



ArcelorMittal



# Annual Report 2016



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## Company Overview

### History and development of the Company

ArcelorMittal is the world's leading integrated steel and mining company. Since the creation of ArcelorMittal in 2006 (through the combination of Mittal Steel Company N.V. and Arcelor) and continuing through 2008, ArcelorMittal has pursued a disciplined growth strategy, with transactions in Argentina, Australia, Austria, Brazil, Canada, Costa Rica, China, Estonia, France, Germany, Italy, Mexico, Poland, Russia, Slovakia, South Africa, Sweden, Turkey, the United Kingdom, Uruguay, United Arab Emirates, the United States and Venezuela. Beginning in the latter part of 2008, ArcelorMittal largely suspended mergers and acquisitions activity in light of the deteriorating economic and market environment, and sharply curtailed its investment activities, with the exception of the acquisition (along with a partner) of Baffinland in 2011.

Since September 2011, ArcelorMittal has been undergoing a deleveraging process to reduce its indebtedness including numerous divestments of non-core assets (see note 2.3 to the consolidated financial statements for the divestments made in 2015 and 2016). Despite ArcelorMittal's overall strategy of deleveraging, the Company completed an acquisition through a 50/50 joint venture partnership of Calvert in 2014.

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

several major research centers as well as strong academic partnerships with universities and other scientific bodies.

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

**Geography:** ArcelorMittal is the largest steel producer in the Americas, Africa and Europe and is the fifth largest steel producer in the CIS region. ArcelorMittal has steel-making operations in 18 countries on four continents, including 51 integrated and mini-mill steel-making facilities. As of December 31, 2016, ArcelorMittal had approximately 199,000 employees.

ArcelorMittal's steel-making operations have a high degree of geographic diversification. Approximately 37% of its crude steel is produced in the Americas, approximately 47% is produced in Europe and approximately 16% is produced in other countries, such as Kazakhstan, South Africa and Ukraine. In addition, ArcelorMittal's sales of steel products are spread over both developed and developing markets, which have different consumption characteristics. ArcelorMittal's mining operations, present in North and South America, Africa, Europe and the CIS region, are integrated with its global steel-making facilities and are important producers of iron ore and coal in their own right.

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

sells its steel products primarily in local markets and through its centralized marketing organization to a diverse range of customers including the automotive, appliance, engineering, construction and machinery industries. The Company also produces various types of mining products including iron ore lump, fines, concentrate and sinter feed, as well as coking, PCI and thermal coal.

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

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

**Mining Value Chain:** ArcelorMittal has a significant portfolio of raw material and mining assets, as well as certain strategic long-term contracts with external suppliers. In 2016, approximately 55% of ArcelorMittal's iron-ore requirements and approximately 15% of its PCI and coal requirements were supplied from its own mines or pursuant to strategic contracts with third-party suppliers. The Company currently has iron ore mining activities in Brazil, Bosnia, Canada, Kazakhstan, Liberia, Mexico, Ukraine and the United States. The Company currently has coal mining activities in Kazakhstan and the United States.

In addition, ArcelorMittal produces substantial amounts of direct reduced iron, or DRI, which is a scrap substitute used in its mini-mill facilities to supplement external metallics purchases. ArcelorMittal is also a significant producer of coke, which is produced from metallurgical coal and is a critical raw material for steel-making, satisfying 92% of its coke needs through its own production facilities. ArcelorMittal's facilities have good access to shipping facilities, including through ArcelorMittal's own 16 deep-water port facilities and linked railway sidings. ArcelorMittal has its own downstream steel distribution business, primarily run through its Europe segment. It also provides value-added and customized steel solutions through additional processing activities to meet specific customer requirements.

### Cautionary Statement Regarding Forward-Looking Statements

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

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

### Corporate and other information

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

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

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ArcelorMittal's agent for U.S. federal securities law purposes is:

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ArcelorMittal shares are listed and traded (through a single order book as from January 14, 2009) on the Euronext European markets (Paris and Amsterdam) (symbol "MT"), are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange (symbol "MT") and are listed and traded on the Spanish Stock Exchanges (symbol "MTS"). ArcelorMittal shares are also listed and traded on the NYSE (symbol "MT").

### Internet site

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

### Business overview

The following discussion and analysis should be read in conjunction with ArcelorMittal's consolidated financial statements and related notes for the year ended December 31, 2016 included in this annual report.

#### Key factors affecting results of operations

The steel industry, and the iron ore and coal mining industries, which provide its principal raw materials, have historically been highly cyclical. They are significantly affected by general economic conditions, as well as by worldwide production capacity and fluctuations in international steel trade and tariffs. In particular, this is due to the cyclical nature of the automotive, construction, machinery and equipment and transportation industries that are the principal consumers of steel. In recent history, a telling example of the industry cyclical nature was the sharp downturn in 2008/2009, after several strong years, as a result of the global economic crisis.

The North American and European markets together accounted for over 60% of ArcelorMittal's deliveries in 2016 and, consequently, weakness in these markets has a significant impact on ArcelorMittal's results. The onset of the Eurozone crisis caused underlying European steel demand to weaken in 2012 and, coupled with significant destocking, apparent steel demand fell by over 10%. Since then, deliveries have increased in each of the past four years, and while 2016 demand is finally above 2011 levels, it remains around 22% below 2007 peak levels. Demand has increased since 2012 but imports into the European Union ("EU") have risen more strongly, meaning domestic European deliveries have hardly grown, impacting the ability of ArcelorMittal to serve one of its largest markets. Underlying steel demand in North America increased strongly post-crisis, but recently apparent demand has been impacted by inventory movements, particularly during 2014 when inventories rose significantly as imports rose almost

40% over 2013. This led to stockists purchasing over six million fewer tonnes in 2015, as compared to 2014, as they sought to reduce inventory levels as steel prices declined. Although underlying steel demand continued to rise in 2015, apparent demand declined significantly, negatively impacting the Company's deliveries and profitability. Apparent demand in the United States was still down year-on-year in the first three quarters of 2016 as inventories continued to decrease and demand for Oil and Country Tubular Products ("OCTG") in particular, was still very weak. However, the situation began to improve during the fourth quarter with apparent demand growing year-on-year and as prices began to increase toward year-end.

Demand dynamics in China have also substantially affected the global steel business. After growing strongly since 2000, Chinese steel demand has started to decline as a result of weaker real estate sector construction and machinery production. This decline in domestic demand has led to a surge in Chinese steel exports, which more than doubled between 2012 and 2015, increasing by over 56 million tonnes to 112 million tonnes in 2015. This increase in Chinese exports was greater than the growth in world ex-China steel demand over the same period, and has had the effect of curtailing domestic production in countries outside of China. Although Chinese exports continued to rise during the first half of 2016, up 10% year-on-year, a rebound in domestic demand and the beginning of a capacity reduction plan has led to exports declining by 14% year-on-year in the second half and by 3% for the year as whole. While the majority of exports are directed to Asia, and exports to the U.S. are reduced due to the impact of trade cases, a declining but still significant proportion are being directed toward ArcelorMittal's core European markets in 2016. While not a sustainable long-term strategy, Chinese exports in 2015 were increasingly being sold at prices below cost (CISA reported CISA mills losing an accumulated RMB 65 billion (\$10 billion) in

2015), negatively impacting prices and therefore margins in many regions. Chinese producers continued to accumulate losses until April 2016 when domestic and export prices rose sharply as domestic demand surprised producers on the upside, increasing capacity utilization. During the second half of 2016, demand continued to support higher capacity utilization and an improved domestic spread of steel prices over raw material costs, which translated into higher export prices.

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

ArcelorMittal's sales are made on the basis of shorter-term purchase orders as well as some longer-term contracts to certain industrial customers, particularly in the automotive industry. Steel price surcharges are often implemented on steel sold pursuant to long-term contracts in order to recover increases in input costs. However, spot market steel, iron ore and coal prices and short-term contracts are more driven by market conditions.

One of the principal factors affecting the Company's operating profitability is the relationship between raw material prices and steel selling prices. Profitability depends in part on the extent to which steel selling prices exceed raw material prices, and, in particular the extent to which changes in raw material prices are passed through to customers in steel selling prices. Complicating factors include the extent of the time lag between (a) the raw material price change and the steel selling price change and (b) the date of the raw material purchase and of the actual sale of the steel

product in which the raw material was used (average cost basis). In recent periods, steel selling prices have tended to react quickly to changes in raw material prices, due in part to the tendency of distributors to increase purchases of steel products early in a rising cycle of raw material prices and to hold back from purchasing as raw material prices decline. With respect to (b), as average cost basis is used to determine the cost of the raw materials incorporated, inventories must first be worked through before a decrease in raw material prices translates into decreased operating costs. In some of ArcelorMittal's segments, in particular Europe and NAFTA, there are several months between raw material purchases and sales of steel products incorporating those materials. Although this lag has been reduced recently by changes to the timing of pricing adjustments in iron ore contracts, it cannot be eliminated and exposes these segments' margins to changes in steel selling prices in the interim (known as a "price-cost squeeze"). In addition, decreases in steel prices may outstrip decreases in raw material costs in absolute terms, as has occurred numerous times over the past few years, for example in the second quarter of 2013 and fourth quarter of 2015.

The Company's operating profitability has been particularly sensitive to fluctuations in raw material prices, which have become more volatile since the iron ore industry moved away from annual benchmark pricing to quarterly pricing in 2010. Iron ore prices were relatively stable in 2013, averaging \$135 per tonne ("t"), but fell sharply in 2014, reaching lows of \$68/t in December 2014. Volatility on steel margins aside, the results of the Company's mining segment (which sells externally as well as internally) are also directly impacted by iron ore prices, which were weaker again in 2015, ending the year at \$40/t and averaging only \$56/t. Iron ore prices have since rebounded from \$40/t during December 2015 to an average of \$52/t in the first half of 2016, increasing to \$80/t in December 2016 and an average of \$65/t during the second half of the year. A reversal of the 2016

upward trend in iron ore prices due (among other things) to strong growth of seaborne supply or any decline in Chinese steel demand would negatively impact ArcelorMittal's revenues and profitability.

#### Economic environment<sup>1</sup>

Global growth in 2016 is estimated at a post-2008 global economic crisis low of 2.2 percent as stagnant global trade, subdued investment, and heightened policy uncertainty marked another difficult year for the world economy. Although fiscal stimulus in major economies, if implemented, may boost global growth above expectations, risks to growth forecasts remain tilted to the downside, especially due to policy uncertainty.

Growth in the United States slowed markedly, from 2.6 percent in 2015 to an estimated 1.6 percent in 2016, held back by weak exports, a continued drawdown in inventories, and a deceleration in private investment. Activity rebounded strongly after a weak first half of 2016, and a further tightening of labor markets led to a slow increase in wages and supported continued gains in real disposable income. Despite relatively subdued underlying growth, the economy has continued to move closer to the U.S. Federal Reserve's full employment and inflation objectives. The unemployment rate remained slightly below 5 percent in most of the second half of 2016. The Federal Reserve raised short-term interest rates in December as expected. Long-term interest rates increased substantially and the dollar has appreciated in real effective terms, mostly driven by an anticipated shift in the U.S. policy mix. Specifically, U.S. fiscal policy is projected to become more expansionary, with stronger future demand implying more inflationary pressure and a less gradual normalization of U.S. monetary policy.

The EU GDP growth slowed from 2.1 percent in 2015 to 1.8 percent in 2016, as both domestic demand and exports lost momentum.

<sup>1</sup> GDP and industrial production data and estimates sourced from Oxford Economics January 13, 2017

Confidence has been resilient following the United Kingdom's vote to exit the EU in June 2016. Negative policy interest rates, combined with large-scale asset purchase programs by the European Central Bank, led to a noticeable easing of borrowing costs and generally had a positive effect on lending flows. However, a rebound in oil prices, from their low in early 2016, implies diminished support to real income and private consumption growth. Labor market and credit conditions continued to improve in 2016. Employment reached pre-crisis levels, and the EU unemployment rate ebbed further (falling to 8.3% in November 2016, from 9.0% in November 2015), albeit from elevated levels and with wide cross-country variations. Despite ongoing monetary policy easing, headline and core inflation remain significantly below target. Fiscal policy was slightly expansionary in 2016 partly as a result of refugee related outlays.

Growth in China is estimated to have slightly decelerated to 6.7 percent in 2016. As part of ongoing economic rebalancing, consumption growth has been strong, while investment growth has continued to moderate from the post-crisis peak. Fiscal and credit-based stimulus measures supported growth in 2016, focusing on infrastructure investment and on efforts to stimulate household credit. Credit growth, which has been moderating since late 2015, stabilized during 2016 but remained well above the pace of nominal GDP growth. On the back of a continued real estate boom, loans to households accounted for an increasing share of credit extension in 2016. Partly as a result of real estate lending, housing prices reached new heights, especially in major cities, although they showed signs of stabilization in recent months, reflecting tighter property regulations. Despite some easing, capital outflows from China remained sizable and continued to put downward pressure on the currency. During 2016, the renminbi depreciated around 7 percent against the U.S. dollar and around 5 percent in nominal trade-weighted terms. These movements

notwithstanding, the renminbi remains markedly above its 2005 level in trade-weighted terms and broadly in line with fundamentals.

Although Brazil and Russia suffered a second consecutive year of recession in 2016, they have been showing signs of improvement. In Russia, the stabilization in oil prices and the authorities' policy response - exchange rate adjustment, banking sector capital and liquidity injections - improved the short-term outlook, helped restore confidence and stabilized the financial system. In Brazil, a rebound in confidence following moves to alleviate political uncertainty, combined with improved terms of trade, helped to slow the pace of output contraction.

Global industrial production ("IP") growth slowed to 1.5% year-on-year in 2016, after growing by 1.8% in 2015. IP in Organization for Economic Co-operation and Development ("OECD") countries eased to just 0.3% year-on-year in 2016, after growing by 0.8% in 2015.

Global apparent steel consumption ("ASC") returned to growth in 2016 after falling by 2.4% year-on-year in 2015, the first decline since 2009 and due mainly to a 4.5% decline in Chinese consumption in 2015. The 2016 global ASC is estimated to have grown just over 1% as Chinese demand surprised on the upside, growing approximately 1.3%, compounding expectations of another year of decline. Elsewhere, world-ex-China ASC grew at a similar rate (1.2% year-on-year), as significant declines in CIS (4%) and Latin America (11%, with Brazil declining 12.5% to 13.5%) were offset by growth in other regions, particularly in the EU (almost 2%), Asia ex-China (4%) and Middle East (3%). NAFTA saw a small decline in demand as growth in Canada and Mexico was offset by weaker demand in the U.S., particularly pipes and tubes. Demand has improved through 2016, with global ASC declining an estimated 3% year-on-year during the first quarter of the year, slow growth returning in the following two quarters and accelerating during the fourth quarter of the year.

### Steel production<sup>2</sup>

After declining sharply during 2009 to 1.2 billion tonnes, world crude steel production grew each year to 1.67 billion tonnes in 2014, driven by strong Chinese growth, which grew to over 822 million tonnes and accounted for 50% of global steel production. World crude steel production then fell in 2015, for the first time since 2009, as steel consumption in developed and key emerging markets declined. Amid depressed demand conditions, the availability of low priced imports, particularly from China, in which domestic demand also declined, forced many producers across the world to curtail output. Global steel production is estimated to have fallen by 3.2% to 1.62 billion tonnes in 2015, with the decline in production accelerating in the second half of 2015, reflecting worsening global demand conditions over the period, especially in China and increased destocking as prices fell.

North American steel production fell by 8.5% in 2015 mainly due to a decline in U.S. output, which tumbled by 10.5% as stockholders and end-users sought to correct inventories which had grown in 2014 when total steel imports rose by almost 40%. In the CIS, output also fell (4.3% in 2015 year-on-year) as a recession lowered domestic demand and overwhelmed increased international competitiveness from weaker domestic currencies. South America also saw a 2.5% decline in production as Brazilian steel demand faltered by around 15% due to economic issues facing the country. In Asia, production decreased by 2.3%, mainly due to slower growth in China and a 5% decline in Japanese output. In India, however, production increased by 2.6% and elsewhere, Australia/New Zealand also recorded a 4.6% rise in production.

Global crude steel production picked up during the second quarter of 2016 while output remained down 1.5% year-on-year during the first half of the

<sup>2</sup> Global production data is for all 66 countries for which production data is collected by the World steel, accounting for around 99% of global steel production.

year due to a weaker first quarter. In China, production declined significantly during January and February but a pick-up from March led to output declining only 0.6% year-on-year during the first half of 2016. Most other major steel producing regions also recorded a decline in production during the first half of 2016. EU28 steel output decreased by 6.2% to around 165.5 million tonnes annualized even though consumption recorded positive growth; as the incremental demand continued to be satisfied by imports. Significant declines also occurred in South America, which had a fall in output of 13.7%, Africa, and to a lesser extent in developed Asia, where production decreased by 2.3% year-on-year in the first half of 2016. In comparison, production in NAFTA, CIS and the Middle East was broadly stable, while output continued to increase year-on-year in India.

The second half of 2016 saw a rebound in steel production globally, with positive year-on-year growth in all major producing regions except South America. Indeed, global production grew 0.8% year-on-year during 2016, as a 3.3% year-on-year growth in the second half, more than offset the declines seen earlier in the year. Chinese steel production growth accelerated through the year as government stimulus and an improvement in the real estate market drove steel production growth of over 3% in the second half of 2016 and 1.2% for the full year. EU28 steel production improved in the second half of 2016 as well, with output growing 2.2% year-on-year, albeit not enough to offset the weakness seen during the first half, leaving production down 2.3% in 2016 as a whole. Although output in NAFTA grew year-on-year in 2016, this was entirely driven by growth in Mexico (an increase of 4.3%) and Canada (an increase of 1.6%), whereas steel production in the U.S. declined by 0.3% to 78.6 million tonnes, as domestic demand remained weak. India saw the fastest growth of the top ten producing countries globally, with crude steel production rising 7.4% to 95.6 million tonnes in 2016.

### Steel prices<sup>3</sup>

Steel prices for Flat products in Europe remained relatively stable in euro terms during the first quarter of 2015 against 2014 fourth quarter averages, despite continuous erosion of raw material costs. A balanced market, low interest rates and steady demand for durables, coupled with the weak euro, helped improve the steel market in the first quarter of 2015. In Northern Europe the price for hot rolled coil ("HRC") improved slightly from January to March, to an average of €405-413 (\$458-467) per tonne (/t) for the first quarter of 2015. Prices saw a similar trend in Southern Europe, with spot HRC improving to €395-404 (\$446-456)/t, while a weaker euro impacted the realization of this improvement in USD terms both in Northern and Southern Europe by roughly -\$50/t quarter on quarter. Economic conditions remained good in Europe during the second quarter of 2015, with strong bookings in industry and auto. Despite this, steel prices saw consistent weakening on a monthly basis from April to June, due mainly to pressure from imports. Spot HRC averaged at €398-405 (\$440-448)/t in Northern Europe and at €385-393 (\$425-435)/t in Southern Europe. Aggressive domestic offers at the beginning of the third quarter, coupled with low-priced imports from Turkey, Russia and China, kept prices in Europe under pressure, and HRC spot saw a drop of approximately €27 (\$27)/t quarter on quarter, in Northern Europe, to €372-378 (\$414-420)/t and €37/\$38/t, in Southern Europe, to €348-357 (\$387-397)/t. Eurozone consumer confidence dropped to a nine-month low in October, while the gap in the offer price for steel in northern vs. southern Europe continued to feed expectations for price declines. HRC spot further weakened during the fourth quarter to €325-335 (\$357-368)/t in Northern Europe and to €293-304 (\$322-333)/t in Southern Europe.

Steel prices for flat products in Europe improved in euro terms during the first quarter of 2016 against the December 2015 levels. In Northern Europe the price for hot rolled coil ("HRC") improved

<sup>3</sup> Source: Steel Business Briefing (SBB)

from January to March, to reach an average range of €325-334 (\$358-368) per tonne ("t") for the first quarter of 2016. Prices saw a similar trend in Southern Europe, with spot HRC improving to an average range of €296-310 (\$326-341)/t for the first quarter of 2016. The second quarter of 2016 saw a sharp increase in international steel prices, led by China; spot HRC averaged at a range of €407-419 (\$459-473)/t in Northern Europe and at a range of €394-405 (\$445-457)/t in Southern Europe, corresponding to an average increase quarter-on-quarter of approximately €84 (\$103)/t in the North, and €97 (\$118)/t in Southern Europe. The average HRC prices for the first half of 2016 were at €371 (\$415)/t in Northern Europe and €351 (\$392)/t in Southern Europe, as compared to the first half of 2015 which was at €405 (\$453)/t in Northern Europe, and €394 (\$441)/t in Southern Europe. Steel prices for flat products in Europe started softening at the beginning of the third quarter due to the summer seasonal effect, reaching a low at €414-420 (\$458-466)/t in Northern Europe and €380-400 (\$426-449)/t in Southern Europe, but improving towards the end of the quarter reaching an average price range of €422-431 (\$471-481)/t in Northern Europe and €394-410 (\$440-458)/t in Southern Europe for the third quarter of 2016. Prices continued to increase until year end with HRC averaging at a range of €493-502 (\$532-542)/t in Northern Europe and €468-480 (\$505-518)/t in Southern Europe, for the fourth quarter of 2016. The average HRC prices for the second half of 2016 were at €462 (\$507)/t in Northern Europe and €438 (\$480)/t in Southern Europe as compared to €353 (\$389)/t in Northern Europe, and €326 (\$360)/t in Southern Europe in the second half of 2015.

In the United States, spot HRC prices increased during the first quarter of 2016, from an average in December 2015 of \$412/t, up to an average of \$442/t in January 2016 and later to an average of \$471/t in March 2016, for a quarterly average of \$456/t in the first quarter of 2016. The second quarter of 2016 had a strong start, with HRC prices reaching an average range of

\$541-559/t in April, and continuing to strengthen to an average range of \$691-704/t in June 2016, for a quarterly average range of \$631-648/t, or a quarter-on-quarter improvement of approximately \$184/t. The average HRC price for the first half of 2016 in the United States was \$547/t as compared to an average of \$541/t in the first half of 2015. The spot HRC prices in the United States started to decrease in July 2016 and continued this downward trend until October 2016. During the third quarter of 2016, the HRC price averaged \$650/t (an increase of \$11/t quarter-on-quarter), with an average of \$600/t in September 2016. The spot HRC prices in the United States reached a low of an average range of \$526-552/t in October 2016, but then sharply increased towards the end of the year, reaching an average range of \$641-655/t in December. The fourth quarter of 2016 average spot HRC price in the United States was \$586/t, or a quarter-on-quarter decrease of approximately \$64/t. The average spot HRC price in the second half of 2016 in the United States was \$618/t as compared to an average of \$467/t in the second half of 2015.

In China, average spot HRC prices increased during the first quarter of 2016 compared to the fourth quarter of 2015. Domestic HRC prices went up from the January average range of \$262-264/t VAT excluded, to \$309-312/t VAT excluded, in March 2016, setting the first quarter average range at \$280-283/t VAT excluded, as compared to an average range of \$250-252/t in the fourth quarter of 2015. Beginning March 2016, the imported 62% Fe Iron Ore price significantly increased, starting with an increase of approximately \$10 per dry metric tonne unit ("dmt") occurring in one single day, after billet prices in Tangshan had surged by about \$55/t. This increase then spread across other steel products, which also improved by \$40-50/t. The main drivers for these increases were linked to steel mills potentially bringing forward production ahead of enforced production cuts during Tangshan's scheduled hosting of an international horticultural exposition (from April 29 to October 16, 2016), and

a strong rebound by the stock market following the central bank's announcement of a cut in the reserve requirement ratio by 0.5%. This resulted in a significant price increase, which reached a peak in China in April 2016, when the spot HRC price averaged \$380/t VAT excluded. The remaining two months of the second quarter of 2016 saw domestic prices decline, with the spot HRC at an average range of \$348-350/t VAT excluded in May 2016, and \$327-329/t VAT excluded in June 2016. The average spot HRC price for the second quarter of 2016 was a range of \$351-354/t VAT excluded, corresponding to a quarter-on-quarter improvement of approximately \$71/t. The average spot HRC price for the first half of 2016 in China was \$317/t VAT excluded as compared to \$344/t VAT excluded in the first half of 2015. In China, spot HRC prices during the third quarter of 2016 reached an average of \$348/t VAT excluded, representing a decrease of \$4/t quarter-on-quarter. Prices improved throughout the fourth quarter of 2016, reaching an average of \$465/t VAT excluded in December, and an average of \$423/t VAT excluded for the quarter, corresponding to an improvement of \$74/t quarter-on-quarter. The average spot HRC price for the second half of 2016 in China was \$385/t VAT excluded as compared to \$260/t VAT excluded in the second half of 2015.

During the first quarter of 2016, long steel products saw a quarter-on-quarter price decline in Europe, with medium sections averaging at a range of €450-458 (\$496-505)/t, as compared to €474-486 (\$519-532)/t in the fourth quarter of 2015. There was a similar trend in rebar prices, which were at an average range of €352-358 (\$388-395)/t during the first quarter of 2016, corresponding to a quarter-on-quarter price drop of approximately €15/t. This downward trend has reversed during the second quarter of 2016, with medium sections improving from €467-479 (\$530-543)/t in April, up to €538-550 (\$603-617)/t in June. Rebar prices also improved from an average range of €389-400 (\$441-454)/t in April, up to €487-501 (\$551-567)/t in May, but was followed by a

price drop in June to €467-477 (\$525-536)/t. The second quarter of 2016 ended with an average price improvement against the first quarter of approximately €55/t for the medium sections and approximately €99/t for the rebar. The average medium sections price for the first half of 2016 in Europe was €481 (\$537)/t as compared to €521 (\$582)/t for the first half of 2015. The average rebar price in Europe for the first half of 2016 was €404 (\$452)/t as compared to €420 (\$469)/t for the first half of 2015. Long steel products prices weakened during the third quarter of 2016, with medium sections at an average of €511 (\$571)/t, and rebar at an average of €440 (\$492)/t. Both the medium sections and rebar prices reached a low in October 2016, and started recovering through year end, reaching an average of €511 (\$539)/t and €454 (479)/t in December, respectively. The average price for medium sections in the fourth quarter of 2016 was €488 (\$528)/t and €425 (\$458)/t for rebar. The average medium sections price in Europe for the second half of 2016 was €499 (\$549)/t as compared to €498 (\$549)/t for the second half of 2015. The average rebar price in Europe for the second half of 2016 was €432 (\$475)/t as compared to €389 (\$430)/t for the second half of 2015.

In Turkey, even though the average first quarter 2016 price of imported scrap HMS 1&2 at \$194/t CFR showed a small improvement of about \$6/t against the average of the fourth quarter 2015, the average price of March 2016 at \$218/t CFR represented a month-on-month increase of about \$40/t. The Turkish rebar export price followed a similar trend, with the average price range for the first quarter of 2016 at \$333-337/t FOB, against \$331-337/t FOB for the fourth quarter of 2015. The March 2016 export price of Turkish rebar reached an average range of \$361-365/t FOB (an increase of \$44/t month-on-month). This upward trend continued during the first two months of the second quarter of 2016 with the export rebar price from Turkey reaching an average range of \$451-457/t FOB in April, and \$472-479/t FOB in May. In June 2016, rebar prices



reduced to an average range of \$395-403/t FOB Turkey. The second quarter average export price for Turkish rebar was \$438-445/t FOB, corresponding to a substantial increase of approximately \$106/t quarter-on-quarter. The average rebar export price from Turkey in the first half of 2016 was \$388/t FOB as compared to the first half of 2015, which was at \$451/t FOB. The third quarter of 2016 average export price for Turkish rebar was \$375-382/t FOB, corresponding to a decrease of approximately \$63/t quarter-on-quarter. In the fourth quarter, the export prices of Turkish rebar improved, averaging at \$406-413/t for the quarter. The average rebar export price for the second half of 2016 from Turkey was \$394/t FOB as compared to \$361/t FOB for the second half of 2015.

#### Current and anticipated trends in steel production and prices

Steel output continued to decline in most major steel producing regions during the first half of 2016 but the declines have been much less severe than during the second half of 2015 as global steel demand stabilized year-on-year in the second quarter of 2016. As expected, the second half of 2016 saw steel production volumes grow year-on-year in both China (+3.7%) and the world ex-China (+2.9%) as underlying demand improved and destocking waned.

In China, in 2016, steel production began increasing year-on-year from March after a very weak start to the year. ArcelorMittal does not expect further steel production growth in 2017; it expects instead that a combination of stable to decreased domestic demand and slightly weaker exports will cause production to decline slightly in 2017. The Chinese HRC spread (difference between raw material costs and finished steel prices) fell from a peak of \$210 per tonne ("t") in April to \$150-160/t in May and June 2016 as idled capacity came back on stream. However, a rebound in domestic demand and low inventory levels subsequently pushed spreads (and therefore prices) back to \$170/t in December and into January 2017.

ASC in the U.S. declined during 2016, due to continued destocking and a significant fall in energy pipe demand. Conditions have improved and domestic prices have rallied for delivery in the first quarter of 2017. The improvement in the HRC spread was mainly down to tight domestic supply and limited availability of imports. As ASC is expected to rise in 2017, domestic production is also expected to increase as some domestic capacity comes back online, and imports remain subject to anti-dumping duties. In the EU, steel demand continues to grow slowly but imports have taken a larger share of demand over the past couple of years. However, mills output should improve slightly in the first half of 2017 as underlying demand from steel consuming industries continues to grow and import growth slows due to recent and potentially new trade protection, particularly flat products.

Overall, ArcelorMittal expects world ex-China ASC growth to pick-up in 2017 as both NAFTA and South American markets return to growth, and demand in the CIS stabilizes this year after contracting during 2016. This should enable some improvement in utilization and support the spread of steel prices over raw material costs. However, globally, ArcelorMittal does not expect to see much of an improvement in ASC, as Chinese demand is expected to stabilize or decrease slightly (with expected growth ranging from 0% to a decrease of 1%) after growth of around 1.3% in 2016. However, we expect further capacity elimination to maintain improving utilization rates in China during 2017.

#### Raw materials

The primary raw material inputs for a steelmaker are iron ore, coking coal, solid fuels, metallics (e.g., scrap), alloys, electricity, natural gas and base metals. ArcelorMittal is exposed to price volatility in each of these raw materials with respect to its purchases in the spot market and under its long-term supply contracts. In the longer term, demand for raw materials is expected to continue to correlate closely with the steel market, with prices fluctuating according to

supply and demand dynamics. Since most of the minerals used in the steel-making process are finite resources, they may also rise in response to any perceived scarcity of remaining accessible supplies, combined with the evolution of the pipeline of new exploration projects to replace depleted resources.

The spot markets for iron ore and coking coal were in a downward price trend from the first half of 2014 until the beginning of 2016. In 2015, the downward trend gained momentum with a slower growth rate in China, recession in developing economies such as Brazil and Russia, and continued robust seaborne supply from major miners. Between the beginning of 2014 and the end of 2015, iron ore and coking coal prices decreased by 61% and 37% respectively (Platts Q1-2014 vs. Q4-2015).

Iron ore and coking coal prices increased in 2016. Chinese crude steel production recovered in the second quarter of 2016 and further stabilized in the third quarter of 2016 with support from the construction market. The iron ore market recovered to \$48 per tonne, \$56 per tonne and \$58 per tonne in the first, second and third quarter of 2016, respectively (quarterly averages), with the fourth quarter of the year registering a 21% increase in average price to \$70.7 per tonne compared to the third quarter. Hard coking coal ("HCC") prices increased significantly in the third quarter of 2016 as spot prices rose from \$92 per tonne at the beginning of July to \$212.50 per tonne on September 29, 2016. This rebound was largely driven by a Chinese domestic shortage of coking coal as well as maintenance and operational production issues in Australian coking coal mines during the period. The price rebound was further accentuated during the fourth quarter of 2016 when a maximum of \$310 per tonne was reached on November 8, 2016 and the quarter closed with a spot average at \$266.15 per tonne. Despite a gradual increase in Chinese coal production at the mine level with selected mines being temporarily allowed to work at an annual rate of 330 days

versus previous restrictions to work of 276 days, logistical issues due to floods, which started in June 2016 and recovered in November 2016, disrupted the flow of material to the final consumers.

As for pricing mechanisms, since 2012, quarterly and monthly pricing systems have been the main type of contract pricing mechanisms, but spot purchases also appear to have gained a greater share as steelmakers have developed strategies to benefit from increasing spot market liquidity and volatility. In 2015 and 2016, the trend for using shorter-term pricing cycles continued.

#### Iron ore

In the first half of 2014, iron ore spot prices declined by 31% from \$134.50 per tonne on January 1, 2014 to \$93.25 per tonne on June 30, 2014. This downward price trend was due mainly to increasing supply in the seaborne market and financial weakness in the Chinese steel sector. Credit market tightness combined with stretched cash flows at Chinese mills resulted in a strong destocking trend at Chinese mills from the beginning of the year through the end of the second quarter. Rising iron ore import inventory at Chinese ports was reflective of stronger seaborne supply while real iron ore demand in the Chinese off-shore market remained relatively stable.

The downward trend continued and reached \$66-72 per tonne in late December 2014 on continued structural iron ore oversupply and persistent strains in the credit market in China. The average spot price for the fourth quarter of 2014 was \$74.28 per tonne, or 18% lower than the previous quarter at \$90.21 per tonne. As of end of January 2015, iron ore spot prices were trading in the range of \$62-69 per tonne (January 15-30, 2015, CFR China, Platts index, 62% Fe). The downward trend of iron ore spot prices persisted throughout 2015, with quarterly averages spot prices of \$62.40 per tonne in the first quarter of 2015, \$58.45 per tonne in the second quarter, \$54.90 per tonne in the third quarter and \$46.65 per tonne in the fourth quarter (CFR China, Platts index, 62% Fe). This

downward trend was due to continued structural oversupply, resilience of high cost mines (in China and seaborne), lower mining costs at major supply regions (supported by currency depreciation, e. g. in Australia and Brazil), lower fuel and freight costs as well as bearish sentiment about Chinese steel demand. In this context of oversupply, the Samarco tailings ponds dam collapsed in November 2015 resulting in a halt of operations (a 30 million tonne pellet capacity producer); however, it did not affect the plummeting iron ore price trend, which continued decreasing through the end of 2015.

Iron ore prices bottomed out during the first quarter of 2016, after reaching \$39.25 per tonne (CFR China Platts Index 62% Fe) on January 14, 2016 and averaging \$48.30 per tonne for first quarter of 2016. During the second quarter of 2016, the average price was \$55.66 per tonne and the period was marked by high volatility, with a peak at \$70.50 per tonne on April 21, 2016 and a low of \$49.30 per tonne on June 2, 2016. For the third quarter of 2016, the average was \$58.60 per tonne with a slight downward trend throughout September. During the fourth quarter of 2016, CFR China, Platts' Index 62% Fe, increased from a minimum of \$54.85 per tonne on October 4, 2016 and reached a maximum of \$83.95 per tonne on December 12, 2016, the average for the fourth quarter was of \$70.76 per tonne and was marked by high volatility and bullish market sentiment driven by higher steel prices as well as closure announcements by the Chinese authorities in steelmaking based on obsolete induction furnaces using mostly scrap as raw materials.

ArcelorMittal has continued to leverage its diversified supply portfolio and global footprint, as well as mitigating the effect of consolidation among supply sources in 2016, mainly due to the absence of Samarco in the seaborne market.

### Coking coal

The coking coal spot market and quarterly contracts settlements were negatively affected in 2014 and 2015 by the combined effects of strong Australian coking coal production performance, a mild wet season in Australia and weaker seaborne demand from China. Moreover, in the same period there was an increase of seaborne supply from new regions, notably Russia and Mozambique, as well as productivity improvement and cost reductions at major producers also supported by depreciated local currencies and lower diesel prices. This downward trend prevailed despite some supply closures, e.g. major seaborne suppliers of coking coal from Australia, the United States, and Canada announced the closure of their least cost efficient mines in order to adjust to weaker seaborne demand and to remain cost competitive. These supply closures were more than offset by lower Chinese imports, throughout 2014-2015. Chinese coking coal imports continued their decline during the period (a decrease of 21% year-on-year in 2014 and a decrease of 21% for January to November 2015 vs. January to November 2014, Tex Report January 5, 2016), while an increased share of imports from Australia at the expense of other seaborne suppliers, mainly from the U.S. bearish market price forecasts, combined with successive loss-making quarters partially originated from high debt service obligations (following past acquisitions), forced several U.S. coal producers, to file chapter 11 bankruptcy in 2015 in order to restructure their finances and operations.

The first half of 2015 experienced sharp spot price and contract reference price reductions, with a widening gap in the second quarter between both references (spot indexes and quarterly contract settlement), as quarterly contract references settled at \$117 per tonne (FOB Australia) and \$109.50 per tonne for the first and second quarters of 2015, respectively. Spot prices for such quarters averaged \$104 per tonne and \$87 per tonne, respectively. In the third quarter of 2015, premium coking coal

spot prices reached a low of \$79 per tonne (FOB Australia) while contract settlement for the same quarter was at \$93 per tonne (FOB Australia). Contract settlement further reduced in the fourth quarter of 2015, where contract prices settled at \$89 per tonne (FOB Australia), while spot prices were trading in the range of \$72-77 per tonne (December 1 through 31, 2015, FOB Australia HCC Peak Downs Platts index).

In 2016, the spot price (Platts Premium LV FOB Australia index) traded on average at \$76.60 per tonne in the first quarter with the contract price settling at \$81 per tonne for the same quarter; then the second quarter of 2016 had a contract settlement fixed at \$84 per tonne with the spot average for that quarter at \$91.40 per tonne while the third quarter had a contract price settled at \$92.50 per tonne and the spot index traded between \$92 and \$96 per tonne for the first 15 days but averaged \$136 per tonne for the third quarter. During the fourth quarter of 2016, the spot price reached a maximum of \$310 per tonne on November 8, 2016 and decreased through the closing of the year to \$230 per tonne on December 30, 2016, the average spot price for the fourth quarter of 2016 was \$266.10 per tonne with quarterly contract prices settled at \$200 per tonne. The highly volatile spot index over the second half of 2016 was influenced by the Chinese domestic supply reduction (originating from weather/logistic issues combined with regulations issued by the Chinese government on lower mining working days, from an annual rate of 330 days per year to a lower rate at 276 days, with temporary relief as described above) as well as several maintenance and mining operational issues in Australian coking coal mines during that period.

ArcelorMittal has continued to leverage its full supply chain and diversified supply portfolio as well as contractual terms flexibility to mitigate regional supply disruptions and also mitigate part of the market price volatility.

### Scrap

Scrap prices decreased throughout 2016 in Europe, where both Eurofer and German Wirtschaftsvereinigung ("WV") indexes were discontinued as of January 1, 2016. The German suppliers' index ("BDSV") is now used and converted into Delivered at Place ("DAP"), in order to be comparable to WV. In Europe, the average price of E3 (old thick) scrap in 2016 for the full year was €195 per tonne (WV or BDSV), which was 10.1% lower than in 2015 when the average price was €217 per tonne, while in 2014 it was €263 per tonne. In NAFTA, the average price of scrap in 2016 was \$208 per tonne (HMS 1 Domestic MidWest), which was 4.6% lower than in 2015 when the average price was \$218 per tonne, and in 2014 it was \$364 per tonne. During 2016, Turkish scrap import prices decreased by 2.6% compared to 2015 (from \$234 in 2015 to \$228 in 2016 per tonne: MB HMS 1&2 80:20 CFR Turkey, North European origin), after decreasing by 34% in 2015 compared to an average price of \$352 per tonne in 2014.

Scrap imports into Turkey, after a decrease of 14.7% in 2015 as compared to 2014, increased in 2016 by 6.0% as compared to 2015. This was, to some extent, a consequence of Turkey's drop in sourcing iron ore based materials (semifinished: slabs and billets), which fell by 5.3%. Imports of billets were sourced from Russia, Ukraine and China, at similar proportions. The world's second and third scrap importers were India (41% of Turkish imports) and South Korea. China takes eleventh place and decreased its imports of scrap by 14.3% in 2016 as compared to 2015, after decreasing 9.2% in 2015 as compared to 2014. This is mainly due to a preference for iron ore, plus the use of domestic scrap (no exports recorded in 2014, 2015 or 2016). Regarding countries exporting scrap, the United States continued to take the lead but with a continuous downward trend to 11.6 million tonnes in 2016, after declining to 13.0 million tonnes in 2015 from 15.3 million tonnes in 2014, as a result of better economic activity, which is to say, strong demand, plus a favorable

euro to U.S. dollar exchange rate, discouraging traditional exports to Turkey.

In Europe, the WV index has oscillated in 2016 along quarters at €168 per tonne, €218 per tonne, €186 per tonne and €207 per tonne for the first, second, third and fourth quarters, respectively. A monthly minimum was recorded in February at €159 per tonne, with a recovery to a maximum in May at €252 per tonne. In the third quarter of 2016, the price remained stable at €186 per tonne with a recovery by the end of the year to €222 per tonne in December. In NAFTA, the HMS 1&2 FOB index reacted consistently with Europe, with prices in 2016 at \$179 per tonne in the first quarter, up to \$274 per tonne in the second quarter, \$210 per tonne in the third quarter and a final increase to \$240 per tonne in the fourth quarter.

Scrap import prices have evolved differently throughout 2016 as compared to 2015. In Europe, average international scrap prices decreased by 2.6% from \$234 per tonne to \$228 per tonne (MB HMS 1&2 80:20 CFR Turkey, North European origin). For NAFTA origin scrap, the average price in 2016 was \$225.2 per tonne (HMS 1&2 FOB East Coast) which was 0.4% higher than in 2015 when the average price was \$224.4 per tonne.

Turkish scrap import volumes were 16.1 million tonnes in the first eleven months of 2016 representing an increase of 10.7% compared to same period in 2015, taking advantage of lower scrap prices. Turkish imports of billets were 4.3 million tonnes in 2016 from January to November as compared to 4.1 million tonnes in the same period of 2015, an increase of 4.9%. Turkey remains the main scrap buying country in the international market and approximately 66% of its steel production is based on the EAF process, with the other 34% through the Blast Furnace route. Turkey's crude steel production increased by 4.8% in the first eleven months of 2016 (30.3 million tonnes) as compared to the first eleven months of 2015 (28.9 million tonnes).

The relatively low scrap prices have made the EAF process profitable as compared to the iron ore based processes, since September 2016. Subsequently, increased scrap prices, demand and corrections on other raw material prices reduced the gap to the balanced situation in January 2017.

#### Ferro alloys and base metals

##### *Ferro alloys<sup>4</sup>*

The underlying price driver for manganese alloys is the price of manganese ore which was at the level of \$4.30 per dry metric tonne unit ("dmTU") (for 44% lump ore) on Cost, Insurance and Freight ("CIF") China for 2016, representing an increase of 38% from \$3.11 per dmTU in 2015 (\$4.56 per dmTU for 2014) mainly due to supply disruptions in South Africa and Australia and sustained demand of manganese ore from China.

The 2016 prices of high carbon ferro manganese increased compared to the prior year by 2% from \$942 to \$965 per tonne. Prices of silicon manganese decreased compared to the prior year by 2% from \$1,009 to \$992 per tonne (\$1,222 per tonne for 2014). Prices for medium carbon ferro manganese decreased in 2016 compared to the prior year by 6.07% from \$1,465 to \$1,376 per tonne (\$1,686 per tonne for 2014).

##### *Base metals<sup>5</sup>*

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

The average price of zinc for 2016 was \$2,095 per tonne, representing an increase of 9% as compared to the 2015 average of \$1,928 per tonne (the 2014 average was \$2,164 per tonne). The low for 2016 was \$1,454 per

<sup>4</sup> Prices for high grade manganese ore are typically quoted for ore with 44% manganese content.

<sup>5</sup> Prices included in this section are based on the London Metal Exchange (LME) cash price.

tonne on January 12, 2016 and the high was \$2,907 per tonne on November 28, 2016. The global zinc metal market was in a deficit of 277,000 tonnes in the first 10 months of 2016 (production vs. usage), from 213,000 tonnes of surplus during the same period of 2015. Stocks registered at the London Metal Exchange ("LME") warehouses stood at 427,850 tonnes as of December 31, 2016, representing a decrease of 8% compared to December 31, 2015 when stocks registered stood at 464,400 tonnes (691,600 tonnes in 2014).

The average price of tin for 2016 was \$18,006 per tonne, representing an increase of 12% compared to the 2015 average of \$16,070 per tonne (the 2014 average was \$21,893).

The average price of aluminum for 2016 was \$1,605 per tonne, representing a decrease of 3% compared to the 2015 average of \$1,661 per tonne (the 2014 average was \$1,867).

The average price of nickel for 2016 was \$9,609 per tonne, representing a decrease of 19% compared to the 2015 average of \$11,834 per tonne (the 2014 average was \$16,867).

#### Energy market

##### *Electricity*

In most of the countries where ArcelorMittal operates, electricity prices have moved in line with other commodities. In North America, the continuous pressure on oil brought the natural gas price down approximately 4% during 2016 and spot prices in the PJM electricity market for the full year 2016 have seen a reduction of approximately 17% (from \$43.1/Megawatt ("MWh") down to \$36.7/MWh) as compared to the full year 2015 spot price. Looking forward to 2017 prices, recent oil price increases, higher gas demand for power production and fewer gas rigs have put pressure on gas prices (84% gas price increase comparing spot price in first quarter 2016 versus the expected in the first quarter of 2017). Currently, the calendar year 2017 electricity prices are quoting

at approximately \$39/MWh, a 6% increase compared to 2016 spot power prices.

The general commodity bearish mood brought the electricity price below €30/MWh at the end of 2015 in most of the Western countries, representing a drop between €5 and €8/MWh or an approximate 20% price reduction since November 2015. At the end of the first quarter of 2016, prices began to increase due to pressure on the commodity market (especially regarding coal, power), as well as physical storage and production constraints (gas storage technical constraints, reduction of gas production in Groningen gas fields in the Netherlands and low nuclear availability in Belgium, Germany and France).

Forward calendar year 2017 electricity prices increased by 43% in Belgium (from €28/MWh in March 2016 to above €40/MWh for the last quotation of 2016 for calendar forward 2017), 54% in France (from €26/MWh in March 2016 to above €40/MWh for the last quotation of 2016) and 59% in Germany (from €21.50/MWh in March 2016 to above €34.30/MWh for the last quotation of 2016). This strong price increase was mainly due to the non-planned unavailability of 20% of French nuclear fleet by cause of high carbon concentration found in steam generators. Since then, French nuclear watchdog lifted most of the restrictions, easing tensions in France and neighboring countries.

Since the beginning of January 2017, Brent oil prices are moving in the range of \$53/barrel ("bbl") and \$56/bbl, as compared with \$36.70/bbl at the end of December 2015, partially due to strong bullish sentiments regarding an agreement between OPEC's 14 oil producing nations. According to a communication made on September 28, 2016, OPEC agreed to slightly reduce their global output at the end of 2016 in an attempt to avoid price volatility due to high stock levels and resilience of U.S. shale oil.

The electricity price crash that occurred at the end of 2015 and beginning of 2016 should have accelerated decisions to mothball unprofitable production units (coal and gas power plants) but existing market volatility, mainly caused by the reduced availability of nuclear power plants in France and a coal shortage due to the Chinese decision to reduce domestic coal production, will potentially delay or cancel this trend due to higher prices in the market.

The reduction in Chinese domestic coal production during 2016 has spurred a sharp increase in imports in China, which in turn has driven coal seaborne prices in both the Pacific and Atlantic to multi-year highs. If nuclear capacity availability is clarified and coal production in China increases, the market price will continue to be inconsistent with the need of more flexible power generation required to cope with increasingly intermittent renewables capacity. This is fueling “capacity market” debates and other market mechanisms that could be needed to guarantee the required investments ensuring security of supply.

### *Natural gas*

Natural gas is priced regionally. European prices were historically linked with petroleum prices but continuous spot market development and increasing liquidity are now prevailing in almost all countries except in poorly integrated markets (e.g., Spain, Portugal) or markets in transition from a tariff based system (e.g., Poland). With increasing liquid natural gas (“LNG”) flows in Spain, a definitive movement towards a more liquid and integrated market could be experienced in 2017.

This trend is reducing the correlation and sensibility of the Western European market to oil price volatility. As an example, the gas auction of Gazprom in September 2016 was again based on market prices and not oil indexation, as market prices were considered better indicators. North American natural gas prices trade independently of oil prices and are set by spot and future contracts,

traded on the NYMEX exchange or over-the-counter. Elsewhere, prices are set on an oil derivative or bilateral basis, depending on local market conditions. International oil prices are dominated by global supply and demand conditions and are also influenced by geopolitical factors.

In 2015 and 2014, the LNG market continued to grow in Asia, although at a slower pace than in 2013. Excess supply is developing in that market as new liquefaction capacities are coming on stream or ramping up from Australia, Papuaia and Malaysia. US LNG initiated its first shipments to Europe in 2016 and will continue to further escalate its liquefaction capacity during 2017 and onwards. This increase will probably not be fully absorbed due to the economic slowdown and will allow higher shipments to Europe (compounded by the fact that Japanese nuclear power plants have slowly initiated the ramp-up in generating power). The expected high number of LNG shipments in Europe has fully erased the bullish market effect of the lack of flexibility that was lost in 2015 when the production of Groningen, a giant natural gas field located in the Netherlands, was reduced due to repeated earthquakes.

Asian oil indexed LNG prices (JKM) continue dropping (from \$18 down to \$7.50/MM British thermal unit (“BTU”) during 2015 and below \$6/MMbtu for spot LNG cargos in October 2016), closing the arbitrage window between Europe and Asia. Since the beginning of January, spot prices for delivery in February have increased in Asia, reaching close to \$10/MMbtu. This is increasing the arbitration window for U.S. LNG, reducing the number of cargo’s arriving in Europe with the fallout of higher prices in Europe.

The premium related to the risk of gas flow disruption between Ukraine and Russia has reduced. In addition, Ukraine continues to buy gas from Western Europe in order to fulfill its storage requirement of 17 bcm (billion cubic meters) to cover domestic consumption and guarantee stable gas transit to Europe during winter. In 2015 in

the United States, unconventional gas production proved more than robust despite low oil prices and the continuous drop in gas market prices. A record buildup of gas in storage has materialized during the 2015/2016 winter with a surplus of approximately 6.5% as compared to the five year average (decreasing the risk premium for winter months). Current shale gas production remains at nearly maximum levels of around 43 billion cubic feet per day.

U.S. steam coal continues to be challenged as a fuel to produce power. Gas power plants are taking the lead and increasing their market share (an increase of 9%) in the production mix which could trigger volatility during summer periods if there are heat waves. Projects to build liquefaction facilities for export to Europe or Asia continue to be developed, with production started in early 2016 and potentially pushing U.S. gas prices up to keep up with the new export demand.

The number of U.S. gas rigs continues to significantly decline year on year in all zones, mainly due to low oil prices putting pressure on local gas production areas. Such tension may be masked in the market, however, by gas storage levels above five year averages. If colder than average temperatures materialize for the winter of 2016-2017, price volatility is likely as the market equilibrium may change towards a less comfortable supply/demand scheme.

### *Ocean freight<sup>6</sup>*

The shipping market generally exceeded expectations in the first half of 2014, in a period which is usually known to endure seasonal restrictions, due to strength seen in Australian exports. Total iron ore imports by China were up 19% year on year, as iron ore prices dropped. However, coal and other sectors such as grain did not see as much growth and especially as congestion eased, the result was improved vessel turnaround and increased efficiency in ports. Rates were expected to recover in

the second half of 2014 as a result of increased Brazilian shipments, however, the recovery never materialized and Chinese demand waned. As a result, rates primarily remained at low levels throughout the second half of 2014, with only small periods of temporary strength. Ocean freight market rates for dry cargo remained low for the majority of 2015, primarily due to a fall in coal and iron ore imports and the fall in oil prices.

Ocean freight market rates for dry cargo remained low but volatile during 2016. The Baltic Dry Index (“BDI”) reached its lowest value historically in February 2016 at 290 points but recovered through the year driven by heavy demolition of ships and an increase in Chinese demand in the fourth quarter of 2016. The BDI averaged 673 points in 2016 (2015: 718, 2014: 1,105). The Baltic Capesize (5 time charter) averaged \$7,388/day (2015: \$8,127/day, 2014: \$14,842/day). Panamax time charter averaged \$5,562/day (2015: \$5,561/day; 2014: \$7,718/day).

Total major bulk demand grew in 2016 as compared to 2015, when there was a small contraction due to a fall in coal and iron ore imports. In 2016, iron ore trade growth was driven by an increase in Chinese iron ore imports (a record 1,018 million tonnes) mainly due to cuts to the country’s domestic iron ore output in 2016. Global seaborne iron ore trade is expected to increase in 2017, due to an increase in iron ore shipments from Australia and Brazil to China and increased shipments into Europe and other Asian countries. Coal trade fell, driven by a fall in coking coal shipments into the EU. However, compared to 2015, the rate of decline was lower due to an increase in Chinese imports. The rate of net fleet growth slowed in 2016 as consistent with 2015, there was an increase in scrapping of older vessels due to the low market.

### *Impact of Exchange Rate Movements*

During 2014, mainly two different periods and market conditions were seen. Aside from the Ukrainian Hryvnia and the

<sup>6</sup> Sources: CTM, Clarksons Shipping Intelligence network & Dry bulk trade outlook, Fearnleys sector report dry bulk.

Kazakhstani tenge devaluations against the U.S. dollar, in the beginning of 2014, there was a low volatility period where the €//\$ exchange rate remained within the range of 1.35 - 1.40 and emerging countries started their recovery with evidence of adjustments. However, at the end of the second quarter of 2014, geopolitical conflicts, monetary policy divergence, very low oil prices as well as strong demand for the U.S. dollar started to have a negative impact on a number of currencies, especially in jurisdictions where ArcelorMittal operates.

In 2015, the currency landscape was reshaped. Supported by a robust labor market and resilient growth figures, the strength of the U.S. dollar was confirmed in December 2015 by the first rate increase by the Federal Reserve after a seven year period of a "zero interest rate policy." The situation in the U.S. contrasted strongly with the eurozone, where the European Central Bank's (the "ECB") quantitative easing program increased in intensity throughout the year. This, alongside disappointing data on production activity and inflation, put pressure on the euro, which started the year at 1.21 and ended the year at 1.09 against the U.S. dollar.

During the first half of 2016, the foreign exchange market was turbulent, resulting in capital outflow from China and the weakening of the Chinese yuan against the U.S. dollar. Quantitative easing programs were enhanced in Japan and Europe where inflation continued to be below the central banks' expectations. The ECB increased monthly asset purchases to €80 billion and extended the purchases to safe corporate bonds, while short-term interest rates further decreased.

The outcome of the Brexit referendum triggered a move toward safety trades that prompted U.S. dollar strength, supporting the trend towards lower interest rates in the G10 countries. This risk-off climate was confirmed later with the U.S. presidential campaign; however, a sharp reversal of the market sentiment followed Donald Trump's election, triggered by

the expectation of an ambitious fiscal and investment program. As a consequence, the euro depreciated against the U.S. dollar to 1.0541 at the end of 2016 from 1.0898 at the start of the year, further driven by the reduction of the monthly asset purchase program from the European Central Bank.

Following the U.S. elections, the Mexican peso was impacted heavily by the threats of free trade agreement renegotiations, as Mexico's first commercial partner is by far the U.S. The Mexican peso ended 2016 at 20.6545 against the U.S. dollar compared to 17.3750 at the beginning of the year. As a result of the possible removal of sanctions against Russia following the U.S. elections and the rebound in oil prices, the Russian rouble appreciated during the year from 73.1086 to 60.9999 against the U.S. dollar.

In Brazil, the market welcomed the impeachment process where charges of administrative misconduct and disregarding the federal budget were raised against President Dilma Rousseff. The pro-reform transitory government was positively received by investors and during 2016, the Brazilian real strengthened from 4.0395 to 3.2544 against the U.S. dollar. The South African rand also benefited from an improved political context and strengthened to 13.7150 from 15.5586 against the U.S. dollar during the same period.

The Kazakhstani tenge leveled off after a period of high volatility (with a high of 388.5 and a low of 336.5 during the first quarter of 2016) following the free float regime introduction in August 2015, and during the rest of 2016, it remained around 330 to 340 against the U.S. dollar.

On February 17, 2016, the Venezuelan government devalued its currency by changing the official rate of the bolivar fuerte from 6.3 to 10 per U.S. dollar. It also announced the elimination of the SICAD rate and starting February 18, 2016, the SIMADI rate (renamed DICOM) was allowed to float freely at a rate of approximately 203 bolivar fuerte per U.S. dollar. At December 31,

2016, it had depreciated to 673.76 against the U.S. dollar.

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the U.S. dollar relative to the euro, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and sales, can have a material impact on its results of operations. In order to minimize its currency exposure, ArcelorMittal enters into hedging transactions to lock-in a set exchange rate, as per its risk management policies.

#### Trade and Import Competition

##### *Europe*<sup>7</sup>

During 2014, finished steel imports increased by 19.9% year-on-year to around 22.0 million tonnes with growth mainly from shipments originating from CIS and China. Though finished steel demand also strengthened, growth was slower than imports at approximately 5% year-on-year. As a result, the import penetration rate for 2014 rose to 15.1%.

In 2015, strengthening industrial activity in Europe led to a 2% increase in real steel demand. However, the slowdown in global steel consumption coupled with excess capacity in China led to increased finished steel shipments into Europe, rising to around 25.2 million tonnes, as domestic prices remained relatively attractive. As a result, imports penetration increased to over 16%.

Although underlying steel demand remained healthy during 2016, ArcelorMittal estimates imports penetration increased to 17.5% as third country imports into Europe increased by approximately 18% year-on-year. This continues a trend of imports growing more strongly than domestic demand, between 2012 and 2016 Apparent

<sup>7</sup> Source: Eurostat trade data to November 2016, estimates for December 2016.

Steel Consumption ("ASC") has increased over 10% while, over the same period, finished steel imports have increased 67%, taking market share from domestic producers.

Traditionally, imports into Europe have come from CIS countries, China, Turkey and developed Asia, accounting for roughly 75% of imports over the past five years. Imports from the CIS remained broadly stable in 2016 at a share of almost 30%, while the contribution of Chinese origin imports fell during 2016 from a peak of 29% in 2015 to 22% as shipment volumes declined to approximately 6 million tonnes down from 7.2 million in 2014. The share of other traditional importers into Europe such as developed Asia and Turkey have seen their market share pickup in 2016 to 12% and 10% respectively as imports from China have fallen. While imports from Iran remained around 4% of total imports in 2015 and 2016, this is up significantly from under 1% prior to 2014.

##### *United States*<sup>8</sup>

Imports rose significantly in 2014 to 30.6 million tonnes. In the same year, penetration increased to 28.4%, despite an 11.8% increase in apparent steel demand as overall steel imports were up 37.9%.

In 2015, finished steel imports fell 6.7% to 28.6 million tonnes, from a post-crisis peak of 30.6 million tonnes in 2014. However, due to the significant weakness in apparent steel demand, import penetration actually increased to over 29%, from 28.4% in 2014 and an average of 22.5% between 2007 and 2013.

During 2016, imports were relatively stable at 1.9 million tonnes per month during the first half of the year and 2 million tonnes per month during the second half of the year. Import levels were similar to the second half of 2015, but down significantly from the peak levels of around 2.7 million tonnes per month from May 2014 to April 2015 driven by healthy domestic demand,

<sup>8</sup> Source: U.S. Department of Commerce, customs census data up to November 2016 and import licenses for December 2016.

restocking activity and attractive prices in the U.S. relative to international markets.

Overall, 2016 finished steel import penetration fell to 25.4% as imports fell 17% year-on-year to 23.8 million tonnes in 2016, amid continued destocking and weak energy pipe demand causing pipes and tubes imports to decline around 35% last year. In comparison, long product imports decreased by only 8% over the peak levels seen last year, while flat products declined by around 15% year-on-year reflecting the imposition of anti-dumping duties against a number of major exporters of hot rolled flat products.

Total imports into the U.S. (including semis) from other NAFTA countries (Canada and Mexico) in 2016 were similar to 2015 levels, accounting for an increased share of total imports at over 25%. This meant that imports from outside NAFTA fell more sharply, declining almost 20%, with the bulk from developed Asia, Brazil and EU accounting for around 50% of total imports. However, trade measures against China have resulted in shipments declining over 60% accounting for fewer than 3% of imports, down from over 6% in 2015 and a peak of 10% in 2014. The CIS origin imports remained broadly stable due to pre-existing trade restrictions against Russia and Ukraine. However, ASEAN's contribution to U.S. imports more than doubled in 2016, to over 3.5% from around 1% in 2015, in particular due to shipments from Vietnam, which increased 330%.

### Consolidation in the steel and mining industries

Consolidation transactions decreased significantly in terms of number and value in the past three years in the context of economic uncertainties in developed economies combined with a slowdown in emerging markets. However, in an effort to reduce the worldwide structural overcapacity, some consolidation steps might finally happen in 2017, specifically in China and in Europe.

Steel industry consolidation has slowed down substantially in China since 2012. As a key initiative of the Chinese central government's five-year plan issued in March 2011, the concentration process of the steel industry was expected to reduce overcapacity, rationalize steel production based on obsolete technology, improve energy efficiency, achieve environmental targets and strengthen the bargaining position of Chinese steel companies in price negotiations for iron ore. However, that initiative is yet to produce significant tangible results. In 2015, China dropped its target objective for the top ten Chinese steel producers to account for 60% of national production and for at least two producers to reach 100 million tonne capacity in the next few years. A new industry consolidation plan published by China aims at simplifying approval procedures and facilitating acquisition financing for firms in sectors like steel. In June 2016, Baosteel Group and Wuhan Iron and Steel Group announced the launch of merger negotiations. Globally, the former ranked fifth in terms of crude steel production in 2015, while the latter placed 11th. After the state-controlled companies integrate their operations, they will become the world's No. 2 steelmaker. During the second half of 2016, the Chinese government approved and finally endorsed the merger of Baosteel and Wuhan Iron and Steel to form a combined entity with annual production capacity over 60 million tonnes. The new entity will be called China Steel Baowu and is expected to boast capacity larger than Germany and Britain combined.

In Europe, Tata Steel and Thyssenkrupp have confirmed that they are in discussions for the consolidation of their European steel mills. Thyssenkrupp had been signaling its interest in combining its European steel operations with those of another steel entity. In November 2016, Tata Steel announced it reached a deal to sell its UK specialty steel business to industrial metals firm Liberty House Group. In addition, during 2016, Tata sold its European Long Products division, mostly based in the U.K., to Greybull Capital and two steel mills in Scotland to Liberty House. Finally, at the end of June 2016, ArcelorMittal and Marcegaglia announced they have submitted an offer for the acquisition of Ilva, Europe's largest steel plant, located in Taranto, Italy. On February 22, 2017, Thyssenkrupp AG announced it would sell its Brazilian steel plant to Ternium SA for €1.26 billion (\$1.33 billion) and that it remained in talks with several parties about a tie-up for its European steel division.

Going forward, any further consolidation should foster the ability of the steel industry to maintain more consistent performance through industry cycles by achieving greater efficiencies and economies of scale, and should lead to improved bargaining power relative to customers and, crucially, suppliers, which tend to have higher levels of consolidation.

### Key indicators

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

ArcelorMittal reports its operations in five reportable segments: NAFTA, Brazil, Europe, ACIS and Mining. The key performance indicators that ArcelorMittal's management uses to analyze operations are sales, average steel selling prices, steel shipments, iron ore and coal production and operating income. Management's analysis of liquidity and capital resources is driven by operating cash flows.

## Years ended December 31, 2016, 2015 and 2014

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

The following tables provide a summary of ArcelorMittal's performance by reportable segment for the year ended December 31, 2016, 2015 and 2014:

Segment	Sales for the year ended December 31, <sup>1</sup>			Operating income for the year ended December 31, <sup>2</sup>		
	2016 (in \$ millions)	2015 (in \$ millions)	2014 (in \$ millions)	2016 (in \$ millions)	2015 (in \$ millions)	2014 (in \$ millions)
NAFTA	15,806	17,293	21,162	2,002	(705)	386
Brazil	6,223	8,503	10,037	614	628	1,388
Europe	29,272	31,893	39,552	1,270	171	737
ACIS	5,885	6,128	8,268	211	(624)	95
Mining	3,114	3,387	4,970	366	(3,522)	565
Others and eliminations	(3,509)	(3,626)	(4,707)	(302)	(109)	(137)
Total	56,791	63,578	79,282	4,161	(4,161)	3,034

<sup>1</sup> Amounts are prior to inter-segment eliminations (except for total) and sales include non-steel sales.

<sup>2</sup> Others and eliminations to segment operating income reflects certain adjustments made to operating income of the segments to reflect corporate costs, income from non-steel operations (e.g. energy, logistics and shipping services) and the elimination of stock margins between segments. See table below.

Adjustments to segment operating income and other	Year ended December 31,		
	2016 (in \$ millions)	2015 (in \$ millions)	2014 (in \$ millions)
Corporate and shared services <sup>1</sup>	(71)	(10)	(132)
Financial activities	(17)	(20)	(16)
Shipping and logistics	(97)	(84)	(30)
Intragroup stock margin eliminations <sup>2</sup>	(94)	31	109
Depreciation and impairment	(23)	(26)	(68)
Total adjustments to segment operating income and other	(302)	(109)	(137)

<sup>1</sup> Includes primarily staff and other holding costs and results from shared service activities. In 2015, Corporate and shared services includes the sale of corporate assets.

<sup>2</sup> In 2016, as compared to 2015, margins increased mainly as a result of the recovery of iron ore prices and cost reductions leading to an increase in intragroup-margin eliminations.

### Sales

ArcelorMittal had sales of \$56.8 billion for the year ended December 31, 2016, representing a 10.7% decrease from sales of \$63.6 billion for the year ended December 31, 2015, primarily due to lower average steel selling prices which were down 9.0% and lower marketable iron ore shipments which decreased by 16.6%, partially offset by higher seaborne iron ore reference prices by 5.3%. Steel shipments for the year ended December 31, 2016 remained stable as compared to shipments for the year ended December 31, 2015. In the first half of 2016, sales of \$28.1 billion decreased 17.2% from sales of \$34.0 billion in the first half of 2015, primarily due to 17% lower average steel selling prices, 14% lower seaborne iron ore reference prices and a 13% decrease in marketable iron ore shipments. In the second half of 2016, sales of \$28.7 billion represented a 3.1% decrease as compared to sales of \$29.6 billion in the second half of 2015, primarily driven by a decrease of 1.1% in steel shipments.

ArcelorMittal had sales of \$63.6 billion for the year ended December 31, 2015, representing a 19.8% decrease from sales of \$79.3 billion for the year ended December 31, 2014, primarily due to lower average steel selling prices which were down 19.7%, lower seaborne iron ore reference prices which were down 43% and lower steel shipments which decreased by 0.6%, partially offset by higher market priced iron ore shipments which were up by 1.4%. In the first half of 2015, sales of \$34.0 billion represented a 16.1% decrease from sales of \$40.5 billion in the first half of 2014, primarily due to 18% lower average steel selling prices and 46% lower seaborne iron ore reference prices, partially offset by a 3% increase in steel shipments and a 2% increase in marketable iron ore shipments. In the second half of 2015, sales of \$29.6 billion represented a 24.0% decrease as compared to sales of \$38.8 billion in the second half of 2014, primarily driven by a drop in average steel prices of 21.6% and a decrease of 4.4% in steel shipments.

### Cost of sales

Cost of sales consists primarily of purchases of raw materials necessary for steel-making (iron ore, coke and coking coal, scrap and alloys), electricity, repair and maintenance costs, as well as direct labor costs, depreciation and impairment. Cost of sales for the year ended December 31, 2016 was \$50.4 billion as compared to \$65.2 billion for the year ended December 31, 2015. Cost of sales for the year ended December 31, 2016 was positively affected by decreased input costs, cost optimization efforts as part of the Action 2020 plan and a one-time gain of \$832 million on employee benefits following the signing of the new U.S. labor contract, partially offset by impairments in the ACIS segment for \$156 million mainly related to the Vanderbijlpark plant in South Africa and \$49 million impairment charge related to the held for sale classification of the ArcelorMittal Zaragoza facility in Spain. Cost of sales for the year ended December 31, 2015 was negatively affected by an increase in impairment on tangible and

intangible assets for \$4.8 billion partially offset by a decrease in depreciation and foreign exchange impacts due to the appreciation of the U.S. dollar against the major currencies. Selling, general and administrative expenses ("SG&A") were \$2.2 billion for the year ended December 31, 2016 compared to \$2.5 billion for the year ended December 31, 2015. SG&A as a percentage of sales remained stable for the year ended December 31, 2016 (3.9%) as compared to 2015 (4.0%).

Cost of sales for the year ended December 31, 2015 was \$65.2 billion as compared to \$73.3 billion for the year ended December 31, 2014. Cost of sales for the year ended December 31, 2015 was negatively affected by an increase in impairment on tangible and intangible assets for \$4.8 billion partially offset by a decrease in depreciation and foreign exchange impacts due to the appreciation of the U.S. dollar against the major currencies. Selling, general and administrative expenses ("SG&A") were \$2.5 billion for the year ended December 31, 2015 compared to \$3.0 billion for the

year ended December 31, 2014. SG&A increased as a percentage of sales to 4.0% of sales for the year ended December 31, 2015 as compared to 3.7% for 2014.

#### *Operating income or loss*

ArcelorMittal's operating income for the year ended December 31, 2016 was \$4.2 billion as compared with an operating loss of \$4.2 billion for the year ended December 31, 2015. Operating income was positively affected by a one-time gain of \$832 million on employee benefits following the signing of the new U.S. labor contract and partially offset by an impairment charge of \$49 million related to the held for sale classification of the ArcelorMittal Zaragoza facility in Spain and an impairment charge of \$156 million mainly related to the Vanderbijlpark plant in South Africa. Operating loss in 2015 was negatively affected by impairment charges of \$4.8 billion as described below and \$1.4 billion charges mainly related to the inventory losses following the rapid decline of international steel prices.

ArcelorMittal's operating loss for the year ended December 31, 2015 was \$4.2 billion as compared with operating income of \$3.0 billion for the year ended December 31, 2014. Operating loss in 2015 was negatively affected by impairment charges of \$4.8 billion including \$0.9 billion with respect to the Mining segment goodwill and

\$3.9 billion related to tangible and intangible assets, of which \$2.5 billion was in respect of iron ore mining operations at ArcelorMittal Liberia (\$1.4 billion), Las Truchas in Mexico (\$0.2 billion), ArcelorMittal Serra Azul in Brazil (\$0.2 billion) and coal mining operations at ArcelorMittal Princeton in the United States (\$0.7 billion) mainly due to a downward revision of cash flow projections relating to the expected persistence of a lower iron ore and coking coal price outlook. Management performed its quarterly analysis of impairment indicators in the context of high volatility in the raw material prices during 2015 and concluded that impairment indicators existed in the fourth quarter of 2015 as a result of the expected persistence of lower long term prices and strategic decisions. ArcelorMittal also recorded impairment charges of \$0.3 billion, \$0.3 billion and \$0.2 billion with respect to the Saldanha plant in ArcelorMittal South Africa (ACIS) as a result of its revised competitive outlook, Indiana Harbor East and West in the United States (NAFTA) in connection with the deployment of asset optimization programs and the idled ArcelorMittal Point Lisas facility in Trinidad and Tobago (Brazil segment), respectively. In addition, the Company recorded impairment charges of \$0.2 billion with respect to the intended sale of the Long Carbon facilities in the United States (ArcelorMittal La Place, Steelton and Vinton)

and \$0.4 billion primarily in connection with the idling for an indefinite time of the ArcelorMittal Sestao plant in Spain (Europe segment). Operating loss in 2015 also included negative impacts due to inventory related losses of \$1.3 billion following the rapid decline of international steel prices and litigation costs of \$0.1 billion in South Africa. See note 5 to the consolidated financial statements for the critical accounting policies and uses of judgments and estimates related to the impairment of tangible and intangible assets, including goodwill.

