optimistic about the industry's medium-term growth prospects. In light of recent market uncertainty primarily due to the European debt crisis and its potential global impact, the company has calibrated its steel growth projects to evolving demand situations. At the same time, we are focusing on core growth investments in our mining business given their generally more attractive return profiles. This has resulted in postponement of some planned steel investments. Accordingly, full year 2012 capital expenditure is expected to be approximately $4-4.5 billion.

Indexes

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

Share price performance

The price of ArcelorMittal shares declined by 50% in 2011, underperforming both the Global Metals & Mining sector which declined by 34% and the Global Steel sector which declined by 39%. The underperformance largely occurred during the third quarter of 2011 when fears of a potential eurozone crisis intensified. This unease affected the share price performance of those companies with significant trading exposure to

ArcelorMittal share price performance since creation Base 100 at August 1, 2006 ($)

the eurozone block. ArcelorMittal's share price was further impacted by concerns over the company's indebtedness and perceived risks that debt covenants could be breached; these concerns were addressed at our Investor Day on September 23, 2011.Subsequently, during the final three months of 2011, ArcelorMittal's share price increased by 14%, outperforming the Global Steel and Global Metals & Mining peer groups.

Dividend

ArcelorMittal's board of directors has recommended to maintain the annual dividend per share at $0.75 for 2012, subject to the approval of the annual general meeting of shareholders on May 8, 2012. Once market conditions have normalized, the board of directors will review the dividend policy.

The dividend payments will occur on a quarterly basis for the full year 2012 (see financial calendar). Dividends are announced in $ and paid in $ for shares listed on the New York Stock Exchange and paid in euros for shares listed on the European stock exchanges (the Netherlands, France, Spain, and Luxembourg).

Investor relations

By implementing high standards of financial information disclosure and aiming to provide clear, regular, transparent and balanced information to all its shareholders, ArcelorMittal aims to be the first choice for investors in the sector.

To meet this objective, ArcelorMittal implements an active and broad investor communications policy: conference calls, road shows with the financial community, regular participation at investor conferences, plant visits and meetings with individual investors.

Individual investors

ArcelorMittal's senior management plans to meet individual investors and shareholder associations in road shows throughout 2012. A dedicated toll free number for individual investors is available at +352 4792 3198. Requests for information or meetings on the virtual meeting and conference center may also be sent to: *privateinvestors@arcelormittal.com*

Analysts and institutional investors

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

Socially responsible investors

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

Credit and fixed income investors

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

Financial calendar

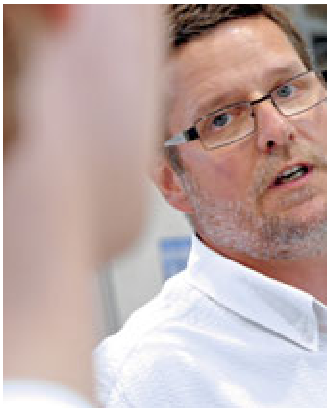
Financial results*	
February 7, 2012	Results for 4th quarter 2011 and 12 months 2011
May 10, 2012	Results for 1st quarter 2012
July 25, 2012	Results for 2nd quarter 2012 and 6 months 2012
October 31, 2012	Results for 3rd quarter 2012 and 9 months 2012

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

Dividend payment (subject to shareholder approval)	
March 13, 2012	1st quarterly payment of base dividend (interim dividend)
June 14, 2012	2nd quarterly payment of base dividend
September 10, 2012	3rd quarterly payment of base dividend
December 10, 2012	4th quarterly payment of base dividend

Institutional investor days and retail shareholder events	
May 8, 2012	Annual shareholder meeting in Luxembourg
September 18, 2012	Investor Day with Group Management Board members
September 26, 2012	Retail shareholder event

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



We are delivering cost improvement

If we are to maintain our leadership position in the steel industry, we must be competitive on costs. We have a track record of consistent cost improvement, delivered through our management gains program. Since 2008, we have taken $4 billion out of our costs and we are on course to achieve the target we set ourselves of $4.8 billion of savings by the end of 2012. In September 2011, we announced a new asset optimization plan, which is separate from the management gains program. This is designed to optimize our production footprint by concentrating production around our lowest-cost plants and allow us to run them at full capacity – thereby ensuring maximum productivity at our 'core' facilities while losing none of our ability to service our customers. The asset optimization plan is targeted to add $1 billion run rate a year to sustainable Ebitda by the end of 2012.

Picture North of England


Average steel selling prices 2011 $ a tonne
Flat Carbon Americas 892
Flat Carbon Europe 982
Long Carbon Americas and Europe 937
AACIS 736
Distribution Solutions 993

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
March 12, 2012

Chief financial officer
Aditya Mittal
March 12, 2012

Consolidated statements of financial position

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

	December 31, 2010	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	6,207	3,821
Restricted cash	82	84
Trade accounts receivable and other, including 616 and 457 from related parties at December 31, 2010 and 2011, respectively (notes 6 and 14)	5,725	6,452
Inventories (note 7)	19,583	21,689
Prepaid expenses and other current assets (note 8 and 14)	4,160	3,559
Assets held for sale and distribution (note 5)	6,918	–
Total current assets	**42,675**	**35,605**
Non-current assets:		
Goodwill and intangible assets (note 9)	14,373	14,053
Property, plant and equipment (note 10)	54,344	54,251
Investments in associates and joint ventures (note 11)	10,152	9,041
Other investments (note 12)	267	226
Deferred tax assets (note 19)	6,603	6,081
Other assets (note 13 and 14)	2,490	2,623
Total non-current assets	**88,229**	**86,275**
Total assets	**130,904**	**121,880**

Liabilities and equity	December 31, 2010	December 31, 2011
Current liabilities:		
Short-term debt and current portion of long-term debt (note 15)	6,716	2,784
Trade accounts payable and other, including 465 and 257 to related parties at December 31, 2010 and 2011, respectively (note 14)	13,256	12,836
Short-term provisions (note 20)	1,343	1,213
Accrued expenses and other liabilities (note 14 and 21)	6,900	6,624
Income tax liabilities	471	367
Liabilities held for sale and distribution (note 5)	2,037	–
Total current liabilities	**30,723**	**23,824**
Non-current liabilities:		
Long-term debt, net of current portion (note 15)	19,292	23,634
Deferred tax liabilities (note 19)	4,006	3,680
Deferred employee benefits (note 23)	7,180	7,160
Long-term provisions (note 20)	1,738	1,601
Other long-term obligations	1,865	1,504
Total non-current liabilities	**34,081**	**37,579**
Total liabilities	**64,804**	**61,403**
Commitments and contingencies (note 22 and note 24)		
Equity (note 17):		
Common shares (no par value, 1,617,000,000 and 1,617,000,000 shares authorized, 1,560,914,610 and 1,560,914,610 shares issued, and 1,548,561,690 and 1,548,951,866 shares outstanding at December 31, 2010 and 2011, respectively)	9,950	9,403
Treasury shares (12,352,920 and 11,962,744 common shares at December 31, 2010 and 2011, respectively, at cost)	(427)	(419)
Additional paid-in capital	20,198	19,056
Retained earnings	31,647	30,531
Reserves	1,062	(1,881)
Equity attributable to the equity holders of the parent	62,430	56,690
Non-controlling interests	3,670	3,787
Total equity	**66,100**	**60,477**
Total liabilities and equity	**130,904**	**121,880**

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

Consolidated statements of operations

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

	Year ended December 31, 2010	Year ended December 31, 2011
Sales (including 4,873 and 5,875 of sales to related parties for 2010 and 2011, respectively)	78,025	93,973
Cost of sales (including depreciation and impairment of 4,920 and 5,000 and 2,448 and 2,897 of purchases from related parties for 2010 and 2011, respectively)	71,084	85,519
Gross margin	6,941	8,454
Selling, general and administrative expenses	3,336	3,556
Operating income (loss)	3,605	4,898
Income from investments in associates and joint ventures	451	620
Financing costs – net (note 18)	(2,200)	(2,838)
Income (loss) before taxes	1,856	2,680
Income tax expense (benefit) (note 19)	(1,479)	882
Net income from continuing operations (including non-controlling interests)	3,335	1,798
Discontinued operations, net of tax (note 5)	(330)	461
Net income (including non-controlling interests)	**3,005**	**2,259**
Net income attributable to equity holders of the parent:		
Net income from continuing operations	3,246	1,802
Net income from discontinued operations	(330)	461
Net income attributable to equity holders of the parent	2,916	2,263
Net income from continuing operations attributable to non-controlling interests	89	(4)
Net income (including non-controlling interests)	**3,005**	**2,259**

	Year ended December 31, 2010	Year ended December 31, 2011
Earnings per common share (in US dollars)		
Basic	1.93	1.46
Diluted	1.72	1.19
Earnings per common share – continuing operations (in US dollars)		
Basic	2.15	1.16
Diluted	1.92	0.90
Earnings per common share – discontinued operations (in US dollars)		
Basic	(0.22)	0.30
Diluted	(0.20)	0.29
Weighted average common shares outstanding (in millions) (note 17)		
Basic	1,512	1,549
Diluted	1,600	1,611

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

Consolidated statements of comprehensive income

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

		Year ended December 31, 2010		Year ended December 31, 2011
Net income (including non-controlling interests)		**3,005**		**2,259**
Available-for-sale investments:				
Gain (loss) arising during the period	102		(39)	
Reclassification adjustments for (gain) loss included in the consolidated statements of operations	(120)		65	
	(18)		26	
Derivative financial instruments:				
Gain (loss) arising during the period	(277)		82	
Reclassification adjustments for gain included in the consolidated statements of operations	(551)		(249)	
	(828)		(167)	
Exchange differences arising on translation of foreign operations:				
Gain (loss) arising during the period	(1,733)		(2,149)	
Reclassification adjustments for gain included in the consolidated statements of operations	–		(475)	
	(1,733)		(2,624)	
Share of other comprehensive income (loss) related to associates and joint ventures	201		(598)	
Income tax (expense) benefit related to components of other comprehensive income	144		68	
Total other comprehensive income (loss)	**(2,234)**		**(3,295)**	
Total other comprehensive income (loss) attributable to:				
Equity holders of the parent	(2,310)		(2,943)	
Non-controlling interests	76		(352)	
		(2,234)		(3,295)
Total comprehensive income (loss)		**771**		**(1,036)**
Total comprehensive income (loss) attributable to:				
Equity holders of the parent		606		(680)
Non-controlling interests		165		(356)
Total comprehensive income (loss)		**771**		**(1,036)**

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

Consolidated statements of changes in equity

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

						Reserves					
	Shares [1,2]	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Foreign currency translation adjustments	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
Balance at December 31, 2009	1,510	9,950	(2,823)	20,808	29,777	1,642	953	777	61,084	4,353	65,437
Net income (including non-controlling interests)	–	–	–	–	2,916	–	–	–	2,916	89	3,005
Other comprehensive income (loss)	–	–	–	–	–	(1,726)	(585)	1	(2,310)	76	(2,234)
Total comprehensive income (loss)	–	–	–	–	2,916	(1,726)	(585)	1	606	165	771
Recognition of share based payments	1	–	34	123	–	–	–	–	157	–	157
Sale of treasury shares	38	–	2,362	(733)	–	–	–	–	1,629	–	1,629
Dividend (0.75 per share)	–	–	–	–	(1,132)	–	–	–	(1,132)	(128)	(1,260)
Acquisition of non-controlling interests (note 4)	–	–	–	–	90	–	–	–	90	(745)	(655)
Other movements	–	–	–	–	(4)	–	–	–	(4)	25	21
Balance at December 31, 2010	1,549	9,950	(427)	20,198	31,647	(84)	368	778	62,430	3,670	66,100
Net income (including non-controlling interests)	–	–	–	–	2,263	–	–	–	2,263	(4)	2,259
Other comprehensive income (loss)	–	–	–	–	–	(2,796)	(133)	(14)	(2,943)	(352)	(3,295)
Total comprehensive income (loss)	–	–	–	–	2,263	(2,796)	(133)	(14)	(680)	(356)	(1,036)
Spin-off of stainless steel assets (note 5)	–	(547)	–	(1,227)	(2,190)	–	–	–	(3,964)	–	(3,964)
Recognition of share based payments	–	–	8	85	–	–	–	–	93	–	93
Dividend (0.75 per share)	–	–	–	–	(1,161)	–	–	–	(1,161)	(31)	(1,192)
Acquisition of non-controlling interests (note 4)	–	–	–	–	(29)	–	–	–	(29)	165	136
Issuance of bonds mandatorily convertible into shares of subsidiaries	–	–	–	–	–	–	–	–	–	250	250
Other movements	–	–	–	–	1	–	–	–	1	89	90
Balance at December 31, 2011	1,549	9,403	(419)	19,056	30,531	(2,880)	235	764	56,690	3,787	60,477

[1] *Excludes treasury shares*
[2] *In millions of shares*

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

Consolidated statements of cash flows

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

	Year ended December 31, 2010	Year ended December 31, 2011
Operating activities:		
Net income (including non-controlling interests)	3,005	2,259
Discontinued operations	330	(461)
Net income from continuing operations (including non-controlling interests)	3,335	1,798
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation	4,395	4,669
Impairment	525	331
Net interest	1,445	1,822
Income tax expense (benefit)	(1,479)	882
Write-downs of inventories to net realizable value and expense related to onerous supply contracts[1]	1,189	226
Labor agreements and separation plans	46	239
Litigation provisions (reversal)	145	(78)
Recycling of deferred gain on raw material hedges	(354)	(600)
Change in fair value of conversion options on convertible bonds and call options on ArcelorMittal shares	(427)	(42)
Unrealized foreign exchange effects, other provisions and non-cash operating expenses net	313	608
Changes in operating assets, liabilities, provision and other operating cash activities excluding the effect from acquisitions:		
Trade accounts receivable	(433)	(694)
Inventories	(5,540)	(3,057)
Interest paid and received	(1,320)	(1,659)
Taxes paid	(197)	(1,237)
Trade accounts payable	3,442	(74)
Dividends received	132	353
Cash contributions to defined benefit plans	(973)	(1,035)
Cash received from settlement of hedges not recognized in the consolidated statements of operations	43	175
Cash paid for separation plans	(240)	(103)
Other working capital and provisions movements	(277)	(557)
Net cash flows (used in) provided by operating activities from discontinued operations	245	(190)
Net cash provided by operating activities	4,015	1,777
Investing activities:		
Purchase of property, plant and equipment and intangibles	(3,308)	(4,838)
Acquisition of net assets of subsidiaries and non-controlling interests, net of cash acquired of nil and 67 in 2010 and 2011, respectively	(75)	(860)
Investments in associates and joint ventures accounted for under equity method	(327)	(95)
Disposals of financial assets[2]	324	2,160
Other investing activities net[2]	50	(840)
Cash receipt from loan to discontinued operations[3]	–	900
Net cash flows used in investing activities from discontinued operations	(102)	(105)
Net cash used in investing activities	(3,438)	(3,678)
Financing activities:		
Proceeds from mandatory convertible bonds	–	250
Acquisition of non-controlling interests[4]	(593)	(108)
Proceeds from short-term debt	1,362	1,562
Proceeds from long-term debt, net of debt issuance costs	8,484	7,169
Payments of short-term debt	(2,179)	(6,728)
Payments of long-term debt	(5,675)	(1,466)
Premium paid for call options on ArcelorMittal shares	(1,363)	–
Sale of treasury shares in connection with the call options on ArcelorMittal shares	1,363	–
Sale of treasury shares for stock option exercises	8	5
Dividends paid (includes 125 and 32 of dividends paid to non-controlling shareholders in 2010 and 2011, respectively)	(1,257)	(1,194)
Other financing activities net	(109)	(22)
Net cash flows used in financing activities from discontinued operations	(48)	(8)
Net cash used in financing activities	(7)	(540)
Effect of exchange rate changes on cash	(159)	(68)
Net increase (decrease) in cash and cash equivalents	411	(2,509)
Cash and cash equivalents:		
At the beginning of the year	5,919	6,207
Cash held for discontinued operations	–	123
Reclassification of the period-end cash and cash equivalent of discontinued activities to assets held for sale and distribution	(123)	–
At the end of the year	6,207	3,821

1 *Refer to note 7 for more information on inventory write-downs and note 20 for more information on onerous contracts.*
2 *Refer to notes 11 and 12 for more information on disposals of investments.*
3 *Refer to note 14 for more information regarding cash received from a loan to Aperam.*
4 *Due to the adoption of IFRS 3 (revised) and IAS 27 (revised), acquisition of non-controlling interests after January 1, 2010 have been classified as equity transactions and are presented within financing activities. See note 1 for further information.*

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

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

Nature of business

ArcelorMittal ('ArcelorMittal' or the 'Company'), together with its subsidiaries, owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. 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 March 12, 2012 by the Company's board of directors.

The principal subsidiaries of the Company in 2011 were as follows:

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

Basis of presentation

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

Following the approval by the board of directors of ArcelorMittal held on December 7, 2010, to spin off the stainless steel business into a separate company known as Aperam, the results of the stainless steel operations are presented as discontinued operations in accordance with IFRS 5 'non-current assets held for sale and discontinued operations'.

Consequently, the following presentation is applied:

Statements of financial position

- As of December 31, 2010, all assets related to Aperam entities (current and non-current) are reclassified and disclosed separately in a single line item as 'Assets held for sale and distribution' and classified as current assets. Likewise, all liabilities are reclassified and disclosed separately in a single line item as 'liabilities held for sale and distribution' and classified as current liabilities.

Statements of operations

- For all periods presented, all amounts related to discontinued operations within each line item of the consolidated statements of operations are reclassified into continuing and discontinued operations. Net post-tax results of discontinued operations are presented as 'discontinued operations, net of tax' or 'net income from discontinued operations'.
- Earnings per share is presented for continuing and discontinued operations and for total net results.

Statements of cash flows

- For all periods presented, all amounts related to discontinued operations within each line item of the consolidated statements of cash flows are reclassified into continuing and discontinued operations. Contributions from discontinued operations are presented in three separate line items: 'cash flows provided by operating activities from discontinued operations', 'cash flows used in investing activities from discontinued operations' and 'cash flows used in financing activities from discontinued operations'

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

Commencing January 1, 2011, discrete financial information for the Company's Mining operations is being provided to the Group Management Board 'GMB' for the purpose of assessing the performance of these operations and making decisions regarding resource allocation. Accordingly, the Company's Mining operations are presented as a separate reportable segment.

Adoption of new IFRS standards, amendments and interpretations applicable in 2011

Unless otherwise indicated below, the following new standards, amended standards, or interpretations were adopted by the Company on January 1, 2011 and did not have a material impact on the consolidated financial statements of ArcelorMittal:

- International accounting standard 'IAS' 24, 'Related Party Disclosures'
- IAS 32, 'Financial Instruments – Presentation'
- Amendments to international financial reporting interpretations committee 'IFRIC' 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendments to IFRS 3, 'Business Combinations'
- Amendments to IFRS 7, 'Financial Instruments: Disclosures'
- Amendments to IAS 1, 'Presentation of Financial Statements'
- Transition requirements for amendments arising as a result of IAS 27, 'Consolidated and Separate Financial Statements' (as amended in 2008)
- Amendments to IAS 34, 'Interim Financial Reporting'
- Amendments to IFRIC 13, 'Customer Loyalty Programs'
- Amendment to IAS 12, 'Income Taxes'.

New IFRS standards and interpretations applicable from 2012 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.

- Amendments to IFRS 7, 'Financial Instruments: Disclosures'

On October 7, 2010, the IASB issued amendments to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are intended to provide users of financial statements with additional information regarding financial assets (for example, securitizations), including the possible effects of risks that remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are to be applied for annual periods beginning on or after July 1, 2011, with earlier application permitted. The adoption of this standard will not have any material impact on the financial statements of the Company.

- IFRS 9, 'Financial Instruments'

In November 2009, the IASB issued IFRS 9 as the first step in its project to replace IAS 39, 'financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial instruments, including:

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

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

On May 13, 2011 the IASB issued IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurement' and amended IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures', all effective for annual periods beginning on or after January 1, 2013.

- IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.
- IFRS 11 provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.
- IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- IFRS 13 defines fair value, sets out in a single IFRS, a framework for measuring fair value and requires disclosures about fair value measurements. It applies when other IFRSs require or permit fair value measurements.
- Amendments to IAS 27 were made in connection with the previous new issued standards and reduced the scope of IAS 27, which now only deals with the requirements for separate financial statements. Requirements for consolidated financial statements are now contained in IFRS 10. These amendments require that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 financial instruments.
- The new IAS 28 amended standard supersedes IAS 28 'Investments in Associates' and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. These amendments define 'significant influence' and provide guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

On June 16, 2011 the IASB issued amendments to IAS 1 'Presentation of Financial Statements', effective for annual periods beginning on or after July 1, 2012 and to IAS 19 'Employee Benefits', effective for annual periods beginning on or after January 1, 2013.

- Amendment to IAS 1 changes the disclosures of items presented in other comprehensive income in the statements of comprehensive income.
- Amendment to IAS 19 makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.
- IFRIC 20, 'Stripping Costs in the Production Phase of a Surface Mine'

On October 19, 2011, the IASB issued IFRIC 20 which clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement. The Interpretation requires stripping activity costs which provide improved access to ore to be capitalized as a non-current 'stripping activity asset' when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate. This standard is effective for annual periods beginning on or after January 1, 2013.

On December 16, 2011 the IASB published amendments to IAS 32 'Financial Instruments: Presentation' to clarify the application of the offsetting of financial assets and financial liabilities requirement. The IASB also published amendments to IFRS 7 'Financial Instruments: Disclosures' including new disclosures requirements regarding the offsetting of financial assets and financial liabilities. These amendments are effective for annual periods beginning on or after January 1, 2014, and January 1, 2013, respectively.

Basis of consolidation
The consolidated financial statements include the accounts of the Company, its subsidiaries and its interests in associated companies and jointly controlled entities. Subsidiaries are consolidated from the date 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. Generally, control is presumed to exist when the Company holds more than half of the voting rights of an entity.

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

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

While there are certain limitations on the Company's operating and financial flexibility arising from the restrictive and financial covenants of the Company's principal credit facilities described in note 15, there are no significant restrictions resulting from borrowing agreements or regulatory requirements on the ability of consolidated subsidiaries, associates and jointly controlled entities to transfer funds to the parent in the form of cash dividends to pay commitments as they come due.

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

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

Note 2: Summary of significant accounting policies

Significant accounting policies

Business combinations
From January 1, 2010, the Company has applied IFRS 3, 'Business Combinations (2008)' in accounting for business combinations. The change in accounting policy has been applied prospectively.

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date on which control is transferred to ArcelorMittal. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as the total of the fair value of consideration transferred, plus the proportionate amount of any non-controlling interest, plus the fair value of any previously held equity interest in the acquiree, if any, less the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed. When the result is negative, a bargain purchase gain is recognized in the consolidated statements of operations. Any costs directly attributable to the business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for as equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of operations.

Previously, the cost of the acquisition of subsidiaries and businesses was 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.

Accounting for acquisitions of non-controlling interests
Commencing January 1, 2010, the Company has applied IAS 27 'Consolidated and Separate Financial Statements (2008)' in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively.

Acquisitions of non-controlling interests, which do not result in a change of control, are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

Previously, goodwill was recognized on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Translation of financial statements denominated in foreign currency
The functional currency of ArcelorMittal S.A. is the US dollar. The functional currency of each of the major operating subsidiaries is the local currency, except for OJSC ArcelorMittal Kryviy Rih, ArcelorMittal Lázaro Cárdenas S.A. de C.V., ArcelorMittal Brasil, ArcelorMittal Montreal Inc., ArcelorMittal Mines Canada Inc., ArcelorMittal Dofasco Inc., ArcelorMittal Point Lisas Ltd. and ArcelorMittal Temirtau, whose functional currency is the US dollar and ArcelorMittal Ostrava, ArcelorMittal Poland and ArcelorMittal Galati S.A., whose functional currency is the euro.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing on the date of the consolidated statements of financial position and the related transaction gains and losses are reported in the consolidated statements of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related transaction gains and losses are reported in the consolidated statements of comprehensive income.

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

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

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

Trade accounts receivable
Trade accounts receivable are initially recorded at their fair value and do not carry any interest. ArcelorMittal maintains an allowance for doubtful accounts at an amount that it considers to be a reasonable estimate of losses resulting from the inability of its customers to make required payments. In judging the adequacy of the allowance for doubtful accounts, ArcelorMittal considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are recognized as gains in selling, general and administrative expenses.

ArcelorMittal's policy is to record an allowance and a charge in selling, general and administrative expense when a specific account is deemed uncollectible and to provide for each receivable over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable, unless it can be clearly demonstrated that the receivable is still collectible. Trade receivables between 60 days and 180 days are provided for based on estimated unrecoverable amounts from the sale of goods and/or services, determined by reference to past default experience.

Trade accounts payable
Trade accounts payable are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade accounts payable have maturities from 15 to 180 days depending on the type of material, the geographic area in which the purchase transaction occurs and the various contractual agreements. The carrying value of trade accounts payable approximates fair value.

Inventories
Inventories are carried at the lower of cost and net realizable value. Cost is determined using the 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. In accordance with IAS 2 Inventories, interest charges, if any on purchases have been recorded as financing costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Costs incurred when production levels are abnormally low are capitalized as inventories based on normal capacity with the remaining costs incurred recorded as a component of cost of sales in the consolidated statements of operations.

Goodwill and bargain purchase
Goodwill arising on an acquisition is recognized as previously described within the business combinations section.

Goodwill is allocated to those groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level, which represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the level of the groups of cash-generating units, which correspond to the operating segments as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets recorded prior to the testing of goodwill. 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. 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 resulting in a gain from bargain purchase 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 and liabilities assumed. If, after reassessment, ArcelorMittal's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (bargain purchase) is recognized immediately in the consolidated statements 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 and operating authorizations granted by the State or other public bodies (concessions). Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, which typically do not exceed five years. Amortization is included in the consolidated statements of operations as part of depreciation.

Stripping and overburden removal costs
In open pit and underground mining operations, it is necessary to remove overburden and other waste materials to access the deposit from which minerals can be extracted. This process is referred to as stripping. Stripping costs can be incurred before the mining production commences ('developmental stripping') or during the production stage ('production stripping').

A mine can operate several open pits that are regarded as separate operations for the purpose of mine planning and production. In this case, stripping costs are accounted for separately, by reference to the ore extracted from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning and production, stripping costs can be aggregated too.

The determination of whether multiple pit mines are considered separate or integrated operations depends on each mine's specific circumstances. The following factors would point towards the stripping costs for the individual pits being accounted for separately:

- If mining of the second and subsequent pits is conducted consecutively with that of the first pit, rather than concurrently.
- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset.
- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden and ore mining, rather than as an integrated unit.
- If expenditures for additional infrastructure to support the second and subsequent pits are relatively large.
- If the pits extract ore from separate and distinct ore bodies, rather than from a single ore body.

The relative importance of each factor is considered by local management to determine whether, on balance, the stripping costs should be attributed to the individual pit or to the combined output from the several pits.

Developmental stripping costs contribute to the future economic benefits of mining operations when the production begins and so are capitalized as tangible assets (construction in progress), whereas production stripping is a part of on-going activities and are expensed within the consolidated statements of operations as part of cost of sales.

Capitalization of developmental stripping costs ends when the commercial production of the minerals commences. At this point, all stripping costs assets are presented within a specific 'mining assets' class of property, plant and equipment and then depreciated on a units-of-production basis.

Production stripping commences when the production stage of mining operations begins and continues throughout the life of a mine.

Exploration and evaluation expenditure
Exploration and evaluation activities involve the search for iron ore and coal resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analyzing historical exploration data;
- conducting topographical, geological, geochemical and geophysical studies;
- carrying out exploratory drilling, trenching and sampling activities;
- drilling, trenching and sampling activities to determine the quantity and grade of the deposit;
- examining and testing extraction methods and metallurgical or treatment processes; and,
- detailed economic feasibility evaluations to determine whether development of the reserves is commercially justified and to plan methods for mine development.

Exploration and evaluation expenditure is charged to the consolidated statements of operations as incurred except in the following circumstances, in which case the expenditure is capitalized: (i) the exploration and evaluation activity is within an area of interest, which was previously acquired in a business combination and measured at fair value on acquisition; or (ii) when management has a high degree of confidence in the project's economic viability and it is probable that future economic benefits will flow to the Company.

Capitalized exploration and evaluation expenditure is generally recorded as a component of property, plant and equipment at cost less impairment charges, unless its nature requires it to be recorded as an intangible asset. As the asset is not available for use, it is not depreciated and all capitalized exploration and evaluation expenditure is monitored for indications of impairment. To the extent that capitalized expenditure is not expected to be recovered it is recognized as an expense in the consolidated statements of operations.

Cash flows associated with exploration and evaluation expenditure are classified as operating activities when they are related to expenses or as an investing activity when they are related to a capitalized asset in the consolidated statements of cash flows.

Development expenditure
Development is the establishment of access to the mineral reserve and other preparations for commercial production. Development activities often continue during production and include:

- sinking shafts and underground drifts (often called mine development);
- making permanent excavations;
- developing passageways and rooms or galleries;
- building roads and tunnels; and
- advance removal of overburden and waste rock.

Development (or construction) also includes the installation of infrastructure (e.g. roads, utilities and housing), machinery, equipment and facilities.

When proven reserves are determined and development is sanctioned, expenditures capitalized as exploration and evaluation are reclassified as construction in progress and are disclosed as a component of property, plant and equipment. All subsequent development expenditures are capitalized and classified as construction in progress. On completion of development, all assets included in construction in progress are individually reclassified within the right category of property, plant and equipment and depreciated accordingly.

Property, plant and equipment
Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Cost includes all related costs directly attributable to the acquisition or construction of the asset. Except for the land, the property, plant and equipment are depreciated using the straight-line method over the useful lives of the related assets as presented in the table below.

Asset category	Useful life range
Land	Not depreciated
Buildings	10 to 50 years
Property plant & equipment	15 to 30 years
Auxiliary facilities	15 to 30 years
Other facilities	5 to 20 years

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

Mining assets comprise:

- Mineral rights acquired;
- Capitalized developmental stripping (as described above in 'Stripping and overburden removal costs').

Property, plant and equipment used in mining activities are 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 units-of-production basis. A unit-of-production is based on the available estimate of proven and probable reserves.

Pre-production expenditure such as exploration and evaluation assets are capitalized only when the management has a high degree of confidence in the project's economic viability and it is probable that future economic benefits will flow to the Company or when the exploration and evaluation activity is within an area of interest, which was previously acquired in a business combination and measured at fair value on acquisition.

The capitalization of pre-production expenditures can be justified through a feasibility study, valuation report or similar positive assessment performed by an external expert; through a business plan, project plan, business forecast or other assessment prepared and validated by management, or through management's knowledge and expertise derived from similar projects.

Capitalization of pre-production expenditures cease when the mining property is capable of commercial production as it is intended by management. General administration costs that are not directly attributable to a specific exploration area are charged to the consolidated statements of operations.

Property, plant and equipment under construction are recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related class of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized if the borrowing cost is directly attributable to the construction. Gains and losses on retirement or disposal of assets are recognized in the cost of sales.

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

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted if expectations differ from previous estimates. Depreciation methods applied to property, plant and equipment are reviewed at each reporting date and changed if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Asset retirement obligations
ArcelorMittal records asset retirement obligations ('ARO') initially at the fair value of the legal or constructive obligation in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related non-current asset. The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value through net financing cost and the capitalized cost is depreciated in accordance with the Company's depreciation policies for property, plant and equipment. Subsequent ARO, when reliably measurable, is recorded on the statements of financial position increasing the cost of the asset and the fair value of the related obligation.

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

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

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

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

Joint arrangements where the Company has joint control of the arrangement and have rights to the assets, and obligations for the liabilities, are accounted for in relation with the arrangement, and the Company's rights to the corresponding revenues and obligations for the corresponding expenses.

Assets held for sale and distribution

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

Deferred employee benefits

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

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

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

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

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

Provisions and accruals

ArcelorMittal recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events 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 consolidated statements of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

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

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

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

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

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

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

Financial instruments
Derivative financial instruments
See the critical accounting judgments section of this note.

Non-derivative financial instruments
Non-derivative financial instruments include cash and cash equivalents, trade and other receivables, investments in equity securities, trade and other payables and debt and other liabilities. These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. They are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire or if the Company transfers the financial instruments to another party without retaining control 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 reserves, 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 and for which fair value is not readily determinable are carried at cost less impairment.

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

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

If objective evidence indicates that cost-method investments need to be tested for impairment, calculations are based on information derived from business plans and other information available for estimating their value

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

Emission rights
ArcelorMittal's industrial sites, which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ('CO_2') emission rights, effective as of January 1, 2005, are located primarily in Belgium, Czech Republic, France, Germany, Luxembourg, Poland, Romania and Spain. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded at nil value and purchased emission rights are recorded at cost. Gains and losses from the sale of excess rights are recognized in cost of sales in the consolidated statements of operations. If on the date of the consolidated statements of financial position, the Company is short of emission rights, it will record a provision through the consolidated statements of operations.

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

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

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

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

Earnings per common share
Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. 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.

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

Segment reporting
ArcelorMittal reports its operations in six reportable segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and Commonwealth of Independent States ('AACIS'), Distribution Solutions and Mining.

The Company is organized in eight operating segments, which are components engaged in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the chief operating decision maker 'CODM' to make decisions about resources to be allocated to the segment and assess its performance. ArcelorMittal's CODM is the GMB. Operating segments are aggregated when they have similar economic characteristics (similar long-term average gross margins) and are similar in the nature of products and services, the nature of production processes, customers, the methods used to distribute products or provide services, and the regulatory environment.
The Long Carbon Americas, Long Carbon Europe, and Tubular Products operating segments have been aggregated for reporting purposes.

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

Geographical information is separately disclosed and represents ArcelorMittal's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. They do not include goodwill, deferred tax assets, other investments or receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness.

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

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

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

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

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

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

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

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

Note 19 describes the total deferred tax assets recognized in the consolidated statements of financial position and the estimated future taxable income required to utilize the recognized deferred tax assets.

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

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

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

Note 23 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 consolidated statements of operations. ArcelorMittal does not expect these environmental issues to affect the utilization of its plants, now or in the future.

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

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

In the case of permanently idled assets, the impairment is measured at the individual asset level. Otherwise, the Company's assets are measured for impairment at the cash generating unit level. In certain instances, the cash generating unit is an integrated manufacturing facility which may also be an Operating Subsidiary. Further, a manufacturing facility may be operated in concert with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2011, the Company determined it has 75 cash generating units.

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 consolidated statements of operations.

Goodwill has been allocated at the level of the Company's eight operating segments; the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the level of the groups of cash generating units, which correspond to the operating segments as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. See note 25 for further discussion of the Company's operating segments. Whenever the cash generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash generating units are tested first and any impairment of the assets is recorded prior to the testing of goodwill.

The recoverable amounts of the groups of cash-generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or 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 consolidated statements of operations, except for derivatives that are highly effective and qualify for cash flow or net investment hedge accounting.

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

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

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

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

Mining reserve estimates
Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the consolidated statements of operations may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recognized on the consolidated statements of financial position or charged to the consolidated statements of operations may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying amount of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

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

Note 3: Acquisitions

Acquisitions have been accounted for using the acquisition method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition. Goodwill recognized through the acquisitions discussed below is primarily attributable to potential strategic and financial benefits expected to be realized associated with future revenue growth and access to new markets.

There were no significant acquisitions made during the year ended December 31, 2010. Significant acquisitions made during the year ended December 31, 2011 include:

Baffinland
On January 27, 2011, in the framework of an offer to acquire all outstanding shares by way of a take-over bid, ArcelorMittal acquired a controlling stake of 58.9% in Baffinland Iron Mines Corporation ('Baffinland'), a Canadian junior mining company focused in the exploration and development of the iron ore deposits located on the Mary River property in Nunavut (Canada). The acquisition was completed through Acquireco, a company owned 70% by ArcelorMittal and 30% by Nunavut Iron Ore Acquisition Inc. ('Nunavut'). The stake held in Baffinland increased to 93.66% on February 18, 2011 following an extension of the offer and the acquisition of 100% was completed on March 25, 2011 as a result of the repurchase of the remaining 6.34% non-controlling interests (see note 4). Following these transactions, the Company holds finally a 70% stake in Baffinland. The total consideration paid for the acquisition was 528 (553 net of 25 of cash acquired) of which 362 paid in cash by ArcelorMittal and 166 paid by Nunavut (of which 105 in cash and 61 in shares). The transaction costs relating to this acquisition amounted to 5 and are recorded as selling, general and administrative expenses in the consolidated statements of operations. The Company completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 596 and total liabilities of 71. The acquired assets included 447 assigned to iron ore mining reserves and 82 assigned to exploration for and evaluation of mineral resources. The resulting final goodwill amounted to 38. The revenue and the net result consolidated since acquisition date amounted to nil and (5), respectively.

Cognor

On May 4, 2011, ArcelorMittal acquired from Cognor Group certain of its assets located in Poland, including property, plant and equipment, inventory, related operating processes and the workforce in order to strengthen its market presence in Poland. The Company accounted for this acquisition as a business combination. The total consideration paid for this acquisition was 67. The Company completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 68 and total liabilities of 1. The acquired assets included 41 assigned to land and buildings, 12 assigned to machinery and equipment and 12 assigned to inventories. There was no goodwill related to this acquisition.

Prosper

On June 1, 2011, ArcelorMittal acquired from RAG Aktiengesellschaft ('RAG') the Prosper coke plant, located in Bottrop, Germany in order to reduce external sourcing of coke. The acquisition included the facility, related operating processes and the workforce. It also acquired RAG's 27.95% stake in Arsol Aromatics, a producer of chemical raw materials based on crude benzene, a by-product of the Prosper facility. The Company accounted for this acquisition as a business combination. The total consideration paid for this acquisition was 205. The Company completed the purchase price allocation in 2011. The acquisition resulted in the consolidation of total assets of 309 and total liabilities of 86. The acquired assets included 145 assigned to the coke plant, 98 assigned to coke and coking coal inventories, 22 assigned to the investment in Arsol, 44 assigned to environmental and asset retirement obligations and 27 assigned to unfavorable contracts with a residual maturity of 8 years. The acquisition resulted in a bargain purchase of 18 and was recorded in operating income.

ATIC Services SA

On December 5, 2011, the Company acquired a controlling stake of 33.4% interest in its associate ATIC Services SA ('ATIC') thereby increasing its current 42.4% holding to 75.8% for a total cash consideration of 34 (76 net of cash acquired of 42). ATIC is a leading European provider of logistic services in relation with the coal industry headquartered in France. This acquisition will enable the Company to optimize the logistic chain in relation with the coal supply. As of December 31, 2011, the initial accounting for the business combination is incomplete and the amounts recognized in the financial statements for the business combination have been determined only provisionally as the acquisition date was close to the year end and did not enable the Company to complete the accounting for the business combination within the same financial year.

Nikmet

On December 7, 2011, the Company acquired 100% of Stevedoring Company Nikmet Terminals ('Nikmet') for a total cash consideration of 23 (including 5 of outstanding debt). Nikmet handles steel exports in the port of Nikolaev in southern Ukraine with a throughput capacity of 2 million tons per year. This acquisition will assure sea access, optimize logistics and cost savings for the Company's operations in Ukraine. As of December 31, 2011, the initial accounting for the business combination is incomplete and the amounts recognized in the financial statements for the business combination have been determined only provisionally as the acquisition date was close to the year end and did not enable the Company to complete the accounting for the business combination within the same financial year.

During 2011, the Company made the following acquisitions for which the final fair values of identifiable assets and liabilities are as follows:

	2011		
	Baffinland	Prosper	Cognor
Current assets	6	140	12
Property, plant & equipment	12	145	53
Mining rights	447	–	–
Intangibles assets	82	2	3
Other assets	49	22	–
Total assets acquired	596	309	68
Current liabilities	9	4	–
Other long-term liabilities	1	74	–
Deferred tax liabilities	61	8	1
Total liabilities assumed	71	86	1
Total net assets	525	223	67
Non-controlling interests	35[1]	–	–
Total net assets acquired	490	223	67
Cash paid to stockholders, gross	553	205	67
Cash acquired	(25)	–	–
Purchase price, net	528	205	67
Goodwill	38	–	–
Bargain purchase		(18)	

[1] *The Company acquired the remaining non-controlling interests on March 25, 2011 (see note 4).*

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

During 2011, the Company made the following acquisitions for which the provisional acquisition-date fair values of identifiable assets and liabilities are as follows:

	2011	
	ATIC	Nikmet
Current assets	55	3
Property, plant & equipment	90	3
Intangibles assets	14	–
Other assets	75	–
Total assets acquired	234	6
Current liabilities	66	1
Long-term debt	17	–
Other long-term liabilities	14	–
Deferred tax liabilities	2	–
Total liabilities assumed	99	1
Total net assets	135	5
Non-controlling interests	43	–
Total net assets acquired	92	5
Previously held equity interests	81	–
Cash paid to stockholders, gross	76	18
Cash acquired	(42)	–
Debt outstanding on acquisition	–	5
Purchase price, net	34	23
Goodwill	23	18

Note 4: Transactions with non-controlling interests

As described below, the Company acquired additional non-controlling interests during 2010 and 2011.