Operating income was \$1.2 billion for the first nine months of 2015 as compared to \$2.5 billion for the same period in 2014, while the operating loss in the fourth quarter of 2015 was \$5.3 billion as compared to operating income of \$0.6 billion for the same period in 2014. The fourth quarter of 2015 was impacted by all of the impairments and charges mentioned above and \$0.8 billion of inventory related losses (with \$0.5 billion of inventory related losses recorded in the third quarter of 2015).

#### *Shipments and average steel selling price*

ArcelorMittal had steel shipments of 83.9 million tonnes for the year ended December 31, 2016 decreased marginally as compared to steel shipments of 84.6 million

tonnes for the year ended December 31, 2015, primarily due to declines in Brazil (6.8%) and Europe (1.1%), partially offset by increases in ACIS (6.3%).

ArcelorMittal had steel shipments of 84.6 million tonnes for the year ended December 31, 2015, decreased by 0.6% as compared to steel shipments of 85.1 million tonnes for the year ended December 31, 2014. Steel shipments increased 3% in the first half of 2015 as compared to the first half of 2014, but then decreased 4.4% in the second half of 2015 as compared to the second half of 2014, primarily due to lower volumes in NAFTA.

Average steel selling price decreased by 9.0% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Average steel selling price in the first half of 2016 decreased by 17% as compared to the first half of 2015 and increased by 0.5% in the second half of 2016 as compared to the second half of 2015.

Average steel selling price decreased by 19.7% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Average steel selling price in the first half of 2015 decreased by 18% as compared to the first half of 2014 and decreased by 21.6% in the second half of 2015 as compared to the second half of 2014.

NAFTA	Performance for the year ended December 31,		
in millions of USD unless otherwise shown)	2016	2015	2014
Sales	15,806	17,293	21,162
Depreciation	549	616	706
Impairments	-	526	114
Operating income / (loss)	2,002	(705)	386
Crude steel production (thousand tonnes)	22,208	22,795	25,036
Steel shipments (thousand tonnes)	21,281	21,306	23,074
Average steel selling price (USD/tonne)	672	732	843

#### *Sales*

Sales in the NAFTA segment were \$15.8 billion for the year ended December 31, 2016, representing an 8.6% decrease as compared to December 31, 2015. Sales decreased primarily as a result of the decrease in average steel selling prices by 8.2%, while steel shipments remained stable.

Average selling prices decreased 15% during the first half of 2016 as compared to the first half of 2015 and 0.5% during the second half of 2016 as compared to the second half of 2015. Spot prices began improving in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and lagged pricing.

Sales in the NAFTA segment were \$17.3 billion for the year ended December 31, 2015, representing a decrease of 18.3% as compared to \$21.2 billion for the year ended December 31, 2014. Sales decreased primarily as a result of the decrease in average steel selling prices by 13.2% and a decrease in steel shipments by 7.7%, both of which were primarily

driven by lower domestic prices impacted by weak demand and import pressures. Sales in the first half of 2015 were \$9.3 billion, a 10% decrease as compared to the same period in 2014, mainly due to a 10% decrease in average steel selling prices and a 3% decrease in steel shipments. In the second half of the year, sales were \$8.0 billion, a decrease of 26.3% compared to



the same period in 2014, primarily driven by a 16.3% decrease in average steel selling prices and 12.6% decrease in steel shipments.

#### *Operating income or loss*

Operating income for the NAFTA segment was \$2.0 billion for the year ended December 31, 2016 as compared to an operating loss of \$0.7 billion for the year ended December 31, 2015. Operating income was positively affected by lower input costs, the improved performance of Calvert and a one-time \$832 million gain on employee benefits following the signing of the new U.S. labor contract. Operating loss for the year ended December 31, 2015 was negatively impacted by impairment charges of \$526 million and inventory related losses amounting to \$0.5 billion described below.

Operating loss for the NAFTA segment was \$705 million for the year ended December 31, 2015 as compared to an operating income of \$386 million for the year ended December 31, 2014. Operating loss included impairment charges of \$526 million of which \$231 million related to the intended sale of the Long carbon facilities in the United States (ArcelorMittal Laplace, Steelton and Vinton) and \$276 million with respect to the Indiana Harbor East and West facilities (United States) in connection with deployment of the asset

optimization programs. It was also negatively affected by inventory related losses amounting to \$0.5 billion following the rapid decline of steel prices. Operating loss for the segment amounted to \$52 million for the six months ended June 30, 2015 as compared with operating income of \$77 million for the same period of 2014.

Operating loss for the first half of 2015 was negatively affected by a \$69 million provision for inventory related losses in the US and an impairment of \$19 million relating to the closure of the Georgetown facility in the U.S. as well as lower volumes and lower average selling prices as compared to the same period of 2014. Operating loss for the second half of 2015 was \$653 million which was negatively affected by the impairments and inventory related losses described above as compared to operating income in the second half of 2014. Operating performance in the second half of 2015 was also affected by negative price-cost squeeze.

#### *Crude steel production, steel shipments and average steel selling price*

Crude steel production in the NAFTA segment decreased 2.6% for the year ended December 31, 2016 as compared to the year ended December 31, 2015, primarily due to the closure of Georgetown (U.S.), idling of the steel shop of Indiana Harbor Long

Carbon operations (U.S.) and the divestment of LaPlace and Vinton U.S. Long Carbon facilities. Crude steel production in the NAFTA segment decreased 9% for the year ended December 31, 2015 as compared to the year ended December 31, 2014 to align with weaker demand.

Total steel shipments remained flat for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Shipments were 10.9 million tonnes in the first half of 2016, a decrease of 2% from the same period in 2015, primarily due to the divestment, idling and closure of the U.S. Long Carbon facilities mentioned above, while shipments in the second half of the year were 10.4 million tonnes, an increase of 1.7% as compared to the same period in 2015.

Total steel shipments decreased 7.7% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Shipments were 11.1 million tonnes in the first half of 2015, a decrease of 3% from the same period in 2014, while shipments in the second half of the year were 10.2 million tonnes, a decrease of 12.6% from the same period in 2014. Steel shipments for the first half of 2015 were negatively affected by increased imports. Steel shipments for the second half of 2015 were negatively affected by a decrease in flat

product shipments (mainly Mexico and U.S.) and a decrease in long product shipment volumes due to the closure of Georgetown and Indiana Harbor Bar in the first half of 2015.

Average steel selling price decreased 8.2% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Average steel selling price decreased 15% in the first half of 2016 as compared to the same period in 2015 and by 0.5% in the second half of 2016 as compared to the same period in 2015. Spot prices began improving in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and the lag.

Average steel selling price decreased 13.2% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Average steel selling price in the first half of 2015 decreased 10% from the same period in 2014 primarily due to lower domestic prices impacted by falling raw material prices and import pressures. Average steel selling price in the second half of the year decreased by 16.3% as compared to the same period in 2014, although average steel selling prices in the fourth quarter of 2015 decreased by 14.3% compared to the same period of 2014.

Brazil in millions of USD unless otherwise shown)	Performance for the year ended December 31,		
	2016	2015	2014
Sales	6,223	8,503	10,037
Depreciation	258	336	457
Impairments	-	176	-
Operating income / (loss)	614	628	1,388
Crude steel production (thousand tonnes)	11,133	11,612	10,524
Steel shipments (thousand tonnes)	10,753	11,540	10,376
Average steel selling price (USD/tonne)	536	647	867

#### *Sales*

In the Brazil segment, sales decreased 26.8% to \$6.2 billion for the year ended December 31, 2016 as compared to the year ended December 31, 2015, primarily due to 17.2% lower average steel selling prices following the depreciation of the Venezuelan Bolivar and the Argentinean peso, a decrease in steel shipments by

6.8% and unfavorable sales mix for long products in Brazil.

In the Brazil segment, sales were \$8.5 billion for the year ended December 31, 2015 which represented a 15.3% decrease as compared to the year ended December 31, 2014 primarily due to lower average steel selling prices, impacted by foreign exchange rates and low

international steel pricing for both flat and long products offset in part by higher steel shipments. Sales in the first half of 2015 were \$4.3 billion, down 10% from the same period in 2014 primarily due to lower average selling prices partially offset by higher steel shipments following the restart of Blast Furnace #3 at Tubarão in July 2014, while sales in the second half of the year were \$4.2 billion,

down 19.7% from the same period in 2014 primarily due to lower average selling prices (28.2%), partially offset by an increase in shipments (4.5%) and an increase in sales from the Company's Venezuelan operations.

#### *Operating income or loss*

Operating income for the Brazil segment for the year ended

December 31, 2016 was \$614 million, a decrease of 2.3% as compared to the year ended December 31, 2015. While operating income for the year ended 2015 was negatively affected by inventory related charges of \$91 million following the rapid decline of steel prices and an impairment of \$176 million related to the idled ArcelorMittal Point Lisas facility, operating income for the year ended 2016 was negatively affected by lower shipments and lower average steel selling prices for the reasons described below as well as continued currency devaluation which impacted the tubular operations in Venezuela.

Operating income for the Brazil segment for the year ended December 31, 2015 was \$628 million, a decrease of 54.7% as compared to the year ended December 31, 2014. The decrease was primarily due to a 25.4% decrease in average steel selling prices, write-downs of \$91 million primarily related to inventories in the third and fourth quarters of 2015 following the rapid decline of steel prices and an impairment of \$176 million relating to the idled ArcelorMittal Point Lisas (Trinidad and Tobago) facility, partially offset by a 11.2% increase in steel

shipments. Operating income for the first half of 2015 decreased 4.4% to \$566 million as compared with the first half of 2014 primarily due to lower average steel selling prices offset in part by higher steel shipments following the restart of Blast Furnace #3 at Tubarão and the improvement in the Company's tubular operations. Operating income for the second half of 2015 was \$63 million, a 92.1% decrease compared to the second half of 2014 due to the decrease in average steel selling prices (28.2%) and the impairment and write-down described above, partially offset by a 4.5% increase in shipments.

*Crude steel production, steel shipments and average steel selling price*

Crude steel production decreased by 4.1% to 11.1 million tonnes for the year ended December 31, 2016 as compared to the year ended December 31, 2015 as a result of weaker demand and the idling of the Trinidad and Tobago facility mentioned above.

Crude steel production increased by 10.3% to 11.6 million tonnes for the year ended December 31, 2015 as compared to the year ended December 31, 2014 as a result of

the restart of Blast Furnace #3 at Tubarão. Crude steel production increased by 21% to 5.8 million tonnes for the first half of 2015 as compared to 4.8 million tonnes for the first half of 2014 as a result of the restart of the Tubarão furnace in July 2014, while crude steel production increased by 1.3% for the second half of 2015 as compared to the second half of 2014.

Total steel shipments reached 10.8 million tonnes for the year ended December 31, 2016, which was a 6.8% decrease from steel shipments for the year ended December 31, 2015, primarily driven by weaker demand and the idling of the Trinidad and Tobago facility mentioned above.

Total steel shipments reached 11.5 million tonnes for the year ended December 31, 2015, which was an 11.2% increase from steel shipments for the year ended December 31, 2014. Shipments were 5.5 million tonnes in the first half of 2015, which was up 19.5% compared to the same period in 2014, primarily driven by increased slab exports from Brazil. Shipments in the second half of the year were up by 4.5% as compared to the second half of 2014, primarily due to higher exports of slab

shipments from Brazil, although shipments were down in the fourth quarter of 2015, due to a continued slowdown in demand.

Average steel selling price decreased 17.2% for the year ended December 31, 2016 as compared to the year ended December 31, 2015 primarily due to depreciation of the Venezuelan Bolivar and the Argentinean peso and an unfavorable sales mix for long products in Brazil.

Average steel selling price decreased 25.4% for the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily driven by a weaker Brazilian real, weaker product mix due to increased slab exports and a decline in international prices. Average steel selling price in the first half of 2015 was down 23% from the same period in 2014, primarily driven by a weaker Brazilian real, weaker product mix due to increased slab exports post the restart of Blast Furnace #3 at Tubarão described above and a decline in international prices. The average steel selling price in the second half of the year was down 28.2% from the same period in 2014 due to the mix impact described above.

Europe	Performance for the year ended December 31,		
in millions of USD unless otherwise shown)	2016	2015	2014
Sales	29,272	31,893	39,552
Depreciation	1,184	1,192	1,510
Impairments	49	398	57
Operating income / (loss)	1,270	171	737
Crude steel production (thousand tonnes)	42,635	43,853	43,419
Steel shipments (thousand tonnes)	40,247	40,676	39,639
Average steel selling price (USD/tonne)	568	609	773

*Sales*

Sales in the Europe segment were \$29.3 billion for the year ended December 31, 2016, representing an 8.2% decrease as compared to sales of \$31.9 billion for the year ended December 31, 2015, primarily due to 6.7% lower average steel selling prices. Average selling prices decreased 12.6% during the first half of 2016 as compared to the first half of 2015 and increased 0.3% during the second half of 2016 as compared to the second half of 2015. Spot prices began improving

in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and lagged pricing.

Sales in the Europe segment were \$31.9 billion for the year ended December 31, 2015, representing a decrease of 19.4% as compared to the year ended December 31, 2014 primarily due to lower average steel selling prices partially offset by higher shipments. Local average steel selling prices declined, partially reflecting lower raw material costs. Sales in the first half of 2015

decreased 18% to \$17.1 billion as compared to the first half of 2014 primarily due to a 22% decrease in average steel selling prices which were negatively impacted by the USD appreciation against the euro, partially offset by an increase in steel shipments by 7%. In the second half of the year sales were \$14.7 billion, a decrease of 21.2% compared to the same period in 2014 primarily due to lower average steel selling prices and a marginal decrease in steel shipments described below.

*Operating income or loss*

Operating income for the Europe segment for the year ended December 31, 2016 increased to \$1.3 billion as compared to \$0.2 billion for the year ended December 31, 2015. Operating income for the year ended December 31, 2016 was positively affected by cost efficiency improvements and a gain of \$96 million following an agreement in France to cap the annual indexation of the IRUS pension plan until 2026 and to pay a lump sum amount to cover

the indexation obligation for subsequent years. These positive effects were partially offset by lower average steel selling prices and steep shipments as well as a \$49 million impairment charge related to the held for sale classification of the ArcelorMittal Zaragoza facility in Spain. Operating income for the year ended December 31, 2015 was negatively affected by the items described below.

Operating income for the Europe segment for the year ended December 31, 2015 decreased to \$171 million, a 76.8% decrease as compared to the year ended December 31, 2014. Operating loss for the segment was \$533 million for the second half of the year, compared to operating income of \$704 million for the first half of the year. Operating income was negatively impacted by (i) an impairment charge of \$398 million primarily relating to the indefinite idling of the Sestao facility in Spain and the write down of carrying values for certain ArcelorMittal Downstream Solutions operations as a result of the classification as held for sale and (ii) write-downs of inventories for \$0.6 billion in

the second half of 2015 following the rapid decline in steel prices, partially offset by improved market conditions and realized benefits of cost optimization efforts as well as increased shipments.

#### *Crude steel production, steel shipments and average steel selling price*

Crude steel production for the Europe segment decreased 2.8% to 42.6 million tonnes for the year ended December 31, 2016 as compared to 43.9 million tonnes for the year ended December 31, 2015, primarily due to production outages in the Fos plant (France), the disposal of ArcelorMittal Zaragoza during the third quarter of 2016 and the idling of the Sestao and the Zumarraga facilities in Spain.

Crude steel production for the Europe segment increased 1% to 43.9 million tonnes for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Crude steel production increased in the first half of 2015 as compared to the first half of 2014 by 5% to 23 million tonnes primarily due to

fewer facilities under maintenance during the first half of 2015 and to align with increased demand. Crude steel production decreased in the second half of 2015 as compared to the second half of 2014 by 3.3% driven by lower demand and maintenance work including the relining of a blast furnace in Dunkirk, France, and repairs to a blast furnace in Gent, Belgium.

Total steel shipments were 40.2 million tonnes for the year ended December 31, 2016, a marginal decrease of 1.1% from steel shipments for the year ended December 31, 2015 primarily due to production outages in the Fos plant (France) and the disposal of ArcelorMittal Zaragoza during the third quarter of 2016.

Total steel shipments were 40.7 million tonnes for the year ended December 31, 2015, an increase of 2.6% from steel shipments for the year ended December 31, 2014. Shipments were 21.6 million tonnes in the first half of 2015, up 7% from the same period in 2014 driven by improved demand, while shipments in the second half of the year were 19.1 million tonnes,

down 1.6% from the same period in 2014 driven by lower demand and maintenance work.

Average steel selling price decreased 6.7% for the year ended December 31, 2016 as compared to the year ended December 31, 2015. Average selling prices decreased 12.6% during the first half of 2016, as compared to the first half of 2015 and increased 0.3% during the second half of 2016, as compared to the second half of 2015. Spot prices began improving in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and lagged pricing.

Average steel selling price decreased 21.2% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Average steel selling price in the first half and second half of 2015 was down 22% and 20.2%, respectively, as compared to the first and second half of 2014, largely due to exchange rate effects and a marginal decline in local average steel prices, partially reflecting lower raw material costs.

ACIS in millions of USD unless otherwise shown	Performance for the year ended December 31,		
	2016	2015	2014
Sales	5,885	6,128	8,268
Depreciation	311	408	525
Impairments	156	294	-
Operating income / (loss)	211	(624)	95
Crude steel production (thousand tonnes)	14,792	14,219	14,148
Steel shipments (thousand tonnes)	13,271	12,485	12,833
Average steel selling price (USD/tonne)	395	432	576

#### *Sales*

In the ACIS segment, sales were \$5.9 billion for the year ended December 31, 2016, representing a decrease of 4.0% as compared to the year ended December 31, 2015. The decrease was primarily due to an 8.6% decrease in average selling price offset by higher steel shipments by 6.3%. Sales in the first half of 2016 decreased 17.7% to \$2.8 billion compared to the same period in 2015, while sales in the second half of the year were \$3.1 billion, an increase of 12.9% from the same period in 2015. The decrease on the first half of 2016 is due to the decrease of the average

selling price by 23.5% offset by an increase in steel shipments by 9%. The increase in the second half of 2016 is due to the increase of 10.0% in average selling prices and an increase of 3.7% in steel shipments.

Sales were \$6.1 billion for the year ended December 31, 2015, representing a decrease of 25.9% as compared to the year ended December 31, 2014. The decrease was primarily due to a 25% decrease in average selling price and lower steel shipments by 2.7%, as described below. Sales in the first half of 2015 decreased 22% to \$3.4 billion compared to the same

period in 2014 and sales in the second half of the year were \$2.8 billion, down 30.4% from the same period in 2014 primarily due to the decrease in average selling prices and lower shipments.

#### *Operating income or loss*

Operating income for the ACIS segment for the year ended December 31, 2016 was \$211 million, compared to operating loss of \$624 million for the year ended December 31, 2015. Operating income for the year ended December 31, 2016 was positively affected by better cost performance and offset by the

\$156 million impairments mainly related to the Vanderbijlpark plant in South Africa. Operating income for the year ended December 31, 2015 was negatively impacted by impairments and inventory related charges described below.

Operating loss for the ACIS segment for the year ended December 31, 2015 was \$624 million, compared to operating income of \$95 million for the year ended December 31, 2014. Operating income for the year ended December 31, 2015 was negatively impacted by a \$294 million asset impairment charge mainly related to the closure

of Vereeniging melt shop (\$27 million) and the Saldanha facility in South Africa (\$258 million), as a result of its revised competitive outlook, and charges of \$239 million including \$159 million primarily related to derecognition of a deferred stripping prepayment in connection with the amended iron ore supply agreement and competition cases in South Africa in the fourth quarter of 2015 and \$80 million primarily related to write-downs of inventories following the rapid decline of steel prices and to retrenchment costs of \$27 million in Thabazimbi and Tshikondeni in South Africa in the third quarter of 2015. Operating income for the first half of 2015 was \$7 million as compared to \$5 million for the same period of 2014. Operating loss for the second half of the year was \$631 million as compared to operating income of \$90 million for the same period in 2014. Operating income was negatively impacted by the decrease in average steel selling prices and lower shipments for both the first and second half of 2015 (as well as the impairments and write-downs in the second half of 2015) as compared to the same period of 2014, partially offset by lower costs in all three units (Ukraine, Kazakhstan and

South Africa) due to currency devaluation.

*Crude steel production, steel shipments and average steel selling price*

Crude steel production for the ACIS segment increased 4.0% for the year ended December 31, 2016 as compared to 2015, primarily driven by better operational performance in Kazakhstan and Ukraine. Production in both CIS plants benefited from improved operational stability and production in South Africa marginally decreased due to the mini reline at the Saldanha plant and the closure of the Vereeniging melt shop.

Crude steel production for the ACIS segment remained fairly flat at 14.2 million tonnes for the year ended December 31, 2015 as compared to 2014. Production was lower in Ukraine due to planned repairs of Blast Furnace #9, partially offset by higher production in South Africa following the Newcastle reline completion. Crude steel production for the first half of 2015 increased 4% to 7.3 million tonnes as compared to 7.0 million tonnes for the first half of 2014 primarily driven by

the Newcastle reline completion, while crude steel production for the second half of 2015 decreased 3.0% as compared to the second half of 2014, mainly due to planned repair of Blast Furnace #9 in Ukraine.

Total steel shipments reached 13.3 million tonnes for the year ended December 31, 2016, representing an increase of 6.3% compared to the year ended December 31, 2015. The increase was driven by the CIS entities due to better operational performance.

Total steel shipments reached 12.5 million tonnes for the year ended December 31, 2015, representing a decrease of 2.7% compared to the year ended December 31, 2014. Steel shipments were 6.2 million tonnes in the first half of 2015, down 4% from the same period in 2014. Steel shipments for the first half of 2015 were negatively affected by lower volumes in South Africa and a weaker CIS market. Steel shipments for the second half of 2015 decreased 1% compared to the second half of 2014 due to lower steel shipments in Ukraine impacted by lower production and a weaker South Africa market in 2015, partially offset by lower volume in 2014 due to the Newcastle reline.

Average steel selling prices decreased 8.6% for the year ended December 31, 2016 as compared to the year ended December 31, 2015; this decrease affected all three units (Ukraine, Kazakhstan and South Africa). Average steel selling prices in the first half of 2016 decreased 23% and increased 10% in the second half of 2016 as compared with the same periods in 2015, primarily driven by the international prices.

Average steel selling price decreased 25% for the year ended December 31, 2015 as compared to the year ended December 31, 2014; this decrease affected all three units (Ukraine, Kazakhstan and South Africa). Average steel selling price in the first half of 2015 decreased 18% from the same period in 2014, primarily due to lower global steel prices and weak demand in both CIS and South Africa. Average steel selling price in the second half of 2015 decreased 32.4% from the same period in 2014 due to lower average steel selling prices in all three units, impacted by lower global steel prices and weak demand in both CIS and South Africa.

Mining in millions of USD unless otherwise shown)	Performance for the year ended December 31,		
	2016	2015	2014
Sales	3,114	3,387	4,970
Depreciation	396	614	703
Impairments	-	3,370	63
Operating income / (loss)	366	(3,522)	565
Own iron ore production (million tonnes)	55.2	62.8	63.9
Iron ore shipped externally and internally at market price (million tonnes) <sup>1,2</sup>	33.6	40.3	39.7
Iron ore shipment - cost plus basis (million tonnes) <sup>1</sup>	22.3	22.1	24.0
Own coal production (million tonnes)	6.3	6.1	7.0
Coal shipped externally and internally at market price (million tonnes) <sup>1,2</sup>	3.4	2.8	3.9
Coal shipment - cost plus basis (million tonnes) <sup>1,2</sup>	3.4	3.2	3.3

<sup>1</sup> There are three categories of sales: (1) "External sales": mined product sold to third parties at market price; (2) "Market-priced tonnes": internal sales of mined product to ArcelorMittal facilities reported at prevailing market prices; (3) "Cost-plus tonnes": internal sales of mined product to ArcelorMittal facilities on a cost-plus basis. The determinant of whether internal sales are reported at market price or reported at cost-plus is whether or not the raw material could practically be sold to third parties (i.e., there is a potential market for the product and logistics exist to access that market).

<sup>2</sup> Market-priced tonnes represent amounts of iron ore and coal from ArcelorMittal mines that could practically be sold to third parties. Market-priced tonnes that are transferred from the Mining segment to the Company's steel producing segments are reported at the prevailing market price. Shipments of raw materials that do not constitute market-priced tonnes are transferred internally on a cost-plus basis.

Iron ore production (million metric tonnes) <sup>1</sup>	Type	Product	Year ended December 31,		
			2016	2015	2014
<b>Own mines</b>					
North America <sup>2</sup>	Open pit	Concentrate, lump, fines and pellets	35.9	39.0	37.3
South America	Open pit	Lump and fines	3.1	3.5	4.5
Europe	Open pit	Concentrate and lump	1.8	2.1	2.1
Africa	Open pit / Underground	Fines	2.1	4.3	5.5
Asia, CIS & Other	Open pit / Underground	Concentrate, lump, fines and sinter feed	12.3	13.9	14.5
<b>Total own iron ore production</b>			<b>55.2</b>	<b>62.8</b>	<b>63.9</b>
<b>Strategic long-term contracts - iron ore</b>					
North America <sup>3</sup>	Open pit	Pellets	6.1	6.6	8.2
Africa <sup>4</sup>	Open pit	Lump and fines	0.8	4.3	4.9
<b>Total strategic long-term contracts - iron ore</b>			<b>6.9</b>	<b>10.9</b>	<b>13.1</b>
<b>Total</b>			<b>62.1</b>	<b>73.7</b>	<b>77.0</b>

<sup>1</sup> Total of all finished production of fines, concentrate, pellets and lumps.

<sup>2</sup> Includes own mines and share of production from Hibbing (United States, 62.30%) and Peña (Mexico, 50%).

<sup>3</sup> Consists of a long-term supply contract with Cliffs Natural Resources.

<sup>4</sup> The production for year ended 2015 includes purchases under strategic agreements with Sishen Iron Ore Company (Proprietary) Limited's ("SIOC") Kumba and Thabazimbi mines (South Africa). On November 6, 2015, ArcelorMittal announced that an agreement had been reached with SIOC to amend the pricing mechanism terms of the current iron ore supply agreement related to Kumba from a cost-based price to an Export Parity Price ("EPP") with effect from October 1, 2015. The EPP is calculated on the basis of the Platts 62% Fe CFR China Fines Index (the "Index price") and, at certain price levels, ArcelorMittal receives a discounted price. As a result of this amendment, the contract related to Kumba is no longer considered as a strategic contract in 2016.

Coal production (million metric tonnes)	Year ended December 31,		
	2016	2015	2014
<b>Own mines</b>			
North America	1.80	1.57	2.04
Asia, CIS & Other	4.45	4.58	4.98
<b>Total own coal productions</b>			<b>7.02</b>
<b>Strategic long term contracts - coal</b>			
North America <sup>1</sup>	-	0.14	0.37
Africa <sup>2</sup>	-	-	0.31
<b>Total strategic long term contracts - coal</b>			<b>0.68</b>
<b>Total</b>			<b>7.70</b>

<sup>1</sup> Includes strategic agreement - prices on a fixed price basis.

<sup>2</sup> Includes long-term lease - prices on a cost-plus basis.

**Sales**

In the Mining segment, sales were \$3.1 billion for the year ended December 31, 2016, representing a decrease of 8.1% as compared to the year ended December 31, 2015. Sales in the first half of 2016 were \$1.4 billion, a decrease of 18% compared to the same period in 2015, while sales in the second half of 2016 were \$1.7 billion, an increase of 2.4% from the same period in 2015.

Sales were \$3.4 billion for the year ended December 31, 2015, representing a decrease of 31.8% as compared to the year ended December 31, 2014. The decrease was primarily due to lower seaborne iron ore market prices which were down 43% (average year-on-year). Sales in the first half of 2015 were \$1.7 billion, a decrease of 35% compared to the same period in 2014, while sales in the second half of 2015 were \$1.7 billion, down 28.6% from the same period in 2014.

Sales to external customers were \$781 million for the year ended December 31, 2016, representing a decrease of 5.2% compared to the year ended December 31, 2015. Iron ore shipments were 55.9 million tonnes for the year ended December 31, 2016, representing a decrease of 10.4% as compared to 62.4 million tonnes for the year ended December 31, 2015. The decrease is primarily due to lower shipments in Mexico, Ukraine, Liberia and Canada. Iron ore shipments to external parties were 12.3 million tonnes for the year ended December 31, 2016 as compared to 13.7 million tonnes for the year ended December 31, 2015. Coal shipments were 6.8 million tonnes for the year ended December 31, 2016 as compared with 6.0 million tonnes for the year ended December 31, 2015. The increase is primarily due to higher shipments of Princeton.

The average reference iron ore price was \$58.45 per tonne in 2016, \$55.50 per tonne in 2015 and \$96.7 per tonne in 2014 (CFR China 62% Fe, Platts Index) and the average reference price for hard coking coal increased to \$143.24 per tonne in 2016, from \$88.00 per tonne in 2015 and \$114.44 per tonne in 2014 (FOB Australia HCC Peak Downs, Platts Index). The increase in the average reference hard coking coal price accelerated in the second half of 2016, with prices up 48.4% in the third quarter of 2016 as compared to the second quarter of 2016 and up 96.3% in the fourth quarter of 2016 as compared to the third quarter of 2016. The decrease in the average reference iron ore price accelerated in the second half of 2015, with prices down 38% compared to the second half of 2014, and down 46% in the first half of 2015 compared to the first half of 2014. However, there may not be a direct correlation between reference prices and actual selling prices in various regions at a given time.

Sales to external customers were \$824 million for the year ended December 31, 2015, representing a decrease of 38% compared to the year ended December 31, 2014. Iron ore shipments were 62.4 million tonnes for the year ended December 31, 2015, representing a decrease of 2.0% as compared to 63.7 million tonnes for the year ended December 31, 2014. Iron

ore shipments to external parties were 13.7 million tonnes for the year ended December 31, 2015 as compared to 14.4 million tonnes for the year ended December 31, 2014. The decrease was primarily due to lower external shipments from Brazil and Liberia partially offset by the Company's Canadian operations. Coal shipments were 6.0 million tonnes for the year ended December 31, 2015 as compared with 7.2 million tonnes for the year ended December 31, 2014. In the second half of 2015, iron ore shipments to external customers were nearly in line with the first half.

#### *Operating income or loss*

Operating income for the Mining segment for the year ended December 31, 2016 was \$366 million, compared to an operating loss of \$3.5 billion for the year ended December 31, 2015. Operating income for the year ended December 31, 2016 was positively affected by improved cost performance, a decrease in depreciation following the impairments recognized in 2015 and higher average iron ore and coal reference prices. Operating loss in 2015 was negatively impacted by the decrease in seaborne iron ore and coking coal market prices noted above and included impairment charges of \$3.4 billion.

Operating loss for the Mining segment for the year ended December 31, 2015 was \$3.5 billion, compared to operating income of \$0.6 billion for the year ended December 31, 2014. Operating loss in 2015 was negatively impacted by the decrease in seaborne iron ore and coking coal market prices noted above and included impairment charges of \$3.4 billion, including \$854 million with respect to the Mining segment goodwill and \$2.5 billion related to tangible and intangible assets in respect of iron ore mining operations at ArcelorMittal Liberia (\$1,426 million), Las Truchas in Mexico (\$220 million), ArcelorMittal Serra Azul in Brazil (\$176 million) and coal mining operations at ArcelorMittal Princeton in the United States (\$684 million). These impairments were mainly

due to the downward revision of cash flow projections relating to the expected persistence of a lower raw material price outlook. In addition to such impairment charges, operating performance in 2015 compared to 2014 reflected lower seaborne iron ore market prices, offset in part by operating cost improvement.

#### *Production*

ArcelorMittal had own iron ore production of 55.2 million tonnes for the year ended December 31, 2016, a decrease of 12.1% compared to the year ended December 31, 2015. The decrease in iron ore production is primarily due to lower production in Liberia, Mexico, Ukraine and Canada. With the Company's ongoing focus on its most competitive iron ore operations: Liberia production is currently being maintained at approximately 2 million tonnes per year and the Volcan mine in Mexico was suspended in October 2015 (2 million tonnes annual impact) and iron ore production in Ukraine has decreased to reflect a revised mine plan following a delay in accessing new tailings disposal land (approximately 1 million tonnes impact).

ArcelorMittal had own iron ore production of 62.8 million tonnes for the year ended December 31, 2015, a decrease of 1.7% compared to the year ended December 31, 2014. The decrease in iron ore production was primarily due to lower production in Kazakhstan, Brazil, Mexico and Liberia offset by increases due to higher production at the Company's Canadian operations.

ArcelorMittal had own coking coal production of 6.3 million tonnes for the year ended December 31, 2016, an increase of 1.8% compared to the year ended December 31, 2015. The increase in coking coal production was primarily due to higher production in Princeton.

ArcelorMittal had own coking coal production of 6.1 million tonnes for the year ended December 31, 2015, a decrease of 12.4% compared to the year ended December 31, 2014. The decrease in coal production was primarily

due to lower production at both U.S. and Kazakhstan operations as well as the disposal of the Kuzbass coal mines in Russia during the fourth quarter of 2014.

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

ArcelorMittal recorded income of \$615 million from investments in associates, joint ventures and other investments for the year ended December 31, 2016, as compared with a loss of \$502 million for the year ended December 31, 2015. The income for the year ended December 31, 2016 was primarily due to the gain on disposal of stakes in Gestamp for \$329 million and Hunan Valin for \$74 million as well as improved performance of the Calvert joint venture, Chinese and Spanish investees offset in part by impairments of the primary steel making assets at China Oriental.

ArcelorMittal recorded a loss of \$502 million from investments in associates, joint ventures and other investments for the year ended December 31, 2015, as compared with a loss of \$172 million for the year ended December 31, 2014. The loss for the year ended December 31, 2015 included an impairment charge of \$283 million related to the Company's 50% interest in the joint venture Kalagadi Manganese (Propriety) Ltd engaged in the development of the Kalagadi manganese ore deposits in South Africa as a result of a downward revision of cash flow projections following an expected persistence of lower manganese prices. It also included an impairment charge of \$138 million with respect to the Company's Indian investee, of which \$69 million on the carrying value of the investment and \$69 million on related loans, respectively, as a result of a downward revision of cash flow projections and a \$101 million impairment charge related to the decrease in market value of the Company's 12.08% interest in Erdemir (Turkey). These losses were partially offset by income generated from the share swap agreement with respect to Gerdau, Brazil entered into on July 14, 2015, as part of which ArcelorMittal

received preferred shares of Gerdau and cash consideration of \$28 million in exchange for unlisted Gerdau shares, resulting in a gain of \$55 million.

#### *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 lower for the year ended December 31, 2016, at \$2.1 billion, a 28.1% decrease compared to the year ended December 31, 2015. Net financing costs were lower for the year ended December 31, 2015, at \$2.9 billion, a 15.5% decrease compared to the year ended December 31, 2014. Net interest expense (interest expense less interest income) was \$1.1 billion for the year ended December 31, 2016, a decrease of 12.8% compared to the year ended December 31, 2015, primarily due to lower average cost resulting from debt repaid during the year. Net interest expense was \$1.3 billion for the year ended December 31, 2015, a decrease of 13% compared to the year ended December 31, 2014 due to lower average cost resulting from debt repaid and raised during the year, despite the increased interest costs following the ratings downgrades that occurred during 2015.

Foreign exchange losses decreased to \$3 million for the year ended December 31, 2016, as compared to \$697 million the year ended December 31, 2015, primarily due to the stabilization of currencies in 2016 as compared to 2015 which was impacted as described below.

Foreign exchange losses increased to \$0.7 billion for the year ended December 31, 2015, an increase of 12.4% compared to \$0.6 billion the year ended December 31, 2014, primarily due to an appreciation of the USD against the euro. This foreign exchange loss primarily

relates to the impact of the USD appreciation of an additional 10% against the euro (12% appreciation for the year ended December 31, 2014), a 32% appreciation against the Brazilian real (12% appreciation for the year ended December 31, 2014) and a 46% devaluation of the Kazakhstani tenge.

Other net financing costs (including expenses related to True Sale of Receivables, bank fees, interest on pensions and fair value adjustments of the mandatorily convertible bond and derivative instruments) were stable at \$0.9 billion for the year ended December 31, 2016 and the year ended December 31, 2015. Other net financing costs were negatively affected by premiums and fees of \$0.4 billion relating to early redeemed bonds in 2016 and \$0.1 billion non-cash expense in connection with the issuance of shares in the context of a B-BBEE transaction in South Africa,

partially offset by the fair value adjustment for the mandatory convertible bonds for \$0.2 billion.

Other net financing costs (including expenses related to True Sale of Receivables, bank fees, interest on pensions and fair value adjustments of the mandatorily convertible bond and derivative instruments) were \$0.9 billion for the year ended December 31, 2015, as compared to \$1.3 billion for the year ended December 31, 2014, and included an expense of \$79 million relating to the extension of the mandatory convertible bond. The reduction in the loss was mainly due to the change in the accretion of defined benefit obligations and other long term liabilities for \$0.2 billion.

#### Income tax expense (benefit)

ArcelorMittal recorded an income tax expense of \$1.0 billion for the year ended December 31, 2016

as compared to an income tax expense of \$0.9 billion for the year ended December 31, 2015 and \$0.5 billion for the year ended December 31, 2014. The deferred tax expense in 2016 includes \$0.8 billion increase in projections of future taxable income in Luxembourg, \$0.7 billion impact from the derecognition of deferred tax assets in Luxembourg related to revised expectations of the deferred tax assets recoverability in U.S. dollar terms, and \$0.6 billion decrease following the change in tax rate in Luxembourg. The increase in 2015 as compared to 2014 is due to impairments of deferred tax assets stemming from lower future taxable results forecasts in some jurisdictions. For additional information related to ArcelorMittal's income taxes, see note 9 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 the pre-tax results of its subsidiaries in each of these countries, which can vary from year to year. ArcelorMittal operates in certain jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as in effect in Luxembourg (26.01%), as well as in jurisdictions, mainly in Western Europe and the Americas, which have a structurally higher corporate income tax rate.

The statutory income tax expense (benefit) and the statutory income tax rates of the countries that most significantly resulted in the tax expense (benefit) at statutory rate for each of the years ended December 31, 2016, 2015 and 2014 are as set forth below:

	2016		2015		2014	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	224	35.00%	(863)	35.00%	(352)	35.00%
Argentina	22	35.00%	50	35.00%	59	35.00%
France	17	28.92%	(32)	34.43%	18	34.43%
Brazil	86	34.00%	(48)	34.00%	141	34.00%
Belgium	71	33.99%	64	33.99%	(10)	33.99%
Germany	(37)	30.30%	(43)	30.30%	(82)	30.30%
Spain	(47)	25.00%	(146)	25.00%	(78)	25.00%
Luxembourg	196	26.01%	(613)	29.22%	(228)	29.22%
Mexico	53	30.00%	(55)	30.00%	9	30.00%
South Africa	(96)	28.00%	(199)	28.00%	(23)	28.00%
Canada	98	26.10%	247	26.90%	298	26.90%
Russia	-	20.00%	(1)	20.00%	(18)	20.00%
Kazakhstan	36	20.00%	(48)	20.00%	(4)	20.00%
Czech Republic	3	19.00%	9	19.00%	38	19.00%
Poland	33	19.00%	23	19.00%	25	19.00%
Romania	(11)	16.00%	(10)	16.00%	(12)	16.00%
Ukraine	20	18.00%	11	18.00%	23	18.00%
Trinidad & Tobago	66	25.00%	(83)	25.00%	(11)	25.00%
Liberia	6	25.00%	(388)	25.00%	(30)	25.00%
United Kingdom	15	17.00%	17	20.00%	55	20.00%
Others	(78)		(38)		35	
Total	677		(2,146)		(147)	

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

#### Non-controlling interests

Net loss attributable to non-controlling interests was \$45 million for the year ended December 31, 2016, as compared with net loss attributable to non-controlling interests of \$477 million for the year ended December 31, 2015. Net loss

attributable to non-controlling interests for 2016 was primarily related to losses generated by ArcelorMittal South Africa partially offset by income generated by ArcelorMittal Mines and Infrastructure Canada and Belgo Bekaert Arames in Brazil.

Net loss attributable to non-controlling interests was \$477 million for the year ended December 31, 2015, as compared with net income attributable to non-controlling interests of \$112 million for the year ended December 31, 2014. Net loss attributable to non-controlling interests for 2015 was primarily

related to losses generated by ArcelorMittal South Africa and Liberia resulting from the impairments of the assets described above.

### Net loss attributable to equity holders of the parent

ArcelorMittal's net income attributable to equity holders of the parent for the year ended December 31, 2016 amounted to \$1.8 billion compared to net loss attributable to equity holders of \$7.9 billion for the year ended December 31, 2015 and \$1.1 billion for the year ended December 31, 2014, for the reasons discussed above.

### Liquidity and capital resources

ArcelorMittal's principal sources of liquidity are cash generated from its operations and its credit facilities at the corporate level.

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

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

As of December 31, 2016, ArcelorMittal's cash and cash equivalents, including restricted cash of \$114 million, amounted to \$2.6 billion as compared to \$4.1 billion as of December 31, 2015. In addition, ArcelorMittal had available borrowing capacity of \$5.5 billion under its \$5.5 billion revolving credit facility as of December 31, 2016, as compared to available borrowing capacity of \$6.0 billion under its \$6.0 billion revolving credit facility as of December 2015.

As of December 31, 2016, ArcelorMittal's total debt, which includes long-term debt and short-term debt, was \$13.7 billion, compared to \$19.8 billion as of December 31, 2015.

Net debt (defined as long-term debt (\$11.8 billion) plus short-term debt (\$1.9 billion), less cash and cash equivalents and restricted cash (\$2.6 billion)) was \$11.1 billion as of December 31, 2016, down from \$15.7 billion at December 31, 2015 comprised of long-term debt (\$17.5 billion) plus short-term debt (\$2.3 billion), less cash and cash equivalents and restricted cash (\$4.1 billion). Net debt decreased primarily due to net proceeds from the equity offering (\$3.1 billion) and the Gestamp asset sale (\$1.0 billion), net cash provided by operations of \$2.7 billion (including an investment in operating working capital of \$1.0 billion), partly offset by capital expenditures of \$2.4 billion. The proceeds from the equity offering were used to repay debt. 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, 2016 was 34% as compared to 57% at December 31, 2015.

The margin applicable to ArcelorMittal's principal credit facilities (\$5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment

in the event of a change in its long-term credit ratings. In the context of low steel prices and challenging industry conditions, on February 3, 2015, Standard & Poor's downgraded ArcelorMittal's credit rating and, on December 18, 2015, it placed ArcelorMittal on negative outlook. On November 12, 2015, Moody's downgraded ArcelorMittal and placed it on negative outlook. On November 16, 2015, while Fitch affirmed its credit rating of ArcelorMittal, it lowered its outlook to negative. Following the recovery in steel prices in the U.S. and in Europe during the first half of 2016, Moody's increased its outlook to stable on August 16, 2016. On November 17, 2016, Standard & Poor's revised its outlook to positive from negative for ArcelorMittal and affirmed its credit ratings of the Company. The February 2015 downgrade resulted in an increase in interest paid of \$28 million in 2015 and the November 2015 downgrade similarly resulted in increased interest expense but was partially offset by the early repayments and tenders as described below.

ArcelorMittal's \$5.5 billion revolving credit facility, which incorporates a first tranche of \$2.3 billion maturing on December 21, 2019, and a second tranche of \$3.2 billion maturing on December 21, 2021, contains restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. The agreement also requires compliance with a financial covenant, as summarized below.

The Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to

certain adjustments as set out in the facility) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio, referred to by the Company as the "Leverage ratio". ArcelorMittal's principal credit facilities set this ratio to 4.25 to 1, whereas one facility has a ratio of 4.0 to 1. As of December 31, 2016, the Company was in compliance with both ratios.

Non-compliance with the covenants in the Company's borrowing agreements would entitle the lenders under such facilities to accelerate the Company's repayment obligations. The Company was in compliance with the financial covenants in the agreements related to all of its borrowings as of December 31, 2016 and December 31, 2015.

As of December 31, 2016, ArcelorMittal had guaranteed approximately \$0.1 billion of debt of its operating subsidiaries. ArcelorMittal's debt facilities have provisions whereby the acceleration of the debt of another borrower within the ArcelorMittal group could, under certain circumstances, lead to acceleration under such facilities.

The following table summarizes the repayment schedule of ArcelorMittal's outstanding indebtedness, which includes short-term and long-term debt, as of December 31, 2016.



Type of Indebtedness as of December 31, 2016	Repayment Amounts per Year (in billions of \$)						Total
	2017	2018	2019	2020	2021	>2021	
Bonds	0.6	1.4	1.6	1.8	1.3	4.8	11.5
Long-term revolving credit lines	-	-	-	-	-	-	-
- \$2.3 billion tranche of \$5.5 billion revolving credit facility	-	-	-	-	-	-	-
- \$3.2 billion tranche of \$5.5 billion revolving credit facility	-	-	-	-	-	-	-
Other loans and commercial paper	1.3	0.1	0.3	0.1	0.1	0.3	2.2
<b>Total gross debt</b>	<b>1.9</b>	<b>1.5</b>	<b>1.9</b>	<b>1.9</b>	<b>1.4</b>	<b>5.1</b>	<b>13.7</b>

The following table summarizes the amount of credit available as of December 31, 2016, under ArcelorMittal's \$5.5 billion revolving credit facility:

Credit lines available	Facility Amount	Drawn	Available
\$2.3 billion tranche of \$5.5 billion revolving credit facility	\$2.3	-	\$2.3
\$3.2 billion tranche of \$5.5 billion revolving credit facility	\$3.2	-	\$3.2
<b>Total committed lines</b>	<b>\$5.5</b>	<b>-</b>	<b>\$5.5</b>

The average debt maturity of the Company was 7 years as of December 31, 2016, as compared to 6.2 years as of December 31, 2015.

Further information regarding ArcelorMittal's outstanding short-term and long-term indebtedness as of December 31, 2016, including the breakdown between fixed rate and variable rate debt, is set forth in note 6 to the consolidated financial statements. Further information regarding ArcelorMittal's use of financial instruments for hedging purposes is set forth in note 6 to the consolidated financial statements.

### Financings

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

#### Principal credit facilities

On December 21, 2016, ArcelorMittal signed an agreement for a \$5.5 billion revolving credit facility (the "Facility"). This Facility amends and restates the \$6 billion revolving credit facility dated April 30, 2015. The amended agreement incorporates a first tranche of \$2.3 billion maturing on December 21, 2019, and a second tranche of \$3.2 billion maturing on December 21, 2021, restoring the Facility to the original tenors of 3 years and 5 years. The Facility may be used for general corporate purposes. As of December 31, 2016, the \$5.5 billion revolving credit facility was fully available. The Company makes drawdowns from and repayments

on this facility in the framework of its cash management.

On September 30, 2010, ArcelorMittal entered into the \$500 million revolving multi-currency letter of credit facility (the "Letter of Credit Facility"). The Letter of Credit Facility is used by the Company and its subsidiaries for the issuance of letters of credit and other instruments. The terms of the letters of credit and other instruments contain certain restrictions as to duration. The Letter of Credit Facility was amended on October 26, 2012, to reduce its amount to \$450 million. On September 30, 2014, the Company refinanced its Letter of Credit Facility by entering into a \$350 million revolving multi-currency letter of credit facility, which matures on September 30, 2018.

#### 2016 capital markets transactions

On September 23, 2016, pursuant to cash tender offers, ArcelorMittal purchased:

- \$420 million of its U.S. dollar denominated 6.125% Notes due June 1, 2018 (the "USD 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of \$457 million. Following this purchase, \$644 million principal amount of the USD 2018 Notes remained outstanding.
- \$241 million of its U.S. dollar denominated 9.85% Notes due June 1, 2019 (the "USD 2019 Notes") for a total aggregate purchase price (including premiums and accrued interest) of \$301 million. Following this purchase, \$851 million principal amount of the USD 2019 Notes remained outstanding.

- \$63 million of its U.S. dollar denominated 5.125% Notes due June 1, 2020 (the "June 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of \$68 million. Following this purchase, \$324 million principal amount of the June 2020 Notes remained outstanding.
- \$228 million of its U.S. dollar denominated 5.25% Notes due August 5, 2020 (the "August 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of \$253 million. Following this purchase, \$626 million principal amount of the August 2020 Notes remained outstanding.
- \$421 million of its U.S. dollar denominated 5.50% Notes due March 1, 2021 (the "2021 Notes") for a total aggregate purchase price (including premiums and accrued interest) of \$469 million. Following this purchase, \$756 million principal amount of the 2021 Notes remained outstanding.

The 6.250% Notes due February 5, 2022 (the "2022 Notes") were included in the cash tender offer, but none of the tendered Notes were accepted.

On June 29 and July 14, 2016, pursuant to cash tender offers, ArcelorMittal repurchased:

- \$113 million of its U.S. dollar denominated June 2020 Notes for a total aggregate purchase price (including premiums and accrued interest) of \$119 million. Following this purchase, \$387 million principal amount of the June 2020 Notes remained outstanding.
- \$147 million of its U.S. dollar denominated August 2020 Notes for a total aggregate purchase

price (including premiums and accrued interest) of \$160 million. Following this purchase, \$853 million principal amount of the August 2020 Notes remained outstanding.

- \$323 million of its U.S. dollar denominated 2021 Notes for a total aggregate purchase price (including premiums and accrued interest) of \$347 million. Following this purchase, \$1,177 million principal amount of the 2021 Notes remained outstanding.

On June 3, 2016, at maturity, ArcelorMittal repaid its €1 billion 9.375% unsecured bonds.

On May 20, 2016, ArcelorMittal redeemed its U.S. dollar denominated \$1.4 billion 4.5% Notes due February 25, 2017, prior to their scheduled maturity for a total amount of \$1,466 million, including premium and accrued interest.

In May 2016, pursuant to cash tender offers, ArcelorMittal purchased \$408 million of its USD 2019 Notes for a total aggregate purchase price (including premiums and accrued interest) of \$498 million. Following this purchase, \$1,092 million principal amount of the USD 2019 Notes remained outstanding.

In April 2016, pursuant to cash tender offers, ArcelorMittal repurchased:

- \$437 million of its U.S. dollar denominated USD 2018 Notes for a total aggregate purchase price (including premiums and accrued interest) of \$467 million. Following this purchase, \$1,063 million principal amount of USD 2018 Notes remained outstanding.

- €460 million of its euro denominated 4.625% Notes due November 17, 2017 (the "Euro 2017 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €511 million. Following this purchase, €540 million principal amount of Euro 2017 Notes remained outstanding.
- €166 million of its euro denominated 4.50% Notes due March 29, 2018 (the "Euro 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €181 million. Following this purchase, €334 million principal amount of the Euro 2018 Notes remained outstanding.

#### *Mandatory convertible bond*

On November 23, 2015, the Company announced the extension of the conversion date for the \$1 billion privately placed mandatory convertible bond (the "MCB") issued on December 28, 2009 by one of its wholly-owned Luxembourg subsidiaries. This amendment to the MCB, which is mandatorily convertible into preferred shares of such subsidiary, was executed on November 20, 2015. The mandatory conversion date of the bond has been extended to January 31, 2018. The other main features of the MCB remain unchanged. The bond was privately placed with a Luxembourg affiliate of Credit Agricole Corporate and Investment Bank and is not listed. In connection with the extension of the conversion date of the MCB, ArcelorMittal also extended the maturities of the equity-linked notes in which the proceeds of the MCB issuances are invested.

#### *Commercial paper program*

ArcelorMittal has a commercial paper program enabling borrowings of up to €1 billion. As of December 31, 2016, the outstanding amount was \$392 million, compared to \$71 million as of December 31, 2015.

#### *Other loans and facilities*

On December 20, 2013, ArcelorMittal entered into a term loan facility in an aggregate amount of \$300 million, maturing on December 20, 2016. The facility was repaid at maturity.

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

On July 15, 2010, 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. The full amount of €250 million was drawn on September 27, 2011 and repaid at maturity on September 27, 2016.

On May 23, 2016, ArcelorMittal USA LLC signed a \$1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. Borrowings under the facility are secured by inventory and certain other working capital and related assets of ArcelorMittal USA and certain of its subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2016, \$0.5 billion was drawn.

During the six months ended June 30, 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2015 and 2016. As of December

31, 2016, the facilities, totaling approximately \$0.7 billion, remain fully available.

#### *True sale of receivables ("TSR") programs*

The Company has established a number of programs for sales without recourse of trade accounts receivable to various financial institutions (referred to as True Sale of Receivables ("TSR")) for an aggregate amount of \$5,222 million as of December 31, 2016. This amount represents the maximum amount of unpaid receivables that may be sold and outstanding at any given time. Of this amount, the Company has utilized \$4,708 million and \$4,580 million, as of December 31, 2016 and 2015, respectively. 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 2016, 2015 and 2014 was \$33.5 billion, \$33.1 billion and \$37.8 billion, respectively (with amounts of receivables sold converted to U.S. 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, 2016, 2015 and 2014 were \$106 million, \$116 million and \$150 million, respectively.

#### *Earnings distribution*

On February 13, 2015, ArcelorMittal's Board of Directors announced a gross dividend payment of \$0.20 per share. The dividend was approved by the shareholders at the annual general

meeting of shareholders held on May 5, 2015, and the dividend was paid in full on June 15, 2015. On November 6, 2015, ArcelorMittal's Board of Directors proposed the suspension of the dividend for the financial year 2015. This proposal was approved by the shareholders at the annual general meeting held on May 4, 2016. The Company has indicated that a dividend will not be proposed until its leverage has further improved.

ArcelorMittal held 7,222,439 shares in treasury as of December 31, 2016, as compared to 8,581,090 shares as of December 31, 2015. As of December 31, 2016, the number of shares held by the Company in treasury represented approximately 0.24% of the Company's total issued share capital.

#### *Pension/OPEB liabilities*

The defined benefit liabilities for employee benefits decreased \$1.0 billion to \$8.1 billion as of December 31, 2016, as compared to \$9.1 billion as of December 31, 2015. The decrease is mainly due to the ratification of the new labor agreement by the United Steelworkers "USW" in June 2016 with changes mainly to healthcare post-retirement benefits in ArcelorMittal USA resulting in a gain of \$832 million, return on plan assets and other actuarial assumptions, partially offset by an increase due to the decreased discount rates during 2016. For additional information with respect to the Company's pension plan and OPEB liabilities, including a breakdown by region and by type of plan, see note 7.2 to the consolidated financial statements.

#### *Sources and uses of cash*

*Years ended December 31, 2016, 2015 and 2014*

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

Summary of Cash Flow (in \$ millions)	2016	For the year ended December 31,	
		2015	2014
Net cash provided by operating activities	2,708	2,151	3,870
Net cash used in investing activities	(1,143)	(2,170)	(3,077)
Net cash (used in) provided by financing activities	(2,926)	395	(2,750)

### Net cash provided by operating activities

For the year ended December 31, 2016, net cash provided by operating activities increased to \$2.7 billion, as compared with \$2.2 billion for the year ended December 31, 2015. The increase in net cash provided by operating activities is mainly due to decreased costs, a decrease in interest paid following the debt repayments as discussed below, partially offset by an investment in "operating working capital" of \$1.0 billion which represents changes in cash flows for trade accounts receivable (\$0.4 billion), inventories (\$2.1 billion) and trade accounts payable and other (\$1.4 billion).

For the year ended December 31, 2015, net cash provided by operating activities decreased to \$2.2 billion, as compared with \$3.9 billion for the year ended December 31, 2014, mainly due to an operating working capital investment. Net cash provided by operating activities for the year ended December 31, 2015 included an investment in operating working capital for \$0.4 billion, including a \$0.3 billion decrease in accounts receivable and \$0.3 billion decrease in inventories, partially offset by an increase in trade payables of \$1.0 billion.

### Net cash used in investing activities

Net cash used in investing activities was \$1.1 billion for the year ended December 31, 2016 as compared to \$2.2 billion for the year ended December 31, 2015. This decrease is mainly related to cash inflows from other investing activities which includes \$1.0 billion proceeds from the sale of ArcelorMittal's stake in Gestamp, \$0.2 billion proceeds from the sale of ArcelorMittal's stake in Hunan Valin, \$0.1 billion proceeds from the sale of ArcelorMittal Zaragoza and \$0.1 billion proceeds from the sale of Long Carbon facilities in the U.S., LaPlace and Vinton. These cash inflows are offset by capital expenditures of \$2.4 billion for the year ended December 31, 2016, a decrease from \$2.7 billion for the year ended December 31, 2015.

ArcelorMittal's major capital expenditures in the year ended December 31, 2016 included the following projects: the Indiana Harbor footprint optimization project in NAFTA; an upgrade HSM and new furnace in Gent and annealing line transformation in Liège; the conversion of the current galvanizing line #4 in ArcelorMittal Dofasco to a Galvalume line; the meltshop expansion in Juiz de Fora; the HRM extension and HDG increase at ArcelorMittal Krakow; the construction of a new rolling mill in Acindar and the expansion project in Liberia. See "Capital expenditure projects" for a summary of these and other projects.

Net cash used in investing activities was \$2.2 billion for the year ended December 31, 2015 as compared to \$3.1 billion for the year ended December 31, 2014. This decrease is mainly related to a decrease in capital expenditures, which amounted to \$2.7 billion for the year ended December 31, 2015 as compared to \$3.7 billion for the year ended December 31, 2014. Net inflows from other investing activities amounted to \$0.5 billion including an inflow of \$0.2 billion for the sale of tangible assets (including the Liberté building in Luxembourg), \$0.1 billion from the exercise of the fourth put option on Hunan Valin shares and \$0.1 billion for cash collateral received. In 2015, capital expenditure of \$2.7 billion included \$2.2 billion related to non-growth projects (including health and safety investments) and \$0.5 billion dedicated to growth projects mainly in Mining. ArcelorMittal's major capital expenditures in the year ended December 31, 2015 included the following major projects: wire rod production expansion in Monlevade; the construction of a heavy gauge galvanizing line to optimize galvanizing operations in ArcelorMittal Dofasco rebar; the meltshop expansion in Juiz de Fora; the HRM extension and HDG increase at ArcelorMittal Krakow; the construction of a new rolling mill in Acindar and the expansion project in Liberia.

In 2017, capital expenditure is expected to be approximately \$2.9 billion. See "Capital expenditure projects".

### Net cash (used in) provided by financing activities

Net cash used by financing activities was \$2.9 billion for the year ended December 31, 2016, as compared to net cash provided by financing activities of \$0.4 billion in 2015. The increase in cash used in financing activities was primarily due to \$6.0 billion net payments/proceeds for short and long-term debt, partially offset by the \$3.1 billion proceeds from the Company's equity offering. For further details, see "Liquidity and capital resources" above.

Net cash provided by financing activities was \$0.4 billion for the year ended December 31, 2015, as compared to net cash used in financing activities of \$2.8 billion in 2014. The decrease in cash used in financing activities was primarily due to \$3.8 billion in proceeds from the issuance of short and long-term debt partly offset by payments of \$3.0 billion for short and long-term debt. Proceeds included receipts from the issuance of debenture loans amounting to \$2.6 billion, including \$2.1 billion related to the issuance of Notes under the Company's Euro Medium Term Notes Programme (€750 million 3.125% Notes due January 14, 2022, €400 million Floating Rate Notes due April 9, 2018, €500 million 3.00% Notes due April 9, 2021 and CHF 225 million 2.5% Notes due July 3, 2020) and \$1 billion in proceeds from the issuance of \$500 million 5.125% Notes due June 1, 2020 and \$500 million 6.125% Notes due June 1, 2025. Payments mainly include the repayment of a \$1.0 billion loan with a financial institution and the redemption of the Company's \$1 billion 3.75% Unsecured Notes due August 5, 2015, and its \$500 million 3.75% notes due March 1, 2016, prior to their scheduled maturity.

Dividends paid to non-controlling shareholders in subsidiaries during the year ended December 31, 2016 was \$61 million. Dividends paid during the year ended December 31, 2015 were \$0.4 billion, including \$331 million paid to ArcelorMittal shareholders and \$85 million paid to non-controlling shareholders in subsidiaries.

Dividends paid during the year ended December 31, 2014 were \$0.5 billion, including \$328 million paid to ArcelorMittal shareholders, \$22 million paid to holders of subordinated perpetual capital securities and \$108 million paid to non-controlling shareholders in subsidiaries.

### Equity

Equity attributable to the equity holders of the parent increased to \$30.1 billion at December 31, 2016, as compared to \$25.3 billion at December 31, 2015, primarily due to net income attributable to the equity holders of the parent of \$1.8 billion and the equity offering for \$3.1 billion. See note 10 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2016.

Equity attributable to the equity holders of the parent decreased to \$25.3 billion at December 31, 2015, as compared to \$42.1 billion at December 31, 2014, primarily due to a \$8.2 billion decrease in the foreign exchange translation reserve as a result of the depreciation of most currencies against the U.S. dollar, \$0.1 billion of recognized actuarial losses, a \$0.3 billion decrease in the revaluation reserve on derivative instruments and available-for-sale securities, the net loss attributable to the equity holders of the parent of \$7.9 billion and dividend payments of \$0.3 billion. See note 10 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2016.

### Research and Development, Patents and Licenses

Costs relating to research and development, patents and licenses were not significant as a percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) in 2016, 2015 and 2014, amounted to \$239 million, \$227 million and \$259 million, respectively.

### Trend Information

All of the statements in this "Trend Information" section are subject to and qualified by the information set forth under the "Cautionary

Statement Regarding Forward-Looking Statements". See also "Key factors affecting results of operations".

### Outlook

Global apparent steel consumption ("ASC") is estimated to have expanded by 1% in 2016. Based on the current economic outlook, ArcelorMittal expects global ASC to grow further in 2017 by between 0.5% and 1.5%. By region: ASC in the U.S. declined in 2016 by approximately 1.0% to 1.5%, driven in large part by a significant destock in the second half of 2016. However, underlying demand continues to expand and the expected absence of a further destock in 2017 should support ASC growth in the U.S. of approximately 3.0% to 4.0% in 2017. In Europe, ArcelorMittal expects the pick-up in underlying demand to continue, supported by the strength of the automotive end market, but apparent demand is expected to grow modestly by 0.5% to 1.5% in 2017 (versus growth of 1.5% to 2.0% in 2016). In Brazil, following the significant decline in ASC in 2016 (13.0% to 13.5%) ASC is expected to grow by 3% to 4% in 2017 as the economy mildly recovers as consumer confidence returns. In the CIS, following an ASC decline of 3.5% to 4.0% in 2016, the region should stabilize in 2017 with ASC similar to 2016 levels (decline from a negative 0.5% to a positive 0.5%). In China, following ASC growth of 1% to 1.5% in 2016, demand is expected to stabilize in 2017 (decline of around 0% to 1.0%) as the ongoing weakness in the real estate sector is expected to be offset in part by robust infrastructure and automotive end markets. Capital expenditure spend in 2017 is expected to increase to \$2.9 billion (from \$2.4 billion in 2016) as the Company seeks to capitalize on opportunities to grow value and returns. In addition, interest expense is expected to decline to \$0.9 billion (as compared to \$1.1 billion in 2016); while cash payments for taxes and contributions to fund pensions are expected to increase by \$0.2 billion. As a result, the Company expects these cash requirements of the business in 2017 to increase

to \$5.0 billion (from \$4.5 billion in 2016). The Company expects the working capital needs of the business to be largely determined by price developments during the course of the year.

Own iron ore production for the mining segment is expected to increase in 2017 with the transition to the Gangra deposit in Liberia (project under review and subject to Board of Directors approval - additional production to potentially reach 3 million tonnes per year, representing an increase of 1 million tonnes per year as compared to 2016, until full ramp up to 5 million tonnes per year in 2018) and the restart of the Volcan mine in Mexico in the first quarter of 2017 for the remainder of 2017 due to economical extraction (additional 2 million tonnes) and production recovery in Ukraine following resolution of issues described above.

The Board of Directors has reviewed the progress made in 2016, and although not concerned by the sustainability of the Company's performance, it nevertheless wants to see further progress. As such, deleveraging remains the near-term priority for surplus cash flow and the Board of Directors decided against proposing a dividend from 2016 earnings.

### Disclosures about market risks

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

The fair value information presented below is based on the information available to management as of the date of the consolidated statements of financial position. Although ArcelorMittal is not aware of any factors that would significantly affect the estimated fair value

amounts, such amounts have not been comprehensively revalued for purposes of this annual report since that date, and therefore, the current estimates of fair value may differ significantly from the amounts presented below. The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates.

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

### Risk management

ArcelorMittal has implemented strict policies and procedures to manage and monitor financial market risks. Organizationally, supervisory functions are separated from operational functions, with proper segregation of duties. Financial market activities are overseen by the CFO, the Corporate Finance and Tax Committee and the CEO Office.

All financial market risks are managed in accordance with the Treasury and Financial Risk Management Policy. These risks are managed centrally through Group Treasury by a group specializing in foreign exchange, interest rate, commodity, internal and external funding and cash and liquidity management.

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

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

### Counterparty risk

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

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

### Currency exposure

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

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These

currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real, South African rand, Kazakh tenge and Ukrainian hryvnia, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

ArcelorMittal faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue

in a different currency. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and coking coal, in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials, thereby negatively impacting the Company's operating margins, unless the Company is able to pass along the higher cost in the form of higher selling prices.

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

The tables below illustrate the impact of an appreciation and a depreciation of the U.S. dollar of 10% against the euro, on the conversion of the net debt of ArcelorMittal into U.S. dollars as of December 31, 2016 and December 31, 2015. The impact

on net debt denominated in a currency different than the euro, is computed based on historical data of how such currency would move against the U.S. dollar when the U.S. dollar appreciates/depreciates 10% against the euro. A positive sign means an increase in the net debt.

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
	in \$ equivalent (in millions)	in \$ equivalent (in millions)
In 2016		
Chinese renminbi	2	(2)
Euro	(392)	392
Moroccan dirham	4	(4)
South African rand	(1)	1
Swiss franc	(14)	16
Ukrainian hryvnia	1	(1)
Other	8	(5)

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
	in \$ equivalent (in millions)	in \$ equivalent (in millions)
In 2015		
Brazilian real	(13)	17
Canadian dollar	16	(18)
Euro	(420)	420
South African rand	1	(1)

#### *Derivative instruments*

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

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

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

#### *Interest rate sensitivity*

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

#### *Interest rate risk on debt*

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

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

#### *Commodity price risk*

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

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

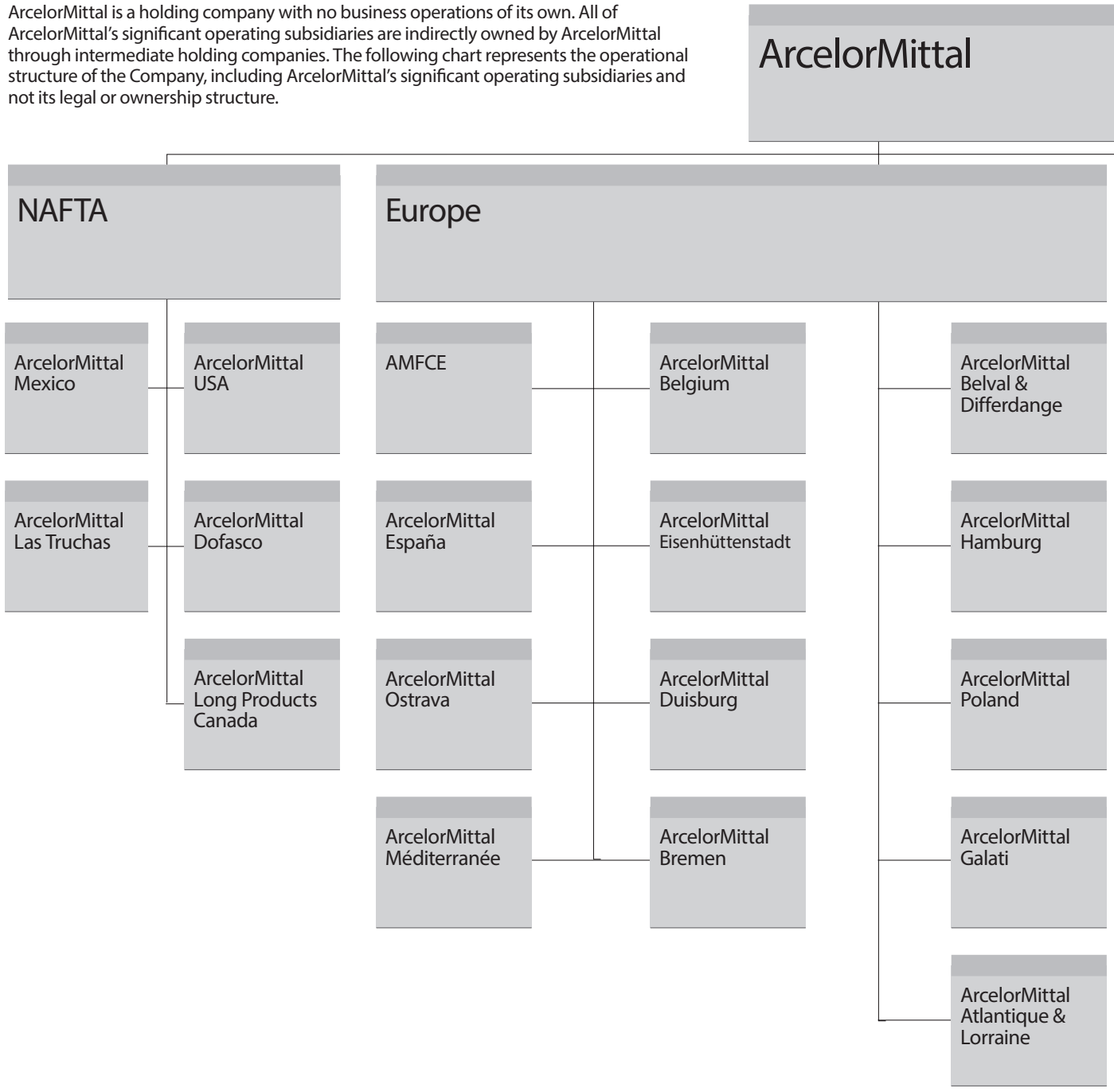
Hedges in the form of swaps and options are utilized to manage the exposure to commodity price fluctuations.

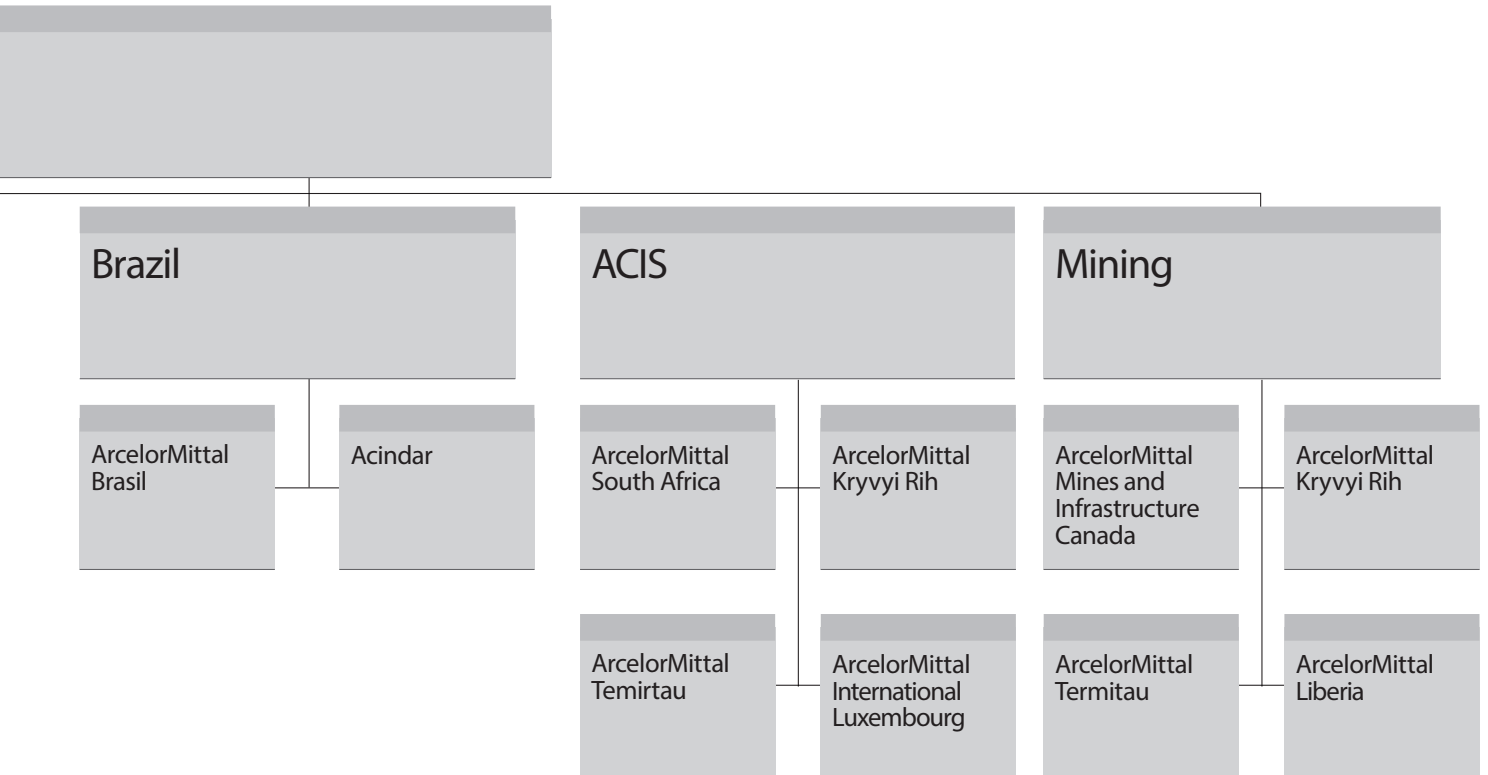
For the Company's tabular presentation of information related to its market risk sensitive instruments, please see note 6 to the consolidated financial statements.

In respect of non-exchange traded commodities, ArcelorMittal is exposed to volatility in the prices of raw materials such as iron ore (which is generally correlated with steel prices with a time lag) and coking coal. This exposure is almost entirely managed through long-term contracts, however some hedging of iron ore exposures is made through derivative contracts. For a more detailed discussion of ArcelorMittal's iron ore and coking coal purchases, see "Raw materials".

Group operational structure

ArcelorMittal is a holding company with no business operations of its own. All of ArcelorMittal's significant operating subsidiaries are indirectly owned by ArcelorMittal through intermediate holding companies. The following chart represents the operational structure of the Company, including ArcelorMittal's significant operating subsidiaries and not its legal or ownership structure.





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

Name of Subsidiary	Abbreviation	Country
NAFTA		
ArcelorMittal Dofasco G.P.	ArcelorMittal Dofasco	Canada
ArcelorMittal México S.A. de C.V.	ArcelorMittal Mexico	Mexico
ArcelorMittal USA LLC	ArcelorMittal USA	USA
ArcelorMittal Las Truchas, S.A. de C.V.	ArcelorMittal Las Truchas	Mexico
ArcelorMittal Long Products Canada G.P.	ArcelorMittal Long Products Canada	Canada
Brazil and neighboring countries ("Brazil")		
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
Europe		
ArcelorMittal Atlantique et Lorraine S.A.S.	ArcelorMittal Atlantique & Lorraine	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
ArcelorMittal Galati S.A.	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Méditerranée S.A.S.	ArcelorMittal Méditerranée	France
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Duisburg GmbH	ArcelorMittal Duisburg	Germany
Africa and Commonwealth of Independent States ("ACIS")		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg
Mining		
ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure Canada G.P. <sup>1</sup>	ArcelorMittal Mines and Infrastructure Canada	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine

<sup>1</sup> The business formerly carried on by ArcelorMittal Mines Canada Inc. is now carried on by ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure G.P.

### Key transactions and events in 2016

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2016 are summarized below.

- During 2016, ArcelorMittal completed several financing and repayment transactions. Please refer to "Liquidity and capital resources Financings" for a summary of the transactions.
- During 2016, ArcelorMittal completed certain divestment and other investment transactions not listed below. Please refer to notes 2.3 and 2.5 to the consolidated financial statements within this report for a summary of the transactions.
- On September 28, 2016, ArcelorMittal South Africa ("AMSA") announced that it had entered into agreements to implement a Broad-Based Black Economic Empowerment (B-BBEE) transaction which includes: the issuance of a 17% shareholding in AMSA using a new class of notionally funded shares to a special purpose vehicle owned by Likamva Resources Proprietary Limited (Likamva). Likamva has undertaken to introduce broad-based social and community development organizations as shareholders to hold an effective 5% interest (of the 17%, leaving Likamva with a 12% shareholding) within 24 months; and a 5.1% shareholding in AMSA using another new class of notionally funded shares to the ArcelorMittal South Africa Employee Empowerment Share Trust for the benefit of AMSA employees and AMSA management. All the shares have certain restrictions on disposal for a period of 10 years ("Lock-in Period"), thereby promoting long-term sustainable B-BBEE in AMSA. The shares were issued on December 7, 2016.



- On August 2, 2016, the Company signed an agreement for the sale of its 10.08% interest in Hunan Valin to a private equity fund. On September 14, 2016, the Company transferred the Hunan Valin shares and simultaneously received the full proceeds of \$165 million (RMB1,103 million) from the buyer and recorded a gain of \$74 million.
  - On July 28, 2016, ArcelorMittal signed an agreement with Megasa Siderúrgica S.L. for the sale of its wholly owned subsidiary ArcelorMittal Zaragoza in Spain for total consideration of €80 million (\$89 million). The closing conditions were completed on September 30, 2016.
  - On June 30, 2016, ArcelorMittal and Marcegaglia announced that they had submitted an indicative offer for the acquisition of Ilva (Italy), an Italian company engaged in the production and processing of steel products, which has been declared insolvent and is currently subject to the extraordinary administration of the commissioners appointed by the Italian Government. The commissioners are carrying out a procedure for the lease and subsequent sale of the businesses of Ilva and its subsidiaries through a competitive bid process, which is ongoing.
  - On June 23, 2016, ArcelorMittal announced its new contract with the United Steelworkers (USW) was ratified by USW-represented employees. The three-year collective bargaining agreement covers more than 12,000 USW-represented employees at 13 of the Company's United States facilities in Indiana, Illinois, Minnesota, Ohio, Pennsylvania and West Virginia.
  - On April 8, 2016, ArcelorMittal completed an equity offering with net proceeds of \$3.1 billion. New shares of 1,262,351,531 were issued at a subscription price of €2.20 per new share. The Mittal family trust entities exercised their rights for new shares pro rata to their shareholding of 37.38%. Following the equity offering, ArcelorMittal's issued share capital consists of 3,065,710,869 shares without nominal value.
  - On April 4, 2016, ArcelorMittal completed the sale of its US LaPlace and Vinton Long Carbon facilities to an affiliate of Black Diamond Capital Management ('Black Diamond'). The LaPlace, Louisiana facility, along with a rolling mill in Harriman, Tennessee, produces billets, angles, flats, channels and beams. The Vinton facility, located in El Paso, Texas, produces rebar and grinding media. Simultaneously, ArcelorMittal has entered into a transition services agreement with Black Diamond, in order to facilitate a smooth transition period and ensure no business disruption.
  - On February 1, 2016, ArcelorMittal completed the sale of its 35% stake in Gestamp Automoción ("Gestamp") to the majority shareholder, the Riberas family, for total cash consideration of €875 million (\$971 million) received in the second quarter of 2016. In addition to the cash consideration, ArcelorMittal received a payment of €10 million (\$11 million) for the 2015 dividend in the second quarter of 2016. ArcelorMittal will continue its supply relationship with Gestamp through its 35% shareholding in Gonvarri Steel Industries, a sister company of Gestamp. ArcelorMittal sells coils to Gonvarri Steel Industries for processing before they pass to Gestamp and other customers. Further, ArcelorMittal will continue to have a board presence in Gestamp, collaborate in automotive R&D and remain its major steel supplier.
- Recent developments**
- On January 27, 2017, China Oriental, a Chinese integrated iron and steel conglomerate listed on the Hong Kong Stock Exchange ("HKEx") in which ArcelorMittal held a 47% associated interest, announced the completion of a share placing in order to restore the minimum 25% free float requirement as per the HKEx listing requirement. The trading of China Oriental's shares, which had been suspended since April 29, 2014, resumed on February 1, 2017. Following this share placing, ArcelorMittal's interest in China Oriental decreased to 39%.
  - On February 10, 2017, ArcelorMittal's announced that its Board of Directors has proposed a share consolidation based on a ratio 1:3, where every three current shares will be consolidated into one share (with a change to the number of shares outstanding and the nominal value of the shares outstanding). This proposal is subject to shareholder approval at an Extraordinary General Meeting of Shareholders expected to be held on May 10, 2017 which, if approved, will be implemented shortly thereafter. Details will be published in the convening notice for the General Meeting of Shareholders that is expected to be published in April 2017.
  - On February 23, 2017, ArcelorMittal and Votorantim S.A. announced the signing of an agreement, pursuant to which Votorantim's long steel businesses in Brazil, Votorantim Siderurgia, will become a subsidiary of ArcelorMittal Brasil and Votorantim will hold a non-controlling interest in ArcelorMittal Brasil. Votorantim's long steel operations in Argentina (Acerbrag) and Colombia (PazdelRio) were not included in the transaction. The combination of the businesses will result in a long product steel producer with annual crude steel capacity of 5.6 million tonnes and annual rolling capacity of 5.4 million tonnes. The combined operations include ArcelorMittal Brasil's production sites at Monlevade, Cariacica, Juiz de Fora, Piracicaba and Itaúna, and Votorantim Siderurgia's production sites at Barra Mansa, Resende and its participation in Sitrel, in Três Lagoas. The merger is expected to generate cost, logistical and operational synergies. The combined businesses' production facilities are geographically complementary, enabling closer proximity and higher levels of service to its customer base. The transaction is subject to regulatory approvals in Brazil, including the approval of the Brazilian anti-trust authority CADE.
- Corporate governance**
- The "Corporate Governance" section of ArcelorMittal's Annual Report 2016 contains a full overview of the Company's corporate governance practices.
- Directors and senior management**
- Board of Directors*
- ArcelorMittal places a strong emphasis on corporate governance. ArcelorMittal has eight independent directors on its 12 member Board of Directors. The Board's Audit & Risk Committee and Appointments, Remuneration and Corporate Governance Committee ("ARCG Committee") are each comprised exclusively of independent directors.
- The annual general meeting of shareholders on May 4, 2016 acknowledged the expiration of the terms of office of Mrs. Vanisha Mittal Bhatia, Mrs. Suzanne Nimocks and Mr. Jeannot Krecké.
- At the same meeting, the shareholders re-elected Mrs. Vanisha Mittal Bhatia, Mrs. Suzanne Nimocks and Mr. Jeannot Krecké for a new term of three years each. The shareholders also elected Mr. Karel de Gucht for a three-year term. The Board of Directors is composed of 12 directors, of which 11 are non-executive directors and eight are independent directors. The Board of Directors comprises only one executive director, Mr. Lakshmi N. Mittal, the Chairman and Chief Executive Officer of ArcelorMittal.
- Mr. Lewis B. Kaden is the Lead Independent Director. In the most recent assessment of the Company's leadership structure, the ARCG Committee reviewed the key duties and responsibilities of the Company's Chairman and Chief Executive Officer and its Lead Independent Director as follows:

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

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

Name	Age <sup>4</sup>	Date of joining the Board <sup>5</sup>	End of Term	Position within ArcelorMittal
Lakshmi N. Mittal	66	May 1997	May 2017	Chairman of the Board of Directors and Chief Executive Officer
Lewis B. Kaden <sup>1 2 3</sup>	74	April 2005	May 2017	Lead Independent Director
Vanisha Mittal Bhatia	36	December 2004	May 2019	Director
Narayanan Vaghul <sup>1 3</sup>	80	July 1997	May 2018	Director
Wilbur L. Ross <sup>1 3</sup>	79	April 2005	May 2018	Director
Jeannot Krecké	66	January 2010	May 2019	Director
Suzanne P. Nimocks <sup>2 3</sup>	57	January 2011	May 2019	Director
Bruno Lafont <sup>1 3</sup>	60	May 2011	May 2017	Director
Tye Burt <sup>2 3</sup>	59	May 2012	May 2018	Director
Michel Wurth	62	May 2014	May 2017	Director
Karyn Ovelmen <sup>1 3</sup>	53	May 2015	May 2018	Director
Karel de Gucht <sup>1 3</sup>	62	May 2016	May 2019	Director

<sup>1</sup> Member of the Audit & Risk Committee.

<sup>2</sup> Member of the Appointments, Remuneration and Corporate Governance Committee.

<sup>3</sup> Non-executive and independent director.

<sup>4</sup> Age as of December 31, 2016.

<sup>5</sup> Date of joining the Board of ArcelorMittal or, if prior to 2006, its predecessor Mittal Steel Company NV.

Mr. Antoine Spillmann stepped down from the Board in May 2016.

Anne van Ysendyck is the Group General Counsel and Company Secretary and, accordingly, acts as secretary of the Board of Directors.

**Lakshmi N Mittal**, 66, is the Chairman and Chief Executive Officer of ArcelorMittal. Mr. Mittal started his career in steel in 1976 by founding Ispat Indo, a company that is still held privately by the Mittal family. He founded Mittal Steel Company (formerly the LNM Group) in 1989 and guided its strategic development, culminating in the merger in 2006 with Arcelor, to form the world's largest steelmaker. He is widely recognized for the leading role he has played in restructuring the steel industry towards a more consolidated and globalized model. Mr. Mittal

is an active philanthropist and a member of various boards and trusts, including chairman of the board of Aperam and the boards of Goldman Sachs and Airbus N.V (previously EADS NV). He is a member of the Foreign Investment Council in Kazakhstan, the World Economic Forum's International Business Council and the World Steel Association's Executive Committee. He also sits on the Board of Trustees of Cleveland Clinic in the United States. Mr. Mittal began his career working in his family's steelmaking business in India, and has over 35 years of experience working in steel and related industries. In addition to spearheading the steel industry's consolidation, he championed the development of integrated mini-mills and the use of Direct Reduced Iron (DRI) as a scrap substitute for steelmaking. Following the merger of Ispat

International and LNM Holdings to form Mittal Steel in December 2004, with the simultaneous acquisition of International Steel Group, he led the formation of the world's steel producer at the time. In 2006, he orchestrated Mittal Steel and Arcelor's merger to form ArcelorMittal. Mr. Mittal then led a successful integration of two large entities to firmly establish ArcelorMittal as one of the foremost industrial companies in the world. The company continues to be the largest and most global steel manufacturer. More recently, Mr. Mittal has been leading ArcelorMittal's expansion of its mining business through significant brownfield and greenfield growth. In 1996, Mr. Mittal was awarded 'Steelmaker of the Year' by New Steel in the United States and in 1998 the 'Willy Korf Steel Vision Award' by World Steel Dynamics for outstanding

vision, entrepreneurship, leadership and success in global steel development. He was named Fortune magazine's 'European Businessman of the Year 2004'. Mr. Mittal was awarded 'Business Person of 2006' by the Sunday Times, 'International Newsmaker of the Year 2006' by Time Magazine and 'Person of the Year 2006' by the Financial Times for his outstanding business achievements. In January 2007, Mr. Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received in 2007 the Dwight D. Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the year. In January 2008, Mr. Mittal was awarded the Padma Vibhushan, India's second highest civilian honor, by the President of India. In September 2008, Mr. Mittal was chosen for the

third 'Forbes Lifetime Achievement Award', which honors heroes of entrepreneurial capitalism and free enterprise. In October 2010, he was awarded World Steel Association's medal in recognition of his services to the Association as its Chairman and also for his contribution to the sustainable development of the global steel industry. In January 2013, Mr. Mittal was awarded with a Doctor Honoris Causa by the AGH University of Science and Technology in Krakow, Poland. Mr. Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St. Xavier's College in Kolkata, India where he received a Bachelor of Commerce degree. Mr. Mittal is married to Usha Mittal. They have a son, Aditya Mittal, and a daughter, Vanisha Mittal Bhatia. Mr. Mittal is a citizen of India.

**Lewis B. Kaden**, 74, Lead Independent Director of ArcelorMittal, member of the Audit & Risk Committee and chairman of the Appointments, Remuneration and Corporate Governance Committee. He has approximately 40 years of experience in corporate governance, financial services, dispute resolution and economic policy. He is currently the John Harvey Gregory Lecturer on World Organization at Harvard University. Mr. Kaden was Vice Chairman of Citigroup between 2005 and 2013. Prior to that, he was a partner of the law firm Davis Polk & Wardwell, and served as Counsel to the Governor of New Jersey, as a Professor of Law at Columbia University and as director of Columbia University's Center for Law and Economic Studies. He has served as a director of Bethlehem Steel Corporation for ten years and is currently Chairman of the Board of Trustees of the Markle Foundation and Vice Chairman of the Board of Trustees of Asia Society. He is a member of the Council on Foreign Relations and of the Trilateral Commission being a moderator of the Business-Labor Dialogue. He is a Faculty Affiliate of the Moussavar - Rahmani Center on Business and Government at the Harvard Kennedy School of Government and Senior Fellow of the Program on Corporate Governance and the Center on the Legal Profession at Harvard Law School. Mr. Kaden is a citizen of the United States of America.

**Vanisha Mittal Bhatia**, 36, is a non-independent Director of ArcelorMittal. She was appointed as a member of the LNM Holdings Board of Directors in June 2004. Ms. Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004, where she worked in the Procurement department. She joined Aperam in April 2011 and is the Chief Strategy Officer. She has a Bachelor of Sciences from the European Business School. She is also the daughter of Mr. Lakshmi N. Mittal. Mrs. Mittal Bhatia is a citizen of India.

**Narayanan Vaghul**, 80, is a non-executive and independent Director of ArcelorMittal as well as the chairman of the Audit & Risk Committee. He has over 50 years of experience in the financial sector and was the Chairman of ICICI Bank Limited between 2002 and April 2009. Previously, he served as the Chairman of the Industrial Credit and Investment Corporation of India, a long-term credit development bank for 17 years and, prior to that, served as Chairman of the Bank of India and Executive Director of the Central Bank of India. He also served for brief periods as Consultant to the World Bank, the International Finance Corporation and the Asian Development Bank. Mr. Vaghul was also a visiting Professor at the Stern Business School at New York University and a Board member of Mahindra & Mahindra. Mr. Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a Board member of Wipro, Piramal Healthcare Limited and Apollo Hospitals. He was chosen as a Businessman of the Year in 1992 by Business India. He also received a Lifetime Achievement Award from the Economic Times. In 2009, he was awarded the Padma Bhushan, India's third highest civilian honor. Mr. Vaghul is a citizen of India.

**Wilbur L. Ross, Jr.**, 79, is a non-executive and independent Director of ArcelorMittal and a member of the Audit & Risk Committee. He is also the Chairman of Nexeo Solutions, Inc., a large global chemical and plastics distributor, which is listed on NASDAQ. He is Vice Chairman of the Bank of Cyprus which is listed

on the Cyprus and Athens Stock Exchanges and is a Director of Sun Bancorp (an "Over the Counter" - OTC entity), and of Exco, which is listed on the New York Stock Exchange. Mr. Ross has a number of non-profit affiliations. He is on the Board of the Yale School of Management and the Harvard Business School Dean's Advisory Board. Mr. Ross is Chairman of the Japan Society and of the Economic Studies Council of the Brookings Institution, of which he is also a Trustee. He is the President of the American Friends of the Magritte Museum and a member of the International Council of the Musée des Arts Décoratifs. He also is a Trustee of the Palm Beach Retirement Funds, the Palm Beach Preservation Foundation and the Palm Beach Civic Association. Mr. Ross is a citizen of the United States of America.

**Jeannot Krecké**, 66, is a non-executive and non-independent Director of ArcelorMittal. He started his university studies at the Université Libre de Bruxelles (ULB) in Belgium in 1969, from where he obtained a degree in physical and sports education. He decided in 1983 to change professional direction. His interests led him to retrain in economics, accounting and taxation. He enrolled in various courses, in particular in the United States. Following the legislative elections of June 13, 2004, Mr. Krecké was appointed Minister of the Economy and Foreign Trade of Luxembourg on July 13, 2004. Upon the return of the coalition government formed by the Christian Social Party (CSV) and the Luxembourg Socialist Workers' Party (LSAP) as a result of the legislative elections of June 7, 2009, Mr. Krecké retained the portfolio of Minister of the Economy and Foreign Trade on July 23, 2009. As of July 2004, Mr. Krecké represented the Luxembourg government at the Council of Ministers of the EU in the Internal Market and Industry sections of its Competitiveness configuration as well as in the Economic and Financial Affairs Council and in the Energy section of its Transport, Telecommunications and Energy configuration. He was also a member of the Eurogroup from July 2004 to June 2009. On

February 1, 2012, Mr. Krecké retired from government and decided to end his active political career in order to pursue a range of different projects. Mr. Krecké is currently the CEO of Key International Strategy Services. He is a member of the boards of JSFC Sistema, of East West United Bank, of China Construction Bank Europe, of Calzedonia Finanziaria S.A., Jan De Nul S.A. and Novenergia Holding Company S.A. Mr. Krecké is a citizen of Luxembourg.

**Suzanne P. Nimocks**, 57, is a non-executive and independent Director of ArcelorMittal and a member of the Appointments, Remuneration and Corporate Governance Committee. She was previously a director (senior partner) with McKinsey & Company, a global management consulting firm, from June 1999 to March 2010, and was with the firm in various other capacities beginning in 1989, including as a leader in the firm's Global Petroleum Practice, Electric Power & Natural Gas Practice, Organization Practice, and Risk Management Practice. Ms. Nimocks chaired the Environmental Committee of the Greater Houston Partnership, the primary advocate of Houston's business community, until December 31, 2010. She holds a Bachelor of Arts in Economics from Tufts University and a Masters in Business Administration from the Harvard Graduate School of Business. Ms. Nimocks is currently a board member for Encana Corporation, Rowan Companies Plc, and Owens Corning, all listed companies. Encana is a major natural gas exploration and production company, Rowan Companies provides drilling services for the oil and gas industry and Owens Corning is a manufacturer of building products. In the non-profit sector, she is a member of the board of directors of the Houston Zoo and serves as a Trustee of the Texas Children's Hospital. Mrs. Nimocks is a citizen of the United States of America.

**Bruno Lafont**, 60, is a non-executive and independent Director of ArcelorMittal and a member of the Audit & Risk Committee. He began his career at Lafarge in 1983 and has held

numerous positions in finance and international operations with the same company. In 1995, Mr. Lafont was appointed Group Executive Vice President, Finance, and, thereafter, Executive Vice President of the Gypsum Division in 1998. Mr. Lafont joined Lafarge's General Management as Chief Operating Officer between May 2003 and December 2005. Chief Executive Officer in January 2006, Bruno Lafont was appointed Chairman and Chief Executive Officer in May 2007. In July 2015, Bruno Lafont was appointed co-Chairman of the Board of Directors of LafargeHolcim and Honorary Chairman of Lafarge. Mr. Lafont presently chairs the Energy & Climate Change Working Group of the ERT (European Roundtable of Industrialists) and the Sustainable Development Commission of the MEDEF (Mouvement des Entreprises de France), the French Employers Association. He is a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD) and a Board member of the AFEP (French large companies association). He is also a Special Adviser to the Mayor of Chongqing (China) and a Board Member of EDF. Born in 1956, Mr. Lafont is a graduate from the Hautes Etudes Commerciales business school (HEC 1977, Paris) and the Ecole Nationale d'Administration (ENA 1982, Paris). Mr. Lafont is a citizen of France.

**Tye Burt**, 59, is a non-executive and independent Director of ArcelorMittal and a member of the Appointments, Remuneration and Corporate Governance Committee. He was appointed President and Chief Executive Officer of Kinross Gold Corporation in March 2005. He held this position until August 1, 2012. Kinross is listed on the New York Stock Exchange and the Toronto Stock Exchange. Mr. Burt was also a member of the board of directors of Kinross. Mr. Burt has broad experience in the global mining industry, specializing in corporate finance, business strategy and mergers and acquisitions. Prior to joining Kinross, he held the position of Vice Chairman and Executive Director of Corporate Development at Barrick Gold Corporation. He was President

of the Cartesian Capital Group from 2000 to 2002; Chairman of Deutsche Bank Canada and Deutsche Bank Securities Canada; Global Managing Director of Global Metals and Mining for Deutsche Bank AG from 1997 to 2000; and Managing Director and Co-Head of the Global Mining Group at BMO Nesbitt Burns from 1995 to 1997, holding various other positions at BMO Nesbitt Burns from 1986 to 1995. Mr. Burt is the Chairman of Urthecast Corp., a Canadian TSX-listed company in the aerospace technology business. The company is focused on the business of streaming color images of the Earth from a suite of the company-owned satellites. He is also the Chair and Principal at Carbon Arc Capital Investments Corp. and the Life Sciences Research Campaign Chair of the University of Guelph's Better Planet Project. Mr. Burt is a member of the Duke of Edinburgh's Award Charter for Business Board of Governors and is Vice-Chair of the Governors of the Royal Ontario Museum Foundation. He is a graduate of Osgoode Hall Law School, a member of the Law Society of Upper Canada, and he holds a Bachelor of Arts degree from the University of Guelph. Mr. Burt is a citizen of Canada.

**Michel Wurth**, 62, is a non-independent director of ArcelorMittal. He joined Arbed in 1979 and held a variety of functions before joining the Arbed Group Management Board and becoming its chief financial officer in 1996. The merger of Aceralia, Arbed and Usinor, leading to the creation of Arcelor in 2002, led to Mr. Wurth's appointment as senior executive vice president and CFO of Arcelor. He became a member of ArcelorMittal's Group Management Board in 2006, responsible for Flat Carbon Europe, Global R&D, Distribution Solutions and Long Carbon Worldwide, respectively. Michel Wurth retired from the GMB in April 2014 and was elected to ArcelorMittal's board of directors in May 2014. He holds a Law degree from the University of Grenoble, France, and a degree in Political Science from the Institut d'Études Politiques de Grenoble as well as a Master's of Economics from the London School of Economics,

UK. Michel Wurth is also doctor of laws honoris causa of the Sacred Heart University, Luxembourg. Michel Wurth has served as Chairman of the Luxembourg Chamber of Commerce since 2004. He is also non-executive Chairman of Paul Wurth S.A. and of BIP Investment Partners and non-executive Director of BGL BNP Paribas S.A., of SMS Group and of Brasserie Nationale. Paul Wurth S.A. is controlled by SMS Group, a leading equipment and engineering supplier for the steel and non-ferrous metal producing industry. BIP Investment Partners is a Luxembourg based company, mainly invested in private equity, BGL BNP Paribas is a Luxembourg bank, majority owned by BNP of France and Brasserie Nationale is a privately owned brewery based in Luxembourg. Mr. Wurth is a citizen of Luxembourg.

**Karyn Ovelmen**, 53, is a non-executive and independent director of ArcelorMittal and a member of the Audit & Risk Committee. She is the Executive Vice President and Chief Financial Officer of Flowserve, a leading provider of flow control products and services for the global infrastructure market, a position that she has held since June 2015. Most recently she also served as Chief Financial Officer and Executive Vice President of LyondellBasell Industries NV from 2011 to May 2015, as Executive Vice President and Chief Financial Officer of Petroplus Holdings AG from May 2006 to September 2010 and as Executive Vice President and Chief Financial Officer of Argus Services Corporation from 2005 to 2006. Prior to that, she was Vice President of External Reporting and Investor Relations for Premcor Refining Group Inc. She also spent 12 years with PricewaterhouseCoopers, primarily serving energy industry accounts. Mrs. Ovelmen holds a Bachelor of Arts degree from the University of Connecticut, USA, and is a Certified Public Accountant ("CPA"). Mrs. Ovelmen is a citizen of the United States of America.

**Mr. Karel de Gucht**, 62, is a non-executive and independent director and was the European Commissioner for Trade in the 2nd Barroso Commission (2010-

2014) and for Development and Humanitarian Aid in the 1st Barroso Commission (2009-2010). He was Minister of Foreign Affairs (2004-2009) and Vice Prime Minister (2008-2009) of Belgium. In addition, he was the Chairman in Office of the Organization for Security and Cooperation in Europe (OSCE) (2006) and Member of the Security Council of the United Nations (2007-2008). He is a Professor of Law at VUB (the Dutch-speaking Free University of Brussels), a member of the Advisory Board of CVC Capital Partners, a member of the board of directors of Proximus NV (Telecom) and the president of the Board of IES, the Brussels Institute of European Studies. Mr. de Gucht holds a Master of Law degree from the VUB. Mr. de Gucht is a Belgian citizen.

### Senior management

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

Name	Age <sup>1</sup>	Position
Lakshmi N. Mittal	66	Chairman and Chief Executive Officer of ArcelorMittal
Aditya Mittal	40	Chief Financial Officer of ArcelorMittal, Investor Relations, and Chief Executive Officer of ArcelorMittal Europe
Brian Aranha	61	Executive vice president, head of strategy, CTO, R&D, CCM, and global automotive
Henri Blaffart	61	Executive vice president, group head of HR and corporate services
Jefferson de Paula	58	Executive vice president, CEO ArcelorMittal South America Long
Robrecht Himpe	58	Executive vice president, president and CEO AM/NS Calvert, CEO ArcelorMittal North America
Geert Van Poelvoorde	51	Executive vice president, CEO ArcelorMittal Europe Flat
Simon C. Wandke	57	Executive vice president, CEO ArcelorMittal Mining

<sup>1</sup> Age as of December 31, 2016.

**Lakshmi N. Mittal** (See “–Board of Directors”).

**Aditya Mittal**, 40, Prior to the merger to create ArcelorMittal, Mr. Aditya Mittal held the position of President and Chief Financial Officer of Mittal Steel Company from October 2004 to 2006. He joined Mittal Steel in January 1997 and has held various finance and management roles within the company. In 1999, he was appointed Head of Mergers and Acquisitions for Mittal Steel. In this role, he led the company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. Besides M&A responsibilities, Aditya Mittal was involved in post-integration, turnaround and improvement strategies. As Chief Financial Officer of Mittal Steel, he also initiated and led Mittal Steel's offer for Arcelor to create the first 100 million tonnes plus steel company. He serves on the board of Aperam, is a board member of Hindustan Mittal Energy Limited (H MEL), is a Board member at the Wharton School and a Board member at Iconiq Capital. He is also a trustee at Brookings Institute and an alumni of the World Economic Forum Young Global Leader's Programme. Aditya Mittal holds a Bachelor's degree of Science in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania, United States. Mr. Aditya Mittal is the son of Mr. Lakshmi N. Mittal. Mr. Aditya Mittal is a citizen of India.

**Brian Aranha**, 61, is a member of the group management committee, an ArcelorMittal executive vice president, Head of Strategy, Chief Technology Officer,

R&D, Corporate Commercial and Marketing, and Global Automotive. He is also in charge of automotive joint ventures in China and India. He joined Dofasco in 1979 as a member of the company's research and development department. In 1989, he was appointed to the American Iron & Steel Institute (AISI) in Washington, D.C. and in 1991, he was part of a Canadian consortium, conducting a study for the World Bank on restructuring the Polish steel industry. In 1992, Mr. Aranha returned to Dofasco as project manager responsible for the delivery improvement team. In 1993, he was appointed general manager of quality systems and became purchasing assistant director in 1998. He took on the role of director of automotive business in 2001, a position that he held until being named vice president of commercial in 2003. Mr. Aranha took up additional responsibilities as vice president of NAFTA automotive, after integration into ArcelorMittal in 2007. He moved to Flat Carbon Europe in 2008 as chief marketing officer of industry and in 2009 became Chief Marketing Officer Flat Carbon Europe for all sales as well as head of Global Automotive. After a return to NAFTA in 2012, he was in charge of Commercial Integration and Global Automotive. He holds a Bachelor of applied sciences and engineering from the University of Toronto. Mr. Aranha is a citizen of Canada.

**Henri Blaffart**, 61, is a member of the group management committee. He was appointed head of corporate services (including currently communication, corporate responsibility, legal, capital goods, shipping and, IT) in January 2014, in addition to his role as head of human resources (HR)

for the Group, which he took on in April 2013. Before taking up his position at corporate level, Mr. Blaffart was head of HR for the Company's Flat Carbon Europe segment and a member of the segment management committee, a position he took up in April 2010. Previously he was CEO of ArcelorMittal Lorraine in France, having first been head of primary for the same operation. Mr. Blaffart joined the Cokerill Sambre group in 1982 in its construction business unit. He has held different positions in the Cokerill Sambre group, including CEO of operational units. After the merger between Usinor and Cokerill Sambre Group, he held a number of other positions in the company including R&D director for construction and CEO of the former Arcelor's research division. He is a civil engineer from the University of Liège and holds a masters degree in general management from the Ecole D'entreprise pour le Perfectionnement au Management in Belgium. Mr. Blaffart is a citizen of Belgium.

**Jefferson de Paula**, 58, is a member of the group management committee and joined the group in 1993 as general manager of Belgo Mineira's Vitória plant in Brazil. In 2001, he moved to Acindar in Argentina as executive industrial vice president, steel business. He was appointed industrial and commercial vice president of Acindar in 2006. In 2008, he joined Long Carbon Europe as head of sections, rails, piles and special sections operations, later becoming Chief Executive Officer of the Long Carbon Americas Business Unit South. In 2011, he was named Chief Executive Officer of Long Carbon Americas, a position which he held until his

most recent appointment. Mr. de Paula graduated in metallurgical engineering from the Universidade Federal Fluminense, holds a master's degree in financial business and marketing from Universidad Austral and has attended to senior executive business courses from Insead and Kellogg universities. In addition to his position in the Group, Mr. de Paula is the current President of Latin America's Steel Association (Alacero) and sits in the Board of Directors of Brazil's Steel Association (Aço Brasil) and in the Strategic Board of the Industry Federation of the State of Minas Gerais (FIEMG). Mr. de Paula is a citizen of Brazil.

**Robrecht Himpe**, 58, is a member of the group management committee and started his career at the Sidmar Gent hot strip mill in 1981, and became responsible for its cold rolling department in 1995. In 2001, he was appointed operational director of Bremen, before becoming operational director of Asturias in 2003. In 2006, he became vice president FCWE upstream and then chief operating officer in 2007. In 2008, he pursued his career as Chief Executive Officer of Flat Carbon Europe, before being appointed as head and safety and chief technology officer, positions he held until December 2015. In July 2016, he was appointed Chief Executive Officer of ArcelorMittal North America, a role he has been holding in addition to his responsibilities as President and Chief Executive Officer of AM/NS Calvert. Mr. Himpe is an electro-technical engineer and a graduate of the University of Ghent. Mr. Himpe is a citizen of Belgium.

**Geert Van Poelvoorde**, 51, is a member of the group management committee and started his career in 1989 as a project engineer at the Sidmar Gent hot strip mill, where he held several senior positions in the automation and process computer department. He moved to Stahlwerke Bremen in 1995 as senior project manager. Between 1998 and 2002, he headed a number of departments, and in 2003 he was appointed director of Stahlwerke Bremen, responsible for operations and engineering. In 2005, Mr. Van Poelvoorde returned to ArcelorMittal Gent to take up the position of Chief Operating Officer. In 2008, he became Chief Executive Officer of ArcelorMittal Gent with direct responsibility for primary operations. He was appointed Chief Executive Officer of the Business Division North within Flat Carbon Europe in 2009 and in January 2014, he was appointed Chief Executive Officer of Flat Carbon Europe and Purchasing. He graduated from the University of Ghent with a degree in civil engineering and electronics. Mr. Van Poelvoorde is a citizen of Belgium.

**Simon C. Wandke**, 57, is a member of the group management committee and he joined ArcelorMittal in January 2011 as chief commercial officer of ArcelorMittal Mining. He has over 30 years' experience in the mining and minerals industry, starting his career in 1981 at BHP Billiton, where he held positions in mines in Australia and Indonesia and other commercial offices globally until 2002. He then joined Destra Consulting Group as Partner before becoming Chief Marketing Officer for Ferrexpo plc in 2006 based in Hong Kong and Switzerland. Simon is a graduate of the Australian Institute of Company Directors with a diploma in Company Directorship. He also holds a graduate diploma in Corporate Finance from Swinburne University as well as a B.A., Psych, Marketing (Comm) from the University of Melbourne. Mr. Wandke is a citizen of Australia.

### Board practices/corporate governance

This section describes the corporate governance practices of ArcelorMittal for the year ended December 31, 2016.

#### *Board of Directors and senior management*

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

A number of corporate governance provisions in the Articles of Association of ArcelorMittal reflect provisions of the Memorandum of Understanding signed on June 25, 2006 (prior to Mittal Steel Company N.V.'s merger with Arcelor), amended in April 2008 and which mostly expired on August 1, 2009. For more information about the Memorandum of Understanding, see "Memorandum of Understanding".

ArcelorMittal fully complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. This is explained in more detail in "Other Corporate Governance practices" below. ArcelorMittal also complies with the New York Stock Exchange Listed Company Manual as applicable to foreign private issuers.

### Board of Directors

#### *Composition*

The Board of Directors is in charge of the overall governance and direction of ArcelorMittal. It is responsible for the performance of all acts of administration necessary or useful in furtherance of the corporate purpose of ArcelorMittal, except for matters reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board

of Directors is composed of a minimum of three and a maximum of 18 members, all of whom, except the CEO, must be non-executive directors. None of the members of the Board of Directors, except for the CEO, may hold an executive position or executive mandate within ArcelorMittal or any entity controlled by ArcelorMittal.

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

In 2016, the Board of Directors proposed Mr. Karel de Gucht to serve as a member of the ArcelorMittal Board of Directors, which was approved at the ArcelorMittal annual general shareholders' meeting held on May 4, 2016.

The Board of Directors is comprised of 12 members, of which 11 are non-executive directors and one is an executive director. The CEO of ArcelorMittal is the sole executive director.

Mr. Lakshmi N. Mittal was elected Chairman of the Board of Directors on May 13, 2008. Mr. Mittal is also ArcelorMittal's CEO. Mr. Mittal was re-elected to the Board of Directors for a three-year term at the annual general meeting of shareholders on May 8, 2014.

Eight of the 12 members of the Board of Directors are independent. The non-independent directors are Mr. Lakshmi N. Mittal, Ms. Vanisha Mittal Bhatia, Mr. Jeannot Krecké and Mr. Michel Wurth. A director is considered "independent" if:

(a) he or she is independent within the meaning of the New York Stock Exchange Listed Company Manual, as applicable to foreign private issuers,

(b) he or she is unaffiliated with any shareholder owning or controlling more than two percent of the total issued share capital of ArcelorMittal, and

(c) the Board of Directors makes an affirmative determination to this effect.

For these purposes, a person is deemed affiliated to a shareholder if he or she is an executive officer, a director who also is an employee, a general partner, a managing member or a controlling shareholder of such shareholder. The 10 Principles of Governance of the Luxembourg Stock Exchange, which constitute ArcelorMittal's domestic corporate governance code, require ArcelorMittal to define the independence criteria that apply to its directors, which are described in article 8.1 of its Articles of Association.

### Specific characteristics of the director role

The Company's Articles of Association do not require directors to be shareholders of the Company. The Board of Directors nevertheless adopted a share ownership policy on October 30, 2012, considering that it is in the best interests of all shareholders for all non-executive directors to acquire and hold a minimum number of ArcelorMittal ordinary shares in order to better align their long-term interests with those of ArcelorMittal's shareholders. The Board of Directors believes that this share ownership policy will result in a meaningful holding of ArcelorMittal shares by each non-executive director, while at the same time taking into account the fact that the share ownership requirement should not be excessive in order not to unnecessarily limit the pool of available candidates for appointment to the Board of Directors. Directly or indirectly, and as sole or joint beneficiary owner (e.g., with a spouse or minor children), within five years of the earlier of October 30, 2012 or the relevant person's election to

the Board of Directors, the Lead Independent Director should own a minimum of 15,000 ordinary shares and each other non-executive director should own a minimum of 10,000 ordinary shares. Each director will hold the shares acquired on the basis of this policy for so long as he or she serves on the Board of Directors. Directors purchasing shares in compliance with this policy must comply with the ArcelorMittal Insider Dealing Regulations and, in particular, and refrain from trading during any restricted period, including any such period that may apply immediately after the Director's departure from the Board of Directors for any reason.

On October 30, 2012, the Board of Directors also adopted a policy that places limitations on the terms of independent directors as well as the number of directorships. Directors may hold in order to align the Company's corporate governance practices with best practices in this area. The policy provides that an independent director may not serve on the Board of Directors for more than 12 consecutive years, although the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that he or she may continue to serve beyond the 12 years rule if the Board of Directors considers it to be in the best interest of the Company based on the contribution of the Director involved and the balance between the knowledge, skills, experience and need for renewal of the Board.

As membership of the Board of Directors represents a significant time commitment, the policy requires both executive and non-executive directors to devote sufficient time to the discharge of their duties as a director of ArcelorMittal. Directors are therefore required to consult with the Chairman and the Lead Independent Director before accepting any additional commitment that could conflict with or impact the time they can devote to their role as a Director of ArcelorMittal. Furthermore, a non-executive director may not serve on the boards of directors of more than four publicly listed companies in addition to the

ArcelorMittal Board of Directors. However, a non-executive Director's service on the board of directors of any subsidiary or affiliate of ArcelorMittal or of any non-publicly listed company is not taken into account for purposes of complying with the foregoing limitation.

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

None of the members of the Board of Directors, including the executive director, have entered into service contracts with ArcelorMittal or any of its subsidiaries that provide for any form of remuneration or for benefits upon the termination of their term. All non-executive Directors of the Company signed the Company's Appointment Letter, which confirms the conditions of their appointment by the General Meeting of the Shareholders including compliance with certain non-compete provisions, the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and the Company's Code of Business Conduct.

All members of the Board of Directors are required to sign the Company's Code of Business Conduct upon first joining the Board of Directors and confirm their adherence thereto on an annual basis thereafter.

The remuneration of the members of the Board of Directors is determined on a yearly basis by the annual general meeting of shareholders.

### Share transactions by management

In compliance with laws prohibiting insider dealing, the Board of Directors of ArcelorMittal has adopted insider dealing regulations, which apply throughout the ArcelorMittal group. These regulations are designed to ensure that insider information is treated appropriately within the Company and avoid insider dealing and market manipulation. Any breach of the rules set out in this procedure may lead to criminal or civil charges against the individuals involved, as well as disciplinary action by the Company.

### Shareholding requirement for non-executive directors

In consideration of corporate governance trends indicating that a reasonable amount of share ownership helps better align the interests of the directors with those of all shareholders, the Board of Directors adopted on October 30, 2012 share ownership guidelines for non-executive directors as described above under "Specific characteristics of the director role".

### Operation

#### General

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

#### Meetings

The Board of Directors meets when convened by the Chairman of the Board or any two members of the Board of Directors. The Board of Directors holds physical meetings at least on a quarterly basis as five regular meetings are scheduled per year. The Board of Directors holds additional meetings if and when circumstances require, in person or by teleconference and can take decisions by written circulation,

provided that all members of the Board of directors agree.

The Board of Directors held seven meetings in 2016. The average attendance rate of the directors at the Board of Directors' meetings was 93%.

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

Each director has one vote and none of the directors, including the Chairman, has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a validly constituted meeting, except for the decisions of the Board of Directors relating to the issue of any financial instruments carrying or potentially carrying a right to equity pursuant to the authorization conferred by article 5.5. of the Articles of Association, which shall be taken by a majority of two-thirds of the directors present or represented at a validly constituted meeting.

#### Lead Independent Director

In April 2008, the Board of Directors created the role of Lead Independent Director. His or her function is highlighted above.

Mr. 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 8, 2014.

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 2016.

#### *Annual self-evaluation*

The Board of Directors decided in 2008 to start conducting an annual self-evaluation of its functioning in order to identify potential areas for improvement. The first self-evaluation process was carried out in early 2009. The self-evaluation process includes structured interviews between the Lead Independent Director and each director and covers the overall performance of the Board of Directors, its relations with senior management, the performance of individual directors, and the performance of the committees. The process is supported by the Company Secretary under the supervision of the Chairman and the Lead Independent Director. The findings of the self-evaluation process are examined by the 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 2016 Board of Directors' self-evaluation was completed by the Board on February 8, 2017. The Board of Directors was of the opinion that it and the management had cooperated successfully during 2016 on important matters including operational and financial performance, the rights offering, the ongoing strengthening of the balance sheet, strategy, sustainability, labor relations and health and safety. The Board of

Directors reviewed the practical implementation of the governance structure and thought it was working well. The Board set new priorities for discussion and review and identified a number of topics that it wishes to spend additional time on in 2017.

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

#### *Required skills, experience and other personal characteristics*

Diverse skills, backgrounds, knowledge, experience, geographic location, nationalities and gender are required in order to effectively govern a global business the size of the Company's operations. The Board of Directors and its committees are therefore required to ensure that the Board has the right balance of skills, experience, independence and knowledge necessary to perform its role in accordance with the highest standards of governance.

The Company's directors must demonstrate unquestioned honesty and integrity, preparedness to question, challenge and critique constructively, and a willingness to understand and commit to the highest standards of governance. They must be committed to the collective decision-making process of the Board of Directors and must be able to debate issues openly and constructively, and question or challenge the opinions of others. Directors must also commit themselves to remain actively involved in Board decisions and apply strategic thought to matters at issue. They must be clear communicators and good listeners who actively contribute to the Board in a collegial manner. Each director must also ensure that no decision or action is taken that places his or her interests in front of the interests of the business.

Each director has an obligation to protect and advance the interests of the Company and must refrain from any conduct that would harm it.

In order to govern effectively, non-executive directors must have a clear understanding of the Company's strategy, and a thorough knowledge of the ArcelorMittal group and the industries in which it operates. Non-executive directors must be sufficiently familiar with the Company's core business to effectively contribute to the development of strategy and monitor performance.

With specific regard to the non-executive directors of the Company, the composition of the group of non-executive directors should be such that the combination of experience, knowledge and independence of its members allows the Board to fulfill its obligations towards the Company and other stakeholders in the best possible manner.

The ARCG Committee ensures that the Board of Directors is comprised of high-caliber individuals whose background, skills, experience and personal characteristics enhance the overall profile of the Board and meets its needs and diversity aspirations by nominating high quality candidates for election to the Board by the general meeting of shareholders.

#### *Board profile*

The key skills and experience of the directors, and the extent to which they are represented on the Board of Directors and its committees, are set out below. In summary, the non-executive directors contribute:

- international and operational experience;
- understanding of the industry sectors in which ArcelorMittal operates;
- knowledge of world capital markets and being a company listed in several jurisdictions; and
- an understanding of the health, safety, environmental, political and community challenges that ArcelorMittal faces.

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

#### *Renewal*

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

- considers the skills, backgrounds, knowledge, experience and diversity of geographic location, nationality and gender necessary to allow it to meet the corporate purpose;
- assesses the skills, backgrounds, knowledge, experience and diversity currently represented;
- identifies any inadequate representation of those attributes and agrees the process necessary to ensure a candidate is selected who brings them to the Board of Directors; and
- reviews how Board performance might be enhanced, both at an individual director level and for the Board as a whole.

The Board believes that orderly succession and renewal is achieved through careful planning and by continuously reviewing the composition of the Board.

When considering new appointments to the Board, the ARCG Committee oversees the preparation of a position specification that is provided to an independent recruitment firm retained to conduct a global search, taking into account, among other factors, geographic location, nationality and gender. In addition to the specific skills, knowledge and experience required of the candidate, the specification contains the criteria set out in the ArcelorMittal Board profile.

#### *Diversity*

In line with the worldwide effort to increase gender diversity on the boards of directors of listed and unlisted companies, the Board met its goal of increasing the number of women on the Board to at least three by the end of 2015 with the election of Mrs. Karyn Ovelmen in May 2015, based upon a Board of



Directors size of 12 members. The ArcelorMittal Board's diversity not only relates to gender, but also to the region, background and industry of its members.

#### *Director induction, training and development*

The Board considers that the development of the directors' knowledge of the Company, the steel-making and mining industries, and the markets in which the Company operates is an ongoing process. To further bolster the skills and knowledge of directors, the Company set up a continuous development program in 2009.

Upon his or her election, each new non-executive director undertakes an induction program specifically tailored to his or her needs and includes ArcelorMittal's long-term vision centered on the concept of "Safe Sustainable Steel".

The Board's development activities include the provision of regular updates to directors on each of the Company's products and markets. Non-executive directors may also participate in training programs designed to maximize the effectiveness of the directors throughout their tenure and link in with their individual performance evaluations. The training and development program may cover not only matters of a business nature, but also matters falling into the environmental, social and governance area.

Structured opportunities are provided to build knowledge through initiatives such as visits to plants and mine sites and business briefings provided at Board meetings. Non-executive directors also build their Company and industry knowledge through the involvement of the CEO Office and other senior employees in Board meetings. Business briefings, site visits and development sessions underpin and support the Board's work in monitoring and overseeing progress towards the corporate purpose of creating long-term shareholder value through the development of the ArcelorMittal business in steel and mining. The Company therefore continuously builds directors' knowledge to ensure that the Board remains up-

to-date with developments within the Company's segments, as well as developments in the markets in which the Company operates.

During the year, non-executive directors participated in the following activities:

- comprehensive business briefings intended to provide each director with a deeper understanding of the Company's activities, environment, key issues and strategy of the Company's segments. These briefings are provided to the Board of Directors by senior executives, including CEO Office members. The briefings provided during the course of 2016 covered health and safety processes, HR, legal, marketing, steel-making, strategy, mining and R&D. Certain business briefings were combined with site visits and thus took place on-site and, in other cases, they took place at Board meetings;
- briefing meetings with Company executives in charge of specific business segments or markets;
- site visits to plants and R&D centers; and
- development sessions on specific topics of relevance, such as health and safety, commodity markets, HR, investor relations, accounting, the world economy, changes in corporate governance standards, directors' duties and shareholder feedback.

The ARCG Committee oversees director training and development. This approach allows induction and learning opportunities to be tailored to the directors' committee memberships, as well as the Board of Director's specific areas of focus. In addition, this approach ensures a coordinated process in relation to succession planning, Board renewal, training, development and committee composition, all of which are relevant to the ARCG Committee's role in securing the supply of talent to the Board.

#### **Board of Directors committees**

The Board of Directors has two committees:

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

#### *Audit & Risk Committee*

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

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

- the identification and management of risks to which the ArcelorMittal group is exposed.

The Audit & Risk Committee must be composed solely of independent members of the Board of Directors. The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The Audit & Risk Committee comprises four to six members, all of whom must be independent under the company's corporate governance guidelines, the New York Stock Exchange (NYSE) standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Audit & Risk

Committee makes decisions by a simple majority with no member having a casting vote.

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

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

The Audit & Risk Committee currently consists of six members: Mr. Narayanan Vaghul (Chairman), Mr. Wilbur L. Ross, Mr. Lewis Kaden, Mr. Bruno Lafont, Mrs. Karyn Ovelmen and Mr. Karel de Gucht, each of whom is an independent director according to the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange. The Chairman of the Audit & Risk Committee is Mr. Vaghul.

According to its charter, the Audit & Risk Committee is required to meet at least four times a year. During 2016, the Audit & Risk Committee met seven times. The Audit & Risk Committee performs an annual self-evaluation and completed its 2016 self-evaluation on February 8, 2017. The charter of the Audit & Risk Committee is available from ArcelorMittal upon request.

#### *Appointments, Remuneration and Corporate Governance Committee*

The ARCG Committee is comprised of three directors, each of whom is independent under the New York Stock Exchange 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 CEO, the CFO and the members of the Management Committee;
- review and approve succession and contingency plans for key managerial positions at the level of 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-evaluation process;
- assess the roles of the Chairman and CEO and deliberate on the merits of the Board's leadership structure to ensure that the most efficient and appropriate structure is in place; and
- develop, monitor and review corporate governance principles and corporate responsibility policies applicable to ArcelorMittal, as well as their application in practice.

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 three members of the ARCG Committee are Mr. Lewis B. Kaden, Mrs. Suzanne P. Nimocks and Mr. Tye Burt, 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.

The ARCG Committee is required to meet at least twice a year. During 2016, this committee met six times.

The ARCG Committee performs an annual self-evaluation and

completed its 2016 self-evaluation on February 8, 2017.

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

#### Succession management

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

#### Other corporate governance practices

ArcelorMittal is committed to adhere to best practices in terms of corporate governance in its dealings with shareholders and aims to ensure good corporate governance by applying rules on

transparency, quality of reporting and the balance of powers. ArcelorMittal continually monitors U.S., EU and Luxembourg legal requirements and best practices in order to make adjustments to its corporate governance controls and procedures when necessary, as evidenced by the new policies adopted by the Board of Directors in 2012.

ArcelorMittal complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange in all respects. However, in respect of Recommendation 1.3 under the Principles, which advocates separating the roles of chairman of the board and the head of the executive management body, the Company has made a different choice. This is permitted, however, as, unlike the 10 Principles themselves with which ArcelorMittal must comply, the Recommendations are subject to a more flexible "comply or explain" standard.

The nomination of the same person to both positions was approved by the shareholders (with the Significant Shareholder abstaining). Since that date, the rationale for combining the positions of CEO and Chairman of the Board of Directors has become even more compelling. The Board of Directors is of the opinion that Mr. Mittal's strategic vision for the steel industry in general and for ArcelorMittal in particular in his role as CEO is a key asset to the Company, while the fact that he is fully aligned with the interests of the Company's shareholders means that he is uniquely positioned to lead the Board of Directors in his role as Chairman. The combination of these roles was revisited at the Annual General Meeting of Shareholders of the Company held in May 2014, when Mr. Lakshmi N. Mittal was reelected to the Board of Directors for another three year term by a strong majority.

#### Ethics and conflicts of interest

Ethics and conflicts of interest are governed by ArcelorMittal's Code of Business Conduct, which establishes the standards for ethical behavior that are to be followed by all employees and

directors of ArcelorMittal in the exercise of their duties. Each employee of ArcelorMittal is required to sign and acknowledge the Code of Conduct upon joining the Company. This also applies to the members of the Board of Directors of ArcelorMittal, who signed the Company's Appointment Letter in which they acknowledged their duties and obligations. Any new member of the Board of Directors must sign and acknowledge the Code of Conduct upon appointment.

Employees must always act in the best interests of ArcelorMittal and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to ArcelorMittal. Employees are prohibited from acquiring any financial or other interest in any business or 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. Employees are periodically trained about the Code of Business Conduct in each location where ArcelorMittal has operations. The Code of Business Conduct is available in the "Corporate Governance – Code of Business Conduct" section of ArcelorMittal's website at [www.arcelormittal.com](http://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 & Risk Committee.

#### *Process for Handling Complaints on Accounting Matters*

As part of the procedures of the Board of Directors for handling complaints or concerns about accounting, internal controls and auditing issues, ArcelorMittal's Anti-Fraud Policy and Code of Business Conduct encourage all employees to bring such issues to the Audit & Risk Committee's attention on a confidential basis. In accordance with ArcelorMittal's Anti-Fraud and Whistleblower Policy, concerns with regard to possible fraud or irregularities in accounting, auditing or banking matters or bribery within ArcelorMittal or any of its subsidiaries or other controlled entities may also be communicated through the "Corporate Governance - Whistleblower" section of the ArcelorMittal website at [www.arcelormittal.com](http://www.arcelormittal.com), where ArcelorMittal's Anti-Fraud Policy and Code of Business Conduct are also available in each of the main working languages used within the Group. In recent years, ArcelorMittal has implemented local whistleblowing facilities, as needed.

During 2016, there were 153 complaints received relating to alleged fraud, which were referred to and duly reviewed by the Company's Internal Assurance Department. Following review by the Audit & Risk Committee, none of these complaints was found to be significant.

#### *Internal assurance*

ArcelorMittal has an Internal Assurance function that, through its Head of Internal Assurance, reports to the Audit & Risk

Committee. The function is staffed by full-time professional staff located within each of the principal operating subsidiaries and at the corporate level. Recommendations and matters relating to internal control and processes are made by the Internal Assurance function and their implementation is regularly reviewed by the Audit & Risk Committee.

#### *Independent auditors*

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

#### *Measures to prevent insider dealing and market manipulation*

The Board of Directors of ArcelorMittal has adopted Insider Dealing Regulations ("IDR"), which are updated when necessary and in relation to which training is conducted throughout the Group. The IDR's most recent version has been updated in light of the new Market Abuse Regulation and is available on ArcelorMittal's website, [www.arcelormittal.com](http://www.arcelormittal.com).

The IDR apply to the worldwide operations of ArcelorMittal. The compliance and data protection officer of ArcelorMittal is also the IDR compliance officer and answers questions that members of senior management, the Board of Directors, or employees

may have about the IDR's interpretation. The IDR compliance officer maintains a list of insiders as required by the Luxembourg market manipulation (*abus de marché*) law of May 9, 2006, as amended. 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 to enhance the staff's awareness of the risks of sanctions applicable to insider dealing. The importance of the IDR was again underscored in the Group Policies and Procedures Manual in 2013.

## Compensation

### Board of Directors

#### *Directors' fees*

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

At the May 4, 2016 annual general meeting of shareholders, the shareholders approved the annual remuneration for non-executive directors for the 2015 financial year, based on the following annual fees:

- Basic director's remuneration: €144,000 (\$162,880);
- Lead Independent Director's remuneration: €204,000 (\$230,746);
- Additional remuneration for the Chair of the Audit & Risk Committee: €28,000 (\$31,671);
- Additional remuneration for the other Audit & Risk Committee members: €17,000 (\$19,229);
- Additional remuneration for the Chairs of the other committees: €16,000 (\$18,098); and
- Additional remuneration for the members of the other committees: €11,000 (\$12,464).

The total annual remuneration of the members of the Board of Directors paid in 2016 and 2015 was as follows:

Amounts in \$ thousands except Long-term incentives information)	Year ended December 31, 2016	Year ended December 31, 2015
Base salary <sup>1</sup>	\$1,550	\$1,746
Director fees	\$1,900	\$1,856
Short-term performance-related bonus <sup>1</sup>	-	\$1,910
Long-term incentives <sup>1,2</sup>	504,643	179,320

<sup>1</sup> Chairman and CEO only. Slight differences between the years are possible, due to foreign currency effects.

<sup>2</sup> See "Directors, senior management and employees - Compensation - Remuneration framework - Long-term incentives: Equity based incentives (Share Unit Plans)".

The annual remuneration paid for 2016 and 2015 to the current and former members of the Board of Directors for services in all capacities was as follows:

(Amounts in \$ thousands except share information)	2016 <sup>1</sup>	2015 <sup>1</sup>	2016 Short-term Performance Related	2015 Short-term Performance Related	2016 Long-term Number of PSUs	2015 Long-term Number of PSUs
Lakshmi N. Mittal	1,550	1,746	—	1,910	504,643	179,320
Vanisha Mittal Bhatia	153	160	—	—	—	—
Narayanan Vaghul	182	204	—	—	—	—
Suzanne P. Nimocks	164	184	—	—	—	—
Wilbur L. Ross, Jr.	171	180	—	—	—	—
Lewis B. Kaden	250	244	—	—	—	—
Bruno Lafont	171	180	—	—	—	—
Tye Burt	164	173	—	—	—	—
Antoine Spillmann <sup>2</sup>	55	198	—	—	—	—
Karen Ovelmen	171	—	—	—	—	—
Jeannot Krecké	153	173	—	—	—	—
Michel Wurth	153	160	—	—	—	—
Karel de Gucht <sup>2</sup>	114	—	—	—	—	—
<b>Total</b>	<b>3,450</b>	<b>3,602</b>	<b>—</b>	<b>1,910</b>	<b>504,643</b>	<b>179,320</b>

<sup>1</sup> Remuneration for non-executive Directors with respect to 2016 (subject to shareholder approval at the annual general meeting to be held on May 10, 2017) will be paid in 2017 and is included in the 2016 column. Remuneration for non-executive Directors with respect to 2015 (paid after shareholder approval at the annual general meeting held on May 4, 2016) is included in the 2015 column. Slight differences between the years are possible, due to foreign currency effects.

<sup>2</sup> Mr. de Gucht was elected to ArcelorMittal's Board of Directors on May 4, 2016 and Mr. Spillmann stepped down from the Board in May 2016.

As of December 31, 2016, ArcelorMittal did not have any loans or advances outstanding to members of its Board of Directors and ArcelorMittal had not given any guarantees in favor of any member of its Board of Directors.

None of the members of the Board of Directors, including the Chairman and CEO, benefit from an ArcelorMittal pension plan.

The policy of the Company is not to grant any share-based remuneration to members of the Board of Directors who are not executives of the Company.

The following tables provide a summary of the options and the exercise price of options and Performance Share Units ("PSUs") granted to the Chairman and CEO, who is the sole executive director on the Board of Directors, as of December 31, 2016.

	Options granted in 2010	Options granted in 2009	Options granted in 2008	Options granted in 2007	Options Total	Weighted Average Exercise Price of Options
Lakshmi N. Mittal	56,500	60,000	60,000	60,000	236,500	\$51.95
Exercise price <sup>1</sup>	\$30.66	\$36.38	\$78.44	\$61.09	—	\$51.95
Term (in years)	10	10	10	10	—	—
Expiration date	Aug. 3, 2020	Aug. 4, 2019	Aug. 5, 2018	Aug. 2, 2017	—	—

<sup>1</sup> 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.

	PSUs granted in 2016	PSUs granted in 2015	PSUs granted in 2014
Lakshmi N. Mittal	504,643	179,320	128,758
Term (in years)	3+2	3	3
Vesting date <sup>1</sup>	January 1, 2020 and January 1, 2021	June 30, 2018	June 27, 2017

<sup>1</sup> See "Directors, senior management and employees - Compensation - Remuneration framework - Long-term incentives: Equity based incentives (Share Unit Plans)", for vesting conditions.

The PSUs granted in 2013 and 2012 have not given right to receive ArcelorMittal shares at the end of the vesting period as the performance conditions set at the date of the grant have not been met.

#### Remuneration of senior management

The total remuneration paid in 2016 to members of ArcelorMittal's senior management listed in "Directors, senior management and employees - Directors and senior management" (including Mr. Lakshmi N. Mittal in his capacity as CEO) was \$10.5 million in base salary and other benefits paid in cash (such as health, other insurances, lunch allowances, financial services, gasoline and

car allowance) and \$2 million in short-term performance-related variable remuneration consisting of a bonus linked to the Company's 2015 results.

During 2016, approximately \$900,000 was accrued by ArcelorMittal to provide pension benefits to senior management (other than Mr. Mittal).

No loans or advances to ArcelorMittal's senior management were made during 2016, and no such loans or

advances were outstanding as of December 31, 2016.

The following table shows the remuneration received by the CEO, the CFO and the Executive Officers as determined by the ARCG Committee in relation to 2016 and by the CEO and the other GMB members (including the CFO) in relation to 2015, including all remuneration components.

(Amounts in \$ thousands except for Long-term incentives)	Chief Executive Officer		Chief Financial Officer and Executive Officers	Other GMB Members
	2016	2015	2016 <sup>5</sup>	2015
Base salary <sup>1</sup>	1,550	1,746	8,729	3,497
Retirement benefits	-	-	898	305
Other benefits <sup>2</sup>	42	40	225	101
Short-term incentives <sup>3</sup>	-	1,910	2,029	2,948
Long-term incentives - fair value in \$ thousands <sup>4</sup>	2,297	1,530	6,882	2,431
- number of share units	504,643	179,320	1,528,868	284,985

<sup>1</sup> The base salaries of the CEO and CFO have not been increased in 2016. In 2016, base salary also includes vacation, notice period and severance payments.

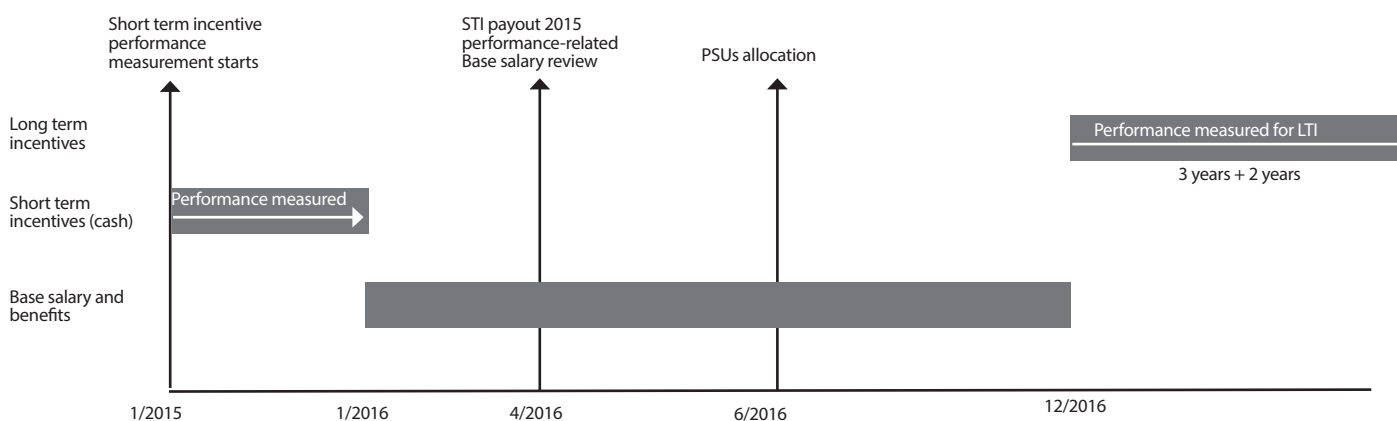
<sup>2</sup> Other benefits comprise benefits paid in cash such as health insurance and other insurances, lunch allowances, financial services, gasoline and car allowances.

<sup>3</sup> Short-term incentives are entirely performance-based and are fully paid in cash. The short-term incentive for a given year relates to the Company's results in the previous year.

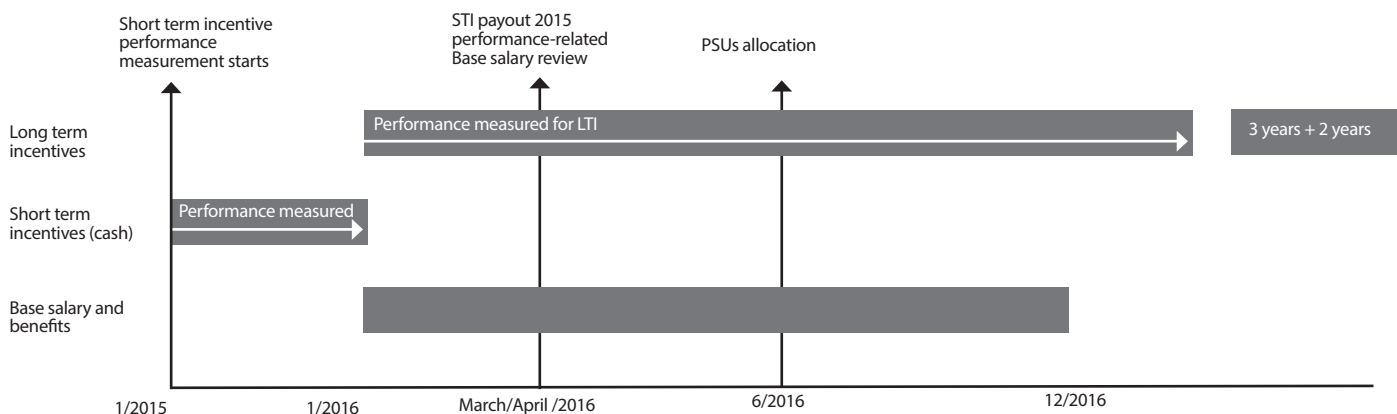
<sup>4</sup> Fair value determined at the grant date is recorded as an expense using the straight line method over the vesting period and adjusted for the effect of non-market based vesting conditions. The remuneration expenses recognized for the PSUs granted to the CEO and to the CFO and Executive Officers was \$2 million (net of reversal of expenses relating to unvested PSUs) for the year ended December 31, 2016. The remuneration expenses recognized for the RSUs/PSUs granted to the CEO and to the other GMB members was \$7 million for the year ended December 31, 2015.

<sup>5</sup> Jim Baske is included until June 30, 2016, Davinder Chugh is included until July 20, 2016 and Robrecht Himpe is included as from July 1, 2016.

The Company allocated 2016 remuneration according to the following timeline to the CEO and the CFO:



The Company allocated 2016 remuneration according to the following timeline to the Executive Officers:



### SOX 304 and clawback policy

Under Section 304 of the Sarbanes-Oxley Act, the SEC may seek to recover remuneration from the CEO and CFO of the Company in the event that it is required to restate accounting information due to any material misstatement thereof or as a result of misconduct in respect of a financial reporting requirement under the U.S. securities laws (the "SOX Clawback").

Under the SOX Clawback, the CEO and the CFO may have to reimburse ArcelorMittal for any bonus or other incentive- or equity-based remuneration received during the 12-month period following the first public issuance or filing with the SEC (whichever occurs first) of the relevant filing, and any profits realized from the sale of ArcelorMittal securities during that 12-month period.

The Board of Directors, through its ARCG Committee, decided in 2012 to adopt its own clawback policy (the "Clawback Policy") that applies to the members of the former GMB and to the Executive Vice President of Finance of ArcelorMittal. In 2016, the Clawback Policy was updated to reflect the Company's structural changes and now applies to the CEO Office and the Executive Officers.

The Clawback Policy comprises cash bonuses and any other incentive-based or equity-based remuneration, as well as profits from the sale of the Company's securities received during the 12-month period following the first public issuance or filing with the SEC (whichever first occurs) of the filing that contained the material misstatement of accounting information.