ArcelorMittal Ostrava
In January 2010, ArcelorMittal completed the acquisition of an additional ownership interest of 13.88% of ArcelorMittal Ostrava for a total consideration of 373. The Company's stake increased from 82.55% to 96.43%. The transaction resulted in a reduction of non-controlling interests of 436. As required by IFRS 3 (revised) and IAS 27 (revised), the Company recorded an increase of 63 directly in equity.

On July 23, 2010, the Company completed the acquisition of 3.57% of the remaining outstanding shares of ArcelorMittal Ostrava. The Company's stake increased from 96.43% to 100% for a total consideration of 84. The transaction resulted in a reduction of non-controlling interests of 98 and an increase in equity of 14.

Rozak
On February 12, 2010, the non-controlling shareholders of Rozak representing the remaining 30% not held by ArcelorMittal exercised their put option included in the original purchase agreement. The Company had previously recognized the acquisition of these shares and had recorded a liability amounting to 31, which was settled in January 2011.

Zaklady K Zdzieszowice
On September 20, 2010, ArcelorMittal Poland acquired the remaining 8.5% (58,751 shares) of Zaklady K Zdzieszowice ('ZKZ') from the Polish State Treasury for a cash consideration of 130. Following that transaction, ZKZ is a fully owned subsidiary of ArcelorMittal Poland. The net value of interests acquired was 120 and the Company recorded a decrease of 10 in equity.

Ambalaj
On February 28, 2011, ArcelorMittal acquired the remaining 25% non-controlling stake in ArcelorMittal Ambalaj (Turkey) for a total consideration of 10. The Company now owns 100% of this subsidiary.

Baffinland
On March 26, 2011, the Company acquired the remaining 6.34% non-controlling stake in Baffinland through a court approved plan of arrangement. The total consideration for the transaction was 39 of which 25 paid by ArcelorMittal. The transaction resulted in a reduction of non-controlling interests of 35. In accordance with IFRS 3 (revised) and IAS 27 (revised), the Company recorded a decrease of 4 directly in equity.

The tables below summarize the acquisition of non-controlling interests:

	2010			
	Ostrava	ZKZ	Others	Total
Non-controlling interests	534	120	91	745
Cash paid, net	457	130	10	597
Debt outstanding on acquisition	–	–	58	58
Purchase price, net	457	130	68	655
Adjustment to equity (in accordance with IAS 27 (2008))	77	(10)	23	90

	2011		
	Baffinland	Ambalaj	Total
Non-controlling interests	35	10	45
Cash paid, net	35	10	45
Debt outstanding on acquisition	4	–	4
Purchase price, net	39	10	49
Adjustment to equity (in accordance with IAS 27 (2008))	(4)	–	(4)

Other transactions with non-controlling interests

On December 28, 2009, the Company issued through a wholly-owned subsidiary unsecured and unsubordinated 750 bonds mandatorily convertible into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon) and are not listed. The bonds were originally scheduled to mature on May 25, 2011. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010 until 10 business days before conversion. The subsidiary invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Eregli Demir Ve Celik Fab. T.A.S. ('Erdemir') and Macarthur Coal Limited ('Macarthur'), both of which were publicly listed companies in which such subsidiaries hold a minority stake. In the Company's consolidated financial statements for the year ended December 31, 2010, the mandatory convertible bonds are recorded as non-controlling interests of 684 and debt of 15. (See note 15).

On April 20, 2011, the Company signed an agreement for an extension of the conversion date of the mandatory convertible bonds to January 31 2013. The other main features of the mandatory convertible bonds remained unchanged. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including non-controlling interests for 688 (net of tax and fees) and debt for 60. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 52 and was recognized as financing costs in the consolidated statements of operations.

On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000. The Company determined that this increase led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument with a resulting 15 recognized as financing costs. In the Company's consolidated statements of financial position as of December 31, 2011 the mandatory convertible bonds are recorded as non-controlling interests of 934 and debt of 66.

As a result of the completion of the sale of the shares in Macarthur on December 21, 2011 (see note 11), the notes issued by a subsidiary of ArcelorMittal and linked to the Macarthur shares were subject to an early redemption for 1,208. Prior to December 31, 2011 the Company committed to Crédit Agricole to link new notes to China Oriental Group Company Ltd ('China Oriental') shares. The proceeds from the redemption of the notes were invested in a term deposit with Crédit Agricole until January 17, 2012. On that date, notes linked to China Oriental were issued by a subsidiary of ArcelorMittal.

Note 5: Assets and liabilities held for sale and for distribution

Assets and liabilities held for sale

On October 9, 2009, the Company signed an agreement to divest its 28.6% stake in Wabush Mines in Canada. Wabush Mines was part of the Flat Carbon Americas reportable segment. Liabilities of 11 were classified as held for sale as of December 31, 2009. The total cash consideration received was 38 and the transaction was completed on February 1, 2010. A gain of 42 was recognized with respect to the disposal of this equity method investment.

On July 5, 2010, the Company completed the disposal of the Anzherskaya coal mine in Russia. The total cash consideration received was nil and the purchaser agreed to assume the liabilities of the mine. In connection with the decision to sell and cease all future use of the tangible assets, an impairment loss of 119 was recognized with respect to goodwill in the amount of 16, and property, plant and equipment in the amount of 103 and included as cost of sales in the consolidated statements of operations. Inventories and trade receivables were written down by 3.

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

Asset and liabilities held for distribution

Following the approval by ArcelorMittal's board on December 7, 2010, to spin off Aperam, the results of the stainless steel operations have been presented as discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The table below provides details of the amounts presented in the consolidated statements of operations with respect to discontinued operations:

	Consolidated statements of operations for the year ended December 31,	
	2010	2011
Sales	5,418	471
Cost of sales (including depreciation and impairment of 929 and nil for 2010 and 2011, respectively)	5,689	415
Gross margin	(271)	56
Selling, general and administrative	209	19
Operating income (loss)	(480)	37
Income from investments in associates and joint ventures	9	–
Financing costs – net	145	421
Income (loss) before taxes	(326)	458
Income tax expense (benefit)	4	(3)
Net income (loss) (including non-controlling interests)	(330)	461

The amounts disclosed above represent the operations of the stainless steel business, excluding the effects of any transactions with continuing operations entities such as interest expense or income, management fees, and sales to continuing operations.

The Company remeasured certain assets at their fair value less cost to distribute upon initial classification as assets and liabilities held for distribution at December 7, 2010. The fair value of these assets has been estimated based on trading multiples of comparable companies. ArcelorMittal compared revenue growth, operating margins and capital expenditures according to the five year business plan defined for the purpose of the spin-off to consensus forecasts of comparable companies. The Company also considered the subsequent initial trading of Aperam and various factors that may influence the trading. As a result of the remeasurement upon initial classification as assets held for distribution, the Company recognized an impairment loss of 750, at December 7, 2010, which was entirely allocated to goodwill. Following the subsequent remeasurement of fair value less cost to distribute at December 31, 2010, the Company recognized an increase in fair value and reduced the impairment loss from 750 to 598, net of tax of nil and nil, respectively. There were no subsequent changes in the fair value less cost to distribute on the spin-off date as of January 25, 2011.

The measurement of the fair value of the assets and liabilities held for distribution represents a Level 3 fair value measurement. As discussed in note 16, Level 3 measurements are based on inputs that are not based on observable market data and require management assumptions or inputs from unobservable markets. The measurement is most sensitive to changes in the selected trading multiple of comparable companies as well as the projected 2011 earnings before interest, taxes, depreciation and amortization ('Ebitda') of the stainless steel business. A 5% increase or decrease in either the trading multiple of comparable companies or the forecasted 2011 Ebitda, would have resulted in a 270 decrease or increase to the impairment loss recognized within discontinued operations, respectively at December 31, 2010.

The table below provides details of the amounts presented in the consolidated statements of other comprehensive income with respect to discontinued operations:

	Statement of other comprehensive income for the year ended December 31	
	2010	2011
Net income (loss) (including non-controlling interests)	**(330)**	**461**
Available-for-sale investments:		
Gain (loss) arising during the period	78	(11)
Reclassification adjustments for (gain) loss included in the statements of operations	(79)	(28)
	(1)	(39)
Derivative financial instruments:		
Gain (loss) arising during the period	(3)	(1)
Reclassification adjustments for (gain) loss included in the statements of operations	2	–
	(1)	(1)
Exchange differences arising on translation of foreign operations:		
Gain (loss) arising during the period	(11)	23
Reclassification adjustments for (gain) loss included in the statements of operations	–	(391)
	(11)	(368)
Total Comprehensive income	**(343)**	**53**

On January 25, 2011, the Extraordinary General Meeting of Shareholders of ArcelorMittal approved the spin-off of Aperam. As a result, all assets and liabilities classified as held for distribution at that date were transferred to Aperam for a total amount of 3,964 recognized as a reduction in shareholders' equity and determined as follows.

The table below provides details of the assets and liabilities held for distribution after elimination of intra-group balances in the consolidated statements of financial position:

	December 31, 2010	January 25, 2011
Assets		
Current assets:		
Cash and cash equivalents	123	85
Trade accounts receivable and other	387	435
Inventories	1,520	1,634
Prepaid expenses and other current assets	148	159
Total current assets	2,178	2,313
Non-current assets:		
Goodwill and intangible assets	1,360	1,379
Property, plant and equipment	3,048	3,086
Other investments	183	162
Deferred tax assets	69	68
Other assets	80	78
Total non-current assets	4,740	4,773
Total assets	**6,918**	**7,086**
Liabilities		
Current liabilities:		
Short-term debt and current portion of long-term debt	66	63
Trade accounts payable and other	769	731
Short-term provisions	41	41
Accrued expenses and other liabilities	365	307
Income tax liabilities	11	19
Total current liabilities	1,252	1,161
Non-current liabilities:		
Long-term debt, net of current portion	121	116
Deferred tax liabilities	347	364
Deferred employee benefits	181	185
Long-term provisions	126	127
Other long-term obligations	10	11
Total non-current liabilities	785	803
Total liabilities	**2,037**	**1,964**

The table below provides details of the decrease in equity resulting from the spin-off of Aperam on January 25, 2011:

Total assets held for distribution	7,086
Total liabilities held for distribution	(1,964)
Assets related to intra-group transactions within ArcelorMittal	76
Liabilities related to intra-group transactions within ArcelorMittal	(1,210)
Fair value of Aperam shares attributed to ArcelorMittal as a result of the treasury shares held by the Company	(24)
Total decrease in equity	3,964

A total amount of 419 previously recognized in other comprehensive income and including the cumulative exchange differences arising on translation of foreign operations for 391 and gains and losses on available-for-sale financial assets for 28 was reclassified to the consolidated statements of operations as a result of the spin-off.

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

Note 6: Trade accounts receivable and other

Trade accounts receivable and allowance for doubtful accounts as of December 31, are as follows:

	2010	2011
Gross amount	5,994	6,681
Allowance for doubtful accounts	(269)	(229)
Total	5,725	6,452

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

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

	2010*	2011
Flat Carbon Americas	459	541
Flat Carbon Europe	979	1,079
Long Carbon Americas and Europe	2,024	2,118
Distribution Solutions	1,561	1,878
AACIS	514	526
Mining	93	152
Other activities	95	158
Total	5,725	6,452

* *The 2010 information has been recast retrospectively as the Company's mining operations are presented as a separate reportable segment as of January 1, 2011.*

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

	2010	2011
Europe	3,421	3,727
North America	773	844
South America	793	913
Africa & Asia	588	618
Middle East	150	350
Total	5,725	6,452

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

	2010			2011		
	Gross	Allowance	Total	Gross	Allowance	Total
Not past due	4,618	(44)	4,574	5,412	(31)	5,381
Past due 0-30 days	745	(11)	734	659	(6)	653
Past due 31-60 days	164	(3)	161	200	(8)	192
Past due 61-90 days	62	(6)	56	80	(6)	74
Past due 91-180 days	116	(11)	105	95	(13)	82
More than 180 days	289	(194)	95	235	(165)	70
Total	5,994	(269)	5,725	6,681	(229)	6,452

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

Balance as of December 31, 2009	Additions	Deductions/Releases	Others	Balance as of December 31, 2010
382	47	(122)	(38)	269

Balance as of December 31, 2010	Additions	Deductions/Releases	Others	Balance as of December 31, 2011
269	24	(59)	(5)	229

The Company has established sales without recourse of trade accounts receivable programs with financial institutions for a total amount as of December 31, 2011 of €2,540 million, 900 and CAD 215 million, referred to as True Sale of Receivables ('TSR'). These amounts represent the maximum amounts of unpaid receivables that may be sold and outstanding at any given time. Through the TSR programs, certain operating subsidiaries of ArcelorMittal 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 consolidated statements of financial position at the time of sale. The total amount of receivables sold under TSR programs and derecognized in accordance with IAS 39 for the years ended December 31, 2010 and 2011 were 29,503 and 35,287 respectively, (with amounts of receivables sold in euros and Canadian dollars converted to US dollars at the monthly average exchange rate). Expenses incurred under the TSR programs reflecting the discount granted to the acquirers of the accounts receivable recognized in the consolidated statements of operations, excluding amounts presented as discontinued operations, amounted to 110 and 152 in 2010 and 2011, respectively.

Note 7: Inventories

Inventories, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 1,304 and 1,549 as of December 31, 2010 and 2011, respectively, is comprised of the following:

	December 31, 2010	December 31, 2011
Finished products	6,321	7,356
Production in process	4,038	4,531
Raw materials	7,263	7,933
Manufacturing supplies, spare parts and other	1,961	1,869
Total	19,583	21,689

The amount of inventory pledged as collateral was 44 and 11 as of December 31, 2010 and 2011, respectively.

The movement in the allowance for obsolescence is as follows:

Balance as of December 31, 2009	Additions	Deductions/Releases	Others*	Balance as of December 31, 2010
1,540	1,084	(1,096)	(224)	1,304

Balance as of December 31, 2010	Additions	Deductions/Releases	Others**	Balance as of December 31, 2011
1,304	1,398	(1,093)	(60)	1,549

** Includes (141) related to the transfer of allowance for obsolescence to assets held for sale and distribution.*
*** Includes (2) related to the transfer of allowance for obsolescence to assets held for sale and distribution.*

Due to the sharp decline in the market prices of raw materials and steel demand in the last quarter of 2008 and continuing through 2011, 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 1,084 and 1,398 in 2010 and 2011, respectively, and was reduced by 1,096 and 1,093 in 2010 and 2011, respectively, due to normal inventory consumption.

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

Note 8: Prepaid expenses and other current assets

Prepaid expenses and other current assets consists of advance payments to taxing and other public authorities (including value-added tax ('VAT')), income tax receivable, revaluation of derivative financial instruments, prepaid expenses and other receivables and other, which is made up of advances to employees, prepayments, accrued interest, dividends receivable and other miscellaneous receivables.

	December 31, 2010	December 31, 2011
VAT recoverable	1,694	1,709
Income tax receivable	434	430
Revaluation of derivative financial instruments	523	242
Prepaid expenses and other receivables	1,024	715
Other	485	463
Total	**4,160**	**3,559**

Note 9: Goodwill and intangible assets

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisitions	Concessions, patents and licenses	Favorable contracts	Other	Total
Cost					
At December 31, 2009	15,555	1,063	1,067	2,013	19,698
Acquisitions	–	20	–	155	175
Disposals	–	(9)	–	–	(9)
Foreign exchange differences	(427)	(45)	(46)	(90)	(608)
Transferred to assets held for sale and distribution	(1,795)	(105)	–	(270)	(2,170)
Transfers and other movements	(15)	15	(152)	21	(131)
At December 31, 2010	13,318	939	869	1,829	16,955
Acquisitions	79	51	–	105	235
Disposals	–	(10)	–	(159)	(169)
Foreign exchange differences	(198)	(48)	(13)	11	(248)
Transfers and other movements	(16)	156	(50)	8	98
At December 31, 2011	13,183	1,088	806	1,794	16,871
Accumulated amortization and impairment losses					
At December 31, 2009	727	385	1,000	552	2,664
Disposals	–	(7)	–	–	(7)
Amortization charge[1]	–	139	34	247	420[1]
Impairment and reduction of goodwill	16	28	–	–	44
Foreign exchange differences	(14)	(28)	(45)	(37)	(124)
Transferred to assets held for distribution	–	(94)	–	(118)	(212)
Transfers and other movements	–	(55)	(151)	3	(203)
At December 31, 2010	729	368	838	647	2,582
Disposals	–	(5)	–	(1)	(6)
Amortization charge[1]	–	76	12	222	310
Foreign exchange differences	(1)	(29)	(13)	(1)	(44)
Transfers and other movements	(16)	44	(50)	(2)	(24)
At December 31, 2011	712	454	787	865	2,818
Carrying amount					
At December 31, 2010	12,589	571	31	1,182	14,373
At December 31, 2011	12,471	634	19	929	14,053

[1] *Including amortization with respect to discontinued operations of 29 and nil for the years ended December 31, 2010 and 2011, respectively.*

Goodwill acquired in business combinations and acquisitions of non-controlling interests are as follows for each of the Company's operating segments:

	Net value December 31, 2009	Transfer to assets held for distribution	Foreign exchange differences and other movements	Impairment and other reductions	Net value December 31, 2010
Flat Carbon Europe	3,195	–	(173)	–	3,022
Flat Carbon Americas	4,079	–	–	–	4,079
Long Carbon Europe	1,280	–	(92)	–	1,188
Long Carbon Americas	1,759	–	(2)	–	1,757
Tubular Products	158	–	(79)	–	79
AACIS	1,518	–	(3)	(16)	1,499
Stainless Steel[1]	1,788	(1,795)	7	–	–
Distribution Solutions	1,051	–	(71)	(15)	965
TOTAL	**14,828**	**(1,795)**	**(413)**	**(31)**	**12,589**

	Net value December 31, 2010	Reclassification to Mining[2]	Net value January 1, 2011	Foreign exchange differences and other movements	Acquisitions	Net value December 31, 2011
Flat Carbon Europe	3,022	(69)	2,953	(100)	23	2,876
Flat Carbon Americas	4,079	(755)	3,324	8	–	3,332
Long Carbon Europe	1,188	–	1,188	(35)	–	1,153
Long Carbon Americas	1,757	(33)	1,724	(38)	–	1,686
Tubular Products	79	–	79	–	–	79
AACIS	1,499	(14)	1,485	4	18	1,507
Distribution Solutions	965	–	965	(29)	–	936
Mining	–	871	871	(7)	38	902
TOTAL	**12,589**	**–**	**12,589**	**(197)**	**79**	**12,471**

[1] *See note 5 for discussion of the valuation of the stainless steel business which has been presented as discontinued operations.*
[2] *January 1, 2011, goodwill was reallocated among the groups of cash generating units based on the relative fair values of the assets as a result of mining operations being presented as a separate operating and reportable segment.*

Goodwill acquired in business combinations and the acquisition of non-controlling interests, prior to the adoption of IAS 27 (2008) has been allocated to the Company's operating segments and presented in the table above. This represents the lowest level at which goodwill is monitored for internal management purposes.

Goodwill is tested at the group of cash generating units ('GCGU') level for impairment annually, as of November 30, or whenever changes in circumstances indicate that the carrying amount may not be recoverable. In all cases, the GCGU is at the operating segment level. 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, expected changes to average selling prices, shipments and direct costs during the period.

The value in use of each GCGU was determined by estimating cash flows for a period of five years for steel operations and over the life of the mines for mining operations. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial plans approved by management. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an estimated constant growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

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

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

	Flat Carbon Europe	Flat Carbon Americas	Long Carbon Europe	Long Carbon Americas	Tubular Products	AACIS	Mining	Distribution Solutions
GCGU weighted average pre-tax discount rate used in 2010 (in %)	10.9	12.2	10.5	13.2	14.9	14.4	–	12.1
GCGU weighted average pre-tax discount rate used in 2011 (in %)	10.4	10.0	10.3	10.6	12.8	11.4	19.2	11.1

When estimating average selling price, the Company used a range of assumptions between $717 per tonne and $954 per ton, which remain stable for the next four years depending on the markets in which each GCGU is operating.

The value in use calculated for all GCGUs remained relatively stable in 2011 as compared to 2010, except for Flat Carbon Europe and Distribution Solutions whose value in use decreased primarily as a result of growing uncertainty over the evolution of economic situation in Europe. However, the results of the Company's goodwill impairment test as of November 30, 2011 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 each 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 in 2011. Management believes that reasonably possible changes in key assumptions would cause an impairment loss to be recognized in respect of Flat Carbon Europe and Distribution Solutions.

Flat Carbon Europe covers a wide flat carbon steel product portfolio including hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. It is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east. Management believes that sales volumes, prices and discount rates are the key assumptions most sensitive to change. Flat Carbon Europe is substantially exposed to European markets whose recovery has slowed due to the adverse economic consequences of the European sovereign debt crisis. It is also exposed to export markets and international steel prices which are volatile, reflecting the cyclical nature of the global steel industry, developments in particular steel consuming industries, the cost of raw materials and macroeconomic trends, such as economic growth and foreign exchange rates. Discount rates may be affected by changes in countries' specific risks.
Future projections anticipate a limited recovery of sales volumes in 2012 from the sales volumes achieved in 2011 (27.1 million tonnes for the year ended December 31, 2011) with steady improvements thereafter, without reaching the sales volume achieved prior to the crisis of 2008/2009 (33.5 million tonnes for the year ended December 31, 2008). Prices and margins on raw materials are expected to increase only marginally over the period. The projection also include the expected improvements in production costs associated with variable and fixed cost reduction plans identified by management and announced closures and workforce reductions. Discount rates are kept stable over the period.

Distribution Solutions is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added customized steel solutions through further steel processing to meet specific customer requirements. Management believes that sales volumes, gross margins and discount rates are the key assumptions most sensitive to change. Distribution Solutions is substantially exposed to European markets whose recovery has slowed due to the adverse economic consequences of the European sovereign debt crisis. Furthermore, gross margins may be temporarily impacted by the fluctuation and volatility between selling prices and the cost of inventories. Discount rates may be affected by changes in countries' specific risks. Future projections anticipate a limited recovery of sales volumes in 2013 from the sales volumes achieved in 2011 (18.4 million tonnes for the year ended December 31, 2011) with steady improvements thereafter to reach and marginally exceed the sales volumes achieved prior to the crisis of 2008/2009 (19.1 million tonnes for the year ended December 31, 2008). Prices are expected to remain stable during the period. Discount rates are kept stable over the period.

The following changes in key assumptions used in the impairment review, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal the respective carrying value;

	Flat Carbon Europe	Distribution Solutions
Excess of recoverable amount over carrying amount	2,269	614
Increase in pre-tax discount rate (change in basis points)	74	120
Decrease in average selling price (change in %)	0.62	–
Decrease in shipments (change in %)	1.95	3.58
Decrease in gross margin (change in %)	–	9.26
Decrease in terminal growth rate used in for the years beyond the five year plan (change in basis points)	75	111

During 2010, in connection with its agreement to sell the Anzherskaya mine, the Company allocated a portion of goodwill to the mine and then performed an impairment test which resulted in an impairment of goodwill of 16.

At December 31, 2010 and 2011, the Company had 14,373 and 14,053 of intangible assets, of which 12,589 and 12,471 represented goodwill, respectively. Other intangible assets were comprised primarily of customer relationships, trademarks and technology, amounting to 1,007 and 777 and exploration for and evaluation of mineral resources amounting to nil and 107 as of December 31, 2010 and 2011, respectively, and have residual useful lives between 5 and 15 years.

The Company recognized a gain on sale of CO_2 emission rights amounting to 140 and 93 during the year ended December 31, 2010 and 2011, respectively.

Research and development costs not meeting the criteria for capitalization are expensed as incurred. These costs amounted to 322 and 306 in the years ended December 31, 2010, and 2011, respectively.

Note 10: Property, plant and equipment

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Mining Assets	Total
Cost					
At December 31, 2009	**17,713**	**59,620**	**3,449**	**3,122**	**83,904**
Additions	120	728	2,733	7	3,588
Foreign exchange differences	(1,034)	(2,835)	(93)	19	(3,943)
Disposals	(136)	(558)	(8)	(18)	(720)
Transfer to assets held for distribution	(1,120)	(2,840)	(125)	–	(4,085)
Other movements	218	2,024	(2,120)	12	134
At December 31, 2010	**15,761**	**56,139**	**3,836**	**3,142**	**78,878**
Additions	81	976	3,869	149	5,075
Acquisition through business combination	69	214	20	447	750
Foreign exchange differences	(667)	(2,620)	(180)	(56)	(3,523)
Disposals	(122)	(765)	(14)	(73)	(974)
Other movements	(17)	2,131	(2,445)	617	286
At December 31, 2011	**15,105**	**56,075**	**5,086**	**4,226**	**80,492**
Accumulated depreciation and impairment					
At December 31, 2009	**3,775**	**18,986**	**116**	**642**	**23,519**
Depreciation charge for the year [1]	485	3,652	19	154	4,310[1]
Impairment [1]	86	208	–	217	511[1]
Disposals	(63)	(497)	(1)	(18)	(579)
Foreign exchange differences	(448)	(1,785)	(5)	4	(2,234)
Transfer to assets held for distribution	(171)	(866)	–	–	(1,037)
Other movements	(184)	268	(9)	(31)	44
At December 31, 2010	**3,480**	**19,966**	**120**	**968**	**24,534**
Depreciation charge for the year	542	3,656	–	174	4,372
Impairment	59	230	41	1	331
Disposals	(72)	(704)	(8)	(73)	(857)
Foreign exchange differences	(317)	(1,680)	(8)	(9)	(2,014)
Other movements	(106)	38	(17)	(40)	(125)
At December 31, 2011	**3,586**	**21,506**	**128**	**1,021**	**26,241**
Carrying amount					
At December 31, 2010	**12,281**	**36,173**	**3,716**	**2,174**	**54,344**
At December 31, 2011	**11,519**	**34,569**	**4,958**	**3,205**	**54,251**

[1] *Includes depreciation and impairment with respect to discontinued operations of 272 and 30, respectively, for the year ended December 31, 2010.*

Other movements predominantly represent transfers from construction in progress to other categories.

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.

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

The impairment loss recognized in 2010 of 481 was recorded as an expense as part of cost of sales in the consolidated statements of operations. A decision was made to cease all future use of various idle assets resulting in a total impairment of 93 mainly related to certain tools linked to a pickling line and a discontinued project at ArcelorMittal Belgium S.A. (35) and certain tools linked to a galvanizing line at ArcelorMittal Poland (21). ArcelorMittal Belgium S.A. and ArcelorMittal Poland are part of Flat Carbon Europe. An amount of 103 was recognized in connection with the disposal of the Anzherskaya coal mine in Russia, which was part of the AACIS reportable segment. The remaining impairment of 285 consisted primarily of the following:

Cash-generating unit	Reportable segment	Impairment recorded	2009 pre-tax discount rate	2010 pre-tax discount rate	Carrying value as of December 31, 2011
Ugolnaya Kompaniya 'Severniy Kuzbass'	Mining	166	16.8%	13.7%	209
ArcelorMittal Construction	Distribution Solutions	70	14.3%	12.2%	351
Wire Solutions	Distribution Solutions	43	13.9%	11.9%	304

In connection with management's annual test for impairment of goodwill as of November 30, 2011, property, plant and equipment was also tested for impairment at that date. As of December 31, 2011, management concluded that the carrying amount of property, plant and equipment did not exceed the value in use and therefore, no impairment loss was recognized on that basis.

The impairment loss recognized in 2011 of 331 relates to the management decision to cease all future use of various idle assets. This impairment loss included an amount of 151 with respect to the extended idling of the ArcelorMittal Madrid electric arc furnace. Also, an impairment loss of 85 was recorded in connection with the intended closure of the primary facilities of ArcelorMittal Liège Upstream, Belgium, which is still under discussion with local labor organizations. ArcelorMittal Liège Upstream and ArcelorMittal Madrid are part of Flat Carbon Europe and Long Carbon Americas and Europe, respectively. The carrying amount of temporarily idle property, plant and equipment, at December 31, 2011 was 809 (including 369 at Flat Carbon Europe, 291 at Flat Carbon Americas and 149 at Long Carbon Americas & Europe).

The carrying amount of capitalized leases is 795 for which 721 is related to plant, machinery and equipment, 33 to buildings, 31 to land and 10 to other various assets.

The total future minimum lease payments related to financial leases are as followed:

2012	167
2013 – 2016	303
2017 and above	336
Total	806

The present value of the future minimum lease payments is 630. The calculation is based on an average discounting rate of 11.86% considering maturities from 2 to 17 years including the renewal option when intended to be exercised.

The Company has pledged 264 and 170 of property, plant and equipment, inventories and other security interests and collaterals as of December 31, 2010 and 2011, respectively, to secure banking facilities granted to the Company.

Note 11: Investments in associates and joint ventures

The Company had the following investments in associates and joint ventures accounted for under the equity method, at December 31, 2011:

Investee	Country of incorporation [7]	Ownership % at December 31, 2011	Carrying value at December 31, 2010	Carrying value at December 31, 2011
China Oriental[1]	Bermuda	47.03%	1,337	1,475
Eregli Demir Ve Celik Fab.T.AS[2]	Turkey	25.78%	1,596	1,378
DHS GROUP	Germany	33.43%	1,191	1,149
Hunan Valin Steel Tube and Wire Co., Ltd.[3]	China	29.97%	686	691
Enovos International SA[4]	Luxembourg	23.48%	614	597
Gestamp	Spain	35.00%	468	506
Gonvarri Steel Industries	Spain	35.00%	385	408
Kalagadi Manganese (Propriety) Ltd	South Africa	50.00%	496	397
Macsteel International Holdings B.V.	Netherlands	50.00%	260	255
ArcelorMittal Gonvarri Brasil Produtos Siderurgicos	Brazil	50.00%	215	192
Gallatin Steel Company	United States	50.00%	122	168
Coils Lamiere Nastri (CLN) S.p.A.	Italy	35.00%	177	164
Borcelik Celik Sanayii Ticaret A.S.	Turkey	43.90%	163	157
STALPRODUKT SA	Poland	33.77%	168	153
Kiswire ArcelorMittal Ltd	Korea	50.00%	148	152
I/N Kote L.P.	United States	50.00%	155	151
Coal of Africa Limited[5]	Australia	15.93%	133	116
Cía. Hispano-Brasileira de Pelotizaçao	Brazil	49.11%	124	112
Macarthur Coal Ltd[6]	Australia	–	908	–
Other			806	820
			10,152	9,041

[1] *On November 8, 2007, ArcelorMittal purchased approximately 820,000,000 China Oriental shares for a total consideration of 644 (HK$5.02 billion), or a 28.02% equity interest. On December 13, 2007, the Company entered into a shareholder's agreement which enabled it to become the majority shareholder of China Oriental and to finally raise its equity stake in China Oriental to 73.13%. At the time of the close of its tender offer on February 4, 2008 ArcelorMittal had reached a 47% shareholding in China Oriental. Given the 45.4% shareholding held by the founding shareholders, this left a free float of 7.6% against a minimum Hong Kong Stock Exchange ('HKSE') listing requirement of 25%. The measures to restore the minimum free float have been achieved by means of sale of 17.4% stake to ING Bank N.V. ('ING') and Deutsche Bank Aktiengesellschaft ('Deutsche Bank') together with put option agreements. On March 25, 2011, these agreements have been extended for additional 36 months. The Company has not derecognized the 17.4% stake as it retained the significant risk and rewards of the investment. As of December 31, 2011, the investment had a market value of 399 (562 in 2010).*

[2] *As of December 31, 2010 and 2011, the investment had a market value of 1,317 and 933, respectively. For purposes of applying the equity method of accounting, the Company's share of Erdemir's profit or loss for the years ended December 31, 2010 and 2011 have been obtained from Erdemir's financial statements prepared as of September 30, 2010 and 2011, respectively.*

[3] *As of December 31, 2010 and 2011, the investment had a market value of 502 and 396, respectively. In August 2011, Hunan Valin completed the last stage of the private placement to issue 278 million new shares to Valin Group at CNY 5.57 per share. Accordingly, ArcelorMittal's shareholding decreased from 33.02% to 29.97%.*

[4] *On January 6, 2011, the City of Luxembourg contributed its gas and electricity networks as well as its energy sales activities to two subsidiaries of Enovos International S.A., Creos Luxembourg S.A. and Enovos Luxembourg S.A., respectively. Consequently, the stake held by the Company in Enovos International S.A. decreased from 25.29% to 23.48%.*

[5] *On November 3, 2011, Coal of Africa Limited announced that 130,000,000 new ordinary shares had been placed at a price of GBP 0.51 per share. ArcelorMittal South Africa contributed for 16 in order to maintain its shareholding and not be diluted.*

[6] *On May 21, 2008, ArcelorMittal acquired a 14.9% stake in Macarthur. On July 10, 2008, the Company 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 of Macarthur was 812. In the second quarter of 2009, ArcelorMittal did not subscribe to a capital increase in Macarthur and the stake decreased to 16.6%. At the end of August 2010, ArcelorMittal purchased an additional 6,332,878 shares. The Company's stake therefore remained at 16.6%. Macarthur established a Share Purchase Plan limited to shareholders with registered address in Australia and New Zealand and a Dividend Reinvestment Plan, which provides the opportunity to shareholders to use their dividends to acquire additional shares in Macarthur without incurring brokerage or transaction fees. ArcelorMittal decided not to participate. These plans resulted in the issuance of new shares bringing the total number of shares to 302,092,343. ArcelorMittal's shareholding decreased from 16.6% to 16.07%, corresponding to 48,552,062 shares.*
On August 18, 2011, ArcelorMittal and Peabody Energy ('Peabody') launched a tender offer to acquire all of the outstanding shares of Macarthur in which ArcelorMittal already held a 16.07% stake.
On October 25, 2011, ArcelorMittal notified Peabody that, following its acceptance of the offer of PEAMCoal Ltd. ('PEAMCoal'), a bid company 40% owned by ArcelorMittal and 60% owned by Peabody, to acquire up to 100% of the issued securities of Macarthur in August 2011, it would be terminating the Co-Operation and Contribution Agreement between ArcelorMittal and Peabody. The Company tendered its Macarthur shares on November 3, 2011. Under the initial proposed offer on August 1, 2011, Macarthur shareholders were to be offered a cash price of AUD$15.50 per share, implying a value for the equity in Macarthur of approximately AUD$4.7 billion. On August 30, 2011, the Macarthur board of directors agreed to a cash takeover of all outstanding shares for AUD$16.00 per share, which was raised on October 21, 2011 to AUD$16.25 per share if the 90% threshold of acceptance was reached. ArcelorMittal remained a shareholder in PEAMCoal until the termination arrangements were completed on December 21, 2011. The Company recorded an impairment loss of 107 with respect to its 16.07% stake to reduce the carrying amount to the proceeds from the tendered shares which were settled on December 21, 2011.

[7] *The country of incorporation corresponds to the country of operation except for China Oriental, Macsteel International Holdings B.V. and Coal of Africa Limited whose country of operation is China, South Africa and South Africa, respectively.*

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

Summarized financial information, in the aggregate, for associates, jointly controlled entities are as follows:

	December 31, 2010	December 31, 2011
Condensed statements of operations		
Revenue	43,688	54,754
Net income	1,535	1,712
Condensed statements of financial position		
Total assets	53,436	55,449
Total liabilities	31,401	31,723

The Company also has interests in jointly controlled operations using proportional consolidation for which the amounts recorded in the Company's consolidated statements are as follows:

	December 31 2010,	December 31, 2011
Consolidated statements of operations		
Expenses	(212)	(297)
Condensed statements of financial position		
Current assets	56	49
Long term assets	185	180
Current liabilities	43	44
Long term liabilities	73	61

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

There are no contingent liabilities related to associates and joint ventures for which the Company is severally liable for all or part of the liabilities of the associates nor are there any contingent liabilities incurred jointly with other investors. See note 22 for disclosure of commitments related to associates and joint ventures.

Note 12: Other investments

The Company holds the following other investments:

	December 31, 2010	December 31, 2011
Available-for-sale securities (at fair value)	11	16
Investments accounted for at cost	256	210
Total	267	226

The change in fair value of available-for-sale securities for the period was recorded directly in equity as an unrealized gain or loss, net of income tax and non-controlling interests, of 1 and (14) for the years ended December 31, 2010, and 2011, respectively.

On January 25, 2011, ArcelorMittal received 24 of Aperam shares as a result of the treasury shares held by the company at the spin-off date of the stainless steel business.

On November 4, 2011 the Company completed the sale of its 12% stake in Boasteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. to Nippon Steel for 129.

Note 13: Other assets

Other assets consisted of the following:

	December 31, 2010	December 31, 2011
Long-term value-added-tax receivables	455	497
Collateral related to the put agreement on China Oriental [1]	–	380
Cash guarantees and deposits	283	254
Assets in pension funds	317	326
Call options on ArcelorMittal shares and mandatory convertible bond [2]	841	291
Revaluation of derivative financial instruments	74	79
Income tax receivable	13	224
Financial amounts receivable	148	194
Others	359	378
Total	2,490	2,623

[1] *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. The Company reclassified this collateral to current assets in 2010. On March 25, 2011, the agreement has been extended with a new maturity on April 30, 2014 and the Company reclassified this collateral to non current assets.*

[2] *On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 ($27.21) per share. The Company also holds a call option on the mandatory convertible bonds (see note 16).*

Note 14: Balances and transactions with related parties

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

Sales and trades receivables

Transactions	Category	Sales		Trade accounts receivable	
		Year ended December 31, 2010	Year ended December 31, 2011	December 31, 2010	December 31, 2011
Gonvarri Group	Associate	1,081	1,622	103	120
Macsteel Group	Associate	931	845	32	22
CLN Group	Associate	444	476	42	32
I/N Kote L.P.	Associate	398	421	63	13
Bamesa Group	Associate	351	408	69	54
Borcelik Celik Sanayii Ticaret A.S.	Associate	383	345	44	32
DHS Group	Associate	265	264	115	13
Gestamp Group	Associate	186	261	11	23
WDI Group	Associate	131	216	3	9
Aperam	Other	–	177	–	29
Polski Koks[1]	Other	304	107	62	–
Stalprofil S.A.	Associate	77	92	–	9
Uttam Galva Steels Limited	Associate	–	91	18	25
Steel Mart India Private Limited	Other	67	83	–	9
ArcelorMittal BE Group SSC AB	Associate	57	73	3	6
Others		198	394	51	61
Transactions with related parties attributable to continuing operations		**4,873**	**5,875**	**616**	**457**

[1] *The shareholding in Polski Koks was sold in June 2011.*

Transactions with related parties also include non current amounts receivable and other current assets for 142 and 67, respectively.

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

Purchase and trade payables

Transactions	Category	Purchases		Trade accounts payable	
		Year ended December 31, 2010	Year ended December 31, 2011	December 31, 2010	December 31, 2011
Empire Iron Mining Partnership	Associate	253	444	–	–
Borcelik Celik Sanayii Ticaret A.S.	Associate	300	379	63	42
Atic Services [1]	Other	186	215	66	–
Cia Hispano Brasileira de Pelotizaçao SA	Associate	109	194	67	22
Aperam	Other	–	179	–	20
Gonvarri Group	Associate	143	167	13	11
I/N Tek L.P.	Associate	150	154	4	4
Macarthur Coal Ltd [2]	Other	186	149	71	–
Polski Koks S.A. [3]	Other	434	143	89	–
Exeltium	Joint Venture	53	104	14	–
Consorcio Minero Benito Juarez Pena Colorada, S.A. de C.V.	Associate	82	101	–	22
DHS Group	Associate	57	77	7	7
Enovos International SA	Associate	54	75	12	19
CFL Cargo S.A.	Associate	41	62	14	9
Kiswire ArcelorMittal Ltd	Associate	30	60	10	15
Uttam Galva Steels Limited	Associate	14	58	–	2
Baycoat L.P.	Associate	99	53	12	3
Other		257	283	23	81
Transactions with related parties attributable to continuing operations		**2,448**	**2,897**	**465**	**257**
Transactions with related parties attributable to discontinued operations		**3**	**–**	**–**	**–**

[1] *Atic Services was acquired on December 5, 2011.*
[2] *The shareholding in Macarthur Coal Ltd was sold in December 2011.*
[3] *The shareholding in Polski Koks was sold in June 2011.*

Transactions with related parties also include other current liabilities for 181 of which 133 relates to amounts payable under cash pooling arrangements with Aperam.

On March 28, 2011 a bridge loan of 900 granted by the Company to Aperam was fully repaid with the proceeds of a borrowing base facility agreement dated March 15, 2011 and an offering of notes by Aperam.

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 26 for disclosure of transactions with key management personnel.

Transactions with related parties are mainly related to sales and purchases of raw materials and steel products.

For discussion of transactions with Ispat International Investments S.L., refer to note 17.

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

Note 15: Short-term and long-term debt

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

	December 31, 2010	December 31, 2011
Short-term bank loans and other credit facilities including commercial paper	2,908	1,531
Current portion of long-term debt	3,710	1,130
Lease obligations	98	123
Total	6,716	2,784

Commercial paper

The Company has a commercial paper program enabling borrowings of up to €2,000 (2,588). As of December 31, 2011, the outstanding amount was 634.

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

	Year of maturity	Type of interest	Interest rate[1]	2010	2011
Corporate					
€12 billion Term Loan Facility	2011	Floating		3,206	–
€5 billion Revolving Credit Facility	2011	Floating		–	–
300 Bilateral Credit Facility	2013	Floating		–	–
4.0 billion Revolving Credit Facility	2015	Floating		–	–
6.0 billion Revolving Credit Facility	2016	Floating	2.00%-2.10%	–	1,747
€1.5 billion Unsecured bonds	2013	Fixed	8.25%	1,993	1,934
1.5 billion Unsecured Notes	2013	Fixed	5.38%	1,500	1,500
€1.25 billion Convertible bonds	2014	Fixed	7.25%	1,343	1,376
800 Convertible Senior Notes	2014	Fixed	5.00%	651	689
€0.1 billion Unsecured bonds	2014	Fixed	5.50%	134	129
€0.5 billion Unsecured bonds	2014	Fixed	4.63%	668	647
750 Unsecured Notes	2015	Fixed	9.00%	742	743
1.0 billion Unsecured bonds	2015	Fixed	3.75%	989	991
500 Unsecured Notes	2016	Fixed	3.75%	–	497
€1.0 billion Unsecured bonds	2016	Fixed	9.38%	1,324	1,283
€1.0 billion Unsecured bonds	2017	Fixed	4.63%	1,322	1,282
1.5 billion Unsecured Notes	2018	Fixed	6.13%	1,500	1,500
1.5 billion Unsecured Notes	2019	Fixed	9.85%	1,460	1,463
1.0 billion Unsecured bonds	2020	Fixed	5.25%	981	982
1.5 billion Unsecured Notes	2021	Fixed	5.50%	–	1,484
1.5 billion Unsecured bonds	2039	Fixed	7.00%	1,463	1,464
1.0 billion Unsecured Notes	2041	Fixed	6.75%	–	983
Other loans	2011-2016	Fixed	3.80%-6.40%	605	668
EBRD loans	2012-2015	Floating	1.10%-1.38%	178	118
EIB loan	2016	Floating	2.49%	–	323
ICO loan	2017	Floating	4.06%	–	91
Other loans	2011-2035	Floating	0.58%-4.50%	1,196	954
Total Corporate				21,255	22,848
Americas					
800 Senior Secured Notes	2014	Fixed	9.75%	–	–
600 Senior Unsecured Notes	2014	Fixed	6.50%	500	500
Other loans	2011-2020	Fixed/Floating	0.70%-20.90%	843	759
Total Americas				1,343	1,259
Europe, Asia & Africa					
Other loans	2011-2018	Fixed/Floating	2.10%-16.00%	118	151
Total Europe, Asia & Africa				118	151
Total				**22,716**	**24,258**
Less current portion of long-term debt				(3,710)	(1,130)
Total long-term debt (excluding lease obligations)				19,006	23,128
Long-term lease obligations[2]				286	506
Total long-term debt, net of current portion				**19,292**	**23,634**

[1] Rates applicable to balances outstanding at December 31, 2011.
[2] Net of current portion of 98 and 123 in 2010 and 2011, respectively.

Corporate

€17 billion credit facilities
On November 30, 2006, the Company entered into a €17 billion credit agreement, comprised of a €12 billion term loan facility and a €5 billion revolving credit facility, with a group of lenders to refinance certain of the Company's existing credit facilities. The original maturity of the €5 billion revolving credit facility was November 30 2012. On March 31, 2011, the €12 billion term loan facility was repaid and the €5 billion revolving credit facility was cancelled.

300 bilateral credit facility
On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of 300. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of 300, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. As of December 31, 2011, one facility was cancelled and the other facility was fully available.

$4 billion revolving credit facility
On May 6, 2010, ArcelorMittal entered into a $4 billion three-year revolving credit facility for general corporate purposes which replaced the Company's previous $4 billion revolving credit facility dated May 13, 2008, and the related $3.25 billion forward-start facility dated February 13, 2009. These facilities were cancelled during the first half of 2010. Following this cancellation, none of the forward-start facilities entered into by the Company during the first half of 2009 remained in effect. On September 30, 2011, the original maturity of the $4 billion revolving credit facility was extended from May 6, 2013 to May 6, 2015. As of December 31, 2011, the facility remains fully available.

$6 billion revolving credit facility
On March 18, 2011, ArcelorMittal entered into a $6 billion revolving credit facility, which may be utilized for general corporate purposes and which matures on March 18, 2016. This $6 billion revolving credit facility replaced the Company's €17 billion credit facilities after their full repayment and cancellation on March 31, 2011. As of December 31, 2011, $1.7 billion was outstanding under the $6 billion revolving credit facility

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

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

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

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

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

As of December 31, 2010 and 2011, the fair value of the embedded derivative for the €1.25 billion convertible bonds was 841 and 180, respectively. The change in fair value of 296 and 698 (661 including foreign exchange effect) related to the convertible bonds was a non-cash activity and was recognized in the consolidated statements of operations for the years ended December 31, 2010 and 2011 as financing costs, respectively. Assumptions used in the fair value determination as of December 31, 2010 and 2011 were as follows:

	€1.25 billion convertible bonds	
	December 31, 2010	December 31, 2011
Spot value of shares	€ 28.38	€ 14.13
Quote of convertible bonds	€ 32.56	€ 23.36
Credit spread (basis points)	188	476
Dividend per quarter	€ 0.14	€ 0.14

In transactions conducted on December 14, 2010 and December 18, 2010, respectively ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares and US dollar-denominated call options on 26,533,997 of its own shares, with strike prices of €20.25 and $30.15 per share, respectively, allowing it to hedge its obligations arising out of the potential conversion of the convertible bonds (see notes 16 and 17). Assumptions used in fair value of the euro denominated call option were similar to the ones used above for the embedded derivative.

On December 28, 2010, the Company sent a notice to the holders of the Convertible bonds that no opinion of an independent investment bank relating to the impact of the spin-off of Aperam on the interests of the bondholders would be forthcoming. As a result of this announcement, the total amount of US 3 thousand dollars plus accrued interests has been repurchased.

Mandatory convertible bonds

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 mandatory convertible bonds into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and were not listed. The Company originally had the option to call the mandatory convertible bonds from May 3, 2010 until ten business days before the maturity date. This call option is recognized at fair value and the Company recognized in 2011 a gain of 42 (69 in 2010) for the change in fair value in the consolidated statements of operations. The subsidiary invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to shares of Erdemir and Macarthur, both of which were publicly-listed companies in which such subsidiaries hold a minority stake. The subsidiary may also, in agreement with Crédit Agricole, invest in other financial instruments. These bonds bear a floating interest rate based on three months Libor plus a margin payable on each February 25, May 25, August 25 and November 25. The Company determined the bonds met the definition of a compound financial instrument in accordance with IFRS. As such, the Company determined the fair value of the financial liability component of the bonds was 55 on the date of issuance.

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

On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000. The Company determined that this increase led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument.

As of December 31, 2011, 52 is included in long-term debt and carried at amortized cost. As of December 31, 2010, 15 was included in the current portion of long-term debt. The financial liability component is included in other loans with floating rates in the above table. The value of the equity component of 934 (684 net of tax and fees at December 31, 2010) was determined based upon the difference of the total nominal amount of mandatory convertible bonds of 1,000 and the fair value of the financial liability component on September 27, 2011 and is included in equity as non-controlling interests.

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

Bonds
On July 15, 2004, ArcelorMittal Finance issued €100 million principal amount of unsecured and unsubordinated fixed rated bonds 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 May 27, 2008, the Company issued 3,000 principal amount of unsecured and unsubordinated fixed rated Notes 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 bonds for an aggregate principal amount of 1,000 (issued at 95.202%) bearing interest at 7% per annum maturing October 15, 2039.

On August 5, 2010, the Company issued unsecured and unsubordinated bonds in three tranches for an aggregate principal amount of 2,500 consisting of 1,000 (issued at 99.123%) bearing interest at 3.75% per annum maturing August 5, 2015 and 1,000 (issued 98.459%) bearing interest at 5.25% per annum maturing August 5, 2020 and 500 (issued 104.843%) bearing interest at 7.00% per annum maturing October 15, 2039.

On November 18, 2010, the Company issued 4.625% bonds due 2017 for €1 billion (1,362), issued under its €3 billion euro medium term notes program.

On March 7, 2011, ArcelorMittal completed an offering of three series of US dollar denominated notes for an aggregate principal amount of 3,000, consisting of 500 (issued at 99.573%) bearing interest at 3.75% per annum maturing March 1, 2016, 1,500 (issued at 99.357%) bearing interest at 5.50% per annum maturing March 1, 2021 and 1,000 (issued at 99.176%) bearing interest at 6.75% per annum maturing March 1, 2041. The proceeds were used to prepay the last two term loan installments under the €17 billion credit facilities.

Bonds and notes denominated in euro (excluding convertible bonds) amounted to €4.1 billion as of December 31, 2011. bonds and notes denominated in US dollars (excluding convertible bonds) amounted to 12,125 as of December 31, 2011.

European Bank for Reconstruction and Development ('EBRD') loans
The Company entered into five separate agreements with the EBRD for on-lending to the following subsidiaries on the following dates: ArcelorMittal Galati on November 18, 2002, ArcelorMittal Kryviy Rih on April 4 2006, ArcelorMittal Temirtau on June 15, 2007, ArcelorMittal Skopje and ArcelorMittal Zenica on November 10, 2005. The last installment under these agreements is due in January 2015. The total outstanding amount as of December 31, 2010 and 2011 was 178 and 118, respectively. The agreement related to ArcelorMittal Galati was fully repaid on November 23, 2009.

European Investment Bank ('EIB') loan
The Company entered into an agreement with the EIB for the financing of activities for research, engineering and technological innovation related to process improvements and new steel product developments on July 15, 2010. The full amount of €250 million was drawn on September 27, 2011. The final repayment date under this agreement is September 27, 2016. The outstanding amount in total as of December 31, 2011 was 323 (€250 million).

Instituto de Crédito Oficial ('ICO') loan
The Company entered into an agreement with the ICO on April 9, 2010 for the financing of the Company investment plan in Spain for the period 2008-2011. The last installment under this agreement is due on April 7, 2017. The outstanding amount in total as of December 31, 2011 was 91 (€70 million).

Other loans
On July 24, 2007, ArcelorMittal Finance, together with a subsidiary, signed a five year €500 million term loan due 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. The outstanding balance of the senior secured notes as of December 31, 2009 of 423 (420 net of unamortized discount), was early redeemed on April 1, 2010.

Senior unsecured notes
On April 14, 2004, ArcelorMittal USA issued 600 of senior, unsecured debt securities due in 2014. The debt securities bear interest at a rate of 6.5% per annum. On July 22, 2005, ArcelorMittal USA repurchased 100 of unsecured notes leaving an outstanding balance of 500. These notes are fully and unconditionally guaranteed on a joint and several basis by certain 100% owned subsidiaries of ArcelorMittal USA and, as of March 9, 2007, by ArcelorMittal.

Other loans
The other loans relate mainly to loans contracted by ArcelorMittal Brasil with different counterparties.

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

Other
Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and ArcelorMittal's ability to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

The Company's principal credit facilities (4.0 billion revolving credit facility, 6.0 billion revolving credit facility, 300 bilateral credit facility) include the following financial covenant: the Company must ensure that the ratio of 'consolidated total net borrowings' (consolidated total borrowings less consolidated cash and cash equivalents) to 'consolidated Ebitda' (the consolidated net pre-taxation profits of the Company for a measurement period, subject to certain adjustments as defined in the facilities) does not, at the end of each 'measurement period' (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio. 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 included restrictions on dividends and share reductions, acquisitions, capital expenditure and the giving of loans and guarantees, which have since been eliminated.

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 clauses could cause some or all of the other debt to accelerate. Pursuant to amended agreements entered into on March 18, 2011, the above-referenced principal credit facilities no longer contain covenants involving restrictions on dividends, capital expenditure or acquisitions.

The financial covenant in the principal credit facilities would permanently fall away were the Company to meet certain defined rating criteria.

The Company was in compliance with the financial covenants contained in the agreements related to all of its borrowings as of December 31, 2011.

As of December 31, 2011 the scheduled maturities of long-term debt and long-term lease obligations, including their current portion are as follows:

2012	1,253
2013	4,012
2014	3,680
2015	2,046
2016	4,199
Subsequent years	9,697
Total	**24,887**

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

	Presented in USD by original currency as at December 31, 2011						
	Total USD	EUR	USD	BRL	PLN	CAD	Other (in USD)
Short-term debt including the current portion of long-term debt	2,784	1,817	508	76	–	20	363
Long-term debt	23,634	9,334	13,702	457	1	8	132
Cash including restricted cash	(3,905)	(1,400)	(1,610)	(220)	(40)	(80)	(555)
Net debt	22,513	9,751	12,600	313	(39)	(52)	(60)

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

The carrying value of short-term bank loans and commercial paper approximate their fair value. The carrying amount and fair value of the Company's long-term debt (including current portion) and lease obligations (including current portion) is:

	December 31, 2010		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Instruments payable bearing interest at fixed rates	17,714	21,337	20,731	21,675
Instruments payable bearing interest at variable rates	5,386	5,378	4,156	3,743

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

Note 16: 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 judgment in interpreting market data and developing estimates.

Other current assets of 523 and 242 and non-current assets of 915 and 369 correspond to derivative instruments as of December 31, 2010 and 2011, respectively, which are classified as 'Financial assets at fair value through profit or loss'. Other investments are classified as 'available-for-sale' with gains or losses arising from changes in fair value recognized in equity. Other assets including call options are classified as 'financial assets at fair value through profit or loss'.

Except for derivative financial instruments, amounting to 447 and 308 as of December 31, 2010 and 2011, respectively, and for the fair value of the conversion option of the euro convertible bonds which are classified as 'financial liabilities at fair value through profit or loss', financial liabilities are classified as 'financial liabilities measured at amortized cost'.

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

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

The levels are as follows:

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

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

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

	As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets	11	–	–	11
Derivative financial current assets	–	454	69	523
Derivative financial non current assets	–	74	841	915
Total assets at fair value	11	528	910	1,449
Liabilities at fair value				
Derivative financial liabilities	–	447	841	1,288
Total liabilities at fair value	–	447	841	1,288

	As of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Available-for-sale financial assets	16	–	–	16
Derivative financial current assets	–	242	–	242
Derivative financial non current assets	–	79	291	370
Total assets at fair value	16	321	291	628
Liabilities at fair value				
Derivative financial liabilities	–	308	180	488
Total liabilities at fair value	–	308	180	488

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 liability classified as Level 3 refer to the conversion option in the €1.25 billion convertible bonds. Derivative financial assets classified as Level 3 refer to the euro-denominated call option on treasury shares and the call option on the 1,000 mandatory convertible bonds (see note 15). The fair value is derived through the use of a binominal model.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the €1.25 billion convertible bonds, the euro-denominated call option on treasury shares and the call option on the 1,000 mandatory convertible bonds for the year ended December 31, 2010 and 2011, respectively:

	€1.25 billion convertible bond	Euro-denominated call option on treasury shares	Call option on 1,000 mandatory convertible bonds [1]	Total
Balance as of December 31, 2009	**(1,249)**	**–**	**–**	**(1,249)**
Addition (disposal)	–	782	–	782
Change in fair value	296	63	69	428
Foreign exchange	112	(4)	–	108
Balance as of December 31, 2010	**(841)**	**841**	**69**	**69**
Change in fair value	698	(698)	42	42
Foreign exchange	(37)	37	–	–
Balance as of December 31, 2011	**(180)**	**180**	**111**	**111**

[1] *Please refer to note 15 for details on the mandatory convertible bonds.*

On December 28, 2009, the Company issued through a wholly-owned subsidiary an unsecured and unsubordinated 750 bond mandatory convertible into preferred shares of such subsidiary. The bond was placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon S.A.) and is not listed. The Company originally had the option to call the mandatory convertible bond from May 3, 2010 until ten business days before the maturity date. On April 20, 2011, the conversion date of the mandatory convertible bond was extended to January 31, 2013. On September 27, 2011, the Company increased the mandatory convertible bond and the call option on the mandatory convertible bond from 750 to 1,000. The fair value of these call options was 111 as of December 31, 2011 and the change in fair value recorded in the statements of operations was 42 (including effect of the increase of the mandatory convertible bonds by 250). These call options are classified into Level 3. The fair value of the call options was determined through a binomial model based on the estimated values of the underlying equity spot price of 166 and volatility of 5.32%.

On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 per share and a total amount of €700 (928) including transaction costs. The 61.7 million of call options acquired allow ArcelorMittal to hedge its obligations arising primarily out of the potential conversion of the 7.25% bonds convertible into and/or exchangeable for new or existing ArcelorMittal shares due April 1, 2014. These call options were accounted for as derivative financial instruments carried at fair value with changes recognized in the consolidated statements of operations as financing costs as they can be settled either through physical delivery of the treasury shares or through cash. The fair value of these call options was 180 as of December 31, 2011 and the change in fair value recorded in the statements of operations was (698). These call options are classified into level 3.

Portfolio of derivatives

The Company manages the counter-party risk associated with its instruments by centralizing its commitments and by applying procedures which specify, for each type of transaction and underlying, risk limits and/or the characteristics of the counter-party. The Company does not generally grant to or require from its counter-parties guarantees 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).

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

The portfolio associated with derivative financial instruments as of December 31, 2010 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
Interest rate swaps – fixed rate borrowings/loans	167	12	4.05%	301	(6)	3.19%
Other interest rate instrument	300	1		–	–	
Total interest rate instruments		13			(6)	
Foreign exchange rate instruments						
Forward purchase of contracts	4,796	185		5,280	(149)	
Forward sale of contracts	3,978	109		4,896	(171)	
Exchange option purchases	3,024	68		740	(13)	
Exchange options sales	–	–		610	(11)	
Total foreign exchange rate instruments		362			(344)	
Raw materials (base metal), freight, energy, emission rights						
Term contracts sales	254	49		247	(23)	
Term contracts purchases	751	103		257	(73)	
Options sales/purchases	20	1		14	(1)	
Total raw materials (base metal), freight, energy, emission rights		153			(97)	
Total		528			(447)	

* *The average rate is determined for fixed rate instruments on the basis of the US 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, 2011 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
Interest rate swaps – fixed rate borrowings/loans	551	11	4.55%	318	(2)	3.07%
Other interest rate instrument	–	–		788	(4)	
Total interest rate instruments		11			(6)	
Foreign exchange rate instruments						
Forward purchase of contracts	6,159	182		7,491	(6)	
Forward sale of contracts	1,074	2		5,135	(60)	
Currency swaps purchases	–	–		1,240	(83)	
Exchange option purchases	104	1		5,153	(64)	
Exchange options sales	5,153	68		104	(2)	
Total foreign exchange rate instruments		253			(215)	
Raw materials (base metal), freight, energy, emission rights						
Term contracts sales	277	53		111	(5)	
Term contracts purchases	168	4		530	(82)	
Total raw materials (base metal), freight, energy, emission rights		57			(87)	
Total		321			(308)	

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

Interest rate risk

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

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

Exchange rate risk

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. Because of a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the US dollar (its reporting currency), ArcelorMittal has an exposure to fluctuations in the values of these currencies relative to the US dollar. These currency fluctuations, especially the fluctuation of the value of the US 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-US subsidiaries may purchase raw materials, including iron ore and coking coal, in US dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the US dollar will increase the cost of raw materials; thereby impacting negatively on the Company's operating margins.

Following its treasury and financial risk management policy, the Company hedges a portion of its net exposure to exchange rates through forwards, options and swaps.

ArcelorMittal faces translation risk, which arises when ArcelorMittal translates the statements of operations of its subsidiaries, its corporate net debt (see note 15) and other items denominated in currencies other than the US dollars, for inclusion in the consolidated financial statements.

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

Liquidity risk

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

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

	December 31, 2010					
	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Convertible bonds	(2,009)	(3,054)	(181)	(162)	(2,711)	–
Other bonds	(15,259)	(23,605)	(1,113)	(1,258)	(9,191)	(12,043)
Loans over 100	(6,598)	(6,818)	(5,610)	(866)	(163)	(179)
Trade and other payables	(13,256)	(13,256)	(13,256)	–	–	–
Other non-derivative financial liabilities	(2,142)	(2,538)	(1,057)	(451)	(633)	(397)
Financial guarantees	(3,287)	(3,287)	(1,014)	(270)	(36)	(1,967)
Total	(42,551)	(52,558)	(22,231)	(3,007)	(12,734)	(14,586)
Derivative financial liabilities						
Interest rate instruments	(6)	(6)	–	–	(6)	–
Foreign exchange contracts	(344)	(344)	(327)	(4)	(13)	–
Other commodities contracts	(97)	(97)	(75)	(22)	–	–
Total	(447)	(447)	(402)	(26)	(19)	–

	December 31, 2011					
	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Convertible bonds	(2,117)	(3,876)	(210)	(1,170)	(2,496)	–
Other bonds	(18,137)	(28,713)	(1,436)	(4,705)	(7,969)	(14,603)
Loans over 100	(3,703)	(4,025)	(1,529)	(93)	(2,349)	(54)
Trade and other payables	(12,836)	(12,863)	(12,863)	–	–	–
Other non-derivative financial liabilities	(2,461)	(2,854)	(1,242)	(464)	(759)	(389)
Financial guarantees	(3,111)	(3,111)	(1,043)	(306)	(27)	(1,735)
Total	(42,365)	(55,442)	(18,323)	(6,738)	(13,600)	(16,781)
Derivative financial liabilities						
Interest rate instruments	(6)	(6)	(4)	–	(2)	–
Foreign exchange contracts	(215)	(215)	(134)	(68)	(13)	–
Other commodities contracts	(87)	(87)	(83)	(4)	–	–
Total	(308)	(308)	(221)	(72)	(15)	–

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

Cash flow hedges

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

	December 31, 2010					
	Assets/ (liabilities)	(Outflows)/inflows				
	Fair value	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	43	16	6	11	11	(1)
Commodities	24	11	6	7	–	–
Emission rights	(65)	–	–	(25)	(40)	–
Total	2	27	12	(7)	(29)	(1)

	December 31, 2011					
	Assets/ (liabilities)	(Outflows)/inflows				
	Fair value	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	165	147	18	–	–	–
Commodities	(14)	(9)	(2)	(1)	(2)	–
Emission rights	(16)	–	–	(16)	–	–
Total	135	138	16	(17)	(2)	–

Associated gain or losses that were recognized in other comprehensive income are reclassified from equity to the consolidated statements of operations in the same period during which the hedged forecasted cash flow affects the consolidated statements of operations. The following table presents the periods in which cash flows hedges are expected to impact the consolidated statements of operations:

	December 31, 2010					
	Assets/ (liabilities)	(Expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	(61)	(73)	(9)	11	11	(1)
Commodities	24	1	12	8	3	–
Emission rights	(65)	–	–	(25)	(40)	–
Total	(102)	(72)	3	(6)	(26)	(1)

	December 31, 2011					
	Assets/ (liabilities)	(Expense)/income				
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	266	75	54	66	53	18
Commodities	(14)	(6)	(4)	(2)	(2)	–
Emission rights	(38)	–	–	(38)	–	–
Total	214	69	50	26	51	18

Several forward exchange and options contracts related to the purchase of raw materials denominated in US dollars were unwound during 2008. The effective portion is recorded in equity and represents a deferred gain that will be recycled to the consolidated statements of operations when the converted raw materials are sold. In 2008, prior to unwinding the contracts, the ineffective portion of 349 was recorded as operating income. During 2010, 354 was recycled to cost of sales related to the sale of inventory in 2010 and changes in the estimated future raw material purchases expected to occur. As of December 31, 2010 the effective portion deferred in equity was €938 million (1,254), excluding deferred tax expense of €272 million (364). During 2011, €431 million (600) was recycled to cost of sales related to the sale of inventory in 2011. Including the effects of foreign currency fluctuations, the deferred gain was €507 million (656), excluding deferred tax expense of €146 million (189), as of December 31, 2011 and is expected to be recycled to the consolidated statements of operations as follows:

Year	Amount
2012	526
2013	130
Total	656

During the year ended December 31, 2011 the Company entered into several forward exchange and options contracts related to the purchase of raw materials denominated in US dollars. The program was unwound before the year ended December 31, 2011. As of December 31, 2011 the effective portion deferred in equity was €48 million (62), including deferred tax expense of €13 million (17). The effective portion represents a deferred gain that will be recycled to the consolidated statements of operations when the converted raw materials will be sold. The deferred gain is expected to be recycled to the statements of operations between 2012 and 2014.

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, 2010	At December 31, 2011
Base metals	36	(13)
Freight	(4)	–
Energy (oil, gas, electricity)	42	(7)
Emission rights	(18)	(10)
Total	56	(30)
Derivative asset associated with raw material, energy, freight and emission rights	153	57
Derivative liabilities associated with raw material, energy, freight and emission rights	(97)	(87)
Total	56	(30)

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

Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (cash purchase and sale, forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2010 and 2011, the Company had a net notional position of (40) with a net fair value of (18) and a net notional position of 7 with a net fair value of (10), respectively.

Credit risk

The Company's treasury department monitors various market data regarding the credit standings and overall reliability of the financial institutions for all countries where the Company's subsidiaries operate. The choice of the financial institution for the financial transactions must be approved by the treasury department. Credit risk related to customers, customer credit terms and receivables is discussed in note 6.

Sensitivity analysis

Foreign currency sensitivity

The following table details the Company's sensitivity as it relates to derivative financial instruments to a 10% strengthening and a 10% weakening in the US dollar against the other currencies for which the Company estimates to be a reasonably possible exposure. The sensitivity analysis includes only foreign currency derivatives on USD against another currency. A positive number indicates an increase in profit or loss and other equity where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2011	
	Income	Other equity
10% strengthening in US dollar	(303)	202
10% weakening in US dollar	320	(202)

Cash flow sensitivity analysis for variable rate instruments

The following table details the Company's sensitivity as it relates to variable interest rate instruments. A change of 100 basis points ('bp') in interest rates during the period would have increased (decreased) profit or loss by the amounts presented below.
This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

	December 31, 2011	
	Floating portion of net debt[1]	Interest rate swaps/ forward rate agreements
100 bp increase	(17)	(34)
100 bp decrease	17	41

[1] *Please refer to note 15 for a description of total net debt (including fixed and floating portion).*

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

	December 31, 2011	
	Income	Other equity cash flow hedging reserves
+10% in prices		
Base metals	2	12
Freights	–	–
Emission rights	–	–
Energy	9	2
-10% in prices		
Base metals	(2)	(12)
Freights	–	–
Emission rights	–	–
Energy	(9)	(2)

Note 17: Equity

Authorized shares
On May 13, 2008, at an 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. Following this approval, the total authorized share capital was €7.1 billion represented by 1,617 million shares without nominal value for a period ending on July 14, 2014.

Share capital
On January 25, 2011, at an Extraordinary General Meeting, the shareholders approved an authorization for the board of directors to decrease the issued share capital, the share premium, the legal reserve and the retained earnings of the Company as a result of the spin-off the Company's stainless steel business into Aperam. The Company's issued share capital was reduced by €409 (547) from €6,837 (9,950) to €6,428 (9,403) without reduction in the number of shares issued and fully paid up, which remained at 1,560,914,610. The ordinary shares do not have a nominal value.

Treasury shares and call options on ArcelorMittal shares
On December 14, 2010, ArcelorMittal acquired euro-denominated call options on 61,728,395 of its own shares with a strike price of €20.25 ($27.21) per share. The call options were acquired in order to hedge the Company's obligations arising from the potential conversion of the 7.25% convertible bonds for ArcelorMittal shares due April 1, 2014. In connection with this transaction, the Company sold 26.48 million treasury shares through an over-the-counter block trade for a price of €26.42 ($35.50) per share on December 14, 2010 (see note 16).

On December 18, 2010, ArcelorMittal acquired USD-denominated call options on 26,533,997 of its own shares with a strike price of $30.15 per share in order to hedge its obligations arising from the potential conversion of the 5% USD denominated convertible bonds into ArcelorMittal shares due May 15, 2014. These call options were accounted for as an equity instrument as they can be settled only through physical delivery of the treasury shares. The premium paid with respect to these call options was 435 (309 net of tax) and was recorded as a decrease to additional-paid-in-capital. In connection with this transaction, the Company also entered into an agreement on December 18, 2010 to sell 11.5 million treasury shares through an over-the-counter block trade for a price of $37.87 per share, for settlement on December 30, 2010.

Earnings per common share

The following table provides the numerators and a reconciliation of the denominators used in calculating basic and diluted earnings per common share for the years ended December 31, 2010 and 2011:

	Year ended December 31, 2010	Year ended December 31, 2011
Net income attributable to equity holders of the parent	2,916	2,263
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	1,512	1,549
Incremental shares from assumed conversion of stock options and restricted share units (in millions)	–	–
Incremental shares from assumed conversion of the convertible bonds issued in 2009 (in millions)	88	62
Weighted average common shares assuming conversions (in millions) used in the calculation of diluted earnings per share	1,600	1,611

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 17 million and 22 million potential common shares from stock options outstanding for the years ended December 31, 2010 and 2011, respectively, because such stock options are anti-dilutive. Diluted weighted average common shares outstanding also excludes 26 million potential common shares from the convertible bonds described in note 15 for the year ended December 31, 2011 because the potential common shares are anti-dilutive.

Employee share purchase plan

At the annual general shareholders' meeting held on May 11, 2010 the shareholders of ArcelorMittal adopted an employee share purchase plan ('ESPP') as part of a global employee engagement and participation policy. Similar to the previous ESPP implemented in 2009, and authorized at the annual general shareholders' meeting of May 12, 2009 the plan's goal is to strengthen the link between the Company and its employees and to align the interests of ArcelorMittal employees and shareholders. The main features of the 2010 plan are the following:

- In 2010, the plan was offered to 183,560 employees in 21 jurisdictions. ArcelorMittal offered a maximum total number of 2,500,000 treasury shares (0.2% of the current issued shares on a fully diluted basis). A total of 164,171 shares were subscribed (of which 1,500 shares by members of the group management board and the management committee of the Company). The purchase price was $34.62 before discounts. The subscription period ran from November 16, 2010 until November 25, 2010 and was settled with treasury shares on January 10, 2011.
- In connection with ArcelorMittal's employee share purchase plan 2009 (ESPP 2009) and employee share purchase plan 2010 (ESPP 2010), a total of respectively 392,282 and 164,171 ArcelorMittal shares were subscribed by participating ArcelorMittal employees, out of a total of 2,500,000 shares available for subscription under each ESPP, with a maximum of up to 200 shares per employee. All shares allocated to employees under the ESPP 2009 and ESPP 2010 were treasury shares. Due to the low subscription levels in previous years and the complexity and high cost of setting up an ESPP, management decided not to propose the launch of an ESPP in 2011 for approval to the May 10, 2011 annual general shareholders' meeting.
- 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 US dollars (rounded down to the nearest whole number of shares).

For the 2010 plan, 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 US 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 US 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 US employees, which are held in custody in one global account by Computershare.

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

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

With respect to the spin-off of Aperam, an addendum to the charter of the 2010 ESPPs was adopted providing, among other measures, that:

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

Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's Luxembourg statutory accounts ('ArcelorMittal Luxembourg'), 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 Luxembourg has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of common shares. Dividends are declared in US dollars and are payable in either US dollars or in euros.

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 ($0.1875 per quarter). The quarterly dividend was paid on March 15, 2010 (interim dividend), June 14, 2010, September 13, 2010 and December 15, 2010.

On May 10, 2010 the board of directors recommended to maintain the Company's dividend at $0.75 per share for the full year of 2011 ($0.1875 per quarter). The quarterly dividend was paid on March 14, 2011 (interim dividend), June 14, 2011, September 12, 2011 and December 12, 2011.

The board of directors will submit to a shareholder's vote at the next annual general meeting on May 8, 2012, a proposal to maintain the quarterly dividend payment at 0.1875 per share. The dividend payment would occur on a quarterly basis commencing on March 13, 2012 (interim dividend), June 14, 2012, September 10, 2012 and December 10, 2012.

Stock option plans

Prior to the May 2011 annual general shareholders' meeting adoption of the share unit plan described after, ArcelorMittal's equity-based incentive plan took the form of a stock option plan called the global stock option plan.

Under the terms of the ArcelorMittal global stock option plan 2009-2018 (which replaced the ArcelorMittal shares plan that expired in 2009), ArcelorMittal may grant options to purchase common 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 is equal to 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.

As a result of the spin-off of ArcelorMittal's stainless steel business, an addendum to the ArcelorMittal global stock option plan 2009-2018 was adopted to reduce by 5% the exercise prices of existing stock options. The expense related to fully vested options was recognized directly in the statements of operations during 2011; the expense related to unvested options is recognized on a straight-line basis over the remaining vesting period. The current section has been adapted to disclose the new information from January 25th, 2011 onwards.

Date of grant	Initial exercise prices (per option)	New exercise prices (per option)
August 2008	$82.57	$78.44
December 2007	74.54	70.81
August 2007	64.30	61.09
June 2006	38.99	37.03
August 2009	38.30	36.38
September 2006	33.76	32.07
August 2010	32.27	30.66
August 2005	28.75	27.31
December 2008	23.75	22.56
November 2008	22.25	21.14
April 2002	2.26	2.15

On August 3, 2010, ArcelorMittal granted 5,864,300 options under the ArcelorMittal global stock option plan 2009-2018 to a group of key employees at an exercise price of $32.27. The new exercise price is $30.66 after the spin-off of Aperam. The options expire on August 3, 2020.

No options were granted during the year ended December 31, 2011.

The fair values for options and other share-based compensation is recorded as an expense in the consolidated statements of operations over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting. The fair value of each option grant to purchase ArcelorMittal common shares is estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions (based on year of grant and recalculated at the spin-off date of the stainless steel business):

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

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

The compensation expense recognized for stock option plans was 133 and 73 for each of the years ended December 31, 2010, and 2011, respectively. At the date of the spin-off of Aperam, the fair values of the stock options outstanding have been recalculated with the modified inputs of the Black-Scholes-Merton option pricing model, including the weighted average share price, exercise price, expected volatility, expected life, expected dividends, the risk-free interest rate and an additional expense of 11 has been recognized in the year ended December 31, 2011 for the current and past periods.

Option activity with respect to ArcelorMittal shares and ArcelorMittal global stock option plan 2009-2018 is summarized below as of and for each of the years ended December 31, 2010, and 2011:

	Number of options	Range of exercise prices (per option)	Weighted average exercise price (per option)
Outstanding, December 31, 2009	24,047,380	$2.26 – 82.57	$55.22
Granted	5,864,300	32.27	32.27
Exercised	(371,200)	2.26 – 33.76	21.27
Forfeited	(223,075)	28.75 – 82.57	53.42
Expired	(644,431)	2.26 – 82.57	49.55
Outstanding, December 31, 2010	28,672,974	2.26 – 82.57	50.95
Exercised	(226,005)	2.15 – 32.07	27.57
Forfeited	(114,510)	27.31 – 78.44	40.26
Expired	(662,237)	15.75 – 78.44	57.07
Outstanding, December 31, 2011	27,670,222	2.15 – 78.44	48.35
Exercisable, December 31, 2010	16,943,555	2.26 – 82.57	56.59
Exercisable, December 31, 2011	21,946,104	2.15 – 78.44	52.47

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

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2011:

	Options outstanding			
Exercise prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
$78.44	6,468,150	6.60	6,468,150	August 5, 2018
70.81	13,000	5.95	13,000	December 11, 2017
61.09	4,753,137	5.59	4,753,137	August 2, 2017
37.03	1,268,609	1.50	1,268,609	June 30, 2013
36.38	5,889,296	7.60	3,988,364	August 4, 2019
32.07	2,040,380	4.67	2,040,380	September 1, 2016
30.66	5,772,634	8.60	1,949,448	August 3, 2020
27.31	1,244,936	3.65	1,244,936	August 23, 2015
22.56	32,000	6.96	32,000	December 15, 2018
21.14	20,585	6.87	20,585	November 10, 2018
2.15	167,495	0.26	167,495	April 5, 2012
2.15 – 78.44	27,670,222	6.51	21,946,104	

Share unit plan

The annual shareholders' meeting on May 10, 2011 approved a new equity-based incentive plan to replace the global stock option plan. The new plan comprises a restricted share unit plan ('RSU plan') and a performance share unit plan ('PSU plan') designed to incentivize the targeted employees, to improve the long-term performance of the Company and to retain key employees. Both the RSU plan and the PSU plan are intended to promote the alignment of interests between the Company's shareholders and eligible employees by allowing them to participate in the success of the Company.

The aim of the RSU plan is to provide a retention incentive to eligible employees. It is subject to 'cliff vesting' after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the employee with ArcelorMittal. The RSUs are an integral part of the Company's remuneration framework in which it serves the specific objective of medium-term and long-term retention.

The maximum number of RSUs and PSUs available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting.

For the period from the May 2011 annual general shareholders' meeting to the annual general meeting of shareholders to be held in May 2012 a maximum of 2,500,000 RSUs may be allocated to qualifying employees under the RSU plan. The RSU plan targets the 500 to 800 most senior managers across ArcelorMittal. In September 2011, a total of 1,303,515 shares under the RSU plan were granted to a total of 772 employees.

The fair value for the shares allocated to the beneficiaries is recorded as en expense in the consolidated statements of operations over the relevant vesting or service periods. The compensation expense recognized for the restricted stock units was 2 for the year ended December 31, 2011.

Note 18: Financing costs

Financing costs recognized in the years ended December 31, 2010 and 2011 are as follows:

	2010	2011
Recognized in the statements of operations		
Interest expense	(1,578)	(1,945)
Interest income	133	123
Fair value adjustment on convertible bonds and call options on ArcelorMittal shares	427	42
Net gain (loss) on other derivative instruments	43	(10)
Accretion of defined benefit obligations and other long term liabilities	(481)	(514)
Net foreign exchange result and others[1]	(744)	(534)
Total	(2,200)	(2,838)
Recognized in equity (Company share)[2]		
Net change in fair value of available-for-sale financial assets	1	(14)
Effective portion of changes in fair value of cash flow hedge	(585)	(133)
Foreign currency translation differences for foreign operations	(1,726)	(2,796)
Total	(2,310)	(2,943)

[1] *Net foreign exchange result and others is mainly related to net foreign exchange effects on financial assets and liabilities and bank fees.*
[2] *Includes amounts related to discontinued operations for the years ended December 31, 2010 (see note 5).*

Note 19: Income tax

Income tax expense (benefit)
The components of income tax expense (benefit) for each of the years ended December 31, 2010 and 2011, respectively, are summarized as follows:

	Year ended December 31, 2010	Year ended December 31, 2011
Total current tax expense	821	1,018
Total deferred tax expense (benefit)	(2,300)	(136)
Total income tax expense (benefit)	(1,479)	882

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

	Year ended December 31, 2010	Year ended December 31, 2011
Net income (including non-controlling interests)	3,005	2,259
Discontinued operations	330	(461)
Income from investments in associates and joint ventures	(451)	(620)
Income tax expense (benefit)	(1,479)	882
Income (loss) before tax and income from investments in associates and joint ventures:	1,405	2,060
Tax expense (benefit) at the statutory rates applicable to profits (losses) in the countries	(1,310)	33
Permanent items	(293)	(29)
Rate changes	(190)	–
Net change in measurement of deferred tax assets	380	545
Effects of tax holiday	28	26
Effects of foreign currency translation	(147)	143
Tax credits	(141)	(196)
Other taxes	155	243
Others	39	117
Income tax expense (benefit)	(1,479)	882

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and on the pre-tax results of its subsidiaries in each of these countries, which can vary from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, that have a structurally lower corporate income tax rate than the statutory tax rate as in effect in Luxembourg (28.8%), and enjoys, mainly in Western Europe, structural (permanent) tax advantages such as notional interest deduction and tax credits.