For purposes of determining whether the Clawback Policy should be applied, the Board of Directors will evaluate the circumstances giving rise to the restatement (in particular, whether there was any fraud or misconduct), determine when any such misconduct occurred and determine the amount of remuneration that should be recovered by the Company. In the event that the Board of Directors

determines that remuneration should be recovered, it may take appropriate action on behalf of the Company, including, but not limited to, demanding repayment or cancellation of cash bonuses, incentive-based or equity-based remuneration or any gains realized as the result of options being exercised or awarded or long-term incentives vesting. The Board may also choose to reduce future remuneration as a means of recovery.

### Remuneration policy

#### *Board oversight*

The Board is responsible for ensuring that the Group's remuneration arrangements are equitable and aligned with the long-term interests of the Company and its shareholders. It is therefore critical that the Board of Directors remain independent of management when making decisions affecting remuneration of the CEO, the CFO and the Executive Officers.

To this end, the Board of Directors has established the ARCG Committee to assist it in making decisions affecting employee remuneration. All members of the ARCG Committee are required to be independent under the Company's corporate governance guidelines, the NYSE standards and the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange.

The members are appointed by the Board of Directors each year after the annual general meeting of shareholders. The members have relevant expertise or experience relating to the purposes of the ARCG Committee. The ARCG Committee makes decisions by a simple majority with no member having a casting vote.

The ARCG Committee is chaired by Mr. Lewis Kaden, Lead Independent Director.

#### *Appointments, remuneration and corporate governance committee*

The primary function of the ARCG Committee is to assist the Board of Directors, among others with respect to the following:

- review and approve corporate goals and objectives relevant to the CEO Office and Executive Officers and other members of executive management as deemed appropriate by the committee regarding their remuneration, and assess performance against goals and objectives;
- make recommendations to the Board with respect to incentive remuneration plans and equity-based plans;
- identify candidates qualified to serve as members of the Board, the CEO Office and Executive Officers;
- recommend candidates to the Board for appointment by the general meeting of shareholders or for appointment by the Board to fulfill interim Board vacancies;
- develop, monitor and review corporate governance principles applicable to the Company;
- facilitate the evaluation of the Board;
- review the succession planning and the executive development of the members of the CEO Office and Executive Officers;
- submit proposals to the Board on the remuneration of the members of the CEO Office and Executive Officers, and on the appointment of new members thereto and new directors; and
- make recommendations to the Board of Directors in respect of the Company's framework of remuneration for the members of the CEO Office and Executive Officers and such other members of the executive management as designated by the committee. In making such recommendations, the committee may take into account factors that it deems necessary. This may include a member's total cost of employment (factoring in equity/long term incentives, any perquisites and benefits in kind and pension contributions).

The ARCG Committee met six times in 2016. Its members comprise Mr. Lewis Kaden (Chairman), Ms. Suzanne Nimocks

and Mr. Tye Burt. Regular invitees include Mr. Lakshmi N. Mittal (CEO and Chairman) and Mr. Henri Blaffart (Head of Group Human Resources and Corporate Services). Ms. Anne van Ysendyck (Company Secretary) acts as secretary. The relevant persons are not present when their remuneration is discussed by the ARCG Committee. The ARCG Committee Chairman presents its decisions and findings to the Board of Directors after each ARCG Committee meeting.

### Remuneration strategy

#### *Scope*

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

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

The remuneration philosophy and governing principles also apply, with certain limitations, to a wider group of employees including Executive Vice Presidents, Vice Presidents, General Managers and Managers.

#### *Remuneration philosophy*

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

- provide total remuneration competitive with executive remuneration 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 remuneration (base pay, bonus, and long term incentives) levels for senior managers at the 75th percentile of the market.

**Remuneration framework**

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

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

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

**Fixed annual salary**

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

**Short-term incentives**

*Annual performance bonus plan*

ArcelorMittal has a short-term incentive plan consisting of a performance-based bonus plan. Bonus calculations for each

employee reflect the performance of the ArcelorMittal group as a whole and /or the performance of the relevant business units, the achievement of objectives specific to the department and the individual employee's overall performance.

The calculation of ArcelorMittal's 2016 performance bonus is aligned with its strategic objectives of improving health and safety performance and overall competitiveness and the following principles:

- 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 120% of the performance measure 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 CEO and the CFO, the 2016 bonus formula is based on:

- Operating income plus depreciation, impairment expenses and exceptional items ("EBITDA") at the Group level: 60% (this acts as "circuit breaker" with respect to group-level financial performance measures as explained below);
- Free cash flow ("FCF") at the Group level: 20%; and
- Health and safety performance at the Group level: 20%.

EBITDA operating as a the "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 FCF performance measures.

For the CEO, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 100% of his base salary. For the CFO, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 80% of his base salary.

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

Performance below threshold will result in zero performance bonus payout.

For the Executive Officers, the 2016 bonus formula is based generally on the following as tailored for their respective positions:

- Operating income plus depreciation, impairment expenses and exceptional items ("EBITDA") at the Group, segment and / or Business unit level: this acts as the "circuit breaker" with respect to financial performance measures except for Mining where the Mining volume is the "circuit breaker";
- Free cash flow ("FCF") at the Group, segment and /or Business unit level;
- Health and safety performance; and
- Business specific measures.

For the Executive Officers, the performance bonus at 100% achievement of performance targets linked to the business plan is equal to 60% of their base salary.

The achievement level of performance for performance bonus for the CEO, the CFO and the Executive Officers is summarized as follow:

Functional level	Target achievement threshold @ 80%	Target achievement @ 100%	Target achievement ≥ ceiling @ 120%
Chief Executive Officer	50% of base pay	100% of base pay	150% of base pay
Chief Financial Officer	40% of base pay	80% of base pay	120% of base pay
Executive Officers	30% of base pay	60% of base pay	90% of base pay

Individual performance and 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 1.5

may cause the performance bonus pay-out to be higher than 150% of the target bonus, up to 225% of target bonus being the absolute maximum for the CEO. Similarly, a reduction factor will be applied for those at the lower end.

In exceptional cases, there are some entitlements to a retention bonus or a business specific bonus.

At the end of the financial year, achievement against the measures is assessed by the ARCG Committee and the Board and the short-term incentive award is determined. There were no payments made with respect to the 2015 Performance Bonus Plan for the 2015 senior management (CEO and other GMB members).

The 2015 Performance Bonus with respect to the Executive Officers was paid out in March/April 2016. The business bonus multipliers for the Executive Officers were between 0 and 1.17 (with an average of 0.57) depending on their business performance.

### Other benefits

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

### Long-term incentives: equity-based incentives (share unit plans)

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

The maximum number of PSUs (and RSUs previously) available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting. The annual shareholders' meeting on May 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders'

meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined.

### ArcelorMittal equity incentive plan

**RSUs.** RSUs granted under the ArcelorMittal Equity Incentive Plan are designed to provide a retention incentive to eligible employees. RSUs are subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the Group. RSUs were an integral part of the Company's remuneration framework. Between 500 and 700 of the Group's most senior managers were eligible for RSUs.

See note 7.3 to the consolidated financial statements for amounts of RSUs granted.

**PSUs.** The grant of PSUs under the ArcelorMittal Equity Incentive Plan aims to serve as an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards in connection with PSUs are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The target group for PSU grants initially included the CEO and the other GMB members. However, from 2013 onwards, the CEO and other GMB members (and in 2016, the CEO Office) received PSU grants only under the GMB PSU Plan instead of the ArcelorMittal Equity Incentive Plan (see "GMB PSU Plan").

See note 7.3 to the consolidated financial statements for amounts of PSUs granted.

PSUs 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 a strategic measure which was

total cost of employment (in U.S. dollars per tonne) for the steel business (TCOE) and the mining volume plan and ROCE for the Mining segment until the 2013 grant. As from 2014, most of the steel business units have kept only ROCE as a performance measure and the Mining segment continued with ROCE and mining volume plan. In case the level of achievement of performance is below the threshold, there is no vesting, and the rights are automatically forfeited.

In 2016, in order to ensure achievement of the Action 2020, ArcelorMittal made a special grant ("Special Grant") to qualifying employees (including the Executive Officers), instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment within the ArcelorMittal group and to yearly performance of ROCE targets and other strategic objectives within the business units. The Special Grant has been split into two parts: a target grant which will vest if the performance is at target and an over-performance grant which will vest if the performance is at 120% or above. Any PSU gives the right to a maximum of one ArcelorMittal Share at vesting.

The Special Grant provides for vesting in two parts:

- 50% would vest after three years (in 2019) and
- 50% would vest after five years (in 2021).

The allocation of PSUs to eligible employees under ArcelorMittal Equity Incentive Plan has been reviewed by the ARCG Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Committee has also decided the criteria for granting PSUs and made its recommendation to the Board of Directors. These criteria are based on the principle of rewarding for performance upon the achievement of clear

and measurable metrics for shareholder value creation.

### PSU plan for CEO Office (formally GMB PSU Plan)

The GMB PSU Plan was designed to enhance the long-term performance of the Company and align the members of the GMB to the Company's objectives. The GMB PSU Plan is now applicable to the CEO Office. This PSU Plan complements ArcelorMittal's existing program of annual performance-related bonuses which is the Company's reward system for short-term performance and achievements. The main objective of this PSU Plan is to be an effective performance-enhancing scheme for members based on the achievement of ArcelorMittal's strategy aimed at creating a measurable long-term shareholder value.

The members of the CEO Office will be eligible for PSU grants. This PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant CEO Office member continues to be actively employed by the ArcelorMittal group on that date. If the CEO Office member is retired on that date or in case of an early retirement by mutual consent, the relevant CEO Office member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the ARCG Committee of the Board of Directors. Awards under this PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The value of the grant at grant date will equal one year of base salary for the CEO and 80% of base salary for the other CEO Office members. Each PSU may give the right to up to two shares of the Company in 2013, and each PSU from the 2014 grant may convey the right to up to one and a half shares.

See note 7.3 to the consolidated financial statements for amounts of PSUs granted under this plan.

In order to ensure achievement of the Action 2020 specifically by the CEO Office, ArcelorMittal made a



special grant in 2016 instead of the standard grant. The value of this special grant at grant date equaled -150% of the base salary for the CEO Office members.

According to this special grant, each member of the CEO Office was eligible for PSU grants under the PSU plan for CEO Office.

Awards under the Special Grant are subject to the fulfillment of cumulative performance criteria: 50% would vest after three years (in 2020) and 50% would vest after five years (in 2022). 50% of the PSUs granted to each member of the CEO Office is eligible to vest based on the Company's Total Shareholder Return ("TSR") defined as the share price at the end of period minus the share price at start of period plus any dividend paid divided by the share price at the start of the period. "Start of period" and "end of period" will be defined by the ARCG Committee of the Board of Directors. The TSR will then be compared with the TSR of a peer group of companies and the TSR of the companies forming the S&P 500 index, each counting for half of the weighting.

- For 25% of the PSUs, performance is compared to the peer group. The percentage of PSUs vesting will be 50% for achieving 100% of the median TSR and 100% for achieving

120% of the median TSR. None of the PSUs will vest if the Company's TSR performance is below 100% of that of the peer group.

- For 25% of the PSUs, performance is compared to the median of the S&P 500 companies. The percentage of PSUs vesting will be 50% for achieving performance equal to 100% of the index performance of the S&P 500 companies and 100% for achieving a performance 2% better than the index per annum over performance. None of the PSUs will vest if the Company's TSR performance is below 100% of index performance of the S&P 500 companies.

The other 50% of the criteria to be met to trigger vesting of the PSUs is based on the development of Earnings Per Share (EPS), defined as the amount of earnings per share outstanding compared to a peer group of companies. The percentage of PSUs vesting will be 50% for achievement of 100% of the median EPS, 100% for achieving 120% of the median EPS.

The allocation of PSUs to eligible CEO Office members is reviewed by the ARCG Committee of the Board of Directors, which is comprised of three independent directors, and which makes a proposal and recommendation

to the Board of Directors. The vesting criteria of the PSUs are also monitored by the ARCG Committee.

For further detail on the stock option plan, RSU Plan and PSU plan, including the total number of shares outstanding, fair value, and exercise prices, please see note 7.3 to the consolidated financial statements.

#### Global Stock Option Plan

Prior to the May 2011 annual general shareholders' meeting adoption of the ArcelorMittal Equity Incentive Plan described below, ArcelorMittal's equity-based incentive plan took the form of a stock option plan known as the Global Stock Option Plan. For further detail on the stock option plan, including the total number of options outstanding, exercise prices and maturity dates, please see note 7.3 to the consolidated financial statements.

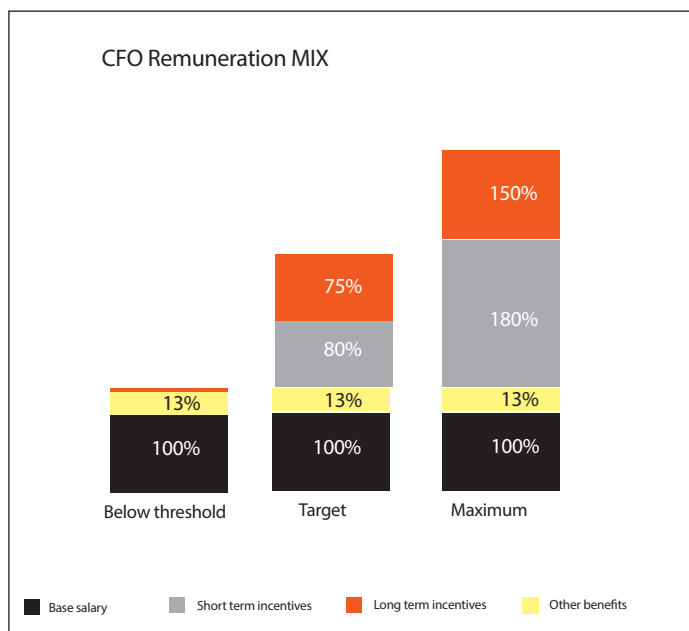
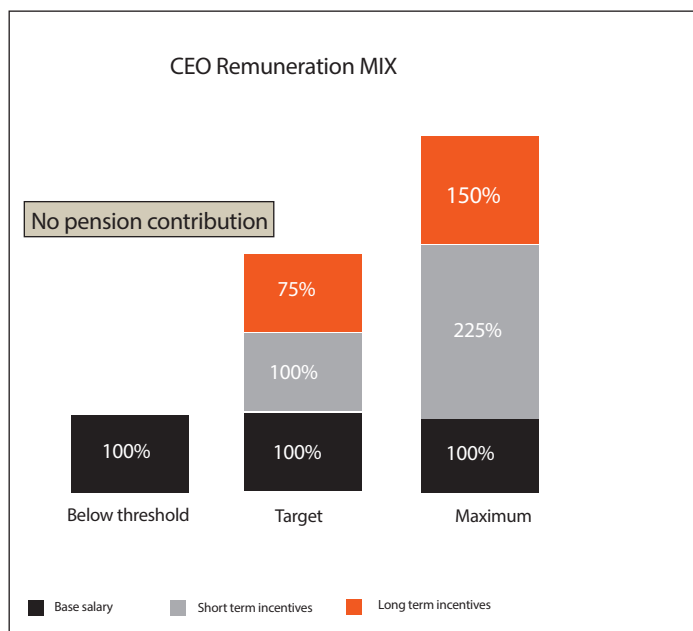
#### Performance consideration

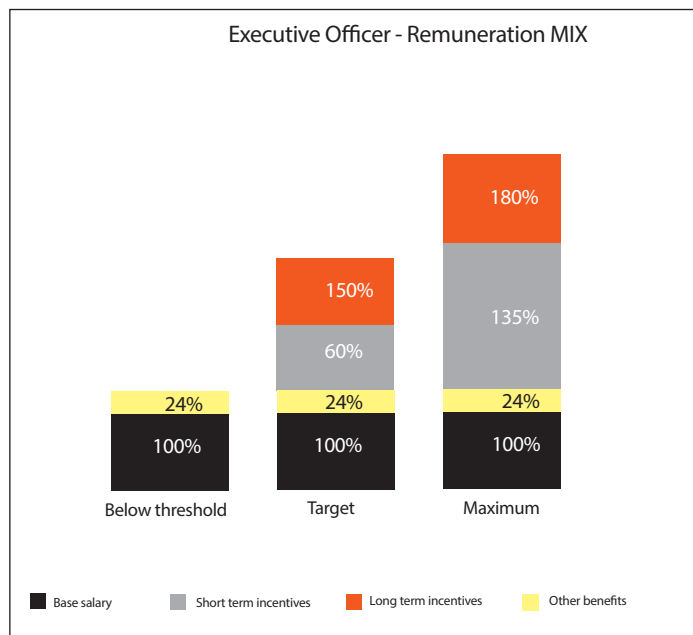
#### Remuneration mix

The target total remuneration of the CEO and the CFO is structured to attract and retain executives; the amount of the remuneration actually received is dependent on the achievement of superior business and individual

performance and on generating sustained shareholder value from relative performance.

The following remuneration charts, which illustrate the various elements of compensation of the CEO, the CFO and the Executive Officers are applicable for 2016. For each of the charts below, the columns on the left, middle and on the right, respectively, reflect the breakdown of compensation if targets are not met, met and exceeded.





## Major shareholders and related party transactions

### Major shareholders

The following table sets out information as of December 31, 2016 with respect to the beneficial ownership of ArcelorMittal ordinary shares by each person who is known to be the beneficial owner of more than 5% of the shares and all directors and senior management as a group.

	ArcelorMittal Ordinary Shares <sup>1</sup>	
	Number	%
Significant Shareholder <sup>2</sup>	1,146,687,339	37.40
Treasury Shares <sup>3</sup>	7,222,439	0.24
Other Public Shareholders <sup>4</sup>	1,911,801,091	62.36
Total	3,065,710,869	100.00
Of which: Directors and Senior Management <sup>5</sup>	2,072,445	0.07

<sup>1</sup> For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any ArcelorMittal ordinary shares as of a given date on which such person or group of persons has the right to acquire such shares within 60 days after December 31, 2016 upon exercise of vested portions of stock options. All stock options that have been granted to date by ArcelorMittal have vested.

<sup>2</sup> For purposes of this table, ordinary shares owned directly by Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, and options held directly by Mr. Lakshmi Mittal, are aggregated with those ordinary shares beneficially owned by the Significant Shareholder. At December 31, 2016, Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, had direct ownership of ArcelorMittal ordinary shares and indirect ownership, through the Significant Shareholder, of two holding companies that own ArcelorMittal ordinary shares—Nuavam Investments S.à r.l. ("Nuavam") and Lumen Investments S.à r.l. ("Lumen"). Nuavam, a limited liability company organized under the laws of Luxembourg, was the owner of 190,975,045 ArcelorMittal ordinary shares. Lumen, a limited liability company organized under the laws of Luxembourg, was the owner of 954,864,984 ArcelorMittal ordinary shares. Mr. Mittal was the direct owner of 534,310 ArcelorMittal ordinary shares and held options to acquire an additional 236,500 ArcelorMittal ordinary shares, all of which are, for the purposes of this table, deemed to be beneficially owned by Mr. Mittal due to the fact that these options are exercisable within 60 days. Mrs. Mittal was the direct owner of 76,500 ArcelorMittal ordinary shares. Mr. Mittal, Mrs. Mittal and the Significant Shareholder shared indirect beneficial ownership of 100% of each of Nuavam and Lumen (within the meaning set forth in Rule 13d-3 of the Exchange Act). Accordingly, Mr. Mittal was the beneficial owner of 1,146,610,839 ArcelorMittal ordinary shares, Mrs. Mittal was the beneficial owner of 1,145,916,529 ordinary shares and the Significant Shareholder (when aggregated with ordinary shares of ArcelorMittal and options to acquire ordinary shares of ArcelorMittal held directly by Mr. and Mrs. Mittal) was the beneficial owner of 1,146,687,339 ordinary shares. Excluding options, Mr. Lakshmi Mittal and Mrs. Usha Mittal together beneficially owned 1,146,450,839 ArcelorMittal ordinary shares at such date. As of December 31, 2015 and 2014, the Significant Shareholder held 39.39% of the Company's ordinary shares.

<sup>3</sup> Represents ArcelorMittal ordinary 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; includes (1) 965,935 stock options that can be exercised by senior management (other than Mr. Mittal) and (2) 236,500 stock options that can be exercised by Mr. Mittal, in each case within 60 days of December 31, 2016, i.e. 0.04% of the total amount of outstanding shares. If exercised, the shares underlying these options will either have to be delivered out of Treasury shares or by the issuance of additional shares.

<sup>4</sup> The Capital Group Companies Inc.'s shareholding increased to 168,541,781 shares, corresponding to an interest of 5.49% on April 11, 2016 and subsequently decreased to 147,321,072 on January 25, 2017, corresponding to an interest of 4.8%.

<sup>5</sup> Includes shares beneficially owned by directors and members of senior management; excludes shares beneficially owned by Mr. Mittal. Note that (i) stock options included in that are exercisable within 60 days are excluded from "Treasury Shares" above (see also note 3 above) and (ii) ordinary shares are included in "Other Public Shareholders" above.

Aditya Mittal is the direct owner of 146,846 ArcelorMittal ordinary shares and holds options to acquire an additional 189,200 ArcelorMittal ordinary shares, together representing less than 0.1% of the ArcelorMittal ordinary shares outstanding. Aditya Mittal holds a total of 617,626 PSU's of which 84,694 may vest in June 2017, 117,964 may vest in June 2018 and 414,968 of which 50% may vest after 3 years in 2020 and 50% may vest after five years in 2022. As the vesting of PSU's is dependent on company performance criteria not fully within the control of the PSU holder, Aditya Mittal does not beneficially own ArcelorMittal ordinary shares by virtue of his ownership of the PSU's. Aditya Mittal is the son of Mr. Mittal and Mrs. Mittal and Group CFO and CEO ArcelorMittal Europe. Vanisha Mittal Bhatia is the direct owner of 25,500 ArcelorMittal ordinary shares, representing less than 0.1% of the ArcelorMittal ordinary shares outstanding. Vanisha Mittal Bhatia is the daughter of Mr. Mittal and Mrs. Mittal and a member of the Company's Board of Directors.

On January 16, 2013, ArcelorMittal issued \$2.25 billion aggregate principal amount of its 6% Mandatorily Convertible Notes due 2016, of which Lumen subscribed for \$300 million in principal amount.

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

Following Company's equity offering authorized by the EGM which closed on April 8, 2016, the Company's issued share capital was increased from 1,803,359,338 ordinary shares to 3,065,710,869 ordinary shares.

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

- a. ArcelorMittal Registry Shares, which are registered directly on ArcelorMittal's Luxembourg shareholder register,
- b. shares traded on Euronext Amsterdam, Euronext Paris, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges, which are held in Euroclear, or
- c. shares traded on the NYSE, named New York Registry Shares, which are registered (including in the name of the nominee of DTC) in a register kept by or on behalf of ArcelorMittal by its New York transfer agent.

Under Luxembourg law, the ownership of registered shares is evidenced by the inscription

of the name of the shareholder, the number of shares held by such shareholder and the amount paid up on each share in the shareholder register of ArcelorMittal.

At December 31, 2016, 2,349 shareholders other than the Significant Shareholder, holding an aggregate of 48,144,813 ArcelorMittal ordinary shares were registered in ArcelorMittal's shareholder register, representing approximately 1.57% of the ordinary shares issued (including treasury shares).

At December 31, 2016, there were 219 registered shareholders holding an aggregate of 221,176,196 New York Shares, representing approximately 7.21% of the ordinary shares issued (including treasury shares). ArcelorMittal's knowledge of the number of New York Shares held by U.S. holders is based solely on the records of its New York transfer agent regarding registered ArcelorMittal ordinary shares.

At December 31, 2016, 1,682,467,041 ArcelorMittal ordinary shares were held through the Euroclear/Iberclear clearing system in the Netherlands, France, Luxembourg and Spain.

#### *Voting rights*

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

#### **Related Party Transactions**

ArcelorMittal engages in certain commercial and financial transactions with related parties, including associates and joint ventures of ArcelorMittal. Please refer to note 11 of ArcelorMittal's consolidated financial statements.

#### *Shareholder's Agreement*

The Significant Shareholder, a holding company owned 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. By its terms, the Shareholder's Agreement may not be amended, other than for manifest error, except by approval of a majority of ArcelorMittal's shareholders (other than the Significant Shareholder and certain permitted transferees) at a general shareholders' meeting.

#### *Memorandum of Understanding*

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

#### *Acquisition of ordinary shares and mandatorily convertible notes in the January 2013 offering of such securities by ArcelorMittal, and entry into the Lock-Up Letter and Share Lending Agreement in connection therewith*

ArcelorMittal issued 104,477,612 ordinary shares in an offering that closed on January 14, 2013 (the "Share Offering") and issued \$2,250,000,000 aggregate principal amount of 6.00% Mandatorily Convertible Subordinated Notes due 2016 (the "MCNs" or each a "Note") in an offering that closed on January 16, 2013. Lumen subscribed for 17,910,448 ordinary shares in the Share Offering and acquired \$300 million in principal amount of MCNs. The underwriting agreement entered into in connection with such offerings provided as a closing condition that Lumen and Nuavam each execute a lock-up letter whereby they would each agree not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of, directly or

indirectly, any ordinary shares, the acquired MCNs or other securities exchangeable for or convertible into ordinary shares owned by them for a period of at least 180 days from January 9, 2013, subject to certain limited exceptions or the prior written consent of the representatives. In connection with the Share Offering and the offering of the MCNs, ArcelorMittal entered into a share lending agreement with Lumen on January 9, 2013, pursuant to which Lumen agreed to make available for borrowing by ArcelorMittal up to a maximum amount of 48.9 million ordinary shares in exchange for a loan fee of \$0.00046 per lent ordinary share, accruing daily from and including the date on which the loaned ordinary shares were delivered to the borrower to, but excluding, the date of return of the borrowed ordinary shares. Under the share lending agreement, deliveries of the loaned shares by Lumen was to occur on the dates an equal number of ordinary shares were required to be delivered by ArcelorMittal pursuant to the terms of the MCNs. The share lending agreement provided that ArcelorMittal could terminate all or any portion of any loan made there under at any time and that all outstanding loans would terminate on the date which was three business days after the date on which a general meeting of shareholders of ArcelorMittal had approved a resolution approving sufficient authorized share capital and authorizing the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Under the share lending agreement, Lumen had no rights (including voting or disposition rights) with respect to any ordinary shares that had been loaned to ArcelorMittal and not yet returned to Lumen. Subject to this condition being met, it was expected that any ordinary shares to be delivered by ArcelorMittal to Lumen upon termination of the loan(s) would be newly issued ordinary shares issued in favor of Lumen (with a cancellation of the shareholders' preferential subscription right). The extraordinary general meeting of shareholders of ArcelorMittal that took place on May 8, 2013

(the "May 2013 EGM") approved sufficient authorized share capital and authorized the Board of Directors of the Company to cancel the preferential subscription right of existing shareholders to allow return to Lumen of all borrowed ordinary shares. Accordingly, the share lending agreement with Lumen was terminated three business days after the date of the May 2013 EGM. On January 15, 2016, upon final maturity of the MCNs, the remaining outstanding 88,182,131 Notes were converted into 137,967,116 new ordinary shares of ArcelorMittal (including Lumen Investments Sàrl's allotment). Following this issuance, the share capital of ArcelorMittal amounted to EUR 7,453,441,006.98 represented by 1,803,359,338 Shares. For the 1,817,869 Notes previously converted at the option of their holders, ArcelorMittal delivered a total of 2,275,026 treasury shares.

*Acquisition of ordinary shares of ArcelorMittal by way of a non-statutory preferential subscription rights (the "equity offering") to holders of its existing ordinary shares to subscribe for an aggregate of up to 1,262,351,531 newly-issued ordinary shares of ArcelorMittal (the "New Shares") and entry into the lock-up agreements in connection therewith.*

On February 5, 2016, ArcelorMittal announced a proposed capital increase of approximately \$3 billion subject to shareholder approval by way of a rights issue structured as non-statutory preferential subscription rights for ArcelorMittal shareholders. The Significant Shareholder committed to take up its pro-rata entitlement corresponding to approximately \$1.1 billion.

ArcelorMittal entered into a standby underwriting commitment with three banks acting as joint global coordinators, pursuant to which the latter undertook to underwrite the capital increase for the remaining amount, subject to customary conditions. As the subscription price was denominated in euros, the capital increase amount corresponded to the euro equivalent of \$3 billion upon the

rights offering launch. The actual amount of the capital increase in USD depended on the exchange rate at closing. The Significant Shareholder agreed with the underwriters that it would not, (and would not announce the intention to) without the prior consent of the three banks on behalf of the underwriters until (a) 180 days following the settlement of the equity offering or (b) if the underwriting agreement terminated prior to such date, the date of such termination, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any ordinary shares of ArcelorMittal, or any options or warrants to purchase any ordinary shares of ArcelorMittal, or any securities convertible into, exchangeable for or that represent the right to receive ordinary shares of ArcelorMittal, whether now owned or hereinafter acquired, whether owned directly (including holding as a custodian) or through beneficial ownership, subject to certain exceptions.

An extraordinary general meeting of shareholders was held on March 10, 2016 (the "EGM") in order to approve certain matters in connection with ArcelorMittal's announced intention to increase its capital through an equity offering. Among other things, the proposals to be voted on included a reduction of the par value per share to €0.10 and an increase in the authorized share capital to €3,199,585,721.30. Both resolutions were approved by the EGM.

Following the EGM held on March 10, 2016, when the final terms of the rights issuance were defined, the Company decided, in accordance with its risk management policies, to hedge part of its foreign exchange exposure arising from the euro denominated proceeds of the rights issuance. Accordingly, on March 10, 2016, the Company entered into currency forward transactions with a credit institution to sell euro and buy U.S. dollar at an amount of €1 billion. The transactions settled on March 30, 2016. In parallel, the commitment by the Significant Shareholder to

exercise its rights under the euro-denominated rights issuance gave rise to a foreign exchange exposure opposite to the one of the Company. Accordingly, on the same date, the Significant Shareholder entered into currency forward transactions, with the same credit institution as the Company, to hedge its foreign exchange exposure arising from potential fluctuations in the USD/euro exchange rate. The transactions, which consisted of buying euro and selling U.S. dollar at an amount of €1 billion, settled on March 30, 2016.

On April 8, 2016, ArcelorMittal completed the equity offering with net proceeds of \$3.1 billion. New shares of 1,262,351,531 were issued at a subscription price of €2.20 per New Share. The Significant Shareholder exercised its rights for New Shares pro rata to its shareholding of 37.38%. Following the equity offering, ArcelorMittal's issued share capital consists of 3,065,710,869 shares without nominal value.

#### *Agreements with Aperam SA post-Stainless Steel Spin-Off*

In connection with the spin-off of its stainless steel division into a separately focused company, Aperam SA ("Aperam"), which was completed on January 25, 2011, ArcelorMittal entered into several agreements with Aperam and/or certain Aperam subsidiaries. These agreements include a Master Transitional Services Agreement dated January 25, 2011 (the "Transitional Services Agreement") for support for/from corporate activities, a purchasing services agreement for negotiation services from ArcelorMittal Purchasing (the "Purchasing Services Agreement"), a sourcing services agreement for negotiation services from ArcelorMittal Sourcing (the "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.

The Transitional Services Agreement between ArcelorMittal

and Aperam expired at year-end 2012. The parties agreed to renew a limited number of services where expertise and bargaining power created value for each party. ArcelorMittal will continue to provide certain services in 2017 relating to areas including environmental and technical support and the administration of the shareholders register.

In the area of research and development, Aperam entered into a frame arrangement with ArcelorMittal to establish a structure for future cooperation in relation to certain ongoing or new research and development programs. Currently, only limited research and development support for existing projects are implemented through the agreement, but new collaborative endeavors are foreseen in 2017.

The purchasing and sourcing of raw materials generally were not covered by the Transitional Services Agreement. Aperam is responsible for the sourcing of its key raw materials, including nickel, chromium, molybdenum and stainless steel scrap. However, under the terms of the 2011 Purchasing Services Agreement, Aperam still relies on ArcelorMittal for services in relation to the negotiation of certain contracts with global or large regional suppliers, including those relating to the following key categories: operating materials (rolls, electrodes and refractory materials), spare parts, industrial products and services. The Purchasing Services Agreement also permits Aperam to avail itself of the services and expertise of ArcelorMittal for certain capital expenditure items. The Purchasing Services Agreement and the Sourcing Services Agreement were each entered into for an initial term of two years, which was to expire on January 24, 2013. However, since that date, the Purchasing Services Agreement has been extended successively, while the Sourcing Services Agreement was limited to IT services as of October 2013. The term of the Purchasing Services Agreement was further extended until January 25, 2017 and is expected to be extended with a revised scope for an additional year. As from January

1, 2016, purchasing services for metallics (carbon scrap) were removed from the Purchasing Services Agreement. The Sourcing Service Agreement (already limited to IT services) was ended by mutual agreement of the parties on December 31, 2014, when Aperam Sourcing SCA switched to its own IT system. New specific IT service agreements are being put in place with Aperam, one for Asset Reliability Maintenance Program (ARMP) in its Brazilian entities, and two others for the use in Europe of ARMP and for the use of the global wide area network (WAN). In Europe, Aperam purchased most of its electricity and natural gas through energy supply contracts put in place for the period 2014-2019 with ArcelorMittal Energy SCA and ArcelorMittal Purchasing SCA.

Purchasing activities will continue to be provided to Aperam pursuant to existing contracts with ArcelorMittal entities that it has specifically elected to assume.

In addition, in September 2016, a services term sheet agreement has been concluded between ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k. and Aperam according to which ArcelorMittal Shared Service Center Europe Sp z.o.o. Sp.k. SSC Poland will prepare in close cooperation with Aperam, transfer pricing documentation for the financial years 2015, 2016 and 2017 for specific Aperam entities. The transfer pricing documentation shall be compliant with OECD transfer pricing guidelines and in line with country specific legal requirements as well as respecting the country specific deadlines. The work shall include also the update of benchmark studies.

In connection with the spin-off, management also renegotiated an existing Brazilian cost-sharing agreement between ArcelorMittal Brasil and Aperam Inox América do Sul S.A. (formerly known as ArcelorMittal Inox Brasil), pursuant to which, starting as of April 1, 2011, ArcelorMittal Brasil continued to perform purchasing, insurance and real estate activities for the benefit of certain of Aperam's Brazilian subsidiaries,

with costs being shared on the basis of cost allocation parameters agreed between the parties. From the demerger of ArcelorMittal BioEnergia Ltda on July 1, 2011, its payroll functions were also handled by ArcelorMittal Brasil. The real estate, insurance activities and payroll functions of Aperam's Brazilian subsidiaries have not been handled by ArcelorMittal Brasil since January 1, 2013, June 30, 2013, and June 27, 2014 respectively.

#### *Acquisition of inventories*

Mr. Lakshmi N. Mittal acquired inventories on February 18, 2015 from ArcelorMittal Luxembourg pertaining to the Company's former headquarters. Such inventories were valued by an independent expert and acquired at arm's length.

#### *Memorandum and Articles of Association*

Below is a summary of ArcelorMittal's Articles of Association, filed as an exhibit to this annual report on Form 20-F and incorporated by reference herein. The full text of the Company's Articles of Association is also available on [www.arcelormittal.com](http://www.arcelormittal.com) under "Investors, Corporate Governance- Board of Directors."

#### *Corporate purpose*

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

The Company may realize its corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests

in any companies or partnerships, membership in any associations, consortia and joint ventures.

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

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

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

#### *Form and transfer of shares*

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

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

The Articles of Association provide that shares may be held through a securities settlement (clearing) system or a professional depository of securities. Shares held in this manner have the same rights and obligations as the registered shares. Shares held through a securities settlement system

or a professional depository of securities may be transferred in accordance with customary procedures for the transfer of securities in book-entry form.

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

- a. ArcelorMittal Registry Shares, which are registered directly on ArcelorMittal's Luxembourg shareholder register,
- b. shares traded on Euronext Amsterdam, Euronext Paris, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges, which are held in Euroclear, or
- c. shares traded on the NYSE, named New York Registry Shares, which are registered in a register (including in the name of the nominee of DTC) kept by or on behalf of ArcelorMittal by its New York transfer agent.

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

The law of April 6, 2013 concerning dematerialized securities allows Luxembourg issuers to opt for the full dematerialization of shares. If ArcelorMittal were to opt for full dematerialization in the future, shareholders would be required to hold their shares in a securities account at a bank or other financial intermediary, which would in turn hold the shares via an account with a securities depository such as Clearstream or Euroclear. Dematerialized securities would be solely represented by account entries with the securities depository and would therefore exist only in electronic form. If ArcelorMittal were to opt for the full dematerialization of its shares, it would no longer be possible for shareholders to hold shares through a direct, nominative registration in the Company's register of shareholders as is currently the case.

### Issuance of shares

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

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

The Company's authorized share capital was €8,249,049,316.38 represented by 1,995,857,213 shares through 2014 and 2015 while its total issued share capital stood at €6,883,209,119.84, represented by 1,665,392,222 ordinary shares in 2014 and 2015. Following the mandatory conversion on January 15, 2016 of outstanding Notes of the Company's \$2.25 billion 6% Mandatorily Convertible Notes due 2016, the Company's issued share capital was increased by €570,231,887.14 from €6,883,209,119.84 to €7,453,441,006.98 represented by 1,803,359,338 shares without nominal value.

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

statutory preferential subscription rights of the existing shareholders and to authorize the granting of preferential subscription rights to existing shareholders on terms to be determined based on market practice and conditions (the "equity offering").

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

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

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

Following such approval, the Company's share capital was decreased on March 10, 2016 from €7,453,441,006.98 to €180,335,933.80 represented by 1,803,359,338 ordinary shares without nominal value. The Company's authorized share capital, including the issued share capital, amounted to €3,199,585,721.30 represented by 31,995,857,213 ordinary shares without nominal value.

As a result of the Company's equity offering authorized by the EGM and which closed on April 8, 2016 at a price of €2.20 per share, the Company's issued share capital increased from €180,335,933.80 to €306,571,086.90 represented by 3,065,710,869 ordinary shares without nominal value and remained unchanged at December 31, 2016. The Company's authorized share capital, including the issued share capital, amounted to €337,228,195.60 represented by 3,372,281,956 ordinary shares without nominal value.

Article 5 of the Articles of Association has been amended to reflect this change. The Articles of Association have been published on [www.arcelormittal.com](http://www.arcelormittal.com) and filed with the Luxembourg Register of Commerce and Companies on May 6, 2016.

### Preemptive rights

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

The Articles of Association provide that preemptive rights may be limited or cancelled by the Board of Directors in the event of an increase in the Company's issued share capital until the date being five years from the date of publication in the Official Luxembourg Gazette Mémorial C of the relevant meeting minutes, which publication occurred on March 23, 2016 with respect to the minutes of the EGM held on March 10, 2016. This power of the Board of Directors may from time to time be renewed by an EGM for subsequent periods not to exceed five years each.

### Repurchase of shares

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

- a prior authorization of the general meeting of shareholders setting out the terms and conditions of the proposed repurchase, including the maximum number of shares to be repurchased, the duration of the period for which the authorization is given (which may not exceed five years) and the minimum and maximum consideration per share;
- the repurchase may not reduce the net assets of ArcelorMittal on a non-consolidated basis to a level below the aggregate

of the issued share capital and the reserves that ArcelorMittal must maintain pursuant to Luxembourg law or its Articles of Association;

- only fully paid-up shares may be repurchased. At December 31, 2016, all of ArcelorMittal's issued ordinary shares were fully paid-up; and
- the acquisition offer is made on the same terms and conditions to all the shareholders who are in the same position, it being noted however that listed companies may repurchase their own shares on the stock exchange without an acquisition offer having to be made to the shareholders.

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

The general meeting of shareholders held on May 5, 2015 (the "General Meeting") decided (a) to cancel with effect as of the date of the General Meeting the authorization granted to the Board of Directors by the general meeting of shareholders held on May 11, 2010 with respect to the share buy-back program, and (b) to authorize, effective immediately after the General Meeting, the Board of Directors, with option to delegate, and the corporate bodies of the other companies in the ArcelorMittal group in accordance with the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "Law"), to acquire and sell shares in the Company in accordance with the Law and any other applicable laws and regulations, including but not limited to entering into

off-market and over-the-counter transactions and to acquire shares in the Company through derivative financial instruments.

Any acquisitions, disposals, exchanges, contributions or transfers of shares by the Company or other companies in the ArcelorMittal group must be in accordance with Luxembourg laws transposing Directive 2003/6/EC regarding insider dealing and market manipulation as repealed and replaced by (EU) Regulation No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Commission Delegated EC Regulation No. 596/2014 with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

Such transactions may be carried out at any time, including during a tender offer period, subject to applicable laws and regulations including Section 10(b) and Section 9(a)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated under the Exchange Act.

The authorization is valid for a period of five years, i.e., until the annual general meeting of shareholders to be held in May 2020, or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration the five-year period.

#### *Capital reduction*

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

#### *General meeting of shareholders*

The shareholders' rights law of May 24, 2011, which transposes

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

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

#### *Ordinary general meetings of shareholders*

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

#### *Extraordinary general meetings of shareholders*

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

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

- any transaction or matter requiring an amendment of the Articles of Association.

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

#### *Voting and information rights*

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

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

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

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

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

General meetings of shareholders are convened by the publication of a notice at least 30 days before the meeting date in a Luxembourg newspaper, via the online platform called Recueil électronique des sociétés et associations ("RESA") which replaced as of June 1, 2016 the Luxembourg official legal gazette, the Mémorial, Recueil des Sociétés et Associations, and by way of press release sent to the major news agencies. Ordinary general meetings are not subject to any minimum shareholder participation level. Extraordinary general meetings, however, are subject to a minimum quorum of 50% of the share capital. In the event the 50% quorum is not met upon the first call, the meeting may be reconvened by way of convening notice published in the same manner as the first notice, at least 17 days before the meeting date. No quorum is required upon the second call.

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

Based on an amendment voted by the extraordinary general meeting of shareholders on May 8, 2012, the Articles of Association of ArcelorMittal provide that the annual general meeting of shareholders is held each year at a date and time set by the Board of Directors during the second or third week of May, between 9.00 a.m. and 4.00 p.m. Central European Time, in Luxembourg.

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

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

The Shareholders' Rights Law provides that a company's articles of association may allow shareholders to ask questions prior to the general meeting which will be answered by management

during the general meeting's questions and answers session prior to the vote on the agenda items. Although the Articles of Association of ArcelorMittal do not specifically address this point, shareholders may ask questions in writing ahead of a general meeting, which are taken into account in preparing the general meeting's questions and answers session. With regard to the May 4, 2016 general meeting, shareholders were expressly encouraged to send questions and comments to the Company in advance by writing to a dedicated e-mail address indicated in the convening notice.

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

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

If a Director has an interest in a transaction that is submitted to the Board of Directors for approval and this interest conflicts with that of ArcelorMittal (other than transactions which are part of current operations and are entered into under, arms' length conditions), the Director must advise the Board of Directors of the existence and nature of the conflict and cause a record of his/her statement to be included in the minutes of the meeting. In addition, the Director may not take part in the deliberations on the transaction. At the next following general meeting of shareholders of ArcelorMittal, before any other resolution is put to a vote, a special report will be made by the Board of Directors to the shareholders' meeting on any such transaction.

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

The remuneration of the Directors is determined each year by the annual general meeting of shareholders subject to Article 17 of the Articles of Association. The annual shareholders meeting of the Company decides on the directors' remuneration. The Chairman & CEO is not remunerated for his membership of the Board of Directors. The remuneration of the Chairman & CEO is determined by the Board's ARCG Committee, which consists solely of independent directors. For more information, see "Compensation".

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

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

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

There is no retirement or non-retirement of directors under an age limit requirement. However, on October 30, 2012, the Board of Directors adopted a policy that places limitations on the terms of independent directors as well as the number of directorships Directors may hold in order to align the Company's corporate governance practices with best practices in this area. The policy provides that an independent Director may not serve on the Board of Directors for more than 12 consecutive years, although the Board of Directors may, by way of exception to this rule, make an affirmative determination, on a case-by-case basis, that he or she may continue to serve beyond the 12 years rule if the Board of Directors considers it to be in the best interest of the Company based on the contribution of the Director involved and the balance

between the knowledge, skills, experience and need for renewal of the Board.

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

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

ArcelorMittal's Articles of Association provide that, from August 1, 2009, the Significant Shareholder is entitled to nominate a number of candidates for election by the shareholders to the Board of Directors in proportion to its shareholding. The Significant Shareholder has not exercised this right to date.

*Amendment of the Articles of Association*

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

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



### *Annual accounts*

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

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

The parent company accounts and the consolidated accounts, after their approval by the annual ordinary general meeting of shareholders, are filed with the Luxembourg register of trade and companies.

### *Dividends*

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

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

### *Merger and division*

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

### *Liquidation*

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

### *Mandatory bid, squeeze-out right, sell-out right*

Mandatory bid. The Luxembourg law of May 19, 2006 implementing

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

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

### *Squeeze-out right.*

The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of ArcelorMittal and after such offer the offeror holds at least 95% of the securities carrying voting rights and 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a fair price. The price offered in a voluntary offer would be considered a fair price in the

squeeze-out proceedings if the offeror acquired at least 90% of the ArcelorMittal shares carrying voting rights that were the subject of the offer. The price paid in a mandatory offer is deemed a fair price. The consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining ArcelorMittal shareholders. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

### *Sell-out right.*

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

### *Disclosure of significant ownership in ArcelorMittal shares*

Holders of ArcelorMittal shares and derivatives or other financial instruments linked to ArcelorMittal shares may be subject to the notification obligations of the Luxembourg law of January 11, 2008, as last amended by the law dated May 10, 2016, on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated

market (the “Transparency Law”). The following description summarizes these obligations. ArcelorMittal shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

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

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

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

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

- any acquisition or disposal of shares resulting in the threshold of 2.5% of voting rights in ArcelorMittal being crossed upwards or downwards,
- any acquisition or disposal of shares resulting in the threshold of 3.0% of voting rights in

ArcelorMittal being crossed upwards or downwards, and

- with respect to any shareholder holding at least 3.0% of the voting rights in ArcelorMittal, to any acquisition or disposal of shares resulting in successive thresholds of 1% of voting rights being crossed upwards or downwards.

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

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

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

controlled by that person or entity;

- voting rights attaching to shares deposited with that person or entity which the person or entity may exercise at its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third party in its own name on behalf of that person or entity; and
- voting rights which that person or entity may exercise as a proxy where the person or entity may exercise the voting rights in its sole discretion.

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

#### *Disclosure of insider dealing transactions*

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

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

“Persons Discharging Senior Managerial Responsibilities” within ArcelorMittal are the members of the Board of Directors, and the CEO Office, the Executives Officers, and other executives occupying

a high level management position with regular access to non-public material information relating, directly or indirectly, to ArcelorMittal and have the authority to make management decisions about the future development of the Company and its business strategy (see “Key transactions and events in 2016” for a discussion of recent management changes). Persons closely associated with them include their respective family members.

Both information on trading in Financial Instruments by “Persons Discharging Senior Managerial Responsibilities” and ArcelorMittal’s Insider Dealing Regulations are available on [www.arcelormittal.com](http://www.arcelormittal.com) under “Investors, Corporate Governance, Share Transactions by Management”.

In 2016, four notifications were received by ArcelorMittal from such persons and filed with the CSSF.

#### *Publication of regulated information*

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

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

The Articles of Association of ArcelorMittal provide that ArcelorMittal will, to the broadest extent permitted by Luxembourg law, indemnify every director and member of the CEO Office as well as every former director or member of the CEO Office for fees, costs and expenses reasonably

incurred in the defense or resolution (including a settlement) of all legal actions or proceedings, whether civil, criminal or administrative, he or she has been involved in his or her role as former or current director or member of the CEO Office.

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

#### Luxembourg takeover law disclosure

The following disclosure is provided based on article 11 of the Luxembourg law of 19 May 2006 transposing Directive 2004/25/EC of 21 April 2004 on takeover bids (the "Takeover Law"). The Articles of Association of the Company are available on [www.arcelormittal.com](http://www.arcelormittal.com), under Investors - Corporate Governance.

With regard to articles 11 (1) (a) and (c) of the Takeover Law, the Company has issued a single category of shares (ordinary shares), and the Company's shareholding structure showing each shareholder owning 2.5% or more of the Company's share capital is available elsewhere in this report and on [www.arcelormittal.com](http://www.arcelormittal.com) under Investors, Corporate Governance, Shareholding Structure, where the shareholding structure chart is updated monthly.

With regard to article 11(1) (b) of the Takeover Law, the ordinary shares issued by the Company are listed on various stock exchanges including NYSE and Euronext and are freely transferable.

With regard to article 11(1) (d), each ordinary share of the Company gives right to one vote, as set out in article 13.6 of the Articles of Association, and there are no special control rights attaching to the shares. Article 8 of the Articles of Association provides that the Mittal Shareholder

(as defined in the Articles of Association) may, at its discretion, exercise the right of proportional representation and nominate candidates for appointment to the Board of Directors (defined as "Mittal Shareholder Nominees"). The Mittal Shareholder has not, to date, exercised that right.

Articles 11(1) (e) and (f) of the Takeover Law are not applicable to the Company. However, the sanction of suspension of voting rights automatically applies, subject to limited exceptions set out in the Transparency Law (as defined below), to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in article 7 of the Articles of Association and articles 8 to 15 of the Luxembourg law of 11 January 2008 on the transparency requirements regarding issuers of securities (the "Transparency Law") but have not notified the Company accordingly. The sanction of suspension of voting rights will apply until such time as the notification has been properly made by the relevant shareholder(s).

Article 11(1) (g) of the Takeover Law is not applicable to the Company.

With regard to article 11(1) (h) of the Law, the Articles of Association provide that the directors are elected by annual general meeting of shareholders for a term that may not exceed three years, and may be re-elected. The rules governing amendments to the Articles of Association are described elsewhere in this report and are set out in article 19 of the Articles of Association.

With regard to article 11(1) (i) of the Takeover Law, the general meeting of shareholders held on May 05, 2015 granted the Board of Directors a new share buy-back authorization whereby the Board may authorize the acquisition or sale of Company shares including, but not limited to, entering into off-market and over-the-counter transactions and the acquisition of shares through derivative financial instruments. Any acquisitions, disposals, exchanges, contributions or transfers of shares by the

Company or other companies in the ArcelorMittal group must be in accordance with Luxembourg laws transposing Directive 2003/6/ EC regarding insider dealing and market manipulation and EC Regulation 2273/2003 regarding exemptions for buy-back programs and stabilization of financial instruments and may be carried out by all means, on or off-market, including by a public offer to buy-back shares, or by the use of derivatives or option strategies. The fraction of the capital acquired or transferred in the form of a block of shares may amount to the entire program. Such transactions may be carried out at any time, including during a tender offer period, in accordance with applicable laws and regulations. Any share buy-backs on the New York Stock Exchange must be performed in compliance with Section 10(b) and Section 9(a)(2) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated under the Exchange Act. The authorization is valid for a period of five years, i.e., until the annual general meeting of shareholders to be held in May 2020, or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration the five-year period. The maximum number of own shares that the Company may hold at any time directly or indirectly may not have the effect of reducing its net assets ("actif net") below the amount mentioned in paragraphs 1 and 2 of Article 72-1 of the Law. The purchase price per share to be paid shall not represent more than 110% of the trading price of the shares on the New York Stock Exchange and on the Euronext markets where the Company is listed, the Luxembourg Stock Exchange or the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia, depending on the market on which the purchases are made, and no less than one cent. For off-market transactions, the maximum purchase price shall be 110% of the reference price on the Euronext markets where the Company is listed. The reference price will be deemed to be the average of the final listing prices per share on the

relevant stock exchange during 30 consecutive days on which the relevant stock exchange is open for trading preceding the three trading days prior to the date of purchase. In the event of a share capital increase by incorporation of reserves or issue premiums and the free allotment of shares as well as in the event of the division or regrouping of the shares, the purchase price indicated above shall be adjusted by a multiplying coefficient equal to the ratio between the number of shares comprising the issued share capital prior to the transaction and such number following the transaction. The total amount allocated for the Company's share repurchase program may not in any event exceed the amount of the Company's then available equity.

Articles 11(1) (j) and (k) of the Takeover Law are not applicable to the Company.

#### Material contracts

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

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

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

#### Memorandum of Understanding

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, as described under "Board practices/ Corporate Governance, Operation, Lead Independent Director".

On the basis of the MoU, Arcelor's Board of Directors recommended Mittal Steel's offer for Arcelor and the parties to the MoU agreed to certain corporate governance

and other matters relating to the combined ArcelorMittal group. Certain provisions of the MoU relating to corporate governance were incorporated into the Articles of Association of ArcelorMittal at the extraordinary general meeting of the shareholders on November 5, 2007.

Certain additional provisions of the MoU expired effective August 1, 2009 and on August 1, 2011. ArcelorMittal's corporate governance rules will continue to reflect, subject to those provisions of the MoU that have been incorporated into the Articles of Association, the best standards of corporate governance for comparable companies and to conform with the corporate governance aspects of the NYSE listing standards applicable to non-U.S. companies and Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

The following summarizes the main provisions of the MoU that remain in effect or were in effect in 2016.

#### *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.

#### *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 CEO Office, the Significant Shareholder and its affiliates will not be permitted to invest in, or carry on, any business competing with the Company, except for PT ISPAT Indo.

#### **Additional information**

ArcelorMittal produces a range of publications to inform its shareholders. These documents are available in various formats: they can be viewed online, downloaded or obtained on request in paper format. Please refer to [www.arcelormittal.com](http://www.arcelormittal.com), to the Investors menu, under Financial Reports.

#### *Sustainable development*

ArcelorMittal's sustainable development information is detailed in the online Annual Review that will be published during the second quarter of 2017 and available on <http://annualreview2016.arcelormittal.com>.

#### *ArcelorMittal as parent company of the ArcelorMittal group*

ArcelorMittal, incorporated under the laws of Luxembourg, is the parent company of the ArcelorMittal group and is expected to continue this role during the coming years. The Company has no branch offices.

#### *Group companies listed on the Luxembourg Stock Exchange*

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

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 24-26, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg, registered with the Registre du Commerce et des Sociétés Luxembourg under number B 13.240. ArcelorMittal Finance is indirectly 100% owned by 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-0025.

#### *Other listings*

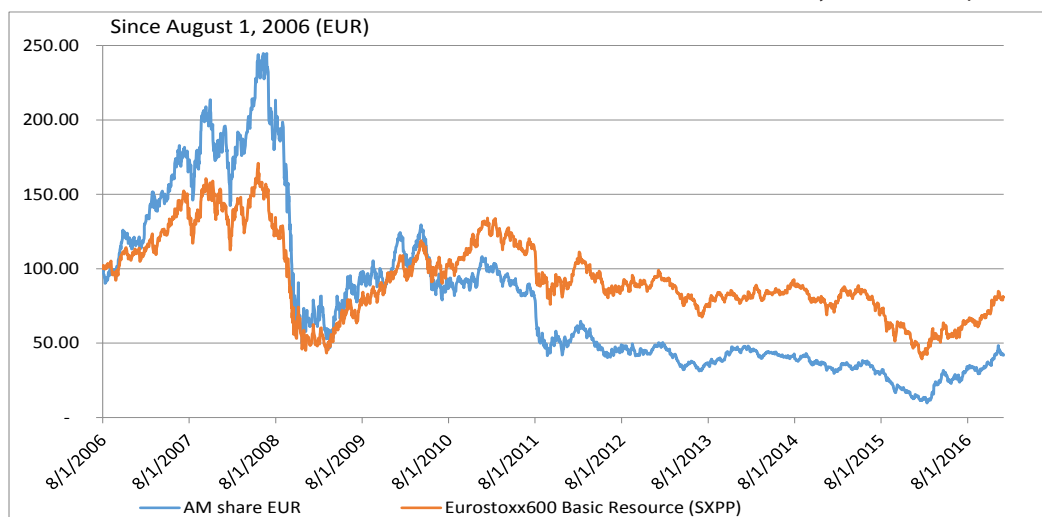
ArcelorMittal is listed on the stock exchanges of New York (MT), Amsterdam (MT), Paris (MT), Luxembourg (MT) and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia (MTS).

#### *Indexes*

ArcelorMittal is a member of more than 120 indices including the following leading indices: DJ SOTXX 50, DJ EURO STOXX 50, CAC40, AEX, FTSE Eurotop 100, MSCI Pan-Euro, DJ Stoxx 600, S&P Europe 500, Bloomberg World Index, IBEX 35 index, and NYSE Composite Index. Recognized for its commitments to sustainable development, ArcelorMittal is also included in the FTSE4Good Index and VBSDO's Benchmark of Circular business Practices 2015. Further, ArcelorMittal has been participating in CDP since 2005 and the United National Global Compact since 2003.

### Share price performance

During 2016 the price of ArcelorMittal shares increased by 190% in EUR terms; the chart below shows a comparison between the performance of ArcelorMittal's shares and the Eurostoxx600 Basic Resource (SXPP) which increased by 62% over the period.



### Dividend

In February 2017, ArcelorMittal's board of directors reviewed the progress made towards management's key financial objective of returning to an investment grade credit rating. While pleased with the significant improvements achieved in 2016, the board of directors determined that it is appropriate to continue to use surplus cash for deleveraging until credit metrics consistent with an investment grade rating are achieved. As a result, the board of directors proposes, subject to approval at the next annual general meeting on May 10, 2017, not to declare any dividend in respect to the 2016 financial year.

### Investor relations

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

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

### Individual investors

ArcelorMittal's senior management plans to meet individual investors and shareholder associations in road shows throughout 2017. A dedicated toll free number for individual investors is available at +352 4792 3198. Requests for information or meeting and conference center may also be sent to: [privateinvestors@arcelormittal.com](mailto:privateinvestors@arcelormittal.com).

### Analysts and institutional investors

As the world's leading steel company and major investment vehicle in the steel sector, ArcelorMittal constantly seeks to develop relationships with financial analysts and international investors. Depending on their geographical location, investors may use the following e-mails:

[institutionalamericas@arcelormittal.com](mailto:institutionalamericas@arcelormittal.com)

[investor.relations@arcelormittal.com](mailto:investor.relations@arcelormittal.com)

### Sustainable responsible investors

The Investor Relations team is also a source of information for the growing sustainable responsible investment community. The team organises special events on ArcelorMittal's corporate responsibility strategy and answers all requests for information sent to the Group [crteam@arcelormittal.com](mailto:crteam@arcelormittal.com).

### Credit and fixed income investors

Credit, fixed income investors and rating agencies are followed by dedicated team from investors relations. [creditfixedincome@arcelormittal.com](mailto:creditfixedincome@arcelormittal.com)

### Financial calendar

The schedule is available on ArcelorMittal's website [www.arcelormittal.com](http://www.arcelormittal.com) under Investor>Financial calendar.

### Financial results\*

February 10, 2017 - Results for the 4th quarter 2016 and 12 months 2016.

May 12, 2017 - Results for the 1st quarter 2017.

July 28, 2017 - Results for the 2nd quarter 2017 and 6 months 2017.

November 10, 2017 - Results for the 3rd quarter 2017 and 9 months 2017.

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

### Meeting of shareholders

May 10, 2017 - General Meeting of Shareholders.

Contact the investor relations team on the information detailed above

or please visit [www.arcelormittal.com/corp/investors/contact](http://www.arcelormittal.com/corp/investors/contact).

### Controls and procedures

#### Disclosure controls and procedures

Management maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. ArcelorMittal's controls and procedures are designed to provide reasonable assurance of achieving their objectives.

Management carried out an evaluation, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of December 31, 2016. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial

Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 so as to provide reasonable assurance that (1) information required to be disclosed by the Company in the reports that the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

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

#### Management's Annual Report on Internal Control Over Financial Reporting

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

The Company's internal control over financial reporting includes those policies and procedures that:

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

prevented or detected on a timely basis.

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

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2016 based upon the framework in Internal Control, Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management concluded that ArcelorMittal's internal control over financial reporting was effective as of December 31, 2016.

#### Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the year ending December 31, 2016 that have materially affected or are reasonably likely to have materially affected the Company's internal control over financial reporting.

Chief executive officer and chief financial officer's responsibility statement

We confirm, to the best of our knowledge, that:

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

By order of the Board of Directors

*Chief executive officer*

Lakshmi N. Mittal

February 28, 2017

*Lakshmi N. Mittal*

*Chief financial officer*

Aditya Mittal

February 28, 2017

*Aditya Mittal*

# Consolidated financial statements





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

	Notes	Year ended December 31,		
		2016	2015	2014
Sales (including 5,634, 6,124 and 6,606 of sales to related parties for 2016, 2015 and 2014, respectively)	4.1 and 11.1	56,791	63,578	79,282
Cost of sales (including 1,390, 1,460 and 1,355 of purchases from related parties for 2016, 2015 and 2014, respectively)	4.2 and 11.2	50,428	65,196	73,288
Gross margin		6,363	(1,618)	5,994
Selling, general and administrative expenses		2,202	2,543	2,960
Operating income (loss)		4,161	(4,161)	3,034
Income (loss) from investments in associates, joint ventures and other investments	2.6	615	(502)	(172)
Financing costs - net	6.2	(2,056)	(2,858)	(3,382)
Income (loss) before taxes		2,720	(7,521)	(520)
Income tax expense	9.1	986	902	454
Net income (loss) (including non-controlling interests)		1,734	(8,423)	(974)
Net income (loss) attributable to equity holders of the parent		1,779	(7,946)	(1,086)
Net income (loss) attributable to non-controlling interests		(45)	(477)	112
Net income (loss) (including non-controlling interests)		1,734	(8,423)	(974)
		Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Earnings (loss) per common share (in U.S. dollars) <sup>1</sup>				
Basic and diluted		0.62	(3.43)	(0.48)
Weighted average common shares outstanding (in millions)	10.3			
Basic		2,860	2,316	2,312
Diluted		2,865	2,316	2,312

<sup>1</sup> Following the Company's equity offering in April 2016, the earnings (loss) per common share for prior periods has been recasted in accordance with IFRS. Please refer to note 10 for more information.

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

	Year ended December 31,		
	2016	2015	2014
Net income (loss) (including non-controlling interests)	1,734	(8,423)	(974)
Items that can be recycled to the consolidated statements of operations			
Available-for-sale investments:			
Gain (loss) arising during the period	333	(439)	449
Reclassification adjustments for loss (gain) included in the consolidated statements of operations	(74)	70	44
	259	(369)	493
Derivative financial instruments:			
Gain (loss) arising during the period	40	107	181
Reclassification adjustments for loss (gain) included in the consolidated statements of operations	(14)	(93)	(2)
	26	14	179
Exchange differences arising on translation of foreign operations:			
Gain (loss) arising during the period	(398)	(7,876)	(4,198)
Reclassification adjustments for loss (gain) included in the consolidated statements of operations	(13)	(11)	(55)
	(411)	(7,887)	(4,253)
Share of other comprehensive income (loss) related to associates and joint ventures			
Gain (loss) arising during the period	(79)	(666)	(601)
Reclassification adjustments for (gain) loss included in the consolidated statements of operations	86	4	(61)
	7	(662)	(662)
Income tax benefit (expense) related to components of other comprehensive income (loss) that can be recycled to the consolidated statements of operations	(26)	79	(11)
Items that cannot be recycled to the consolidated statements of operations:			
Employee benefits - Recognized actuarial gains (losses)	9	24	(1,531)
Share of other comprehensive income (loss) related to associates and joint ventures	(24)	(36)	4
Income tax benefit (expense) related to components of other comprehensive income that cannot be recycled to the consolidated statements of operations	1	(47)	94
Total other comprehensive income (loss)	(159)	(8,884)	(5,687)
Total other comprehensive income (loss) gain attributable to:			
Equity holders of the parent	(186)	(8,554)	(5,536)
Non-controlling interests	27	(330)	(151)
	(159)	(8,884)	(5,687)
Total comprehensive income (loss)	1,575	(17,307)	(6,661)
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	1,593	(16,500)	(6,622)
Non-controlling interests	(18)	(807)	(39)
Total comprehensive income (loss)	1,575	(17,307)	(6,661)

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

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

		December 31,	
	Notes	2016	2015
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	6.1.3	2,501	4,002
Restricted cash	6.1.3	114	100
Trade accounts receivable and other (including 322 and 216 from related parties at December 31, 2016 and 2015, respectively)	4.3 and 11.1	2,974	2,679
Inventories	4.4	14,734	13,424
Prepaid expenses and other current assets	4.5	1,665	1,859
Assets held for sale	2.3	259	262
<b>Total current assets</b>		<b>22,247</b>	<b>22,326</b>
<b>Non-current assets:</b>			
Goodwill and intangible assets	5.1	5,651	5,592
Property, plant and equipment and biological assets	5.2	34,831	35,780
Investments in associates and joint ventures	2.4	4,297	4,911
Other investments	2.5	926	692
Deferred tax assets	9.4	5,837	6,625
Other assets	4.6	1,353	920
<b>Total non-current assets</b>		<b>52,895</b>	<b>54,520</b>
<b>Total assets</b>		<b>75,142</b>	<b>76,846</b>
<b>Liabilities and equity</b>			
<b>Current liabilities:</b>			
Short-term debt and current portion of long-term debt	6.1.2.1	1,885	2,308
Trade accounts payable and other (including 179 and 256 to related parties at December 31, 2016 and 2015, respectively)	4.7 and 11.2	11,633	10,416
Short-term provisions	8.1	426	770
Accrued expenses and other liabilities	4.8	3,943	4,194
Income tax liabilities		133	133
Liabilities held for sale	2.3	95	220
<b>Total current liabilities</b>		<b>18,115</b>	<b>18,041</b>
<b>Non-current liabilities:</b>			
Long-term debt, net of current portion	6.1.2.2	11,789	17,478
Deferred tax liabilities	9.4	2,529	2,496
Deferred employee benefits	7.2	8,297	9,216
Long-term provisions	8.1	1,521	1,434
Other long-term obligations		566	611
<b>Total non-current liabilities</b>		<b>24,702</b>	<b>31,235</b>
<b>Total liabilities</b>		<b>42,817</b>	<b>49,276</b>
Contingencies and commitments	8.2 and 8.3		
<b>Equity:</b>			
Common Shares (no par value, 3,372,281,956 and 1,995,857,213 shares authorized, 3,065,710,869 and 1,665,392,222 shares issued, and 3,058,488,430 and 1,656,811,132 shares outstanding at December 31, 2016 and 2015, respectively)	10	401	10,011
Treasury shares (7,222,439 and 8,581,090 common shares at December 31, 2016 and 2015, respectively, at cost)		(371)	(377)
Additional paid-in capital		34,826	20,294
Mandatorily convertible notes		-	1,800
Retained earnings		16,049	13,902
Reserves		(20,770)	(20,358)
<b>Equity attributable to the equity holders of the parent</b>		<b>30,135</b>	<b>25,272</b>
Non-controlling interests		2,190	2,298
<b>Total equity</b>		<b>32,325</b>	<b>27,570</b>
<b>Total liabilities and equity</b>		<b>75,142</b>	<b>76,846</b>

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

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

	Reserves													Total equity
	Shares <sup>1,2</sup>	Share capital	Treasury shares	Subordinated perpetual capital securities	Mandatorily convertible notes	Additional paid-in capital	Retained earnings	Items that can be recycled to the Consolidated Statements of Operations			Items that cannot be recycled to the Consolidated Statements of Operations	Equity attributable to the equity holders of the parent	Non-controlling interests	
								Foreign currency translation adjustments	Unrealized gains (losses) on derivative financial instruments	Unrealized gains (losses) on available for sale securities	Recognized actuarial (losses) gains			
Balance at December 31, 2013	1,654	10,011	(414)	650	1,838	20,248	24,037	(2,910)	(324)	(105)	(3,238)	49,793	3,380	53,173
Net loss (including non-controlling interests)	-	-	-	-	-	-	(1,086)	-	-	-	-	(1,086)	112	(974)
Other comprehensive income (loss)	-	-	-	-	-	-	-	(4,717)	104	510	(1,433)	(5,536)	(151)	(5,687)
Total comprehensive income (loss)	-	-	-	-	-	-	(1,086)	(4,717)	104	510	(1,433)	(6,622)	(39)	(6,661)
Redemption of subordinated perpetual capital securities	-	-	-	(650)	-	-	(7)	-	-	-	-	(657)	-	(657)
Option premiums on treasury shares (note 10.2)	-	-	-	-	-	-	(309)	-	309	-	-	-	-	-
Mandatory convertible bonds extension (note 10.2)	-	-	-	-	-	-	-	-	-	-	-	-	(47)	(47)
Other changes in non-controlling interests (note 10.5)	-	-	-	-	-	-	(34)	-	-	-	-	(34)	(75)	(109)
Recognition of share based payments (note 7.3)	-	-	15	-	-	10	-	-	-	-	-	25	-	25
Dividend (note 10.4)	-	-	-	-	-	-	(333)	-	-	-	-	(333)	(118)	(451)
Coupon on subordinated perpetual capital securities	-	-	-	-	-	-	(22)	-	-	-	-	(22)	-	(22)
Other movements	-	-	-	-	-	-	(64)	-	-	-	-	(64)	(27)	(91)
Balance at December 31, 2014	1,654	10,011	(399)	-	1,838	20,258	22,182	(7,627)	89	405	(4,671)	42,086	3,074	45,160
Net loss (including non-controlling interests)	-	-	-	-	-	-	(7,946)	-	-	-	-	(7,946)	(477)	(8,423)
Other comprehensive income (loss)	-	-	-	-	-	-	-	(8,166)	25	(354)	(59)	(8,554)	(330)	(8,884)
Total comprehensive income (loss)	-	-	-	-	-	-	(7,946)	(8,166)	25	(354)	(59)	(16,500)	(807)	(17,307)
Other changes in non-controlling interests (note 10.5)	-	-	-	-	-	-	-	-	-	-	-	-	148	148
Recognition of share based payments (note 7.3)	-	-	4	-	-	16	-	-	-	-	-	20	-	20
Voluntary conversion of mandatorily convertible notes (note 10.2)	3	-	18	-	(38)	20	-	-	-	-	-	-	-	-
Mandatory convertible bonds extension (note 10.2)	-	-	-	-	-	-	-	-	-	-	-	-	(20)	(20)
Dividend (note 10.4)	-	-	-	-	-	-	(331)	-	-	-	-	(331)	(86)	(417)
Other movements	-	-	-	-	-	-	(3)	-	-	-	-	(3)	(11)	(14)
Balance at December 31, 2015	1,657	10,011	(377)	-	1,800	20,294	13,902	(15,793)	114	51	(4,730)	25,272	2,298	27,570
Net income (including non-controlling interests)	-	-	-	-	-	-	1,779	-	-	-	-	1,779	(45)	1,734
Other comprehensive income (loss)	-	-	-	-	-	-	-	(471)	28	271	(14)	(186)	27	(159)
Total comprehensive income (loss)	-	-	-	-	-	-	1,779	(471)	28	271	(14)	1,593	(18)	1,575
Equity offering (note 10.1)	1,262	144	-	-	-	2,971	-	-	-	-	-	3,115	-	3,115
Reduction of the share capital par value (note 10.1)	-	(10,376)	-	-	-	10,376	-	-	-	-	-	-	-	-
Conversion of the mandatorily convertible notes (note 10.2)	138	622	-	-	(1,800)	1,178	-	-	-	-	-	-	-	-
Recognition of share based payments (note 7.3)	1	-	6	-	-	7	-	-	-	-	-	13	-	13
Dividend (note 10.4)	-	-	-	-	-	-	-	-	-	-	-	-	(63)	(63)
Equity offering in ArcelorMittal South Africa ("AMSA") (note 10.5.2)	-	-	-	-	-	-	437	(301)	-	-	-	136	(80)	56
Equity share option plan in AMSA (note 10.5.2)	-	-	-	-	-	-	(36)	21	-	-	-	(15)	15	-
AMSA B-BBEE transaction (note 10.5.2)	-	-	-	-	-	-	44	-	-	-	-	44	19	63
Other movements	-	-	-	-	-	-	(77)	-	-	-	54	(23)	19	(4)
Balance at December 31, 2016	3,058	401	(371)	-	-	34,826	16,049	(16,544)	142	322	(4,690)	30,135	2,190	32,325

1 Excludes treasury shares

2 In million of shares

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

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

		Year ended December 31,		
	Notes	2016	2015	2014
<b>Operating activities:</b>				
Net income (loss) (including non-controlling interests)		1,734	(8,423)	(974)
<b>Adjustments to reconcile net income (loss) to net cash provided by operations:</b>				
Depreciation and amortization	5.1 and 5.2	2,721	3,192	3,939
Impairment	5.1, 5.2 and 5.3	205	4,764	264
Interest expense	6.2	1,172	1,383	1,565
Interest income	6.2	(58)	(105)	(96)
Income tax expense (benefit)	9.1	986	902	454
Provisions for labor agreements and separation plans		44	37	90
Remeasurement gain relating to US deferred employee benefits	7.2	(832)	-	-
Net gain on disposal of subsidiaries		(23)	(72)	(192)
(Income) loss from investments in associates, joint ventures and other investments	2.6	(615)	502	172
Provision on pensions and OPEB	7.2	439	558	591
Change in fair value adjustment on call options on Mandatory Convertible Bonds	6.2	(171)	108	(112)
Income tax amnesty expenses	6.2	-	-	161
Unrealized foreign exchange effects		486	425	413
Write-downs (reversal) of inventories to net realizable value, provisions and other non-cash operating expenses net	4.4	(212)	1,383	674
<b>Changes in assets and liabilities that provided (required) cash, net of acquisitions:</b>				
Trade accounts receivable		(373)	335	537
Inventories	4.4	(2,055)	288	(398)
Trade accounts payable and other	4.7	1,405	(1,012)	(305)
Interest paid		(1,354)	(1,561)	(1,713)
Interest received		60	89	97
Income taxes paid		(296)	(398)	(337)
Dividends received from associates, joint ventures and other investments		176	227	209
Cash contributions to plan assets and benefits paid for pensions and OPEB	7.2	(395)	(556)	(674)
VAT and other amounts received (paid) from/to public authorities		46	166	(112)
Other working capital and provisions movements		(382)	(81)	(383)
<b>Net cash provided by operating activities</b>		<b>2,708</b>	<b>2,151</b>	<b>3,870</b>
<b>Investing activities:</b>				
Purchase of property, plant and equipment and intangibles		(2,444)	(2,707)	(3,665)
Disposal (acquisition) of net assets of subsidiaries, net of cash (disposed) acquired of 63, (10) and (85) in 2016, 2015 and 2014, respectively	2.3.1 and 2.2.4	192	-	232
Acquisition of associates and joint ventures	2.4	-	-	(258)
Disposals of associates and joint ventures	2.4.2 and 2.5	1,017	23	522
Disposals of financial assets		165	172	10
Other investing activities net		(73)	342	82
<b>Net cash used in investing activities</b>		<b>(1,143)</b>	<b>(2,170)</b>	<b>(3,077)</b>
<b>Financing activities:</b>				
Payments of subordinated perpetual capital securities	10.2	-	-	(657)
(Acquisition) disposal of non-controlling interests	10.5.2	56	-	(17)
Proceeds from short-term debt		1,516	543	1,855
Proceeds from long-term debt		110	3,256	2,419
Payments of short-term debt		(2,721)	(2,490)	(4,545)
Payments of long-term debt		(4,912)	(501)	(1,282)
Equity offering	10.1	3,115	-	-
Dividends paid (includes 61, 85 and 108 of dividends paid to non-controlling shareholders in 2016, 2015 and 2014 respectively)		(61)	(416)	(458)
Other financing activities net		(29)	3	(65)
<b>Net cash (used in) provided by financing activities</b>		<b>(2,926)</b>	<b>395</b>	<b>(2,750)</b>
Effect of exchange rate changes on cash		(127)	(267)	(230)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(1,488)</b>	<b>109</b>	<b>(2,187)</b>
<b>Cash and cash equivalents:</b>				
At the beginning of the year		4,002	3,893	6,072
Reclassification of the period-end cash and cash equivalent (to) from held for sale	2.3	(13)	-	8
<b>At the end of the year</b>		<b>2,501</b>	<b>4,002</b>	<b>3,893</b>

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

## Summary of notes to consolidated financial statements

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- 1.2 Use of estimates
- 1.3 Accounting standards applied

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## Note 1: Accounting Principles

ArcelorMittal ("ArcelorMittal" or the "Company"), together with its subsidiaries, owns and operates steel manufacturing and mining facilities in Europe, North and South America, Asia and Africa. Collectively, these subsidiaries and facilities are referred to in the consolidated financial statements as the "operating subsidiaries". These consolidated financial statements were authorized for issuance on February 28, 2017 by the Company's Board of Directors.