Permanent items
The permanent items consist of:

	Year ended December 31, 2010	Year ended December 31, 2011
Notional interest deduction	(733)	(706)
Juros sobre o capital próprio ('JSCP')	(51)	–
Interest recapture	554	602
Non tax deductible provisions	–	(20)
Other permanent items	(63)	95
Total permanent items	(293)	(29)

Notional interest deduction: Corporate taxpayers in Belgium can benefit from a tax deduction corresponding to an amount of interest, which is calculated based on their (adjusted) equity as determined in conformity with general accepted accounting principles in Belgium, which differs from IFRS. The applicable interest rate used in calculating this tax deduction is based upon the average rate of interest on 10-year bonds issued by the Belgian state. The rate is revised on an annual basis, but may not vary by more than 1% from one period to another. A maximum rate of 6.5% applies. The law of December 28, 2011 has capped the rate at 3% as from January 1, 2012.

Juros sobre o capital próprio ('JSCP'): Corporate taxpayers in Brazil, who distribute a dividend can benefit from a tax deduction corresponding to an amount of interest calculated as a yield on capital. The deduction is determined as the lower of the interest as calculated by application of the Brazilian long term interest rate on the opening balance of capital and reserves, and 50% of the income for the year or accumulated profits from the previous year. For book purposes, this distribution of interest on capital is regarded as a dividend distribution, while for Brazilian tax purposes it is regarded as tax deductible interest.

Interest recapture: Based on a specific provision in the Luxembourg tax law, interest expenses on loans contracted to acquire a participation ('tainted debt') are not tax deductible when (tax exempt) dividend payments are received and/or capital gains are realized that can be linked to the tainted debt. The interest expenses are only deductible to the extent it exceeds the tax exempt income arising from the participation. In case of tax exempt capital gains, expenses related to the participations and any prior deductible write-downs in the value of the participation which have previously reduced the Luxembourg taxable base, become taxable (claw-back).

Rate changes
The 2010 tax benefit from rate changes of (190) mainly results from the decrease of the substantively enacted corporate income tax rate in Ukraine of (260), partially offset by changes in the substantively enacted corporate income tax rate in Kazakhstan of 30 and Luxembourg of 40.

Net change in measurement of deferred tax assets
The 2010 net change in measurement of deferred tax assets of 380 primarily consists of tax expense of 504 due to not recognizing and derecognizing certain deferred tax assets, partially offset by additional recognition of deferred tax assets for losses and other temporary differences of previous years of (124).

The 2011 net change in measurement of deferred tax assets of 545 primarily consists of tax expense of 734 due to not recognizing and derecognizing certain deferred tax assets, partially offset by additional recognition of deferred tax assets for losses and other temporary differences of previous years of (189).

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

Effects of foreign currency translation
The effects of foreign currency translation of (147) and 143 at December 31, 2010 and 2011, respectively, pertain to certain entities with a different functional currency than the currency applied for tax filing purposes.

Tax credits
The tax credits of (141) and (196) in 2010 and 2011 respectively are mainly attributable to our operating subsidiaries in Spain. They relate to credits claimed on research and development, credits on investment and tax sparing credits.

Other taxes
Other taxes include withholding taxes on dividends, services, royalties and interests, as well as secondary taxation on companies ('STC'). It also includes mining duties in Canada of 117 and 177 and flat tax in Mexico of (30) and (30) in 2010 and 2011 respectively. The STC 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 3,777 and 3,039 in 2010 and 2011 respectively, it would be subject to additional taxes of 343 and 276 respectively. STC on dividends declared in 2010 and 2011 were 8 and 3 respectively. STC will be converted to a dividend withholding tax for shareholders with effect April 1, 2012.

Others
The 2011 others of 117 primarily consists of provision for uncertain tax position concerning permanent business establishment in Italy of 88 (see Note 24 to ArcelorMittal's consolidated financial statements) and tax expense of 29 relating to other items.

Income tax recorded directly in equity

Income tax recognized in equity for the years ended December 31, 2010 and 2011 is as follows:

	2010	2011
Recognized in other comprehensive income on:		
Current tax expense (benefit)		
Foreign currency translation adjustments	49	12
Total	49	12
Deferred tax expense (benefit)		
Unrealized gain (loss) on available-for-sale securities	(19)	(1)
Unrealized gain (loss) on derivative financial instruments	(122)	(88)
Call options on ArcelorMittal shares	(126)	–
Foreign currency translation adjustments	74	9
Total	(193)	(80)
Total recognized in other comprehensive income	**(144)**	**(68)**
Recognized in additional paid-in capital on:		
Deferred tax benefit	–	–
Movements on treasury shares	(267)	–
Recognized in non-controlling interests on:		
Deferred tax expense (benefit)	–	–
Issuance of bonds mandatorily convertible in shares of subsidiaries	–	3
Total income tax recorded directly in equity	**(411)**	**(65)**

Uncertain tax positions

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, ArcelorMittal has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows.

Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2010	2011	2010	2011	2010	2011
Intangible assets	136	202	(1,095)	(1,141)	(959)	(939)
Property, plant and equipment	263	290	(8,110)	(8,044)	(7,847)	(7,754)
Inventories	427	798	(47)	(652)	380	146
Available-for-sale financial assets	–	–	(1)	(1)	(1)	(1)
Financial instruments	294	131	(146)	(149)	148	(18)
Other assets	415	597	(478)	(515)	(63)	82
Provisions	2,416	2,345	(693)	(640)	1,723	1,705
Other liabilities	700	1,105	(872)	(1,753)	(172)	(648)
Tax losses carried forward	8,719	9,208	–	–	8,719	9,208
Tax credits and other tax benefits carried forward	712	662	–	–	712	662
Untaxed reserves	–		(43)	(42)	(43)	(42)
Deferred tax assets/(liabilities)	14,082	15,338	(11,485)	(12,937)	2,597	2,401
Deferred tax assets					6,603	6,081
Deferred tax liabilities					(4,006)	(3,680)

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

Deferred tax assets not recognized by the Company as of December 31, 2010 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	33,155	9,889	8,719	1,170
Tax credits and other tax benefits carried forward	1,523	967	712	255
Other temporary differences	16,298	4,678	4,651	27
Total		15,534	14,082	1,452

Deferred tax assets not recognized by the Company as of December 31, 2011 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	36,400	10,787	9,208	1,579
Tax credits and other tax benefits carried forward	1,539	986	662	324
Other temporary differences	19,373	5,539	5,468	71
Total		17,312	15,338	1,974

As of December 31, 2011, the majority of the deferred tax assets not recognized relate to tax losses carried forward attributable to various subsidiaries located in different jurisdictions (primarily Canada, France, Mexico, the Netherlands, Spain and the United States) with different statutory tax rates. The amount of the total deferred tax assets is the aggregate amount of the various deferred tax assets recognized and unrecognized at the various subsidiaries and not the result of a computation with a given blended rate. The majority of unrecognized tax losses carried forward have an expiration date. In addition, the utilization of tax losses carried forward is restricted to the taxable income of the subsidiary or tax consolidated group to which it belongs. The utilization of tax losses carried forward also may be restricted by the character of the income.

At December 31, 2011, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that ArcelorMittal will realize the benefits of the deferred tax assets of 6,081 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 6,081 is at least 21,237. Historically, the Company has been able to generate taxable income in sufficient amounts and believes that it will generate sufficient levels of taxable income in upcoming years to permit the Company to utilize tax benefits associated with tax losses carried forward and other deferred tax assets that have been recognized in its consolidated financial statements. In the event that a history of recent losses is present, the Company relied on convincing other positive evidence such as the character of (historical) losses and tax planning to support the deferred tax assets recognized.

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 has been no material change to these liabilities as of December 31, 2007 until December 31, 2010. In 2011 these liabilities have been re-estimated at approximately 23 for the period ended December 31, 2011. For investments in subsidiaries, branches and associates and investments, that are not expected to reverse in the foreseeable future, the aggregate amount of deferred tax liabilities that is not recognized is approximately 1,264.

Tax losses carried forward
At December 31, 2011, the Company had total estimated tax losses carried forward of 36,400.

Such amount includes net operating losses of 9,465 primarily related to subsidiaries in Canada, the Netherlands, Mexico, Romania, Spain and the United States, which expire as follows:

Year expiring	Amount
2012	21
2013	101
2014	577
2015	24
2016	532
2017 – 2031	8,210
Total	9,465

The remaining tax losses carried forward of 26,935 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, France, Germany, Luxembourg and Trinidad and Tobago.

Tax losses carried forward are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the US dollar equivalent value of these tax losses carried forward in future years.

Note 20: Provisions

The movements of provisions were as follows:

	Balance at December 31, 2009	Additions	Deductions/payments and other releases	Acquisitions	Effects of foreign exchange and other movements*	Balance at December 31, 2010
Environmental (see note 24)	743	95	(104)	–	(4)	730
Asset retirement obligations	336	24	(30)	–	12	342
Site restoration	110	13	(34)	–	(4)	85
Staff related obligations	221	79	(84)	–	(64)	152
Voluntary separation plans [1]	312	69	(268)	–	(32)	81
Litigation and other (see note 24) [2]	1,221	327	(280)	–	(197)	1,071
Tax claims	444	41	(52)	–	(159)	274
Competition/antitrust claims	268	28	(21)	–	(41)	234
Other legal claims	415	52	(207)	–	3	263
Other unasserted claims	94	206	–	–	–	300
Commercial agreements and onerous contracts	174	240	(221)	–	20	213
Other [3]	437	238	(143)	–	(125)	407
	3,554	1,085	(1,164)	–	(394)	3,081
Short-term provisions	1,433					1,343
Long-term provisions	2,121					1,738
	3,554					3,081

	Balance at December 31, 2010	Additions	Deductions/payments and other releases	Acquisitions	Effects of foreign exchange and other movements	Balance at December 31, 2011
Environmental (see note 24)	730	85	(61)	36	(57)	733
Asset retirement obligations	342	22	(14)	10	7	367
Site restoration	85	29	(25)	–	(1)	88
Staff related obligations	152	53	(53)	–	1	153
Voluntary separation plans [1]	81	123	(110)	–	9	103
Litigation and other (see note 24) [2]	1,071	196	(295)	–	(68)	904
Tax claims	274	144	(17)	–	(70)	331
Competition/antitrust claims	234	1	(228)	–	(7)	–
Other legal claims	263	51	(50)	–	9	273
Other unasserted claims	300	–	–	–	–	300
Commercial agreements and onerous contracts	213	62	(141)	3	(9)	128
Other [3]	407	125	(166)	3	(31)	338
	3,081	695	(865)	52	(149)	2,814
Short-term provisions	1,343					1,213
Long-term provisions	1,738					1,601
	3,081					2,814

* *A movement of (167) is related to the transfer of provisions to liabilities held for sale and distribution.*

[1] *In 2010, new voluntary separation plans were announced in Mexico, Kazakhstan, Ukraine and France. As of December 2010, the outstanding provision relates to remaining plans primarily in USA, France, Poland, Germany, Bosnia, Mexico, Romania and Czech Republic. In 2011, new voluntary separation plans were launched in Romania, Ukraine, Kazakhstan, Czech Republic and France. The outstanding balance relates primarily to the plans in Romania, Czech Republic, USA and France, which are expected to be settled within one year.*

[2] *In previously filed financial statements the caption litigation and other was presented as a single line item. In order to provide further clarity to the class of provisions for litigation, amounts relating to tax claims, competition/antitrust claims, other legal claims, and other unasserted claims, have been presented separately in the tabular disclosure. The provision presented as 'other unasserted claims' relates to a commercial dispute in respect of which no legal action has commenced.*

[3] *Other includes provisions for technical warranties, guarantees.*

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts provided for and the actual outflows. In general, provisions are presented on a non-discounted basis due to the uncertainties regarding the timing or the short period of their expected consumption.

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

Environmental provisions have been estimated based on internal and third-party estimates of contaminations, available remediation technology, and environmental regulations. Estimates are subject to revision as further information develops or circumstances change. These provisions are expected to be consumed over a period of 20 years.

Provisions for site restoration are related to costs incurred for dismantling of site facilities, mainly in France, and are expected to be settled within two years.

Provisions for staff related obligations concern primarily USA and Brazil and are related to various employees' compensations.

Provisions for litigation related to probable losses that have been incurred due to a present legal or constructive obligation are expected to be settled in a period of one to four years. Discussion regarding legal matters is provided in note 24.

Provisions for onerous contracts are related to unavoidable costs of meeting obligations exceeding expected economic benefits under certain contracts. The provision is recognized for the amount of the expected net loss or the cost of fulfilling the contract.

Note 21: Accrued expenses and other liabilities

Accrued expenses and other liabilities are comprised of the following as of December 31:

	2010	2011
Accrued payroll and employee related expenses	1,933	1,882
Collection under TSR programs	1,157	1,287
Payable from acquisition of intangible, tangible & financial assets	933	1,190
Other suppliers payables	1,526	1,092
Revaluation of derivative instruments	402	222
Other amounts due to public authorities	828	733
Unearned revenue and accrued payables	121	218
Total	6,900	6,624

Note 22: Commitments

The Company's commitments consist of the following:

	December 31, 2010	December 31, 2011
Purchase commitments	21,937	22,137
Guarantees, pledges and other collateral	3,621	3,455
Non-cancellable operating leases	2,944	2,410
Capital expenditure commitments	1,660	1,101
Other commitments	2,519	3,455
Total	32,681	32,558

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

Purchase commitments include commitments related to joint ventures and associates for 1,317 and 1,167 as of December 31, 2010 and 2011, respectively.

Guarantees, pledges and other collateral
Guarantees are mainly related to letters of credit, sureties, first demand guarantees and documentary guarantees used in the normal course of business to guarantee performance obligations. They also include 57 and 18 of guarantees in relation to debt of non-consolidated entities as of December 31, 2010 and 2011, respectively. Pledges and other collateral mainly relate to mortgages entered into by the Company's operating subsidiaries.

Guarantees, pledges and other collateral include commitments related to joint ventures and associates for 149 and 25 as of December 31, 2010 and 2011, respectively.

Non-cancellable operating leases
The Company leases various facilities, land and equipment under non-cancellable lease arrangements. Future minimum lease payments required under operating leases that have initial or remaining non-cancellable terms as of December 31, 2011 according to maturity periods are as follows:

Less than 1 year	416
1-3 years	669
4-5 years	451
More than 5 years	874
Total	2,410

The operating leases are mainly related to plant, machinery and equipment (2,066), land (191) and buildings (109).

Capital expenditure commitments
Capital expenditure commitments mainly relate to commitments associated with purchase of subsidiaries such as the following 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 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 15.7% 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, 2011, as the Company did not receive written confirmation from AVAS on due fulfillment of the investment obligations undertaken for the five investment years.

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

Note 23: 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 statements of operations and the recorded obligation in future periods. The total accumulated unrecognized actuarial loss amounted to 2,792 for pensions and 1,352 for other post retirement benefits as of December 31, 2011.

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

US
ArcelorMittal USA's pension plan and pension trust is a non-contributory defined benefit plan covering approximately 19% of its employees. Certain non-represented salaried employees hired before 2003 also receive pension benefits. Benefits for most non-represented employees who receive pension benefits are determined under a 'cash balance' formula as an account balance which grows as a result of interest credits and of allocations based on a percentage of pay. Benefits for 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. This plan is closed to new participants. Represented employees hired after November 2005 and for employees at locations which were acquired from International Steel Group Inc. receive pension benefits through a multi-employer pension plan that is accounted for as a defined contribution plan.

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

Canada
The primary pension plans are those of ArcelorMittal Dofasco and ArcelorMittal Mines Canada. The ArcelorMittal Dofasco pension plan is a hybrid plan providing the benefits of both a defined benefit and defined contribution pension plan. The defined contribution component is financed by both employer and employee contributions. The employer's defined contribution is based on a percentage of company profits. The defined benefit component of this plan was closed for new hires on December 31, 2011 and replaced by a new defined contribution pension plan.

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.

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

	December 31, 2010					
	US	Canada	Brazil	Europe	South Africa	Others
Equity securities	55%	56%	8%	10%	40%	32%
Fixed income (including cash)	25%	42%	90%	79%	60%	68%
Real estate	4%	–	–	1%	–	–
Other	16%	2%	2%	10%	–	–
Total	100%	100%	100%	100%	100%	100%

	December 31, 2011					
	US	Canada	Brazil	Europe	South Africa	Others
Equity Securities	52%	57%	8%	7%	41%	39%
Fixed Income (including cash)	25%	41%	91%	83%	59%	61%
Real Estate	5%	–	–	1%	–	–
Other	18%	2%	1%	9%	–	–
Total	100%	100%	100%	100%	100%	100%

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 699 and 184 in 2010 and 2011, 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, 2011					
	US	Canada	Brazil	Europe	South Africa	Others
Equity securities	62%	59%	8%	10%	40%	32%
Fixed income (including cash)	24%	41%	92%	80%	60%	66%
Real estate	5%	–	–	1%	–	1%
Other	9%	–	–	9%	–	1%
Total	100%	100%	100%	100%	100%	100%

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

	Year ended December 31, 2010						
	Total	US	Canada	Brazil	Europe	South Africa	Others
Change in benefit obligation							
Benefit obligation at beginning of the period	10,612	3,270	2,888	799	2,544	910	201
Service cost	158	49	50	11	38	–	10
Interest cost	666	180	182	88	113	83	20
Plan amendments	40	–	15	–	3	–	22
Plan participants' contribution	4	–	1	2	–	–	1
Acquisition	(9)	–	–	–	–	–	(9)
Curtailments and settlements	(9)	–	–	–	2	(3)	(8)
Actuarial loss	642	261	189	24	5	68	95
Benefits paid	(757)	(241)	(193)	(47)	(172)	(85)	(19)
Foreign currency exchange rate differences and other movements	64	–	129	25	(201)	118	(7)
Benefit obligation at end of the period	11,411	3,519	3,261	902	2,332	1,091	306
Change in plan assets							
Fair value of plan assets at beginning of the period	7,195	2,141	2,396	885	644	1,021	108
Expected return on plan assets	590	178	184	97	23	99	9
Actuarial gain (loss)	109	67	55	6	16	(34)	(1)
Employer contribution	484	166	262	14	41	–	1
Plan participants' contribution	4	–	1	2	–	–	1
Settlements	(3)	–	–	–	–	(3)	–
Benefits paid	(611)	(237)	(192)	(47)	(45)	(85)	(5)
Foreign currency exchange rate differences and other movements	207	–	116	29	(55)	122	(5)
Fair value of plan assets at end of the period	7,975	2,315	2,822	986	624	1,120	108
Present value of the wholly or partly funded obligation	(9,882)	(3,486)	(3,246)	(902)	(1,063)	(1,091)	(94)
Fair value of plan assets	7,975	2,315	2,822	986	624	1,120	108
Net present value of the wholly or partly funded obligation	(1,907)	(1,171)	(424)	84	(439)	29	14
Present value of the unfunded obligation	(1,529)	(33)	(15)	–	(1,269)	–	(212)
Unrecognized net actuarial loss (gain)	1,979	1,318	390	45	111	(4)	119
Unrecognized past service cost	5	–	5	–	–	–	–
Prepaid due to unrecoverable surpluses	(148)	–	–	(121)	(2)	(25)	–
Net amount recognized	(1,600)	114	(44)	8	(1,599)	–	(79)
Net assets related to funded obligations	317	186	101	13	–	–	17
Recognized liabilities	(1,917)	(72)	(145)	(5)	(1,599)	–	(96)
Amount included above related to discontinued operations	(83)	–	–	–	(83)	–	–

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

	Year Ended December 31, 2011						
	Total	US	Canada	Brazil	Europe	South Africa	Others
Change in benefit obligation							
Benefit obligation at beginning of the period	11,411	3,519	3,261	902	2,332	1,091	306
Service cost	164	44	59	12	37	–	12
Interest cost	663	171	186	93	110	78	25
Plan amendments	26	–	20	–	6	–	–
Plan participants' contribution	4	–	1	2	–	–	1
Divestitures[1]	(189)	–	–	(102)	(87)	–	–
Curtailments and settlements	(7)	–	–	–	(3)	–	(4)
Actuarial (gain) loss	582	262	245	81	(30)	18	6
Benefits paid	(787)	(242)	(197)	(53)	(169)	(105)	(21)
Foreign currency exchange rate differences and other movements	(361)	–	(45)	(55)	(48)	(209)	(4)
Benefit obligation at end of the period	11,506	3,754	3,530	880	2,148	873	321
Change in plan assets							
Fair value of plan assets at beginning of the period	7,975	2,315	2,822	986	624	1,120	108
Expected return on plan assets	618	191	208	88	25	99	7
Actuarial gain (loss)	(434)	(185)	(215)	(3)	(21)	(13)	3
Employer contribution	437	99	279	16	42	–	1
Plan participants' contribution	4	–	1	2	–	–	1
Divestitures[1]	(186)	–	–	(186)	–	–	–
Benefits paid	(649)	(238)	(196)	(53)	(53)	(105)	(4)
Foreign currency exchange rate differences and other movements	(319)	–	(33)	(49)	(19)	(216)	(2)
Fair value of plan assets at end of the period	7,446	2,182	2,866	801	598	885	114
Present value of the wholly or partly funded obligation	(10,112)	(3,723)	(3,514)	(880)	(1,021)	(873)	(101)
Fair value of plan assets	7,446	2,182	2,866	801	598	885	114
Net present value of the wholly or partly funded obligation	(2,666)	(1,541)	(648)	(79)	(423)	12	13
Present value of the unfunded obligation	(1,394)	(31)	(16)	–	(1,127)	–	(220)
Unrecognized net actuarial loss	2,792	1,629	823	128	95	–	117
Unrecognized past service cost	7	–	7	–	–	–	–
Prepaid due to unrecoverable surpluses	(66)	–	–	(51)	(3)	(12)	–
Net amount recognized	(1,327)	57	166	(2)	(1,458)	–	(90)
Net assets related to funded obligations	326	122	181	6	–	–	17
Recognized liabilities	(1,653)	(65)	(15)	(8)	(1,458)	–	(107)

[1] *Divestitures are mainly related to the spin-off of Aperam.*

Asset ceiling
The amount not recognized in the fair value of plan assets due to the asset ceiling was 148 and 66 at December 31, 2010 and 2011, respectively.

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

	Year ended December 31, 2010						
	Total	US	Canada	Brazil	Europe	South Africa	Others
Net periodic pension cost (benefit)							
Service cost	158	49	50	11	38	–	10
Interest cost	666	180	182	88	113	83	20
Expected return on plan assets	(590)	(178)	(184)	(97)	(23)	(99)	(9)
Charges due to unrecoverable surpluses	(79)	–	(3)	14	–	(90)	–
Curtailments and settlements	4	–	–	–	5	–	(1)
Amortization of unrecognized past service cost	37	2	10	–	3	–	22
Amortization of unrecognized actuarial loss	225	118	1	2	(2)	106	–
Total	**421**	**171**	**56**	**18**	**134**	**–**	**42**
Amount included above related to discontinued operations	4	–	–	–	4	–	–

	Year Ended December 31, 2011						
	Total	US	Canada	Brazil	Europe	South Africa	Others
Net periodic pension cost (benefit)							
Service cost	164	44	59	12	37	–	12
Interest cost	663	171	186	93	110	78	25
Expected return on plan assets	(618)	(191)	(208)	(88)	(25)	(99)	(7)
Charges due to unrecoverable surpluses	(5)	–	–	4	–	(9)	–
Curtailments and settlements	(3)	–	–	–	–	–	(3)
Amortization of unrecognized past service cost	24	–	18	–	6	–	–
Amortization of unrecognized actuarial loss	192	136	10	6	6	30	4
Total	**417**	**160**	**65**	**27**	**134**	**–**	**31**

Other post-employment benefits
ArcelorMittal's principal operating subsidiaries in the US, 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.

The current labor agreement between ArcelorMittal USA and the United Steelworkers of America modified payments into an existing voluntary employee beneficiary association ('VEBA') trust. The VEBA primarily provides limited healthcare benefits to the retirees of certain companies whose assets were acquired (referred to as legacy retirees). Contributions into the trust under the prior labor agreement 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 contributes a fixed amount of 25 per quarter. An agreement with the union allowed ArcelorMittal USA to defer these payments in 2009 and for the first three quarters of 2010. Payments resumed in the fourth quarter of 2010. These deferred contributions must be paid to the fund by August 31, 2012. Before that date, ArcelorMittal USA will make additional quarterly contributions calculated with the reference to its operating income.

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 the VEBA trust was 474 as of December 31, 2011.

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

Summary of changes in the other post employment benefit obligation and changes in plan assets are as follows:

	Year ended December 31, 2010					
	Total	US	Canada	Brazil	Europe	Others
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	5,416	3,963	778	5	564	106
Service cost	61	24	10	–	21	6
Interest cost	313	226	51	–	29	7
Participants contribution	32	32	–	–	–	–
Plan amendment	82	–	(1)	–	83	–
Actuarial loss	694	576	47	–	55	16
Benefits paid	(344)	(243)	(40)	(1)	(46)	(14)
Curtailments and settlements	(2)	–	(2)	–	–	–
Foreign currency exchange rate changes and other movements	(6)	(3)	42	(1)	(33)	(11)
Benefits obligation at end of period	6,246	4,575	885	3	673	110
Present value of the wholly or partly funded obligation	(1,392)	(1,302)	–	–	(90)	–
Fair value of plan assets	517	502	–	–	15	–
Net present value of the wholly or partly funded obligation	(875)	(800)	–	–	(75)	–
Present value of the unfunded obligation	(4,854)	(3,273)	(885)	(3)	(583)	(110)
Unrecognized net actuarial loss (gain)	1,020	1,195	(205)	–	7	23
Unrecognized past service cost	128	58	–	–	70	–
Net amount recognized	(4,581)	(2,820)	(1,090)	(3)	(581)	(87)
Amount included above related to discontinued operations	(58)	–	–	(3)	(55)	–

	Year ended December 31, 2011					
	Total	US	Canada	Brazil	Europe	Others
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	6,246	4,575	885	3	673	110
Service cost	76	32	13	–	23	8
Interest cost	324	236	50	–	29	9
Participants contribution	28	28	–	–	–	–
Plan amendment	19	–	4	–	15	–
Actuarial loss (gain)	376	284	59	–	(19)	52
Benefits paid	(325)	(234)	(45)	–	(37)	(9)
Curtailments and settlements	(32)	–	(1)	–	(31)	–
Divestitures [1]	(68)	–	–	(3)	(65)	–
Foreign currency exchange rate changes and other movements	(44)	–	(17)	–	(22)	(5)
Benefits obligation at end of period	6,600	4,921	948	–	566	165
Present value of the wholly or partly funded obligation	(1,427)	(1,344)	–	–	(83)	–
Fair value of plan assets	529	514	–	–	15	–
Net present value of the wholly or partly funded obligation	(898)	(830)	–	–	(68)	–
Present value of the unfunded obligation	(5,173)	(3,577)	(948)	–	(483)	(165)
Unrecognized net actuarial loss (gain)	1,352	1,419	(129)	–	(10)	72
Unrecognized past service cost	61	2	1	–	58	–
Net amount recognized	(4,658)	(2,986)	(1,076)	–	(503)	(93)

[1] *Divestitures are mainly related to the spin-off of Aperam.*

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

	Year ended December 31, 2010					
	Total	US	Canada	Brazil	Europe	Others
Components of net periodic OPEB cost (benefit)						
Service cost	61	24	10	–	21	6
Interest cost	313	226	51	–	29	7
Expected return on plan assets	(33)	(32)	–	–	(1)	–
Curtailments and settlements	(3)	–	(3)	–	–	–
Amortization of unrecognized past service cost	79	71	(1)	–	9	–
Amortization of unrecognized actuarial (gain) loss	56	42	(18)	–	30	2
Total	473	331	39	–	88	15
Amount included above related to discontinued operations	**6**	**–**	**–**	**–**	**6**	**–**

	Year ended December 31, 2011					
	Total	US	Canada	Brazil	Europe	Others
Components of net periodic OPEB cost (benefit)						
Service cost	76	32	13	–	23	8
Interest cost	324	236	50	–	29	9
Expected return on plan assets	(32)	(31)	–	–	(1)	–
Curtailments and settlements	(28)	–	(1)	–	(27)	–
Amortization of unrecognized past service cost	74	56	3	–	15	–
Amortization of unrecognized actuarial (gain) loss	78	85	(14)	–	4	3
Total	492	378	51	–	43	20

The following tables detail where the expense is recognized in the consolidated statements of operations:

	Year ended December 31, 2010	Year ended December 31, 2011
Net periodic pension cost	421	417
Net periodic OPEB cost	473	492
Total	894	909
Cost of sales	496	503
Selling, general and administrative expense	42	69
Financing costs – net	356	337
Total	894	909

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

	Pension plans		Other post-employment benefits	
	2010	2011	2010	2011
Discount rate	4.75% – 14%	4.3 % – 10.46 %	4.5% – 10.77 %	4 % – 7.5 %
Rate of compensation increase	2.5% – 13 %	2.31 % – 9.7 %	2% – 6.32 %	2 % – 4.5 %
Expected long-term rate of return on plan assets	3.5% – 10.78 %	3.5 % – 12.2 %	4.5% – 6.18 %	4.5 % – 6.17 %

In 2011, the Company refined its method of determining the discount rate for the plans domiciled in the euro zone. In the past, the Company relied on a published index tied to high quality bonds. Under the refined method, the discount rate is derived from a yield curve of high quality bonds with durations that more closely align with the plans' cash flows. This approach, which the Company believes is more consistent with the amount and timing of expected benefit payments, decreased the defined benefit obligation at December 31, 2011 by 167 million (60 basis points on the discount rate). Had a similar method been applied during 2010, there would not have been a material impact on the defined benefit obligation as of December 31, 2010.

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

Healthcare cost trend rate

	Other post-employment benefits	
	2010	2011
Healthcare cost trend rate assumed	2.00% – 5.18 %	2.00% – 5.38 %

Cash contributions
In 2012, the Company is expecting its cash contributions to amount to 761 for pension plans, 398 for other post employment benefits plans and 175 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the Company, were 173 in 2011.

Statements of financial position
Total deferred employee benefits including pension or other post-employment benefits, are as follows:

	December 31, 2010	December 31, 2011
Pension plan benefits	1,834	1,653
Other post-employment benefits	4,523	4,658
Early retirement benefits	761	684
Other long-term employee benefits	62	165
Total	7,180	7,160

Other long-term employee benefits represent liabilities related to multi-employer plans and other long term defined contribution plans.

Sensitivity analysis
The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plans (as of December 31, 2011, the defined benefit obligation ('DBO') for pension plans was 11,506):

	Effect on 2012 pre-tax pension expense (sum of service cost and interest cost)	Effect of December 31, 2011 DBO
Change in assumption		
100 basis points decrease in discount rate	(22)	1,291
100 basis points increase in discount rate	15	(1,093)
100 basis points decrease in rate of compensation	(33)	(280)
100 basis points increase in rate of compensation	38	309
100 basis points decrease in expected return on plan assets	(74)	–
100 basis points increase in expected return on plan assets	74	–

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal's OPEB plans (as of December 31, 2011 the DBO for post-employment benefit plans was 6,600):

	Effect on 2012 pre-tax pension expense (sum of service cost and interest cost)	Effect of December 31, 2011 DBO
Change in assumption		
100 basis points decrease in discount rate	(14)	872
100 basis points increase in discount rate	10	(716)
100 basis points decrease in healthcare cost trend rate	(41)	(644)
100 basis points increase in healthcare cost trend rate	50	770

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

	At December 31, 2007	At December 31, 2008	At December 31, 2009	At December 31, 2010	At December 31, 2011
Present value of the defined benefit obligations	(10,512)	(9,359)	(10,612)	(11,411)	(11,506)
Fair value of the plan assets	8,091	5,788	7,195	7,975	7,446
Deficit	(2,421)	(3,571)	(3,417)	(3,436)	(4,060)
Experience adjustments: (increase)/decrease plan liabilities	(195)	(122)	(161)	(11)	(46)
Experience adjustments: increase/(decrease) plan assets	(201)	(1,712)	471	109	(436)

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, 2007	At December 31, 2008	At December 31, 2009	At December 31, 2010	At December 31, 2011
Present value of the defined benefit obligations	(2,805)	(5,254)	(5,416)	(6,246)	(6,600)
Fair value of the plan assets	49	635	577	517	529
Deficit	(2,756)	(4,619)	(4,839)	(5,729)	(6,071)
Experience adjustments: (increase)/decrease plan liabilities	(33)	(142)	14	(64)	1
Experience adjustments: increase/(decrease) plan assets	–	(19)	11	9	(27)

Note 24: Contingencies

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

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

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

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

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

Environmental liabilities

ArcelorMittal's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2011, excluding asset retirement obligations, ArcelorMittal had established provisions of 733 for environmental remedial activities and liabilities. The provisions by geographic area were 356 in Europe, 197 in the United States, 153 in South Africa and 24 in Canada. In addition, ArcelorMittal and the previous owners of its facilities have expended substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations. ArcelorMittal expects to continue to expend resources in this respect in the future.

United States
ArcelorMittal's operations in the United States have environmental provisions of 197 (exclusive of asset retirement obligations) to address existing environmental liabilities of which 22 is for 2012. The environmental provisions principally relate to investigation, monitoring and remediation of soil and groundwater at ArcelorMittal's current and former facilities. ArcelorMittal USA's largest environmental provisions relate to investigation and remediation at Indiana Harbor East, Lackawanna, and its closed mining operations in southwestern Pennsylvania. ArcelorMittal USA's environmental provisions also include 35, with anticipated spending of 5 during 2012, to specifically address the removal and disposal of asbestos-containing materials and polychlorinated biphenyls ('PCBs'). The environmental provisions include 2 to address ArcelorMittal USA's potential liability at two superfund sites.

All of ArcelorMittal's major operating and former operating sites in the United States are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties. In some cases, soil or groundwater contamination requiring remediation is present at both currently operating and former ArcelorMittal facilities. In other cases, the Company is required to conduct studies to determine the extent of contamination, if any, that exists at these sites.

ArcelorMittal USA is also a potentially responsible party at least two state and federal superfund sites. Superfund and analogous US state laws can impose liability for the entire cost of clean-up at a site upon current or former site owners or operators or parties who sent hazardous substances to the site, regardless of fault or the lawfulness of the activity that caused the contamination. ArcelorMittal USA may incur additional costs or liabilities at these sites if additional clean-up is required, private parties may sue ArcelorMittal USA for personal injury or property damage, or other responsible parties may sue for reimbursement of costs incurred to clean up sites. ArcelorMittal USA may also be named as a potentially responsible party at other sites if its hazardous substances were disposed of at a site that later becomes a superfund site.

In 1990, ArcelorMittal USA's Indiana Harbor East facility was party to a lawsuit filed by the US environmental protection agency (the 'EPA') under the US Resource conservation and recovery act ('RCRA'). In 1993, ArcelorMittal USA entered into a consent decree, which, among other things, requires facility-wide RCRA corrective action and sediment assessment and remediation in the adjacent Indiana Harbor Ship Canal. ArcelorMittal USA's provisions for environmental liabilities include approximately 25 for sediment assessment and remediation at this site, and 9 for RCRA corrective action. 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 44 for anticipated remediation and post-remediation activities at this site. The provision 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 containment structures in an on-site landfill and continuation of groundwater pump and treatment systems.

ArcelorMittal USA is required to prevent acid mine drainage from discharging to surface waters at its closed mining operations in southwestern Pennsylvania. In 2003, ArcelorMittal USA entered into a consent order and agreement with the Pennsylvania Department of Environmental Protection (the 'PaDEP') requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The consent order and agreement also required ArcelorMittal USA to propose a long-term financial assurance mechanism. In 2004, ArcelorMittal USA entered into a revised consent order and agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust 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 several years to reach the current target value of approximately 44. This target value is based on average spending over the last three years. The Company currently expects this rate of spending and the target value to decrease once the operational improvement plans are in place. The trust had a market value of 19 at December 31, 2011. After the treatment trust is fully funded, ArcelorMittal can be reimbursed from the treatment trust fund for 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 27 for this matter.

On August 8, 2006, the US 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 US EPA Region V also has conducted a series of inspections and issued information requests under the US 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, the EPA alleged that ArcelorMittal's Burns Harbor, Indiana Harbor and Cleveland facilities were non-compliant with certain requirements of the US Clean Air Act. Some of the EPA's allegations relate to recent operations and some relate to acts by former facility owners that occurred 15 to 25 years ago. In addition, at the end of October 2011, ArcelorMittal USA facilities in Indiana and Ohio received NOVs from the EPA for Title V permit self-reported deviations and excursions. 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 US Clean Air Act. Further discussions with the EPA and affected state environmental agencies are planned with regard to the NOVs and the agencies concerns.

Europe

Environmental provisions for ArcelorMittal's operations in Europe total 356 and are mainly related to investigation and remediation of environmental contamination at current and former operating sites in France (122), Belgium (82), Luxembourg (71), Germany (35), Poland (27), Czech Republic (12) and Spain (7). This investigation and remediation work relates to various matters such as decontamination of water discharges, waste disposal, cleaning water ponds and remediation activities that involve the clean-up of soil and groundwater. These provisions also relate to human health protection measures such as fire prevention and additional contamination prevention measures to comply with local health and safety regulations.

France

In France, there is an environmental provision of 122, principally relating to the remediation of former sites, including several coke plants, and the capping and monitoring of landfills or basins previously used for residues and secondary materials. The remediation of the coke plants concerns mainly the Thionville, Moyeuvre Grande, Homecourt, Hagondange and Micheville sites, and is related to treatment of soil and groundwater. At Moyeuvre Petite, the recovery of the slag is almost complete and ArcelorMittal is responsible for closure and final rehabilitation of the site. At other sites, ArcelorMittal is responsible for monitoring the concentration of heavy metals in soil and groundwater.

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

Industeel France has an environmental provision that principally relates to ground remediation at Le Creusot site and to rehabilitation of waste disposal areas at Châteauneuf site.

Belgium

In Belgium, there is an environmental provision of 82, of which the most significant elements are legal obligations linked to the dismantling of steel making installations and soil treatment. Soil treatment is mainly related to cleaning of the soil at ArcelorMittal Belgium (Liège). The provisions also concern the external recovery and disposal of waste, residues or by-products that cannot be recovered internally on the ArcelorMittal Gent site and the removal and disposal of asbestos-containing material.

For Industeel Belgium and its daughter company Ringmill, there are environmental provisions concerning legal obligations linked to atmospheric emissions, waste water discharge and soil treatment.

Luxembourg

In Luxembourg, there is an environmental provision of 71, which relates to the post-closure monitoring and remediation of former production sites, waste disposal areas, slag deposits and mining sites.

ArcelorMittal Belval and Differdange has an environmental provision to clean historical landfills in order to meet the requirements of the Luxembourg Environment Administration.

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. A provision of approximately 9 (included in the amount presented above) covers this obligation.

ArcelorMittal Luxembourg also has an environmental provision to secure, stabilize and conduct waterproofing treatment on mining galleries and entrances and various dumping areas in Monderçange, Dudelange, Differdange and Dommeldange. The environmental provision also relates to soil and groundwater treatment to be performed in Terre-Rouge within the next two years, elimination of sludge and blast furnace dust and remediation of the soil to accommodate the expansion of the city of Esch-sur-Alzette. Other environmental provisions concern the cleaning of water ponds and former production sites.

Germany

In Germany, the environmental provision essentially relates to ArcelorMittal Bremen for the post-closure obligations (34) mainly established for soil remediation, groundwater treatment and monitoring at the Prosper coke plant in Bottrop.

Poland

ArcelorMittal Poland S.A.'s environmental provision of 27 mainly relates to the obligation to reclaim a landfill site and to dispose of the residues, which cannot be internally recycled or externally recovered. The provision also concerns the storage and disposal of iron-bearing sludge which cannot be reused in the manufacturing process.

Czech Republic

In the Czech Republic, there is an environmental provision of 12, which essentially relates to the post-closure dismantling of buildings and remediation of the corresponding areas at the Ostrava site.

Spain

In Spain, ArcelorMittal España has environmental provisions of 7 due to obligations of sealing landfills located in the Asturias site and post-closure care in accordance with national legislation.

South Africa
ArcelorMittal South Africa has environmental provisions of approximately 153 to be used over 17 years, mainly relating to environmental remediation obligations attributable to historical or legacy settling/evaporation dams and waste disposal activities. An important determinant in the final timing of the remediation work relates to the obtaining of the necessary environmental authorizations.

Approximately 47 of the provision relates to the decommissioned Pretoria Works site. This site is in a state of partial decommissioning and rehabilitation with one coke battery and a small-sections rolling facility still in operation. ArcelorMittal South Africa is in the process of transforming this old plant into an industrial hub for light industry, a process that commenced in the late 1990s. Particular effort is directed to landfill sites, with sales of slag from legacy disposal sites to vendors in the construction industry continuing unabated and encouraging progress being made at the Mooiplaats Quarry site. However, remediation actions for these sites are long-term in nature due to a complex legal process that needs to be followed.

The Vanderbijlpark Works site, which is the main flat carbon steel operation of the South Africa unit and has been in operation for more than 68 years, contains a number of legacy facilities and areas requiring retirement and remediation. Approximately 48 of the provision is allocated to this site.

The Newcastle Works site is the main long carbon steel operation of the South Africa unit that has been in operation for more than 32 years. Approximately 42 of the provision is allocated to this site. As with all operating sites of ArcelorMittal South Africa, the above retirement and remediation actions dovetail with numerous large capital expenditure projects dedicated to environmental management. In the case of the Newcastle site, the major current environmental capital project relates to water treatment.

The remainder of the obligation of approximately 16 relates to the Vereeniging and Saldanha site.

Canada
In Canada, ArcelorMittal Dofasco has an environmental provision of approximately 17 for the expected cost of remediating toxic sediment located in the Company's East Boatslip site. Completion of the project is required for Hamilton Harbor to be de-listed as an 'area of concern' on the Great Lakes. ArcelorMittal Dofasco has completed preliminary engineering for a containment facility for the material and identified the extent of dredging that will be required. Activities required to secure the necessary environmental approvals for the project are underway, and ArcelorMittal Dofasco expects the project to be completed by 2015.

ArcelorMittal Montreal has an environmental provision of approximately 7 for future capping of hazardous waste cells, disposal of sludge left in ponds after flat mills closure at Contrecoeur, and part of the remediation cost at a closed wire mill at Lachine, a Montreal borough.

Asset retirement obligations ('AROs')
AROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to retire plant and equipment or to restore a site at the end of its useful life. As of December 31, 2011, ArcelorMittal had established provisions for asset retirement obligations of 367, including 145 for Ukraine, 74 for Russia, 50 for Canada, 26 for the United States, 25 for South Africa, 23 for Germany, 14 for Brazil, 5 for Kazakhstan and 3 for Algeria (see note 20).

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

The AROs in Russia relate to the rehabilitation of two coal mines operating in the Kuzbass region (i.e. the Berezovskaya and Pervomayskaya mines), upon closure of the mines pursuant to the mining plan. The main areas of environmental remediation are as follows: dismantling of buildings and structures, mined land reclamation, quality control of water pumped out of the mines, monitoring of gas drainage bore-holes, soil and air.

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, and at the Mary River ('Baffinland') mining project located on Baffin Island in Nunavut, upon closure of the mine pursuant to the restoring plan of the mines.

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

In Germany, AROs principally relate to the Hamburg site, which is operating on leased land with the contractual obligation to remove all buildings and other facilities upon the termination of the lease, and to the Prosper coke plant in Bottrop for filling the basin, restore the layer and stabilize the shoreline at the harbor.

The AROs in the United States principally relate to mine closure costs of the Hibbing and Minorca iron ore mines and Princeton coal mines.

In Brazil, the AROs relate to legal obligations to clean and restore the mining areas of Serra Azul and Andrade, both located in the State of Minas Gerais. The related provisions are expected to be settled in 2017 and 2031, respectively.

In Kazakhstan, the AROs relate to the restoration obligations of the mines in the coal and the iron ore divisions.

In Algeria, the AROs relate to the restoration obligations for the Ouenza and Boukhadra iron ore mines at the end of the operations.

Tax claims
ArcelorMittal is a party to various tax claims. As of December 31, 2011, ArcelorMittal had recorded provisions in the aggregate of approximately 331 (see note 20) for tax claims in respect of which it considers the risk of loss to be probable. Set out below is a summary description of the tax claims (i) in respect of which ArcelorMittal had recorded a provision as of December 31, 2011 or (ii) that constitute a contingent liability, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

Brazil
On December 9, 2010, ArcelorMittal Tubarão Comercial S.A. ('ArcelorMittal Tubarão'), the renamed successor of Companhia Siderurgica de Tubarão ('CST') following CST's spin-off of most of its assets to ArcelorMittal Brasil in 2008, received a tax assessment from the Brazilian Federal Revenue Service relating to sales made by CST to Madeira Island, Portugal and Cayman Island. The tax assessment does not specify an amount. The tax authorities require that the profits of CST's Madeira Island and Cayman Island subsidiaries be added to CST's 2005 tax basis, and also that CST's post-2005 tax basis be recalculated. Although CST did not pay taxes in 2005 due to tax losses, the recalculations required by the tax authorities could result in tax being payable by ArcelorMittal Tubarão. The case is in the first administrative instance and the Company presented its defense in January 2011. On March 23, 2011, ArcelorMittal Tubarào Comercial S.A. received a further tax assessment for 2006 and 2007 in the amount of 311, including amounts related to the first tax assessment regarding the profits of CST's Madeira Island and Cayman Island subsidiaries. The case is in the first administrative instance, and ArcelorMittal Tubarào Comercial S.A. filed its defense in April 2011.

The Brazilian social security administration has claimed against ArcelorMittal Brasil amounts for social security contributions not paid by outside civil construction service contractors for the 2001-2007 period. The amount claimed is 64. ArcelorMittal Brasil is defending the case in the first administrative instance.

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 809 at December 31, 2011. In December 2008, the administrative tribunal of first instance upheld the amount of the assessment. ArcelorMittal Brasil has appealed to the administrative tribunal of second instance and is awaiting the decision. On April 16, 2011, ArcelorMittal Brasil received a further tax assessment for the periods of March, June and September 2007, which, taking into account interest and currency fluctuations, amounted to 232 as of December 31, 2011. ArcelorMittal Brasil filed its defense in April 2011. In October 2011, the administrative tribunal of first instance upheld the tax assessment received by ArcelorMittal Brazil on April 16, 2011, but decided that no penalty (amounting to 77) was due. Both parties have filed an appeal with the second administrative instance.

In 2011, ArcelorMittal Tubarão received 27 tax assessments from the revenue service of the State of Espirito Santo for ICMS (a value added tax) in the total amount of 56 relating to a tax incentive (INVEST) used by the company. The dispute concerns the definition of fixed assets and ArcelorMittal Tubarão has filed its defense in the administrative instance.

In 2011, ArcelorMittal Brasil received a tax assessment for corporate income tax (known as IRPJ) and social contributions on net profits (known as CSL) in relation to (i) the amortization of goodwill on the acquisition of Mendes Júnior Siderurgia (for the 2006 and 2007 fiscal years), (ii) the amortization of goodwill arising from the mandatory tender offer (MTO) made by ArcelorMittal to minority shareholders of Arcelor Brasil following the two-step merger of Arcelor and Mittal Steel N.V. (for the 2007 tax year), (iii) expenses related to pre-export financing used to finance the MTO, which were deemed by the tax authorities to be unnecessary for ArcelorMittal Brasil since it was used to buy the shares of its own company; and (iv) CSL over profits of controlled companies in Argentina and Costa Rica. The amount claimed totals 710. ArcelorMittal Brasil has filed its defense and the case is in the first administrative instance.

France
Following audits for 2006, 2007 and 2008 of ArcelorMittal France and other French ArcelorMittal entities, URSSAF, the French body responsible for collecting social contributions, commenced formal proceedings for these years alleging that the French ArcelorMittal entities owe €65 million (84) for social contributions on various payments of which the most significant relate to profit sharing schemes, professional fees and stock options. Proceedings were commenced in relation to the 2006 claims in December 2009. Proceedings were commenced in relation to the 2007 and 2008 claims in February and March 2010, respectively.

Italy
In May 2010, the Italian tax authorities began an inquiry relating to ArcelorMittal FCE Luxembourg, claiming that it had a permanent business establishment in Italy and should pay taxes accordingly. On October 28, 2010, the Italian tax police issued a report for the 2004 fiscal year concerning IRAP, which is a local tax, and on March 28, 2011, it issued a further report for 2003-2010 in respect of IRAP, value-added tax ('VAT') and corporate income tax ('CIT'). On December 29, 2010 the tax authorities issued a tax claim (avviso di accertamento) for IRAP related to 2004 for a total amount of €96.8 million (125.2), in respect of which ArcelorMittal filed an appeal on May 26, 2011.
On December 13, 2011, the tax authorities issued a demand for a payment of 50% of the IRAP tax in an amount of €25 million (33) (including interest). In January 2012, the Milan court accepted ArcelorMittal's application to suspend the collection process. The court has scheduled a hearing on the merits in relation to the 2004 IRAP for April 2012.

Spain
Spanish tax authorities have claimed that amortization recorded by the former Siderúrgica del Mediterraneo, S.A. (currently ArcelorMittal Sagunto S.L.) in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 54, including the amount of tax, interest and penalties. A first instance judgment dated April 30, 2009 cancelled any liability for 1995 and 1996 and penalties for all three years. The tax liability of ArcelorMittal for 1997 was assessed at 8 (including interest). Both parties are appealing the decision.

Ukraine
In December 2010, the Ukrainian tax authorities issued a tax assessment to ArcelorMittal Kryviy Rih, alleging that it had breached tax law provisions relating to VAT for the December 2009 to October 2010 period. The total amount of the assessment is approximately 57. ArcelorMittal Kryviy Rih disagreed with the assessment, and appealed to a higher division of the tax authorities. The appeal was rejected, and ArcelorMittal Kryviy Rih appealed this decision to the local district administrative court in February 2011. In March 2011, the local district administrative court decided in favor of ArcelorMittal Kryviy Rih and the tax authorities filed an appeal, which is currently pending.

Competition/antitrust claims
ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2011, ArcelorMittal had not recorded any provisions in respect of such claims (see note 20). Set out below is a summary description of competition/antitrust claims (i) that constitute a contingent liability, or (ii) that were resolved in 2011, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

United States
On September 12, 2008, Standard Iron Works filed a purported class action complaint in the US District Court in the northern district of Illinois against ArcelorMittal, ArcelorMittal USA LLC, 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 US antitrust law. Since the filing of the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and have been consolidated with the Standard Iron Works lawsuit. In addition, two putative class actions on behalf of indirect purchasers have been filed, one of which has already been consolidated with the Standard Iron Works cases and one of which ArcelorMittal is seeking to consolidate. In January 2009, ArcelorMittal and the other defendants filed a motion to dismiss the direct purchaser claims. On June 12, 2009, the court denied the motion to dismiss and the litigation is now in the discovery stage. It is too early in the proceedings for ArcelorMittal to determine the amount of its potential liability, if any.

Brazil
In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council ('CADE') issued a decision against ArcelorMittal Brasil, requiring it to pay a penalty of 69. ArcelorMittal Brasil appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

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

A further related action was commenced by Sinduscons, a construction industry union, in federal court in Brasilia against, inter alia, ArcelorMittal Brasil, in February 2011, claiming damages based on an alleged cartel in the rebar market as investigated by CADE and as noted above.

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 is contractually required to indemnify the present owner of Emesa and Galycas if a fine is imposed on them relating to any matters that occurred while these entities were owned by Arcelor.

ArcelorMittal and its subsidiaries cooperated fully with the European Commission in this investigation. On June 30, 2010, the European Commission imposed fines totaling approximately €317 million (387) on the current and former ArcelorMittal entities. ArcelorMittal Wire France, ArcelorMittal Fontaine, ArcelorMittal Verderio and ArcelorMittal España filed an appeal against the June 30 Commission decision in September 2010 before the General Court in Luxembourg. At the same time, ArcelorMittal Wire France, ArcelorMittal Fontaine and ArcelorMittal Verderio filed an application for urgent interim measures before the General Court in Luxembourg. ArcelorMittal Wire France, ArcelorMittal Verderio and ArcelorMittal Fontaine introduced a post-decision 'inability to pay' application with the European Commission. On September 30, 2010, the European Commission issued a revised decision in which it corrected certain calculation errors resulting in a total fine lowered by approximately €50 million (68) to approximately €276 million (377). Following that decision, ArcelorMittal Wire France, ArcelorMittal Verderio, ArcelorMittal Fontaine and ArcelorMittal España updated their appeals and the above-mentioned application for urgent interim relief pending before the General Court. On December 7 and December 8, 2010, both the 'inability to pay' application by ArcelorMittal Wire France, ArcelorMittal Fontaine and ArcelorMittal Verderio and their application for interim measures were rejected by the European Commission and the General Court, respectively. On December 17, 2010, ArcelorMittal Wire France, ArcelorMittal Fontaine and ArcelorMittal Verderio appealed the decision to reject the application for interim measures before the European Court of Justice and on December 22, 2010, the European Commission decided to suspend the implementation of the September 30, 2010 decision against the three entities pending the aforementioned appeal before the European Court of Justice. The Court of Justice and the General Court provisionally suspended all pending appeal procedures. On January 5, 2011, ArcelorMittal S.A. and ArcelorMittal España paid their portions of the fine, i.e., €31.7 million (42.3) and €36.7 million (49.0), respectively. On April 4, 2011, the European Commission issued a new decision amending the September 30, 2010 decision and reducing the fines imposed on ArcelorMittal Wire France, ArcelorMittal Fontaine and ArcelorMittal Verderio by €185 million (275) to an aggregate amount of €14 million (21). The fines were paid on May 5, 2011, and all pending appeals have been withdrawn.

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. ArcelorMittal filed an application to access the file of the Competition Commission that was rejected. ArcelorMittal is appealing the decision to reject the application, and has applied for a review of that decision and a suspension of the obligation to respond to the referral on the substance pending final outcome on the application for access to the documents. On July 7, 2011, ArcelorMittal filed an application before the Competition Tribunal to set aside the complaint referral based on procedural irregularities. It is too early for ArcelorMittal to assess the potential outcome of the procedure, including the financial impact.

Other legal claims
ArcelorMittal is a party to various other legal claims. As of December 31, 2011, ArcelorMittal had recorded provisions of approximately 273 (see note 20) for other legal claims in respect of which it considers the risk of loss to be probable. Set out below is a summary description of the other legal claims (i) in respect of which ArcelorMittal had recorded a provision as of December 31, 2011, (ii) that constitute a contingent liability, or (iii) that were resolved in 2011, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

United States
In July 2004, the Illinois Environmental Protection Agency (the 'IEPA') notified Indiana Harbor East that it had identified that facility as a potentially responsible party in connection with alleged contamination relating to Hillside Mining Co. ('Hillside'), a company that Indiana Harbor East acquired in 1943, operated until the late 1940s and whose assets it sold in the early 1950s, in conjunction with the corporate dissolution of that company. 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, 2011, ArcelorMittal was not able to reasonably estimate the amount of liabilities relating to this matter, if any.

ArcelorMittal USA was a party to two arbitrations with the Cleveland Cliffs Iron Company, Cliffs Mining Company and related entities in relation to iron ore purchases under the supply agreements entered into between them. ArcelorMittal USA was seeking a determination in favor of its interpretation of the allocation of required quantities of iron ore purchases among various steelmaking facilities. Cleveland Cliffs was seeking, among other things, to increase the price of certain agreed quantities of iron ore purchases in 2010, which ArcelorMittal USA opposed. Under certain possible scenarios, the outcome of the arbitrations could have been a potentially significant retroactive increase in the cost of ArcelorMittal USA's iron ore purchases made in 2010. A settlement of all disputes between ArcelorMittal USA LLC, Natural Resources Inc. and related entities was executed on April 8, 2011.

On November 20, 2009, Welspun Gujarat Stahl Rohren LTD ('Welspun') filed a third party petition against ArcelorMittal, ArcelorMittal Galati and ArcelorMittal International FZE in the Harris County District Court, Texas, seeking indemnification from the ArcelorMittal companies in respect of the claims made by Kinder Morgan Louisiana Pipeline LLC ('Kinder Morgan') against Welspun, among others, concerning allegedly defective pipes for a natural gas pipeline for which the steel plate was manufactured by ArcelorMittal Galati. The amount claimed against Welspun in Kinder Morgan's claim was 66. In July 2010, Welspun agreed to file an amended third party petition substituting ArcelorMittal International FZE with LNM Marketing FZE. In July 2011, a settlement agreement was executed between Welspun and the ArcelorMittal parties. On August 16, 2011, the Court issued an order on the application of the parties, dismissing Welspun's third-party petition against the ArcelorMittal parties.

Brazil
Companhia Vale do Rio Doce ('Vale') has commenced arbitration proceedings against ArcelorMittal España in Brazil, claiming damages arising from allegedly defective rails supplied by ArcelorMittal España to Vale for the Carajas railway in Brazil, which Vale alleges caused a derailment on the railway line. Vale quantifies its claim as 64. Initial submissions were filed by the parties on November 26, 2009 and rebuttals were filed on January 29, 2010. The expert's report was issued on November 7, 2011.

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

In April 2011, a proceeding was commenced before the Ontario (Canada) Superior Court of Justice under the Ontario Class Proceedings Act, 1992, against ArcelorMittal, Baffinland Iron Mines Corporation ('BIM'), and certain other parties relating to the February 2011 take over of BIM by ArcelorMittal, Nunavut, Iron Ore Holdings and 1843208 Ontario Inc. The action seeks the certification of a class comprised of all BIM securities holders who tendered their BIM securities, and whose securities were taken up, in connection with the take over between September 22, 2010 and February 17, 2011, or otherwise disposed of their BIM securities on or after January 14, 2011. The action alleges that the tender offer documentation contained certain misrepresentations and seeks damages in an aggregate amount of CAD$1 billion or rescission of the transfer of the BIM securities by members of the class.

Senegal
In 2007, ArcelorMittal Holdings AG entered into an agreement with the State of Senegal relating to an integrated iron ore mining and related infrastructure project. The company announced at the time that implementation of the project would entail an aggregate investment of 2.2 billion. Project implementation did not follow the originally anticipated schedule. The Company engaged in discussions with the State of Senegal about the project over a long period. In early 2011, the parties engaged in a conciliation procedure, as provided for under their agreement, in an attempt to reach a mutually acceptable outcome. Following the unsuccessful completion of this procedure, in May 2011 the State of Senegal commenced an arbitration before the Court of Arbitration of the International Chamber of Commerce, claiming breach of contract and provisionally estimating damages of 750.

South Africa
ArcelorMittal South Africa ('AMSA') received notice from Sishen Iron Ore Company (Proprietary) Limited ('SIOC') on February 5, 2010, asserting that with effect from March 1, 2010, it would no longer supply iron ore to AMSA on a cost plus 3% basis as provided for in the supply agreement entered into between the parties in 2001, on the grounds that AMSA had lost its 21.4% share in the mineral rights at the Sishen mine and that this was a prerequisite for the supply agreement terms. AMSA rejected this assertion and stated its firm opinion that SIOC is obligated to continue to supply iron ore to AMSA at cost plus 3%. The parties have commenced an arbitration process to resolve this dispute. Pleadings were served and in November 2010, the arbitral tribunal was fully constituted. On July 22, 2010, AMSA announced that an interim arrangement had been reached with SIOC on pricing for the supply of iron ore to AMSA's production facilities in South Africa during an interim period effective from March 1, 2010 until July 31, 2011. AMSA and SIOC agreed on a fixed price of $50 per metric tonne of iron ore for lump material for delivery to the Saldanha plant, and $70 per metric tonne for both lump and iron ore fine material delivered to AMSA's inland plants. The parties further agreed that AMSA would continue to purchase annual quantities of 6.25 million metric tonnes of iron ore, that there would be no escalation in the prices agreed for the duration of the interim period, and that any iron ore in addition to the maximum monthly amount would be purchased by AMSA at the then-prevailing spot prices calculated on an export parity price basis. AMSA initially imposed a surcharge on its domestic sales to compensate for some of the iron ore cost increase. However, in view of the interim agreement, AMSA, with effect from August 1, 2010, charged a single all-in price reflecting the higher cost of iron ore, rather than the separate surcharge. On May 16, 2011, an addendum to the interim agreement was executed extending it until July 31, 2012. The interim pricing agreement has no bearing on the arbitration process currently underway or AMSA's conviction that the supply agreement remains legally valid and binding on the parties. The arbitration is at an early stage and the Company has not yet been able to assess the risk of loss as the facts and legal arguments remain under analysis. Proceedings in the arbitration have been suspended pending completion of the legal action summarized in the next paragraph.

AMSA announced on August 10, 2010 that it had entered into an agreement, subject to certain conditions, to acquire ICT, a company that in May 2010 had acquired the right to prospect for iron ore in a 21.4% share in the Sishen mine. The acquisition agreement lapsed in 2011. SIOC brought legal action against the South African government and ICT to challenge the grant of the prospecting right to ICT and, on February 4, 2011, served on AMSA an application to join AMSA in this action. ICT also made an application to the government for a mining right in respect of the 21.4% share in the Sishen Mine, which SIOC challenged. AMSA applied to be joined as applicant in these proceedings and on June 6, 2011, the court ordered AMSA's joinder. AMSA argued in the proceedings that SIOC holds 100% of the rights in the Sishen mine. On December 15, 2011, the court ruled that SIOC holds 100% of the rights in the Sishen mine and set aside the grant of the prospecting right to ICT. Both ICT and the South African government filed applications for leave to appeal this judgment on February 3, 2012.

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 mis-management of SAFET's business. On October 11, 2011, the court approved a settlement agreed between the parties.

Retired and current employees of certain French subsidiaries of the former Arcelor have initiated lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security ('social security'). Asbestos claims in France initially are made by way of a declaration of a work-related illness by the claimant to the social security authorities resulting in an investigation and a level of compensation paid by social security. Once the social security authorities recognize the work-related illness, the claimant, depending on the circumstances, can also file an action for inexcusable negligence (faute inexcusable) to obtain additional compensation from the company before a special tribunal. Where procedural errors are made by social security, it is required to assume full payment of damages awarded to the claimants. Due to fewer procedural errors and, consequently, fewer rejected cases, ArcelorMittal was required to pay some amounts in damages in 2011.

The number of claims outstanding for asbestos exposure at December 31, 2011 was 397 as compared to 397 at December 31, 2010. The range of amounts claimed for the year ended December 31, 2011 was €7,500 to €516,000 (approximately $10,000 to $660,000). The aggregate costs and settlements for the year ended December 31, 2011 were 4.9, of which 0.4 represents legal fees and 4.5 represents damages paid to the claimant. The aggregate costs and settlements for the year ended December 31, 2010 were approximately 0.3 and 2.1, respectively.

	In number of cases	
	2010	2011
Claims unresolved at beginning of period	402	397
Claims filed	75	136
Claims settled, dismissed or otherwise resolved	(80)	(136)[1]
Claims unresolved at December 31,	397	397

[1] *Includes claims against ArcelorMittal and Aperam*

Minority shareholder claims regarding the exchange ratio in the second-step merger of ArcelorMittal into Arcelor
ArcelorMittal is the company that results from the acquisition of Arcelor by Mittal Steel N.V. in 2006 and a subsequent two-step merger between Mittal Steel and ArcelorMittal and then ArcelorMittal and Arcelor. Following completion of this merger process, several former minority shareholders of Arcelor or their representatives brought legal proceedings regarding the exchange ratio applied in the second-step merger between ArcelorMittal and Arcelor and the merger process as a whole.

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

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

In June and July 2007, two hedge funds that were shareholders of Arcelor wrote to the Netherlands authority for the financial markets (the Stichting Autoriteit Financiële Markten, or the 'AFM'), the Dutch securities regulator, requesting it to take various measures against Mittal Steel relating in particular to disclosure regarding the proposed exchange ratio. On August 17, 2007 the AFM rejected the claimants' demands. On September 20, 2007, the claimants filed formal objections with the AFM against the decision of August 17, 2007. On February 4, 2008, the AFM confirmed its decision of August 17, 2007. On March 13, 2008, the claimants lodged an appeal against the AFM's decision with the Rotterdam Administrative Court. By judgment dated December 10, 2008, the court nullified the AFM's decision of February 4, 2008, on the grounds that the AFM's limited investigation was an insufficient basis for its decision, and requiring it to conduct a further investigation and issue a new decision. The AFM and ArcelorMittal are both appealing the court's ruling. A hearing on the merits took place on February 15, 2011.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the board of directors of ArcelorMittal at the time of the merger and on the significant shareholder. The plaintiffs alleged in particular that, based on Mittal Steel's and Arcelor's disclosure and public statements, investors had a legitimate expectation that the exchange ratio in the second-step merger would be the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e. 11 Mittal Steel shares for seven Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, inter alia, the cancellation of certain resolutions (of the board of directors and of the shareholders meeting) in connection with the merger, the grant of additional shares or damages in an amount of €180 million (233). By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. This judgment is subject to appeal.

Note 25: Segment and geographic information

As of January 1, 2011, the Company's mining operations are presented as a separate reportable segment. Accordingly, prior periods have been retrospectively adjusted to reflect this new segmentation. This change in segmentation is an IFRS reporting requirement and reflects the changes in ArcelorMittal's approach to managing its mining assets. Commencing on January 1, 2011, discrete financial information on the Company's mining operations is provided on a regular basis to the GMB for decision making on resources allocation and to assess the performance of these operations.

ArcelorMittal has a high degree of geographic diversification relative to other steel companies. During 2011, ArcelorMittal shipped its products to customers in approximately 174 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.

The Company adopted IFRS 8, 'operating segments' on January 1, 2009. As the Company previously defined its operating segments in alignment with the GMB's responsibilities, the adoption of IFRS 8 did not impact the Company's segment presentation. Refer to note 2 for the policy around grouping of operating segments into our reportable segments.

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

Reportable segments
ArcelorMittal reports its operations in six segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, AACIS, Distribution Solutions and Mining. Following the Company's spin-off of its stainless steel operations into a separately focused company Aperam, Stainless Steel, which produces flat and long stainless steel and alloy products from its plants in Europe and South America, is reported as discontinued operations.

- Flat Carbon Americas represents the flat facilities of the Company located on the American continent (Canada, Brazil, Mexico, United States). Flat Carbon Americas produces slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following industries: distribution and processing, automotive, pipe and tubes, construction, packaging, and appliances;
- Flat Carbon Europe is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east, and covering the flat carbon steel product portfolio in all major countries and markets. Flat Carbon Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. These products are sold primarily to customers in the automotive, general industry and packaging industries;
- Long Carbon Americas and Europe operates in Europe and America. Production consists of sections, wire rod, rebar, billets, blooms and wire drawing, and tubular products;
- AACIS produces a combination of flat and long products and tubular products. Its facilities are located in Asia, Africa and Commonwealth of Independent States;
- Distribution Solutions is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements; and
- Mining comprises all mines owned by ArcelorMittal in the Americas (Canada, USA, Mexico and Brazil), Asia (Kazakhstan and Russia), Europe (Ukraine and Bosnia & Herzegovina) and Africa (Algeria, Liberia, Mauritania and Senegal). It supplies the Company and third parties customers with iron ore and coal.

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

	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas & Europe	AACIS	Distribution Solutions	Mining	Others/ elimination*	Total
Year ended December 31, 2010								
Sales to external customers	16,265	20,898	18,217	6,916	14,225	1,157	347	78,025
Intersegment sales**	1,419	4,652	3,098	2,790	1,519	3,223	(16,701)	–
Operating income	691	534	1,004	680	164	1,624	(1,092)	3,605
Depreciation	864	1,404	1,060	454	177	333	103	4,395
Impairment	–	77	11	–	113	305	19	525
Capital expenditures	574	792	687	515	124	525	91	3,308
Year ended December 31, 2011								
Sales to external customers	19,556	25,760	21,658	7,812	16,905	1,499	783	93,973
Intersegment sales**	1,479	5,302	3,507	2,967	2,150	4,769	(20,174)	–
Operating income	1,198	(324)	646	721	52	2,568	37	4,898
Depreciation	903	1,540	1,005	517	179	491	34	4,669
Impairment	8	141	178	–	–	4	–	331
Capital expenditures	664	1,004	1,119	613	152	1,269	17	4,838

* *Others/Eliminations includes all other operational and/or non-operational items which are not segmented, together with inter-segment elimination.*
** *Transactions between segments are conducted on the same basis of accounting as transactions with third parties except for certain mining products shipped internally on a cost plus basis.*

The Company does not regularly provide assets for each reportable segment to the CODM. The table which follows presents the reconciliation of segment assets to total assets as required by IFRS 8.

	Year ended December 31, 2010	Year ended December 31, 2011
Assets allocated to segments	101,510	107,495
Cash and cash equivalents, including restricted cash	6,289	3,905
Deferred tax assets	6,603	6,081
Assets held for sale and distribution	6,918	—
Other unallocated assets and eliminations	9,584	4,399
Total assets	130,904	121,880

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

	Year ended December 31, 2010	Year ended December 31, 2011
Operating income (loss)	3,605	4,898
Income from investments in associates and joint ventures	451	620
Financing costs – net	(2,200)	(2,838)
Income (loss) before taxes	1,856	2,680
Income tax expense (benefit)	(1,479)	882
Discontinued operations	(330)	461
Net income (including non-controlling interests)	3,005	2,259

Geographical information
Sales (by destination)

	Year ended December 31, 2010	Year ended December 31 2011
Americas		
United States	12,920	16,526
Canada	3,163	3,571
Brazil	7,291	7,407
Argentina	1,054	1,271
Mexico	1,968	2,413
Others	1,619	2,043
Total Americas	28,015	33,231
Europe		
France	5,307	6,078
Spain	4,567	5,021
Germany	7,182	9,111
Romania	837	931
Poland	3,191	4,235
Belgium	1,226	1,571
Italy	2,926	3,317
United Kingdom	1,763	1,959
Turkey	2,441	2,737
Czech Republic	1,271	1,921
Netherlands	828	1,072
Russia	970	1,511
Others	4,937	6,253
Total Europe	37,446	45,717
Asia & Africa		
South Africa	3,256	3,624
China	850	1,303
India	873	838
Others	7,585	9,260
Total Asia & Africa	12,564	15,025
Total	78,025	93,973

Revenues from external customers attributed to the country of domicile (Luxembourg) were 214 and 294 as of December 31, 2010 and 2011, respectively.

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

Non-current assets* per significant country:

	Non-current assets	
	As of December 31, 2010	As of December 31, 2011
Americas		
Brazil	7,431	7,763
United States	6,118	6,243
Canada	4,314	5,463
Mexico	1,555	1,456
Others	939	851
Total Americas	20,357	21,776
Europe		
France	6,178	5,962
Luxembourg	2,792	2,225
Belgium	3,675	3,380
Spain	3,979	3,530
Ukraine	4,508	4,450
Poland	2,803	2,651
Germany	3,273	3,258
Czech Republic	874	849
Romania	677	846
Italy	307	278
Others	1,053	992
Total Europe	30,119	28,421
Asia & Africa		
South Africa	2,497	2,054
Kazakhstan	1,804	1,948
Liberia	487	828
Others	863	806
Total Africa & Asia	5,651	5,636
Unallocated assets	32,102	30,442
Total	88,229	86,275

* *Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are presented under the caption 'unallocated assets'.*

Sales by type of products

	Year ended December 31, 2010	Year ended December 31, 2011
Flat products	43,396	51,936
Long products	18,943	22,437
Tubular products	2,107	2,915
Mining products	1,157	1,499
Others	12,422	15,186
Total	78,025	93,973

The table above presents sales to external customer by product type. In addition to steel produced by the Company, amounts include material purchased for additional transformation and sold through distribution services. Others include mainly non-steel sales and services.

Note 26: Employees and key management personnel

As of December 31, 2011, ArcelorMittal employed approximately 261,000 people and the total annual compensation of ArcelorMittal's employees paid in 2010, and 2011 was as follows:

	Year ended December 31, 2010	Year ended December 31, 2011
Employee information		
Wages and salaries	9,686	10,545
Pension cost	590	673
Other staff expenses	1,575	1,725
	11,851	12,943

The total annual compensation of ArcelorMittal's key management personnel, including its board of directors, paid in 2010, and 2011 was as follows:

	Year ended December 31, 2010	Year ended December 31, 2011
Base salary and/or directors fees	20	18
Short-term performance-related bonus	7	17
Post-employment benefits	2	2
Share based compensation	15	9

The fair value of the stock options granted to the ArcelorMittal's key management personnel is recorded as an expense in the consolidated statements 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, 2010 and 2011, 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, 2010 and 2011, ArcelorMittal had not given any guarantees for the benefit of any member of its board of directors or key management personnel.

Note 27: Subsequent events

On February 28, 2012, ArcelorMittal completed an offering of three series of US dollar-denominated notes, consisting of 500 aggregate principal amount of 3.75% notes due 2015, 1,400 aggregate principal amount of 4.50% notes due 2017 and 1,100 aggregate principal amount of 6.25% notes due 2022. The proceeds were used for general corporate purposes and to repay existing indebtedness.

On March 2, 2012, ArcelorMittal announced the results of its cash tender offer that had been launched on February 23, 2012 to purchase any and all of its 5.375% notes due June 1, 2013. ArcelorMittal accepted for purchase 299 principal amount of notes for a total aggregate purchase price (including accrued interest) of 314. Upon settlement for all of the notes accepted pursuant to the offer, the remaining outstanding principal amount of notes will be 1,201.

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the Shareholders of
ArcelorMittal Société Anonyme
19, Avenue de la Liberté
L-2930 Luxembourg
Grand Duchy of Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the shareholders held on May 10, 2011, 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, 2011, 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 information.

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, and for such internal control as the Board of Directors' determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of ArcelorMittal and its subsidiaries as of December 31, 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements, and includes the information required by the Law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit
société à responsabilité limitée
Cabinet de révision agréé

Eric van de Kerkhove, *Réviseur d'entreprises agréé*
Partner

March 12, 2012
560, rue de Neudorf
L-2220 Luxembourg

Balance sheet

ArcelorMittal, Société Anonyme
(expressed in millions of US dollars)

		December 31, 2011	December 31, 2010
Assets			
B. Formation expenses	**Note 3**	**–**	**2**
C. Fixed assets		**92,637**	**100,009**
I. Intangible fixed assets	**Note 4**	**7**	**5**
2.a) Concessions, patents, licences, trademarks and similar rights and assets		7	5
II. Tangible fixed assets	**Note 5**	**36**	**43**
1. Land and buildings		33	38
3. Other fixtures and fittings, tools and equipment		3	3
4. Payments on account and tangible fixed assets in course of construction		–	2
III. Financial fixed assets	**Note 6**	**92,594**	**99,961**
1. Shares in affiliated undertakings		83,772	88,105
2. Loans to affiliated undertakings		6,457	9,460
3. Shares in undertakings with which the company is linked by virtue of participating interests		1,024	985
5. Securities held as fixed assets		1,341	1,411
D. Current assets		**909**	**1,594**
II. Debtors		**895**	**1,575**
2.a) Amounts owed by affiliated undertakings becoming due in one year or less	**Note 7**	779	1,458
4.a) Other debtors becoming due in one year or less		116	117
III. Transferable securities	**Note 8**	**14**	**12**
2. Treasury shares (757,951 shares with an accounting par value of USD 6.02)		14	12
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand		**–**	**7**
E. Prepayments and accrued income		**171**	**141**
Total assets		**93,717**	**101,746**

		December 31, 2011	December 31, 2010
Liabilities			
A. Capital and reserves	**Note 9**	**65,362**	**71,351**
I. Subscribed capital		**9,403**	**9,950**
II. Share premium account and equivalent premiums		**18,082**	**19,682**
IV. Reserves		**934**	**939**
1. Legal reserve		920	927
2. Reserve for treasury shares		14	12
V. Profit brought forward		**37,423**	**26,145**
VI. (Loss)/profit for the financial year		**(480)**	**14,635**
C. Provisions		**14**	**60**
1. Provisions for pensions and similar obligations		14	5
3. Other provisions	**Note 10**	–	55
D. Non subordinated debts	**Note 11**	**28,341**	**30,335**
1.a Convertible debenture loans	**Note 12**	2,496	2,506
i) Becoming due in one year or less		*34*	*36*
ii) Becoming due in more than one year		*2,462*	*2,470*
1.b Non convertible debenture loans	**Note 13**	17,209	13,856
i) Becoming due in one year or less		*338*	*286*
ii) Becoming due in more than one year		*16,871*	*13,570*
2. Amounts owed to credit institutions	**Note 14**	3,315	5,785
a) Becoming due in one year or less		*796*	*5,541*
b) Becoming due in more than one year		*2,519*	*244*
4.a Trade payables becoming due in one year or less		27	40
6. Amounts owed to affiliated undertakings	**Note 15**	5,276	8,118
a) Becoming due in one year or less		*5,242*	*6,293*
b) Becoming due in more than one year		*34*	*1,825*
8. Liabilities for tax and social security		–	14
a) becoming due in one year or less		–	*12*
b) becoming due in more than one year		–	*2*
9.a Other liabilities becoming due in one year or less		18	16
Total liabilities		**93,717**	**101,746**

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

Profit and loss account

ArcelorMittal, Société Anonyme
(expressed in millions of US dollars)

		Year ended December 31, 2011	Year ended December 31, 2010
A. Charges			
2. Other external charges	**Note 16**	233	261
3. Staff costs		100	71
a) Wages and salaries		71	49
b) Social security costs attributable to wages and salaries		7	6
c) Supplementary pensions		19	10
d) Other social security costs		3	6
4. a) Value adjustments in respect of formation expenses and tangible and intangible fixed assets	**Note 4,5**	8	70
5. Other operating charges	**Note 16**	46	65
6. Value adjustments on financial fixed assets	**Note 6**	392	17,559
7. Value adjustments in respect of financial current assets and of transferable securities held as current assets		13	–
8. Interest payable and other financial charges	**Note 17**	1,576	1,218
a) In respect of affiliated undertakings		205	107
b) Other interest payable and charges		1,371	1,111
10. Income tax	**Note 18**	4	1
12. Profit for the financial year		–	**14,635**
Total charges		**2,372**	**33,880**

		Year ended December 31, 2011	Year ended December 31, 2010
B. Income			
5. Other operating income		163	119
6. Income from financial fixed assets	**Note 19**	677	32,615
a) Derived from affiliated undertakings		677	32,615
7. Income from financial current assets		87	338
a) Derived from affiliated undertakings		87	338
8. Other interest receivable and other financial income	**Note 17**	965	808
a) Derived from affiliated undertakings		949	745
b) Other interest receivable and similar income		16	63
12. Loss for the financial year		**480**	**–**
Total income		**2,372**	**33,880**

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

ArcelorMittal, Société Anonyme
(expressed in millions of US dollars, unless otherwise stated)

Note 1: General information

ArcelorMittal (hereafter 'the Company') was incorporated on June 8, 2001 and is organized under the laws of Luxembourg as a '*Société Anonyme*' 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 policies

2.1 – Basis of preparation
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 under the historical cost convention. The presentation of 2010 comparative financial information has been revised to reflect the general provisions regarding the layout of the balance sheet and of the profit and loss account as defined in the law of December 10, 2010, which entered into force for all financial years starting on or after January 1, 2011.

2.2 – Significant accounting policies
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 main valuation rules applied by the Company are the following:

Intangible and tangible fixed assets
Intangible and tangible fixed assets are carried at acquisition cost, less cumulated depreciation and value adjustments when a permanent diminution in value is identified. A reversal of a value adjustment is recorded if the reasons for which the value adjustment was made have ceased to apply.

Financial fixed assets
Shares in affiliated undertakings, associates and participating interests are recorded at acquisition cost including the expenses incidental thereto. 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.

The market value corresponds to the latest available quote on the valuation day for transferable securities listed on a stock exchange.

Derivative financial instruments
The Company may enter into derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. Unrealized gains and losses are recognized so as to offset unrealized gains and losses with respect to the underlying hedged items in the balance sheet.

Foreign currency translation
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.
- Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.
- 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.