### 1.1 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, derivative financial instruments, biological assets and certain assets and liabilities held for sale, which are measured at fair value less cost to sell, inventories, which are measured at the lower of net realizable value or cost and the financial statements of the Company's Venezuelan operations, for which hyperinflationary accounting is applied (see note 2.2.2). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data.

### 1.2 Use of estimates

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

### 1.3 Accounting standards applied

#### 1.3.1 Adoption of new IFRS standards, amendments and interpretations applicable from January 1, 2016

On January 1, 2016, the Company adopted the following amendments which did not have any material impact on the financial statements of the Company:

- Amendments to IFRS 11 "Joint Arrangements", issued on May 6, 2014, clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", issued on May 12, 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
- Amendments to IAS 16 and IAS 41 "Agriculture", issued on June 30, 2014, which change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16 instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendments to IAS 1 "Presentation of Financial Statements", issued on December 18, 2014, which clarify various presentation and disclosure requirements related to materiality, subtotals, disaggregation and accounting policies.
- Annual Improvements 2012-2014 published by the IASB on September 25, 2014 as part of its annual improvement process make amendments to the following standards:
  - o IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" introduces guidance relating to changes in methods of disposal.
  - o IFRS 7 "Financial Instruments: Disclosures" provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements.
  - o IAS 19 clarifies determination of the discount rate in a regional market sharing the same currency.
  - o IAS 34 "Interim Financial Reporting" clarifies the meaning of 'elsewhere in the interim report' and the requirements relating to cross-reference disclosure in the interim financial report.

Also, on January 1, 2016, the Company adopted the following amendments which did not have any impact on the financial statements of the Company:

- Amendments to IAS 27, published on August 12, 2014, which allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28, published on December 18, 2014, which clarify the scope and measurement method regarding consolidation and disclosure of investment entities.

#### 1.3.2 New IFRS standards, amendments and interpretation applicable from 2017 onward

On May 28, 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which provides a unified framework for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. On September 11, 2015, the IASB issued an amendment formalizing a one-year deferral of the effective date for annual periods beginning on or after January 1, 2018, with early application permitted. The Company's revenue is predominantly derived from the sale of goods under arrangements in which the transfer of risks and rewards of ownership and the fulfillment of the Company's performance obligations occur at the same time. Therefore, the Company does not expect that the adoption of this new standard will have a material impact to its consolidated financial statements.

On July 24, 2014, the IASB issued the final version of IFRS 9 "Financial Instruments (2014)" which replaces IAS 39, bringing together the classification and measurement, impairment and hedge accounting. The final version of the standard contains requirements in the following areas:

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

- **Impairment:** The standard introduces an 'expected credit loss' model for the measurement of the impairment of financial assets; it is therefore no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting:** The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect that the adoption of this new standard will have a material impact to its consolidated financial statements.

The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

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

### *1.3.3 New IFRS standards, amendments and interpretation not yet endorsed by the European Union*

On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28 "Investments in Associates and Joint Ventures" which address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments set out that a full gain or loss is recognized when the assets constitute a business or a partial gain or loss is recognized when the assets do not constitute a business. On December 17, 2015, the IASB issued an amendment formalizing the deferral of these amendments indefinitely. The Company does not expect that the adoption

of these new amendments will have a material impact to its consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16 "Leases" which will replace IAS 17 "Leases". This new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. At December 31, 2016, the Company has non-cancellable operating lease commitments of 1,312 (see note 8.3). A preliminary assessment indicates that most of these arrangements will meet the definition of a lease under IFRS 16 and, hence the Company will recognize a right-of-use asset and corresponding liability in respect of the net present value of these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The Company has not yet quantified the impact of the application of IFRS 16 on the consolidated financial statements. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Company uses the practical expedients and recognition exemptions, and any additional leases that the Company enters into.

On January 19, 2016, the IASB issued amendments to IAS 12 "Income Taxes". These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value and how to recognize deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On January 29, 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows". These amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On April 12, 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation, determine whether a company is a principal or an agent and determine when the revenue from granting a license should be recognized. These amendments are also effective for annual periods beginning on or after January 1, 2018, with early application permitted.

On June 20, 2016, the IASB issued amendments to IFRS 2 "Share-based Payment". These amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the treatment of share-based payment transactions with a net settlement feature for withholding tax obligations; and the treatment of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On September 12, 2016, the IASB issued amendments to IFRS 4 "Insurance Contracts". These amendments propose two approaches (an overlay approach and a deferral approach) in order to address temporary

volatility in reported results arising from implementing the new financial instruments Standard IFRS 9 before implementing the replacement Standard that the Board is developing for IFRS 4. These amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. These amendments are effective when an insurer first applies IFRS 9 (overlay approach) or during the three years period beginning on January 1, 2018 (deferral approach). The Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On December 8, 2016, the IASB issued Annual Improvements 2014 – 2016 to make amendments to the following standards:

- IFRS 12 "Disclosure of Interests in Other Entities" clarifies the scope of the standard by specifying that the disclosure requirements in the standard apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" deletes the short-term exemptions related to financial instruments, employee benefits and investment entities because they have now served their intended purpose.
- IAS 28 "Investments in Associates and Joint Ventures" clarifies that for an investment in an associate or a joint venture held by a venture capital organization, or other qualifying entity, the measurement at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. The



Company does not expect that the adoption of these amendments will have a material impact to its consolidated financial statements.

On December 8, 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration". This interpretation provides guidance about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. This interpretation is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

Also, on December 8, 2016, the IASB issued amendments to IAS 40 "Investment Property". These amendments clarify that transfers to, or from, investment properties require an evidence of a change in use.

## Note 2: Scope of Consolidation

### 2.1 Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and its interests in associated companies and joint arrangements. Subsidiaries are consolidated from the date the Company obtains control (ordinarily the date of acquisition) until the date control ceases. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions, which it does not control. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. Joint arrangements, which include joint ventures and joint operations, are those over whose activities the Company has joint control, typically under a contractual arrangement. In joint ventures, ArcelorMittal exercises joint control

and has rights to the net assets of the arrangement. The investment is accounted for under the equity method. The investment is recognized at cost at the date of acquisition and subsequently adjusted for ArcelorMittal's share in undistributed earnings or losses since acquisition, less any impairment incurred. Any excess of the cost of the acquisition over the Company's share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the associate or joint venture recognized at the date of acquisition is considered as goodwill. The goodwill is included in the carrying amount of the investment and is evaluated for impairment as part of the investment. The consolidated statements of operations include the Company's share of the profit or loss of associates and joint ventures from the date that significant influence or joint control commences until the date significant influence or joint control ceases, adjusted for any impairment losses. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The Company's share of those changes is recognized directly in equity.

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

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

Investments in other entities, over which the Company and/or its operating subsidiaries do not have the ability to exercise significant influence and have a readily determinable fair value, are accounted for as available-for-sale at fair value with any resulting gain or loss, net of related tax effect, recognized in the consolidated statements of other comprehensive income, until realized. Realized gains and losses from the sale of available-for-sale securities are determined on an average cost method. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

While there are certain limitations on the Company's operating and financial flexibility arising from the restrictive and financial covenants of the Company's principal credit facilities described in note 6.1.2, there are no significant restrictions resulting from borrowing agreements or regulatory requirements on the ability of consolidated subsidiaries, associates and jointly controlled entities to transfer funds to the parent in the form of cash dividends to pay commitments as they come due.

Inter-company balances and transactions, including income, expenses and dividends, are eliminated in the consolidated financial statements. Gains and losses resulting from inter-company transactions are also eliminated.

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

### 2.2 Investments in subsidiaries

#### 2.2.1 List of subsidiaries

The table below provides a list of the Company's principal operating subsidiaries at December 31, 2016. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly or indirectly by the Company and the proportion of ownership interests held equals to the voting rights held by the Company. The country of incorporation corresponds to their principal place of operations.

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

<sup>1</sup> In 2016, AMSA issued shares in the context of a B-BBEE ("broad-based black economic empowerment") transaction resulting in a decrease in ArcelorMittal's voting rights to 53.92% (see note 10.5).

<sup>2</sup> The business formerly carried on by ArcelorMittal Mines Canada Inc. is now carried on by ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure G.P.

### 2.2.2 Translation of financial statements denominated in foreign currency

The functional currency of ArcelorMittal S.A. is the U.S. dollar. The functional currency of each of the principal operating subsidiaries is the local currency, except for ArcelorMittal México, AMMIC and ArcelorMittal International Luxembourg, whose functional currency is the U.S. dollar and ArcelorMittal Ostrava, ArcelorMittal Poland and ArcelorMittal Galati, whose functional currency is the euro. In 2015, ArcelorMittal Kryvyi Rih and ArcelorMittal Temirtau changed their functional currencies from U.S. dollar to their local currencies due to changes in the regulatory and economic environment and transactional currencies of the operations in Ukraine and Kazakhstan.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing on the date of the consolidated statements of financial position and the related translation gains and losses are reported within financing costs in the consolidated statements of operations. Non-monetary items that are carried at cost are translated using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related translation gains and losses are

reported in the consolidated statements of comprehensive income.

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

Since 2010 Venezuela has been considered a highly inflationary country and therefore the financial statements of the Company's Venezuelan tubular production facilities Industrias Unicon CA ("Unicon") are adjusted to reflect the changes in the general purchasing power of the local currency before being translated into U.S. dollars. The Company used estimated general price indices of 533.9%, 146.7% and 67.6% for the years ended December 31, 2016, 2015 and 2014, respectively. As a result of the inflation-related adjustments on monetary items, losses of 8, 161 and 47 were recognized in net financing costs for the years ended December 31, 2016, 2015 and 2014, respectively.

In recent years, the Venezuelan government enacted changes affecting the country's currency exchange and other controls.

In February 2015, next to the official exchange rate established by the National Center for Foreign Commerce ("CENCOEX") honored only for certain priority transactions and the weekly auction mechanism under the Supplementary Currency Administration System ("SICAD"), it introduced a new, alternative currency market, the Foreign Currency Marginal System ("SIMADI"), which was created with a floating exchange rate generally based on supply and demand. As a reference, the SIMADI exchange rate started at 170.0 Bs.F. per U.S. dollar in February 2015, and closed at 198.7 Bs.F. as of December 31, 2015. The SICAD exchange rate was set to 13.5 Bs.F. per U.S. dollar until February 17, 2016, when the Venezuelan government devalued its currency by changing the CENCOEX rate from 6.3 to 10 Bs.F. per U.S. dollar and announced the elimination of the SICAD rate. Beginning February 18, 2016, the SIMADI rate was allowed to float freely beginning at a rate of approximately 203 Bs.F. per U.S. dollar. Effective March 10, 2016, the Venezuelan government replaced the SIMADI rate with two new exchange systems: Protected Exchange rate ("DIPRO"), which was fixed at a rate of 10 Bs.F. per U.S. dollar and is used primarily for priority food and medicine sectors, and Complementary Floating Exchange Market Rate ("DICOM"), which is allowed to float freely and applies for most other sectors. The DICOM rate was originally set at 206 Bs.F. per U.S. dollar on March 10, 2016, before falling to 674 Bs.F. per U.S. dollar at December 31, 2016.

Since 2013, Unicon has been able to settle certain of its U.S. dollar obligations for imported materials at the official rate SICAD or DIPRO rate and records the gains related to such transactions when the funds are authorized by CENCOEX and the liabilities are paid.

In 2015 and 2014, the Company translated its Venezuelan operations at the SICAD rate because it concluded this rate corresponds to the dividend remittance rate in accordance with IFRS requirements and it has been able to settle certain of its U.S. dollar obligations for imported materials at the SICAD rate. Nevertheless, conversion of dividends at the SICAD rate or at any other rate was difficult as authorization for dividend remittance is very rare.

Effective January 1, 2016, the Company discontinued the use of the SICAD rate and applied the DICOM rate to translate its Venezuelan operations. As a result of this change, ArcelorMittal's net equity in Unicon decreased from 628 to 43 at January 1, 2016.

For the years ended December 31, 2016, 2015 and 2014, the financial statements of Unicon were translated into U.S. dollars at the rates the Company deemed appropriate for dividend remittance which were 674, 13.5 and 12.0 Bs.F. per U.S. dollar, respectively. The following table presents selected consolidated financial information of Unicon as of and for the years ended December 31, 2016, 2015 and 2014.

	For the year ended December 31,		
	2016	2015	2014
Revenue	88	1,325	552
Cost of sales	91	1,085	404
Operating income	(11)	143	112
Net income (loss)	(44)	(121)	20

It is possible that the Venezuelan government will further refine or alter mechanisms through which companies are able to access U.S. dollar, which could change the rate at which ArcelorMittal can access U.S. dollar and the rate used by the Company to translate the financial

statements of its Venezuelan operations. This could have an unfavorable but insignificant impact on the Company's operating results and financial position. In addition, the foreign exchange controls in Venezuela may limit the ability to repatriate earnings

and ArcelorMittal's Venezuelan operations' ability to remit dividends and pay intercompany balances at any official exchange rate or at all.

### 2.2.3 Business combinations

Business combinations are accounted for using the acquisition method as of the acquisition date, which is the date on which control is transferred to ArcelorMittal. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company measures goodwill at the acquisition date as the total of the fair value of consideration transferred, plus the proportionate amount of any non-controlling interest, plus the fair value of any previously held equity interest in the acquiree, if any, less the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed.

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired and liabilities assumed. If, after reassessment, ArcelorMittal's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (bargain purchase) is recognized immediately as a reduction of cost of sales in the consolidated statements of operations.

Any contingent consideration payable is recognized at fair value at the acquisition date and any costs directly attributable to the business combination are expensed as incurred.

### 2.2.4 Acquisitions

On December 21, 2016 ArcelorMittal acquired from Skanska Financial Services AB the reinsurance company SCEM Reinsurance S.A. ("SCEM") for a total consideration of €54 million (56; cash inflow was 7 net of cash acquired of 63). On January 18, 2017, the Company also acquired from Parfinada B.V. the reinsurance company Artzare S.A. for a total consideration of €43 million (45; cash inflow was 5 net of cash

acquired of 50). Both reinsurance companies are reinsurers incorporated in Luxembourg and will operate through a series of reinsurance agreements with the Company's subsidiaries.

The Company concluded that both acquisitions were not business combinations mainly as the transactions did not include the acquisition of any strategic management processes, operational processes and resource management processes.

There were no significant acquisitions in 2015 nor 2014.

### 2.3 Divestments and assets held for sale

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

#### 2.3.1 Divestments

##### Divestments in 2016

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

part of the Europe reportable segment.

On August 7, 2016, ArcelorMittal completed the sale of the Company's 49% interest in the associates ArcelorMittal Algérie and ArcelorMittal Tebessa and its 70% interest in the subsidiary ArcelorMittal Pipes and Tubes Algeria, which was announced on October 7, 2015 as part of an outline agreement for restructuring the shareholding of its Algerian activities. As part of the agreement, ArcelorMittal transferred such interests to IMETAL, an Algerian state-owned entity. ArcelorMittal Pipes and Tubes Algeria and ArcelorMittal Algérie were part of the ACIS reportable segment while ArcelorMittal Tebessa was part of the Mining reportable segment. Previously, on January 10, 2015, ArcelorMittal had completed the sale of a 21% controlling stake in ArcelorMittal Tebessa, which holds two iron ore mines in Ouenza and Boukadra, Tebessa, to Sider and the Ferphos Group, two Algerian state-owned entities. The Company accounted for its remaining 49% stake under the equity method. This sale had been contractually agreed on November 25, 2014 in the framework of a strategic agreement signed on October 5, 2013. Assets and liabilities of ArcelorMittal Pipes and Tubes Algeria and ArcelorMittal Tebessa were classified as held for sale at December 31, 2015 and 2014, respectively.

On April 4, 2016, ArcelorMittal completed the sale of the LaPlace and Vinton Long Carbon facilities in the United States. The total consideration was 96 and the result on disposal was nil. Assets and liabilities of the LaPlace, Steelton and Vinton Long Carbon facilities in the United States were classified as held for sale at December 31, 2015 and the Company recorded in cost of sales an impairment charge of 231 (of which 13 relating to allocated goodwill) to write their carrying amount down to the expected net proceeds from the sale. The fair value measurement of the Long Carbon facilities in the United States was determined using the contract price, a Level 3 unobservable input. These various

entities were part of the NAFTA reportable segment. ArcelorMittal expects to complete the sale of Steelton during the first half of 2017 and therefore the assets and liabilities subject to the sale remained classified as held for sale at December 31, 2016 (see note 2.3.2).

##### Divestments in 2015

On March 30, 2015, following an agreement signed on October 21, 2014, the Company established the joint venture ArcelorMittal CLN Distribuzione Italia S.r.l. ("AMCDI") with Coils Lamiere Nistri S.P.A. ("CLN") through the contribution of assets and liabilities of its wholly owned subsidiary ArcelorMittal Distribution Solutions Italia S.R.L. ("AMDSI"). ArcelorMittal holds a 49% stake in AMCDI, which is accounted for under the equity method. Assets and liabilities of AMDSI subject to the transaction were classified as held for sale at December 31, 2014. AMDSI was part of the Europe reportable segment.

On February 26, 2015, following an agreement signed on September 18, 2014, ArcelorMittal established the investment ArcelorMittal RZK Celik Servis Merkezi Sanayi ve Ticaret Anonim Sirketi ("AM RZK") with a local partner in Turkey through the contribution of assets and liabilities of the Company's wholly owned subsidiary Rozak Demir Profil Ticaret ve Sanayi Anonim Sirketi ("Rozak"). ArcelorMittal holds a 50% stake in AM RZK and the investment is accounted for under the equity method. Assets and liabilities of Rozak subject to the transaction were classified as held for sale at December 31, 2014. Rozak was part of the Europe reportable segment.

On January 23, 2015, ArcelorMittal completed the disposal of the building on Avenue de la Liberté in Luxembourg city (the "Liberté Building"), formerly the headquarters of the Company, to the Banque et Caisse d'Epargne de l'Etat ("BCEE") following a memorandum of understanding signed on November 14, 2014. The property was classified as held for sale at December 31, 2014.

The result on disposal for the above mentioned disposals in 2015 was immaterial. The aggregate net assets disposed of amounted to 97.

#### Divestments in 2014

On December 31, 2014, ArcelorMittal completed the disposal of the Kuzbass coal mines ("Kuzbass") located in the Kemerovo region in Russia to the Russian National Fuel Company. The existing intra group debt of 138 was assumed by the buyer who will repay a net amount of RUB 1.5 billion (25) in monthly installments until June 2017. Kuzbass was part of the Mining reportable segment.

On December 11, 2014, the Company contributed the shares of an energy production facility in the Czech Republic and a second energy production facility in Poland (Europe segment) with a total carrying amount of 43 into the new joint venture Tameh Holding Sp.Z.o.o ("Tameh") created

with Tauron Group (see note 2.4). Upon contribution, the interest in the new joint venture was measured at fair value for 120.

On July 31, 2014, ArcelorMittal completed the sale of all of the shares of Circuit Foil Luxembourg, which manufactures electrodeposited copper foils for the electronics industry, and certain of its subsidiaries ("Circuit Foil") to Doosan Corporation, a South Korean conglomerate. The cash consideration amounted to 50 (49 net of cash of 1 disposed of). Circuit Foil was included in the Europe reportable segment.

On June 30, 2014, ArcelorMittal completed the sale of its 78% stake in the European port handling and logistics company ATIC Services S.A. ("ATIC") for €155 million (144 net of cash of 68 disposed of) to H.E.S. Beheer. ATIC was part of the Europe reportable segment. As a result of the disposal, non-controlling interests decreased by 81.

On May 30, 2014, ArcelorMittal completed the sale of its 50% stake in the joint venture Kiswire ArcelorMittal Ltd. ("Kiswire") in South Korea and certain other entities of its steel cord business in the United States, Europe and Asia to Kiswire Ltd. These various entities were part of the Europe reportable segment. The fair value measurement of the steel cord business was determined using the contract price, a Level 3 unobservable input. On the closing date, the Company received a preliminary cash consideration of 55 (39 net of cash of 16 disposed) subsequently revised to 57 after final determination of net debt and working capital situation on closing date. The existing intra group debt of the sold subsidiaries of 102 was assumed by Kiswire and was repaid during the first half of 2015.

On April 30, 2014, in the framework of an agreement signed with Bekaert Group ("Bekaert") on December 9, 2013 to extend ArcelorMittal's

partnership with Bekaert in Latin America to Costa Rica and Ecuador, the Company sold to Bekaert 73% of its wire drawing business in ArcelorMittal Costa Rica and Cimaf Cabos, a cable business in Osasco (São Paulo) Brazil, previously a branch of Belgo Bekaert Arames ("BBA"). BBA is a consolidated entity in which ArcelorMittal holds a 55% controlling interest. The two businesses were part of the Brazil reportable segment. ArcelorMittal also acquired on the same date a 27% non-controlling interest in the Ideal Alambrec Ecuador plant controlled by Bekaert.

The result on disposal for the disposals of Circuit Foil Luxembourg, ATIC, the Bekaert and Kiswire transactions was immaterial. The aggregate net assets disposed of amounted to 250.

There were no significant divestments during 2015. The table below summarizes the significant divestments made in 2016 and 2014:

	2016			2014
	ArcelorMittal Zaragoza	ArcelorMittal Tubular Products Algeria	LaPlace and Vinton Long Carbon facilities	Kuzbass
Current assets	53	15	118	6
Property, plant and equipment	74	2	13	62
Intangible assets	-	-	-	2
Other assets	-	-	7	1
Total assets	127	17	138	71
Current liabilities	38	16	33	151
Other long-term liabilities	-	12	9	70
Total liabilities	38	28	42	221
Total net assets / (liabilities)	89	(11)	96	(150)
Allocated goodwill	-	-	-	3
% of net assets sold	100%	100%	100%	99%
Total net assets / (liabilities) disposed of	89	(11)	96	(147)
Cash consideration received	89	-	96	-
Write-off of the intra group debt not assumed by the buyer	-	-	-	(113)
Reclassification of foreign exchange translation difference	8	4	-	45
Gain on disposal	8	15	-	79

#### 2.3.2 Assets held for sale

During the first quarter of 2017, ArcelorMittal and the management of ArcelorMittal Tailored Blanks Americas ("AMTBA"), comprising the Company's tailored blanks operations in Canada, Mexico and the United States, intend to enter into a joint venture agreement following which the Company will account for its interest in AMTBA

under the equity method. AMTBA was part of the NAFTA reportable segment. At December 31, 2016, the assets and liabilities of AMTBA were classified as held for sale.

In December 2015, ArcelorMittal committed to a plan to sell certain of its ArcelorMittal Downstream Solutions operations in the Europe segment. Accordingly, at December 31, 2015, the carrying amount of assets and liabilities

subject to the transaction were classified as held for sale. The Company recorded in cost of sales an impairment charge of 18. ArcelorMittal completed the sale of the above mentioned operations on February 10, 2017 and therefore the assets and liabilities subject to the sale remained classified as held for sale at December 31, 2016.

In addition, the assets and liabilities of the Steelton facility in the United States remained classified as held for sale except for a 53 other post-employment benefit obligation retained by the Company at December 31, 2016 (see note 2.3.1 and 7.2).

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

	December 31, 2016			
	AMTBA	Downstream Solutions Europe	Steelton	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	13	-	-	13
Trade accounts receivable and other	24	15	18	57
Inventories	18	6	15	39
Prepaid expenses and other current assets	4	1	-	5
Total current assets	59	22	33	114
Non-current assets:				
Property, plant and equipment	55	-	76	131
Other assets	12	2	-	14
Total non-current assets	67	2	76	145
Total assets	126	24	109	259
<b>LIABILITIES</b>				
Current liabilities:				
Short-term debt and current portion of long-term debt	2	-	-	2
Trade accounts payable and other	30	10	9	49
Accrued expenses and other liabilities	4	6	2	12
Total current liabilities	36	16	11	63
Non-current liabilities:				
Long-term debt net of current portion	7	-	-	7
Long-term provisions	-	5	20	25
Total non-current liabilities	7	5	20	32
Total liabilities	43	21	31	95

	December 31, 2015			
	Long Carbon facilities in the US	Downstream Solutions Europe	Algerian operations	Total
<b>ASSETS</b>				
Current assets:				
Trade accounts receivable and other	39	5	4	48
Inventories	116	14	9	139
Prepaid expenses and other current assets	2	2	8	12
Total current assets	157	21	21	199
Non-current assets:				
Intangible assets	7	-	-	7
Property, plant and equipment	54	-	1	55
Other assets	-	1	-	1
Total non-current assets	61	1	1	63
Total assets	218	22	22	262
<b>LIABILITIES</b>				
Current liabilities:				
Trade accounts payable and other	57	12	14	83
Accrued expenses and other liabilities	17	14	2	33
Total current liabilities	74	26	16	116
Non-current liabilities:				
Long-term provisions	79	7	18	104
Total non-current liabilities	79	7	18	104
Total liabilities	153	33	34	220

## 2.4 Investment in associates and joint arrangements

The carrying value of the Company's investments accounted for under the equity method, at December 31, 2016 and 2015 were as follows:

Category	December 31,	
	2016	2015
Joint ventures	1,507	1,443
Associates	2,000	2,688
Individually immaterial joint ventures and associates <sup>1</sup>	790	780
Total	4,297	4,911

<sup>1</sup> Individually immaterial joint ventures and associates represent in aggregate less than 20% of the total carrying amount of investments in joint ventures and associates at December 31, 2016 and 2015, and none of them has a carrying amount exceeding 100 at December 31, 2016 and 2015.

## 2.4.1 Joint ventures

The following tables summarize the latest available financial information and reconcile it to the carrying amount of each of the Company's material joint ventures at December 31, 2016 and 2015, as well as the income statement of the Company's material joint ventures as of December 31, 2014:

Joint Ventures							December 31, 2016
	Calvert	Macsteel	Baffinland	VAMA	Tameh	Borçelik	Total
Place of incorporation and operation*	United States	Netherlands	Canada	China	Poland	Turkey	
Principal Activity	Automotive steel finishing	Steel trading and distribution	Extraction of iron ore	Automotive steel finishing	Energy production and supply	Manufacturing and sale of steel	
Ownership and voting rights % at December 31, 2016 **	50.00%	50.00%	44.54%	49.00%	50.00%	45.33%	
Current assets	836	636	197	230	120	404	2,423
of which cash and cash equivalents	45	77	7	75	47	39	290
Non-current assets	1,287	374	1,506	721	354	325	4,567
Current liabilities	490	312	354	362	83	254	1,855
of which trade and other payables and provisions	160	170	190	248	83	112	963
Non-current liabilities	984	41	262	302	159	45	1,793
of which trade and other payables and provisions	-	3	37	-	19	-	59
Net assets	649	657	1,087	287	232	430	3,342
Company's share of net assets	325	328	484	141	116	195	1,589
Adjustments for differences in accounting policies and other	6	-	(59) <sup>a</sup>	-	2	(31) <sup>b</sup>	(82)
Carrying amount in the statements of financial position	331	328	425	141	118	164	1,507
Revenue	2,358	2,353	116	335	254	845	6,261
Depreciation and amortization	(59)	(1)	(3)	(30)	(20)	(20)	(133)
Interest income	-	12	-	1	-	1	14
Interest expense	(31)	(9)	(20)	(28)	(1)	(7)	(96)
Income tax benefit (expense)	-	(4)	(26)	18	(10)	(28)	(50)
Net income (loss)	148	15	(43)	(58)	29	75	166
Other comprehensive income (loss)	-	10	-	-	3	-	13
Total comprehensive income (loss)	148	25	(43)	(58)	32	75	179
Cash dividends received by the Company	19	-	-	-	6	16	41

\* The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic and Macsteel whose countries of operation are mainly United States, United Arab Emirates and China.

\*\* The ownership stake is equal to the voting rights percentage.

<sup>a</sup> Adjustment in Baffinland relates primarily to differences in accounting policies regarding revaluation of fixed assets, preferred shares and locally recognized goodwill.

<sup>b</sup> Adjustment in Borçelik relates primarily to differences in accounting policies regarding revaluation of fixed assets.

	December 31, 2015							
Joint Ventures	Calvert	Macsteel	Baffinland	VAMA	Tameh	Borçelik	Total	
Place of incorporation and operation *	United States	Netherlands	Canada	China	Poland	Turkey		
Principal Activity	Automotive steel finishing	Steel trading and distribution	Development of iron ore mine	Automotive steel finishing	Energy production and supply	Manufacturing and sale of steel		
Ownership and voting rights % at December 31, 2015 **	50.00%	50.00%	46.08%	49.00%	50.00%	45.33%		
Current assets	742	709	115	276	88	353		2,283
of which Cash and cash equivalents	40	132	7	144	4	59		386
Non-current assets	1,230	368	1,501	735	331	339		4,504
Current liabilities	416	396	168	443	97	253		1,773
of which trade and other payables and provisions	105	154	123	289	96	153		920
Non-current liabilities	1,017	50	406	259	97	47		1,876
of which trade and other payables and provisions	-	2	30	-	7	-		39
Net assets	539	631	1,042	309	225	392		3,138
Company's share of net assets	270	315	480	151	113	178		1,507
Adjustments for differences in accounting policies and other	7	-	(38) <sup>a</sup>	-	-	(33) <sup>b</sup>		(64)
Carrying amount in the statements of financial position	277	315	442	151	113	145		1,443
Revenue	2,094	2,722	-	152	308	838		6,114
Depreciation and amortization	(58)	(1)	-	(26)	(33)	(20)		(138)
Interest income	-	13	-	1	-	1		15
Interest expense	(31)	(10)	-	(16)	(1)	(7)		(65)
Income tax benefit (expense)	-	(5)	(2)	34	(4)	(17)		6
Net income (loss)	(23)	32	(66)	(88)	14	32		(99)
Other comprehensive income (loss)	-	8	-	-	-	(1)		7
Total comprehensive income (loss)	(23)	40	(66)	(88)	14	31		(92)
Cash dividends received by the Company	22	10	-	-	-	9		41

\* The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic and Macsteel whose countries of operation are mainly United States, United Arab Emirates and China.

\*\* The ownership stake is equal to the voting rights percentage.

<sup>a</sup> Adjustment in Baffinland relates primarily to differences in accounting policies regarding revaluation of fixed assets, preferred shares and locally recognized goodwill.

<sup>b</sup> Adjustment in Borçelik relates primarily to differences in accounting policies regarding revaluation of fixed assets.



December 31, 2014

Joint Ventures	ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos	Calvert	Macsteel	Kalagadi Manganese	Baffinland	VAMA	Tameh	Total
Place of incorporation and operation *	Brazil	United States	Netherlands	South Africa	Canada	China	Poland	
Principal Activity	Production and distribution of metal products	Automotive steel finishing	Steel trading and distribution	Mining	Development of iron ore mine	Automotive steel finishing	Energy production and supply	
Ownership and voting rights % at December 31, 2014 **	50.00%	50.00%	50.00%	50.00%	50.00%	49.00%	50.00%	
Revenue	235	2,150	3,434	-	-	-	-	5,819
Depreciation and amortization	(5)	(40)	(1)	-	-	-	-	(46)
Interest income	6	-	11	-	-	3	-	20
Interest expense	-	(19)	(8)	-	-	-	-	(27)
Income tax benefit (expense)	(4)	-	(6)	(2)	3	-	-	(9)
Net income (loss)	15	89	44	(6)	(21)	(6)	-	115
Other comprehensive income (loss)	-	-	18	-	-	-	-	18
Total comprehensive income (loss)	15	89	62	(6)	(21)	(6)	-	133
Cash dividends received by the Company	20	-	5	-	-	-	-	25

\* The country of incorporation corresponds to the country of operation except for Tameh whose country of operation is also the Czech Republic and Macsteel whose countries of operation are mainly United States, United Arab Emirates and China.

\*\* The ownership stake is equal to the voting rights percentage.

#### *ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos*

ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S.A. is engaged in the manufacturing and sale of flat rolled steel, to serve, among others, the automotive, metal and mechanics industries. The entity processes and distributes steel primarily in Brazil, and is the result of the acquisition of Gonvarri Brasil Produtos Siderúrgicos S.A. by ArcelorMittal Spain Holding S.L. and Gonvarri Steel Industries in 2008. As of December 31, 2015 the carrying value of ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S.A. was no longer considered significant and therefore no longer separately disclosed.

#### *Macsteel*

Macsteel International Holdings B.V. ("Macsteel") is a joint venture between Macsteel Holdings Luxembourg S.à r.l. and AMSA which provides the Company with an international network of traders and trading channels including the shipping and distribution of steel.

#### *Kalagadi Manganese*

Kalagadi Manganese (Propriety) Ltd ("Kalagadi Manganese") is a joint venture between ArcelorMittal and Kalahari Resource (Proprietary) Ltd that is engaged in exploring, mining, ore processing, and smelting manganese in the Kalahari Basin in South Africa. In addition, the Company has granted loans for the funding of the mining project amounting to 78 including accrued interest, which have been fully impaired in 2015 (see note 2.4.4). As of December 31, 2015 the carrying value of Kalagadi was as such no longer considered significant and therefore no longer separately disclosed. The Company's unrecognized share of accumulated losses in Kalagadi Manganese amounted to 9 for the year ended December 31, 2016.

On October 21, 2016, ArcelorMittal signed an agreement with Kgalagadi Alloys (Proprietary) Ltd for the sale of its 50.00% investment in Kalagadi Manganese for a deferred consideration to be paid during the life of the mine and capped at 150. The

completion of the sale is subject to various closing conditions and regulatory approvals. The South African Competition Commission approved the sale on January 16, 2017. The Company expects to complete the sale during the first half of 2017 and classified its investment as held for sale at December 31, 2016.

#### *VAMA*

Valin ArcelorMittal Automotive Steel ("VAMA") is a joint venture between ArcelorMittal and Hunan Valin which produces steel for high-end applications in the automobile industry. VAMA supplies international automakers and first-tier suppliers, as well as Chinese car manufacturers and their supplier networks. The plant was inaugurated on June 15, 2014.

#### *Baffinland*

Baffinland is a joint venture since October 1, 2013 between ArcelorMittal and Nunavut Iron Ore. Baffinland owns the Mary River project, which has direct shipping, high grade iron ore on

Baffin Island in Nunavut (Canada). During 2016, ArcelorMittal's shareholding in Baffinland decreased from 46.08% to 44.54% following a capital increase subscribed by Nunavut Iron Ore.

#### *Calvert*

On February 26, 2014, the Company together with Nippon Steel & Sumitomo Metal Corporation ("NSSMC") completed the acquisition of ThyssenKrupp Steel USA ("TK Steel USA"), a steel processing plant in Calvert, Alabama, United States, for a total consideration of 1,550 financed through a combination of debt at the joint venture level and equity, of which 258 was paid by ArcelorMittal. The Company concluded that it has joint control of the arrangement, AM/NS Calvert ("Calvert"), together with NSSMC, and accounts for its 50.00% interest in the joint venture under the equity method. The transaction includes a six-year agreement to purchase two million tonnes of slab annually from TK CSA, an integrated steel mill complex located in Rio de Janeiro, Brazil, using a market-

based price formula. TK CSA has an option to extend the agreement for an additional three years on terms that are more favorable to the joint venture, as compared with the initial time period. The remaining slab balance is sourced from ArcelorMittal plants in the United States, Brazil and Mexico. ArcelorMittal is principally responsible for marketing the product on behalf of the joint venture. Calvert serves the automotive, construction, pipe and tube, service center, and appliance/ HVAC industries.

*Tameh*

On December 11, 2014, ArcelorMittal and Tauron Group contributed four energy production facilities located in Poland and the Czech Republic into the new arrangement Tameh. The Company concluded that it has joint control over Tameh and accounted for its 50.00% interest in the joint venture under the equity method. Tameh's objective is to ensure energy supply to the Company's steel plants in these countries as well as the utilization of steel plant gases for energy production processes.

*Borçelik*

Borçelik Çelik Sanayii Ticaret Anonim Şirketi ("Borçelik"), incorporated and located in Turkey, is a joint venture between ArcelorMittal and Borusan Holding involved in the manufacturing and sale of cold-rolled and galvanized flat steel products.

*2.4.2 Associates*

The following tables summarize the financial information and reconciles it to the carrying amount of each of the Company's material associates at December 31, 2016 and 2015, as well as the income statement of the Company's material associates as of December 31, 2014:

	December 31, 2016			
Associates	China Oriental	DHS GROUP	Gonvarri Steel Industries	Total
Financial statements reporting date	Jun 30, 2015	Sep 30, 2015	Sep 30, 2015	
Place of incorporation and operation *	Bermuda	Germany	Spain	
Principal Activity	Iron and steel manufacturing	Steel manufacturing	Steel manufacturing	
Ownership and voting rights % at December 31, 2015	46.99%	33.43%	35.00%	
Current assets	1,422	1,624	1,481	4,527
Non-current assets	1,504	2,999	1,178	5,681
Current liabilities	1,275	609	608	2,492
Non-current liabilities	240	1,052	299	1,591
Non controlling interests	47	132	218	397
Net assets attributable to equity holders of the parent	1,364	2,830	1,534	5,728
Company's share of net assets	641	946	537	2,124
Adjustments for differences in accounting policies and other	-	17 <sup>a</sup>	(51) <sup>b</sup>	(34)
Other adjustments **	(18)	(61)	(11)	(90)
Carrying amount in the statements of financial position	623	902	475	2,000
Revenue	1,751	1,396	2,258	5,405
Profit or loss from continuing operations	123	(91)	145	177
Net income (loss)	83	(96)	145	132
Other comprehensive income	-	(3)	4	1
Total comprehensive income (loss)	83	(99)	149	133
Cash dividends received by the Company	-	-	16	16

\* The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.

\*\* Other adjustments correspond to the difference between the carrying amount at December 31, 2016 and the net assets situation corresponding to the latest financial statements ArcelorMittal is permitted to disclose.

a The amount for DHS GROUP includes an adjustment to align the German GAAP financial information with the Company's accounting policies and is mainly linked to property, plant and equipment, inventory and pension.

b Adjustment in Gonvarri Steel Industries relate primarily to differences in accounting policies regarding revaluation of fixed assets.

							December 31, 2015
Associates	China Oriental	DHS GROUP	Gestamp <sup>c</sup>	Gonvarri Steel Industries	Stalprodukt S.A. <sup>c</sup>	Total	
Financial statements reporting date	Jun 30, 2015	Sep 30, 2015	Sep 30, 2015	Sep 30, 2015	Sep 30, 2015		
Place of incorporation and operation *	Bermuda	Germany	Spain	Spain	Poland		
Principal Activity	Iron and steel manufacturing	Steel manufacturing	Manufacturing of metal components	Steel manufacturing	Production and distribution of steel products		
Ownership and voting rights % at December 31, 2015 **	46.99%	33.43%	35.00%	35.00%	28.47%		
Current assets	2,049	1,630	2,360	1,381	346	7,766	
Non-current assets	1,558	2,948	3,790	999	525	9,820	
Current liabilities	1,822	564	1,890	536	147	4,959	
Non-current liabilities	186	936	2,360	289	162	3,933	
Non controlling interests	90	139	441	133	27	830	
Net assets attributable to equity holders of the parent	1,509	2,939	1,459	1,422	535	7,864	
Company's share of net assets	709	983	511	498	152	2,853	
Adjustments for differences in accounting policies and other	-	43 <sup>a</sup>	-	(54) <sup>b</sup>	7	(4)	
Other adjustments ***	(105)	(34)	(15)	(3)	(4)	(161)	
Carrying amount in the statements of financial position	604	992	496	441	155	2,688	
Revenue	1,768	1,603	5,642	2,194	628	11,835	
Profit or loss from continuing operations	6	(47)	169	102	61	291	
Net income (loss)	10	(45)	109	102	47	223	
Other comprehensive income	(1)	-	(35)	(53)	-	(89)	
Total comprehensive income (loss)	9	(45)	74	49	47	134	
Cash dividends received by the Company	-	4	15	14	-	33	

\* The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.

\*\* The ownership stake is equal to the voting rights percentage, except for Stalprodukt whose voting rights correspond to 28.26%.

\*\*\* Other adjustments correspond to the difference between the carrying amount at December 31, 2015 and the net assets situation corresponding to the latest financial statements ArcelorMittal is permitted to disclose.

a The amount for DHS GROUP includes an adjustment to align the German GAAP financial information with the Company's accounting policies, and is mainly linked to property, plant and equipment, inventory and pension.

b Adjustment in Gonvarri Steel Industries relate primarily to differences in accounting policies regarding revaluation of fixed assets.

c Date of the latest available financial statements is September 30, 2015.

	December 31, 2014					
Associates	China Oriental	DHS GROUP	Gestamp <sup>c</sup>	Gonvarri Steel Industries	Stalprodukt S.A. <sup>a</sup>	Total
Financial statements reporting date	Jun 30, 2014	Sep 30, 2014	Sep 30, 2014	Sep 30, 2014	Sep 30, 2014	
Place of incorporation and operation *	Bermuda	Germany	Spain	Spain	Poland	
Principal Activity	Iron and steel manufacturing	Steel manufacturing	Manufacturing of metal components	Steel manufacturing	Production and distribution of steel products	
Ownership and voting rights % at December 31, 2014 **	47.01%	33.43%	35.00%	35.00%	33.77%	
Revenue	2,545	2,000	6,196	2,550	684	13,975
Profit or loss from continuing operations	22	(68)	153	102	33	242
Post-tax profit or loss from discontinued operations	-	-	(2)	-	-	(2)
Net income (loss)	6	(75)	98	99	24	152
Other comprehensive income	-	-	40	14	-	54
Total comprehensive income (loss)	6	(75)	138	113	24	206
Cash dividends received by the Company	-	-	16	10	-	26

\* The country of incorporation corresponds to the country of operation except for China Oriental whose country of operation is China.

\*\* The ownership stake is equal to the voting rights percentage, except for Stalprodukt whose voting rights correspond to 38.20%.

<sup>a</sup> Date of the latest available financial statements is September 30, 2014.

#### China Oriental

China Oriental Group Company Limited ("China Oriental") is a Chinese integrated iron and steel conglomerate listed on the Hong Kong Stock Exchange ("HKEx"). On November 8, 2007, ArcelorMittal acquired a 28.02% interest in China Oriental for a total consideration of 644. On February 4, 2008, upon closing of its tender offer, ArcelorMittal increased its interest to 46.99%. On April 29, 2014, China Oriental's shares were suspended from trading as a consequence of China Oriental not meeting the minimum free float listing requirement of 25% of the HKEx. In order to restore the minimum free float, the Company sold a 17.40% stake to ING Bank N.V. ("ING") and Deutsche Bank Aktiengesellschaft ("Deutsche Bank") together with put option agreements. The Company had not derecognized the 17.40% stake in China Oriental as it retained its exposure to significant potential risks and rewards of the investment through the put options. On April 30, 2014, Deutsche Bank exercised its put option with respect to a 7.50% stake in China Oriental. Simultaneously, the Company sold this investment to Macquarie Bank and entered into a put option arrangement with the latter maturing on April 30, 2015. On April 30, 2015, both put options were exercised, resulting in a decrease of accrued expenses and other liabilities and prepaid expenses and other current assets by 96 and 112, respectively. On

January 27, 2017, in order to restore the minimum free float requirement, China Oriental issued 586,284,000 new shares resulting in a decrease of the Company's interest from 46.99% to 39.16%. Public trading resumed on February 1, 2017.

#### DHS GROUP

DHS - Dillinger Hütte Saarstahl AG ("DHS GROUP"), incorporated and located in Germany, is a leading producer of heavy steel plate, cast slag pots and semi-finished products, such as pressings, pressure vessel heads and shell sections in Europe. The DHS GROUP also includes a further rolling mill operated by Dillinger France in Dunkirk (France).

#### Gestamp

Gestamp Automoción ("Gestamp") is a Spanish multi-national company, which is a leader in the European automotive industry. The activities of Gestamp and its subsidiaries are focused on the design, development, and manufacturing of metal components for the automotive industry via stamping, tooling, assembly, welding, tailor welded blanks, and die cutting. The entity also includes other companies dedicated to services such as research and development of new technologies.

On February 1, 2016, ArcelorMittal completed the sale of its 35.00% stake in Gestamp Automoción ("Gestamp") to the majority shareholder, the Riberas family, for total cash consideration of €875 million (971). The gain on disposal was recorded in income (loss) from investments in associates, joint ventures and other investments and amounted to 329 including the reclassification of the accumulated foreign exchange translation losses and unrealized losses on derivative financial instruments from other comprehensive income to the statements of operations of 90 and 12, respectively. In addition to the cash consideration, ArcelorMittal received a payment of €10 million (11) for the 2015 dividend. ArcelorMittal will continue its supply relationship with Gestamp through its 35.00% shareholding in Gonvarri Steel Industries, a sister company of Gestamp. ArcelorMittal sells coils to Gonvarri Steel Industries for processing before they pass to Gestamp and other customers. Further, ArcelorMittal will continue to have a board presence in Gestamp, collaborate in automotive R&D and remain its major steel supplier.

#### Gonvarri Steel Industries

Holding Gonvarri SL ("Gonvarri Steel Industries") is dedicated to the processing of steel. The entity is a European leader in steel service centers and renewable energy components, with strong presence in Europe and Latin America.

#### Stalprodukt S.A.

Stalprodukt S.A. is a leading manufacturer and exporter of highly processed steel products based in Poland.

On December 16, 2015, the Company sold 356,424 shares in Stalprodukt S.A., which resulted in a decrease in the ownership percentage from 33.77% to 28.47%. The Company recorded a loss on disposal of 6 in income (loss) from investments in associates, joint ventures and other investments (see note 2.6). As of December 31, 2015, the investment had a market value of 155. In 2016, following an additional sale of shares, the Company classified the investment as available-for-sale securities (see note 2.5).

#### 2.4.3 Other associates and joint ventures that are not individually material

The Group has interests in a number of other joint ventures and associates, none of which are regarded as individually material. The following table summarizes the financial information of all individually immaterial joint ventures and associates that are accounted for using the equity method:

	December 31, 2016		December 31, 2015	
	Associates	Joint Ventures	Associates	Joint Ventures
Carrying amount of interests in associates and joint ventures	291	499	297	483
Share of:				
Income (loss) from continuing operations	56	(2)	11	(15)
Other comprehensive income (loss)	(2)	1	(8)	6
Total comprehensive income (loss)	54	(1)	3	(9)

As at December 31, 2016, there were no unrecognized accumulated losses in respect of AM RZK. The Company's unrecognized share of accumulated losses in AM RZK amounted to 7 for the year ended December 31, 2015. The Company's unrecognized share of accumulated losses in ArcelorMittal Algérie amounted to 8, and 49 for the years ended December 31, 2015, and December 31, 2014, respectively. ArcelorMittal Algérie was sold on August 7, 2016 (see note 2.3).

In 2016, the Company's share of net losses has reduced the carrying amount of its 40.80% interest in the joint venture ArcelorMittal Tubular Products Jubail ("Al Jubail") to nil. Furthermore, the Company recognized 19 corresponding to its share of additional losses against its 168 shareholder loans, which resulted in a carrying amount of such loans of 149.

#### 2.4.4 Impairment of associates and joint ventures

For the year ended December 31, 2016, the Company identified an impairment indicator with respect to its shareholders loans in Al Jubail. Accordingly, it performed a value in use calculation but concluded the carrying amount of the loans was recoverable. In addition, the Company recorded an impairment charge of 14 in respect of the its shareholder loan to Kalagadi, and 14 in respect of the Company's 28.24% interest in Comvex, a deep sea harbor facility on the Black Sea in Romania for the year ended December 31, 2016. For the remaining investments the Company concluded that no impairment was required.

For the year ended December 31, 2015, the Company tested its investment in Kalagadi for impairment and determined that the value in use was lower than the carrying amount. In determining the value in use, the Company estimated its share in the present value (using a pre-tax discount rate of 12.48%) of the projected future cash flows expected to be generated over the current life-of-the-mine plan or long term production plan. The key assumptions for the value in use calculations are primarily the discount rates, capital expenditure, expected changes to average selling prices, shipments and direct costs during the period. Based on the analysis of value in use, the Company recognized an impairment charge of 283 in income (loss) from investments in associates, joint ventures and other investments (see note 2.6) for the full carrying amount of the investment (205) and loans (78) as a result of a downward revision of cash flow projections resulting from the expectation of the persistence of a lower manganese price outlook.

In addition, the Company recorded an impairment charge of 69 in respect of its investment in Uttam Galva Steels Ltd ("Uttam Galva") (a manufacturer of cold rolled steel and galvanized steel based in India in which the Company holds a 29.00% interest). In determining the value in use of its investment in Uttam Galva, the Company estimated its share in the present value (using a pre-tax discount rate of 13.91%) of the projected future cash flows expected to be generated by operations. The value in use was based on cash flows for a period of five years, which were extrapolated for the remaining years based on an estimated

growth rate not exceeding the average long-term growth rate for the relevant markets. In addition to the impairment of the carrying value, the Company recorded an impairment charge on the loans related to Uttam Galva for 69 and an impairment charge of 22 with respect of its 25.00% interest in the Northern Cape Iron Ore Mining Project, an associate in South Africa.

For the year ended December 31, 2014, following a revision of business assumptions in the context of continuing growth slowdown in China, the Company tested its investment in China Oriental for impairment on a fair value basis and concluded that such fair value was lower than the carrying amount. The results of the fair value analysis principally based on market multiples indicated that the carrying value recognized was in excess of the estimated fair value of the investment, which approximated the Company's share in China Oriental's net equity. The recoverable amount of the Company's investment in China Oriental amounted to 697. Based on this analysis, the Company recognized an impairment charge of 621 in income (loss) from investments in associates, joint ventures and other investments. The Company classified the measurement at fair value into Level 3.

The Company is not aware of any material contingent liabilities related to associates and joint ventures for which it is severally liable for all or part of the liabilities of the associates, nor are there any contingent liabilities incurred jointly with other investors. See note 8.3 for disclosure of commitments related to associates and joint ventures.

#### 2.4.5 Investments in joint operations

In addition to subsidiaries, joint ventures and associates as described above, the Company also had investments in the following joint operations as of December 31, 2016 and 2015:

##### Peña Colorada

Peña Colorada is an iron ore mine located in Mexico in which ArcelorMittal holds a 50.00% interest. Peña Colorada operates an open pit mine as well as concentrating facility and two-line pelletizing facility.

##### Hibbing Taconite Mines

The Hibbing Taconite Mines in which the Company holds a 62.30% interest are iron ore mines located in the USA and operations consist of open pit mining, crushing, concentrating and pelletizing.

##### I/N Tek

I/N Tek in which the Company holds a 60.00% interest operates a cold-rolling mill in the United States.

##### Double G Coatings

ArcelorMittal holds a 50.00% interest in Double G Coating, a hot dip galvanizing and Galvalume facility in the United States.

Hibbing Taconite Mines and Peña Colorada are part of the Mining segment; other joint operations are part of NAFTA.

#### 2.5 Other investments

The Company holds the following other investments:

	December 31,	
	2016	2015
Available-for-sale securities (at fair value)	894	646
Investments accounted for at cost	32	46
Total	926	692

The following are the Company's material available-for-sale investments at December 31, 2016 and 2015.

Ereğli Demir ve Çelik Fabrikalari T.A.S. ("Erdemir")

As of December 31, 2016 and 2015, the fair value of ArcelorMittal's remaining stake in Erdemir amounted to 618 and 441, respectively. Unrealized gains (losses) recognized in reserves amounted to 183 and nil for the year ended December 31, 2016 and 2015, respectively. The Company reviewed the investment in Erdemir for impairment during the first quarter of 2014 and concluded that there was a prolonged decline in fair value that remained continuously below cost for more than two years. Accordingly, it recorded an impairment charge of 56 in income (loss) from investments in associates, joint ventures and other investments. During the fourth quarter of 2015, the fair value of Erdemir decreased further and the Company accordingly recorded an additional impairment charge of 101 in income (loss) from investments in associates, joint ventures and other investments for the year ended December 31, 2015.

Stalprodukt S.A.

Following the sale of 729,643 shares including the subsequent capital reduction of Stalprodukt S.A. during the first six months of 2016, for a total cash consideration of 46, ArcelorMittal's ownership interest and voting rights in Stalprodukt S.A. decreased from 28.47% to 21.20% and from 28.26% to 11.61%, respectively. As a result of the loss of significant influence, the Company discontinued the accounting for its investment under the equity method and reclassified its interest as available-for-sale within other investments in the statements of financial position (see note 2.4). The Company recorded an aggregate loss on disposal of 26 in income (loss) from investments in associates, joint ventures and other investments including a loss of 13 with respect to the above mentioned transaction, a loss of 13 with respect to the fair value

remeasurement of the remaining interest of 21.20% and a loss of 11 and a gain of 11 resulting from the reclassification of the accumulated foreign exchange translation losses and unrealized gains on derivative financial instruments from other comprehensive income to the statements of operations, respectively.

As of December 31, 2016, the fair value of ArcelorMittal's stake in Stalprodukt S.A. amounted to 148. Unrealized gains recognized in other comprehensive income amounted to 66 for the year ended December 31, 2016.

Hunan Valin

As a result of the exercise of the third put option on February 8, 2014 following a share swap arrangement finalized on June 6, 2012 between ArcelorMittal and Valin Group which enabled ArcelorMittal to exercise over the subsequent two years four put options granted by the Valin Group with respect to Hunan Valin shares, the Company's interest in Hunan Valin decreased to 15.05%. Accordingly, the Company discontinued the accounting for its investment under the equity method and reclassified its interest as available-for-sale within other investments in the statements of financial position. The resulting loss on disposal was recorded in income (loss) from investments in associates, joint ventures and other investments and amounted to 76. This amount consisted of a gain of 13 on disposal of the 5% stake and the reclassification of the accumulated positive foreign exchange translation difference from other comprehensive income to the statements of operations of 61, offset by a loss of 150 with respect to the remeasurement at fair value of the remaining interest of 15.05%.

On August 6, 2014, the Company exercised its fourth and last put option, which subsequently led to the decrease in its stake in Hunan Valin from 15.05% to 10.08%. The Company recognized a net gain of 62 including a gain of 64 in relation to the option, which was a Level 2 financial instrument, a loss on disposal of 14 and a proportional reclassification of the accumulated

positive reserve for available-for-sale investments from other comprehensive income to the statements of operations of 12.

As of December 31, 2015, the fair value of ArcelorMittal's stake in Hunan Valin amounted to 153. Unrealized gains recognized in other comprehensive income amounted to 62 for the year ended December 31, 2015.

On August 2, 2016, the Company signed an agreement for the sale of its 10.08% interest in Hunan Valin to a private equity fund. On September 14, 2016, the Company transferred the Hunan Valin shares and simultaneously received the full proceeds of 165 (RMB1,103 million) from the buyer and recorded a gain of 74 as income (loss) from investments in associates, joint ventures and other investments which corresponded to the reclassification of accumulated unrealized gains from other comprehensive income to the statements of operations.

Gerdau

On July 14, 2015, ArcelorMittal entered into a share swap agreement with Gerdau whereby ArcelorMittal exchanged unlisted shares of Gerdau against listed shares and a cash consideration of 28. The share swap resulted in a gain of 55 recorded as income (loss) from investments in associates, joint ventures and other investments. The unlisted shares were accounted for at cost, whereas the exchanged listed shares are accounted for at fair value. As of December 31, 2016 and 2015, the fair value of ArcelorMittal's stake in Gerdau amounted to 99 and 36. Unrealized gains and losses recognized in other comprehensive income amounted to 38 and 28 for the year ended December 31, 2016 and 2015, respectively.

At December 31, 2016, the Company reviewed the investments in Erdemir, Gerdau and Stalprodukt S.A. for impairment and concluded that there was no impairment trigger. At December 31, 2015, the Company reviewed the investments in Erdemir, Gerdau and Hunan Valin for impairment

and concluded that there was no impairment trigger, other than disclosed above.

#### *Unconsolidated structured entities*

ArcelorMittal has operating lease arrangements for six vessels (Panamax Bulk Carriers) involving structured entities whose main purpose is to hold legal title of the six vessels and to lease them to the Company. The operating lease arrangements for five vessels were entered in 2013 and for a sixth vessel in 2014. These entities are wholly-owned and controlled by a financial institution. They are funded through equity instruments by the financial institution.

The aforesaid operating leases have been agreed for a 12 year period, during which the Company is obliged to pay to the structured entities minimum fees equivalent to approximately 4 per year and per vessel. In addition, ArcelorMittal holds call options to buy each of the six vessels from the structured entities at pre-determined dates and prices as presented in the table below. The structured entities hold put options enabling them to sell each of the vessels at the end of the lease terms at 6 each to the Company.

Exercise dates	Call options' strike prices							
	at the 60 <sup>th</sup> month	at the 72 <sup>nd</sup> month	at the 84 <sup>th</sup> month	at the 96 <sup>th</sup> month	at the 108 <sup>th</sup> month	at the 120 <sup>th</sup> month	at the 132 <sup>nd</sup> month	at the 144 <sup>th</sup> month
Amounts per vessel*								
First four vessels	28	26	25	23	21	19	17	14
Fifth vessel	29	27	26	24	22	20	17	14
Sixth vessel	31	30	28	27	26	24	20	14

\* If actual fair values of each vessel are higher than strike prices at each of the exercise dates, ArcelorMittal is then obliged to share (50%/50%) the gain with the structured entities.

In addition, pursuant to these arrangements, the Company had a receivable (classified as "Other assets") of 30 and 33 at December 31, 2016 and 2015, respectively, which does not bear interest, is forgiven upon default and will be repaid by the structured entities quarterly in arrears throughout the lease term. The outstanding balance will be used to offset payment of any interim call options, if exercised.

## 2.6 Income (loss) from investments in associates, joint ventures and other investments

Income (loss) from investments in associates, joint ventures and other investments for the years ended December 31, 2016, 2015 and 2014 consisted of the following:

	Year ended December 31,		
	2016	2015	2014
Share in net earnings of equity-accounted companies	207	(59)	267
Impairment charges <sup>1</sup>	(28)	(565)	(677)
Gain (loss) on disposal <sup>2</sup>	377	46	179
Dividend income	59	76	59
<b>Total</b>	<b>615</b>	<b>(502)</b>	<b>(172)</b>

<sup>1</sup> Includes impairment charges of 14 and 14 relating to Kalagadi and Comvex for the year ended December 31, 2016, respectively (see note 2.4.4).  
Mainly includes impairment charges in respect of the Company's investments in Kalagadi, Uttam Galva and Northern Cape Iron Ore Mining Project (see note 2.4.4), and 101 in respect of the Company's investment in Erdemir (see note 2.5) for the year ended December 31, 2015.  
Includes impairment charges of 56 relating to Erdemir (see note 2.5) and 621 relating to the Company's 46.99% stake in the associate China Oriental (see note 2.4.4) for the year ended December 31, 2014.

<sup>2</sup> Mainly includes a gain of 329 relating to the disposal of Gestamp (see note 2.4), a gain of 74 relating to the disposal of Hunan Valin (see note 2.5) and a loss of 26 relating to the disposal of Stalprodukt S.A. shares (see note 2.5) for the year ended December 31, 2016.  
Mainly includes a net gain of 55 relating to the Gerdau share swap (see note 2.5) for the year ended December 31, 2015.  
Includes a 193 gain on disposal of the Company's 50.00% interest in Gallatin and a net loss of 14 related to the disposal of the Hunan Valin shares (see note 2.5) for the year ended December 31, 2014.

## Note 3: Segment reporting

### 3.1 Reportable segments

The Company is organized in five operating and reportable segments, which are components engaged in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company), for which discrete financial information is available and whose operating results are evaluated regularly by the chief operating decision maker "CODM" to make decisions about resources to be allocated to the segment and assess its performance. As of January 1, 2016, the Group Management Board "GMB" (ArcelorMittal's previous CODM) was replaced by the CEO Office - comprising the CEO, Mr. Lakshmi N. Mittal and the CFO, Mr. Aditya Mittal.

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 and is not directly attributable to individual operating segments or geographical areas.

ArcelorMittal's segments are structured as follows:

- NAFTA represents the flat, long and tubular facilities of the Company located in North America (Canada, United States and Mexico). NAFTA produces flat products such as slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following industries: distribution and processing, automotive, pipe and tubes, construction, packaging, and appliances. NAFTA also produces long products such as wire rod, sections, rebar, billets, blooms and wire drawing, and tubular products;
- Brazil includes the flat operations of Brazil and the long and tubular operations of Brazil and neighboring countries including Argentina, Costa Rica and Venezuela. Flat products include slabs, hot-rolled coil, cold-rolled coil and coated steel. Long products consist of wire rod, sections, bar and rebar, billets, blooms and wire drawing;
- Europe is the largest flat steel producer in Europe, with operations that range from Spain in the west to Romania in the east, and covering the flat carbon steel product portfolio in all major countries and markets. Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. These products are sold primarily to customers in the automotive, general industry and packaging industries. Europe produces

also long products consisting of sections, wire rod, rebar, billets, blooms and wire drawing, and tubular products. In addition, it includes Distribution Solutions, primarily an in-house trading and distribution arm of ArcelorMittal. Distribution Solutions also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements;

- ACIS produces a combination of flat, long products and tubular products. Its facilities are located in Asia, Africa and Commonwealth of Independent States; and
- Mining comprises all mines owned by ArcelorMittal in the Americas (Canada, United States, Mexico and Brazil), Asia (Kazakhstan), Europe (Ukraine and Bosnia & Herzegovina) and Africa (Liberia). It supplies the Company and third party customers with iron ore and coal.

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

	NAFTA	Brazil	Europe	ACIS	Mining	Others*	Elimination	Total
Year ended December 31, 2014								
Sales to external customers	21,030	9,558	39,224	8,032	1,320	118	-	79,282
Intersegment sales**	132	479	328	236	3,650	419	(5,244)	-
Operating income (loss)	386	1,388	737	95	565	(264)	127	3,034
Depreciation and amortization	706	457	1,510	525	703	38	-	3,939
Impairment	114	-	57	-	63	30	-	264
Capital expenditures	505	497	1,052	573	993	45	-	3,665
Year ended December 31, 2015								
Sales to external customers	17,225	7,954	31,586	5,932	824	57	-	63,578
Intersegment sales**	68	549	307	196	2,563	311	(3,994)	-
Operating income (loss)	(705)	628	171	(624)	(3,522)	(140)	31	(4,161)
Depreciation and amortization	616	336	1,192	408	614	26	-	3,192
Impairment	526	176	398	294	3,370	-	-	4,764
Capital expenditures	392	422	1,045	365	476	7	-	2,707
Year ended December 31, 2016								
Sales to external customers	15,769	5,526	28,999	5,675	781	41	-	56,791
Intersegment sales**	37	697	273	210	2,333	260	(3,810)	-
Operating income (loss)	2,002	614	1,270	211	366	(208)	(94)	4,161
Depreciation and amortization	549	258	1,184	311	396	23	-	2,721
Impairment	-	-	49	156	-	-	-	205
Capital expenditures	445	237	951	397	392	22	-	2,444

\* Others include all other operational and non-operational items which are not segmented, such as corporate and shared services, financial activities, and shipping and logistics.

\*\* Transactions between segments are reported on the same basis of accounting as transactions with third parties except for certain mining products shipped internally and reported on a cost plus basis.

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

	Year ended December 31,		
	2016	2015	2014
Operating income (loss)	4,161	(4,161)	3,034
Loss from investments in associates and joint ventures	615	(502)	(172)
Financing costs - net	(2,056)	(2,858)	(3,382)
Income (loss) before taxes	2,720	(7,521)	(520)
Income tax expense	986	902	454
Net loss (including non-controlling interests)	1,734	(8,423)	(974)

The Company does not regularly provide assets for each reportable segment to the CODM.

### 3.2 Geographical information

Geographical information, by country or region, is separately disclosed and represents ArcelorMittal's most significant regional markets. Attributed assets are operational assets employed in each region and include items such as pension balances that are specific to a country. Unless otherwise stated in the table heading as a segment disclosure, these disclosures are specific to the country or region stated. They do not include goodwill, deferred tax assets, other investments or receivables and other non-current financial assets. Attributed liabilities are those arising within each region, excluding indebtedness.



*Sales (by destination)*

	Year ended December 31,		
	2016	2015	2014
<i>Americas</i>			
United States	12,284	13,619	17,312
Brazil	3,506	3,809	6,299
Canada	2,818	2,913	3,462
Mexico	1,806	1,913	2,216
Argentina	858	1,370	1,161
Venezuela	105	1,334	612
Others	830	951	1,235
<b>Total Americas</b>	<b>22,207</b>	<b>25,909</b>	<b>32,297</b>
<i>Europe</i>			
Germany	4,768	5,473	6,649
France	3,655	3,743	4,499
Spain	3,015	3,406	3,907
Poland	2,997	3,023	3,815
Italy	2,067	2,278	2,701
Turkey	1,789	1,962	2,576
United Kingdom	1,159	1,246	1,480
Czech Republic	1,107	1,476	1,579
Netherlands	1,030	867	917
Belgium	929	1,108	1,268
Russia	688	638	1,216
Romania	526	583	728
Others	3,886	4,024	4,948
<b>Total Europe</b>	<b>27,616</b>	<b>29,827</b>	<b>36,283</b>
<i>Asia &amp; Africa</i>			
South Africa	2,026	2,111	2,629
Egypt	499	404	564
Morocco	498	533	696
Rest of Africa	658	945	1,374
China	549	557	941
Kazakhstan	350	456	668
South Korea	184	242	593
India	85	197	225
Rest of Asia	2,119	2,397	3,012
<b>Total Asia &amp; Africa</b>	<b>6,968</b>	<b>7,842</b>	<b>10,702</b>
<b>Total</b>	<b>56,791</b>	<b>63,578</b>	<b>79,282</b>

Revenues from external customers attributed to the country of domicile (Luxembourg) were 88, 85, 53 for the years ended December 31, 2016, 2015 and 2014, respectively.