Provisions
Provisions 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: Formation expenses

In 2010, the Company incurred expenses in relation with the assessment and preparation of the spin-off of the stainless steel business. These expenses were capitalized and included in the assets and liabilities transferred to Aperam at the date of the spin-off on January 25, 2011.

(expressed in millions of US dollars, unless otherwise stated)

Note 4: Intangible fixed assets

The movements for the year are as follows:

	Concessions, patents, licences, trademarks and similar rights and assets
Acquisition cost	
Opening balance	70
Additions	4
Closing balance	**74**
Value adjustment	
Opening balance	(65)
Charge for the year	(2)
Closing balance	**(67)**
Net book value	
Opening balance	5
Closing balance	**7**

Note 5: Tangible fixed assets

The movements for the year are as follows:

	Land and buildings	Other fixtures and fittings, tools and equipment	Payments on account and tangible fixed assets in course of construction	Total
Acquisition cost				
Opening balance	50	8	2	60
Transfers	–	2	(2)	–
Closing balance	**50**	**10**	**–**	**60**
Value adjustment				
Opening balance	(12)	(5)	–	(17)
Charge for the year	(5)	(2)	–	(7)
Closing balance	**(17)**	**(7)**	**–**	**(24)**
Net book value				
Opening balance	38	3	2	43
Closing balance	**33**	**3**	**–**	**36**

Note 6: Financial fixed assets

The movements for the year are as follows:

	Shares in affiliated undertakings	Loans to affiliated undertakings	Shares in undertakings with which the company is linked by virtue of participating interests	Securities held as fixed assets	Total
Acquisition cost					
Opening balance	105,664	9,510	1,209	1,411	117,794
Additions	13,088	271	39	–	13,398
Disposals	(17,029)	(3,316)	–	(47)	(20,392)
Transfer to current assets	–	(91)	–	–	(91)
Foreign exchange differences	–	133	–	(23)	110
Closing balance	**101,723**	**6,507**	**1,248**	**1,341**	**110,819**
Value adjustment					
Opening balance	(17,559)	(50)	(224)	–	(17,833)
Change for the year	(392)	–	–	–	(392)
Closing balance	**(17,951)**	**(50)**	**(224)**	**–**	**(18,225)**
Net book value					
Opening balance	88,105	9,460	985	1,411	99,961
Closing balance	**83,772**	**6,457**	**1,024**	**1,341**	**92,594**

Shares in affiliated undertakings

Name and registered office	Carrying amount as of December 31, 2010	Carrying amount as of December 31, 2011	Percentage of capital held as of December 2011 (%)	Result for 2011*	Capital and reserves (including result for 2011)*
AM Global Holding S.à.r.l., Luxembourg (Luxembourg)	56,875	56,875	100	(550)	50,650
Arcelor Investment S.A., Luxembourg (Luxembourg)	20,010	6,702	100	1,627	13,480
ArcelorMittal Finance and Services Belgium S.A., Brussels (Belgium)	5,846	17,523	29.62	1,894	59,491
ArcelorMittal Luxco S.à.r.l., Luxembourg (Luxembourg)	1,673	–	–	–	–
ArcelorMittal Cyprus Holding Limited, Nicosia (Cyprus)	773	773	100	1.0	700
AMO Holding Switzerland A.G., Zug (Switzerland)	1,000	1,000	100	(3.2)	17,140
ArcelorMittal Canada Holdings Inc., Contrecoeur (Canada)	832	238	1.18**	1,356	4,920
Sidarsteel NV, Gent (Belgium)	599	–	–	–	–
Hera Ermac S.A., Luxembourg (Luxembourg)	420	576	100	96	793
Other	77	85			
Total	**88,105**	**83,772**			

* *In accordance with unaudited IFRS reporting packages.*
** *100% of voting rights.*

Description of main changes
On January 25, 2011, the extraordinary general meeting of shareholders of the Company approved the spin-off of the stainless steel business. The Company transferred to Aperam its stake in ArcelorMittal Luxco S.à.r.l. for an amount of EUR 1,272 (1,673).

On December 30, 2010, the Company acquired from ArcelorMittal Treasury S.N.C. a 10% stake in Arcelor USA Holding LLC and contributed it immediately into ArcelorMittal Canada Holdings Inc on the basis of a provisory contribution value. In April 2011, upon determination of the final fair value, the selling price of this stake was revised and the Company reduced the carrying amount of its investment in ArcelorMittal Canada Holdings Inc. by 594.

On September 26, 2011, the Company sold 55,863,897 shares of ArcelorMittal Finance and Services Belgium S.A. to ArcelorMittal Belgium S.A. The consideration received amounted to EUR 628 (848). The carrying amount was 791.

On September 27, 2011, the carrying amount of the investment held in Hera Ermac S.A. increased from 420 to 576 following a capital increase subscribed by the Company.

(expressed in millions of US dollars, unless otherwise stated)

On September 30, 2011, as a result of the merger between Sidarsteel NV and ArcelorMittal Finance and Services Belgium S.A., the Company reclassified its stake in Sidarsteel NV to ArcelorMittal Finance and Services Belgium S.A. for an amount of 599.

On December 22, 2011, the Company acquired a 21.55% stake in ArcelorMittal Finance and Services Belgium S.A. from Arcelor Investment S.A. for a total amount of EUR 9,900 (12,916) and sold at the same date a stake of 1.77% ArcelorMittal Finance and Services Belgium S.A. for an amount of EUR 814 (1,063). The carrying amount was 1,048.

On December 22, 2011 the Company received from Arcelor Investment S.A. a dividend settled through the distribution in kind of the receivable resulting from the acquisition by the latter of the 21.55% stake in ArcelorMittal Finance and Services Belgium S.A., amounting to 12,916 and the distribution in cash for an amount of EUR 300 (392). The Company reduced its investment in Arcelor Investment S.A. by 13,308, recognized a dividend income for an amount of 392 and offset the payable to Arcelor Investment S.A. with the receivable.

Loans to affiliated undertakings
On January 25, 2011, the extraordinary general meeting of shareholders of the Company approved the spin-off of the stainless steel business. The Company transferred to Aperam on that date a loan granted to ArcelorMittal Luxco S.à.r.l. for a total amount of EUR 1,272 (1,673) and a loan granted to ArcelorMittal Steelinvest France for a total amount of EUR 556 (743).

On November 25, 2011, the Company granted a loan to Mittal Steel Liberia Holdings Limited for an amount of 150 with retroactive effect on January 1, 2011.

On December 21, 2011, the Company acquired from ArcelorMittal Finance S.C.A. a loan granted to Mittal Steel International Holdings BV for an amount of 100.

On December 21, 2011, ArcelorMittal Finance S.C.A. repaid to the Company a loan of EUR 575 (898).

Shares in undertakings with which the company is linked by virtue of participating interests

Name and registered office	Carrying amount as of December 31, 2010	Carrying amount as of December 31, 2011	Percentage of capital held as of December 2011 (%)	Result for 2011*	Capital and reserves (including result for 2011)*
Hunan Valin Steel Co. Ltd, Changsha (China)	552	552	29.97	10.2	2,054
Kalagadi Manganese (Pty) Ltd, Rivonia (South Africa)	433	433	50.00	(8.5)	203
Valin ArcelorMittal Automotive Steel CO., Ltd. (China)	–	24	33.00	–	76
Valin ArcelorMittal Electrical Steel CO., Ltd. (China)	–	15	50.00	–	32
Total	**985**	**1,024**			

* *In accordance with unaudited IFRS reporting packages.*

Securities held as fixed assets
In order to hedge its obligations arising from the potential conversion of the 7.25% euro bonds convertible into/or exchangeable into new or existing ArcelorMittal shares due April 1, 2014 as well as the 5% US dollar-denominated bonds convertible into/or exchangeable into new or existing ArcelorMittal shares due May 15, 2014, the Company entered into the following transactions:

- On December 14, 2010, the Company acquired 61,728,395 euro-denominated call options on its own shares at a strike price of €20.25 per share. The premium paid amounted to EUR 700 (928).
- On December 18, 2010, the Company acquired also 26,533,997 US dollar-denominated call options at a strike price of $30.15 per share. The premium paid amounted to 435.

On November 4, 2011, the Company completed the sale of its 12% stake in Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd for 129.

Note 7: Amounts owed by affiliated undertakings becoming due in one year or less

Amounts owed by affiliated undertakings becoming due in one year or less decreased by 679 in 2011.

This variation is primarily related to the reimbursement of loan from affiliates for 548 and the amounts received in connection with tax integration.

Note 8: Transferable securities

	Treasury shares
Acquisition cost	
Opening balance	12
Additions	28
Disposals	(13)
Closing balance	**27**
Value adjustments	
Opening balance	–
Change for the year	(13)
Closing balance	**(13)**
Net book value	
Opening balance	12
Closing balance	**14**

As of December 31, 2011, the Company holds 757,951 (2010: 368,393) treasury shares (shares owned by the Company).

Additions of the year relate to the acquisition of 320,004 treasury shares from CBA Investment for an amount of 11 and to the transfer of 459,730 treasury shares for an amount of 17 from Corea S.A. in connection with the termination of the contract signed on March 30, 2011.

At the annual general meeting held on May 11, 2010, the board of directors authorized to renew an employee share purchase plan ('ESPP') as part of a global employee engagement and participation policy. A total of 164,171 shares were subscribed during the subscription period from November 16, 2010 to November 25, 2010 and settled with treasury shares on January 10, 2011.

The Company recorded a value adjustment amounting to 13 as a result of the decrease of the market value of treasury shares.

Note 9: Capital and reserves

	Number of shares	Subscribed capital	Share premium account and equivalent premiums	Legal reserve	Reserve for treasury shares	Profit brought forward	Profit/(loss) for the year	Total
Balance as of January 1, 2011	**1,560,914,610**	**9,950**	**19,682**	**927**	**12**	**26,145**	**14,635**	**71,351**
Allocation of net result		–	–	68	–	14,567	(14,635)	–
Profit/(loss) for the year		–	–	–	–	–	(480)	(480)
Directors' fees		–	–	–	–	(2)	–	(2)
Dividends paid *		–	–	–	–	(1,170)	–	(1,170)
Reserve for treasury shares		–	–	–	2	(2)	–	–
Capital decrease		(547)	(1,600)	(75)	–	(2,115)	–	(4,337)
Balance as of December 31, 2011	**1,560,914,610**	**9,403**	**18,082**	**920**	**14**	**37,423**	**(480)**	**65,362**

** Equivalent to the 2010 dividend, net of own shares held by the Company*

9.1 – Subscribed capital and share premium

On January 25, 2011, at an extraordinary general meeting, the shareholders approved an authorization for the board of directors to decrease the issued share capital, the share premium, the legal reserve and the retained earnings of the Company as a result of the spin-off the Company's stainless steel business into Aperam. The Company's issued share capital was reduced by EUR 409 (547) from EUR 6,837 (9,950) to EUR 6,428 (9,403) without reduction in the number of shares issued and fully paid up, which remained at 1,560,914,610. The ordinary shares do not have a nominal value. The share premium was reduced by an amount of EUR 1,197 (1,600), the legal reserve account by an amount of EUR 56 (75) and the retained earnings were decreased by EUR 1,581 (2,115).

(expressed in millions of US dollars, unless otherwise stated)

To the knowledge of the board, the shareholding may be specified as follows;

	December 31,2011
Lumen Investments S.à.r.l.	33.63%
Nuavam Investments S.à.r.l.	7.20%
Other shareholders*	59.17%
Total	100.00%

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

9.2 – 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.

9.3 – Reserve for treasury shares

The board of directors shall request the upcoming general meeting of shareholders to approve the allocation of 2 from the profit brought forward in order to establish a non distributable reserve equivalent to the carrying value (note 8) 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 10: Other provisions

In 2010, the Company recorded a provision amounting to 55 in relation to the fine charged by the European Commission on the Pre-Stressed Steel case. In 2011, the Company paid an amount of 42 to the European Commission to settle the case and released the provision.

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

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

Note 11: Maturity of non subordinated debts

	December 31, 2011				December 31, 2010			
	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	34	2,462	–	2,496	36	2,470	–	2,506
Non convertible debenture loans	338	7,419	9,452	17,209	286	5,254	8,316	13,856
Amounts owed to credit institutions	796	2,492	27	3,315	5,541	213	31	5,785
Trade payables	27	–	–	27	40	–	–	40
Amounts owed to affiliated undertakings	5,242	–	34	5,276	6,293	1,791	34	8,118
Liabilities for tax and social security	–	–	–	–	14	–	–	14
Other liabilities	18	–	–	18	16	–	–	16
Total	**6,455**	**12,373**	**9,513**	**28,341**	**12,226**	**9,728**	**8,381**	**30,335**

Note 12: Convertible debenture loans

On April 1, 2009, the Company issued EUR 1.25 billion (1,662) of unsecured and unsubordinated convertible bonds maturing 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, 2011, the amount outstanding was 1,662 (2010: 1,670).

On May 6, 2009, ArcelorMittal issued 800 of unsecured and unsubordinated convertible senior notes maturing 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 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 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.

Note 13: Non convertible debenture loans

On May 27, 2008, the Company issued 3,000 principal amount of unsecured and unsubordinated fixed rated Notes 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 EUR 2,500 (3,501) consisting of EUR 1,500 (issued at 99.589%) bearing interest at 8.25% per annum maturing June 3, 2013 and EUR 1 billion (issued at 99.381%) bearing interest at 9.375% per annum maturing June 3, 2016. As of December 31, 2011, the amount outstanding under these bonds was 3,501 (2010:3,367).

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

On August 5, 2010, the Company issued unsecured and unsubordinated Bonds in three tranches for an aggregate principal amount of 2,500 consisting of 1,000 (issued at 99.123%) bearing interest at 3.75% per annum maturing August 5, 2015 and 1,000 (issued 98.459%) bearing interest at 5.25% per annum maturing August 5, 2020 and 500 (issued 104.843%) bearing interest at 7.00% per annum maturing October 15, 2039.

On November 18, 2010, the Company issued 4.625% Bonds due 2017 EUR 1 billion (1,362), issued under its EUR 3 billion Euro Medium Term Notes Programme.

On March 7, 2011, ArcelorMittal completed an offering of three series of US dollar denominated Notes for an aggregate principal amount of 3,000, consisting of 500 (issued at 99.573%) bearing interest at 3.75% per annum maturing March 1, 2016, 1,500 (issued at 99.357%) bearing interest at 5.50% per annum maturing March 1, 2021 and 1,000 (issued at 99.176%) bearing interest at 6.75% per annum maturing March 1, 2041. The proceeds were used to prepay the last two term loan installments under the EUR 17 billion Credit Facilities.

Note 14: Amounts owed to credit institutions

EUR 17 billion credit facilities
On November 30, 2006, the Company 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 original maturity of the EUR 5 billion revolving credit facility was November 30, 2012. On March 31, 2011, the EUR 12 billion term loan facility was repaid and the EUR 5 billion revolving credit facility was cancelled.

4 billion revolving credit facility
On May 6, 2010, ArcelorMittal entered into a 4 billion three-year revolving credit facility for general corporate purposes which replaced the Company's previous 4 billion revolving credit facility dated May 13, 2008, and the related 3.25 billion forward-start facility dated February 13, 2009. These facilities were cancelled during the first half of 2010. Following this cancellation, none of the forward-start facilities entered into by the Company during the first half of 2009 remained in effect. On September 30, 2011, the original maturity of the 4 billion revolving credit facility was extended from May 6, 2013 to May 6, 2015. As of December 31 2011, the facility remains fully available.

6 billion revolving credit facility
On March 18, 2011, ArcelorMittal entered into a 6 billion revolving credit facility, which may be utilized for general corporate purposes and which matures on March 18, 2016. This 6 billion revolving credit facility replaced the Company's EUR 17 billion credit facilities after their full repayment and cancellation on March 31, 2011. As of December 31, 2011, the outstanding amount under this contract was EUR 1,350 (1,933).

300 Bilateral Credit Facility
On June 30, 2010, ArcelorMittal entered into a bilateral three-year revolving credit facility of 300. On July 12, 2010, ArcelorMittal entered into an additional bilateral three-year revolving credit facility of 300, which was retroactively effective as of June 30, 2010. Each of these facilities was to be used for general corporate purposes and was originally scheduled to mature in 2013. As of December 31, 2011, one facility was cancelled and the other facility was fully available.

European Investment Bank ('EIB') Loan
The Company entered into an agreement with the EIB for the financing of activities for research, engineering and technological innovation related to process improvements and new steel product developments on July 15 2010. The full amount of EUR 250 was drawn on September 27, 2011. The final repayment date under this agreement is September 27, 2016. The outstanding amount in total as of December 31, 2011 was EUR 250 (338).

Instituto de Crédito Oficial ('ICO') loan
The Company entered into an agreement with the ICO on April 9, 2010 for the financing of the Company investment plan in Spain for the period 2008-2011. The last installment under this agreement is due on April 7, 2017. The outstanding amount in total as of December 31, 2011 was EUR 70 (91).

Commercial paper
The Company has a commercial paper program enabling borrowings of up to EUR 2,000 (2,588). As of December 31, 2011, the outstanding amount was 634.

(expressed in millions of US dollars, unless otherwise stated)

Note 15: Amounts owed to affiliated undertakings

The decrease in amounts owed to affiliated undertakings by 2,842 is mainly related to loan reimbursements.

On June 14, 2011, the Company signed an amendment of loan agreement whereby the long term loan granted by ArcelorMittal France for an amount of EUR 1,340 (1,763) was fully and early repaid.

Note 16: Other external charges and other operating charges

Other external charges and other operating charges correspond to expenses incurred to operate the Company net of recharged service fees.

Note 17: Interest receivable/payable and similar income/(charges)

	Year ended December 31, 2011		Year ended December 31,2010	
	Charges	Income	Charges	Income
Interests in respect of affiliated undertakings	**(205)**	**949**	**(107)**	**745**
Interests in respect of credit institutions	(81)	–	(81)	–
Interests in respect of bonds	(1,257)	–	(930)	–
Gain/(loss) on disposal treasury shares	–	11	(8)	61
Effects of foreign exchange	(33)	–	(92)	–
Other	–	5	–	2
Other interests and similar income (charges)	**(1,371)**	**16**	**(1,111)**	**63**
Total interest and similar income (charges)	**(1,576)**	**965**	**(1,218)**	**808**

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

Note 18: Income tax

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

As a consequence of the net tax losses within the tax integration, no income tax is payable in respect of 2011 (2010: nil).

The amount charged to affiliated undertakings amounted to 359 (2010:433).

Note 19: Income from financial fixed assets

	Year ended December 31, 2011	Year ended December 31, 2010
Dividends received*	526	32,562
Profit on disposal of financial assets	151	53
Total	**677**	**32,615**

* *Dividend received in 2011 included mainly a dividend received from Corea S.A. of 53, a dividend received from Arcelor Investment S.A. amounting to 392 and an interim dividend of 60 received from ArcelorMittal Shipping Ltd.*

Note 20: Commitments and contingencies

Commitments given

	Year ended December 31, 2011	Year ended December 31, 2010
Guarantees on debts [1]	500	500
Other commitments [2]	5,079	4,834
Foreign exchange derivative instruments [3]	3,525	11,536
Total	**9,104**	**16,870**

[1] *Guarantees on debts correspond to the guarantee related to bonds issued by ArcelorMittal USA and for which the Company is the guarantor. They exclude the debt of ArcelorMittal Finance S.C.A. for which the Company is jointly and severally liable (1,296 and 1,589 for 2011 and 2010 respectively).*

[2] *Other commitments comprise amounts committed with regard to credit lines and guarantees given on behalf of group companies. Other commitments comprise mainly commitments incurred under credit lines granted to subsidiaries (478), guarantees given to third party on behalf of the group (2,669) and commitments incurred under bilateral cash pooling agreement to guarantee the deposits made with ArcelorMittal Treasury SNC by ArcelorMittal Ostrava, ArcelorMittal Tubular Products Ostrava, for a total amount of 1,282. The credit facility amounting to 500 was utilized on December 2011 for a total amount of 283.*

[3] *Foreign exchange derivative instruments mainly consist of EUR/USD/AUD/CAD currency swaps whose maturity is comprised between January 2012 and June 2013.*

With respect to the notes linked to shares of the listed related parties Erdemir (Turkey) and issued by its affiliates Arcelor Investment Services S.A. and Expert Placement Services Ltd, the Company warrants to own directly or indirectly the entire legal and beneficial interest in the share capital of such companies for so long as any notes remain outstanding. ArcelorMittal also undertakes to provide any funding which would be necessary to these affiliates to meet their obligations with respect to the notes.

On April 30, 2008, the Company entered into two put option agreements with ING and Deutsche Bank in connection with the sale of 509,780,740 shares representing approximately 17.40% of the issued share capital of China Oriental. By virtue of these agreements, ING and Deutsche Bank have the right to sell these shares to the Company at the expiring date of the agreement set April 30, 2013.

Corporate guarantee letter
On May 28, 2009, in the framework of a legal reorganization in Canada, the Company entered into a support agreement with ArcelorMittal Canada Holdings Inc. whereby it undertakes to take all such actions as necessary to enable ArcelorMittal Canada Holdings Inc. to reacquire the preferred shares held by its shareholder Mittal Steel International Holdings B.V. upon exercise of such right by the latter.

On September 29, 2010, the Company entered into an agreement with ArcelorMittal Orbit Ltd and Olympic Park Legacy Co Limited ('OPLC') in connection with the Orbit tower whereby the Company undertakes to provide any funding which would be necessary to ArcelorMittal Orbit Ltd to meet their obligations with respect to the agreement.

Available lines of credit

The Company has available lines of credit for an aggregate amount of 8,636 as of December 31, 2011 (2010: 11,281).

Contingencies

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the board of directors of ArcelorMittal at the time of the merger and on the significant shareholder. The plaintiffs alleged in particular that, based on Mittal Steel's and Arcelor's disclosure and public statements, investors had a legitimate expectation that the exchange ratio in the second-step merger would be the same as that of the secondary exchange offer component of Mittal Steel's June 2006 tender offer for Arcelor (i.e. 11 Mittal Steel shares for seven Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, *inter alia,* the cancellation of certain resolutions (of the board of directors and of the shareholders meeting) in connection with the merger, the grant of additional shares or damages in an amount of EUR 180. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. This judgment is subject to appeal.

On September 12, 2008, Standard Iron Works filed a purported class action complaint in US District Court in the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA LLC, 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 US antitrust law. Since the filing of the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and have been consolidated with the Standard Iron Works lawsuit. In addition, two putative class actions on behalf of indirect purchasers have been filed, one of which has already been consolidated with the Standard Iron Works cases and one of which ArcelorMittal is seeking to consolidate. In January 2009, ArcelorMittal and the other defendants filed a motion to dismiss the direct purchaser claims. On June 12, 2009, the court denied the motion to dismiss and the litigation is now in the discovery stage. It is too early in the proceedings for ArcelorMittal to determine the amount of its potential liability, if any.

(expressed in millions of US dollars, unless otherwise stated)

Note 21: Staff

Average number of staff

	Year ended December 31, 2011	Year ended December 31, 2010
Employees	**422**	**410**

Note 22: Directors' remuneration

Members of the board of directors are entitled to a total remuneration of 5.6 for the year 2011 (2010: 4.1).

Note 23: Stock option plan

Allocated share options at December 31, 2011 are as follows:

	Options outstanding			
Exercise Prices (per option)*	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
78.44	6,468,150	6.60	6,468,150	August 5, 2018
70.81	13,000	5.95	13,000	December 11, 2017
61.09	4,753,137	5.59	4,753,137	August 2, 2017
37.03	1,268,609	1.50	1,268,609	June 30, 2013
36.38	5,889,296	7.60	3,988,364	August 4, 2019
32.07	2,040,380	4.67	2,040,380	September 1, 2016
30.66	5,772,634	8.60	1,949,448	August 3, 2020
27.31	1,244,936	3.65	1,244,936	August 23, 2015
22.56	32,000	6.96	32,000	December 15, 2018
21.14	20,585	6.87	20,585	November 10, 2018
2.15	167,495	0.26	167,495	April 5, 2012
2.15 – 78.44	**27,670,222**	**6.51**	**21,946,104**	

* *With respect to the spin-off of ArcelorMittal's stainless steel business, an addendum to the ArcelorMittal Global Stock Option Plan 2009-2018 was adopted to reduce by 5% the exercise prices of existing stock options. The current section has been adapted to disclose the new information from January 25, 2011 onwards.*

The movements in the number of outstanding share options during the year are as follows:

Number of shares options	2011	2010
Options outstanding at the beginning of the year	28,672,974	24,047,380
Options granted during the year	–	5,864,300
Options cancelled during the year	(114,510)	(223,075)
Options exercised during the year	(226,005)	(371,200)
Options expired during the year	(662,237)	(644,431)
Options outstanding at the end of the year	**27,670,222**	**28,672,974**

Note 24: Expenses related to the reviseur d'entreprises agréé

In 2011, expenses related to the réviseur d'entreprises agréé amounted to 8.

Note 25: Subsequent events

On February 28, 2012, ArcelorMittal completed an offering of three series of US dollar-denominated notes, consisting of 500 aggregate principal amount of 3.75% notes due 2015, 1,400 aggregate principal amount of 4.50% notes due 2017 and 1,100 aggregate principal amount of 6.25% notes due 2022. The proceeds were used for general corporate purposes and to repay existing indebtedness.

On March 2, 2012, ArcelorMittal announced the results of its cash tender offer that had been launched on February 23, 2012 to purchase any and all of its 5.375% notes due June 1, 2013. ArcelorMittal accepted for purchase 299 principal amount of notes for a total aggregate purchase price (including accrued interest) of 314. Upon settlement for all of the notes accepted pursuant to the offer, the remaining outstanding principal amount of notes will be 1,201.

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the Shareholders of
ArcelorMittal, Société Anonyme
19, Avenue de la Liberté
Grand Duchy of Luxembourg

Report on the annual accounts

Following our appointment by the General Meeting of the shareholders held on May 10, 2011, we have audited the accompanying annual accounts of ArcelorMittal, which comprise the balance sheet as at December 31, 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier.* Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 *réviseur d'entreprises agréé*'s judgement, 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 agréé* 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 at December 31, 2011, and of the results of its operations for the year then ended in accordance with 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 and includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement.

For Deloitte Audit
société à responsabilité limitée
Cabinet de révision agréé

Eric van de Kerkhove, *Réviseur d'entreprises agréé*
Partner

March 12, 2012
560, rue de Neudorf
L-2220 Luxembourg

Proposed allocation of results for 2011

Proposed allocation of results and determination of dividend

	In US dollars
Loss for the year	(480,116,503)
Profit brought forward (Report à nouveau)	37,425,511,989
Results to be allocated and distributed	**36,945,395,486**
Transfer to the reserve for treasury shares	1,969,916
Allocation to the legal reserve	–
Directors' fees, compensation	1,733,331
Dividend of $0.75 (gross) per share for the 2011 financial year*	1,170,097,592
Profit carried forward	**35,771,594,647**

* *On the basis of 1,560,130,123 in issue at December 31, 2011 net of treasury shares held by the Company. Dividends are paid quarterly, resulting in a total annualized cash dividend per share of $0.75.*

The following pages do not form part of the company's financial statements. These pages contain further information on the risks that our company is exposed to and further details on our Mining business.

Risks related to the global economy and the steel industry

ArcelorMittal's activities and results are substantially affected by regional and global macroeconomic conditions. Recessions or prolonged periods of weak growth in the global economy or the economies of ArcelorMittal's key selling markets have in the past had and in the future would be likely to have a material adverse effect on the steel industry and ArcelorMittal.
The steel industry has historically been highly cyclical. This is due largely to the cyclical nature of the business sectors that are the principal consumers of steel, namely the automotive, construction, appliance, machinery, equipment, infrastructure and transportation industries.
The demand for steel products thus generally correlates to macroeconomic fluctuations in the global economy. This correlation and the adverse effect of macroeconomic downturns on steel producers were evidenced in the 2008/2009 financial and subsequent economic crisis.
The results of steel producers were substantially affected, with many (including ArcelorMittal) recording sharply reduced revenues and operating losses. The recovery from this severe economic downturn has been slow and uncertain, and was negatively affected by several factors in 2011 including the euro-zone sovereign debt crisis and a cooling of emerging market economies.
A new global recession, a recession in the developed regions (Europe and North America) that are ArcelorMittal's primary selling markets, and/or a slowdown in emerging economies that are substantial consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the Commonwealth of Independent States ('CIS') regions) would likely result in reduced demand for (and hence price of) steel and have a material adverse effect on the steel industry in general and on ArcelorMittal's results of operations and financial condition in particular.

Excess capacity and oversupply in the steel industry globally and particularly in China may hamper the steel industry's recovery and weigh on the profitability of steel producers including ArcelorMittal.
In addition to economic conditions, the steel industry is affected by global production capacity and fluctuations in steel imports/exports and tariffs. The steel industry has historically suffered from structural over-capacity. The industry is currently characterized by a substantial increase in production capacity in the developing world, particularly in China, and also in India and other emerging markets. China is now the largest global steel producer by a large margin, and the balance between its domestic production and consumption has been an important factor in global steel prices in recent years. Chinese steel exports, or conditions favorable to them (excess steel capacity in China, an undervalued Chinese currency and/or higher market prices for steel in markets outside of China) can have a significant impact on steel prices in other markets, including the US and Europe. While growth in Chinese steel production slowed in 2011, ArcelorMittal remains exposed to the risk of steel production increases in China and other markets outstripping increases in real demand, in particular given indications of a slowdown in worldwide demand, including Chinese demand, which may weigh on price recovery and therefore exacerbate the 'margin squeeze' in the steel industry created by high-cost raw materials.

Protracted low steel prices would have a material adverse effect on ArcelorMittal's results, as could price volatility.
The prices of steel products are influenced by many factors, including demand, worldwide production capacity, capacity-utilization rates, raw material prices and contract arrangements, steel inventory levels and exchange rates. Steel prices are volatile, reflecting the inherent volatility of these variables as well as more generally the highly cyclical nature of the global steel industry.
Following an extended period of rising prices, global steel prices fell sharply during the financial and economic crisis of 2008/2009. This resulted from the sharp drop in demand and was exacerbated by massive industry destocking (i.e. customer reductions of steel inventories). This had a material adverse effect on ArcelorMittal and other steel producers, who experienced lower revenues, margins and, as discussed further below, write-downs of finished steel products and raw material inventories. Steel prices gradually recovered in late 2009 and into 2010 while remaining below their pre-financial crisis peaks.
Steel prices remained volatile throughout 2011 rising in the first quarter on stronger demand and higher raw material prices but softening in the second half. The softening accelerated in the fourth quarter as iron ore prices dropped sharply in October, and customers then started to destock in an uncertain economic environment. While there has been some increase in price levels to date in 2012, any sustained price recovery will likely require a broad economic recovery in order to underpin an increase in real demand for steel products by end users. Conversely, a protracted downturn in steel prices would materially and adversely affect ArcelorMittal's revenues and profitability.

Volatility in the supply and prices of raw materials, energy and transportation, and mismatches with steel price trends, could adversely affect ArcelorMittal's results of operations.
Steel production consumes substantial amounts of raw materials including iron ore, coking coal and coke. Because the production of direct reduced iron, the production of steel in electric arc furnaces and the re-heating of steel involve the use of significant amounts of energy, steel companies are also sensitive to natural gas and electricity prices and dependent on having access to reliable supplies of energy. Any prolonged interruption in the supply of raw materials or energy would adversely affect ArcelorMittal's results of operation and financial condition.

The prices of iron ore, coking coal and coke are highly volatile and may be affected by, among other factors: industry structural factors (including the oligopolistic nature of the iron ore industry and the fragmented nature of the steel industry); demand trends in the steel industry itself and particularly from Chinese steel producers (as the largest group of producers); new laws or regulations; suppliers' allocations to other purchasers; business continuity of suppliers; expansion projects of suppliers; interruptions in production by suppliers; accidents or other similar events at suppliers' premises or along the supply chain; wars, natural disasters, political disruption and other similar events; fluctuations in exchange rates; the bargaining power of raw material suppliers; and the availability and cost of transportation. Although ArcelorMittal has substantial sources of iron ore and coal from its own mines and is expanding output at such mines and also has new mines under development, it remains exposed to volatility in the supply and price of iron ore, coking coal and coke as it obtains a significant portion of such raw materials under a portfolio of different term supply contracts (for example, from the Brazilian mining company Vale) to mitigate variations between supply of these input materials and demand from steel mills.

Historically, energy prices have varied significantly, and this trend is expected to continue due to market conditions and other factors beyond the control of steel companies.

Steel and raw material prices have historically been highly correlated. A drop in raw material prices therefore typically triggers a decrease in steel prices. During the 2008/2009 crisis, both steel and raw materials prices dropped sharply. Another risk is embedded in the timing of the production cycle: rapidly falling steel prices can trigger write-downs of raw material inventory purchased when steel prices were higher, as well as of unsold finished steel products. ArcelorMittal recorded substantial write-downs in 2008/2009 as a result of this. Furthermore, a lack of correlation or a time lag in correlation between raw material and steel prices may also occur and result in a 'margin squeeze' in the steel industry. ArcelorMittal experienced such a squeeze in late 2011, for example, when iron ore prices fell over 30% in three weeks in October 2011 and resulted in a significant fall in steel prices while lower raw material prices had yet to feed into the company's operating costs. Because ArcelorMittal sources a substantial portion of its raw materials through long term contracts with quarterly (or more frequent) formula-based or negotiated price adjustments and sells a substantial part of its steel products at spot prices, it faces the risk of adverse differentials between its own production costs, which are affected by global raw materials prices, and trends for steel prices in regional markets. Exposure to this risk may change as raw material suppliers move increasingly toward sales on shorter term basis.
In 2010, iron ore suppliers moved away from the long-prevailing industry practice of setting prices annually, which had provided a measure of short-term price stability, in favor of a system where prices are set on a quarterly basis.

Developments in the competitive environment in the steel industry could have an adverse effect on ArcelorMittal's competitive position and hence its business, financial condition, results of operations or prospects.
The markets in which steel companies operate are highly competitive. Competition – in the form of established producers expanding in new markets, smaller producers increasing production in anticipation of demand increases, amid an incipient recovery, or exporters selling excess capacity from markets such as China – could cause ArcelorMittal to lose market share, increase expenditures or reduce pricing. Any of these developments could have a material adverse effect on its business, financial condition, results of operations or prospects.

Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade restrictions could limit ArcelorMittal's access to key export markets.
ArcelorMittal is exposed to the effects of 'dumping' and other unfair trade and pricing practices by competitors. Moreover, government subsidization of the steel industry remains widespread in certain countries, particularly those with centrally-controlled economies such as China. As a consequence of the recent global economic crisis, there is an increased risk of unfairly-traded steel exports from such countries into various markets including North America and Europe, in which ArcelorMittal produces and sells its products. Such imports could have the effect of reducing prices and demand for ArcelorMittal products.

In addition, ArcelorMittal has significant exposure to the effects of trade actions and barriers due the global nature of its operations. Various countries have in the past instituted, or are currently contemplating the implementation of, trade actions and barriers, which could materially and adversely affect ArcelorMittal's business by limiting the company's access to steel markets.

Competition from other materials could reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flow and profitability.
In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Government regulatory initiatives mandating the use of such materials in lieu of steel, whether for environmental or other reasons, as well as the development of other new substitutes for steel products, could significantly reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flow and profitability.

ArcelorMittal is subject to strict environmental laws and regulations that could give rise to a significant increase in costs and liabilities.
ArcelorMittal is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, environmental laws and regulations can be significant, and compliance with new and more stringent obligations may require additional capital expenditures or modifications in operating practices. Failure to comply can result in civil and or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations, and awsuits by third parties.
Despite ArcelorMittal's efforts to comply with environmental laws and regulations, environmental incidents or accidents may occur that negatively affect the company's reputation or the operations of key facilities.

ArcelorMittal also incurs costs and liabilities associated with the assessment and remediation of contaminated sites. In addition to the impact on current facilities and operations, environmental remediation obligations can give rise to substantial liabilities in respect of divested assets and past activities. This may also be the case for acquisitions when liabilities for past acts or omissions are not adequately reflected in the terms and price of the acquisition. ArcelorMittal could become subject to further remediation obligations in the future, as additional contamination is discovered or clean-up standards become more stringent.

Costs and liabilities associated with mining activities include those resulting from tailings and sludge disposal, effluent management, and rehabilitation of land disturbed during mining processes. ArcelorMittal could become subject to unidentified liabilities in the future, such as those relating to uncontrolled tailings breaches or other future events or to underestimated emissions of polluting substances.

ArcelorMittal's operations may be located in areas where individuals or communities may regard its activities as having a detrimental effect on their natural environment and conditions of life. Any actions taken by such individuals or communities in response to such concerns could compromise ArcelorMittal's profitability or, in extreme cases, the viability of an operation or the development of new activities in the relevant region or country.

Laws and regulations restricting emissions of greenhouse gases could force ArcelorMittal to incur increased capital and operating costs and could have a material adverse effect on our results of operations and financial condition.
Compliance with new and more stringent environmental obligations relating to greenhouse gas emissions may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations.
The integrated steel process involves carbon and creates carbon dioxide (CO_2), which distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is primarily linked to energy use. The European Union has established greenhouse gas regulations that may require us to incur additional costs to acquire emissions allowances. The US required reporting of greenhouse gas emissions from certain large sources beginning in 2011 and has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act. Further measures, in the EU, the United States, and many other countries, may be enacted in the future. In particular, a recently adopted international agreement, the Durban Platform for Enhanced Action, calls for a second phase of the Kyoto Protocol's greenhouse gas emissions restrictions to be effective through 2020 and for a new international treaty to come into effect and be implemented from 2020. Such obligations, whether in the form of a national or international cap-and-trade emissions permit system, a carbon tax, emissions controls, reporting requirements, or other regulatory initiatives, could have a negative effect on ArcelorMittal's production levels, income and cash flows. Such regulations could also have a negative effect on the company's suppliers and customers, which could result in higher costs and lower sales.

Moreover, many developing nations, such as China, India and certain others, have not yet instituted significant greenhouse gas regulations. It is possible that a future international agreement to regulate emissions may provide exemptions and lesser standards for developing nations. In such case, ArcelorMittal may be at a competitive disadvantage relative to steelmakers having more or all of their production in such countries.

In addition, some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such events were to occur, they could have an adverse effect on our business, financial condition and results of operations.

ArcelorMittal is subject to stringent health and safety laws and regulations that give rise to significant costs and liabilities.
ArcelorMittal is subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties.

Despite ArcelorMittal's efforts to monitor and reduce accidents at its facilities, health and safety incidents do occur, some of which may result in costs and liabilities and negatively impact ArcelorMittal's reputation or the operations of the affected facility. Such accidents could include explosions or gas leaks, fires or collapses in underground mining operations, vehicular accidents, other accidents involving mobile equipment, or exposure to radioactive or other potentially hazardous materials. Some of ArcelorMittal's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and ArcelorMittal is therefore subject to the risk of industrial accidents which could have significant adverse consequences for the company's workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel, the loss of key assets, or put at risk employees (and those of sub-contractors and suppliers) or persons living near affected sites.

ArcelorMittal may continue to be exposed to increased operational costs due to the costs and lost time associated with the HIV/AIDS and malaria infection rates within our workforce in Africa and other regions. ArcelorMittal may also be affected by potential outbreaks of flu or other viruses or infectious diseases in any of the regions in which it operates.

Under certain circumstances, authorities could require ArcelorMittal facilities to curtail or suspend operations based on health and safety concerns.

Risks related to ArcelorMittal

ArcelorMittal has a substantial amount of indebtedness, which could make it more difficult or expensive to refinance its maturing debt, incur new debt and/or flexibly manage its business.
As of December 31, 2011, ArcelorMittal had total debt outstanding of $26.4 billion, consisting of $2.8 billion of short-term indebtedness (including payables to banks and the current portion of long-term debt) and $23.6 billion of long-term indebtedness. As of December 31, 2011, ArcelorMittal had $3.9 billion of cash and cash equivalents ($3.8 billion) including restricted cash ($0.1 billion), and $8.6 billion available to be drawn under existing credit facilities. Substantial amounts of indebtedness mature in 2012 ($2.8 billion), 2013 ($4.0 billion), 2014 ($3.7 billion) and 2015 ($2.0 billion).

Although the global financial crisis eased during the second half of 2009 and in 2010, conditions in global capital and credit markets have remained volatile and highly uncertain. Conditions worsened in the second half of 2011, due in particular to the euro-zone sovereign debt crisis and its collateral effects. The markets are particularly volatile and uncertain for companies with high leverage or in sectors that have been adversely affected by the global economic downturn, including steel and other basic material producers.

Financial markets could conceivably deteriorate sharply, including in response to significant political or financial news, such as a default or heightened risk of default by a sovereign country in Europe or elsewhere, large credit losses at a systemically important financial institution or the bankruptcy of a large company. As a result, the company may experience difficulties in accessing the financial markets on acceptable terms.

In addition, credit rating agencies could downgrade ArcelorMittal's ratings (which are currently just above so-called 'investment grade' levels, with two credit rating agencies having placed ArcelorMittal's current credit rating on negative outlook) either due to factors specific to ArcelorMittal, a prolonged cyclical downturn in the steel industry, or macroeconomic trends (such as global or regional recessions) and trends in credit and capital markets more generally. The margin under ArcelorMittal's principal credit facilities and certain of its bond issuances is subject to adjustment in the event of a change in its long-term credit ratings. Any decline in ArcelorMittal's credit ratings, including a loss of investment grade status, would result in an increase to its cost of borrowing and could significantly harm its financial condition and results of operations as well as hinder its ability to refinance its existing indebtedness on acceptable terms. Moreover, ArcelorMittal could, in order to increase financial flexibility during a period of reduced availability of credit, implement capital raising measures such as equity offerings or asset disposals, which could in turn create a risk of diluting existing shareholders, the company receiving relatively low proceeds for the divested assets and/or causing substantial accounting losses (particularly if the divestments are done in difficult market conditions).

ArcelorMittal's principal credit facilities contain restrictive covenants. These covenants limit, inter alia, encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. ArcelorMittal's principal credit facilities also include the following financial covenant: ArcelorMittal must ensure that the 'leverage ratio', being the ratio of 'consolidated total net borrowings' (consolidated total borrowings less consolidated cash and cash equivalents) to 'consolidated Ebitda' (the consolidated net pre-taxation profits of the ArcelorMittal group for a 'measurement period', subject to certain adjustments as defined in the facilities), at the end of each 'measurement period' (each period of 12 months ending on the last day of a financial half-year or a financial year of ArcelorMittal), is not greater than a ratio of 3.5 to one. As of December 31, 2011, the leverage ratio stood at approximately 2.2 to one.

The restrictive and financial covenants could limit ArcelorMittal's operating and financial flexibility. Failure to comply with any covenant would enable the lenders to accelerate ArcelorMittal's repayment obligations. Moreover, ArcelorMittal's debt facilities have provisions whereby certain events relating to other borrowers within the ArcelorMittal group could, under certain circumstances, lead to acceleration of debt repayment under such credit facilities. Any invocation of these cross-acceleration clauses could cause some or all of the other debt to accelerate, creating liquidity pressures.

Furthermore, some of ArcelorMittal's debt is subject to floating rates of interest and thereby exposes ArcelorMittal to interest rate risk (i.e. if interest rates rise, ArcelorMittal's debt service obligations on its floating rate indebtedness would increase). Depending on market conditions, ArcelorMittal from time to time uses interest-rate swaps or other financial instruments to hedge a portion of its interest rate exposure either from fixed to floating or floating to fixed. After taking into account interest-rate derivative financial instruments, ArcelorMittal had exposure to 79% of its debt at fixed interest rates and 21% at floating rates as of December 31, 2011.

ArcelorMittal's growth strategy includes greenfield and brownfield projects that are inherently subject to completion and financing risks.
As a part of its future growth strategy, the company plans to expand its steelmaking capacity and raw materials production through a combination of brownfield growth, new greenfield projects and acquisition opportunities, mainly in emerging markets. To the extent that these plans proceed, these projects would require substantial capital expenditures and their timely completion and successful operation may be affected by factors beyond the control of ArcelorMittal. These factors include receiving financing on reasonable terms, obtaining or renewing required regulatory approvals and licenses, securing and maintaining adequate property rights to land and mineral resources (especially in connection with mining projects in certain developing countries in which security of title with respect to mining concessions and property rights remains weak), local opposition to land acquisition or project development (as experienced, for example, in connection with the company's projects in India), demand for the company's products and general economic conditions. Any of these factors may cause the company to delay, modify or forego some or all aspects of its expansion plans. Greenfield projects can also, in addition to general factors, have project-specific factors that increase the level of risk. For example, the company has acquired (along with a partner) Baffinland Iron Mines Corporation in view of developing the Mary River iron ore deposit in the Arctic Circle. The scale of this project and the location of the deposit raise unique challenges, including extremely harsh weather conditions, lack of transportation infrastructure and environmental concerns.
The company cannot guarantee that it will be able to execute this project or other projects, and to the extent that they proceed, that it will be able to complete them on schedule, within budget, or achieve an adequate return on its investment.

ArcelorMittal's mining operations are subject to risks associated with mining activities.
ArcelorMittal operates mines and has substantially increased the scope of its mining activities in recent years. Mining operations are subject to hazards and risks usually associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with open-pit mining operations include, among others:

- flooding of the open pit;
- collapse of the open-pit wall;
- accidents associated with the operation of large open-pit mining and rock transportation equipment;
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations;

- production disruptions due to weather; and
- hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination;

Hazards associated with underground mining operations, of which ArcelorMittal has several, include, among others:

- underground fires and explosions, including those caused by flammable gas;
- gas and coal outbursts;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- flooding;
- sinkhole formation and ground subsidence;
- other accidents and conditions resulting from drilling;
- difficulties associated with mining in extreme weather conditions, such as the Arctic; and
- blasting, removing, and processing material from an underground mine.

ArcelorMittal is exposed to all of these hazards. For example, in the past two years, there have been methane gas explosions at the Kuzembaev Mine in Kazakhstan, in development roadways of unpredictable geology, resulting in four fatalities and an extended disruption of operations. The reoccurrence of any of these events, or the occurrence of any of those listed above, could delay production, increase production costs and result in death or injury to persons, damage to property and liability for ArcelorMittal, some or all of which may not be covered by insurance, as well as substantially harm ArcelorMittal's reputation as a company focused on ensuring the health and safety of its employees.

ArcelorMittal's reserve and resource estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.
ArcelorMittal's reported reserves are estimated quantities of ore and metallurgical coal that it has determined can be economically mined and processed under present and anticipated conditions to extract their mineral content.

With regard to ArcelorMittal's reported resources, investors are cautioned not to assume that any part or all of ArcelorMittal's estimated mineral deposits that constitute either 'measured mineral resources', 'indicated mineral resources' or 'inferred mineral resources' (calculated in accordance with the guidelines set out in Canadian National Instrument 43-101) will ever be converted into reserves. There is a particularly great deal of uncertainty as to existence of inferred mineral resources as well as with regard to their economic and legal feasibility and it should not be assumed that all or part of an inferred mineral resource will ever be upgraded to a higher category.

There are numerous uncertainties inherent in estimating quantities of reserves and resources and in projecting potential future rates of mineral production, including factors beyond ArcelorMittal's control. Reserve and resource engineering involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve and resource estimates is a function of the quality of available data and engineering and geological interpretation and judgment. As a result, no assurance can be given that the indicated amount of ore or coal will be recovered or that it will be recovered at the anticipated rates. Estimates may vary, and results of mining and production subsequent to the date of an estimate may lead to revisions of estimates. Reserve estimates and estimates of mine life may require revisions based on actual production experience and other factors. For example, fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates, mining duties or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a restatement of reserves.

Drilling and production risks could adversely affect the mining process.
Substantial time and expenditures are required to:

- establish mineral reserves and resources through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of metal contained in ore and coal;
- obtain environmental and other licenses;
- construct mining, processing facilities and infrastructure required for greenfield properties; and
- obtain the ore or coal or extract the minerals from the ore or coal.

If a project proves not to be economically feasible by the time ArcelorMittal is able to exploit it, ArcelorMittal may incur substantial losses and be obliged to recognize impairments. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in delays and cost overruns that may render the project not economically feasible.

ArcelorMittal faces rising extraction costs over time as reserves deplete.
Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer, pits become steeper and underground operations become deeper. As a result, over time, ArcelorMittal usually experiences rising unit extraction costs with respect to each mine.

ArcelorMittal has grown through acquisitions and will likely continue to do so. Failure to manage external growth and difficulties integrating acquired companies and subsequently implementing steel and mining development projects could harm ArcelorMittal's future results of operations, financial condition and prospects.
ArcelorMittal results from Mittal Steel Company NV's 2006 acquisition of, and 2007 merger with, Arcelor, a company of approximately equivalent size. Arcelor itself resulted from the combination of three steel companies, and Mittal Steel had previously grown through numerous acquisitions over many years. ArcelorMittal made numerous acquisitions in 2007 and 2008. While the company's large-scale M&A activity has been less extensive since the 2008 financial crisis, it could make substantial acquisitions at any time.

The company's past growth through acquisitions has entailed significant investment and increased operating costs, as well as requiring greater allocation of management resources away from daily operations. Managing growth has required the continued development of ArcelorMittal's financial and management information control systems, the integration of acquired assets with existing operations, the adoption of manufacturing best practices, attracting and retaining qualified management and personnel (particularly to work at more remote sites where there is a shortage of skilled personnel) as well as the continued training and supervision of such personnel, and the ability to manage the risks and liabilities associated with the acquired businesses. Failure to continue to manage such growth could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects. In particular, if integration of acquisitions is not successful, ArcelorMittal could lose key personnel and key customers, and may not be able to retain or expand its market position.

A Mittal family trust has the ability to exercise significant influence over the outcome of shareholder votes.
As of December 31, 2011, a trust (HSBC Trust (CI) Limited, as trustee), of which Mr Lakshmi N Mittal, Mrs Usha Mittal and their children are the beneficiaries, beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) 637,338,263 of ArcelorMittal's outstanding common shares, representing approximately 41.15% of ArcelorMittal's outstanding voting shares. The trust has the ability to significantly influence the decisions adopted at the ArcelorMittal general meetings of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, issuances of equity and the incurrence of indebtedness. The trust also has the ability to significantly influence a change of control of ArcelorMittal.

The loss or diminution of the services of the chairman of the board of directors and chief executive officer of ArcelorMittal could have an adverse effect on its business and prospects.
The chairman of the board of directors and chief executive officer of ArcelorMittal, Mr Lakshmi N Mittal, has for over a quarter of a century contributed significantly to shaping and implementing the business strategy of Mittal Steel and subsequently ArcelorMittal. His strategic vision was instrumental in the creation of the world's largest and most global steel group. The loss or any diminution of the services of the chairman of the board of directors and chief executive officer could have an adverse effect on ArcelorMittal's business and prospects. ArcelorMittal does not maintain key person life insurance on its chairman of the board of directors and chief executive officer.

ArcelorMittal is a holding company that depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future operational needs or for shareholder distributions.
Because ArcelorMittal is a holding company, it is dependent on the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations, pay any cash dividends or distributions on its common shares or conduct share buy-backs. Significant cash or cash equivalent balances may be held from time to time at the company's international operating subsidiaries, including in particular those in France, where the company maintains a cash management system under which most of its cash and cash equivalents are centralized, and in Algeria, Argentina, Brazil, China, Kazakhstan, Morocco, South Africa, Ukraine and Venezuela. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity. Repatriation of funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the company operates, though none of these policies are currently significant in the context of ArcelorMittal's overall liquidity. Under the laws of Luxembourg, ArcelorMittal will be able to pay dividends or distributions only to the extent that it is entitled to receive cash dividend distributions from its subsidiaries, recognize gains from the sale of its assets or record share premium from the issuance of shares.

If earnings and cash flows of its operating subsidiaries are substantially reduced, ArcelorMittal may not be in a position to meet its operational needs or to make shareholder distributions in line with announced proposals.

Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.
At each reporting date, ArcelorMittal reviews the carrying amounts of its tangible and intangible assets (excluding goodwill, which is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit). If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income in the consolidated statements of operations.

Goodwill represents the excess of the amounts ArcelorMittal paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. Goodwill has been allocated at the level of the company's eight operating segments; the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually at the levels of the groups of cash generating units which correspond to the operating segments as of November 30, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the groups of cash generating units are determined from the higher of its net selling price (fair value reduced by selling costs) or its value in use calculations, which depend on certain key assumptions. These include assumptions 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 the company's growth forecasts, which are in line with industry trends. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market. See Notes 2 and 9 to ArcelorMittal's consolidated financial statements.

If management's estimates change, the estimate of the recoverable amount of goodwill or the asset could fall significantly and result in impairment. While impairment does not affect reported cash flows, the decrease of the estimated recoverable amount and the related non-cash charge in the consolidated statements of operations could have a material adverse effect on ArcelorMittal's results of operations or financial position. Based on its impairment review in connection with the preparation of its 2011 financial statements, the company did not record any impairment of goodwill at December 31, 2011. Management believes, however, that reasonably possible changes in key assumptions used in assessing value in use would cause an impairment loss to be recognized with respect to the company's Flat Carbon Europe and Distribution Solutions segments, which account for approximately $2.9 billion and $1.0 billion of goodwill, respectively. At December 31, 2011, the company had $12.5 billion of goodwill and $1.6 billion of other intangibles, compared to $12.6 billion of goodwill and $1.8 billion of other intangibles at December 31, 2010. See note 9 to ArcelorMittal's consolidated financial statements. For the year ended December 31, 2011, the company recorded a net impairment loss related to its property, plant and equipment amounting to $331 million. No assurance can be given as to the absence of significant further impairment losses in future periods, particularly if market conditions deteriorate again as they did in 2008-2009.

Capital expenditure commitments and other undertakings arising from acquisitions and investments may limit ArcelorMittal's operational flexibility, add to its financing requirements and adversely affect its results of operations and prospects.
In connection with the acquisition of certain operating subsidiaries and other investments, ArcelorMittal has committed itself to significant capital expenditures and other undertakings. ArcelorMittal expects to fund these commitments primarily through internal sources, which may be limited depending on the company's results of operations, financing capacity and other uses of cash, such as dividends and maintenance expenditure. As a result, the company is unable to guarantee that these projects will be completed on time or at all. Failure to comply with commitments in connection with past growth projects may result in forfeiture of a part of ArcelorMittal's investment, the loss of tax and regulatory benefits, and/or contractual disputes that could have a material adverse effect on ArcelorMittal's financial condition or results of operations.

Underfunding of pension and other post-retirement benefit plans at some of ArcelorMittal's operating subsidiaries could require the company to make substantial cash contributions to pension plans or to pay for employee healthcare, which may reduce the cash available for ArcelorMittal's business.
ArcelorMittal's principal operating subsidiaries in Brazil, Canada, Europe, South Africa and the United States provide defined benefit pension plans to their employees. Some of these plans are currently underfunded. At December 31, 2011, the value of ArcelorMittal USA's pension plan assets was $2.2 billion, while the projected benefit obligation was $3.8 billion, resulting in a deficit of $1.6 billion. At December 31, 2011, the value of the pension plan assets of ArcelorMittal's Canadian subsidiaries was $2.9 billion, while the projected benefit obligation was $3.5 billion, resulting in a deficit of $0.6 billion. At December 31, 2011, the value of the pension plan assets of ArcelorMittal's European subsidiaries was $0.6 billion, while the projected benefit obligation was $2.1 billion, resulting in a deficit of $1.5 billion. ArcelorMittal USA, ArcelorMittal's Canadian subsidiaries, and ArcelorMittal's European subsidiaries also had partially underfunded post-employment benefit obligations relating to life insurance and medical benefits as of December 31, 2011. The consolidated obligations totaled $6.6 billion as of December 31, 2011, while underlying plan assets were only $0.5 billion, resulting in a deficit of $6.1 billion. See note 23 to ArcelorMittal's consolidated financial statements.

ArcelorMittal's funding obligations depend upon future asset performance, which is tied to equity markets to a substantial extent, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes and government regulation. Because of the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for ArcelorMittal's pension plans and other post-employment benefit plans could be significantly higher than current estimates. In these circumstances funding requirements could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.

ArcelorMittal could experience labor disputes that may disrupt its operations and its relationships with its customers.
A majority of the employees of ArcelorMittal and of its contractors are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to, or during, the negotiations preceding new collective bargaining agreements, during wage and benefits negotiations or during other periods for other reasons. ArcelorMittal periodically experiences strikes and work stoppages at various facilities. Prolonged strikes or work stoppages, which may increase in their severity and frequency, may have an adverse effect on the operations and financial results of ArcelorMittal.

ArcelorMittal is subject to economic policy risks and political, social and legal uncertainties in certain of the emerging markets in which it operates or proposes to operate, and these uncertainties may have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.
ArcelorMittal operates, or proposes to operate, in a large number of emerging markets. In recent years, many of these countries have implemented measures aimed at improving the business environment and providing a stable platform for economic development. ArcelorMittal's business strategy has been developed partly on the assumption that this modernization, restructuring and upgrading of the business climate and physical infrastructure will continue, but this cannot be guaranteed. Any slowdown in the development of these economies could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects, as could

insufficient investment by government agencies or the private sector in physical infrastructure. For example, the failure of a country to develop reliable electricity and natural gas supplies and networks, and any resulting shortages or rationing, could lead to disruptions in ArcelorMittal's production.

Moreover, some of the countries in which ArcelorMittal operates have been undergoing substantial political transformations from centrally-controlled command economies to market-oriented systems or from authoritarian regimes to democratically-elected governments and vice-versa. Political, economic and legal reforms necessary to complete such transformation may not progress sufficiently. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, wide-scale civil disturbances and military conflict. The political systems in these countries are vulnerable to their populations' dissatisfaction with their government, reforms or the lack thereof, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries.

In addition, the legal systems in some of the countries in which ArcelorMittal operates remain less than fully developed, particularly with respect to property rights, the protection of foreign investment and bankruptcy proceedings, generally resulting in a lower level of legal certainty or security for foreign investment than in more developed countries. ArcelorMittal may encounter difficulties in enforcing court judgments or arbitral awards in some countries in which it operates among other reasons because those countries may not be parties to treaties that recognize the mutual enforcement of court judgments. Assets in certain countries where ArcelorMittal operates could also be at risk of expropriation or nationalization, and compensation for such assets may be below fair value.
For example, the Venezuelan government has implemented a number of selective nationalizations of companies operating in the country to date. Although ArcelorMittal believes that the long-term growth potential in emerging markets is strong, and intends them to be the focus of the majority of its near-term growth capital expenditures, legal obstacles could have a material adverse effect on the implementation of ArcelorMittal's growth plans and its operations in such countries.

ArcelorMittal's results of operations could be affected by fluctuations in foreign exchange rates, particularly the euro to US dollar exchange rate, as well as by exchange controls imposed by governmental authorities in the countries where it operates.
ArcelorMittal operates and sells products globally, and, as a result, its business, financial condition, results of operations or prospects could be adversely affected by fluctuations in exchange rates. A substantial portion of ArcelorMittal's assets, liabilities, operating costs, sales and earnings are denominated in currencies other than the US dollar (ArcelorMittal's reporting currency). Accordingly, fluctuations in exchange rates to the US dollar, could have an adverse effect on its business, financial condition, results of operations or prospects.

ArcelorMittal operates in several countries whose currencies are, or have in the past been, subject to limitations imposed by those countries' central banks, or which have experienced sudden and significant devaluations. Currency devaluations, the imposition of new exchange controls or other similar restrictions on currency convertibility, or the tightening of existing controls, in the countries in which ArcelorMittal operates could adversely affect its business, financial condition, results of operations or prospects.

Disruptions to ArcelorMittal's manufacturing processes could adversely affect its operations, customer service levels and financial results.
Steel manufacturing processes are dependent on critical steelmaking equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or furnace breakdowns. ArcelorMittal's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. To the extent that lost production as a result of such a disruption could not be compensated for by unaffected facilities, such disruptions could have an adverse effect on ArcelorMittal's operations, customer service levels and financial results.

Natural disasters could damage ArcelorMittal's production facilities.
Natural disasters could significantly damage ArcelorMittal's production facilities and general infrastructure. For example, ArcelorMittal Lázaro Cárdenas's production facilities located in Lázaro Cárdenas, Michoacán, Mexico and ArcelorMittal Galati's production facilities located in the Botasani region of Romania are located in regions prone to earthquakes of varying magnitudes. The Lázaro Cárdenas area has, in addition, been subject to a number of tsunamis in the past. ArcelorMittal Point Lisas is located in Trinidad & Tobago, an area vulnerable to both hurricanes and earthquakes. The ArcelorMittal wire drawing operations in the US are located in an area subject to tornados. Although risk mitigation efforts have been incorporated in plant design and operations, extensive damage in the event of a tornado cannot be excluded. Extensive damage to the foregoing facilities or any of our other major production complexes and potential resulting staff casualties, whether as a result of floods, earthquakes, hurricanes, tsunamis or other natural disasters, could, to the extent that lost production could not be compensated for by unaffected facilities, severely affect ArcelorMittal's ability to conduct its business operations and, as a result, reduce its future operating results.

ArcelorMittal's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.
The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects. ArcelorMittal maintains insurance on property and equipment and product liability insurance in amounts believed to be consistent with industry practices but it is not fully insured against all such risks. ArcelorMittal's insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policies. Under ArcelorMittal's property and equipment policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. ArcelorMittal also maintains various other types of insurance, such as directors and officers' liability insurance, workmen's compensation insurance and marine insurance.

In addition, ArcelorMittal maintains trade credit insurance on receivables from selected customers, subject to limits that it believes are consistent with those in the industry, in order to protect it against the risk of non-payment due to customers' insolvency or other causes. Not all of ArcelorMittal's customers are or can be insured, and even when insurance is available, it may not fully cover the exposure.

Notwithstanding the insurance coverage that ArcelorMittal and its subsidiaries carry, the occurrence of an event that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by insurance policies, could materially harm ArcelorMittal's financial condition and future operating results.

Product liability claims could have a significant adverse financial impact on ArcelorMittal.
ArcelorMittal sells products to major manufacturers engaged in manufacturing and selling a wide range of end products. ArcelorMittal also from time to time offers advice to these manufacturers. Furthermore, ArcelorMittal's products are also sold to, and used in, certain safety-critical applications, such as, for example, pipes used in gas or oil pipelines and in automotive applications. There could be significant consequential damages resulting from the use of or defects in such products. ArcelorMittal has a limited amount of product liability insurance coverage, and a major claim for damages related to ArcelorMittal products sold and, as the case may be, advice given in connection with such products could leave ArcelorMittal uninsured against a portion or the entirety of the award and, as a result, materially harm its financial condition and future operating results.

ArcelorMittal is subject to regulatory risk, and may incur liabilities arising from investigations by governmental authorities, litigation and fines, among others, regarding its pricing and marketing practices or other antitrust matters.
ArcelorMittal is the largest steel producer in the world. As a result of this position, ArcelorMittal may be subject to exacting scrutiny from regulatory authorities and private parties, particularly regarding its trade practices and dealings with customers and counterparties. As a result of its position in the steel markets and its historically acquisitive growth strategy, ArcelorMittal could be the target of governmental investigations and lawsuits based on antitrust laws in particular. These could require significant expenditures and result in liabilities or governmental orders that could have a material adverse effect on ArcelorMittal's business, operating results, financial condition and prospects. ArcelorMittal and certain of its subsidiaries are currently under investigation by governmental entities in several countries, and are named as defendants in a number of lawsuits relating to various antitrust matters. For example, in September 2008, Standard Iron Works filed a class action complaint in US federal court against ArcelorMittal, ArcelorMittal USA LLC and other steel manufacturers, alleging that the defendants had conspired since 2005 to restrict the output of steel products in order to affect steel prices. Since the filing of the Standard Iron Works lawsuit, other similar direct purchaser lawsuits have been filed in the same court and consolidated with the Standard Iron Works law suit. In addition, class actions on behalf of indirect purchasers have been filed. A motion by ArcelorMittal and the other defendants to dismiss the direct purchaser claims was denied in June 2009, and the litigation is now in the discovery stage. Antitrust proceedings and investigations involving ArcelorMittal subsidiaries are also currently pending in Brazil and South Africa.

Because of the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigations, negative outcomes are possible. An adverse ruling in the proceedings described above or in other similar proceedings in the future could subject ArcelorMittal to substantial administrative penalties and/or civil damages. In cases relating to other companies, civil damages have ranged as high as hundreds of millions of US dollars in major civil antitrust proceedings during the last decade. With respect to the pending US federal court litigation, ArcelorMittal could be subject to treble damages. Unfavorable outcomes in current and potential future litigation and investigations could reduce ArcelorMittal's liquidity and negatively affect its financial performance and its financial condition.

ArcelorMittal's governance and compliance processes may fail to prevent regulatory penalties and reputational harm, both at operating subsidiaries, joint ventures and associates.
ArcelorMittal operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks, at a time of increased enforcement activity and enforcement initiatives worldwide. ArcelorMittal's governance and compliance processes, which include the review of internal controls over financial reporting, may not prevent breaches of law, accounting or governance standards at the company or its subsidiaries. Risks of violations are also present at the company's joint ventures and associates where ArcelorMittal has only a non-controlling stake and does not control governance practices or accounting and reporting procedures. In addition, ArcelorMittal may be subject to breaches of its code of business conduct, other rules and protocols for the conduct of business, as well as instances of fraudulent behavior and dishonesty by its employees, contractors or other agents. The company's failure to comply with applicable laws and other standards could subject it to fines, litigation, loss of operating licenses and reputational harm.

The income tax liability of ArcelorMittal may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement.
Taxes payable by companies in many of the countries in which ArcelorMittal operates are substantial and include value-added tax, excise duties, profit taxes, payroll-related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and national or local government budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on ArcelorMittal's financial condition and results of operations. In addition to the usual tax burden

imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose ArcelorMittal to significant fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden. See note 19 to ArcelorMittal's consolidated financial statements.

In addition, many of the jurisdictions in which ArcelorMittal operates have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on ArcelorMittal's financial condition and results of operations.

It is possible that tax authorities in the countries in which ArcelorMittal operates will introduce additional revenue raising measures. The introduction of any such provisions may affect the overall tax efficiency of ArcelorMittal and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on its financial condition and results of operations.

ArcelorMittal may face a significant increase in its income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which it operates, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect ArcelorMittal's cash flows, liquidity and ability to pay dividends.

If ArcelorMittal were unable to utilize fully its deferred tax assets, its profitability could be reduced.
At December 31, 2011, ArcelorMittal had $6.1 billion recorded as deferred tax assets on its consolidated statements of financial position. These assets can be utilized only if, and only to the extent that, ArcelorMittal's operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carry forwards and reverse the temporary differences prior to expiration.

At December 31, 2011, the amount of future income required to recover ArcelorMittal's deferred tax assets of $6.1 billion was at least $21 billion at certain operating subsidiaries.

ArcelorMittal's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If ArcelorMittal generates lower taxable income than the amount it has assumed in determining its deferred tax assets, then the value of deferred tax assets will be reduced. In addition, changes in tax law may result in a reduction in the value of deferred tax assets, as occurred in 2011.

ArcelorMittal's reputation and business could be materially harmed as a result of data breaches, data theft, unauthorized access or successful hacking.
ArcelorMittal's operations depend on the secure and reliable performance of its information technology systems. An increasing number of companies, including ArcelorMittal, have recently experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, the company may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures.

If unauthorized parties force access to ArcelorMittal's information technology systems, they may be able to misappropriate confidential information, cause interruptions in the company's operations, damage its computers or otherwise damage its reputation and business. In such circumstances, the company could be held liable or be subject to regulatory or other actions for breaching confidentiality and personal data protection rules. Any compromise of the security could result in a loss of confidence in its security measures and subject it to litigation, civil or criminal penalties, and adverse publicity that could adversely affect its financial condition and results of operations.

US investors may have difficulty enforcing civil liabilities against ArcelorMittal and its directors and senior management.
ArcelorMittal is incorporated under the laws of the Grand Duchy of Luxembourg with its principal executive offices and corporate headquarters in Luxembourg. The majority of ArcelorMittal's directors and senior management are residents of jurisdictions outside of the United States. The majority of ArcelorMittal's assets and the assets of these persons are located outside the US. As a result, US investors may find it difficult to effect service of process within the United States upon ArcelorMittal or these persons or to enforce outside the US judgments obtained against ArcelorMittal or these persons in US courts, including actions predicated upon the civil liability provisions of the US federal securities laws. Likewise, it may also be difficult for an investor to enforce in US courts judgments obtained against ArcelorMittal or these persons in courts in jurisdictions outside the US, including actions predicated upon the civil liability provisions of the US federal securities laws. It may also be difficult for a US investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the US federal securities laws against ArcelorMittal's directors and senior management and non-US experts named in this annual report.

ArcelorMittal's mining segment has production facilities in North and South America, Africa, Europe and CIS. The following table provides an overview by type of facility of ArcelorMittal's principal mining operations:

Unit	Country	Locations	ArcelorMittal interest (%)	Type of mine	Type of product
Iron ore					
ArcelorMittal Mines Canada	Canada	Mont-Wright	100	Iron ore mine (open pit)	Concentrate and pellets
Minorca Mines	USA	Virginia, MN	100	Iron ore mine (open pit)	Pellets
Hibbing Taconite Mines	USA	Hibbing, MN	62.3	Iron ore mine (open pit)	Pellets
ArcelorMittal Lázaro Cárdenas Volcan Mines	Mexico	Sonora	100	Iron ore mine (open pit)	Concentrate
ArcelorMittal Lázaro Cárdenas Peña Colorada	Mexico	Minatitlán	50	Iron ore mine (open pit)	Concentrate and pellets
ArcelorMittal Las Truchas	Mexico	Lázaro Cárdenas	100	Iron ore mine (open pit)	Concentrate, lump and fines
ArcelorMittal Brasil Andrade Mine	Brazil	State of Minas Gerais	100	Iron ore mine (open pit)	Fines
ArcelorMittal Mineração Serra Azul	Brazil	State of Minas Gerais	100	Iron ore mine (open pit)	Lump and fines
ArcelorMittal Tebessa	Algeria	Annaba	70	Iron ore mine (open pit and underground)	Fines
ArcelorMittal Prijedor	Bosnia and Herzegovina	Prijedor	51	Iron ore mine (open pit)	Concentrate and lump
ArcelorMittal Kryviy Rih	Ukraine	Kryviy Rih	95	Iron ore mine (open pit and underground)	Concentrate, lump and sinter feed
ArcelorMittal Temirtau	Kazakhstan	Lisakovski, Kentobe, Atasu, Atansore	100	Iron ore mine (open pit and underground)	Concentrate, lump and fines
ArcelorMittal Liberia	Liberia	Yekepa	70	Iron ore mine (open pit)	Fines
Coal					
ArcelorMittal Princeton	USA	McDowell, WV; Tazewell, VA	100	Coal mine (open pit and underground)	Coking and PCI coal
ArcelorMittal Temirtau	Kazakhstan	Karaganda	100	Coal mine (underground)	Coking coal and thermal coal
ArcelorMittal Kuzbass	Russia	Kemerovo	98	Coal mine (underground)	Coking coal

Iron ore

ArcelorMittal Mines Canada

ArcelorMittal Mines Canada is a major North American producer of iron ore concentrate and several types of pellets. It holds mining rights over 74,000 hectares of land in the province of Quebec, Canada. ArcelorMittal Mines Canada operates the Mont-Wright Mine and concentrator at Fermont in northeastern Quebec. Mont-Wright is located 416km north of the port of Port-Cartier, the site of the pelletizing plant and shipping terminal on the north shore of the Gulf of St Lawrence, and approximately 1,000km northeast of Montreal. A private railway connects the mine and concentrator with Port-Cartier. The railway and the port are owned and operated by ArcelorMittal Mines Canada. The Mont-Wright mine and the town of Fermont are connected by Highway 389 to Baie Comeau on the North Shore of the Gulf of St Lawrence, a distance of 570km. The property was first explored in 1947 and the project was constructed by Quebec Cartier Mining (QCM) between 1970 and 1975 and began operating in 1976. In 2006, QCM was purchased by ArcelorMittal when it acquired control of Dofasco.

ArcelorMittal Mines Canada also owns mining rights to iron ore deposits in Fire Lake and Mont Reed. Fire Lake, located approximately 53km south of Mont-Wright, is a seasonal operation from which approximately 2.5 million tonnes of crude ore are transported by rail to the Mont-Wright concentrator annually. The Mont Reed deposit is currently not mined. In addition, ArcelorMittal Mines Canada holds surface rights over the land on which the Mont-Wright and Port Cartier installations are located, with the exception of a small area which remains the property of the Quebec Government, but in no way compromises the mining rights.

The expiration dates of the mining leases range from 2015 to 2025. These leases are renewable for three periods of ten years provided the lessee has performed mining operations for at least two years in the previous ten years of the lease.

The Mont-Wright and Fire Lake mines are part of the highly-folded and metamorphosed southwestern branch of the Labrador trough. The most important rock type in the area is the specular hematite iron formation forming wide massive deposits that often form the crest of high ridges extending for many kilometers in the Quebec-Labrador area.

The Mont-Wright operation consists of open pit mines and a concentrator. The ore is crushed in two gyratory crushers and the concentrator operates with six lines of three stage spiral classifiers and horizontal filters. The concentrator has a production capacity of 16 million tonnes of concentrate a year. The Port-Cartier pellet plant produces acid and flux pellets that operate six ball mills, ten balling discs and two induration machines. The pelletizing plant has a capacity of 9 million tonnes of pellets.

Electric power for Mont-Wright and the town of Fermont is supplied by Hydro-Quebec via a 157km line. In the event of an emergency, the Hart Jaune Power plant, also connected to the Hydro-Quebec grid, can supply sufficient power to maintain the operations of the essential processing facilities.

ArcelorMittal USA iron ore mines

ArcelorMittal USA operates an iron ore mine through its wholly-owned subsidiary ArcelorMittal Minorca, and owns a majority stake in Hibbing Taconite Company, which is managed by Cliffs Natural Resources.

ArcelorMittal Minorca holds mining rights over 13,210 acres and leases an additional 3,350 acres of land to support its operations located approximately three kilometers north of the town of Virginia in the northeast of Minnesota. The Minorca operations control all the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. ArcelorMittal Minorca operates a concentrating and pelletizing facility, along with two open pit iron ore mines – Laurentian and East Pits located 12km from the processing facilities. The processing operations consist of a crushing facility, a three-line concentration facility and a single-line straight grate pelletizing plant. The Minorca pelletizing facility produced 2.8 million tonnes of fluxed pellets in 2011. Pellets are transported by rail to ports on Lake Superior. Lake vessels are used to transport the pellets to Indiana Harbor. The Minorca taconite plant was constructed and operated by Inland steel between 1977 and 1998 when it was purchased by then ISPAT International, a predecessor company of ArcelorMittal.

The Hibbing Taconite Company holds mining rights over 7,380 acres in 43 contiguous mineral leases, and is located six kilometers north of Hibbing in the northeast of Minnesota. The Hibbing operations are jointly owned by ArcelorMittal USA (62.3%), Cliffs Natural Resources (23.0%) and U.S. Steel (14.7%). Cliffs Natural Resources is the operator of the joint venture mine and processing facilities. The Hibbing Taconite Company controls all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. The operations consist of open pit mining, crushing, concentrating and pelletizing. The finished pellets are then transported by rail to the port of Allouez at Superior, Wisconsin, a distance of 130km and then over the Great Lakes by lake vessels to ArcelorMittal's integrated steelmaking plants, principally Burns Harbor. The Hibbing Taconite Company began operating in the third quarter of 1976. The mine produced 4.9 million tonnes (own share of production) of taconite pellets in 2011.

Both the Minorca and Hibbing mines are located in the Mesabi iron range where iron ore has been extracted for over 100 years. The ore bodies are within the Biwabik Iron Formation, a series of shallow dipping Precambrian sedimentary rocks known as taconite with a total thickness in excess of 200 meters and running for approximately 200km. Although the first deposits mined in the Mesabi iron range consisted of oxidized hematite ores, production was shortened in the mid 1950s to low grade magnetic taconite ores. The processing of this ore involves a series of grinding and magnetic separation stages to remove the magnetite from the silica. Electric power constitutes the sole source of energy for both Minorca and Hibbing and is provided from the Minnesota state power grid.

ArcelorMittal Lázaro Cárdenas (AMLC) mining assets

AMLC operates three iron ore mines in Mexico, the El Volcan and Las Truchas mines and, through a joint ownership with Ternium S.A, the Peña Colorada mine.

Peña Colorada

Peña Colorada holds mining rights over 68,209 acres located at about 60km by highway to the northeast of the port city of Manzanillo, in the province of Minatitlán in the north western part of the state of Colima, Mexico. ArcelorMittal owns 50% of Peña Colorada Ltd, and Ternium S.A. owns the other 50% of the company.

Peña Colorada operates an open pit mine as well as a concentrating facility and a two-line pelletizing facility. The beneficiation plant is located at the mine, whereas the pelletizing plant is located in Manzanillo. Major processing facilities include a primary crusher, a dry cobbing plant, one autogenous mill, horizontal and vertical ball mills and several stages of magnetic separation. The concentrate is sent as a pulp through a pipeline from the mineral processing plant. Peña Colorada has operated since 1974. The Peña Colorada mine receives electrical power from the Comisión Federal de Electricidad (CFE), which is a federal government company that serves the entire country.

The Peña Colorada pelletizing facility produced 4.0 million tonnes of pellets and 0.5 million tonnes of concentrate in 2011 (of which 50% is ArcelorMittal's share). Both magnetite concentrate and iron ore pellets are shipped from Manzanillo to ArcelorMittal Lázaro Cárdenas and for export, as well as to Ternium's steel plants, by ship and by rail.

Peña Colorada is a complex polyphase iron ore deposit. The iron mineralization at Peña Colorada consists of banded to massive concentrations of magnetite within breccia zones and results from several magmatic, metamorphic and hydrothermal mineralization stages with associated skarns, dykes and late faults sectioning the entire deposit.

El Volcan

ArcelorMittal holds mining rights over 1,050 hectares to support its El Volcan operations located approximately 68km northwest of the city of Obregon and 250km from the Guaymas port facility in the state of Sonora, Mexico. The El Volcan operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. ArcelorMittal operates a concentrating facility along with an open pit mine and a pre-concentration facility at the mine site. The mine site is accessible by a 90km road from the city of Obregon, where the concentrator is located.

The pre-concentration facilities at the mine include one primary crusher, one secondary crusher, a dry cobbing high intensity magnetic pulley and three tertiary crushers. The concentration plant includes two ball mills on line, a magnetic separation circuit, flotation systems, a belt conveyor filter and a disposal area for tails. The major port installations include a tippler for railroad cars, a conveyor, transfer towers and two ship loading systems. The mine exploitation and crushing operations and all transport activities are performed by contractors. The concentrate and port operations are operated with ArcelorMittal's own resources. The concentrate is transported by rail to the Pacific port of Guaymas and then shipped to the Lázaro Cárdenas steel plant. The mining operation uses two Caterpillar 3516B electric generators in continuous operation, with one generator operating 24 hours a day at an average consumption of 540 kilowatt hours while the second generator is on standby. The concentration facility uses electric power from the national grid.

The Volcan mine concession was bought from the Sonora provincial government in 2004, followed by exploration of the property in 2005. The development of the mine started in 2007. Mining operations were halted during the 2008-2009 crisis and on several occasions due to structural problems in the crushing facilities. Operations have resumed without interruption since 2010. The Volcan operations produced 2.0 million tonnes of concentrate in 2011.

The iron mineralization at the El Volcan deposit presents many similarities with Peña Colorada, with magnetite rich skarn associated with the intrusion and extrusion of magmas rich in iron and formed in a volcanic environment. An active exploration program aims at extending the estimated remaining five-year mine life of the current open pit mine both through defining the down-dip extension in the mineralization zone being currently mined and by exploring other regional targets.

Las Truchas

The Las Truchas mine holds mining rights over 14,489 hectares to support its operations located approximately 27km southeast of the town of Lázaro Cárdenas in the state of Michoacán, Mexico. The Las Truchas operations are accessible by public highway and control all the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves.

The Las Truchas mine is an integrated iron ore operation. It began operating in 1976 as a government enterprise (Sicartsa), and its mining activities consist of an open pit mine exploitation, crushing, dry cobbing pre-concentrate and concentration plant. The aggregated 2011 production of concentrate, lumps and fines totaled 2.6 million tonnes. The concentrator includes one primary crusher, two secondary crushers and three tertiary crushers, one ball mill and one bar mill and two wet magnetic separation circuits. The electrical energy supplier for the Las Truchas is a state-owned company, the Federal Commission of Electricity (CFE). The concentrated ore is pumped from the mine site through a 26km slurry pipeline to the steel plant facility in Lázaro Cárdenas.