*Non-current assets\* per significant country:*

	Year ended December 31,	
	2016	2015
<i>Americas</i>		
Canada	5,208	5,274
Brazil	4,471	3,770
United States	4,209	4,289
Mexico	906	952
Argentina	152	179
Venezuela	43	376
Others	21	24
Total Americas	15,010	14,864
<i>Europe</i>		
France	4,194	4,468
Belgium	2,458	2,493
Germany	2,395	2,546
Poland	2,112	2,140
Ukraine	2,110	2,439
Spain	1,797	1,945
Luxembourg	1,142	1,266
Czech Republic	585	632
Romania	573	610
Bosnia and Herzegovina	182	202
Italy	158	174
Others	236	251
Total Europe	17,942	19,166
<i>Asia &amp; Africa</i>		
Kazakhstan	1,223	1,168
South Africa	788	767
Morocco	104	118
Liberia	49	25
Others	116	121
Total Africa & Asia	2,280	2,199
Unallocated assets	17,663	18,291
Total	52,895	54,520

\*Non-current assets do not include goodwill (as it is not allocated to the geographic regions), deferred tax assets, investment in associate and joint ventures, other investments and other non-current financial assets. Such assets are presented under the caption "Unallocated assets".

**3.3 Sales by type of products**

The table below 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.

	Year ended December 31,		
	2016	2015	2014
Flat products	34,215	36,226	44,863
Long products	12,104	13,996	18,671
Tubular products	1,500	2,809	2,518
Mining products	781	824	1,319
Others	8,191	9,723	11,911
Total	56,791	63,578	79,282

**Note 4: Operating data****4.1 Revenue**

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.

Revenue from the sale of iron ore is recognized when the risk and rewards of ownership are transferred to the buyer. The selling price is contractually determined on a provisional basis, based on a reliable estimate of the selling price and adjustments in the price may subsequently occur depending on movements in the reference price or contractual iron ore prices to the date of the

final pricing and final product specifications.

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.

**4.2 Cost of sales**

Cost of sales recognized in the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year ended December 31,		
	2016	2015	2014
Materials	34,276	41,788	50,760
Labor costs*	7,572	9,125	10,722
Logistic expenses	3,760	4,252	5,020
Depreciation and amortization	2,721	3,192	3,939
Impairment	205	4,764	264
Other	1,894	2,075	2,583
Total	50,428	65,196	73,288

\* Includes a 832 gain relating to changes in post-employment benefit plans in the United States (see note 7.2)

**4.3 Trade accounts receivable and other**

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 reliable 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 overdue by more than 180 days because historical experience is such that such receivables are generally not recoverable, unless it can be clearly demonstrated that the receivable is still collectible. Estimated unrecoverable amounts

of trade receivables between 60 days and 180 days overdue are provided for based on past default experience.

Trade accounts receivable and allowance for doubtful accounts as of December 31, are as follows:

	December 31,	
	2016	2015
Gross amount	3,158	2,849
Allowance for doubtful accounts	(184)	(170)
Total	2,974	2,679

The carrying amount of the trade accounts receivable and other approximates fair value. Before granting credit to any new customer, ArcelorMittal uses an internally developed credit scoring system to assess the potential

customer's credit quality and to define credit limits by customer. For all significant customers the credit terms must be approved by the credit committees of each 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:

	December 31,	
	2016	2015
NAFTA	308	277
Brazil	693	610
Europe	1,464	1,447
ACIS	395	274
Mining	114	69
Other activities	-	2
Total	2,974	2,679

## Aging of trade accounts receivable

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

	2016			December 31, 2015		
	Gross	Allowance	Total	Gross	Allowance	Total
Not past due	2,476	(6)	2,470	1,966	(6)	1,960
Overdue 1-30 days	292	(1)	291	335	(2)	333
Overdue 31-60 days	63	(1)	62	106	(1)	105
Overdue 61-90 days	32	(1)	31	47	(1)	46
Overdue 91-180 days	50	(6)	44	114	(2)	112
More than 180 days	245	(169)	76	281	(158)	123
<b>Total</b>	<b>3,158</b>	<b>(184)</b>	<b>2,974</b>	<b>2,849</b>	<b>(170)</b>	<b>2,679</b>

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, 2013	Additions	Deductions/Releases	Foreign exchange and others	Balance as of December 31, 2014
218	43	(44)	(42)	175
Balance as of December 31, 2014	Additions	Deductions/Releases	Foreign exchange and others	Balance as of December 31, 2015
175	41	(19)	(27)	170
Balance as of December 31, 2015	Additions	Deductions/Releases	Foreign exchange and others	Balance as of December 31, 2016
170	34	(25)	5	184

The Company has established a number of programs for sales without recourse of trade accounts receivable to various financial institutions (referred to as True Sale of Receivables ("TSR")). Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are 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 2016, 2015 and 2014 was \$33.5 billion, \$33.1 billion and \$37.8 billion, respectively (with amounts of receivables sold converted to U.S. 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, 2016, 2015 and 2014 were 106, 116 and 150, respectively.

#### 4.4 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the average cost method. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost, inclusive of freight, shipping, handling as well as any other costs incurred in bringing the inventories to their present location and condition. Interest charges, if any, on purchases have been recorded as financing costs. Costs incurred when production levels are abnormally low are capitalized as inventories

based on normal capacity with the remaining costs incurred recorded as a component of cost of sales in the consolidated statements of operations.

Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Net realizable value is estimated based on the most reliable evidence available at the time the estimates were made of the amount that the inventory is expected to realize, taking into account the purpose for which the inventory is held.

Previous write-downs are reversed in case the circumstances that previously caused inventories to be written down below cost no longer exist.

During the current year, the Company modified the consolidated statements of cash flows to present the change in inventories at their net realizable value. Accordingly, amounts for the year ended December 31, 2016, 2015 and 2014 were reclassified for (905), (637) and (276) from "write-downs (reversal) of inventories to net realizable value, provisions and other non-cash operating expenses net" to "inventories", respectively.

Inventories, net of allowance for slow-moving inventory, excess of cost over net realizable value and obsolescence of 1,097 and 1,707 as of December 31, 2016 and 2015, respectively, are comprised of the following:

	December 31,	
	2016	2015
Finished products	4,861	4,777
Production in process	3,264	2,971
Raw materials	5,141	4,032
Manufacturing supplies, spare parts and other	1,468	1,644
<b>Total</b>	<b>14,734</b>	<b>13,424</b>

Note 4.2 discloses the cost of inventories recognized as an expense during the year.

The movement in the inventory reserve is as follows:

Balance as of December 31, 2013	Additions*	Deductions/Releases**	Foreign exchange and others	Balance as of December 31, 2014
1,495	459	(491)	(170)	1,293
Balance as of December 31, 2014	Additions*	Deductions/Releases**	Foreign exchange and others	Balance as of December 31, 2015
1,293	1,256	(637)	(205)	1,707
Balance as of December 31, 2015	Additions*	Deductions/Releases**	Foreign exchange and others	Balance as of December 31, 2016
1,707	473	(964)	(119)	1,097

\* Additions refer to write-downs of inventories including those utilized or written back during the same financial year.

\*\* Deductions/releases correspond to write-backs and utilizations related to the current and prior periods. Prior period figures have been adjusted retrospectively.

#### 4.5 Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2016	2015
VAT receivables	672	850
Income tax receivable	111	115
Derivative financial instruments	243	128
Prepaid expenses and non-trade receivables	369	406
Other <sup>1</sup>	270	360
<b>Total</b>	<b>1,665</b>	<b>1,859</b>

<sup>1</sup> Other includes mainly advances to employees, accrued interest, amounts receivable from public authorities and other miscellaneous receivables.

#### 4.6 Other assets

Other assets consisted of the following:

	December 31,	
	2016	2015
Financial amounts receivable	297	166
Long-term VAT receivables	196	197
Cash guarantees and deposits	187	181
Accrued interest	91	74
Assets in pension funds <sup>1</sup>	21	18
Income tax receivable	55	9
Derivative financial instruments	189	90
Other <sup>2</sup>	317	185
<b>Total</b>	<b>1,353</b>	<b>920</b>

<sup>1</sup> The pension funds are mainly related to units in Canada.

<sup>2</sup> Other mainly includes receivables from public authorities and receivables from the sale of fixed assets.

#### 4.7 Trade accounts payable and other

Trade accounts payable are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade accounts payable have maturities from 15 to 180 days depending on the type of material, the geographic area in which the purchase transaction occurs and the various contractual

agreements. The carrying value of trade accounts payable approximates fair value.

During the current year the Company modified the presentation of collection under TSR programs (1,385 at December 31, 2016) to more appropriately reflect the nature of these liabilities. The comparative amount in the consolidated balance sheets was reclassified for consistency,

which resulted in 1,439 being reclassified from "accrued expenses and other liabilities" to "trade accounts payable and other" at December 31, 2015. In addition, amounts in the consolidated statements of cash flows were similarly reclassified, which resulted in 80, (279) and 258 being reclassified from "other working capital and provisions movements" to "trade accounts payable and other" for the years

ended December 31, 2016, 2015 and 2014, respectively.

#### 4.8 Accrued expenses and other liabilities

Accrued expenses and other liabilities are comprised of the following as of December 31:

	December 31,	
	2016	2015
Accrued payroll and employee related expenses	1,560	1,568
Accrued interest and other payables	781	1,026
Payable from acquisition of intangible, tangible & financial assets	833	852
Other amounts due to public authorities	504	559
Derivative financial instruments	226	133
Unearned revenue and accrued payables	39	56
<b>Total</b>	<b>3,943</b>	<b>4,194</b>

## Note 5: Goodwill, intangible and thangible assets

### 5.1 Goodwill and intangible assets

The carrying amounts of goodwill and intangible assets are summarized as follows:

	December 31,	
	2016	2015
Goodwill on acquisitions	5,248	5,143
Concessions, patents and licenses	252	266
Customer relationships and trade marks	120	170
Other	31	13
<b>Total</b>	<b>5,651</b>	<b>5,592</b>

#### Goodwill

Goodwill arising on an acquisition is recognized as previously described within the business combinations section in note 2.2.3. Goodwill is allocated to those groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and in all cases is at the operating segment level, which represents the lowest level at which goodwill is monitored for internal management purposes.

Goodwill acquired in business combinations for each of the Company's operating segments is as follows:

	December 31, 2014	Impairment and reduction of goodwill	Foreign exchange differences and other movements	Divestments	December 31, 2015
NAFTA	2,336	-	(127)	-	2,209
Brazil	2,057	-	(631)	-	1,426
Europe	604	-	(57)	-	547
ACIS	1,457	-	(496)	-	961
Mining	868	(854)	(14)	-	-
<b>Total</b>	<b>7,322</b>	<b>(854)</b>	<b>(1,325)</b>	<b>-</b>	<b>5,143</b>

	December 31, 2015	Impairment and reduction of goodwill	Foreign exchange differences and other movements	Divestments <sup>1</sup>	December 31, 2016
NAFTA	2,209	-	6	(13)	2,202
Brazil	1,426	-	242	-	1,668
Europe	547	-	(16)	(2)	529
ACIS	961	-	(112)	-	849
<b>Total</b>	<b>5,143</b>	<b>-</b>	<b>120</b>	<b>(15)</b>	<b>5,248</b>

<sup>1</sup> See note 2.3.1

#### Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by ArcelorMittal are initially recorded at cost and those acquired in a business combination are initially recorded at fair value at the date of the business combination. These primarily include the cost of technology and licenses purchased from third parties and operating authorizations granted by governments or other public bodies (concessions). Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, which typically do not exceed five years. Amortization is included in the consolidated statements of operations as part of depreciation.

ArcelorMittal's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ("CO<sub>2</sub>") emission rights, effective as of January 1, 2005, are located primarily in 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.

Other intangible assets are summarized as follows:

	Concessions, patents and licenses	Customer relationships and trade marks	Other	Total
<b>Cost</b>				
At December 31, 2014	969	1,348	60	2,377
Acquisitions	11	-	3	14
Disposals	(8)	-	(1)	(9)
Foreign exchange differences	(160)	(206)	(6)	(372)
Transfers to assets held for sale (note 2.3)	-	(52)	(29)	(81)
Transfers and other movements	10	(13)	9	6
Fully amortized intangible assets **	(92)	-	-	(92)
At December 31, 2015	730	1,077	36	1,843
Acquisitions	5	-	30	35
Disposals	(2)	-	(5)	(7)
Foreign exchange differences	(1)	22	(1)	20
Transfers and other movements *	15	3	(4)	14
Fully amortized intangible assets **	(71)	(2)	-	(73)
At December 31, 2016	676	1,100	56	1,832
<b>Accumulated amortization and impairment losses</b>				
At December 31, 2014	481	1,070	44	1,595
Disposals	(7)	-	-	(7)
Amortization charge	37	65	7	109
Impairment charge	157	-	-	157
Foreign exchange differences	(107)	(163)	(6)	(276)
Transfers to assets held for sale (note 2.3)	-	(52)	(22)	(74)
Transfers and other movements	(5)	(13)	-	(18)
Fully amortized intangible assets **	(92)	-	-	(92)
At December 31, 2015	464	907	23	1,394
Amortization charge	28	60	5	93
Foreign exchange differences	3	15	(1)	17
Transfers and other movements	-	-	(2)	(2)
Fully amortized intangible assets **	(71)	(2)	-	(73)
At December 31, 2016	424	980	25	1,429
<b>Carrying amount</b>				
At December 31, 2015	266	170	13	449
At December 31, 2016	252	120	31	403

\* Transfers and other movements correspond mainly to transfer from assets under construction into patents and licenses in 2016.

\*\* Fully amortized assets correspond mainly to licenses in 2016 and to concessions in 2015.

Research and development costs not meeting the criteria for capitalization are expensed as incurred. These costs amounted to 239, 227 and 259 in the years ended December 31, 2016, 2015, and 2014, respectively and were recognized in selling, general and administrative expenses.

## 5.2 Property, plant and equipment and biological assets

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes all related costs directly attributable to the acquisition or construction of the asset. Except for land and assets used in mining activities, property, plant and equipment is depreciated using the straight-line method over the useful lives of the related assets as presented in the table below.

Asset Category	Useful Life Range
Land	Not depreciated
Buildings	10 to 50 years
Property plant & equipment	15 to 50 years
Auxiliary facilities	15 to 45 years
Other facilities	5 to 20 years

During 2014, the Company performed a review of the useful lives of its assets and determined its maintenance and operating practices enabled a change in the useful lives of plant and equipment. Maintenance practices employed served to preserve and extend the operating life of certain of these assets, while operating practices in the current economic environment also contributed to the extension of asset useful life beyond previous estimates. The Company thus revised the useful lives due to its determination that certain of its existing assets had been used longer than previously anticipated and therefore, the estimated useful lives of certain plant and equipment were lengthened.

The Company's annual review of useful lives leverages on the experience gained from the above mentioned review, any significant change in the expected pattern of consumption embodied in the asset and the specialized knowledge of ArcelorMittal's network of chief technical officers. The chief technical officer network includes engineers with facility-specific expertise relating to plant and equipment used in the principal production units of the Company's operations. In performing this review, the Company gathered and evaluated data, including commissioning dates, designed capacities, maintenance records and programs, and asset performance history, among other attributes. In accordance with IAS 16, Property, Plant and Equipment, the Company considered this information at the level of components significant in relation to the total cost of the item of plant and equipment. Other factors the Company considered in its determination of useful lives included the expected use of the assets, technical or commercial obsolescence, and operational factors that led to improvements in monitoring and process control that contribute to longer asset lives. In addition, the Company considered the accumulated technical experience and knowledge sharing programs that allowed for the exchange of best practices within the chief technical officer network and the

deployment of these practices across the Company's principal production units. Depreciation charge for the year ended December 31, 2014 decreased by 702 as a result of changes in estimated useful lives.

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

Property, plant and equipment under construction is recorded as construction in progress until it is ready for its intended use; thereafter it is transferred to the related class of property, plant and equipment and depreciated over its estimated useful life. Interest incurred during construction is capitalized if the borrowing cost is directly attributable to the construction. Gains and losses on retirement or disposal of assets are recognized in cost of sales.

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

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date and adjusted if expectations differ from previous estimates. Depreciation methods applied to property, plant and equipment are reviewed at each reporting date and changed if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset.

Mining assets comprise:

- Mineral rights acquired;
- Capitalized developmental stripping (as described below in "Stripping and overburden removal costs").

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

Capitalization of pre-production expenditures ceases when the mining property is capable of commercial production as it is intended by management. General administration costs that are not directly attributable to a specific exploration area are charged to the consolidated statements of operations.

#### *Mining Reserves*

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to estimate reserves, estimates are required for a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations,

estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying amounts may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortization charged in the consolidated statements of operations may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recognized in the consolidated statements of financial position or charged to the consolidated statements of operations may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

#### *Stripping and overburden removal costs*

In open pit and underground mining operations, it is often necessary to remove overburden and other waste materials to access the deposit from which minerals can be extracted. This process is referred to as stripping. Stripping costs can be incurred before the mining production commences ("developmental stripping") or during the production stage ("production stripping").

A mine can operate several open pits that are regarded as separate operations for the purpose of mine planning and production. In this case, stripping costs are accounted for separately, by reference to the ore extracted from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning and production, stripping costs are aggregated.

The determination of whether multiple pit mines are considered separate or integrated operations depends on each mine's specific circumstances. The following



factors would point towards the stripping costs for the individual pits being accounted for separately:

- If mining of the second and subsequent pits is conducted consecutively with that of the first pit, rather than concurrently.
- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset.
- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden and ore mining, rather than as an integrated unit.
- If expenditures for additional infrastructure to support the second and subsequent pits are relatively large.
- If the pits extract ore from separate and distinct ore bodies, rather than from a single ore body.

The relative importance of each factor is considered by local management to determine whether the stripping costs should be attributed to the individual pit or to the combined output from 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 commences when the production stage of mining operations begins and continues throughout the life of a mine.

Capitalization of developmental stripping costs ends when the commercial production of the minerals commences.

Production stripping costs are incurred to extract the ore in the form of inventories and / or to improve access to an additional component of an ore body or deeper levels of material. Production stripping costs are accounted for as inventories to the extent the benefit from production stripping activity is realized in the form of inventories. Production stripping costs are recognized as a non-current asset

(“stripping activity assets”) to the extent it is probable that future economic benefit in terms of improved access to ore will flow to the Company, the components of the ore body for which access has been improved can be identified and the costs relating to the stripping activity associated with that component can be measured reliably.

All stripping costs assets (either stripping activity assets or capitalized developmental stripping costs) are presented within a specific “mining assets” class of property, plant and equipment and then depreciated on a units-of-production basis.

#### *Exploration and evaluation expenditure*

Exploration and evaluation activities involve the search for iron ore and coal resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- researching and analyzing historical exploration data;
- conducting topographical, geological, geochemical and geophysical studies;
- carrying out exploratory drilling, trenching and sampling activities;
- drilling, trenching and sampling activities to determine the quantity and grade of the deposit;
- examining and testing extraction methods and metallurgical or treatment processes; and,
- detailed economic feasibility evaluations to determine whether development of the reserves is commercially justified and to plan methods for mine development.

Exploration and evaluation expenditure is charged to the consolidated statements of operations as incurred except in the following circumstances, in which case the expenditure is capitalized: (i) the exploration and evaluation activity is within an area of interest which was previously acquired in a business combination and measured at fair value on acquisition; or (ii)

when management has a high degree of confidence in the project’s economic viability and it is probable that future economic benefits will flow to the Company.

Capitalized exploration and evaluation expenditures are generally recorded as a component of property, plant and equipment at cost less impairment charges, unless their nature requires them to be recorded as an intangible asset. As the asset is not available for use, it is not depreciated and all capitalized exploration and evaluation expenditure is monitored for indications of impairment. To the extent that capitalized expenditure is not expected to be recovered, it is recognized as an expense in the consolidated statements of operations.

Cash flows associated with exploration and evaluation expenditure are classified as operating activities when they are related to expenses or as an investing activity when they are related to a capitalized asset in the consolidated statements of cash flows.

#### *Development expenditure*

Development is the establishment of access to the mineral reserve and other preparations for commercial production. Development activities often continue during production and include:

- sinking shafts and underground drifts (often called mine development);
- making permanent excavations;
- developing passageways and rooms or galleries;
- building roads and tunnels; and
- advance removal of overburden and waste rock.

Development (or construction) also includes the installation of infrastructure (e.g., roads, utilities and housing), machinery, equipment and facilities.

When reserves are determined and development is approved, expenditures capitalized as exploration and evaluation are reclassified as construction in progress and are reported as a

component of property, plant and equipment. All subsequent development expenditures are capitalized and classified as construction in progress. On completion of development, all assets included in construction in progress are individually reclassified to the appropriate category of property, plant and equipment and depreciated accordingly.

#### *Biological assets*

Biological assets are part of the Brazil operating segment and consist of eucalyptus forests located in the Brazilian state of Minas Gerais exclusively from renewable plantations and intended for the production of charcoal to be utilized as fuel and a source of carbon in the direct reduction process of pig iron production in some of the Company’s blast furnaces in Brazil.

Biological assets are measured at their fair value, net of estimated costs to sell at the time of harvest. The fair value is determined based on the discounted cash flow method, taking into consideration the cubic volume of wood, segregated by plantation year, and the equivalent sales value of standing trees. The average sales price was estimated based on domestic market prices. In determining the fair value of biological assets, a discounted cash flow model was used, with a harvest cycle of six to seven years.

Property, plant and equipment and biological assets are summarized as follows:

	Land, buildings and Improvements	Machinery and equipment <sup>2</sup>	Construction in progress	Mining Assets	Total
<b>Cost</b>					
At December 31, 2014	13,830	54,008	4,546	4,087	76,471
Additions	24	305	2,446	18	2,793
Foreign exchange differences	(2,196)	(11,205)	(810)	(594)	(14,805)
Disposals	(104)	(980)	(6)	(4)	(1,094)
Transfers to assets held for sale (note 2.3)	(66)	(518)	(11)	-	(595)
Other movements <sup>1</sup>	244	2,324	(2,655)	152	65
At December 31, 2015	11,732	43,934	3,510	3,659	62,835
Additions	16	299	2,074	37	2,426
Foreign exchange differences	(606)	(1,122)	(57)	(13)	(1,798)
Disposals	(129)	(1,386)	(24)	(4)	(1,543)
Divestments (note 2.3)	(64)	(186)	(4)	-	(254)
Transfers to assets held for sale (note 2.3)	(3)	(97)	(18)	-	(118)
Other movements <sup>1</sup>	162	1,875	(2,224)	72	(115)
At December 31, 2016	11,108	43,317	3,257	3,751	61,433
<b>Accumulated depreciation and impairment</b>					
At December 31, 2014	3,957	24,243	142	1,536	29,878
Depreciation charge for the year	367	2,481	-	235	3,083
Impairment (note 5.3)	179	1,530	940	1,104	3,753
Disposals	(83)	(899)	(4)	(4)	(990)
Foreign exchange differences	(1,039)	(6,679)	(19)	(379)	(8,116)
Transfers to assets held for sale (note 2.3)	(40)	(499)	(1)	-	(540)
Other movements <sup>1</sup>	3	43	2	(61)	(13)
At December 31, 2015	3,344	20,220	1,060	2,431	27,055
Depreciation charge for the year	339	2,178	-	111	2,628
Impairment (note 5.3)	(14)	219	-	-	205
Disposals	(103)	(1,336)	(24)	(9)	(1,472)
Foreign exchange differences	(414)	(1,083)	(15)	(1)	(1,513)
Divestments (note 2.3)	(14)	(168)	-	-	(182)
Transfers to assets held for sale (note 2.3)	-	(63)	-	-	(63)
Other movements <sup>1</sup>	-	13	(28)	(41)	(56)
At December 31, 2016	3,138	19,980	993	2,491	26,602
<b>Carrying amount</b>					
At December 31, 2015	8,388	23,714	2,450	1,228	35,780
At December 31, 2016	7,970	23,337	2,264	1,260	34,831

<sup>1</sup> Other movements predominantly represent transfers from construction in progress to other categories and retirement of fully amortized assets.

<sup>2</sup> Machinery, equipment and other includes biological assets of 49, 54 and 95 as of December 31, 2016, 2015 and 2014 respectively, and bearer plants of 36, 26 and 33 as of December 31, 2016, 2015 and 2014 respectively.

The carrying amount of temporarily idle property, plant and equipment at December 31, 2016 and 2015 was, respectively, 359 and 368 including 298 and 253 in Brazil, 43 and 80 in NAFTA and 18 and 35 in the Europe segment, respectively.

The carrying amount of property, plant and equipment retired from active use and not classified as held for sale was 75 and 74 at December 31, 2016 and 2015, respectively. Such assets are carried at their recoverable amount.

#### *Lease arrangements*

The Company may enter into arrangements that do not take the legal form of a lease, but may contain a lease. This will be the case if the following two criteria are met:

- The fulfillment of the arrangement is dependent on the use of a specific asset and
- The arrangement conveys a right to use the asset.

Assets under lease arrangements which transfer substantially all of the risks and rewards of ownership to the Company are

classified as finance leases. On initial recognition, the leased asset and its related liability are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset while the minimum lease payments are apportioned between financing costs and reduction of the lease liability.

Assets held under lease arrangements that are not finance leases are classified as operating leases and are not recognized

in the consolidated statements of financial position. Payments made under operating leases are recognized in cost of sales in the consolidated statements of operations on a straight-line basis over the lease terms.

The carrying amount of capitalized leases was 467 and 552 as of December 31, 2016 and 2015, respectively. The 467 and 552 include 421 and 513 related to machinery and equipment and 46 and 39 to buildings respectively.

The total future minimum lease payments related to finance leases are as follows:

The total future minimum lease payments related to finance leases are as follows:

2017	133
2018 – 2021	467
2022 and beyond	221
Total	821

The present value of the future minimum lease payments was 529 and 602 for the year ended December 31, 2016 and 2015, respectively. The 2016 calculation is based on an average discount rate of 13.1% (13.1% in 2015) considering maturities from 1 to 15 years (from 1 to 16 years in 2015) including the renewal option when intended to be exercised.

### 5.3 Impairment of intangible assets, including goodwill, and tangible assets

Impairment charges recognized for the years ended December 31, 2016, 2015 and 2014 were as follows:

Type of asset	Year ended December 31,		
	2016	2015	2014
Goodwill	-	854	-
Intangible assets	-	157	-
Tangible assets	205	3,753	264
Total	205	4,764	264

*Impairment test of goodwill*  
Goodwill is tested for impairment annually, as of October 31 or whenever changes in circumstances indicate that the carrying amount may not be recoverable, at the level of the groups of cash-generating units ("GCGU") which correspond to the operating segments representing the lowest level at which goodwill is monitored for internal management purposes. Whenever the cash-generating units comprising the operating segments are tested for impairment at the same time as goodwill, the cash-generating

units are tested first and any impairment of the assets is recorded prior to the testing of goodwill.  
The recoverable amounts of the GCGUs are mainly determined based on their value in use. The value in use of each GCGU is determined by estimating future cash flows. The 2016 impairment test of goodwill did not include the GCGU corresponding to the Mining segment as goodwill allocated to this GCGU was fully impaired in 2015. The key assumptions for the value in use calculations are primarily the discount rates, growth rates,

expected changes to average selling prices, shipments and direct costs during the period. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. In addition, with respect to raw material price assumptions, the Company applied a range (\$/t) of \$48 to \$63 for iron ore and \$110 to \$224 for coking coal. Cash flow forecasts adjusted for the risks specific to the tested assets are derived from the most recent financial plans approved by management for the next five years. Beyond the specifically forecasted period, the

Company extrapolates cash flows for the remaining years based on an estimated growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.  
Management estimates discount rates using pre-tax rates that reflect current market rates for investments of similar risk. The rate for each GCGU was estimated from the weighted average cost of capital of producers, which operate a portfolio of assets similar to those of the Company's assets. Once recognized, impairment losses for goodwill are not reversed.

	NAFTA	Brazil	Europe	ACIS
GCGU weighted average pre-tax discount rate used in 2016 (in %)	11.7	16.0	10.9	18.7

	NAFTA	Brazil	Europe	ACIS	Mining
GCGU weighted average pre-tax discount rate used in 2015 (in %)	10.5	15.4	10.3	16.8	13.3

There was no impairment charge recognized with respect to goodwill following the Company's impairment test as of October 31, 2016. The total value in use calculated for all GCGUs decreased overall in 2016 as compared to 2015.

In validating the value in use determined for the GCGUs, the Company performed a sensitivity analysis of key assumptions used in the discounted cash-flow model (such as discount rates, average selling prices, shipments and terminal growth rate). The Company believes that

reasonably possible changes in key assumptions could cause an impairment loss to be recognized in respect of ACIS and the Brazil segments.  
ACIS produces a combination of flat and long products. Its facilities are located in Asia, Africa and Commonwealth of Independent States. ACIS is significantly self-sufficient in raw materials. The Company believes that sales volumes, prices, discount rates and foreign exchange rates are the key assumptions most sensitive to change. ACIS 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 and macroeconomic trends of emerging markets, such as economic growth and foreign exchange rates. Discount rates may be affected by changes in countries' specific risks, in particular in Ukraine due to the current political and economic situation. The ACIS value in use model anticipates a limited increase in sales volumes in 2017 compared to 2016 (13.3 million tonnes for the year ended December 31, 2016) and marginal improvements thereafter. Average

selling prices in the model are expected to increase in 2017 due to higher raw material prices and stabilize subsequently in line with long-term raw material prices.  
The Brazil segment produces a combination of flat and long products. Its facilities are mainly located in Brazil and Argentina. The Company believes that sales volumes, prices, discount rates and foreign exchange rates are the key assumptions most sensitive to change. 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 and macroeconomic trends of emerging markets, such as economic growth and foreign exchange rates. Discount rates may be affected by changes in countries' specific risks, in particular in Brazil, which suffered in 2016 a second consecutive year of recession with significant

declines in steel consumption and steel prices but where a rebound in confidence following moves to alleviate political uncertainty, combined with improved terms of trade, helped to slow the pace of output contraction. The Brazil value in use model anticipates an increase in sales volumes in 2017 compared to

2016 (10.8 million tonnes for the year ended December 31, 2016) and continuous improvements thereafter. Average selling prices in the model are expected to increase in 2017 following higher raw material prices and adjust to a stable level subsequently. The following changes in key assumptions in projected

earnings in every year of initial five-year period and perpetuity, at the GCGU level, assuming unchanged values for the other assumptions, would cause the recoverable amount to equal respective carrying value as of the impairment test date (i.e.: October 31, 2016).

	ACIS	Brazil
Excess of recoverable amount over carrying amount	705	555
Increase in pre-tax discount rate (change in basis points)	191	93
Decrease in average selling price (change in %)	1.72	1.03
Decrease in shipments (change in %)	5.10	2.36
Decrease in terminal growth rate used in for the years beyond the five year plan (change in basis points)	305	113

#### *Impairment test of intangible assets*

In 2015, in connection with management's annual test for impairment of goodwill as of October 31, 2015, intangible assets were also tested for impairment at that date. Accordingly, ArcelorMittal recognized impairment charges of 94 and 63 with respect to mining permits and concessions in ArcelorMittal Princeton in the United States and ArcelorMittal Liberia (Mining), respectively.

#### *Impairment test of property, plant and equipment*

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

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

In the case of permanently idled assets, the impairment is measured at the individual asset level. Otherwise, the Company's assets are measured for impairment at the cash-generating unit level. In certain instances, the cash-generating unit is an integrated manufacturing facility which may

also be an operating subsidiary. Further, a manufacturing facility may be operated in concert with another facility with neither facility generating cash flows that are largely independent from the cash flows of the other. In this instance, the two facilities are combined for purposes of testing for impairment. As of December 31, 2016, the Company determined it has 59 cash-generating units.

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

Impairment charges relating to property, plant and equipment were as follows for the years ended December 31, 2016, 2015 and 2014:

#### *2016*

In 2016, the Company recognized a total impairment charge related to property, plant and equipment amounting to 205. This charge included 49 in connection with the sale on September 30, 2016 of the ArcelorMittal Zaragoza facility in Spain (Europe segment) (see note 2.3.1).

In connection with management's annual test for impairment of goodwill as of October 31, 2016, property, plant and equipment was also tested for impairment at that date. The Company concluded that the value in use of property, plant and equipment in AMSA was lower than its carrying amount following a revised competitive outlook. Accordingly, the Company recognized a total impairment charge of 156 consisting mainly of the following:

Cash-Generating Unit	Country	Operating Segment	Impairment Recorded	2016 Pre-Tax Discount Rate	2015 Pre-Tax Discount Rate	Carrying Value of property, plant and equipment as of December 31, 2016
Vanderbijlpark facility	South Africa	ACIS	125	14.97%	14.71%	330

#### *2015*

In 2015, the Company recognized a total impairment charge of property, plant and equipment amounting to 3,753.

This charge included 335 relating to the idling for an indefinite time of the Sestao facility in Spain (Europe segment), 19 in connection with the closure of the Georgetown facility in the United States (NAFTA) and 27 related to

the Vereeniging meltshop closure in South Africa (ACIS). Additionally, the Company recognized impairment charges of 231 and 18 in connection with the intended sale of the Long Carbon facilities (ArcelorMittal Laplace, Steelton

and Vinton) in the United States (NAFTA) and the intended sale of certain activities of ArcelorMittal Downstream Solutions (Europe segment), respectively.

In addition, the Company recorded impairment charges of 176, 276 and 45 relating to the ArcelorMittal Point Lisas facility currently idled in Trinidad and Tobago (Brazil segment), Indiana Harbor East and West facilities in the United States (NAFTA) following deployment of asset optimization programs and other assets in Spain (Europe segment), respectively.

In connection with management's annual test for impairment of goodwill as of October 31, 2015, property, plant and equipment was also tested for impairment at that date. Management concluded that the recoverable amount of certain of the Company's property, plant and equipment in the Mining segment was lower than their carrying amount due to a

downward revision of cash flow projections primarily resulting from the expected persistence of a lower coking coal and iron ore price outlook. The Company also concluded that the value in use of property, plant and equipment of the Saldanha plant in AMSA was lower than its carrying amount following a revised competitive outlook. Accordingly, the Company

recognized a total impairment charge of 2,617 consisting of the following:

Cash-Generating Unit	Country	Operating Segment	Impairment Recorded	2015 Pre-Tax Discount Rate	2014 Pre-Tax Discount Rate	Carrying Value as of December 31, 2015
ArcelorMittal Liberia	Liberia	Mining	1,363	14.71%	17.80%	25
ArcelorMittal Princeton	United States	Mining	590	8.50%	11.00%	4
Las Truchas Mines	Mexico	Mining	220	10.96%	12.26%	-
ArcelorMittal Serra Azul	Brazi	Mining	176	9.90%	14.56%	-
Volcan mine	Mexico	Mining	10	10.25%	9.42%	-
Saldanha facility	South Africa	ACIS	258	14.18%	11.90%	64

#### 2014

In 2014, the Company recognized an impairment charge of property, plant and equipment amounting to 264.

This charge included 114 primarily relating to the idling of the

steel shop and rolling facilities of Indiana Harbor Long carbon operations in the United States (NAFTA). The Company recorded also an impairment charge of 57 with respect to the closure of mill C in Rodange, Luxembourg (Europe segment).

In connection with management's annual test for impairment of goodwill as of October 31, 2014, property, plant and equipment was also tested for impairment at that date. Management concluded that the value in use of the Volcan iron ore mine in Mexico (Mining segment) was lower than its

carrying amount due to the end of life of the mine. Accordingly, an impairment charge of 63 was recognized:

Cash-Generating Unit	Operating Segment	Impairment Recorded	2014 Pre-Tax Discount Rate	2013 Pre-Tax Discount Rate	Carrying Value as of December 31, 2014
Volcan mine	Mining	63	9.42%	23.77%	19

## Note 6: Financing and financial instruments

### 6.1 Financial assets and liabilities

Financial assets and liabilities mainly comprise:

- gross debt (see note 6.1.2)
- cash, cash equivalents and restricted cash (see note 6.1.3)
- net debt (see note 6.1.4)
- derivative financial instruments (see note 6.1.5)
- other non-derivative financial assets and liabilities (see note 6.1.6)

#### 6.1.1 Fair values versus carrying amounts

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

The following table summarizes assets and liabilities based on their categories at December 31, 2016.

	December 31,						
	2016						
	Carrying amount in the consolidated statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Fair value recognized in profit or loss	Available-for- sale assets	Derivatives
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	2,501	-	2,501	-	-	-	-
Restricted cash	114	-	114	-	-	-	-
Trade accounts receivable and other	2,974	-	2,974	-	-	-	-
Inventories	14,734	14,734	-	-	-	-	-
Prepaid expenses and other current assets	1,665	967	455	-	-	-	243
Assets held for sale	259	259	-	-	-	-	-
<b>Total current assets</b>	<b>22,247</b>	<b>15,960</b>	<b>6,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>243</b>
<b>Non-current assets:</b>							
Goodwill and intangible assets	5,651	5,651	-	-	-	-	-
Property, plant and equipment and biological assets	34,831	34,782	-	-	49	-	-
Investments in associates and joint ventures	4,297	4,297	-	-	-	-	-
Other investments	926	-	-	-	-	926	-
Deferred tax assets	5,837	5,837	-	-	-	-	-
Other assets	1,353	408	756	-	-	-	189
<b>Total non-current assets</b>	<b>52,895</b>	<b>50,975</b>	<b>756</b>	<b>-</b>	<b>49</b>	<b>926</b>	<b>189</b>
<b>Total assets</b>	<b>75,142</b>	<b>66,935</b>	<b>6,800</b>	<b>-</b>	<b>49</b>	<b>926</b>	<b>432</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities:</b>							
Short-term debt and current portion of long-term debt	1,885	-	-	1,885	-	-	-
Trade accounts payable and other	11,633	-	-	11,633	-	-	-
Short-term provisions	426	410	-	16	-	-	-
Accrued expenses and other liabilities	3,943	880	-	2,837	-	-	226
Income tax liabilities	133	133	-	-	-	-	-
Liabilities held for sale	95	95	-	-	-	-	-
<b>Total current liabilities</b>	<b>18,115</b>	<b>1,518</b>	<b>-</b>	<b>16,371</b>	<b>-</b>	<b>-</b>	<b>226</b>
<b>Non-current liabilities:</b>							
Long-term debt, net of current portion	11,789	-	-	11,789	-	-	-
Deferred tax liabilities	2,529	2,529	-	-	-	-	-
Deferred employee benefits	8,297	8,297	-	-	-	-	-
Long-term provisions	1,521	1,518	-	3	-	-	-
Other long-term obligations	566	186	-	310	-	-	70
<b>Total non-current liabilities</b>	<b>24,702</b>	<b>12,530</b>	<b>-</b>	<b>12,102</b>	<b>-</b>	<b>-</b>	<b>70</b>
<b>Equity:</b>							
Equity attributable to the equity holders of the parent	30,135	30,135	-	-	-	-	-
Non-controlling interests	2,190	2,190	-	-	-	-	-
<b>Total equity</b>	<b>32,325</b>	<b>32,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>	<b>75,142</b>	<b>46,373</b>	<b>-</b>	<b>28,473</b>	<b>-</b>	<b>-</b>	<b>296</b>

The following table summarizes assets and liabilities based on their categories at December 31, 2015.

	December 31, 2015						
	Carrying amount in the consolidated statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Fair value recognized in profit or loss	Available-for- sale assets	Derivatives
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	4,002	-	4,002	-	-	-	-
Restricted cash	100	-	100	-	-	-	-
Trade accounts receivable and other	2,679	-	2,679	-	-	-	-
Inventories	13,424	13,424	-	-	-	-	-
Prepaid expenses and other current assets	1,859	1,202	529	-	-	-	128
Assets held for sale	262	262	-	-	-	-	-
<b>Total current assets</b>	<b>22,326</b>	<b>14,888</b>	<b>7,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>
<b>Non-current assets:</b>							
Goodwill and intangible assets	5,592	5,592	-	-	-	-	-
Property, plant and equipment	35,780	35,700	-	-	80	-	-
Investments in associates and joint ventures	4,911	4,911	-	-	-	-	-
Other investments	692	-	-	-	-	692	-
Deferred tax assets	6,625	6,625	-	-	-	-	-
Other assets	920	268	562	-	-	-	90
<b>Total non-current assets</b>	<b>54,520</b>	<b>53,096</b>	<b>562</b>	<b>-</b>	<b>80</b>	<b>692</b>	<b>90</b>
<b>Total assets</b>	<b>76,846</b>	<b>67,984</b>	<b>7,872</b>	<b>-</b>	<b>80</b>	<b>692</b>	<b>218</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities:</b>							
Short-term debt and current portion of long-term debt	2,308	-	-	2,308	-	-	-
Trade accounts payable and other	10,416	-	-	10,416	-	-	-
Short-term provisions	770	529	-	241	-	-	-
Accrued expenses and other liabilities	4,194	1,005	-	3,056	-	-	133
Income tax liabilities	133	133	-	-	-	-	-
Liabilities held for sale	220	220	-	-	-	-	-
<b>Total current liabilities</b>	<b>18,041</b>	<b>1,887</b>	<b>-</b>	<b>16,021</b>	<b>-</b>	<b>-</b>	<b>133</b>
<b>Non-current liabilities:</b>							
Long-term debt, net of current portion	17,478	-	-	17,478	-	-	-
Deferred tax liabilities	2,496	2,496	-	-	-	-	-
Deferred employee benefits	9,216	9,216	-	-	-	-	-
Long-term provisions	1,434	1,421	-	13	-	-	-
Other long-term obligations	611	185	-	355	-	-	71
<b>Total non-current liabilities</b>	<b>31,235</b>	<b>13,318</b>	<b>-</b>	<b>17,846</b>	<b>-</b>	<b>-</b>	<b>71</b>
<b>Equity:</b>							
Equity attributable to the equity holders of the parent	25,272	25,272	-	-	-	-	-
Non-controlling interests	2,298	2,298	-	-	-	-	-
<b>Total equity</b>	<b>27,570</b>	<b>27,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>	<b>76,846</b>	<b>42,775</b>	<b>-</b>	<b>33,867</b>	<b>-</b>	<b>-</b>	<b>204</b>

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

The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

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

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

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value:</b>				
Available-for-sale financial assets	894	-	-	894 <sup>1</sup>
Derivative financial current assets	-	243	-	243
Derivative financial non-current assets	-	14	175	189
<b>Total assets at fair value</b>	<b>894</b>	<b>257</b>	<b>175</b>	<b>1,326</b>

<b>Liabilities at fair value:</b>				
Derivative financial current liabilities	-	226	-	226
Derivative financial non-current liabilities	-	37	33	70
<b>Total liabilities at fair value</b>	<b>-</b>	<b>263</b>	<b>33</b>	<b>296</b>

<sup>1</sup> The balance does not include equity investments of 32 carried at cost

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value:</b>				
Available-for-sale financial assets	646	-	-	646 <sup>1</sup>
Derivative financial current assets	-	128	-	128
Derivative financial non-current assets	-	86	4	90
<b>Total assets at fair value</b>	<b>646</b>	<b>214</b>	<b>4</b>	<b>864</b>

<b>Liabilities at fair value:</b>				
Derivative financial current liabilities	-	133	-	133
Derivative financial non-current liabilities	-	71	-	71
<b>Total liabilities at fair value</b>	<b>-</b>	<b>204</b>	<b>-</b>	<b>204</b>

<sup>1</sup> The balance does not include equity investments of 46 carried at cost

Available-for-sale financial assets classified as Level 1 refer to listed securities quoted in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. The increase in available-for-sale financial assets is related to the reclassification of the investment in Stalprodukt S.A. as available-for-sale following the partial disposal of the Company's shareholding in Stalprodukt S.A. on April 28, 2016 (see note 2.5) and the increase in the fair value of the available-for-sale investments, partly offset by the sale of the Company's 10.08% shareholding in Hunan Valin (see note 2.5).

Derivative financial assets and liabilities classified as Level 2 refer to instruments to hedge fluctuations in interest rates,

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

Derivative financial non-current assets classified as Level 3 refer to the call option on the 1,000 mandatory convertible bonds (see note 10.2). The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. ArcelorMittal's valuation policies for Level 3 derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy

and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

ArcelorMittal establishes the fair valuation of the call option on the 1,000 mandatory convertible bonds through the use of binomial valuation models based on the estimated values of the underlying equity spot price of \$170 and volatility of 10.13%. Binomial valuation models use an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the binomial model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices, European Central Bank foreign exchange fixing rates and Libor interest rates. Unobservable inputs are used to measure fair value to the extent

that relevant observable inputs are not available. Specifically the Company computes unobservable volatility data based mainly on the movement of stock market prices observable in the active market over 90 working days.

Derivative financial non-current liabilities classified as Level 3 refer to a special payment included in the pellet sale and purchase agreement effective October 31, 2016 between ArcelorMittal and Cliffs Natural Resources Inc. This special payment varies according to the price of steel in the United States domestic market ("domestic steel price"). The Company concluded that this feature was an embedded derivative not closely related to the host contract. ArcelorMittal establishes the fair value of the special payment by comparing the current forecasted domestic steel price to the projected domestic steel price at the inception of the contract. This price difference is multiplied by the minimum pellet volume ArcelorMittal is required to take under the purchase contract. An increase of \$10 per metric tonne in the domestic steel price in 2017 would result in adverse change of 7 in the fair value of the



special payment. Observable input data includes third-party forecasted domestic steel prices. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available or not consistent with the Company's views on future prices and refer specifically to domestic steel prices beyond the timeframe of available third-party forecasts.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the call option on the 1,000 mandatory convertible bonds and the fair value of the special payment included in the pellet sale and purchase agreement for the years ended December 31, 2016 and 2015, respectively:

	Call option on 1,000 mandatory convertible bonds	Special payment in pellet purchase and sale agreement	Total
Balance as of December 31, 2014	112	-	112
Change in fair value	(108)	-	(108)
Balance as of December 31, 2015	4	-	4
Change in fair value	171	(33)	138
Balance as of December 31, 2016	175	(33)	142

### 6.1.2 Gross debt

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.

#### 6.1.2.1 Short-term debt

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

	December 31,	
	2016	2015
Short-term bank loans and other credit facilities including commercial paper *	1,123	437
Current portion of long-term debt	697	1,806
Lease obligations	65	65
Total	1,885	2,308

\* The weighted average interest rate on short term borrowings outstanding was 2.7% and 4.3% as of December 31, 2016 and 2015, respectively.

During the first half of 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended during 2015 and 2016. As of December 31, 2016, the facilities, totaling approximately 0.7 billion, remain fully available.

#### Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1 billion. As of December 31, 2016, the outstanding amount was 392.

## 6.1.2.2 Long-term debt

Long-term debt is comprised of the following:

	Year of maturity	Type of Interest	Interest rate <sup>1</sup>	December 31,	
				2016	2015
<b>Corporate</b>					
5.5 billion Revolving Credit Facility - 2.3 billion tranche	2019	Floating		-	-
5.5 billion Revolving Credit Facility - 3.2 billion tranche	2021	Floating		-	-
€1.0 billion Unsecured Bonds	2016	Fixed	10.63%	-	1,088
1.4 billion Unsecured Notes <sup>2</sup>	2017	Fixed	5.50%	-	1,398
€1.0 billion Unsecured Bonds <sup>3</sup>	2017	Fixed	5.88%	568	1,085
€500 million Unsecured Notes <sup>3</sup>	2018	Fixed	5.75%	351	543
€400 million Unsecured Notes	2018	Floating	1.73%	421	434
1.5 billion Unsecured Notes <sup>3,6</sup>	2018	Fixed	6.13%	648	1,500
€750 million Unsecured Notes	2019	Fixed	3.00%	788	812
1.5 billion Unsecured Notes <sup>4,6</sup>	2019	Fixed	10.85%	842	1,480
500 Unsecured Notes <sup>5,6</sup>	2020	Fixed	5.13%	323	497
CHF 225 million Unsecured Notes	2020	Fixed	2.50%	220	225
€600 million Unsecured Notes	2020	Fixed	2.88%	627	647
1.0 billion Unsecured Bonds <sup>5,6</sup>	2020	Fixed	6.25%	620	989
1.5 billion Unsecured Notes <sup>5,6</sup>	2021	Fixed	6.50%	752	1,490
€500 million Unsecured Notes	2021	Fixed	3.00%	523	540
€750 million Unsecured Notes	2022	Fixed	3.13%	786	811
1.1 billion Unsecured Notes	2022	Fixed	7.25%	1,092	1,091
500 Unsecured Notes	2025	Fixed	6.13%	497	496
1.5 billion Unsecured Bonds	2039	Fixed	8.00%	1,466	1,465
1.0 billion Unsecured Notes	2041	Fixed	7.75%	984	984
Other loans	2021	Fixed	3.46%	29	52
300 Term Loan Facility	2016	Floating	2.93%	-	300
EIB loan	2016	Floating	1.37%	-	272
ICO loan	2017	Floating	2.18%	7	23
Other loans	2017 - 2035	Floating	0.01% - 3.47%	250	270
<b>Total Corporate</b>				<b>11,794</b>	<b>18,492</b>
<b>Americas</b>					
Other loans	2017 - 2025	Fixed/Floating	1.57% - 11.65%	198	243
<b>Total Americas</b>				<b>198</b>	<b>243</b>
<b>Europe, Asia &amp; Africa</b>					
Other loans	2018 - 2031	Fixed/Floating	0.00% - 4.69%	30	13
<b>Total Europe, Asia &amp; Africa</b>				<b>30</b>	<b>13</b>
<b>Total</b>				<b>12,022</b>	<b>18,748</b>
Less current portion of long-term debt				(697)	(1,806)
<b>Total long-term debt (excluding lease obligations)</b>				<b>11,325</b>	<b>16,942</b>
Long-term lease obligations <sup>7</sup>				464	536
<b>Total long-term debt, net of current portion</b>				<b>11,789</b>	<b>17,478</b>

<sup>1</sup> Rates applicable to balances outstanding at December 31, 2016, including the effect of step-ups following downgrades. For debt that has been redeemed in its entirety during 2016, the interest rates refer to the rates at repayment date.

<sup>2</sup> Early redeemed on May 20, 2016.

<sup>3</sup> Bonds or Notes partially repurchased on April 19, 2016, pursuant to cash tender offers.

<sup>4</sup> Notes partially repurchased in May, 2016, pursuant to cash tender offer.

<sup>5</sup> Bonds or Notes partially repurchased on June 29, 2016, pursuant to cash tender offers.

<sup>6</sup> Bonds or Notes partially repurchased on September 23, 2016, pursuant to cash tender offers.

<sup>7</sup> Net of current portion of 65 and 65 in 2016 and in 2015, respectively.

### Corporate

#### 5.5 billion Revolving Credit Facility

On December 21, 2016, ArcelorMittal signed an agreement for a \$5.5 billion revolving credit facility (the "Facility"). This Facility amends and restates the \$6 billion revolving credit facility dated April 30, 2015. The amended agreement incorporates a first tranche of \$2.3 billion maturing on December 21, 2019, and a second tranche of \$3.2 billion maturing on December 21, 2021, restoring the Facility to the original tenors of 3 years and 5 years. The Facility may be used for general corporate purposes. As of December 31, 2016, the \$5.5 billion revolving credit facility remains fully available.

### Bonds

On September 23, 2016, pursuant to cash tender offers, ArcelorMittal purchased:

- 420 of its U.S. dollar denominated 6.125% Notes due June 1, 2018 (the "USD 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 457. Following this purchase, 644 principal amount of the USD 2018 Notes remained outstanding.
- 241 of its U.S. dollar denominated 9.85% Notes due June 1, 2019 (the "USD 2019 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 301. Following this purchase, 851 principal amount of the USD 2019 Notes remained outstanding.
- 63 of its U.S. dollar denominated 5.125% Notes due June 1, 2020 (the "June 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 68. Following this purchase, 324 principal amount of the June 2020 Notes remained outstanding.
- 228 of its U.S. dollar denominated 5.25% Notes due August 5, 2020 (the "August 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 253. Following this purchase, 626 principal amount of the August 2020 Notes remained outstanding.
- 421 of its U.S. dollar denominated 5.50% Notes due March 1, 2021 (the "2021 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 469. Following this purchase, 756 principal amount of the 2021 Notes remained outstanding.

The 6.250% Notes due February 5, 2022 (the "2022 Notes") were included in the cash tender offer, but none of the tendered Notes were accepted.

On June 29 and July 14, 2016, pursuant to cash tender offers, ArcelorMittal repurchased:

- 113 of its U.S. dollar denominated June 2020 Notes for a total aggregate purchase price (including premiums and accrued interest) of 119. Following this purchase, 387 principal amount of the June 2020 Notes remained outstanding.
- 147 of its U.S. dollar denominated August 2020 Notes for a total aggregate purchase price (including premiums and accrued interest) of 160. Following this purchase, 853 principal amount of the August 2020 Notes remained outstanding.
- 323 of its U.S. dollar denominated 2021 Notes for a total aggregate purchase price (including premiums and accrued interest) of 347. Following this purchase, 1,177 principal amount of the 2021 Notes remained outstanding.

On June 3, 2016, at maturity, ArcelorMittal repaid its €1 billion 9.375% unsecured bonds.

On May 20, 2016, ArcelorMittal redeemed its U.S. dollar denominated 1.4 billion 4.5% Notes due February 25, 2017, prior to their scheduled maturity for a total amount of 1,466, including premium and accrued interest.

In May 2016, pursuant to cash tender offers, ArcelorMittal purchased 408 of its USD 2019 Notes for a total aggregate purchase price (including premiums and accrued interest) of 498. Following this purchase, 1,092 principal amount of the USD 2019 Notes remained outstanding.

In April 2016, pursuant to cash tender offers, ArcelorMittal repurchased:

- 437 of its U.S. dollar denominated USD 2018 Notes for a total aggregate purchase price (including premiums and accrued interest) of 467. Following this purchase, 1,063 principal amount of USD 2018 Notes remained outstanding.
- €460 million of its euro denominated 4.625% Notes due November 17, 2017 (the "Euro 2017 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €511 million. Following this purchase, €540 million principal amount of Euro 2017 Notes remained outstanding.
- €166 million of its euro denominated 4.50% Notes due March 29, 2018 (the "Euro 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €181 million. Following this purchase, €334 million principal amount of the Euro 2018 Notes remained outstanding.

As a result of the above mentioned redemptions, net financing costs for the year ended December 31, 2016, included 399 of premiums and other fees.

The margin applicable to ArcelorMittal's principal credit facilities (\$5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings.

Previous downgrades triggered the interest rate “step-up” clauses for the outstanding bonds listed below:

Nominal value	Date of issuance	Repayment date	Interest rate	Issued at
€1.0 billion Unsecured Bonds <sup>1</sup>	November 18, 2010	November 17, 2017	5.88%	99.32%
1.4 billion Unsecured Notes	February 28, 2012	February 25, 2017	5.50% <sup>2</sup>	99.69%
€400 million Unsecured Notes <sup>1</sup>	April 9, 2015	April 9, 2018	Euribor 3M + 2.03%	100.00%
1.5 billion Unsecured Notes	May 27, 2008	June 1, 2018	6.13%	99.57%
€500 million Unsecured Notes <sup>1</sup>	March 29, 2012	March 29, 2018	5.75%	99.71%
1.5 billion Unsecured Notes	May 20, 2009	June 1, 2019	10.85% <sup>2</sup>	97.52%
€750 million Unsecured Notes <sup>1</sup>	March 25, 2014	March 25, 2019	3.00%	99.65%
500 million Unsecured Notes	June 1, 2015	June 1, 2020	5.13%	100.00%
CHF 225 million Unsecured Notes <sup>1</sup>	July 3, 2015	July 3, 2020	2.50%	100.00%
€600 million Unsecured Notes <sup>1</sup>	July 4, 2014	July 6, 2020	2.88%	99.18%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2020	6.25% <sup>2</sup>	98.46%
1.5 billion Unsecured Notes	March 7, 2011	March 1, 2021	6.50% <sup>2</sup>	99.36%
€500 million Unsecured Notes <sup>1</sup>	April 9, 2015	April 9, 2021	3.00%	99.55%
€750 million Unsecured Notes <sup>1</sup>	January 14, 2015	January 14, 2022	3.13%	99.73%
1.1 billion Unsecured Notes	February 28, 2012	February 25, 2022	7.25% <sup>2</sup>	98.28%
500 million Unsecured Notes	June 1, 2015	June 1, 2025	6.13%	100.00%
1.0 billion Unsecured Bonds	October 1, 2009	October 15, 2039	8.00% <sup>2</sup>	95.20%
500 Unsecured Bonds	August 5, 2010	October 15, 2039	8.00% <sup>2</sup>	104.84%
1.0 billion Unsecured Notes	March 7, 2011	March 1, 2041	7.75% <sup>2</sup>	99.18%

<sup>1</sup> Issued under the Euro Medium Term Notes Programme, extended from €3 billion to €6 billion on March 20, 2015.

<sup>2</sup> Change in interest rate following downgrades in 2015.

#### *300 Term Loan Facility*

On December 20, 2013, ArcelorMittal entered into a term loan facility in an aggregate amount of 300, maturing on December 20, 2016. The facility was repaid at maturity.

#### *European Investment Bank (“EIB”) Loan*

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

On July 15, 2010, 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. The full amount of €250 million was drawn down on September 27, 2011 and repaid at maturity on September 27, 2016.

#### *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, 2016 and 2015 was 7 and 23, respectively.

#### *Other loans*

The other loans relate to various debt with banks and public institutions.

#### *Americas*

##### *1 billion senior secured asset-based revolving credit facility*

On May 23, 2016, ArcelorMittal USA LLC signed a \$1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. Borrowings under the facility are secured by inventory and certain other working capital and related assets of ArcelorMittal USA and certain of its subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2016, 500 was drawn down.

#### *Other loans*

The other loans relate mainly to loans contracted by ArcelorMittal Brazil with different counterparties.

#### *Other*

Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

As of December 31, 2016 the scheduled maturities of short-term debt, long-term debt and long-term lease obligations, including their current portion are as follows:

Year of maturity	Amount
2017	1,885
2018	1,536
2019	1,859
2020	1,891
2021	1,356
Subsequent years	5,147
<b>Total</b>	<b>13,674</b>

The carrying amount and the estimated fair value of the Company's short and long-term debt is:

	2016		December 31, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Instruments payable bearing interest at fixed rates	11,657	12,666	17,788	15,428
Instruments payable bearing interest at variable rates	894	838	1,561	1,353
<b>Total long-term debt, including current portion</b>	<b>12,551</b>	<b>13,504</b>	<b>19,349</b>	<b>16,781</b>
Short term bank loans and other credit facilities including commercial paper	1,123	1,139	437	439

The following tables summarize the Company's bases used to measure its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

	Carrying Amount	As of December 31, 2016			Total Fair Value
		Level 1	Level 2	Level 3	
Instruments payable bearing interest at fixed rates	11,657	11,939	727	-	12,666
Instruments payable bearing interest at variable rates	894	408	430	-	838
<b>Total long-term debt, including current portion</b>	<b>12,551</b>	<b>12,347</b>	<b>1,157</b>	<b>-</b>	<b>13,504</b>
Short term bank loans and other credit facilities including commercial paper	1,123	-	1,139	-	1,139

	Carrying Amount	As of December 31, 2015			Total Fair Value
		Level 1	Level 2	Level 3	
Instruments payable bearing interest at fixed rates	17,788	14,707	721	-	15,428
Instruments payable bearing interest at variable rates	1,561	386	967	-	1,353
<b>Total long-term debt, including current portion</b>	<b>19,349</b>	<b>15,093</b>	<b>1,688</b>	<b>-</b>	<b>16,781</b>
Short term bank loans and other credit facilities including commercial paper	437	-	439	-	439

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. The fair value of the debt is based on estimated future cash flows converted into U.S. dollar at the forward rate and discounted using current U.S. dollar zero coupon rates and ArcelorMittal's credit spread quotations for the relevant maturities.

There were no instruments payable classified as Level 3.

#### 6.1.3 Cash and cash equivalents and restricted cash

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

Significant cash or cash equivalent balances may be held from time to time at the Company's international operating subsidiaries, including in particular those in France and the United States, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralized. Other subsidiaries, associates and joint ventures, which may hold significant cash balances,

include those in Argentina, Brazil, Canada, Kazakhstan, Morocco, South Africa and Ukraine. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements

that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity. Repatriation of

funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Company operates, though none of these

policies are currently significant in the context of ArcelorMittal's overall liquidity. Cash and cash equivalents consisted of the following:

	December 31,	
	2016	2015
Cash at bank	1,601	1,928
Term deposits	329	376
Money market funds <sup>1</sup>	571	1,698
Total	2,501	4,002

<sup>1</sup> Money market funds are highly liquid investments with a maturity of 3 months or less from the date of acquisition.

Restricted cash represents cash and cash equivalents not readily available to the Company, mainly related to insurance deposits, 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.

Restricted cash of 114 and 100 included a cash deposit of 75 and 75 in connection with the mandatory convertible bonds (see note 10.2) at December 31, 2016 and December 31, 2015, respectively.

#### 6.1.4 Net debt

The Company monitors its net debt in order to manage its capital. The following table presents the structure of the Company's net debt by original currency at December 31, 2016:

	December 31, 2016					
	Total USD	EUR	USD	CHF	UAH	Other (in USD)
Short-term debt and current portion of long-term debt	1,885	944	646	-	-	295
Long-term debt, net of current portion	11,789	3,748	7,776	220	-	45
Cash and cash equivalents including restricted cash	(2,615)	(768)	(1,289)	(1)	(83)	(474)
Net debt	11,059	3,924	7,133	219	(83)	(134)

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.

#### 6.1.5 Derivative financial instruments

The Company uses derivative financial instruments principally to manage its exposure to fluctuations in interest rates, exchange rates, prices of raw materials, energy and emission rights allowances arising from operating, financing and investing activities. Derivative financial instruments are classified as current or non-current assets or liabilities based on their maturity dates and are accounted for at the trade date. Embedded derivatives are separated from the host contract and accounted for separately if they are not closely related to the host contract. The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in fair value of derivatives

are recognized in the consolidated statements of operations, except for derivatives that are 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 that is attributable to the hedged risk on the hedged asset, liability, or unrecognized firm commitment, 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, expired 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.

The Company manages the counter-party risk associated with its instruments by centralizing its commitments and by applying

procedures which specify, for each type of transaction and underlying position, risk limits and/or the characteristics of the counter-party. The Company does not generally grant to or require guarantees from its counter-parties for 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 International Swaps and Derivatives Association agreements which allow netting only in case of counter-party default). Accordingly, derivative assets and derivative liabilities are not offset.

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2016 is as follows:

	December 31,			
	2016		2015	
	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Foreign exchange rate instruments</b>				
Forward purchase contracts	3,784	153	658	(21)
Forward sale contracts	685	10	657	(26)
Currency swaps purchases	138	6	44	(33)
Currency swaps sales	500	4	500	(24)
Exchange option purchases	169	1	37	-
Exchange options sales	109	1	-	-
<b>Total foreign exchange rate instruments</b>		<b>175</b>		<b>(104)</b>
<b>Raw materials (base metals), freight, energy, emission rights</b>				
Term contracts sales	329	18	312	(36)
Term contracts purchases	416	64	841	(123)
Options sales/purchases	6	-	6	-
<b>Total raw materials (base metals), freight, energy, emission rights</b>		<b>82</b>		<b>(159)</b>
<b>Total</b>		<b>257</b>		<b>(263)</b>

The portfolio associated with derivative financial instruments classified as Level 2 as of December 31, 2015 is as follows:

	December 31,					
	2015		2014			
	Assets		Liabilities			
	Notional Amount	Fair Value	Average Rate*	Notional Amount	Fair Value	Average Rate*
Interest rate swaps - fixed rate borrowings/loans	55	-	0.86%	50	-	1.60%
<b>Foreign exchange rate instruments</b>						
Forward purchase of contracts	1,960	48		659	(7)	
Forward sale of contracts	943	24		353	(9)	
Currency swaps purchases	314	19		314	(90)	
Currency swaps sales	375	85		1,000	(24)	
Exchange option purchases	102	-		342	(5)	
Exchange options sales	132	3		307	(10)	
<b>Total foreign exchange rate instruments</b>		<b>179</b>			<b>(145)</b>	
<b>Raw materials (base metals), freight, energy, emission rights</b>						
Term contracts sales	168	28		126	(5)	
Term contracts purchases	204	7		727	(54)	
<b>Total raw materials (base metals), freight, energy, emission rights</b>		<b>35</b>			<b>(59)</b>	
<b>Total</b>		<b>214</b>			<b>(204)</b>	

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

#### 6.1.6 Other non-derivative financial assets and liabilities

Other non-derivative financial assets and liabilities include cash and cash equivalents and restricted cash (see note 6.1.3), trade and certain other receivables (see note 4.3 and 4.5), investments in available-for-sale equity securities (see note 2.5),

trade payables and certain other liabilities (see notes 4.7 and 4.8). These instruments are recognized initially at fair value when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are derecognized if the Company's contractual rights to the cash flows from the financial instruments expire

or if the Company transfers the financial instruments to another party without retaining control of substantially all risks and rewards of the instruments. Non-derivative financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

#### 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, the Company reviews the available-for-sale investments at the end of each reporting period to assess whether there is any objective evidence of impairment. A significant or prolonged decline in the fair value of an available-for-sale investment below its cost is objective evidence of impairment. The Company considers a prolonged decline in fair value

to occur when the market value remains continuously below the cost for more than two years. 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. Once an impairment loss is recognized for an investment, any increases in fair value are recorded in other

comprehensive income while decreases in fair value are recorded in the consolidated statements of operations.

Financial assets are tested for impairment annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable. 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

in 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.

## 6.2 Financing costs

Financing costs recognized in the years ended December 31, 2016, 2015 and 2014 are as follows:

	Year Ended December 31,		
	2016	2015	2014
Recognized in the statements of operations			
Interest expense	(1,172)	(1,383)	(1,565)
Interest income	58	105	96
Fair value adjustment on mandatory convertible bonds	171	(108)	112
Net gain (loss) on other derivative instruments	(35)	10	7
Accretion of defined benefit obligations and other long term liabilities	(435)	(399)	(593)
Net foreign exchange result	(3)	(697)	(620)
Other *	(640)	(386)	(819)
Total	(2,056)	(2,858)	(3,382)
Recognized in equity (attributable to equity holders of the parent)			
Net change in fair value of available-for-sale financial assets	271	(354)	510
Effective portion of changes in fair value of cash flow hedge	28	25	104
Foreign currency translation differences for foreign operations	(751)	(8,166)	(4,717)
Total	(452)	(8,495)	(4,103)

\* Other mainly includes expenses related to True Sale of Receivables ("TSR") programs and bank fees. It also includes premiums and fees of 399 relating to the bonds early redeemed in 2016. In 2015, there were expenses relating to the extension of the mandatory convertible bonds (see note 10.2) of 79 (49 in 2014). In 2014, it included the settlement in relation to the termination of the Senegal greenfield project and an expense of 161 related to a federal tax amnesty plan in Brazil with respect to the Siderbras case.

## 6.3 Risk management policy

### 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-parties 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.

### Foreign exchange rate risk

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has an exposure to fluctuations and depreciation in the values of these currencies relative to the U.S. dollar. These currency fluctuations,

especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real, South African rand, Kazakh tenge, and Ukrainian hryvnia, as well as fluctuations in the other countries' currencies in which ArcelorMittal has significant operations and/or sales, could have a material impact on its financial position and results of operations.

ArcelorMittal faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and

coking coal, in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials; thereby having a negative impact on the Company's operating margins, unless the Company is able to pass the higher cost along in the form of higher selling prices.

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

ArcelorMittal also faces foreign currency translation risk, which arises when ArcelorMittal



translates the statements of operations of its subsidiaries, its corporate net debt (see note 6.1.2) and other items denominated in currencies other than the U.S. dollar, 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 associated with 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 the

level of 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/floating ratios, maturity profile and currency mix.

The non-discounted contractual maturities of the below financial liabilities, including estimated interest payments and excluding the impact of netting agreements are as follows:

	December 31, 2016					
	Carrying amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Other bonds	(11,597)	(18,228)	(1,261)	(2,076)	(6,093)	(8,798)
Loans over 100	(694)	(873)	(546)	(57)	(172)	(98)
Trade and other payables	(11,633)	(11,647)	(11,647)	-	-	-
Other loans	(1,383)	(1,523)	(856)	(124)	(370)	(173)
<b>Total</b>	<b>(25,307)</b>	<b>(32,271)</b>	<b>(14,310)</b>	<b>(2,257)</b>	<b>(6,635)</b>	<b>(9,069)</b>
<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(104)	(104)	(73)	(7)	-	(24)
Other commodities contracts <sup>1</sup>	(192)	(192)	(153)	(5)	(1)	(33)
<b>Total</b>	<b>(296)</b>	<b>(296)</b>	<b>(226)</b>	<b>(12)</b>	<b>(1)</b>	<b>(57)</b>

<sup>1</sup> Commodity contracts include base metals, freight, energy and emission rights.

	December 31, 2015					
	Carrying amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Other bonds	(17,681)	(26,082)	(2,223)	(3,464)	(6,279)	(14,116)
Loans over 100	(892)	(1,149)	(659)	(83)	(166)	(241)
Trade and other payables	(10,416)	(10,427)	(10,427)	-	-	-
Other loans	(1,213)	(1,376)	(667)	(182)	(280)	(247)
<b>Total</b>	<b>(30,202)</b>	<b>(39,034)</b>	<b>(13,976)</b>	<b>(3,729)</b>	<b>(6,725)</b>	<b>(14,604)</b>
<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(145)	(145)	(80)	(33)	(15)	(17)
Other commodities contracts <sup>1</sup>	(59)	(59)	(54)	(5)	-	-
<b>Total</b>	<b>(204)</b>	<b>(204)</b>	<b>(134)</b>	<b>(38)</b>	<b>(15)</b>	<b>(17)</b>

<sup>1</sup> Commodity contracts include base metals, freight, energy and emission rights.

#### Cash flow hedges

The following tables present the periods in which the derivatives designated as cash flows hedges are expected to mature:

	December 31, 2016					
Assets/ (liabilities)	Fair value	3 months and less	3-6 months	6-12 months	1-2 years	More than 2 years
Foreign exchange contracts	87	36	32	19	-	-
Commodity contracts	22	10	2	5	5	-
Emission rights	(104)	-	-	(104)	-	-
<b>Total</b>	<b>5</b>	<b>46</b>	<b>34</b>	<b>(80)</b>	<b>5</b>	<b>-</b>

	December 31,					
	2015					
	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	26	15	11	-	-	-
Commodity contracts	(24)	(11)	(2)	(6)	(5)	-
Emission rights	(16)	-	-	(16)	-	-
<b>Total</b>	<b>(14)</b>	<b>4</b>	<b>9</b>	<b>(22)</b>	<b>(5)</b>	<b>-</b>

Associated gains or losses that were recognized in other comprehensive income are reclassified from equity to the consolidated statements of operations in the same period during which the hedged forecasted cash flow affects the consolidated statements of operations. The following tables present the periods in which the realized and unrealized gains or losses on derivatives designated as cash flows hedges recognized in other comprehensive income, net of tax, are expected to impact the consolidated statements of operations:

	December 31,					
	2016					
	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	54	4	29	21	-	-
Commodity contracts	23	11	4	4	4	-
Emission rights	22	-	-	(1)	1	22
<b>Total</b>	<b>99</b>	<b>15</b>	<b>33</b>	<b>24</b>	<b>5</b>	<b>22</b>

	December 31,					
	2015					
	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	10	(3)	11	2	-	-
Commodity contracts	(10)	(4)	(3)	(1)	(2)	-
Emission rights	86	(1)	-	-	87	-
Interest rate contracts	(14)	(1)	-	(1)	(6)	(6)
<b>Total</b>	<b>72</b>	<b>(9)</b>	<b>8</b>	<b>-</b>	<b>79</b>	<b>(6)</b>

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 U.S. dollars. The program was unwound during the year ended December 31, 2011. As of December 31, 2013 the effective portion deferred in equity was €7 million (9), excluding deferred tax expense of €2 million (3), which was fully recycled to the consolidated statements of operations during the year ended December 31, 2014.