The Las Truchas deposits consist of massive concentrations of magnetite of irregular morphology. The main Las Truchas deposits occur along a trend of about seven kilometers long and about two kilometers wide. The Las Truchas mineral deposits have been classified as hydrothermal deposits, which may have originated from injections of late stage plutonic activity through older sedimentary rocks. The mineralization of the Las Truchas iron deposits occurs in disseminated and irregular massive concentrations of magnetite within metamorphic rocks and skarns. The mineralization also occurs as fillings of faults, breccia zones, and fractures.

ArcelorMittal Brasil – Andrade mine

ArcelorMittal Brasil holds mining rights over the central claims of the Andrade deposit located approximately 80km east of Belo Horizonte in the Minas Gerais state of Brazil. ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. ArcelorMittal operates an open pit mine and a crushing facility. The mine site is accessible by 110km of public highway from Belo Horizonte.

The Andrade mine supplies sinter feed to the ArcelorMittal Long Carbon integrated plant in João Monlevade through an internal railway of 11km. Companhia Siderurgica Belgo-Mineira (CSBM) initiated mining operations at the property in 1944 in order to facilitate the supply of ore to its steel plant in João Monlevade. The mine was managed by CSBM until 2000. In 2000, Vale acquired the property, although the mine continued to be operated by CSBM until Vale entered into a 40-year lease for the Andrade mineral rights in 2004 (subject to the condition that the supply to CSBM would be assured). In November 2009, Vale returned the Andrade mine to CSBM, which then transferred it to ArcelorMittal. In 2011, the Andrade mine produced 1.7 million tonnes of sinter feed. The increase of the mine's production to 3.5 million tonnes a year of sinter feed is expected to be completed in 2012.

ArcelorMittal Mineração Serra Azul

ArcelorMittal Mineração Serra Azul holds mining rights over the central and east claims of the Serra Azul deposit, located approximately 50km southwest of the town of Belo Horizonte in the Minas Gerais state of Brazil. ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. ArcelorMittal operates an open pit mine and a concentrating facility. The mine site is accessible by 80km of public highway from Belo Horizonte.

In addition to the open pit mine, processing operations consist of a crushing facility and a three-line concentration facility including screening, magnetic separation, spirals separators and jigging. Production is transported either by truck for local clients of lump, or by truck to two railway terminals located 35 and 50km, respectively, from the mine site for export of sinter feed to third-party port facilities located in the Rio de Janeiro State. Sinter feed production is shipped to ArcelorMittal's plants in Europe, as well as to the local Brazilian market, including the ArcelorMittal Brasil integrated plants. The Compania Energética de Minas Gerais (CEMIG) supplies power through a 13,800 volt line from Mateus Leme, located 20km from the mine. The electricity is locally transformed into 380 volts by six transformers spread around the operation. Minas Itatiaucu (MIL) initiated mining operations at the property in 1946. In 2007, London Mining Brazil Mineracao Ltd (London Mining) purchased the mineral rights from MIL. Following the acquisition of the property from London Mining, ArcelorMittal has operated the mine since 2008. In 2011, ArcelorMittal Serra Azul produced 3.6 million tonnes of lumps and sinter fines.

Both the Andrade and Serra Azul mines are located in the Iron Quadrangle (Quadrilatero Ferrifero), a widely explored and mined region. The mineralization occurs as itabirites, banded hematite-silica rocks, with varying weathering degrees. While the Serra Azul ore reserve estimates are constituted of rich friable itabirites requiring some beneficiation, the Andrade ore reserve estimates are dominated by directly shippable hematite ore.

ArcelorMittal Tebessa

ArcelorMittal Tebessa holds mining rights over two main areas to support its iron ore mining operations: the Ouenza open pit mine and the Boukhadra underground mine located 150 and 180km, respectively, from the ArcelorMittal Annaba steel plant in southeast Algeria near the Tunisian border. Both mines can be accessed by road and by electrified railways that run between the mines and the ArcelorMittal Annaba steel plant.

Processing at the mines is limited to primary crushing. The two mines produced 1.3 million tonnes of lumps and sinter fines in 2011. Electric power constitutes the sole source of energy for both mines and the crushing facilities and is provided from the state power grid. In 1913, the Societe de L'Ouenza was created and mining of the ore began in 1921. The mines were nationalized in 1966 following Algeria's independence from France. In 1983, the Ferphos Company was created and, in 1990, it became autonomous from the government. Since October 2001, both the Ouenza mine and the Boukhadra mine have been owned by ArcelorMittal and Ferphos, an Algerian public sector company, with each entity holding 70% and 30%, respectively.

Although both the Ouenza and Boukhadra mines have been producing iron ore for several decades, no iron ore reserves are reported for these mines in 2011 due to material deficiencies in the drilling data recording and archiving process. ArcelorMittal intends to conduct drilling campaigns in 2012 at the two mines in accordance with industry best practices in order to provide the proper support for ore reserve estimates by the end of 2012. The Ouenza and Boukhadra deposits principally consist of hematite that results from the oxidization of siderites and pyrites.

ArcelorMittal Prijedor

ArcelorMittal Prijedor, located near Prijedor in the Republic of Srpska in Bosnia and Herzegovina, is an iron ore mining operation that is 51%-owned by ArcelorMittal. ArcelorMittal Prijedor holds mining rights over 2,000 hectares to support ArcelorMittal's steelmaking operations located approximately 12km south of Prijedor in northern Bosnia (Zenica). ArcelorMittal Prijedor's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. The operation is in close proximity to long-established public roads. The production process includes crushing, with hydro-cyclones and magnetic separation at the concentration plant. The plant is close to the mine site and materials are transported through a conveyor. Power is supplied from the national grid through a local power distribution company. In 2011, ArcelorMittal Prijedor produced 1.9 million tonnes of aggregated lumps and fines.

In 1916, Austrian mining companies established the first industrial production of iron ore in the Prijedor area. The mines were nationalized in the 1950s, and were then owned by Iron Mines Luubija Company until 51% of the company was sold to Mittal Steel in 2004.

The Omarska deposit is composed of two ore bodies: Jezero and Buvac. The Jezero open pit began operating in 1983 and, following an interruption in production during the Bosnian civil war in the 1990s, production resumed in 2009.

However, the current operating area is the Buvac pit, from which only 2011 ore reserves are drawn. The Buvac pit was opened in 2008 and is located within a carboniferous clastic with carbonates sediments containing iron mineralization in the form of beds concordant with host rocks or in the form of massive irregular blocks. The genesis of this deposit is attributed to hydrothermal replacement and syn-sedimentary processes. The mineralization consists of oxidized siderite and ankerite into limonite and goethite.

ArcelorMittal Kryviy Rih

ArcelorMittal Kryviy Rih (AMKR) holds mining and surface rights to support its operations located roughly within the limits of the city of Kryviy Rih, 150km southwest of Dnepropetrovsk, Ukraine. AMKR's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves. AMKR operates a concentrating facility, along with two open pit mines and one underground iron ore mine. The iron ore deposits are located within the southern part of the Krivorozhsky iron ore basin. Access to the mines is via public roads, which are connected by a paved highway to Dnepropetrovsk. The area is well served by rail. Power is supplied by the Ukraine government and is generated from a mix of nuclear, gas and coal-fired power stations. ArcelorMittal Kryviy Rih has two iron ore mines: an open pit mine feeding a concentration plant that produced 9.6 million tonnes of concentrate in 2011, known as the Kryviy Rih open cast, and an underground mine with production of 1.1 million tonnes of lump and sinter feed in 2011, known as the Kryviy Rih underground mine.

The iron ore extracted from Kryviy Rih open cast is first processed at the mine site through primary crushing. After initial processing, the product is loaded on a rail-loading facility and transported to the nearby concentrator. The concentrator production process includes crushing, hydroclassifiers and low intensity magnetic separation. The iron ore extracted from Kryviy Rih's underground mine by a modified sub-level caving method is crushed on surface and transported by rail to the smelter. The main consumer of the sinter and concentrate products is the ArcelorMittal Kryviy Rih steel plant, with some concentrate being shipped to other ArcelorMittal affiliates in eastern Europe, as well as to third parties. Operations began at Kryviy Rih open cast in 1959 and at Kryviy Rih underground mine in 1933. ArcelorMittal acquired the operations in October 2005 from the State Property Fund of Ukraine.

The iron mineralization is hosted by early Proterozoic rocks containing seven altered ferruginous quartzite strata with shale layers. The major iron ore bearing units in the open pit mines have carbonate-silicate-magnetite composition. In addition, oxidized quartzite is mined simultaneously with primary ore but cannot be processed at present and is stored separately for future possible processing. Only the magnetite mineralization is included in the 2011 open pit iron ore reserve estimates. The underground mine is hosted by a ferruginous quartzite with martite and jaspilite.

Lisakovski, Kentobe, Atasu, Atansore (Temirtau iron ore)

ArcelorMittal Temirtau (formerly known as Ispat Karmet, Kazakhstan) has four iron ore mining operations in Kazakhstan. The mines are Lisakovski, Kentobe, Atasu and Atansore. The four mines are connected by all-weather roads and railways. Dispatch of ore from these mines to the ArcelorMittal steel plant is by railway. ArcelorMittal Termitau's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2011 iron ore reserves.

Lisakovski is an open pit operation located in northwest Kazakhstan about 1,100km from Temirtau, with production of 1.8 million tonnes of concentrate in 2011. This mine was initially commissioned in 1976 and

was acquired by ArcelorMittal in 1999. The production process comprises crushing, screening, grinding, wet jigging and wet magnetic separation. The iron mineralization at Lisakovski occurs as oolite containing mainly hygoethite and goethite.
The phosphorous content in the mineralization limits its utilization in the steelmaking process and a pilot project for dephosphorisation is expected to be recommissioned in 2012. At Lisakovski, natural gas is supplied by KazTransGazAimak JSC and transmitted through the local grid. Electric power for the other facilities is supplied by Karaganda Energy LLP and by Sarbai Interregional.

Kentobe is an open pit operation located about 300km southeast of Temirtau, initially started in 1994 with production of 0.7 million tonnes of concentrate in 2011. It was acquired by ArcelorMittal in 2001. Ore processing is performed by crushing and dry magnetic separation, producing coarse concentrate. The Kentobe mine is located in the Balkhash metallogenic province which hosts numerous volcanic, sedimentary and hydrothermal deposits. The mineralization at Kentobe includes two types of iron ore: oxidized and primary magnetite. The magnetite mineralization constitutes the vast majority of the 2011 estimated ore reserves. Electric power is supplied to the Kentobe operations by Energosbyt LLP.

Atasu is an underground mine operation located about 400km south/southwest from Temirtau with production of 1.2 million tonnes of lump and fines in 2011. The mine began operating in 1956 with open pit exploitation of near surface reserves. Surface operations ended in 1980. Underground operations commenced in 1976. ArcelorMittal Temirtau acquired the mine in 2003 and operations continue to consist of underground mining. Processing comprises of crushing and wet jigging. The Atasu mine is hosted by the West Karazhal deposit, which is a primary magnetite ore with associated manganese mineralization. Studies have indicated that the deposit could have a sedimentary-volcanogenic origin caused by underwater hydrothermal activity. The mine receives electric power from the Kokshetauenergotsentr company.

Atansore is an open pit operation located about 500km northeast of Temirtau with production of 0.3 million tonnes of concentrate and fines in 2011. The mining lease was obtained by ArcelorMittal in 2004. The Atansore deposit is located within skarn zones related to a volcanic intrusion that can be traced for more than 1.5km along strike. The mineralization includes both martitic oxidized ore and primary magnetite ore. A new concentrator is processing the magnetite portion of the ore by simple dry crushing and magnetic separation while the low-grade oxidized portion of the ore is sold as fines to a third party for further beneficiation. Commissioning of dry magnetic separation is planned for 2012. At the Atasu operations, electric power is provided from the Zhezkazganinvestenergo grid via the Novokarazhalskaya JS ZREK substation.

ArcelorMittal Liberia

ArcelorMittal (Liberia) Holdings Limited (AMLH), through its agent (and subsidiary) ArcelorMittal Liberia Limited (AML), has started to extract 'direct shippable' iron ore from the first of three deposits in the Mount Tokadeh, Mount Gangra and Mount Yuelliton mountain ranges in northern Nimba, Liberia. Mining commenced in June 2011. AML signed a mineral development agreement (MDA) in 2005 with the government of Liberia (GOL) that is valid for 25 years and renewable for an additional 25-year period. The MDA covers three deposits to support its operations located approximately 300km northeast of Monrovia, Liberia. These three deposits are grouped under the name of the 'Western Range Project', which includes the Tokadeh, Gangra and Yuelliton deposits. In addition to the rights to explore and mine iron ore, the GOL has granted the right to develop, use and operate and maintain the Buchanan to Yekepa railroad and Buchanan port.
A phased approach has been taken to establish the final project configuration. Currently only high grade ore reserves of oxidized iron ore (direct shipping ore, or DSO) are mined. This ore only requires crushing and screening to make it suitable for export.

The materials-handling operation consists of stockyards at both the mine and port areas, linked by a 250km single track railway running from Tokadeh to the port of Buchanan. Commissioning and production ramp up during 2011 produced 1.3 million tonnes of DSO. The power for the current Liberia DSO operations is obtained from a combination of diesel and electric sources. The mine targets shipment of four million tonnes of DSO ore in 2012. Planning and construction of the project was commenced in 1960 by a group of Swedish companies which ultimately became the Liberian American-Swedish Minerals Company ('LAMCO'), and production commenced on the Nimba deposit in 1963. Production reached a peak of 12 million tonnes in 1974 but subsequently declined due to market conditions. Production started at Mount Tokadeh in 1985 to extend the life of the Nimba ore bodies until 1992 when operations ceased due to the Liberian civil war. In 2005, Mittal Steel won a bid to resume operations and signed the MDA with the GOL. Rehabilitation work on the railway started in 2008 and, in June 2011, ArcelorMittal started mining operations at Tokadeh, followed by a first shipment of iron ore in September 2011.

The Nimba itabirites is a 250 to 450m thick recrystallized iron formation. Although the iron deposits at Tokadeh, Gangra and Yuelliton fit the general definition of itabirite as laminated metamorphosed oxide-facies iron formation, they are of lower iron grade than the ore previously mined at Mount Nimba.
Tropical weathering has caused the decomposition of the rock forming minerals resulting in enrichment in the iron content that is sufficient to support a DSO operation.

Although the western range project covers three deposits, the 2011 ore reserve estimates are located in the Mount Tokadeh deposit and correspond to the DSO phase only.

Coal

ArcelorMittal Princeton

The ArcelorMittal Princeton ('AMP') properties are located in McDowell County, West Virginia and Tazewell County, Virginia, approximately 30 miles west of the city of Princeton, West Virginia, where AMP's corporate office is located. The properties consist of two operating areas: the Low Vol operations and the Mid Vol operations, which are situated south of USA Route 52. High-voltage power lines, typically 12,500 volts, deliver power to work stations where transformers reduce voltage for specific equipment requirements.

The larger Low Vol operations are located in McDowell County, West Virginia, near the communities of Northfork, Keystone, Eckman, Gary, Berwind, and War.
The Eckman Plant, Dans Branch Loadout, Eckman 2 and Redhawk 1 surface mines are also located here, as well as the following deep mines: XMV mine nos. 32, 35, 36, 37, 39, 40 and 42.

The Mid Vol operations are in southeastern McDowell County, West Virginia and north western Tazewell County, Virginia. The nearest communities are Horsepen and Abbs Valley, Virginia as well as Anawalt, West Virginia. The mine operations office is located at Horsepen, Virginia near the Mid Vol operations.

The property has a long history of coal mining, mostly by predecessors in title to AMP. Significant underground mining of some of the deeper coal seams on the properties have occurred, notably the Pocahontas no. 3 and no. 4 seams. In addition, a substantial amount of the thicker coal outcrops have been previously contour mined, providing access for highwall mining and on-bench storage of excess spoil from future, larger scale surface mining. AMP was created in 2008 when the Mid Vol Coal Group and the Concept Mining Group were integrated.

The properties are located in the Pocahontas coalfields of the Central Appalachian Coal Basin. The Carboniferous age coal deposits are situated in the Pottsville Group, New River and Pocahontas Formations. The rock strata, including the coal deposits, are sedimentary rocks formed by alluvial, fluvial, and deltaic sediments deposited in a shallow, subsiding basin. The most common rock types are various types of sandstone and shale. The coal deposits are typically in relatively thin coal beds, one to five feet thick.

The combined production of the mines in 2011 was 2.4 million tonnes of washed and directly shippable coal.

Karaganda coal mines (Temirtau coal)

ArcelorMittal Temirtau has eight underground coal mines and two coal preparation plants (CPP 'Vostochnaya' and Temirtau Washery-2). The coal mines of ArcelorMittal Temirtau are located in the Karaganda Coal Basin. The basin is more than 3,000km^2 and was formed by strata of Upper Devonian and Carbonic ages, Mesozoic and Cainozoic formations. Due to structural peculiarities the coal basin is divided into three geology-based mining areas: Karagandinskiy, Sherubay-Nurinskiy and Tentekskiy.

The mines are located in an area with well-developed infrastructure around the regional center of Karaganda city. Within a distance of ten to 60km are the following satellite towns: Shakhtinsk, Saran and Abay, as well as Shakhan and Aktas. All mines are connected to the main railway and coal is transported by railway to the coal wash plants and power stations.

The Kostenko mine began operations in 1934 and merged with the neighboring Stakhanovskaya mine in 1998. The field of Kostenko mine falls within the Oktyabrskiy district of Karaganda city.

The Kuzembaeva mine was established in 1998. The nearest communities are Saran, Abay and Shakhtinsk, which are located 18km to the northeast, 15km the southeast and 12km to the west, respectively. The eastern part of the mine falls within the center of Karaganda city.

The Saranskaya mine began operations in 1955. It merged with the Sokurskaya mine in mid-1997 and the Aktasskaya mine in 1998. The nearest communities are Saran, Abay and Shakhtinsk, which are located 18km to the northeast, 15km to the southeast and 12km to the west, respectively. Karaganda city is located approximately 35km to the northeast.

The Kostenko, Kuzembaeva and Saranskaya mines receive energy from public district networks through transforming substations of Karagandaenergo Company.

The Abayskaya mine began operations in 1961. In 1996, it was merged with the Kalinina mine. The nearest communities are Saran, Abay and Shakhtinsk, which are located 18km to the northeast, 15km to the southeast and 20km to the west, respectively. Karaganda city is located approximately 30km to the northeast.

The Kazakhstanskaya mine began operations in 1969. The nearest community is Shakhtinsk. Karaganda City is located approximately 50km to the northeast. The railway station at MPS-Karabas is located approximately 35km to the southeast.

The Lenina mine was put in operation in 1964 and was subsequently merged with Naklonnaya no. 1/2 mine in 1968. The nearest community is Shakhtinsk, located 7km to the southeast, and Karaganda city is located 50km to the northeast. The railway station MPS-Karabas is located 35km to the southeast.

The Shakhtinskaya mine began operations in 1973. The nearest community is Shakhtinsk, which is located 10km to the southeast, and Shakhan, which is located 7km to the north. Saran is located 18km to the east. Karaganda city is located approximately 35km to the east.

The Tentekskaya mine began operations in 1979. The nearest community is Shakhtinsk. Karaganda city is located approximately 50km to the northeast. The railway station MPS-Karabas is located approximately 35km to the southeast.

Abayskaya, Shakhtinskaya, Lenina, Tentekskaya and Kazakhstanskaya mines receive energy from high-voltage lines of Karaganda.

The mines produce primarily coking coal used in steelmaking at ArcelorMittal Temirtau as well as thermal coal for ArcelorMittal Temirtau's power plants. For beneficiation of coking coal, two washeries are operated. Surplus coal is supplied to group steel plants, mainly ArcelorMittal Kryviy Rih in Ukraine. In 2011, the Karaganda Coal Mines produced 4.6 million tonnes of metallurgical coal and approximately 1.4 million tonnes of high ash coal used as thermal coal by the Temirtau steel operations.

Kuzbass coal mines

ArcelorMittal Northern Kuzbass in Siberia, Russia includes the Berezovskaya and Pervomayskaya mines, as well as the Severnaya coal washery. ArcelorMittal holds approximately 98.64% of these mines.

The Berezovskaya mine began operations in 1958 and is located in the northeastern part of the Kemerovo district of Kuzbass, 30km from the city of Kemerovo. The mines' administrative division is located in the town of Berezovsky. There is a well-developed highway system in the region and the Novosibirsk-Achinsk federal highway connects to the mine via an asphalt road approximately 2.5km from the mine site. The mine is located within the boundaries of the Berezovo-Biryulinsky coal deposit in the Kuznetsk intermountain trough on the eastern side of the Kemerovo syncline.

The Pervomayskaya mine began operations in 1975 and is located in the northern part of the Kemerovo district of Kuzbass, 40km from the city of Kemerovo. The mine is located in an area that has a well-developed highway system. The Berezovsky – Anzhero-Sudzhensk highway is situated north of the mine.

The Severnaya wash plant is located adjacent to the Berezovskaya mine, and began operations in 2006. It processes all of the coal from ArcelorMittal Kuzbass's mines. Coal is transported from the Berezovskaya mine and from the Pervomayskaya mine via rail.

In October 2011, the company decided to voluntarily return the subsurface license for the Zhernoskaya 3 deposit to the Russian government due to economic inefficiency that would result from mining the deposit and the lack of strategic value.

The main consumers of the coking coal produced are ArcelorMittal Kryviy Rih and some local coke producers. In 2011, Kuzbass produced 1.3 million tonnes of metallurgical coal.

Capital expenditure projects

The following tables summarize the company's principal growth and optimization projects involving significant capital expenditure completed in 2011 and those that are currently ongoing.

Completed projects

Segment	Site	Project	Capacity/particulars	Actual Completion
Mining	Princeton Coal (USA)	Underground mine expansion	Capacity increase by 0.7mt	Q1 11
Mining	Liberia mines	Greenfield Liberia	Iron ore production of 4mt/year (Phase 1)	Q3 11[1]

Ongoing projects[2]

Segment	Site	Project	Capacity/particulars	Actual Completion
Mining	Andrade Mines (Brazil)	Andrade expansion	Increase iron ore production to 3.5mt/year	2012[2]
Mining	ArcelorMittal Mines Canada	Replacement of spirals for enrichment	Increase iron ore production by 0.8mt/year	2013[2]
Mining	ArcelorMittal Mines Canada	Expansion project	Increase concentrator capacity by 8mt/year (16 to 24mt/y)	2013[2]

[1] *Iron ore mining production commenced in 2011 with 1 million tonnes produced. The targeted iron ore production in 2012 is four million tonnes. As previously announced, the company is considering a phase two expansion that would lead to annual production capacity of 15 million tonnes by 2015. This would require substantial investment in a concentrator, the approval process of which remains in the final stages.*

[2] *Ongoing projects refer to projects for which construction has begun (excluding various projects that are under development), or have been placed on hold pending improved operating conditions.*

Reserves and resources (iron ore and coal)

Introduction

ArcelorMittal has both iron ore and metallurgical coal reserves and resources. The company's iron ore mining operations are located in the USA, Canada, Mexico, Brazil, Liberia, Bosnia, Ukraine, Algeria and Kazakhstan. In Canada, the company is developing a large greenfield project on Baffin Island. The company's metallurgical coal mining operations are located in the USA, Kazakhstan and Russia.

The estimates of proven and probable ore reserves and mineral resources at our mines and projects and the estimates of the mine life included in this annual report have been prepared by ArcelorMittal's experienced engineers and geologists. Marshall Miller & Associates, Inc. prepared the estimates of reserves for our Princeton underground and open pit operations. The reserve calculations were prepared in compliance with the requirements of USA Securities and Exchange Commission's (SEC) Industry Guide 7 and the mineral resource estimates were prepared in accordance with the requirements of Canadian National Instrument NI 43-101, under which:

- Reserves are the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. The demonstration of economic viability is established through the application of a life-of-mine plan for each operation or project providing a positive net present value on a cash-forward looking basis.
- Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, working or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
- Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

- The mineral resource estimates constitute the part of a mineral deposit that have the potential to be economically and legally extracted or produced at the time of the resource determination. The potential for economic viability is established through high level and conceptual engineering studies.
- A 'measured mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
- An 'indicated mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
- An 'inferred mineral resource' is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The ore reserve and mineral resource estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. Our reserve estimates are of in-place material after adjustments for mining depletion and mining losses and recoveries, with no adjustments made for metal losses due to processing. The mineral resource estimates are of in-situ wet metric tonnage material prior to adjustments for mining recovery and dilution factors and reported exclusive (in addition to ore reserve estimates).

For a description of risks relating to reserves and resource estimates, see the risk factor entitled 'ArcelorMittal's reserve and resource estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine' (more details page 198).

Detailed independent verifications of the methods and procedures used are conducted on a regular basis by external consultants. Sites are reviewed on a rotating basis; all our operations with significant ore reserve estimates have been reviewed by external experts at least once in the last four years.

ArcelorMittal owns less than 100% of certain mining operations; reserve and resource estimates have not been adjusted to reflect lower ownership interests. All of the reserve figures presented represent estimates at December 31, 2011 (unless otherwise stated).

Mine life is derived from the life-of-mine plans and corresponds to the duration of the mine production scheduled from ore reserve estimates only.

Our mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all ore reserves on the leased properties to be mined in accordance with current production schedules. Our ore reserves may include areas where some additional approvals remain outstanding but where, based on the technical investigations we carry out as part of our mine planning process and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the timeframe required by the current life-of-mine schedule.

In eastern Europe (Bosnia) and the Commonwealth of Independent States (CIS), ArcelorMittal has conducted in-house and independent reconciliations of ore reserve and mineral resource estimate classifications based on Industry Guide 7, National Instrument NI 43-101 and standards used by the State Committee on reserves, known as the GKZ in the CIS. The GKZ constitute the legal framework for reserve and resource reporting in several former Soviet Union countries where ArcelorMittal operates mines. On the basis of these reconciliations, ArcelorMittal's mineral resources have been classified as measured for categories A and B, indicated for category C1 and inferred for category C2. Ore reserves have been estimated by applying mine planning, technical and economic assessments defined as categories A, B and C1 only according to the CIS standards. In general, provided Guide 7's economic criteria for reserves are met (which is the case here), A+B is equivalent to 'proven' and C1 is equivalent to 'probable'. However, when preparing year-by-year production schedules, due to ArcelorMittal's practice of preparing Russian mineralization reports manually and the lack of computerized data and modeling, ArcelorMittal does not break out future production by these categories when scheduling and is not required to do so by the GKZ. These categories are defined for the mine plan as a whole. As these annual production schedules are the basis for estimating reserves under Industry Guide 7, ArcelorMittal is not able to segregate its Industry Guide 7 reserves in eastern Europe (Bosnia) and the CIS into proven and probable categories.

The reported iron ore and coal reserves contained in this annual report do not exceed the quantities that we estimate could be extracted economically if future prices were at similar levels to the average contracted price for the three years prior to December 31 2011. Tonnage and grade estimates are reported as 'run-of-mine'. Tonnage is reported on a wet metric basis.

Iron ore reserve and resource estimates

The tables below detail ArcelorMittal's estimated iron ore reserves and resources as at December 31, 2011. The classification of the iron ore reserve estimates as proven or probable and of the iron ore resource estimates as measured, indicated or inferred reflects the variability in the mineralization at the selected cut-off grade, the mining selectivity and the production rate and ability of the operation to blend the different ore types that may occur within each deposit. Proven iron ore reserve and measured mineral resource estimates are based on drill hole spacing ranging from 25m x 25m to 100m x 100m, and probable iron ore reserve and indicated mineral resource estimates are based on drill hole spacing ranging from 50m x 50m to 300m x 300m. Inferred mineral resource estimates are based on drill hole spacing ranging from 100m x 100m to 500m x 500m.

	As at December 31, 2011						As at December 31, 2010	
	Proven ore reserves		Probable ore reserves		Total ore reserves		Total ore reserves	
	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe
Americas and Africa								
Canada (excluding Baffinland)	1,504	27.9	461	31.8	1,965	28.8	2,350	29.2
Baffinland – Canada	160	64.4	215	64.9	375	64.7	375[1]	64.7[1]
Minorca – USA	151	23.1	8	23.0	159	23.1	167	23.0
Hibbing – USA	356	19.0	30	19.0	387	19.0	414	19.0
Mexico (excluding Peña Colorada)			108	31.0	108	31.0	114	31.0
Peña Colorada – Mexico	182	27.0	–	–	182	27.0	194	27.0
Brazil	108	59.0	23	52.0	131	57.8	134	57.0
Liberia	–	–	14	59.5	14	59.5	22	60.5
Sub-total	2,461	30.0	859	40.4	3,321	32.7	3,770	32.4
Eastern Europe and central Asia[2]								
Bosnia					35	45.8	42	45.0
Ukraine open pit					268	34.0	293	34.0
Ukraine underground					25	55.0	31	55.0
Kazakhstan open pit					154	40.1	92	39.0
Kazakhstan underground					37	42.2	28	49.0
Sub-total					519	38.2	486	38.1
Total					**3,840**	**33.4**	**4,256**	**33.1**

1 *These reserves reflect the reserves of Baffinland as at December 31, 2010. ArcelorMittal completed the acquisition of Baffinland in March 2011.*

2 *Iron ore reserve estimates for eastern Europe (Bosnia) and CIS (Ukraine and Kazakhstan) are reported only as aggregated proven and probable reserves as the methodology used in these countries (CIS standards) to estimate the exact degree of assurance and delimitation between the two categories cannot be fully defined.*

	As at December 31, 2011				As at December 31, 2010			
	Measured & indicated resources		Inferred resources		Measured & indicated resources		Inferred resources	
Business units	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe	Million tonnes	% Fe
Canada (excluding Baffinland)	4,862	29.7	1,066	29.5	3,442	30.0	1,025	28.0
Baffinland – Canada[1]	41	66.0	444	65.0	41	66.0	444	65.0
Minorca – USA	41	22.9	90	22.9	41	22.9	90	22.9
Hibbing – USA	–		–		–		–	
Mexico (excluding Peña Colorada)	51	30.2	88	28.0	51	30.2	88	28.0
Peña Colorada – Mexico	66	28.0			66	28.0		
Brazil	321	38.0	130	37.0	321	38.0	130	37.0
Liberia	427	47.5	2,182	40.0	1,221	41.0	1,285	39.0
Algeria	–		95	53.0	–		131	52.0
Bosnia	–		–		–		–	
Ukraine open pit	823	37.0	–		823	37.0	–	
Ukraine underground	43	55.0	–		43	55.0	–	
Kazakhstan open pit	1,022	35.0			1,173	35.0		
Kazakhstan underground	456	51.0	30	51.0	456	51.0	30	51.0
Total	**8,153**	**33.8**	**4,125**	**39.6**	**7,678**	**35.1**	**3,223**	**38.9**

1 *These reserves reflect the reserves of Baffinland as at December 31, 2010. ArcelorMittal completed the acquisition of Baffinland in March 2011.*

Supplemental information on iron ore operations

The table below provides supplemental information on the producing mines:

Operations/projects	% Ownership	In operation since	2011 run-of-mine production (million tonnes)[2]	2011 saleable production[1] (million tonnes)[2]	Estimated mine life[3] (years)
Canada (excluding Baffinland)	100	1952	43.3	15.1	28
Baffinland – Canada	70		Project in development		21
Minorca – USA	100	1976	8.7	2.8	18
Hibbing – USA	62.3	1976	28.8	7.9	12
Mexico (excluding Peña Colorada)	100	1975	7.5	4.6	15
Peña Colorada – Mexico	50	1975	9.0	4.5	15
Brazil	100	1975	4.9	5.3	21
Algeria	70	1921	1.0	1.3[4]	N/A[5]
Liberia	70	2011	1.4	1.3	4[6]
Bosnia	51	2009	2.7	1.9	12
Ukraine open pit	95	1980	23.4	9.6	9
Ukraine underground	95	1980	1.1	1.1	17
Kazakhstan open pit	100	1950	4.6	2.7	20
Kazakhstan underground	100	1955	1.0	1.2	20

[1] *Saleable production is constituted of a mix of direct shipped ore (DSO), concentrate, pellet feed and pellet products which have an iron content of approximately 65% to 66%. Exceptions in 2011 included the DSO produced in Bosnia, Ukraine underground and the Kazakh mines which have an iron content ranging between 55% to 60% and are solely for internal use at ArcelorMittal's regional steel plants. The DSO produced from Liberia had an average iron content of approximately 60.5% in 2011.*

[2] *Represents 100% of production.*

[3] *The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2011 year-end iron ore reserve estimates only. The production varies for each operation during the mine life and as a result the mine life is not the total reserve tonnage divided by the 2011 production. ArcelorMittal believes that the life of these operations will be significantly expanded as exploration and engineering studies confirm the economic potential of the additional mineralization already known to exist in the vicinity of these iron ore reserve estimates.*

[4] *For Algeria, the saleable production exceeded the run-of-mine production due to reclaiming of existing surface stockpiles.*

[5] *Estimated mine life from iron ore reserve estimates is not available by end of 2011 due to material deficiencies in the drilling data recording and archiving process. ArcelorMittal intends to conduct drilling campaigns in 2012 at the two mines in accordance with industry best practices in order to provide the proper support for ore reserve estimates by the end of 2012.*

[6] *Liberia mine life is based on the DSO project, which only commenced production during the second half of 2011. The expansion to 15 million tonnes is currently being reviewed and has not been taken into account in determining the mine life.*

Changes in iron ore reserve estimates: 2011 versus 2010

Our iron ore reserve estimates have decreased between December 31, 2010 and 2011 by 416 million tonnes of run-of-mine. Approximately 155 million tonnes of this decrease results from the 2011 mining depletion while the remaining 261 million tonnes reduction results from the re-evaluation of the economic viability of a portion of the ore reserve estimates in Canada (excluding Baffinland) for a net decrease of 344 million tonnes partially offset by an increase of 64 million tonnes of reserves at our Kazakhstan operations. Other minor re-evaluations of our ore reserves have resulted in the net addition of 19 million tonnes between the 2010 and the 2011 year-end reserve estimates.

Changes in iron mineral resource estimates: 2011 versus 2010

Our iron measured and indicated mineral resource estimates have increased between December 31, 2010 and 2011 by 475 million metric tonnes of run-of-mine. A 1,420 million tonnes increase in Canada due to the reclassification of iron ore reserve estimates at the Fire Lake deposit was partially offset by the conversion of 151 million tonnes of open pit resources in Kazakhstan to ore reserve estimates and the reclassification of 794 million tonnes to an inferred resource classification in Liberia in order to only retain in the measured and indicated categories the resources considered for the phase two expansion of the project.

Our iron inferred mineral resource estimates have increased between December 31, 2010 and 2011 by 902 million tonnes of run-of-mine. This change includes an increase by 897 million tonnes in Liberia due to the addition of 103 million tonnes through additional drilling and re-evaluations and the reclassification of 794 million tonnes from measured and indicated resources to inferred resources. The latter reflects the acknowledgement that the mineral resource estimates considered for subsequent stages of the currently planned expansion project to 15 million tonnes of concentrate per year have been studied only at a conceptual level from a metallurgical perspective and as such present a higher degree of uncertainty than the measured and indicated mineral resource estimates readily amenable to ore reserve conversion following the completion in 2012 of an up to date life of mine plan for the concentrator project. The evolution of inferred mineral resource estimates in 2011 also includes an increase by 41 million tonnes in Canada and a decrease by 36 million tonnes in Algeria due to re-evaluations of the economic potential viability of these inferred mineral resource estimates.

Metallurgical coal reserve estimates

The table below details ArcelorMittal's estimated metallurgical coal reserves and resources as at December 31, 2011. The classification of coal reserve estimates as proven or probable and of coal resource estimates as measured, indicated or inferred reflects the variability in the coal seams thickness and quality, the mining selectivity and the planned production rate for each deposit. Proven coal reserve and measured coal resource estimates are based on drill hole spacing ranging from 50m x 50m to 500m x 500m and Probable coal reserve and indicated coal resource estimates are based on drill hole spacing ranging from 100m x 100m to 1,000m x 1,000m. Measured coal resource estimates are based on drill hole spacing ranging from 200m x 200m to 2,000 x 2,000m.

					As at December 31, 2011		As at December 31, 2010	
	Proven coal reserves		Probable coal reserves		Total coal reserves		Total coal reserves	
	ROM million tonnes	Wet recoverable million tonnes[2]	Million tonnes	Wet recoverable million tonnes[2]	Million tonnes	Wet recoverable million tonnes[2]	Million tonnes	Wet recoverable million tonnes[2]
North America								
Princeton – USA	98	70.0	12	7.0	110	70	123	77
Sub-total	98	70.0	12	7.0	110	70	123	77
Central Asia[1]								
Kazakhstan					182	80	193	85
Kuzbass – Russia					31	20	32	20
Sub-total					213	100	225	105
Total					**323**	**170**	**348**	**182**

[1] *Metallurgical coal reserve estimates for Kazakhstan and Kuzbass (Russia) are reported only as aggregated proven and probable reserves as the methodology used in these countries (former CIS code) to estimate the degree of assurance between the two categories cannot be readily defined.*

[2] *Washed or directly shipped saleable tonnage. This tonnage does not include the production in Kazakhstan of approximately 2 million tonnes annually and 30 million tonnes for the life of the Kazakhstan mines of run-of-mine high ash coal which is sold internally within ArcelorMittal as thermal coal.*

Business units	As at December 31, 2011				As at December 31, 2010			
	Measured & indicated resources		Inferred coal resources		Measured & indicated resources		Inferred coal resources	
	ROM million tonnes	Wet recoverable million tonnes	Million tonnes	Wet recoverable million tonnes	Million tonnes	Wet recoverable million tonnes	Million tonnes	Wet recoverable million tonnes
Princeton – USA	92	50	4	2	86	46	4	2
Kazakhstan	588	279	8	5	588	279	8	5
Kuzbass – Russia	226	143	32	20	226	143	32	20
Total	**906**	**472**	**44**	**27**	**900**	**468**	**44**	**27**

Supplemental information on metallurgical coal operations

The table below provides supplemental information on the producing mines:

Operations/projects	% Ownership	In operation since	2011 run-of-mine production (million tonnes)	2011 Wet recoverable production (million tonnes)[1]	Estimated mine life[2] (years)
Princeton – USA	100	1995	3.9	2.4	37
Kazakhstan	100	1958	10.6	4.6	14
Kuzbass – Russia	98	1962	2.1	1.3	17

[1] *Washed or directly shipped saleable tonnage. This tonnage does not include the production in Kazakhstan of approximately 2 million tonnes annually and 30 million tonnes for the life of the Kazakhstan mines of run-of-mine high ash coal which is sold internally within ArcelorMittal as thermal coal.*

[2] *The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2011 year-end metallurgical coal reserve estimates only. The production varies for each operation during the mine life and as a result the mine life is not the total reserve tonnage divided by the 2011 production. ArcelorMittal believes that the life of these operations will be significantly expanded as exploration and engineering studies confirm the economic potential of the additional mineralization already known to exist in the vicinity of these estimated coal reserves.*

Changes in metallurgical coal reserve estimates: 2011 versus 2010

Our metallurgical coal reserve estimates have decreased between December 31, 2010 and 2011 by approximately 25 million tonnes of run-of-mine tonnes. In addition to a mining depletion of 17 million tonnes, an additional reduction of 8 million tonnes results from the re-evaluation of a small portion of the Princeton's underground coal reserves. No other material changes have occurred between the 2010 and the 2011 year-end reserve estimates.

Changes in coal resource estimates: 2011 versus 2010

Our iron measured and indicated mineral resource estimates have increased between December 31, 2010 and 2011 by 6 million tonnes of run-of-mine due to the reclassification of coal reserve estimates at our Princeton operations. There was no change in the inferred coal resource estimates between December 31, 2010 and 2011.

Cautionary note concerning reserve and resource estimates:

With regard to ArcelorMittal's reported resources, investors are cautioned not to assume that any part or all of ArcelorMittal's estimated mineral deposits that constitute either 'measured mineral resources', 'indicated mineral resources' or 'inferred mineral resources' (calculated in accordance with the guidelines set out in Canadian National Instrument 43-101) will ever be converted into reserves. There is a particularly great deal of uncertainty as to the existence of 'inferred mineral resources' as well as with regard to their economic and legal feasibility and it should not be assumed that all or part of an 'inferred mineral resource' will ever be upgraded to a higher category.

Notes

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