#### *Net investment hedge*

In December 2014, the Company entered into EUR/USD cross currency swaps ("CCS") to hedge euro denominated net investment in foreign operations amounting to €303 million, and designated them as a net investment hedge. The EUR/USD CCS with a notional of 375 were unwound on January 14, 2016. A deferred gain of 83, net of a deferred tax expense of 24, will be recycled to the consolidated statements of operations when the hedged assets are disposed of. As of December 31, 2015, the CCS had a fair value gain of 85, net of a deferred tax expense of 25, which has been recorded in the consolidated statements of other comprehensive income for the year ended December 31, 2015. As of December 31, 2015, the fair value of the net investment hedge was included in other long term assets in the consolidated statements of financial position. The Company's commitment to a bilateral cash collateral arrangement for a maximum of €150 million has been terminated upon unwinding of the CCS.

On May 27, 2015, the Company entered into additional EUR/USD CCS with a notional of 1,000 to hedge euro denominated net investment in foreign operations amounting to €918 million, and designated them as a net investment hedge. As of December 31, 2016 and 2015, the EUR/USD CCS have a fair value loss of 21, net of a deferred tax of 6, and a fair value loss of 24, net of a deferred tax of 7, respectively. Fair value movements have been recorded in the consolidated statements of other comprehensive income. The fair value of the net investment hedge is included in other long term obligations in the consolidated statements of financial position. The cross currency swap is classified into Level 2.

Net investment hedges are as follows:

Derivatives	Notional amount	Date traded	December 31,		
			Fair value at December 31, 2015	Change in fair value	Fair value as of December 31, 2016*
CCS 30Y	250	December 3, 2014	56	(56)	-
CCS 30Y	125	December 12, 2014	29	(29)	-
CCS 5Y	500	May 28, 2015	(7)	10	3
CCS 10Y	300	May 28, 2015	(10)	(4)	(14)
CCS 10Y	160	May 28, 2015	(6)	(2)	(8)
CCS 10Y	40	May 28, 2015	(1)	(1)	(2)
<b>Total</b>	<b>1,375</b>		<b>61</b>	<b>(82)</b>	<b>(21)</b>

\* The net investment hedges were fully effective. As such, the change in fair value is entirely recorded in other comprehensive income.

Derivatives	Notional amount	Date traded	December 31,		
			Fair value at December 31, 2014	Change in fair value	Fair value as of December 31, 2015*
CCS 30Y	250	December 3, 2014	(3)	59	56
CCS 30Y	125	December 12, 2014	-	29	29
CCS 5Y	500	May 28, 2015	-	(7)	(7)
CCS 10Y	300	May 28, 2015	-	(10)	(10)
CCS 10Y	160	May 28, 2015	-	(6)	(6)
CCS 10Y	40	May 28, 2015	-	(1)	(1)
<b>Total</b>	<b>1,375</b>		<b>(3)</b>	<b>64</b>	<b>61</b>

\* The net investment hedges were fully effective. As such, the change in fair value is entirely recorded in other comprehensive income.

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

The Company uses financial instruments such as forward purchases or sales, options and

swaps in order to manage the volatility of prices of certain raw materials, freight and energy. The Company is exposed to risks in fluctuations in prices of raw materials (including base metals

such as zinc, nickel, aluminum, tin, copper and iron ore), freight and energy, both through the purchase of raw materials and through sales contracts.

Fair values of raw material, freight, energy and emission rights instruments categorized as Level 2 are as follows:

	At December 31,	
	2016	2015
Base metals	28	(15)
Freight	-	13
Energy (oil, gas, electricity)	(1)	(6)
Emission rights	(104)	(16)
<b>Total</b>	<b>(77)</b>	<b>(24)</b>
Derivative assets associated with raw materials, energy, freight and emission rights	82	35
Derivative liabilities associated with raw materials, energy, freight and emission rights	(159)	(59)
<b>Total</b>	<b>(77)</b>	<b>(24)</b>

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

*Emission rights*

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (mainly forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2016 and 2015, the Company had a net notional position of 420 with a net negative fair value of 104 and a net notional position of 391 with a net negative fair value of 16, respectively.

*Credit risk*

The Company's treasury department monitors various market data regarding the credit standings and overall reliability of the financial institutions for all countries where the Company's subsidiaries operate. The choice of the financial institution for the financial transactions must be approved by the treasury department. Credit risk related to customers, customer credit terms and receivables are discussed in note 4.3.

*Sensitivity analysis*

## Foreign currency sensitivity

The following tables detail the Company's derivative financial instruments' sensitivity to a 10% strengthening and a 10% weakening in the U.S. dollar against the euro. A positive number indicates an increase in profit or loss and other equity, where a negative number indicates a decrease in profit or loss and other equity.

The sensitivity analysis includes the Company's complete portfolio of foreign currency derivatives outstanding. The impact on the non €/\$ derivatives reflects the estimated move of such currency pairs, when the U.S. dollar appreciates or depreciates 10% against the euro, based on computations of correlations in the foreign exchange markets in 2016 and 2015.

	December 31, 2016	
	Income	Other Equity
10% strengthening in U.S. dollar	(3)	377
10% weakening in U.S. dollar	6	(375)

	December 31, 2015	
	Income	Other Equity
10% strengthening in U.S. dollar	(47)	367
10% weakening in U.S. dollar	65	(365)

*Cash flow sensitivity analysis for variable rate instruments*

The following tables detail the Company's variable interest rate instruments' sensitivity. A change of 100 basis points ("bp") in interest rates during the period would have increased (decreased) profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2016	
	Floating porting of net debt <sup>1</sup>	Interest Rate Swaps/ Forward Rate Agreements
100 bp increase	11	-
100 bp decrease	(11)	-

	December 31, 2015	
	Floating porting of net debt <sup>1</sup>	Interest Rate Swaps/ Forward Rate Agreements
100 bp increase	23	1
100 bp decrease	(23)	(1)

<sup>1</sup> Please refer to note 6.1.4 for a description of net debt (including fixed and floating portion)

*Base metals, energy, freight, emissions rights*

The following tables detail the Company's sensitivity to a 10% increase and decrease in the price of the relevant base metals, energy, freight and emissions rights. The sensitivity analysis includes only outstanding, un-matured derivative instruments either held for trading at fair value through the consolidated statements of operations or designated in hedge accounting relationships.

	December 31, 2016	
	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices		
Base Metals	4	18
Iron Ore	(10)	1
Emission rights	-	32
Energy	(8)	1
-10% in prices		
Base Metals	(3)	(18)
Iron Ore	10	(1)
Emission rights	-	(32)
Energy	8	(1)

	December 31,	
	2015	
	Income	Other Equity Cash Flow Hedging Reserves
+10% in prices		
Base Metals	17	2
Iron Ore	-	1
Freight	(1)	-
Emission rights	-	41
Energy	-	(4)
-10% in prices		
Base Metals	(16)	(2)
Iron Ore	-	(1)
Freight	1	-
Emission rights	-	(41)
Energy	-	4

#### Note 7 : Personnel expenses and deferred employee benefits

##### 7.1 Employees and key management personnel

As of December 31, 2016, ArcelorMittal had approximately 199,000 employees and the total annual compensation of ArcelorMittal's employees in 2016, 2015 and 2014 was as follows:

	Year Ended December 31,		
	2016	2015	2014
Employee Information			
Wages and salaries	7,675	8,392	9,839
Pension cost (excluding the United States new labor agreement) (see note 7.2)	124	237	216
Gain following new labor agreement in United States (see note 7.2)	(832)	-	-
Other staff expenses	1,591	1,695	1,989
Total	8,558	10,324	12,044

As of January 1, 2016, the Group Management Board ("GMB"), ArcelorMittal's former senior management, was replaced by the CEO Office supported by six other Executive Officers. ArcelorMittal's CEO Office is comprised by the CEO, Mr. Lakshmi N. Mittal and the CFO, Mr. Aditya Mittal. Together, the Executive Officers are responsible for the implementation of the Company strategy, overall management of the business and all operational decisions. The key management personnel compensation for 2016 reflects this new structure.

The total annual compensation of ArcelorMittal's key management personnel (as described above for 2016), including its Board of Directors, expensed in 2016, 2015 and 2014 was as follows:

	Year Ended December 31,		
	2016	2015	2014
Base salary and directors fees	12	7	11
Short-term performance-related bonus	2	5	8
Post-employment benefits	1	-	1
Share based compensation	2	7	7

The fair value of the stock options granted and shares allocated based on Restricted Stock Unit ("RSU") and Preference Stock Unit ("PSU") plans to the ArcelorMittal's key management personnel is recorded as an expense in the consolidated statements of operations over the relevant vesting periods.

As of December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, ArcelorMittal

had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

##### 7.2 Deferred employee benefits

ArcelorMittal's operating subsidiaries sponsor different types of pension plans for their employees. Also, some of the operating subsidiaries offer other post-employment benefits, principally healthcare. These benefits are broken down into defined contribution plans and defined benefit plans.

Defined contribution plans are those plans where ArcelorMittal pays fixed or determinable contributions to external life insurance or other funds for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. Contributions are expensed as incurred consistent with the recognition of wages and salaries. 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.

The retirement benefit obligation recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation less the fair value of plan assets.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Current service cost, which is the increase of the present value of the defined benefit obligation resulting from the employee service in the current period, is recorded as an expense as part of cost of sales and selling, general and administrative expenses in the consolidated statements of operations. The net interest cost, which is the change during the period in the net defined benefit liability or asset that arises from the passage of time, is recognized as part of net financing costs in the consolidated statements of operations.

#### Statements of Financial Position

Total deferred employee benefits including pension or other post-employment benefits, are as follows:

	December 31,	
	2016	2015
Pension plan benefits	3,061	3,149
Other post-employment benefits	4,801	5,549
Early retirement benefits	279	357
Defined benefit liabilities	8,141	9,055
Termination benefits	156	161
Total	8,297	9,216

The early retirement benefits and termination benefits are related mainly to European countries (Belgium, Spain, Germany and Luxembourg).

#### Pension Plans

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

The Company recognizes gains and losses on the curtailment of a defined benefit plan when the curtailment occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not been previously recognized. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or a curtailment. Past service cost is recognized immediately in the consolidated statements of operations in the period in which it arises.

Voluntary retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date. Liabilities for early retirement plans are recognized when the affected employees have formally been informed and when amounts owed have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the number of employees

#### U.S.

ArcelorMittal USA's Pension Plan is a non-contributory defined benefit plan covering approximately 14% of its employees. Certain non-represented salaried employees hired before 2003 receive pension benefits which are determined under a "Cash Balance" formula as an account balance which grows

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 can no longer withdraw the offer or, if earlier, when it has a detailed formal plan which has been communicated to employees or their representatives.

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

The expense associated with the above pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on

the consolidated statements of financial position are based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, healthcare cost trend rates, mortality rates and retirement rates.

- Discount rates – The discount rate is based on several high quality corporate bond indexes and yield curves in the appropriate jurisdictions (rated AA 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.
- 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.

as a result of interest credits and of allocations based on a percentage of pay. 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 employees at locations which were acquired from International Steel Group Inc. receive defined pension benefits through a multi-employer pension plan that is accounted for as a defined contribution plan, due to the limited information made available to each of the 486 (as of December 31, 2015)

different participating employers. On June 23, 2016, following the ratification by the United Steelworkers ("USW") of a new labor agreement valid until September 1, 2018, ArcelorMittal change the contributions to the multi-employer plan in the amount of \$2.70 per contributory hour (retroactive to September 1, 2015) from \$2.65. The contribution rate will increase by \$0.05 each September 1 for the term of the contract.

#### *Canada*

The primary pension plans are those of ArcelorMittal Dofasco, AMMIC and ArcelorMittal Long Products Canada.

The ArcelorMittal Dofasco pension plan is a hybrid plan providing the benefits of both a defined benefit and defined contribution pension plan. The defined contribution component is financed by both employer and employee contributions. The employer's defined contribution is based on a percentage of company profits. The defined benefit pension plan was closed for new hires on December 31, 2010 and replaced by a new defined contribution pension plan with contributions related to age, service and earnings.

At the end of 2012, ArcelorMittal Dofasco froze and capped benefits for its hourly and salaried employees who were still accruing service under the defined benefit plan and began transitioning these employees to the new defined contribution pension plan for future pension benefits.

The AMMIC defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on an employee's length of service for union employees. This plan was closed for new non-union hires on December 31, 2009 and replaced by a defined contribution pension plan with contributions related to age and service. In 2014, AMMIC communicated to its non-union employees who were still benefiting under the defined benefit plan that they would be transitioning to a defined contribution pension

plan. Transition dates extend from January 1, 2015 to January 1, 2025 depending on the age and service of each member. This transition has no impact on the defined benefit obligation since it is with respect to future service only.

ArcelorMittal Long Products Canada sponsors several defined benefit and defined contribution pension plans for its various groups of employees, with most defined benefit plans closed to new entrants several years ago. The primary defined benefit pension plan sponsored by ArcelorMittal Long Products Canada provides certain unionized employees with a flat dollar pension depending on an employee's length of service.

ArcelorMittal Long Products Canada entered into a six-year collective labor agreement during the third quarter of 2014 with its Contrecoeur-West union group. The defined benefit plan was closed to new hires. A new defined contribution type arrangement was established for new hires.

#### *Brazil*

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

#### *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.

As from December 2015 new Belgian legislation modifies the minimum guaranteed rates of return applicable to Belgian Defined Contribution Plans. For insured plans, the rates of 3.25%

on employer contributions and 3.75% on employee contributions will continue to apply to the accumulated pre-2016 contributions. For contributions paid as from January 1, 2016, a new variable minimum guaranteed rate of return will apply. For 2016 the minimum guaranteed rate of return was 1.75% and this is also the best estimate for 2017.

On April 25, 2016, the Company agreed with unions in France to cap the annual indexation of the IRUS pension plan until 2026 and to pay a lump sum amount to cover the indexation obligation for subsequent years. These changes resulted in a gain of 96 recorded in cost of sales and selling, general and administrative expenses in the statements of operations.

#### *South Africa*

Following an amendment of the rules of the ArcelorMittal South Africa Pension Fund ("the fund") approved by the Financial Services Board on November 9, 2015 and effective April 1, 2015, AMSA has discontinued its participation in the fund and therefore no longer has any legal or constructive obligation to ensure the funding of the plan. Accordingly, the related benefit obligation was settled and the plan assets and unrecoverable surplus were derecognized from the 2015 consolidated statements of financial position.

South African entities have also implemented defined contributions pension plans that are financed by employer and employee contributions.

#### *Others*

A very limited number of defined benefit pension plans are in place in other countries.

The majority of the funded defined benefit pension plans described earlier provide benefit payments from trustee-administered funds. ArcelorMittal also sponsors a number of unfunded plans where the Company meets the benefit payment obligation as it falls due. Plan assets held in trusts are legally separated from the Company and are governed by local regulations

and practice in each country, as is the nature of the relationship between the Company and the governing bodies and their composition. In general terms, governing bodies are required by law to act in the best interest of the plan members and are responsible for certain tasks related to the plan (e.g. setting the plan's investment policy).

In case of the funded pension plans, the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations of the pension plans.

A long-term investment strategy has been set for ArcelorMittal's major funded pension plans, with its asset allocation comprising of a mixture of equities securities, fixed income securities, real estate and other appropriate assets. This recognizes that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, in particular, that investments are adequately diversified.

The following tables detail the reconciliation of defined benefit obligation ("DBO"), plan assets and statements of financial position.

	Year Ended December 31,						
	2016						
	Total	United States	Canada	Brazil	Europe	South Africa	Other
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	9,883	3,623	2,928	495	2,601	17	219
Current service cost	112	31	25	2	50	-	4
Interest cost on DBO	406	151	125	66	52	1	11
Past service cost - Plan amendments	(80)	12	4	-	(96)	-	-
Plan participants' contribution	4	-	1	1	2	-	-
Curtailments and settlements	(10)	-	-	-	(4)	-	(6)
Actuarial (gain) loss	388	71	65	82	170	(2)	2
<i>Demographic assumptions</i>	(12)	(21)	1	-	8	-	-
<i>Financial assumptions</i>	370	80	23	96	170	-	1
<i>Experience adjustment</i>	30	12	41	(14)	(8)	(2)	1
Benefits paid	(633)	(261)	(186)	(42)	(129)	(3)	(12)
Foreign currency exchange rate differences and other movements	(16)	-	91	100	(64)	2	(145) <sup>1</sup>
Benefit obligation at end of the period	10,054	3,627	3,053	704	2,582	15	73
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	6,828	2,795	2,633	498	753	20	129
Interest income on plan assets	308	104	111	72	17	2	2
Return on plan assets greater/(less) than discount rate	273	126	91	30	24	2	-
Employer contribution	124	16	64	21	23	-	-
Plan participants' contribution	4	-	1	1	2	-	-
Settlements	(4)	-	-	-	(4)	-	-
Benefits paid	(529)	(261)	(185)	(42)	(38)	(3)	-
Foreign currency exchange rate differences and other movements	44	(12)	80	104	-	3	(131) <sup>1</sup>
Fair value of plan assets at end of the period	7,048	2,768	2,795	684	777	24	-
Present value of the wholly or partly funded obligation	(8,730)	(3,593)	(3,040)	(703)	(1,379)	(15)	-
Fair value of plan assets	7,048	2,768	2,795	684	777	24	-
Net present value of the wholly or partly funded obligation	(1,682)	(825)	(245)	(19)	(602)	9	-
Present value of the unfunded obligation	(1,324)	(34)	(13)	(1)	(1,203)	-	(73)
Prepaid due to unrecoverable surpluses	(34)	-	(18)	(3)	(4)	(9)	-
Net amount recognized	(3,040)	(859)	(276)	(23)	(1,809)	-	(73)
Net assets related to funded obligations	21	-	18	-	3	-	-
Recognized liabilities	(3,061)	(859)	(294)	(23)	(1,812)	-	(73)
<b>Change in unrecoverable surplus</b>							
Unrecoverable surplus at beginning of the period	(80)	-	(21)	(53)	(3)	(3)	-
Interest cost on unrecoverable surplus	(10)	-	(1)	(8)	-	(1)	-
Change in unrecoverable surplus in excess of interest	67	-	5	67	(1)	(4)	-
Exchange rates changes	(11)	-	(1)	(9)	-	(1)	-
Unrecoverable surplus at end of the period	(34)	-	(18)	(3)	(4)	(9)	-

<sup>1</sup> Includes the derecognition of the benefit obligation and plan assets in ArcelorMittal Point Lisas for 136 and 127, respectively.



	Year Ended December 31,						
	2015						
	Total	United States	Canada	Brazil	Europe	South Africa	Other
<b>Change in benefit obligation</b>							
Benefit obligation at beginning of the period	11,859	3,935	3,623	733	2,723	587	258
Current service cost	121	36	31	2	44	-	8
Interest cost on DBO	419	150	126	66	49	11	17
Past service cost - Plan amendments	4	-	1	-	2	1	-
Plan participants' contribution	3	-	1	1	-	-	1
Curtailments and settlements	(513)	(2)	-	-	(1)	(510)	-
Actuarial (gain) loss	(256)	(204)	(55)	(41)	30	2	12
<i>Demographic assumptions</i>	(37)	(37)	(9)	(1)	10	-	-
<i>Financial assumptions</i>	(291)	(150)	(77)	(23)	(44)	3	-
<i>Experience adjustment</i>	72	(17)	31	(17)	64	(1)	12
Benefits paid	(655)	(261)	(194)	(38)	(121)	(18)	(23)
Foreign currency exchange rate differences and other movements	(1,099)	(31) <sup>1</sup>	(605)	(228)	(125) <sup>2</sup>	(56)	(54)
Benefit obligation at end of the period	9,883	3,623	2,928	495	2,601	17	219
<b>Change in plan assets</b>							
Fair value of plan assets at beginning of the period	8,348	3,026	3,144	688	645	714	131
Interest income on plan assets	312	105	108	66	12	14	7
Return on plan assets greater/(less) than discount rate	(182)	(117)	61	(19)	(6)	(94)	(7)
Employer contribution	155	70	35	27	22	-	1
Plan participants' contribution	3	-	1	1	-	-	1
Settlements	(512)	(2)	-	-	-	(510)	-
Benefits paid	(543)	(256)	(193)	(38)	(32)	(18)	(6)
Foreign currency exchange rate differences and other movements	(753)	(31) <sup>1</sup>	(523)	(227)	112 <sup>2</sup>	(86)	2
Fair value of plan assets at end of the period	6,828	2,795	2,633	498	753	20	129
Present value of the wholly or partly funded obligation	(8,500)	(3,597)	(2,915)	(493)	(1,338)	(17)	(140)
Fair value of plan assets	6,828	2,795	2,633	498	753	20	129
Net present value of the wholly or partly funded obligation	(1,672)	(802)	(282)	5	(585)	3	(11)
Present value of the unfunded obligation	(1,383)	(26)	(13)	(2)	(1,263)	-	(79)
Prepaid due to unrecoverable surpluses	(80)	-	(21)	(53)	(3)	(3)	-
Net amount recognized	(3,135)	(828)	(316)	(50)	(1,851)	-	(90)
Net assets related to funded obligations	14	-	14	-	-	-	-
Recognized liabilities	(3,149)	(828)	(330)	(50)	(1,851)	-	(90)
<b>Change in unrecoverable surplus</b>							
Unrecoverable surplus at beginning of the period	(205)	-	-	(75)	(3)	(127)	-
Interest cost on unrecoverable surplus	(10)	-	-	(7)	-	(3)	-
Change in unrecoverable surplus in excess of interest	81	-	(21)	4	-	98	-
Exchange rates changes	54	-	-	25	-	29	-
Unrecoverable surplus at end of the period	(80)	-	(21)	(53)	(3)	(3)	-

<sup>1</sup> Includes a 29 and a 20 decrease in benefit obligation and plan assets, respectively, following the classification of LaPlace as held for sale at December 31, 2015.

<sup>2</sup> Includes a 174 increase in benefit obligation and plan assets following the above mentioned change in Belgian legislation, resulting into minimum guaranteed benefits at the date of leaving or retirement and consequently the reclassification of Belgian defined contribution plans as defined benefit plans.

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

								Year Ended December 31,
								2016
	Total	United States	Canada	Brazil	Europe	South Africa	Other	
Net periodic pension cost (benefit)								
Current service cost	112	31	25	2	50	-	4	
Past service cost - Plan amendments	(80)	12	4	-	(96)	-	-	
Past service cost - Curtailments	(6)	-	-	-	-	-	(6)	
Net interest cost/(income) on net DB liability/(asset)	108	47	15	2	35	-	9	
Total	134	90	44	4	(11)	-	7	

								Year Ended December 31,
								2015
	Total	United States	Canada	Brazil	Europe	South Africa	Other	
Net periodic pension cost (benefit)								
Current service cost	121	36	31	2	44	-	8	
Past service cost - Plan amendments	4	-	1	-	2	1	-	
Past service cost - Curtailments	(1)	-	-	-	(1)	-	-	
Net interest cost/(income) on net DB liability/(asset)	117	45	18	7	37	-	10	
Total	241	81	50	9	82	1	18	

								Year Ended December 31,
								2014
	Total	United States	Canada	Brazil	Europe	South Africa	Other	
Net periodic pension cost (benefit)								
Current service cost	128	41	35	4	38	-	10	
Past service cost - Plan amendments	3	-	3	-	-	-	-	
Past service cost - Curtailments and settlements	(2)	-	-	-	(2)	-	-	
Net interest cost/(income) on net DB liability/(asset)	135	39	10	10	63	-	13	
Total	264	80	48	14	99	-	23	

#### *Other post-employment benefits*

ArcelorMittal's principal operating subsidiaries in the United States, Canada, Europe and certain other countries, 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 a level of cost share from retirees. The post-employment life insurance benefit formula used in the determination of post-employment benefit cost is primarily based on a specific amount for hourly employees. ArcelorMittal USA does not pre-fund most of these post-employment benefits.

On June 23, 2016, following the ratification by the United Steelworkers ("USW") of a new labor agreement valid until September 1, 2018, ArcelorMittal performed a number of changes mainly related to healthcare post-employment benefits in its subsidiary ArcelorMittal USA. Also, in accordance with the new agreement, required payments into an existing Voluntary Employee Beneficiary Association ("VEBA") trust were fixed at 5% of ArcelorMittal USA's operating income of their separate financial statements after the first quarter of 2018. The changes resulted in a gain of 832 recorded in cost of sales in the statements of operations.

The Company has significant assets mostly in the aforementioned VEBA post-employment benefit plan. These assets consist of 70% in fixed income and 30% in equities. The total fair value of the assets in the VEBA trust was 545 as of December 31, 2016.

Summary of changes in the other post-employment benefit obligation and changes in plan assets are as follows:

	Year Ended December 31,				
	2016				
	Total	United States	Canada	Europe	Others
<b>Change in benefit obligation</b>					
Benefit obligation at beginning of the period	6,251	4,995	573	516	167
Current service cost	100	59	7	27	7
Interest cost on DBO	249	203	25	12	9
Past service cost - Plan amendments	(851)	(844)	(3)	(4)	-
Plan participants' contribution	18	18	-	-	-
Actuarial (gain) loss	(48)	(62)	1	8	5
<i>Demographic assumptions</i>	(184)	(154)	(32)	-	2
<i>Financial assumptions</i>	189	160	23	14	(8)
<i>Experience adjustment</i>	(53)	(68)	10	(6)	11
Benefits paid	(323)	(240)	(31)	(40)	(12)
Foreign currency exchange rate differences and other movements	4	54 <sup>1</sup>	20	(27)	(43)
Benefit obligation at end of the period	5,400	4,183	592	492	133
<b>Change in plan assets</b>					
Fair value of plan assets at beginning of the period	706	698	-	8	-
Interest income on plan assets	26	26	-	-	-
Return on plan assets greater/(less) than discount rate	5	4	-	1	-
Employer contribution	86	86	-	-	-
Plan participants' contribution	18	18	-	-	-
Benefits paid	(242)	(240)	-	(2)	-
Fair value of plan assets at end of the period	599	592	-	7	-
Present value of the wholly or partly funded obligation	(821)	(760)	-	(61)	-
Fair value of plan assets	599	592	-	7	-
Net present value of the wholly or partly funded obligation	(222)	(168)	-	(54)	-
Present value of the unfunded obligation	(4,579)	(3,423)	(592)	(431)	(133)
Net amount recognized	(4,801)	(3,591)	(592)	(485)	(133)

<sup>1</sup> Includes a 53 increase in benefit obligation retained by the Company in respect of Steelton, which has been classified as held for sale at December 31, 2016 and 2015 (see note 2.3.2).

	Year Ended December 31,				
	2015				
	Total	United States	Canada	Europe	Others
<b>Change in benefit obligation</b>					
Benefit obligation at beginning of the period	6,389	4,874	744	577	194
Current service cost	96	50	9	28	9
Interest cost on DBO	248	197	26	11	14
Past service cost - Plan amendments	(2)	-	(2)	-	-
Plan participants' contribution	18	18	-	-	-
Actuarial (gain) loss	132	171	(49)	7	3
<i>Demographic assumptions</i>	(75)	(57)	(29)	13	(2)
<i>Financial assumptions</i>	(159)	(139)	(15)	(10)	5
<i>Experience adjustment</i>	366	367	(5)	4	-
Benefits paid	(350)	(252)	(33)	(43)	(22)
Termination benefits	6	6	-	-	-
Foreign currency exchange rate differences and other movements	(286)	(69) <sup>1</sup>	(122)	(64)	(31)
Benefit obligation at end of the period	6,251	4,995	573	516	167
<b>Change in plan assets</b>					
Fair value of plan assets at beginning of the period	730	719	-	11	-
Interest income on plan assets	28	28	-	-	-
Return on plan assets greater/(less) than discount rate	(8)	(8)	-	-	-
Employer contribution	191	191	-	-	-
Plan participants' contribution	18	18	-	-	-
Benefits paid	(252)	(250)	-	(2)	-
Foreign currency exchange rate differences and other movements	(1)	-	-	(1)	-
Fair value of plan assets at end of the period	706	698	-	8	-
Present value of the wholly or partly funded obligation	(1,452)	(1,388)	-	(64)	-
Fair value of plan assets	706	698	-	8	-
Net present value of the wholly or partly funded obligation	(746)	(690)	-	(56)	-
Present value of the unfunded obligation	(4,799)	(3,607)	(573)	(452)	(167)
Net amount recognized	(5,545)	(4,297)	(573)	(508)	(167)
Net assets related to funded obligations	4	4	-	-	-
Recognized liabilities	(5,549)	(4,301)	(573)	(508)	(167)

<sup>1</sup>Other movements include Steelton for (69) in benefit obligations as has been classified held for sale in December 2015.

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

Components of net periodic OPEB cost (benefit)	Year Ended December 31,				
	Total	United States	Canada	Europe	Others
Current service cost	100	59	7	27	7
Past service cost - Plan amendments	(851)	(844)	(3)	(4)	-
Net interest cost/(income) on net DB liability/(asset)	223	177	25	12	9
Actuarial (gains)/losses recognized during the year	1	-	-	1	-
<b>Total</b>	<b>(527)</b>	<b>(608)</b>	<b>29</b>	<b>36</b>	<b>16</b>

Components of net periodic OPEB cost (benefit)	Year Ended December 31,				
	Total	United States	Canada	Europe	Others
Current service cost	96	50	9	28	9
Past service cost - Plan amendments	(2)	-	(2)	-	-
Cost of termination benefits	6	6	-	-	-
Net interest cost/(income) on net DB liability/(asset)	220	169	26	11	14
Actuarial (gains)/losses recognized during the year	(3)	-	-	(3)	-
<b>Total</b>	<b>317</b>	<b>225</b>	<b>33</b>	<b>36</b>	<b>23</b>

Components of net periodic OPEB cost (benefit)	Year Ended December 31,				
	Total	United States	Canada	Europe	Others
Current service cost	82	39	10	23	10
Past service cost - Plan amendments	(17)	-	(17)	-	-
Past service cost - Curtailments	(6)	-	-	(6)	-
Net interest cost/(income) on net DB liability/(asset)	246	177	34	20	15
Actuarial (gains)/losses recognized during the year	22	-	-	22	-
<b>Total</b>	<b>327</b>	<b>216</b>	<b>27</b>	<b>59</b>	<b>25</b>

The following tables detail where the expense is recognized in the consolidated statements of operations:

	Year Ended December 31,		
	2016	2015	2014
Net periodic pension cost	134	241	264
Net periodic OPEB cost	(527)	317	327
<b>Total</b>	<b>(393)</b>	<b>558</b>	<b>591</b>
Cost of sales	(725)	197	158
Selling, general and administrative expenses	-	27	30
Financing costs - net	332	334	403
<b>Total</b>	<b>(393)</b>	<b>558</b>	<b>591</b>

## Plan Assets

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

	December 31, 2016					
	United States	Canada	Brazil	Europe	South Africa	Other
Equity Securities	50%	53%	-	3%	40%	-
- Asset classes that have a quoted market price in an active market	25%	46%	-	3%	40%	-
- Asset classes that do not have a quoted market price in an active market	25%	7%	-	-	-	-
Fixed Income Securities (including cash)	37%	47%	98%	72%	50%	-
- Asset classes that have a quoted market price in an active market	2%	35%	98%	71%	50%	-
- Asset classes that do not have a quoted market price in an active market	35%	12%	-	1%	-	-
Real Estate	4%	-	1%	-	2%	-
- Asset classes that have a quoted market price in an active market	-	-	-	-	2%	-
- Asset classes that do not have a quoted market price in an active market	4%	-	1%	-	-	-
Other	9%	-	1%	25%	8%	-
- Asset classes that have a quoted market price in an active market	-	-	1%	5%	8%	-
- Asset classes that do not have a quoted market price in an active market	9%	-	-	20%	-	-
Total	100%	100%	100%	100%	100%	-

	December 31, 2015					
	United States	Canada	Brazil	Europe	South Africa	Other
Equity Securities	46%	52%	3%	5%	27%	44%
- Asset classes that have a quoted market price in an active market	24%	45%	3%	4%	27%	10%
- Asset classes that do not have a quoted market price in an active market	22%	7%	-	1%	-	34%
Fixed Income Securities (including cash)	38%	46%	95%	85%	61%	55%
- Asset classes that have a quoted market price in an active market	5%	40%	95%	84%	61%	4%
- Asset classes that do not have a quoted market price in an active market	33%	6%	-	1%	-	51%
Real Estate	-	-	1%	-	2%	-
- Asset classes that have a quoted market price in an active market	-	-	-	-	2%	-
- Asset classes that do not have a quoted market price in an active market	-	-	1%	-	-	-
Other	16%	2%	1%	10%	10%	1%
- Asset classes that have a quoted market price in an active market	-	2%	1%	7%	10%	-
- Asset classes that do not have a quoted market price in an active market	16%	-	-	3%	-	1%
Total	100%	100%	100%	100%	100%	100%

These assets include investments in ArcelorMittal stock of approximately 2, but not in property or other assets occupied or used by ArcelorMittal. These assets may also include ArcelorMittal shares held by mutual fund investments. The invested assets produced an actual return of 612 and 150 in 2016 and 2015, respectively.

The Finance and Retirement Committees of the Boards of Directors for the respective operating subsidiaries have general supervisory authority over the respective trust funds. These committees have established asset allocation targets for the period as described below. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed upon.

	December 31, 2016				
	United States	Canada	Brazil	Europe	South Africa
Equity Securities	47%	52%	2%	4%	38%
Fixed Income Securities (including cash)	37%	48%	91%	71%	51%
Real Estate	4%	-	3%	-	4%
Other	12%	-	4%	25%	7%
Total	100%	100%	100%	100%	100%

Assumptions used to determine benefit obligations at December 31,

	Pension Plans			Other Post-employment Benefits		
	2016	2015	2014	2016	2015	2014
Discount rate						
Range	1.60% - 16%	2.05% - 17%	1.90% - 17%	0.9% - 7.65%	0.9% - 30%	1.80% - 25%
Weighted average	3.92%	4.21%	4.29%	4.19%	4.49%	4.05%
Rate of compensation increase						
Range	1.80% - 10%	2% - 11%	2% - 11%	2% - 32%	2% - 27%	2% - 21%
Weighted average	3.11%	3.11%	3.40%	3.38%	3.98%	3.64%

Healthcare Cost Trend Rate

	Other Post-employment Benefits		
	2016	2015	2014
Healthcare cost trend rate assumed			
Range	1.80% - 5.60%	2% - 7%	2% - 5.30%
Weighted average	4.51%	4.75%	4.80%

#### Cash contributions and maturity profile of the plans

In 2017, the Company is expecting its cash contributions to amount to 348 for pension plans, 158 for other post-employment benefits plans, 106 for defined contribution plans and 70 for United States multi-employer plans. Cash contributions to defined contribution plans and to United States multi-employer plans sponsored by the Company, were respectively 95 and 66 in 2016.

At December 31, 2016, the weighted average duration of the liabilities related to the pension and other post-employment benefits plans were 11 years (2015: 12 years) and 13 years (2015: 14 years), respectively.

#### Risks associated with defined benefit plans

Through its defined benefit pension plans and OPEB plans, ArcelorMittal is exposed to a number of risks, the most significant of which are detailed below:

##### Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

##### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. In most countries with funded plans, plan assets hold a significant portion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, ArcelorMittal intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, ArcelorMittal believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of a long-term strategy to manage the plans efficiently.

##### Life expectancy

The majority of the plans provide benefits for the life of the covered members, so increases in life expectancy will result in an increase in the plans' benefit obligations. Assumptions regarding future mortality rates have been set considering published statistics and where possible, ArcelorMittal's own population's experience. In 2016, the current longevities at retirement underlying the values of the defined benefit obligation were approximately 22 years.

In 2014, the Society of Actuaries published new mortality base tables and new mortality improvement scales in the United States. Use of these new mortality assumptions resulted in increasing the pension and OPEB defined benefit obligations by 85 and 271, respectively. In 2015, the Society of Actuaries updated the mortality projection scale, which resulted in decreasing the pension and OPEB defined benefit obligations by 36 and 57, respectively.

##### Healthcare cost trend rate

The majority of the OPEB plans' benefit obligations are linked to the change in the cost of various health care components. Future healthcare cost will vary based on several factors including price inflation, utilization rate, technology advances, cost shifting and cost containing mechanisms. A higher healthcare cost trend would lead to higher OPEB plan benefit obligations.

In 2015, the healthcare cost trend rate assumption in the United States was adjusted, which resulted in increasing the OPEB defined benefit obligations by 232. Additionally recent experience, which is starting point for projecting future costs, was unfavorable, resulting in increasing the OPEB defined benefit obligations by an additional 301.

##### Multi-employer plans

ArcelorMittal participates in one material multi-employer pension plan in the United States. Under multi-employer plans, several participating employers make contributions into a pension plan. The assets of the plan are not limited to the participants of a particular employer. If an employer is unable to make required contributions to the plan, any unfunded obligations may be borne by the remaining employers. Additionally, if an employer withdraws from the plan, it may be required to pay an amount based on the underfunded status of the plan. As of December 31, 2015, which is the latest period for which information is available, the multi-employer pension plan had a total actuarial liability of 4,687 and assets with market value of 3,875 for a funded ratio of about 83%. ArcelorMittal represented roughly 28% of total contributions made to the plan in the past three years.

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.

*Sensitivity analysis*

The following information illustrates the sensitivity to a change of the significant actuarial assumptions related to ArcelorMittal's pension plans (as of December 31, 2016, the defined benefit obligation for pension plans was 10,054):

	Effect on 2017 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2016 DBO
Change in assumption		
100 basis points decrease in discount rate	(44)	1,212
100 basis points increase in discount rate	32	(1,009)
100 basis points decrease in rate of compensation	(11)	(154)
100 basis points increase in rate of compensation	13	169
1 year increase of the expected life of the beneficiaries	10	231

The following table illustrates the sensitivity to a change of the significant actuarial assumptions related to ArcelorMittal's OPEB plans (as of December 31, 2016 the defined benefit obligation for post-employment benefit plans was 5,400):

	Effect on 2017 Pre-Tax OPEB Expense (sum of service cost and interest cost)	Effect of December 31, 2016 DBO
Change in assumption		
100 basis points decrease in discount rate	(1)	795
100 basis points increase in discount rate	-	(651)
100 basis points decrease in healthcare cost trend rate	(43)	(613)
100 basis points increase in healthcare cost trend rate	53	706
1 year increase of the expected life of the beneficiaries	9	177

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.

**7.3 Share-based payments**

ArcelorMittal issues equity-settled share-based payments to certain employees, including stock options, restricted share units and performance 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, restricted share units and performance 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. Where the fair value calculation requires modeling of the Company's performance against other market index fair value is measured using the Monte Carlo pricing model to estimate the forecasted target performance goal for the company and its peer companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on ArcelorMittal shares in the open market, as well as, historical patterns of volatility.

For the restricted share units and performance 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.

*Stock Option Plans*

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

Under the terms of the ArcelorMittal Global Stock Option Plan 2009-2018 (which replaced

the ArcelorMittal Shares plan that expired in 2009), ArcelorMittal may grant options to purchase common shares to senior management of ArcelorMittal and its associates for up to 100,000,000 shares of common shares. The exercise price of each option equals not less than the fair market value of ArcelorMittal shares on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

Dates of grant and exercise prices are as follows:

Date of grant	Exercise prices (per option)
August 2010	\$30.66
August 2009	36.38
November 2008	21.14
August 2008	78.44
December 2007	70.81
August 2007	61.09

No options were granted during the years ended December 31, 2016, 2015 and 2014.



The compensation expense recognized for stock option plans was nil for each of the years ended December 31, 2016, 2015, and 2014.

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, 2016, 2015, and 2014:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2013	21,563,626	21.14 – 78.44	48.31
Expired	(1,486,360)	27.31 – 78.44	48.96
Outstanding, December 31, 2014	20,077,266	21.14 – 78.44	48.26
Expired	(2,885,194)	27.31 – 78.44	41.75
Outstanding, December 31, 2015	17,192,072	21.14 – 78.44	49.35
Expired	(3,144,752)	30.66 – 78.44	41.72
Outstanding, December 31, 2016	14,047,320	21.14 – 78.44	51.06
Exercisable, December 31, 2014	20,077,266	21.14 – 78.44	48.26
Exercisable, December 31, 2015	17,192,072	21.14 – 78.44	49.35
Exercisable, December 31, 2016	14,047,320	21.14 – 78.44	51.06

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2016:

Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options Outstanding	
			Options exercisable (number of options)	Maturity
\$30.66	3,834,250	3.59	3,834,250	August 3, 2020
36.38	3,647,250	2.59	3,647,250	August 4, 2019
21.14	2,585	1.86	2,585	November 10, 2018
78.44	3,803,000	1.60	3,803,000	August 5, 2018
70.81	5,000	0.95	5,000	December 11, 2017
61.09	2,755,235	0.59	2,755,235	August 2, 2017
\$21.14 – \$78.44	14,047,320	2.20	14,047,320	

#### *Long-Term Incentives: Equity-Based Incentives (Share Unit Plans)*

On May 10, 2011, the annual general meeting of shareholders approved the ArcelorMittal Equity Incentive Plan, a new equity-based incentive plan that replaced the Global Stock Option Plan. The ArcelorMittal Equity Incentive Plan is intended to align the interests of the Company's shareholders and eligible employees by allowing them to participate in the success of the Company. The ArcelorMittal Equity Incentive Plan provides for the grant of RSUs and PSUs to eligible Company employees (including the Executive Officers) and is designed to incentivize employees, improve the Company's long-term performance and retain key employees. On May 8, 2013, the annual general meeting of shareholders approved the GMB PSU Plan, which provides for the grant of PSUs to GMB members (and is now applicable to the CEO Office). Until the introduction of the GMB PSU Plan in 2013, GMB members were eligible to receive RSUs and PSUs under the

ArcelorMittal Equity Incentive Plan. In 2016, a special grant was approved in order to align the grant with the strategic plan put in place by ArcelorMittal.

The maximum number of PSUs (and RSUs previously) available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting. The annual shareholders' meeting on May 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders' meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined.

#### *ArcelorMittal Equity Incentive Plan*

RSUs granted under the ArcelorMittal Equity Incentive Plan are designed to provide a retention incentive to eligible

employees. RSUs are subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the Company. Between 500 and 700 of the Company's most senior managers are eligible for RSUs.

The grant of PSUs under the ArcelorMittal Equity Incentive Plan aims to serve as an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards in connection with PSUs are subject to the fulfillment of cumulative performance criteria over a three year period from the date of the PSU grant. The employees eligible to receive PSUs are a sub-set of the group of employees eligible to receive RSUs. The target group for PSU grants initially included the Chief Executive Officer and the other GMB members. However, from 2013 onwards, the Chief Executive Officer and other GMB members

(and in 2016, the CEO Office) received PSU grants only under the GMB PSU Plan instead of the ArcelorMittal Equity Incentive Plan.

PSUs 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 a strategic measure which was total cost of employment (in U.S. dollars per tonne) for the steel business (TCOE) and the mining volume plan and ROCE for the Mining segment until the 2013 grant. As from 2014, most of the Steel Business Units have kept only ROCE as a performance measure and the Mining segment continued with ROCE and mining volume plan. In case the level of achievement of performance is below threshold, there is no vesting, and the rights are automatically forfeited.

In 2016, in order to ensure achievement of the Action 2020, ArcelorMittal made a special grant

("Special Grant") to qualifying employees (including Executive Officers), instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment with the ArcelorMittal group and to yearly performance of ROCE targets and other strategic objectives within the Business Units.

The Special Grant has been split into two parts: a target grant which will vest if the performance is at target and an over-performance grant which will vest if the performance is at 120% or above. Any PSU gives the right to maximum one ArcelorMittal Share at vesting.

The Special Grant provides for a vesting in two parts:

- 50% would vest after three years (in 2019, "PSU I") and,
- 50% would vest after five years (in 2021, "PSU II")

The allocation of PSUs to eligible employees under ArcelorMittal Equity Incentive Plan has been reviewed by the Appointments, Remuneration & Corporate Governance Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Committee has also decided the criteria for granting PSUs and made its recommendation to the Board of Directors. These criteria are based on the principle of rewarding for performance upon the achievement of clear and measurable metrics for shareholder value creation.

#### *PSU plan for CEO Office (formally GMB PSU Plan)*

The GMB PSU Plan was designed to enhance the long-term performance of the Company and align the members of the GMB to the Company's objectives. The GMB PSU Plan is now applicable to the CEO Office. This PSU Plan complements ArcelorMittal's existing program of annual performance-related bonuses which is the Company's reward system for short-term performance and achievements. The main objective of this PSU Plan is to be an effective performance-enhancing scheme for members based on the achievement of ArcelorMittal's strategy aimed at creating a measurable long-term shareholder value.

The members of the CEO Office will be eligible for PSU grants. This PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant CEO Office member continues to be actively employed by the ArcelorMittal group on that date. If the CEO Office member is retired on that date or in case of an early retirement by mutual consent, the relevant CEO Office member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors. Awards under this PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The value of the grant at grant date will equal one year of base salary for the Chief Executive

Officer and 80% of base salary for other executive officers. Each PSU may give the right to up to two shares of the Company in 2013, and each PSU from the 2014 grant may convey the right to up to one and a half shares.

In order to ensure achievement of the Action 2020 specifically by the CEO Office, ArcelorMittal made a special grant in 2016 instead of the standard grant. The value of this special grant at grant date equaled 150% of the base salary for the CEO Office members. According to this special grant, each member of the CEO Office was eligible for Performance Share Unit ("PSU") grants under the PSU plan for CEO Office. Awards under the Special Grant are subject to the fulfillment of cumulative performance criteria: 50% would vest after three years (in 2020, "CEO PSU I") and 50% would vest after five years (in 2022, "CEO PSU II"). 50% of the PSUs granted to each member of the CEO Office is eligible to vest based on the Company's Total Shareholder Return ("TSR") defined as the share price at the end of period minus the share price at start of period plus any dividend paid divided by the share price at the start of the period. "Start of period" and "end of period" will be defined by the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors. The TSR will then be compared with the TSR of a peer group of companies and the TSR of the companies forming the S&P 500 index, each counting for half of the weighting.

- For 25% of PSUs, performance is compared to the peer group. The percentage of PSUs vesting will be 50% for achieving 100%

of the median TSR and 100% for achieving 120% of the median TSR. None of the PSUs will vest if the Company's TSR performance is below 100% of that of the peer group.

- For 25% of PSUs, performance is compared to the median of the S&P 500 companies. The percentage of PSUs vesting will be 50% for achieving performance equal to 100% of the index performance of the S&P 500 companies and 100% for achieving a performance 2% better than the index per annum over performance. None of the PSUs will vest if the Company's TSR performance is below 100% of index performance of the S&P 500 companies.

The other 50% of the criteria to be met to trigger vesting of the PSUs is based on the development of Earnings Per Share (EPS), defined as the amount of earnings per share outstanding compared to a peer group of companies. The percentage of PSUs vesting will be 50% for achievement of 100% of the median EPS, 100% for achieving 120% of the median EPS.

The allocation of PSUs to eligible CEO Office members is reviewed by the ARCG Committee of the Board of Directors, which is comprised of three independent directors, and which makes a proposal and recommendation to the full Board of Directors. The vesting criteria of the PSUs are also monitored by the ARCG Committee.

The following table summarizes the Company's share unit plans outstanding as of December 31, 2016:

At Grant date						Number of shares as of December 31, 2016		
Grant date	Type of plan	Number of shares	Number of beneficiaries	Maturity	Fair value per share	Shares outstanding	Shares exited	Shares forfeited
June 30, 2016	PSU II	10,417,065	554	January 1, 2021	4.39	10,230,765	-	186,300
June 30, 2016	CEO PSU II	459,805	2	January 1, 2022	5.54	459,805	-	-
June 30, 2016	PSU I	10,417,065	554	January 1, 2019	4.58	10,230,765	-	186,300
June 30, 2016	CEO PSU I	459,806	2	January 1, 2020	3.56	459,806	-	-
December 18, 2015	PSU	887,643	322	January 1, 2019	3.83	799,343	-	88,300
December 18, 2015	RSU	1,105,361	576	December 18, 2018	3.83	991,555	2,071	111,735
June 30, 2015	GMB PSU	464,305	4	June 30, 2018	8.53	464,305	-	-
December 17, 2014	PSU	979,870	353	January 1, 2018	10.28	786,570	-	193,300
December 17, 2014	RSU	1,173,910	620	December 17, 2017	10.28	958,804	8,808	206,298
June 27, 2014	GMB PSU	843,376	6	June 27, 2017	16.85	328,024	-	515,352
September 27, 2013	PSU	504,075	384	January 1, 2017	13.17	358,695	-	145,380
<b>Total</b>		<b>27,712,281</b>			<b>\$3.56– \$16.85</b>	<b>26,068,437</b>	<b>10,879</b>	<b>1,632,965</b>

The compensation expenses recognized for RSUs and PSUs were immaterial for the years ended December 31, 2016, 2015 and 2014.

Share unit plan activity is summarized below as of and for each year ended December 31, 2016, 2015 and 2014:

	Restricted share unit (RSU)		Performance share unit (PSU)	
	Number of shares	Fair value per share	Number of shares	Fair value per share
Outstanding, December 31, 2013	3,243,666	13.36	1,527,147	15.03
Granted	1,173,910	10.28	1,823,246	13.32
Exited	(777,252)	14.43	–	–
Forfeited	(230,718)	13.27	(90,215)	14.27
Outstanding, December 31, 2014	3,409,606	12.06	3,260,178	14.10
Granted	1,105,361	3.83	1,351,948	5.44
Exited	(321,980)	14.30	(24,721)	16.87
Forfeited	(231,809)	11.90	(475,834)	15.20
Outstanding, December 31, 2015	3,961,178	9.59	4,111,571	11.11
Granted *	–	–	21,758,442	4.49
Exited	(1,693,700)	12.75	(59,443)	12.37
Forfeited	(317,119)	8.71	(1,692,492)	12.59
Outstanding, December 31, 2016	1,950,359	7.00	24,118,078	5.03

\* Including 4,701 over-performance shares granted for the targets achievement of the PSU grant March 29, 2013.

#### Note 8: Provisions, contingencies and commitments

ArcelorMittal recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events, it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost. Future operating expenses or losses are excluded from recognition as provisions as they do not meet the definition of a liability. Contingent assets and contingent liabilities are excluded from recognition in the statements of financial position.

Provisions for onerous contracts are recorded in the consolidated statements of operations when it becomes known that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. Assets dedicated to the onerous contracts are tested for impairment before recognizing a separate provision for the onerous contract.

Provisions for restructuring are recognized when and only when a detailed formal plan exists and a valid expectation in those affected by the restructuring has been

raised, by starting to implement the plan or announcing its main features.

ArcelorMittal records asset retirement obligations ("ARO") initially at the fair value of the legal or constructive obligation in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related non-current asset. The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value through net financing cost and the capitalized cost is depreciated in accordance with the Company's depreciation policies for property, plant and equipment. Subsequently, when reliably measurable, ARO is recorded on the consolidated statements of financial position increasing the cost of the asset and the fair value of the related obligation. Foreign exchange gains or losses on AROs denominated in foreign currencies are recorded in the consolidated statements of operations.

ArcelorMittal is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. ArcelorMittal is currently engaged in the investigation and remediation of environmental contamination at a number of its facilities. Most of these are legacy obligations arising from acquisitions. Environmental costs that relate

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

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

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

ArcelorMittal is currently and may in the future be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitration proceedings are recorded in accordance with the principles described above.

Most of these claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult

to ascertain. Consequently, for a large number of these claims, ArcelorMittal is unable to make a reliable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, ArcelorMittal has disclosed information with respect to the nature of the contingency. ArcelorMittal has not accrued a provision for the potential outcome of these cases.

In a limited number of ongoing cases, the Company was able to make a reliable estimate of the expected loss or range of probable loss and has accrued a provision for such loss, 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 has disclosed information with respect to the nature of the contingency, but has not disclosed its estimate of the range of potential loss.

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

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 have a material adverse effect on its results of operations in any particular period. The Company considers it highly unlikely, however, that any such judgments could have a material adverse effect on its liquidity or financial condition.

## 8.1 Provisions overview

The movements of provisions were as follows:

	Balance at December 31, 2014	Additions *	Deductions/ Payments	Effects of Foreign Exchange and other movements	Balance at December 31, 2015
Environmental (see note 8.2)	855	35	(96)	(97)	697
Asset retirement obligations (see note 8.2)	305	26	(5)	(29)	297
Site restoration	46	37	(23)	4	64
Staff related obligations	190	56	(36)	(43)	167
Voluntary separation plans	153	48	(83)	(21)	97
Litigation and other (see note 8.2)	758	162	(329)	(128) <sup>1</sup>	463
Tax claims	271	22	(36)	(68)	189
Other legal claims	289	140	(100)	(60)	269
Other unasserted claims	198	-	(193) <sup>2</sup>	-	5
Commercial agreements and onerous contracts	122	245	(81)	(13)	273
Other	182	53	(63)	(26)	146
	2,611	662	(716)	(353)	2,204
Short-term provisions	1,024				770
Long-term provisions	1,587				1,434
	2,611				2,204

	Balance at December 31, 2015	Additions *	Deductions/ Payments	Effects of Foreign Exchange and other movements	Balance at December 31, 2016
Environmental (see note 8.2)	697	108	(65)	5	745
Asset retirement obligations (see note 8.2)	297	70	(4)	(5)	358
Site restoration	64	8	(20)	(9)	43
Staff related obligations	167	48	(63)	16	168
Voluntary separation plans	97	25	(68)	25	79
Litigation and other (see note 8.2)	463	66	(71)	(45)	413
Tax claims	189	20	(22)	24	211
Other legal claims	269	46	(44)	(69) <sup>3</sup>	202
Other unasserted claims	5	-	(5) <sup>2</sup>	-	-
Commercial agreements and onerous contracts	273	18	(254) <sup>4</sup>	(11)	26
Other	146	31	(51)	(11)	115
	2,204	374	(596)	(35)	1,947
Short-term provisions	770				426
Long-term provisions	1,434				1,521
	2,204				1,947

\* Additions exclude provisions written back or utilized during the same year.

<sup>1</sup> Effects of foreign exchange and other movements in 2015 are mainly related to the appreciation of USD against local currencies primarily in Brazil (104).

<sup>2</sup> The provision presented as "Other unasserted claims" relates to a commercial dispute in respect of which no legal action has commenced. The Company recognized a release of 193 and 5 in 2015 and 2016, respectively.

<sup>3</sup> On November 16, 2016, upon settlement of the competition commission case in South Africa, the provision of 84 recorded for this case was reclassified to "other long-term obligations" (65) and "Accrued expenses and other liabilities" (19).

<sup>4</sup> Deductions and payments for commercial agreements and onerous contracts reflect the increase in prices for raw materials and steel prices.

There are uncertainties regarding the timing and amount of the provisions above. Changes in underlying facts and circumstances for each provision could result in differences in the amounts provided for and the actual outflows. In general, provisions are presented on a non-discounted basis due to the uncertainties regarding the timing or the short period of their expected consumption.

Environmental provisions have been estimated based on internal and third-party estimates of contaminations, available remediation technology, and environmental regulations. Estimates are subject to revision as further information develops or circumstances change.

Provisions for site restoration are related to costs incurred for dismantling of site facilities, mainly in France and in the United States.

Provisions for staff related obligations primarily concern the United States and Brazil and are related to various employees' compensation.

Provisions for voluntary separation plans concern primarily plans in Belgium, South Africa, the United States and Spain which are expected to be settled within one year.

Provisions for litigation are related to probable losses that will be incurred due to a present legal obligation and are expected to be settled in a period of one to four years. Further detail regarding legal matters is provided in note 8.2.

The provision for onerous contracts in 2016 mainly includes onerous hot and cold rolled contracts in the United States.

Other mainly includes provisions for technical warranties and guarantees.

## 8.2 Environmental liabilities and legal proceedings

### *Environmental Liabilities*

ArcelorMittal's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2016, excluding asset retirement obligations, ArcelorMittal had established provisions of 745 for environmental remedial activities and liabilities. The provisions for all operations by geographic area were 414 in Europe, 161 in the United States, 142 in South Africa and 29 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 161 (exclusive of asset retirement obligations) to address existing environmental liabilities, of which 14 is expected to be spent in 2017. The environmental provisions principally relate to the investigation, monitoring and remediation of soil and groundwater at ArcelorMittal's current and former facilities. ArcelorMittal USA continues to have significant environmental provisions relating to investigation and remediation at Indiana Harbor East, Lackawanna, and its closed mining operations in southwestern Pennsylvania. ArcelorMittal USA's environmental provisions also include 46, with anticipated spending of 3 during 2017, to specifically address the removal and disposal of asbestos-containing materials and polychlorinated biphenyls ("PCBs").

All of ArcelorMittal's major operating and former operating sites in the United States are or may be subject to a corrective action program or other laws and regulations relating to

environmental remediation, including projects relating to the reclamation of industrial properties. In some cases, soil or groundwater contamination requiring remediation is present at both currently operating and historical sites where ArcelorMittal has a continuing obligation. In other cases, we are required to conduct studies to determine the extent of contamination, if any, that exists at these sites.

In 1990, ArcelorMittal USA's Indiana Harbor East facility was party to a lawsuit filed by the United States Environmental Protection Agency (the "EPA") under the United States Resource Conservation and Recovery Act ("RCRA"). In 1993, Inland Steel Company (predecessor to 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. In 2012, ArcelorMittal USA entered into a Consent Decree Amendment to the 1993 Consent Decree defining the objectives for limited sediment assessment and remediation of a small portion of the Indiana Harbor Ship Canal. The provisions for environmental liabilities include approximately 10 for such sediment assessment and remediation, and 5 for RCRA Corrective Action at the Indiana Harbor East facility itself. 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. A Corrective Measure Order on Consent was executed in 2009 for other site remediation activities. ArcelorMittal USA's provisions for environmental liabilities include approximately 36 for anticipated remediation and post-remediation activities at this site. The provisioned amount is based on the extent of soil and groundwater contamination identified by the RFI and the 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 a plan to improve treatment facility operations and lower long-term wastewater treatment costs. 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, estimated by the PaDEP to be the net present value of all future treatment cost. ArcelorMittal USA has been funding the treatment trust, and will continue to do so until the PaDEP target value is achieved. This target value is based on average spending over the last three years. The trust had a market value of 41 as of December 31, 2016. Once fully funded, ArcelorMittal can be reimbursed from the fund for the continuing cost of treatment of acid mine drainage. ArcelorMittal USA's provisions for environmental liabilities include approximately 30 for this matter.

On August 8, 2006, the United States EPA Region V issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation ("NOV") alleging multiple violations of the Clean Air Act's Prevention of Significant Deterioration ("PSD") air permit requirements, based on alleged failures by Bethlehem Steel dating back to early 1994. Based on recent court decisions and ongoing negotiations with the United States EPA, it is very likely that the US EPA will not enforce the alleged PSD permit violations by Bethlehem Steel against ArcelorMittal USA. The United States EPA Region V also conducted a series of inspections and issued information requests under the Federal Clean Air Act relating to the Burns Harbor, Indiana Harbor and Cleveland facilities. Some of the EPA's information requests and subsequent allegations relate to recent operations while others relate to historical actions under former facility owners that occurred several years ago. In October 2011, the United States EPA issued NOVs to Indiana Harbor West, Indiana Harbor East, Indiana Harbor Long Carbon, Burns Harbor and Cleveland alleging operational non-compliance based primarily on self-reported Title V permit concerns. Comprehensive settlement discussions with the United States EPA and affected state agencies involving all of the NOVs are ongoing and a comprehensive settlement with the United States EPA, which is anticipated to encompass self-reported non-compliance through at least December 31, 2015, is being finalized with execution anticipated in 2017. The settlement will include payment of penalties and injunctive relief. Efforts to mitigate the total penalty to be paid by proposing a supplemental environmental proposal are also being pursued. Liabilities associated with a comprehensive settlement are estimated at 12.

In 2014, the ArcelorMittal Monessen coke plant was re-started after having been idled since 2008. Since re-start, state regulatory authorities ("PADEP") issued numerous NOVs, the majority of which concern Clean Air Act violations. United States

EPA Region 3 also issued an NOV and, in addition, issued an information request seeking detailed testing and information concerning air compliance related issues. PADEP issued a proposed penalty assessment of 1 for alleged violations occurring from April 2014 through May 2015. Additional penalties are being negotiated as part of comprehensive Consent Decree negotiations with PADEP and United States EPA enforcement officials. A Citizens Suit was filed by a local environmental group, Penn Environment, under the Clean Air Act alleging that local residents were being impacted by many of the issues reflected in the outstanding NOVs. Penn Environment is seeking penalties and injunctive relief. The litigation was stayed in 2016 and Penn Environment is participating in the Consent Decree negotiations.

#### *Europe*

Environmental provisions for ArcelorMittal's operations in Europe total 414 and are mainly related to the investigation and remediation of environmental contamination at current and former operating sites in France (77), Belgium (220), Luxembourg (50), Poland (25), Germany (22), Czech Republic (8) and Spain (5). 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 77, 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, Moyeuve Grande,

Homecourt, Hagondange and Micheville sites, and is related to treatment of soil and groundwater. At Moyeuve 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. Provisions in France also cover the legal site obligations linked to the closure of the steel plant and rolling mill at Gandrange as well as of the wire mill in Lens.

ArcelorMittal Atlantique et Lorraine has an environmental provision that principally relates to the remediation and improvement of storage of secondary materials, the disposal of waste at different ponds and landfills and an action plan for removing asbestos from the installations and mandatory financial guarantees to cover risks of major accident hazard or for gasholders and waste storage. Most of the provision relates to the stocking areas at the Dunkirk site that will need to be restored to comply with local law and to the mothballing of the liquid phase in Florange, including study and surveillance of soil and water to prevent environmental damage, treatment and elimination of waste and financial guarantees demanded by Public Authorities. The environmental provisions also include treatment of slag dumps at Florange and Dunkirk sites as well as removal and disposal of asbestos-containing material at the Dunkirk and Mardyck sites.

Industeel France has an environmental provision that principally relates to ground remediation at the Le Creusot site and to the rehabilitation of waste disposal areas at the Châteauneuf site.

#### *Belgium*

In Belgium, there is an environmental provision of 220 of which the most significant elements are legal site remediation obligations linked to the closure of the primary installations at ArcelorMittal Belgium (Liège). The provisions also concern the external recovery and disposal of waste, residues or by-products that

cannot be recovered internally on the ArcelorMittal Gent and Liège sites and the removal and disposal of asbestos-containing material.

#### *Luxembourg*

In Luxembourg, there is an environmental provision of approximately 50, which relates to the post-closure monitoring and remediation of former production sites, waste disposal areas, slag deposits and mining sites.

In 2007, ArcelorMittal Luxembourg sold the former Ehlerange slag deposit (93 hectares) to the State of Luxembourg. ArcelorMittal Luxembourg is contractually liable to clean the site and move approximately 530,000 cubic meters of material to other sites. ArcelorMittal Luxembourg also has an environmental provision to secure, stabilize and conduct waterproofing treatment on mining galleries and entrances and various dumping areas in Mondercange, Differdange and Dommeldange. The environmental provision also relates to elimination of 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 the Belval Blast Furnace water pond and former production sites. A provision of approximately 41 covers these obligations.

ArcelorMittal Belval and Differdange has an environmental provision of approximately 7 to clean historical landfills in order to meet the requirements of the Luxembourg Environment Administration.

ArcelorMittal Bissen & Bettembourg has an environmental provision of approximately 2 to clean historical impact of former activity to meet the legal obligations.

#### *Poland*

ArcelorMittal Poland S.A.'s environmental provision of 25 mainly relates to the obligation to reclaim a landfill site and to dispose of the residues which cannot be internally recycled or externally recovered. The provision

also concerns the storage and disposal of iron-bearing sludge which cannot be reused in the manufacturing process.

#### *Germany*

In Germany, the environmental provision of 22 essentially relates to ArcelorMittal Bremen's post-closure obligations mainly established for soil remediation, groundwater treatment and monitoring at the Prosper coke plant in Bottrop.

#### *Czech Republic*

In the Czech Republic, there is an environmental provision of 8, which essentially relates to the post-closure dismantling of buildings and soil remediation at the corresponding areas of the Ostrava site.

#### *Spain*

In Spain, ArcelorMittal España has environmental provisions of 5 due to obligations of sealing landfills located in the Asturias site and post-closure obligations in accordance with national legislation. These obligations include the collection and treatment of leachates that can be generated during the operational phase and a period of 30 years after the closure.

#### *South Africa*

AMSA has environmental provisions of approximately 142 to be used over 12 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 30 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. AMSA 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 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 72 years, contains a number of legacy facilities and areas requiring remediation. The remediation entails the implementation of rehabilitation and decontamination measures of waste disposal sites, waste water dams, ground water and historically contaminated open areas. Approximately 21 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 36 years. Approximately 28 of the provision is allocated to this site. As with all operating sites of AMSA, the above retirement and remediation actions dovetail with numerous large capital expenditure projects dedicated to environmental management. In the case of the Newcastle site, the major current environmental capital project is for water treatment.

A provision of 61 relates to the environmental rehabilitation of the Thabazimbi Mine. In terms of the Amended and Restated Settlement and Supply Agreement between Sishen Iron Ore Company (SIOC) and AMSA, AMSA is liable for the costs relating to the rehabilitation of SIOC's Thabazimbi iron ore mine for the period that it was a captive mine. The mine ceased to be a captive mine on December 31, 2014. In the current year, AMSA recognized a further provision for an additional amount of 28 based on a revised assessment of the expected rehabilitation costs received from SIOC. The SIOC rehabilitation cost projection, however, is not in line with the assessment performed by

AMSA's independent consultants. AMSA and SIOC have been in discussions and will continue to engage the Department of Mineral Resources in this regard.

The remainder of the obligation of approximately 2 relates to Vereeniging site for the historical pollution that needs to be remediated at waste disposal sites, waste water dams and groundwater tables.

#### *Canada*

In Canada, ArcelorMittal Dofasco has an environmental provision of approximately 23 for the expected cost of remediating toxic sediment located in the Company's East Boatslip site. ArcelorMittal Long Products Canada has an environmental provision of approximately 6 for future disposal of sludge left in ponds after flat mills closure at Contrecoeur.

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

AROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to retire plant and equipment or to restore a site at the end of its useful life. As of December 31, 2016, ArcelorMittal had established provisions for asset retirement obligations of 358, including 36 for Ukraine, 82 for Canada, 88 for the United States, 41 for Mexico, 16 for Belgium, 31 for Germany, 14 for South Africa, 11 for Spain, 10 for Brazil, 13 for Kazakhstan and 16 for Liberia.

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

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

The AROs in the United States principally relate to mine closure

costs of the Hibbing and Minorca iron ore mines and Princeton coal mines.

The AROs in Mexico relate to the restoration costs following the closure of the Las Truchas and El Volcan and the joint operation of Pena Colorada iron ore mines.

In Belgium, the AROs are to cover the demolition costs for primary facilities at the Liège sites.

In Spain, the AROs relate to the discontinuance of the activities of various assets within the upstream installations.

In Germany, AROs principally relate to the Hamburg site, which 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, restoring the layer and stabilizing the shoreline at the harbor.

The AROs in South Africa are for the Pretoria, Vanderbijlpark, Saldanha as well as the Coke and Chemical sites, and relate to the closure and clean-up of the plant associated with decommissioned tank farms, tar plants, chemical stores, railway lines, pipelines and defunct infrastructure.

In Brazil, the AROs relate to legal obligations to clean and restore the mining areas of Serra Azul and Andrade, both located in the State of Minas Gerais. The related provisions are expected to be settled in 2024 and 2029, respectively.

In Kazakhstan, the AROs relate to the restoration obligations of the iron ore and coal mines.

In Liberia, the AROs relate to iron ore mine and associated infrastructure and mine related environmental damage and compensation. They cover the closure and rehabilitation plan under both the current operating phase and the not yet completed Phase 2 expansion project.

#### *Tax Claims*

ArcelorMittal is a party to various tax claims. As of December 31,

2016, ArcelorMittal had recorded provisions in the aggregate of approximately 211 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, 2016, (ii) that constitute a contingent liability, or (iii) that were resolved in 2016, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the pending claims discussed below.

#### *Brazil*

In 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. In December 2008, the administrative tribunal of first instance upheld the amount of the assessment. ArcelorMittal Brasil appealed to the administrative tribunal of second instance, and, on August 8, 2012, the administrative tribunal of the second instance found in favor of ArcelorMittal invalidating the tax assessment, thereby ending this case. 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 178 as of December 31, 2016. In October 2011, the administrative tribunal of first instance upheld the tax assessment received by ArcelorMittal Brasil on April 16, 2011, but decided that no penalty (amounting to 77 at that time)

was due. Both parties have filed an appeal with the administrative tribunal of second instance.

In 2011, SOL Coqueria Tubarão S.A. received 21 tax assessments from the Revenue Service of the State of Espírito Santo for ICMS (a value-added tax) in the total amount of 35 relating to a tax incentive (INVEST) used by the Company. The dispute concerns the definition of fixed assets. In August 2015, the administrative tribunal of first instance upheld 21 of the tax assessments, while also issuing decisions partially favorable to the Company in two of the cases. In September 2015, ArcelorMittal Tubarão filed appeals with respect to each of the administrative tribunal's decisions. In 2016, there were unfavorable decisions in nine of the cases at the administrative tribunal of second instance. The Company filed appeals against each of these nine decisions and, in October 2016, four of the nine appeals were denied, in respect of which further appeals have been filed.

In 2011, ArcelorMittal Brasil received a tax assessment for corporate income tax (known as IRPJ) and social contributions on net profits (known as CSL) in relation to (i) the amortization of goodwill on the acquisition of Mendes Júnior Siderurgia (for the 2006 and 2007 fiscal years), (ii) the amortization of goodwill arising from the mandatory tender offer (MTO) made by ArcelorMittal to minority shareholders of Arcelor Brasil following the two-step merger of Arcelor and Mittal Steel N.V. (for the 2007 tax year), (iii) expenses related to pre-export financing used to finance the MTO, which were deemed by the tax authorities to be unnecessary for ArcelorMittal Brasil since the expenses were incurred to buy shares of its own company and (iv) CSL over profits of controlled companies in Argentina and Costa Rica. The amount claimed totals 567. On January 31, 2014, the administrative tribunal of first instance found in partial favor of ArcelorMittal Brasil, reducing the penalty component of the assessment from, according to ArcelorMittal Brasil's calculations, 266 to 141 (as calculated at the time of the assessment), while

upholding the remainder of the assessment. The Brazilian Federal Revenue Service has appealed the administrative tribunal's decision to reduce the amount of the original penalty. ArcelorMittal Brasil has also appealed the administrative tribunal's decision to uphold the tax authority's assessment (including the revised penalty component).

In 2013, ArcelorMittal Brasil received a tax assessment in relation to the 2008-2010 tax years for IRPJ and CSL in relation to (i) the amortization of goodwill on the acquisition of Mendes Júnior Siderurgia, Dedini Siderurgia and CST, (ii) the amortization of goodwill arising from the mandatory tender offer made by ArcelorMittal to minority shareholders of Arcelor Brasil following the two-step merger of Arcelor and Mittal Steel N.V. and (iii) CSL and IRPJ over profits of controlled companies in Argentina, Costa Rica, Venezuela and the Netherlands. The amount claimed totals 495. In October 2014, the administrative tribunal of first instance found in favor of the Federal Revenue and ArcelorMittal Brasil filed its appeal in November 2014.

For over 18 years, ArcelorMittal Brasil has been challenging the basis of calculation of the Brazilian Cofins and Pis social security taxes (specifically, whether Brazilian VAT may be deducted from the base amount on which the Cofins and Pis taxes are calculated), in an amount of approximately 4. ArcelorMittal Brasil deposited the disputed amount in escrow with the relevant Brazilian judicial branch when it became due. Since the principal amount bears interest at a rate applicable to judicial deposits, the amount stood at 54 as of December 31, 2016.

In April 2014, Comércio Exterior S.A. ("Comex"), a Brazilian subsidiary of ArcelorMittal, received a tax assessment in the amount of 51 concerning certain deductions made by Comex in relation to the Fundap financial tax incentive; the Brazilian Federal Revenue Service alleges that Comex owes corporate income tax (known as IRPJ) and social contributions on net profits

(known as CSL) on the amounts deducted. Comex filed its defense in June 2014. In March 2015, there was an unfavorable decision at the administrative tribunal of first instance, in respect of which the Company has filed an appeal. The court of appeals rendered a favorable decision in April 2016, which the Brazilian Federal Revenue did not appeal, thus making it a final decision. In April 2016, Comex received a second assessment concerning the same subject matter for an amount of 2.7. In light of the favorable decision in the earlier case, Comex has filed a petition asking that the second case be decided in the same way.

In May 2014, ArcelorMittal Comercializadora de Energia received a tax assessment from the state of Minas Gerais alleging that the Company did not correctly calculate tax credits on interstate sales of electricity from February 2012 to December 2013. The amount claimed totals 54. ArcelorMittal Comercializadora de Energia filed its defense in June 2014. Following an unfavorable administrative decision in November 2014, ArcelorMittal filed an appeal in December 2014. In March 2015, there was a further unfavorable decision at the second administrative level. The Company received the tax enforcement notice in December 2015 and filed its defense in February 2016. In April 2016, ArcelorMittal Comercializadora de Energia received an additional tax assessment in the amount of 77, regarding the same matter, for infractions which allegedly occurred during the 2014 to 2015 period, and filed its defense in May 2016.

In the period from May to July 2015, ArcelorMittal Brasil received nine tax assessments from the state of Rio Grande do Sul alleging that the Company, through its branches in that state, had not made advance payments of ICMS (a value-added tax) on sales in that state covering the period from May 2010 to April 2015. The amount claimed totals 93. The administrative tribunal of first instance upheld the tax assessments in each of the nine cases, and ArcelorMittal



Brasil appealed each of the administrative tribunal's decisions. Each case was decided unfavorably to ArcelorMittal Brasil at the administrative tribunal of second instance, and ArcelorMittal Brasil has appealed the cases to the judicial instance.

On April 25, 2016, ArcelorMittal Brasil received a tax assessment in relation to (i) the amortization of goodwill resulting from Mittal Steel's mandatory tender offer to the minority shareholders of Arcelor Brasil following Mittal Steel's merger with Arcelor in 2007 and (ii) the amortization of goodwill resulting from ArcelorMittal Brasil's acquisition of CST in 2008. While the assessment, if upheld, would not result in a cash payment as ArcelorMittal Brasil did not have any tax liability for the fiscal years in question (2011 and 2012), it would result in the write-off of 298 worth of ArcelorMittal Brasil's net operating loss carryforwards and as a result could have an effect on net income over time. In May 2016, ArcelorMittal Brasil filed its defense.

On May 17, 2016 ArcelorMittal Brasil received a tax assessment from the state of Santa Catarina in the amount of 145 alleging that it had used improper methods to calculate the amount of its ICMS (a value-added tax) credits. ArcelorMittal Brasil filed its defense in July 2016. In December 2016, ArcelorMittal Brasil received an unfavorable decision at the first administrative level, in respect of which it has filed an appeal.

#### *France*

Following audits for 2006, 2007 and 2008 of ArcelorMittal France and other French ArcelorMittal entities, URSSAF, the French body responsible for collecting social contributions, commenced formal proceedings for these years alleging that the French ArcelorMittal entities owe 69 in social contributions on various payments, the most significant of which relate to profit sharing schemes, professional fees and stock options. Proceedings were commenced in relation to the 2006 claims in December 2009. Proceedings were commenced

in relation to the 2007 and 2008 claims in February and March 2010, respectively. In three decisions dated December 10, 2012, the arbitration committee hearing the matter found that social contributions in an amount of 17, 11 and 5 are due in respect of profit-sharing schemes, stock options and professional fees, respectively. These amounts cover the audits for 2006, 2007 and 2008. In March 2013, the Company filed appeals against the decisions relating to the profit-sharing schemes and stock options.

Following audits for 2009, 2010 and 2011 of ArcelorMittal France and other French ArcelorMittal entities, URSSAF commenced formal proceedings in December 2012 for these years alleging that these entities owe 150 in social contributions (including interest and late fees relating thereto) on various payments, the most significant of which relate to voluntary separation schemes, profit sharing schemes, professional fees and stock options. In its decision dated April 24, 2013, the arbitration committee reduced the amount claimed by 29. The dispute then entered into a judicial phase before the Tribunal des Affaires de Sécurité Sociale ("TASS"). At a hearing on January 12, 2017 before the TASS, the parties signed a conciliation agreement settling the audits covered by the two cases.

#### *Mexico*

In 2015, the Mexican Tax Administration Service issued three tax assessments to ArcelorMittal Mexico, alleging that ArcelorMittal Mexico owes 140 in respect of (i) improper interest deductions relating to certain loans, (ii) unpaid corporate income tax for interest payments improperly categorized as profit, and (iii) improper payment deductions for branding fee services and IT services in 2008. ArcelorMittal Mexico filed an annulment complaint in respect of each of the aforementioned assessments in November 2015.

#### *Ukraine*

In September 2012, the Ukrainian tax authorities conducted an audit of ArcelorMittal Kryvyi Rih, resulting in a tax claim of approximately 62. The claim relates to the cancellation of VAT refunds, cancellation of deductible expenses and queries on transfer pricing calculations. On January 2, 2013, ArcelorMittal Kryvyi Rih filed a lawsuit with the District Administrative Court to challenge the findings of this tax audit. On April 9, 2013, the District Administrative Court rejected the claim by the tax authorities and retained only a tax liability of approximately 0.2 against ArcelorMittal Kryvyi Rih. Both parties filed appeals and, on November 7, 2013, the Court of Appeal rejected the appeal by the tax authorities and retained only a tax liability of approximately 0.1 against ArcelorMittal Kryvyi Rih. On November 12, 2013, the tax authorities filed an appeal in cassation. On June 3, 2015, the Supreme Administrative Court of Ukraine decided entirely in favor of ArcelorMittal Kryvyi Rih. The tax authorities had until June 3, 2016 to appeal the judgment to the Supreme Court of Ukraine. The tax authorities did not appeal to the Supreme Court of Ukraine before the deadline of June 3, 2016, and the case is therefore closed.

#### *Competition/Antitrust Claims*

ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2016, ArcelorMittal had recorded provisions in the aggregate of approximately 3 for such claims. Set out below is a summary description of competition/antitrust claims (i) in respect of which ArcelorMittal had recorded a provision as of December 31, 2016, (ii) that constitute a contingent liability, or (iii) that were resolved in 2016, 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 United

States District Court for the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA LLC, and other steel manufacturers, alleging that the defendants had conspired to restrict the output of steel products in order to fix, raise, stabilize and maintain prices at artificially high levels in violation of United States antitrust law. Other similar direct purchaser lawsuits were also filed in the same court and were consolidated with the Standard Iron Works lawsuit. On May 29, 2014, ArcelorMittal and ArcelorMittal USA LLC entered into an agreement to settle the direct purchaser claims for an amount of 90 recognized in cost of sales. On October 17, 2014, the court gave its final approval of the settlement and dismissed ArcelorMittal and ArcelorMittal USA LLC from the lawsuit. In September 2015, the court certified a class of direct purchasers on whether there was a conspiracy, allowing the case to proceed against the remaining defendants as a class action, but did not certify a class on impact or damages. This ruling did not affect the settlement; subsequently the remaining direct purchasers settled. Two putative class actions on behalf of indirect purchasers have been filed and one has been dismissed for want of prosecution; the remaining indirect purchasers' action is not covered by the settlement of the direct purchaser claims or the court's class certification decision.

#### *Brazil*

In September 2000, two construction trade organizations filed a complaint with Brazil's Administrative Council for Economic Defence ("CADE") against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, CADE issued its final decision against ArcelorMittal Brasil, imposing a fine of 53. 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 in an amount of 63 based on the alleged violations investigated by CADE.

A further related lawsuit was commenced in February 2011 by four units of Sinduscons, a civil construction trade organization, in federal court in Brasilia against, inter alia, ArcelorMittal Brasil claiming damages based on an alleged cartel in the rebar market as investigated by CADE and as noted above.

#### *Romania*

In 2010 and 2011, ArcelorMittal Galati entered into high volume electricity purchasing contracts with Hidroelectrica, a partially state-owned electricity producer. Following allegations by Hidroelectrica's minority shareholders that ArcelorMittal Galati (and other industrial electricity consumers) benefitted from artificially low tariffs, the European Commission opened a formal investigation into alleged state aid in April 2012. The European Commission announced on June 12, 2015 that electricity supply contracts signed by Hidroelectrica with certain electricity traders and industrial customers (including the one entered by ArcelorMittal Galati) did not involve state aid within the meaning of the EU rules.

#### *South Africa*

In February 2007, the complaint previously filed with the South African Competition Commission by Barnes Fencing, a South African producer of galvanized wire, alleging that ArcelorMittal South Africa, as a "dominant firm", discriminated in pricing its low carbon wire rod was referred to the Competition Tribunal. The Competition Commission seeks an order declaring that ArcelorMittal South Africa's pricing in 2000-2003 in respect of low carbon wire rod amounted to price discrimination and an order that ArcelorMittal South Africa cease its pricing discrimination. In March 2008, the Competition Tribunal accepted the claimants' application for leave to intervene. In November

2012, a second complaint alleging price discrimination regarding the same product over the 2004 to 2006 period was referred by the Competition Commission to the Competition Tribunal. ArcelorMittal is unable to assess the outcome of these proceedings or the amount of ArcelorMittal South Africa's potential liability, if any.

On September 1, 2009, the South African Competition Commission referred a complaint against four producers of long carbon steel in South Africa, including ArcelorMittal South Africa, and the South African Iron and Steel Institute to the Competition Tribunal. The complaint referral followed an investigation into alleged collusion among the producers initiated in April 2008, on-site inspections conducted at the premises of some of the producers and a leniency application by Scaw South Africa, one of the producers under investigation. The Competition Commission recommended that the Competition Tribunal impose an administrative penalty against ArcelorMittal South Africa, Cape Gate and Cape Town Iron Steel Works in the amount of 10% of their annual revenues in South Africa (in the year preceding any final decision) and exports from South Africa for 2008. ArcelorMittal filed an application to access the file of the Competition Commission that was rejected. ArcelorMittal appealed the decision to reject the application, and applied for a review of that decision and a suspension of the obligation to respond to the referral on the substance pending final outcome on the application for access to the documents. The appeal was upheld by the Competition Appeals Court (CAC) and the matter was referred back to the Competition Tribunal for a determination of confidentiality and scope of access to the documents. The Competition Commission appealed the decision of the CAC, and, on May 31, 2013, the Supreme Court of Appeal dismissed the appeal of the Competition Commission and confirmed the decision of the CAC. In 2014, ArcelorMittal South Africa requested the documents from the Competition Commission,

which provided an index thereof. On July 7, 2011, ArcelorMittal filed an application before the Competition Tribunal to set aside the complaint referral based on procedural irregularities but this application was withdrawn by notice dated August 7, 2014.

In March 2012, the South African Competition Commission referred to the Competition Tribunal an allegation that ArcelorMittal South Africa and steel producer Highveld acted by agreement or concerted practice to fix prices and allocate markets in respect of certain flat carbon steel products over a period of 10 years (1999-2009) in contravention of the South African Competition Act.

In August 2013, the South African Competition Commission referred a complaint against four scrap metal purchasers in South Africa, including ArcelorMittal South Africa, to the South African Competition Tribunal for prosecution. The complaint alleges collusion among the purchasers to fix the price and other trading conditions for the purchase of scrap over a period from 1998 to at least 2008.

In relation to all these cases, following an extensive engagement ArcelorMittal South Africa reached agreement on an overall settlement with the Competition Commission for an amount of 1.5 billion South African rand (approximately 110). In October 2016, Barnes Fencing filed an application with the Competition Tribunal to review and set aside the said settlement agreement in respect of the Barnes matters. In addition, Barnes filed an objection to the settlement agreement and an application to stay. The settlement agreement, as amended to exclude the Barnes case referred to above, was approved, subject to minor amendments, by the Competition Tribunal, on November 16, 2016.

#### *Germany*

In the first half of 2016, the German Federal Cartel Office carried out unannounced investigations of ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH following

alleged breaches of antitrust rules concerning (i) collusion regarding scrap and alloy surcharges from the 1990s through November 2015 and (ii) impermissible exchanges of sensitive information between competitors since early 2003. ArcelorMittal Ruhrort GmbH and ArcelorMittal Commercial Long Deutschland GmbH are cooperating with the German Federal Cartel Office. ArcelorMittal is unable to assess the outcome of these proceedings or the amount of its potential liability, if any.

#### *Other Legal Claims*

ArcelorMittal is a party to various other legal claims. As of December 31, 2016, ArcelorMittal had recorded provisions of approximately 202 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, 2016, (ii) that constitute a contingent liability, (iii) that were resolved in 2016, or (iv) that were resolved and had a financial impact in 2014 or 2015, in each case involving amounts deemed material by ArcelorMittal. The Company is vigorously defending against each of the claims discussed below that remain pending.

#### *Argentina*

Over the course of 2007 to 2016, the Argentinian Customs Office Authority (Aduana) notified the Company of certain inquiries that it is conducting with respect to prices declared by the Company's Argentinian subsidiary, Acindar, related to iron ore imports. The Customs Office Authority is seeking to determine whether Acindar incorrectly declared prices for iron ore imports from several different Brazilian suppliers and from ArcelorMittal Sourcing on 38 different claims concerning several shipments made between 2002 and 2014. The aggregate amount claimed by the Customs Office Authority in respect of all of the shipments is approximately 217. The investigations are subject to the administrative procedures of the Customs Office Authority and are at different procedural stages

depending on the filing date of the investigation. As of December 31, 2016, in 22 of the total 38 cases, the administrative branch of the Customs Office Authority ruled against Acindar (representing total claims of 66). These decisions have been appealed to the Argentinian National Fiscal Court.

#### *Canada*

In April 2011, a proceeding was commenced before the Ontario (Canada) Superior Court of Justice under the Ontario Class Proceedings Act, 1992, against ArcelorMittal, Baffinland, and certain other parties relating to the January 2011 take-over of Baffinland by ArcelorMittal, Nunavut, Iron Ore Holdings and 1843208 Ontario Inc. The action seeks the certification of a class comprised of all Baffinland securities holders who tendered their Baffinland securities, and whose securities were taken up, in connection with the take-over between September 22, 2010 and February 17, 2011, or otherwise disposed of their Baffinland securities on or after January 14, 2011. The action alleges that the tender offer documentation contained certain misrepresentations and seeks damages in an aggregate amount of 743 (CAD\$1 billion) or rescission of the transfer of the Baffinland securities by members of the class.

#### *Italy*

In January 2010, ArcelorMittal received notice of a claim filed by Finmasi S.p.A. relating to a memorandum of agreement ("MoA") entered into between ArcelorMittal Distribution Services France ("AMDSF") and Finmasi in 2008. The MoA provided that AMDSF would acquire certain of Finmasi's businesses for an amount not to exceed 98, subject to the satisfaction of certain conditions precedent, which, in AMDSF's view, were not fulfilled. Finmasi sued for (i) enforcement of the MoA, (ii) damages of 15 to 26 or (iii) recovery costs plus quantum damages for Finmasi's alleged lost opportunity to sell to another buyer. In September 2011, the court rejected Finmasi's claims other than its second claim. The court appointed an expert to determine the

quantum of damages. In May 2013, the expert's report was issued and valued the quantum of damages in the range of 38 to 60. ArcelorMittal appealed the decision on the merits. In May 2014, the Court of Appeals issued a decision rejecting ArcelorMittal's appeal. On June 20, 2014, ArcelorMittal filed an appeal of the Court of Appeal's judgment with the Italian Court of Cassation. On December 18, 2014, the Court of Milan issued a decision on the quantum of the damages and valued the quantum of damages in the sum of 25 plus interest. In June 2015, both parties served appeals of the decision on the quantum, with ArcelorMittal also seeking the suspension of the enforceability of the decision. On July 1, 2015, Finmasi formally notified to AMDSF the declaration of enforcement of the decision of December 18, 2014. On July 28, 2015, AMDSF filed an appeal against such declaration with the Court of Appeal of Reims in France. At a hearing on December 1, 2015, the Italian Court of Appeal accepted the suspension of the enforcement of the decision of December 18, 2014, following the agreement of AMDSF to provide a guarantee for its value. In March 2016, on the joint application of the parties, the Court of Appeal of Reims ordered the suspension of the proceedings.

#### *Luxembourg*

In June 2012, the Company received writs of summons in respect of claims made by 59 former employees of ArcelorMittal Luxembourg. The claimants allege that they are owed compensation based on the complementary pension scheme that went into effect in Luxembourg in January 2000. The aggregate amount claimed by such former employees (bearing in mind that other former employees may bring similar claims) is approximately 62. Given the similarities in the claims, the parties agreed to limit the pending proceedings to four test claims. In April 2013, the Esch-sur-Alzette labor court rejected two of these test claims. The relevant plaintiffs are appealing these decisions. In November 2013, the Luxembourg city labor court rejected the two other test claims, which are also being appealed.

#### *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 2,200. Project implementation did not follow the originally anticipated schedule after initial phase studies and related investments.

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. In September 2013, the arbitral tribunal issued its first award ruling that Senegal is entitled to terminate the 2007 agreements. The arbitral tribunal also ruled that a new arbitration phase would be held relating to the potential liability of ArcelorMittal as well as the amount of any damages which could be awarded to Senegal. The parties have since agreed to settle the dispute with the amount of the settlement being included within financing cost. On December 12, 2014, the arbitral tribunal issued a procedural order formally closing the arbitration.

#### *France*

Retired and current employees of certain French subsidiaries of the former Arcelor have initiated lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security ("Social Security"). Asbestos claims in France initially are made by way of a declaration of a work-related illness by the claimant to the Social Security authorities resulting in an investigation and a level of compensation paid by Social

Security. Once the Social Security authorities recognize the work-related illness, the claimant, depending on the circumstances, can also file an action for inexcusable negligence (*faute inexcusable*) to obtain additional compensation from the company before a special tribunal. Where procedural errors are made by Social Security, it is required to assume full payment of damages awarded to the claimants. Due to fewer procedural errors made by Social Security, changes in the regulations and, consequently, fewer rejected cases, ArcelorMittal has been required to pay some amounts in damages since 2011.

The number of claims outstanding for asbestos exposure at December 31, 2016 was 394 as compared to 374 at December 31, 2015. The range of amounts claimed for the year ended December 31, 2016 was €30,000 to €650,000 (approximately \$31,623 to \$685,000). The aggregate costs and settlements for the year ended December 31, 2016 were approximately 7.8, of which approximately 0.2 represented legal fees and approximately 7.6 represented damages paid to the claimant. The aggregate costs and settlements for the year ended December 31, 2015 were approximately 3.3, of which approximately 0.5 represented legal fees and approximately 2.8 represented damages paid to the claimant.

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

ArcelorMittal is the company that results from the acquisition of Arcelor by Mittal Steel N.V. in 2006 and a subsequent two-step merger between Mittal Steel and ArcelorMittal and then ArcelorMittal and Arcelor. Following completion of this merger process, several former minority shareholders of Arcelor or their representatives brought legal proceedings regarding the exchange ratio applied in the second-step merger between ArcelorMittal and Arcelor and the merger process as a whole.

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

Set out below is a summary of ongoing matters in this regard. Several other claims brought before other courts and regulators were dismissed and are definitively closed.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund

shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and 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 7 Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, *inter alia*, the cancellation of certain resolutions (of the Board of Directors and of the Shareholders meeting) in connection with the

merger, the grant of additional shares, or damages in an amount of approximately 190. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. The judgment was appealed in May 2012. By judgment dated February 15, 2017, the Luxembourg Court of Appeal declared all but one of the plaintiffs' claims inadmissible, remanded the proceedings on the merits to the lower court with respect to the admissible claimant and dismissed all other claims.

On May 15, 2012, ArcelorMittal received a writ of summons on behalf of Association Actionnaires d'Arcelor ("AAA"), a French association of former minority shareholders of Arcelor, to appear before the civil court of Paris. In such writ of summons, AAA claimed (on grounds similar

to those in the Luxembourg proceedings summarized above) *inter alia* damages in a nominal amount and reserved the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris have been stayed, pursuant to a ruling of such court on July 4, 2013, pending a preparatory investigation (*instruction préparatoire*) by a criminal judge magistrate (*juge d'instruction*) triggered by the complaints (*plainte avec constitution de partie civile*) of AAA and several hedge funds (who quantified their total alleged damages at approximately 260), including those who filed the claims before the Luxembourg courts described (and quantified) above.

### 8.3 Commitments

The Company's commitments consist of the following:

	December 31,	
	2016	2015
Purchase commitments	24,432	20,059
Guarantees, pledges and other collateral	4,424	3,791
Non-cancellable operating leases	1,312	1,446
Capital expenditure commitments	466	280
Other commitments	1,432	1,161
Total	32,066	26,737

#### *Purchase commitments*

Purchase commitments consist primarily of major agreements for procuring iron ore, coking coal, coke and hot metal. The Company also has a number of agreements for electricity, industrial and natural gas, scrap and freight. In addition to those purchase commitments disclosed above, the Company enters into purchasing contracts as part of its normal operations which have minimum volume requirements but for which there are no take-or-pay or penalty clauses included in the contract. The Company does not believe these contracts have an adverse effect on its liquidity position. The increase in purchase commitments is mainly related to a new iron ore contract signed in the U.S. (see note 6.1.1).

Purchase commitments include commitments given to associates

for 480 and 558 as of December 31, 2016 and 2015, respectively. Purchase commitments include commitments given to joint ventures for 1,386 and 1,315 as of December 31, 2016 and 2015, respectively. Commitments given to joint ventures include 1,314 and 1,264 related to purchase of the output from Tameh as of December 31, 2016 and 2015, respectively.

#### *Guarantees, pledges and other collateral*

Guarantees related to financial debt and credit line given on behalf of third parties were 131 and 102 as of December 31, 2016 and 2015, respectively. Additionally, 11 and 12 were related to guarantees given on behalf of associates as of December 31, 2016 and 2015, respectively. Guarantees of 1,028 and 1,224 were given on behalf

of joint ventures as of December 31, 2016 and 2015, respectively. Guarantees given on behalf of joint ventures include 463 and 519 for the guarantees issued on behalf of Calvert and 403 and 512 for the guarantees issued on behalf of Al Jubail as of December 31, 2016 and 2015, respectively.

Pledges and other collateral mainly relate to inventories pledged to secure an asset-based revolving credit facility for the amount drawn of 500 and mortgages entered into by the Company's operating subsidiaries. Pledges of property plant and equipment were 256 and 295 as of December 31, 2016 and 2015, respectively. Other sureties, first demand guarantees, letters of credit, pledges and other collateral included nil of commitments given on behalf of associates as of December 31, 2016 and 2015. Other sureties, first demand guarantees, letters

of credit, pledges and other collateral included 114 and nil of commitments given on behalf of joint ventures as of December 31, 2016 and 2015, 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, 2016 and 2015 according to maturity periods are as follows:

	December 31,	
	2016	2015
Less than 1 year	279	279
1-3 years	422	454
4-5 years	267	309
More than 5 years	344	404
<b>Total</b>	<b>1,312</b>	<b>1,446</b>

Non-cancellable operating leases include time charter arrangements for shipping activities. The operating leases expense was 521, 538 and 686 in 2016, 2015 and 2014, respectively. The non-cancellable operating leases commitments at December 31, 2016 are related to plant, machinery and equipment (949), buildings (199), land (127) and other (37).

#### Capital expenditure commitments

Capital expenditure commitments mainly relate to commitments associated with investments in expansion and improvement projects by various subsidiaries. In 2014, ArcelorMittal Atlantique et Lorraine committed to investment programs in connection with the Florange site and ArcelorMittal Belgium in connection with the closure of the Liège site. The remaining capital expenditure commitments were 34 and 63 as of December 31, 2016, respectively. In 2016, AMSA committed to an investment program in connection with the competition commission settlement. The remaining capital expenditure commitment was 244 as of December 31, 2016.

#### Other commitments

Other commitments given comprise mainly commitments incurred for gas supply to electricity suppliers.

#### Commitments to sell

In addition to the commitments presented above, the Company has firm commitments to sell for which it also has firm commitments to purchase included in purchase commitments for 366 and 490 as of December 31, 2016 and 2015, respectively, and mainly related to natural gas and electricity.

#### Note 9: Income taxes

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

Tax is charged or credited to the consolidated statement of operations, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the tax is recognized in other comprehensive income or in equity.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities, in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carry forwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of non-deductible goodwill or if the differences arise from the

initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the profit reported in the consolidated statement of operations.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the consolidated statements of financial position date. The measurement of deferred tax assets and liabilities 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available

to enable all or part of the asset to be recovered. The Company reviews the deferred tax assets in the different jurisdictions in which it operates to assess the possibility of realizing such assets based on projected taxable profit, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies. Due to the numerous variables associated with these judgments and assumptions, both the precision and reliability of the resulting estimates of the deferred tax assets are subject to substantial uncertainties.

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

### 9.1 Income tax expense (benefit)

The components of income tax expense (benefit) for each of the years ended December 31, 2016, 2015 and 2014, respectively, are summarized as follows:

	Year ended December 31,		
	2016	2015	2014
Total current tax expense (benefit)	255	331	544
Total deferred tax expense (benefit)	731	571	(90)
Total income tax expense (benefit)	986	902	454

The following table reconciles the expected tax expense (benefit) at the statutory rates applicable in the countries where the Company operates to the total income tax expense (benefit) as calculated:

	Year Ended December 31,		
	2016	2015	2014
Net income (loss) (including non-controlling interests)	1,734	(8,423)	(974)
Income tax expense (benefit)	986	902	454
Income (loss) before tax	2,720	(7,521)	(520)
Tax expense (benefit) at the statutory rates applicable to profits (losses) in the countries <sup>1</sup>	677	(2,146)	(147)
Permanent items	(5,940)	(2,124)	(273)
Rate changes	593	-	36
Net change in measurement of deferred tax assets	5,344	4,940	306
Tax effects of foreign currency translation	73	153	446
Tax credits	(21)	(13)	(63)
Other taxes	126	18	79
Others	134	74	70
Income tax expense (benefit)	986	902	454

<sup>1</sup> Tax expense (benefit) at the statutory rates is based on income (loss) before tax excluding Income (loss) from investments in associates and joint ventures.

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and the pre-tax results of its subsidiaries in each of these countries, which can change from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as enacted in Luxembourg (26.01%), as well as in jurisdictions, mainly in Western Europe and the Americas, which have a structurally higher corporate income tax rate.

#### Permanent items

The permanent items consist of:

	Year Ended December 31,		
	2016	2015	2014
Tax deductible write-downs on shares and receivables	(5,971)	(2,622)	(338)
Taxable capital gains on associates and joint ventures	-	-	67
Non tax deductible goodwill impairment	-	250	-
Non tax deductible hyperinflationary adjustment	22	114	-
Taxable income of AMTFS	20	196	-
Other permanent items	(11)	(62)	(2)
Total permanent items	(5,940)	(2,124)	(273)

Tax deductible write-downs on shares and receivables: in connection with the group impairment test for goodwill and property, plant and equipment ("PP&E"), the recoverability of the carrying amounts of investments in shares and intragroup receivables is also reviewed annually, resulting in tax deductible write-downs of the values of loans and shares of consolidated subsidiaries in Luxembourg.

Taxable capital gains on associates and joint ventures relate to the disposal of the Company's 50%

interest in Gallatin Steel. Non tax deductible goodwill impairment: in 2015 ArcelorMittal impaired the goodwill related to the Mining segment for a total amount of 0.9 billion (see note 5.3).

Non tax deductible hyperinflationary adjustment: non-monetary items in Venezuela are revalued according to the inflation rate for tax purposes. The resulting difference is non-deductible to the extent it generates a tax loss.

Taxable income of AMTFS: ArcelorMittal Treasury Financial

Services S.à r.l. ("AMTFS"), a subsidiary of ArcelorMittal Treasury Americas LLC ("AMTAUS"), is a limited liability company organized under the laws of Luxembourg subject to taxation in Luxembourg on its worldwide income. AMTFS has filed an election to be treated as a disregarded entity for United States federal income tax purposes. Therefore, the income of AMTFS is subject to corporate income taxation simultaneously in 2 different countries (i.e. Luxembourg and the United States).

#### Rate changes

The 2016 tax expense from rate changes of 593 is mainly due to the impact of the decrease in the future income tax rate on deferred tax assets in Luxembourg resulting in tax expense of 647, partly offset by a tax benefit of (50) in France.

The 2014 tax expense from rate changes of 36 is mainly due to the increase of the future income tax rate in Ukraine, partially offset by a decrease in Spain.

*Net change in measurement of deferred tax assets*

The 2016 net change in measurement of deferred tax assets of 5,344 primarily consists of tax expense of 5,971 due to the unrecognized part of deferred tax assets on write-downs of the value of shares and loans of consolidated subsidiaries in Luxembourg, tax expense of 285 due to non-recognition and derecognition of other deferred tax assets in other tax jurisdictions, partially offset by an additional recognition of deferred tax assets for losses and other deductible temporary differences of previous years of (912). In 2016, the Company recognized \$0.4 billion of previously unrecognized deferred tax assets relating to the Luxembourg tax integration. The recognition in Luxembourg includes \$0.8 billion increase in projections of future taxable income in Luxembourg driven primarily by the improved market conditions of the steel industry and higher interest income from favorable foreign exchange terms relating to the funding of Group subsidiaries as well as further reduction in the forecasted

interest expense following debt repayments. The taxable income projection also includes \$0.7 billion negative effect of the revised expectations of euro denominated deferred tax assets recoverability in U.S. dollars terms.

The 2015 net change in measurement of deferred tax assets of 4,940 primarily consists of tax expense of 2,622 due to the unrecognized part of deferred tax assets on write-downs of the value of shares of consolidated subsidiaries in Luxembourg, tax expense of 2,405 due to non-recognition and derecognition of other deferred tax assets in other tax jurisdictions, partially offset by additional recognition of deferred tax assets for losses and other deductible temporary differences of previous years of (87). In 2015, the Company derecognized \$0.4 billion of previously recognized deferred tax assets, out of which \$0.3 billion relates to the Luxembourg tax integration. The derecognition in Luxembourg represents the net reduction in projections of future taxable income in Luxembourg driven primarily by the challenging market conditions affecting the

steel industry and unfavorable foreign exchange movements, partially offset by reductions in forecasted interest expense due to the Company's announced plans in 2016 to repay debt with proceeds from a 3 billion equity rights offering and selling its 35% shareholding in Gestamp for €875 million. The taxable income projection also included the effect of the anticipated elimination of the current USD exposure of Luxembourgish deferred tax assets denominated in Euro.

The 2014 net change in measurement of deferred tax assets of 306 primarily consists of tax expense of 338 due to the unrecognized part of deferred tax assets on write-downs of the value of shares of consolidated subsidiaries in Luxembourg, tax expense of 492 due to unrecognized and derecognition of other deferred tax assets, partially offset by additional recognition of deferred tax assets for losses and other deductible temporary differences of previous years of (524).

*Tax effects of foreign currency translation*

The tax effects of foreign currency translation of 73, 153 and 446 at December 31, 2016, 2015 and 2014 respectively, refer mainly to deferred tax assets and liabilities of certain entities with a different functional currency than the currency applied for tax filing purposes. In 2016 the effects are mainly due to appreciation of the U.S. dollar in relation to the Euro.

*Tax credits*

The tax credits are mainly attributable to the Group's operating subsidiaries in Brazil, Mexico and Spain. They relate to credits claimed on research and development, credits on foreign investment and tax sparing credits.

*Other taxes*

Other taxes mainly include withholding taxes on dividends, services, royalties and interests as well as mining duties in Canada, Mexico and Ukraine and state tax in the United States.

*Others*

Others consist of:

	December 31,		
	2016	2015	2014
Tax contingencies/settlements	149	(8)	83
Prior period taxes	(18)	96	3
Others	3	(14)	(16)
<b>Total</b>	<b>134</b>	<b>74</b>	<b>70</b>

The 2016 others of 134 primarily consist of uncertain tax positions for 149 mainly related to Europe and North America.

The 2015 others of 74 primarily consist of prior period taxes for 96 related mainly to Luxembourg and Mexico.

The 2014 others of 70 primarily consist of uncertain tax provisions for 83 which mainly relate to North America.

**9.2 Income tax recorded directly in equity**

Income tax recognized in equity for the years ended December 31, 2016, 2015 and 2014 is as follows:

	December 31,		
	2016	2015	2014
Recognized in other comprehensive income on:			
Deferred tax expense (benefit)			
Unrealized gain (loss) on derivative financial instruments	(1)	4	64
Recognized actuarial gain (loss)	(1)	47	(94)
Foreign currency translation adjustments	27	(83)	(53)
	25	(32)	(83)

### 9.3 Uncertain tax positions

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, ArcelorMittal has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied in complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows (see note 8 "Provisions, contingencies and commitments").

### 9.4 Deferred tax assets and liabilities

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

	Assets		Liabilities		Net
	2016	2015	2016	2015	2015
Intangible assets	34	16	(900)	(751)	(735)
Property, plant and equipment	457	444	(5,782)	(6,261)	(5,817)
Inventories	367	428	(315)	(409)	19
Financial instruments	21	4	(206)	(109)	(105)
Other assets	307	450	(310)	(368)	82
Provisions	1,928	1,973	(330)	(166)	1,807
Other liabilities	468	617	(555)	(683)	(66)
Tax losses carried forward	7,906	8,719	-	-	7,906
Tax credits and other tax benefits carried forward	270	282	-	-	270
Untaxed reserves	-	-	(52)	(57)	(57)
Deferred tax assets / (liabilities)	11,758	12,933	(8,450)	(8,804)	4,129
Deferred tax assets					5,837
Deferred tax liabilities					(2,529)

The deferred tax assets recognized by the Company as of December 31, 2016 are analyzed as follows

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	96,648	25,735	7,906	17,829
Tax credits and other tax benefits carried forward	1,807	1,107	270	837
Other temporary differences	17,946	5,440	3,582	1,858
Total		32,282	11,758	20,524

The deferred tax assets recognized by the Company as of December 31, 2015 are analyzed as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	77,852	22,905	8,719	14,186
Tax credits and other tax benefits carried forward	2,140	1,139	282	857
Other temporary differences	20,442	6,509	3,932	2,577
Total		30,553	12,933	17,620

As of December 31, 2016, the majority of the deferred tax assets not recognized relate to tax losses carried forward attributable to various subsidiaries located in different jurisdictions (primarily France, Germany, Luxembourg, 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 utilization of tax losses carried forward is restricted to the taxable income of

the subsidiary or tax consolidation group to which it belongs. The utilization of tax losses carried forward also may be restricted by the character of the income, expiration dates and limitations on the yearly use of tax losses against taxable income.

As at December 31, 2016 the total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounts to approximately \$70.5 billion, of this amount, \$23.6 billion is considered realizable, resulting in the recognition of \$6.1 billion of deferred tax

assets at the applicable income tax rate in Luxembourg. As at December 31, 2015 the total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounts to approximately \$55.4 billion, of this amount \$24.6 billion is considered realizable, resulting in the recognition of \$6.8 billion of deferred tax assets at the applicable income tax rate in Luxembourg. Under the Luxembourg tax legislation tax losses generated during 2016 and before can be carried forward indefinitely and are not subject to any specific yearly loss utilization

limitations. The tax losses carried forward relate primarily to tax deductible write-down charges taken on investments in shares of consolidated subsidiaries recorded by certain of the ArcelorMittal group's holding companies in Luxembourg. Of the total tax losses carried forward, \$25 billion may be subject to recapture in the future if the write-downs that caused them are reversed creating taxable income unless the Company converts them to permanent through sales or other organizational restructuring activities.



The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for tax losses carried forward in Luxembourg. As part of its recoverability assessment the Company has taken into account (i) its most recent forecast approved by management and the Board of Directors, (ii) the likelihood that the factors that have contributed to past losses in Luxembourg will not recur, (iii) the fact that ArcelorMittal in Luxembourg is the main provider of funding to the Group's consolidated subsidiaries, leading to significant amounts of taxable interest income, (iv) the implementation in 2015 of an Industrial Franchising Arrangement between ArcelorMittal and numerous worldwide operating subsidiaries, and (v) other significant and reliable sources of operational income earned from ArcelorMittal's European and worldwide operating subsidiaries for centralized distribution and

procurement activities performed in Luxembourg. In performing the assessment, the Company estimates at which point in time its earnings projections are no longer reliable, and thus taxable profits are no longer probable. Accordingly, the Company has established consistent forecast periods for its different income streams for estimating probable future taxable profits, against which the unused tax losses can be utilized in Luxembourg.

At December 31, 2016, 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 5,837 recognized. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of

5,837 is at least 27,282. Historically, the Company has been able to generate sufficient taxable income and believes that it will generate sufficient levels of taxable income in the coming years to allow the Company to utilize tax benefits associated with tax losses carried forward and other deferred tax assets that have been recognized in its consolidated financial statements. Where the Company has had a history of recent losses, it relied on convincing other evidence such as the character of (historical) losses and planning opportunities to support the deferred tax assets recognized.

For the period ended December 31, 2016 ArcelorMittal recorded approximately 58 (December 31, 2015: 37) of deferred income tax liabilities in respect of deferred taxation that would arise if temporary differences on investments in subsidiaries, associates and interests in joint ventures were to be realized in the

foreseeable future. No deferred tax liability has been recognized in respect of other temporary differences on investments in subsidiaries, associates and interests in joint ventures because the Company is able to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The amount of these unrecognized deferred tax liabilities is approximately 856.

#### 9.5 Tax losses, tax credits and other tax benefits carried forward

At December 31, 2016, the Company had total estimated tax losses carried forward of 96,648.

This amount includes net operating losses of 6,363 primarily related to subsidiaries in Liberia, Mexico, Basque Country in Spain, the Netherlands and the United States, which expire as follows:

Year expiring	Recognized	Unrecognized	Total
2017	25	5	30
2018	68	4	72
2019	32	47	79
2020	67	91	158
2021	121	1,229	1,350
2022 - 2036	1,128	3,546	4,674
Total	1,441	4,922	6,363

The remaining tax losses carried forward for an amount of 90,285 (of which 28,263 are recognized and 62,022 are unrecognized) are carried forward for unlimited period of time and primarily relate to the Company's operations in Brazil, France, Germany, Luxembourg and Spain.

At December 31, 2016, the Company also had total estimated tax credits and other tax benefits carried forward of 1,107 tax effect.

Such amount includes tax credits and other tax benefits of 649 primarily attributable to subsidiaries in Belgium, Basque Country in Spain and the United States of which 76 recognized and 573 unrecognized, which expire as follows:

Year expiring	Recognized	Unrecognized	Total
2017	1	31	32
2018	-	44	44
2019	-	1	1
2020	-	2	2
2021	-	1	1
2022 - 2036	75	494	569
Total	76	573	649

The remaining tax credits and other tax benefits for an amount of 458 (of which 194 are recognized and 264 are unrecognized) are indefinite and primarily attributable to the Company's operations in Brazil and Spain.

Tax losses, tax credits and other tax benefits carried forward are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. dollar equivalent value of these tax losses carried forward in future years.

## Note 10: Equity

### 10.1 Share details

The Company's shares consist of the following:

	December 31, 2014	Movement in year	December 31, 2015	Movement in year *	December 31, 2016
Issued shares	1,665,392,222	-	1,665,392,222	1,400,318,647	3,065,710,869
Treasury shares	(11,018,413)	2,437,323	(8,581,090)	1,358,651	(7,222,439)
Total outstanding shares	1,654,373,809	2,437,323	1,656,811,132	1,401,677,298	3,058,488,430

\* refer to note 10.2 on the mandatorily convertible notes (137,967,116) and 10.1 on the new shares issued following equity offering (1,262,351,531)

Following the completion of an offering of ordinary shares on January 14, 2013, ArcelorMittal increased share capital by €455 million (608) from €6,428 million (9,403) to €6,883 million (10,011) through the issuance of 104,477,612 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 1,665,392,222.

On January 15, 2016, following the maturity of the mandatorily convertible notes (see 10.2 below), the Company increased share capital by €570 million (622) from €6,883 million (10,011) to €7,453 million (10,633) through the issuance of 137,967,116 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 1,803,359,338.

Following the extraordinary general meeting held on March 10, 2016, ArcelorMittal decreased share capital by €7,273 (10,376) from €7,453 (10,633) to €180 (257) through a reduction of the accounting par value per share to €0.10 without any distribution to shareholders, the balance being allocated to additional paid-in capital.

On April 8, 2016, ArcelorMittal completed an equity offering with net proceeds of 3,115 (net of transaction costs of 40) by way of the issuance of 1,803,359,338 non-statutory preferential subscription rights with a subscription price of €2.20 per share at a ratio of 7 shares for 10 rights subsequently to the adoption of enabling resolutions by the extraordinary general meeting of shareholders on March 10, 2016. The Company increased share capital by €126 (144) from €180 (257) to €306 (401) through the issuance of 1,262,351,531 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 3,065,710,869.

#### Authorized shares

At the Extraordinary General Meeting held on May 8, 2012, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €643 million represented by 156 million shares, or approximately 10% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €7.7 billion represented by 1,773,091,461 shares without par value.

At the Extraordinary General Meeting held on May 8, 2013, the shareholders approved an increase of the authorized share capital of ArcelorMittal by €524 million represented by 223 million shares, or approximately 8% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €8.2 billion represented by 1,995,857,213 shares without par value.

At the Extraordinary General Meeting held on March 10, 2016, the shareholders approved a decrease of the authorized share capital of the Company by €8,049 million through a reduction of the accounting par value per share to €0.10 and a subsequent increase by €3 billion. Following the completion of the equity offering on April 8, 2016, the Company's authorized share capital was decreased by €2.9 billion. As a result of the approval given by the shareholders on March 10, 2016 and which is valid for five years, the total authorized share capital was €337 million represented by 3,372,281,956 shares without par value.

#### Treasury shares

ArcelorMittal held, indirectly and directly, 7.2 million and 8.6 million treasury shares as of December 31, 2016 and December 31, 2015, respectively.

#### 10.2 Equity instruments and hybrid instruments

##### Option premium on treasury shares

Following the repayment of the 800 Convertible Senior Notes on May 15, 2014, the Company reclassified from reserves to retained earnings premiums paid for an amount of 435 (309 net of tax) with respect to expired USD denominated call options on treasury shares acquired on December 18, 2010 in order to hedge its obligations arising from the potential conversion of the 800 Convertible Senior Notes into ArcelorMittal shares.

##### Subordinated perpetual capital securities

Subordinated perpetual capital securities issued by the Company are classified as equity as the Company has no contractual obligation to redeem the securities and coupon payment may be deferred under certain circumstances. Coupons become payable whenever the Company makes dividend payments. Coupon accruals are considered in the determination of earnings for the purpose of calculating earnings per share.

On September 28, 2012, the Company issued subordinated perpetual capital securities for a nominal amount of 650 and a coupon of 8.75%, which reset periodically over the life of the securities, with the first reset after five years and subsequently every

five years thereafter. A step up in interest of 0.25% would have occurred on the second reset date and a subsequent step up of 0.75% (cumulative with the initial 0.25%) fifteen years later. The Company was entitled to call the securities in five years, ten years and on subsequent coupon payment dates. As the Company had no obligation to redeem the securities and the coupon payment may have been deferred by the Company under certain circumstances, it classified the net proceeds from the issuance of subordinated perpetual capital securities (642 net of transaction costs) as equity. Coupon payments to holders of subordinated perpetual capital securities in 2013 and 2014 were 57 and 22, respectively.

On February 20, 2014, ArcelorMittal redeemed all of its outstanding 650 subordinated perpetual capital securities following the occurrence of a "Ratings Agency Event", as defined in the terms of the securities. The notes were redeemed for 657, at a redemption price of 101% of the principal amount, plus accrued coupon of 22.

##### Mandatorily convertible notes

Mandatorily convertible notes issued by the Company are accounted for as compound financial instruments. The net present value of the coupon payments at issuance date is recognized as long-term obligation and carried at amortized cost. The value of the equity component is determined based upon the difference of the cash proceeds received from the issuance of the notes and the net present value of the financial liability component on the date of issuance and is included in equity.

On January 16, 2013, ArcelorMittal issued mandatorily convertible subordinated notes ("MCNs") with net proceeds of 2,222. The notes have a maturity of 3 years, were issued at 100% of the principal amount and are mandatorily converted into ordinary shares of ArcelorMittal at maturity unless converted earlier at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The MCNs pay a coupon of 6.00% per annum, payable quarterly in arrears. The minimum conversion price of the MCNs was set at \$16.75, corresponding to the placement price of shares in the concurrent ordinary shares offering as described above, and the maximum conversion price was set at approximately 125% of the minimum conversion price (corresponding to \$20.94). The minimum and maximum conversion prices are subject to adjustment upon the occurrence of certain events, and were, as of December 31, 2015, \$15.98 and \$19.98, respectively. The Company determined the notes met the definition of a compound financial instrument and as such determined the fair value of the financial liability component of the bond was 384 on the date of issuance and recognized it as long-term obligation. The value of the equity component of 1,838 was determined based upon the difference of the cash proceeds received from the issuance of the bond and the fair value of the financial liability component on the date of issuance and is included in equity.

During the fourth quarter of 2015, the Company delivered 2,275,026 treasury shares against 1,817,869 notes converted at the option of their holders. As a result of such voluntary conversions, the carrying amount of MCNs decreased by 38. On January 15, 2016, upon final maturity of the MCNs, the remaining outstanding 88,182,131 notes were converted into 137,967,116 new common shares. Accordingly, share capital and additional paid-in-capital increased by 622 and 1,178, respectively and the carrying amount of MCNs decreased by 1,800.

#### *Mandatory convertible bonds*

On December 28, 2009, the Company issued through Hera Ermac, a wholly-owned subsidiary, 750 unsecured and unsubordinated bonds mandatorily convertible into preferred shares of such subsidiary. The bonds were placed privately with a Luxembourg affiliate of Crédit Agricole (formerly Calyon) and are not listed. The Company has the option to call the mandatory convertible bonds until ten business days before the maturity date. Hera Ermac invested the proceeds of the bonds issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to the values of shares of Erdemir and China Oriental Group Company Ltd ("China Oriental"). On April 20, 2011, the Company signed an agreement for an extension of the conversion date of the mandatory convertible bonds to January 31, 2013. On September 27, 2011, the Company increased the mandatory convertible bonds from 750 to 1,000.

On December 18, 2012, the Company signed an agreement for an extension of the conversion date of the mandatory convertible bonds to January 31, 2014. 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 949 (net of tax and fees) and debt for 49. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 65 and was recognized as financing costs in the consolidated statements of operations.

On January 17, 2014, the conversion date of the 1,000 mandatory convertible bonds was extended from January 31, 2014 to January 29, 2016. 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 902 (net of tax and fees) and debt for 91. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 49 and was recognized as financing costs in the consolidated statements of operations.

On November 20, 2015, the conversion date of the 1,000 mandatory convertible bonds was extended from January 29, 2016 to January 31, 2018. The other main features of the mandatory convertible bonds remained unchanged. The Company determined that this transaction led to the extinguishment of the existing compound instrument and the recognition of a new compound instrument including non-controlling interests for 880 (net of cumulative tax and fees) and debt for 106. The difference between the carrying amount of the previous instrument and the fair value of the new instrument amounted to 79 and was recognized as financing costs in the consolidated statements of operations.

#### 10.3 Earnings per common share

Basic earnings per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Net income (loss) attributable to ordinary shareholders takes into consideration dividend rights of preferred shareholders such as holders of subordinated perpetual capital securities. Diluted earnings per share is computed by dividing income (loss) available to equity holders by the weighted average number of common shares and potential common shares from share unit plans and outstanding stock options as well as potential common shares from the conversion of certain convertible bonds whenever the conversion results in a dilutive effect.

On April 8, 2016, the Company issued 1,262,351,531 new shares at a subscription price of €2.20 per share representing a 35% discount

compared to the theoretical ex-right price ("TERP") of €3.40 based on the closing price of ArcelorMittal's shares on Euronext Amsterdam on March 10, 2016. In accordance with IFRS, such a rights issue includes a bonus element increasing the number of ordinary shares outstanding to be used in calculating basic and diluted earnings per share for all periods before the rights issue. Accordingly, the table below presents the numerators, a reconciliation of the weighted average common shares outstanding for the purposes of basic and diluted earnings per share for the years ended December 31, 2016 and as retrospectively adjusted for the above mentioned bonus element for the years ended December 31, 2015 and 2014.

	Year Ended December 31,		
	2016	2015	2014
Net income (loss) attributable to equity holders of the parent	1,779	(7,946)	(1,086)
Interest assumed on the coupon and the premium for early redemption for subordinated perpetual capital securities	-	-	(14)
Net income (loss) considered for the purposes of basic and diluted earnings per share	1,779	(7,946)	(1,100)
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	2,860	1,795	1,791
Incremental shares from the rights issue on April 8, 2016 retrospectively adjusted for all prior periods	-	521	521
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share (restated)	2,860	2,316	2,312
Incremental shares from assumed conversion of restricted share units and performance share units (in millions)	5	-	-
Weighted average common shares outstanding (in millions) for the purposes of diluted earnings per share	2,865	2,316	2,312

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 8 million and 7 million potential common shares from share unit plans for the years ended December 31, 2015 and 2014, and 14 million, 17 million and 20 million potential common shares from stock options outstanding for the years ended December 31, 2016, 2015 and 2014, respectively, because such share unit plans and stock options are anti-dilutive.

#### 10.4 Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's financial statements ("ArcelorMittal SA") which are prepared in accordance with IFRS, as endorsed by the European Union. ArcelorMittal SA has no significant manufacturing operations of its own. 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 U.S. dollars and are payable in either U.S. dollars or in euros.

Description	Approved by	Dividend per share (in \$)	Payout date	Total (in millions of \$)
Dividend for financial year 2013	Annual General Shareholders' meeting on May 8, 2014	0.15	July 15, 2014	333
Dividend for financial year 2014	Annual General Shareholders' meeting on May 5, 2015	0.15	June 15, 2015	331
Dividend for financial year 2015	Annual General Shareholders' meeting on May 4, 2016	-	-	-

Following the Company's equity offering in April 2016, the dividends declared per share for prior periods has been recasted in the current year for the years ended December 31, 2014 and 2013, respectively, to include the bonus element derived from the 35% discount to the theoretical ex-right price included in the subscription price. The actual dividends paid were \$0.20 and \$0.20 per issued share as of December 31, 2014 and 2013, respectively.

## 10.5 Non-controlling interests

### 10.5.1 Non-wholly owned subsidiaries that have material non-controlling interests

The tables below provide a list of the principal subsidiaries which include non-controlling interests at December 31, 2016 and 2015 and for the year ended December 31, 2016, 2015 and 2014.

Name of Subsidiary	Country of incorporation and operation	% of non-controlling interests and non-controlling voting rights at December 31, 2016	% of non-controlling interests and non-controlling voting rights at December 31, 2015	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2016	Non-controlling interests at December 31, 2016	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2015	Non-controlling interests at December 31, 2015	Net income (loss) attributable to non-controlling interests for the year ended December 31, 2014
AMSA	South Africa	30.78%	47.98%	(103)	307	(301)	416	(8)
Sonasid <sup>1</sup>	Morocco	67.57%	67.57%	(5)	95	(6)	109	10
ArcelorMittal Kryvyi Rih	Ukraine	4.87%	4.87%	5	163	3	180	(6)
Belgo Bekaert Arames ("BBA")	Brazil	45.00%	45.00%	23	154	25	128	41
Hera Ermac <sup>2</sup>	Luxembourg	-	-	-	880	-	880	-
AMMIC <sup>3</sup>	Canada	15.00%	15.00%	28	488	32	493	88
Arceo <sup>4</sup>	Belgium	62.86%	62.29%	5	148	4	145	-
ArcelorMittal Liberia Ltd	Liberia	15.00%	15.00%	(5)	(256)	(239)	(251)	(13)
Other				7	211	5	198	-
<b>Total</b>				<b>(45)</b>	<b>2,190</b>	<b>(477)</b>	<b>2,298</b>	<b>112</b>

#### <sup>1</sup> Sonasid

ArcelorMittal holds a controlling stake of 50% in Nouvelles Sidérurgies Industrielles. ArcelorMittal controls Nouvelles Sidérurgies Industrielles on the basis of a shareholders' agreement which includes deadlock arrangements in favor of the Company. Nouvelles Sidérurgies Industrielles holds a 64.86% stake in Sonasid. The total non-controlling interests in Sonasid of 67.57% are the result of ArcelorMittal's indirect ownership percentage in Sonasid of 32.43% through its controlling stake in Nouvelles Sidérurgies Industrielles.

#### <sup>2</sup> Hera Ermac

The non-controlling interests correspond to the equity component of the mandatory convertible bonds maturing on January 31, 2018.

#### <sup>3</sup> AMMIC

On March 15, 2013 and May 30, 2013, a consortium led by POSCO and China Steel Corporation acquired a 15% non-controlling interest in joint venture partnerships holding ArcelorMittal's Labrador Trough iron ore mining and infrastructure assets.

#### <sup>4</sup> Arceo

On June 1, 2015, the Company signed an agreement with Sogepa, an investment fund of the Walloon Region in Belgium, to restructure the research and development activities of their combined investment in Arceo, an investment previously accounted for under the equity method by the Company. On June 11, 2015, Sogepa made a capital injection into Arceo, decreasing the Company's percentage ownership from 50.1% to 37.7%. Following the signed agreement to restructure the activities of Arceo, the Company obtained control and fully consolidated the investment, which resulted in an increase in non-controlling interests by 148. Additionally, on December 13, 2016, Sogepa made a capital injection into Arceo, decreasing the Company's percentage ownership from 37.7% to 37.1%.

The tables below provide summarized statements of financial position as of December 31, 2016 and 2015 and the summarized statements of operations and summarized statements of cash flows for the year ended December 31, 2016, 2015 and 2014.

	December 31, 2016							
Summarized statements of financial position	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Current assets	1,108	155	973	212	221	2,255	21	93
Non-current assets	1,145	107	2,857	206	1,798	3,751	219	49
<b>Total assets</b>	<b>2,253</b>	<b>262</b>	<b>3,830</b>	<b>418</b>	<b>2,019</b>	<b>6,006</b>	<b>240</b>	<b>142</b>
Current liabilities	1,013	94	491	82	65	314	4	1,081
Non-current liabilities	245	28	275	25	127	3,835	1	608
<b>Net assets</b>	<b>995</b>	<b>140</b>	<b>3,064</b>	<b>311</b>	<b>1,827</b>	<b>1,857</b>	<b>235</b>	<b>(1,547)</b>

	December 31, 2016							
Summarized statements of operations	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Revenue	2,228	300	2,068	627	-	1,472	-	56
Net income (loss)	(335)	(7)	98	53	402	(66)	7	(29)
<b>Total comprehensive income (loss)</b>	<b>(349)</b>	<b>(8)</b>	<b>106</b>	<b>49</b>	<b>402</b>	<b>(74)</b>	<b>7</b>	<b>(29)</b>

December 31, 2016								
Summarized statements of cash flows	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Net cash provided by / (used in) operating activities	11	28	159	63	28	279	4	(45)
Net cash provided by / (used in) investing activities	(149)	(6)	(156)	(15)	(28)	(283)	(78)	(73)
Net cash provided by / (used in) financing activities	80	(32)	-	(50)	-	(24)	80	117
Impact of currency movements on cash	29	-	(5)	2	-	-	-	-
Cash and cash equivalents:								
At the beginning of the year	139	61	104	12	-	196	1	1
At the end of the year	110	51	102	12	-	168	7	-
Dividend to non-controlling interests	-	(6)	-	25	-	30		

December 31, 2015								
Summarized statements of financial position	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Current assets	831	180	913	172	191	2,434	79	84
Non-current assets	1,130	121	3,311	173	1,379	5,450	165	100
Total assets	1,961	301	4,224	345	1,570	7,884	244	184
Current liabilities	856	120	518	63	54	365	10	1,030
Non-current liabilities	214	30	342	22	91	3,602	1	597
Net assets	891	151	3,364	260	1,425	3,917	233	(1,443)

December 31, 2015								
Summarized statements of operations	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Revenue	2,478	345	2,118	701	-	1,432	-	86
Net income (loss)	(581)	(10)	58	58	(242)	475	7	(1,516)
Total comprehensive income (loss)	(516)	(14)	70	61	(242)	496	7	(1,516)

December 31, 2015								
Summarized statements of cash flows	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC	Arceo	AM Liberia
Net cash provided by / (used in) operating activities	(85)	17	174	60	25	146	17	(103)
Net cash provided by / (used in) investing activities	(99)	(6)	(154)	(10)	(23)	(171)	(142)	(102)
Net cash provided by / (used in) financing activities	307	15	-	(52)	(2)	(97)	127	205
Impact of currency movements on cash	(23)	(2)	(43)	(4)	-	-	(1)	-
Cash and cash equivalents:								
At the beginning of the year	39	37	127	18	-	318	-	1
At the end of the year	139	61	104	12	-	196	1	1
Dividend to non-controlling interests	-	(6)	-	(17)	-	(57)	-	-

	December 31, 2014					
Summarized statements of operations	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC
Revenue	3,216	485	3,087	981	-	2,049
Net income (loss)	(17)	12	(130)	84	217	510
Total comprehensive income (loss)	(15)	16	(133)	135	217	472

	December 31, 2014					
Summarized statements of cash flows	AMSA	Sonasid	AM Kryvyi Rih	BBA	Hera Ermac	AMMIC
Net cash provided by / (used in) operating activities	155	77	241	97	24	764
Net cash provided by / (used in) investing activities	(247)	(10)	(192)	(30)	(26)	(346)
Net cash provided by / (used in) financing activities	12	(30)	-	(64)	2	(285)
Impact of currency movements on cash	(5)	(2)	-	(2)	-	-
Cash and cash equivalents:						
At the beginning of the year	124	2	78	17	-	185
At the end of the year	39	37	127	18	-	318
Dividend to non-controlling interests	-	(10)	-	(25)	-	(67)

### 10.5.2 Transactions with non-controlling interests

Acquisitions of non-controlling interests, which do not result in a change of control, are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the parent.

Transactions with non-controlling interests in 2016 were as follows:

#### AMSA

On January 15, 2016, AMSA completed a rights offering fully

underwritten by ArcelorMittal. The total cash proceeds amounted to ZAR 4.5 billion. ArcelorMittal subscribed the capital increase through repayment of an outstanding intragroup loan of ZAR 3.2 billion and an additional cash injection of ZAR 0.5 billion. As a result of the rights issue, ArcelorMittal's shareholding in AMSA increased from 52% to 70.55% and non-controlling interests decreased by 80.

Effective October 17, 2016, ArcelorMittal's interest in AMSA decreased to 69.22%. In the framework of AMSA's transformation initiatives in order to maximize its score under the Broad-Based Black Economic Empowerment ("B-BBEE") Codes of Good Practice, it launched on October 1, 2015 an employee share ownership plan following which the Ikageng Broad-Based Employee Share Trust obtained an ownership interest of 1.33% in AMSA to be attributed to qualifying employees upon vesting date of the plan.

In addition, on September 28, 2016, AMSA announced that it had entered into agreements to implement a transaction which includes the issuance of a 17% shareholding in AMSA using a new class of notionally funded shares to a special purpose vehicle owned by Likamva Resources Proprietary Limited ("Likamva"). Likamva has undertaken to introduce broad-based social and community development organizations as shareholders to hold an effective 5% interest (of the 17%, leaving Likamva with a 12% shareholding) within 24 months. The transaction also includes the issuance of a 5.1% shareholding in AMSA using another new class of notionally funded shares to the ArcelorMittal South Africa Employee Empowerment Share Trust for the benefit of AMSA employees and AMSA management. All the shares have certain restrictions on disposal for a period of 10 years thereby promoting long-term sustainable B-BBEE in AMSA. The shares were issued on December 7, 2016. The Company concluded that the transaction does not

correspond to a share issue but qualifies as an in substance option (resulting in the recognition of an expense of 63 corresponding to the fair value at inception) as the shares give the holders only notional dividend and voting rights for up to 10 years, resulting in a decrease of ArcelorMittal's voting rights to 53.92%. The Company will recognize non-controlling interests at the end of the 10 year period depending on the value of the shares based on a pre-defined formula.

There were no transactions with non-controlling interests in 2015. Transactions with non-controlling interests in 2014 were as follows:

#### ArcelorMittal Luxembourg

On November 20, 2014, the Company acquired the remaining 0.14% of non-controlling interests in ArcelorMittal Luxembourg following a mandatory squeeze out procedure. The total consideration paid was 17. The Company recorded an increase of 6 directly in equity.

Description	2016	2014
	AMSA	ArcelorMittal Luxembourg
Non-controlling interests	80	23
Purchase price (selling price), net	(56) <sup>1</sup>	17 <sup>2</sup>
Adjustment to equity attributable to the equity holders of the parent	136	6

<sup>1</sup> Amount paid in by non-controlling shareholders in AMSA following the rights issue

<sup>2</sup> Purchase price (selling price) was settled in cash.

Transactions with non-controlling interests include also the mandatory convertible bonds (see note 10.2).

On February 23, 2017, ArcelorMittal and Votorantim S.A. announced the signing of an agreement, pursuant to which Votorantim's long steel businesses in Brazil, Votorantim Siderurgia, will become a subsidiary of ArcelorMittal Brasil and Votorantim will hold a non-controlling interest in ArcelorMittal Brasil. The combined operations include ArcelorMittal Brasil's production sites at Monlevade, Cariacica, Juiz de Fora, Piracicaba and Itaúna, and Votorantim Siderurgia's production sites at Barra Mansa, Resende and its participation in Sitrel, in Três Lagoas. The transaction is subject to regulatory approvals in Brazil, including the approval of the Brazilian anti-trust authority CADE.

#### Note 11: Related parties

The related parties of the Group are predominately subsidiaries, joint operations, joint ventures, associates and key management personnel (see note 7.1) of the Group. Transaction between the parent company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Related parties include the Significant Shareholder, which is a trust of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries and which owns 37.4% of ArcelorMittal's ordinary shares.

Transactions with related parties of the Company mainly relate to sales and purchases of raw materials and steel products and were as follows:

#### 11.1 Sales and trade receivables

Transactions	Category	Year ended December 31,			December 31,	
		2016	2015	Sales 2014	Trade receivables 2016	2015
Calvert	Joint Venture	1,400	1,271	1,136	35	6
Gonvarri Steel Industries <sup>1</sup>	Associate	1,210	1,233	1,456	58	32
ArcelorMittal CLN Distribuzione Italia S.r.l.	Joint Venture	414	310	-	-	2
Macsteel	Joint Venture	399	516	579	17	22
Bamesa <sup>2</sup>	Associate	371	367	416	23	7
I/N Kote L.P.	Joint Venture	346	377	412	12	24
Borçelik	Joint Venture	240	305	516	4	4
C.L.N. Coils Lamiere Nastri S.p.A. <sup>3</sup>	Associate	203	310	563	5	3
Aperam Société Anonyme ("Aperam")	Other	189	165	190	40	22
AM RZK	Joint Venture	163	148	-	8	29
WDI <sup>4</sup>	Associate	151	181	238	2	-
ArcelorMittal BE Group SSC AB	Joint Venture	60	52	59	4	2
Stalprofil S.A.	Associate	57	53	82	9	4
Tameh	Joint Venture	51	63	5	3	3
DHS GROUP	Associate	47	38	33	3	7
Stalprodukt S.A. <sup>5</sup>	Available-for-sale	31	146	180	-	16
Consolidated Wire Industries (pty) Limited	Joint Venture	31	34	50	-	1
Gestamp <sup>6</sup>	Other	26	310	297	-	2
Tuper S.A. <sup>7</sup>	Joint Venture	13	-	-	25	-
Baffinland	Joint Venture	5	9	-	25	5
ArcelorMittal Algérie Spa <sup>8</sup>	Other	-	19	93	-	-
Uttam Galva	Associate	-	-	27	-	-
Other		227	217	274	49	25
<b>Total</b>		<b>5,634</b>	<b>6,124</b>	<b>6,606</b>	<b>322</b>	<b>216</b>

<sup>1</sup> Gonvarri Steel Industries includes ArcelorMittal Gonvarri Brasil Productos Siderúrgicos.

<sup>2</sup> Bamesa is composed of S.C. Bamesa Otel SA, Bamesa Çelik Servis Sanayi ve Ticaret Anonim Şirketi and its subsidiary

<sup>3</sup> Parent company and its subsidiaries

<sup>4</sup> WDI includes Westfälische Drahtindustrie Verwaltungsgesellschaft mbH & Co. KG and Westfälische Drahtindustrie GmbH

<sup>5</sup> ArcelorMittal partially disposed of its former associate Stalprodukt S.A. was reclassified as available-for-sale on April 28, 2016 (see note 2)

<sup>6</sup> ArcelorMittal disposed of the former associate Gestamp on February 1, 2016 (see note 2)

<sup>7</sup> The joint venture Tuper S.A. was acquired on October 6, 2016

<sup>8</sup> ArcelorMittal Algérie Spa became an associate on December 17, 2013 and was sold on August 7, 2016 (see note 2)



## 11.2 Purchases and trade payables

Transactions	Category	Year ended December 31,			December 31,	
		2016	2015	Purchases 2014	Trade payables 2016	2015
Empire Iron Mining Partnership	Other	310	228	257	-	-
Tameh	Joint Venture	236	245	12	53	58
Borçelik	Joint Venture	173	165	175	36	30
Gonvarri Steel Industries <sup>1</sup>	Associate	146	176	193	23	27
Baffinland	Joint Venture	75	19	-	2	5
Exeltium S.A.S.	Associate	71	80	87	-	7
Aperam	Other	65	131	168	10	11
CFL Cargo S.A.	Associate	58	58	74	4	8
Baycoat Limited Partnership	Joint Venture	41	42	43	5	5
Vulkan Energiewirtschaft Oderbrücke GmbH	Other	41	39	44	7	6
Alkat Sp. Z O.o.	Associate	31	32	36	4	3
Steeltrack	Associate	17	26	22	3	3
EKO Schrottreycling GmbH	Joint Venture	15	24	35	1	1
Calvert	Joint Venture	15	13	-	3	32
DHS GROUP	Associate	2	1	12	-	-
Borusan Demir Çelik Sanayi ve Ticaret Anonim Sirketi	Associate	1	33	34	-	2
Uttam Galva	Associate	-	31	65	-	-
Macsteel	Joint Venture	-	14	17	-	-
Other		93	103	81	28	58
<b>Total</b>		<b>1,390</b>	<b>1,460</b>	<b>1,355</b>	<b>179</b>	<b>256</b>

<sup>1</sup> Gonvarri Steel Industries includes ArcelorMittal Gonvarri Brasil Productos Siderúrgicos

## 11.3 Other transactions with related parties

At December 31, 2016, the shareholder loans with a maturity between 1 and 3 years extended by the Company to Al Jubail had a carrying value of 149 (see note 2.4).

As of December 3, 2014, ArcelorMittal Calvert LLC signed a member capital expenditure loan agreement with the joint venture Calvert and as of December 31, 2016, the loans amounted to 93 including accrued interest. The loans bear interest from 3% to 3.75% and have various maturity dates ranging from 1 to 28 years.

Other non-current liabilities include 42 with respect to loan payable to Baffinland in relation to the capital increase in the joint venture.

In May 2014, ArcelorMittal entered into a 5-year off take agreement with its joint venture Baffinland, whereby it will buy the lesser of 50% of the annual quantity of iron ore produced by Baffinland or 2 million tonnes of iron ore per year. The purchase price includes a premium to reference prices based on high iron ore content. ArcelorMittal will continue to pay advances to Baffinland for an amount equivalent to 80% of the value of iron ore stockpiled by Baffinland outside the sailable season until August 31, 2017. From September 1, 2017 to August 31, 2019, ArcelorMittal will not pay advances to Baffinland as payments for the purchases will occur upon loading on vessel for shipment at port of Milne. Subject to Phase 3 being completed, the contract will be extended to August 31, 2021 and the maximum quantity shall increase to 4 million tonnes per contract year in contract years ending after December 31, 2018 but prior to August 31, 2021.

In May 2014, ArcelorMittal also entered into an additional contract with Baffinland whereby it agreed to act as a sales agent ("Marketing agreement") for all of Baffinland's iron ore (excluding the shipments subject to the offtake agreement mentioned above). The Company also entered into an agreement to advance 80% of the lesser of 50% of the annual quantity of iron ore produced by Baffinland or 1.5 million tonnes of iron ore per year. The contract expired on the extended maturity at April 30, 2016. On August 24, 2016, Baffinland entered into an agreement with a bank to finance an amount which does not exceed the lesser of 50% of iron ore stockpiled by Baffinland outside the sailable season and 2.3 million tonnes in any contract year. Under this agreement, which is guaranteed by ArcelorMittal, the bank purchases product from Baffinland, which is then sold to ArcelorMittal under a separate back-to-back contract ("AM Purchase Contract"). ArcelorMittal contracts with third-party steel mills for onward sale of the product purchased from the bank under the AM Purchase Contract. The agreement with the bank matures on September 20, 2017.

Following the Extraordinary General Meeting held on March 10, 2016, when the final terms of the rights issuance were defined, the Company decided, in accordance with its risk management policies, to hedge part of its foreign exchange exposure arising from the euro denominated proceeds of the rights issuance. Accordingly, on March 10, 2016, the Company entered into currency forward transactions with a credit institution to sell euro and buy U.S. dollar at an amount of €1 billion. The transactions settled on March 30, 2016. In parallel, the commitment by the Significant Shareholder to exercise its rights under the euro-denominated rights issuance gave rise to a foreign exchange exposure opposite to the one of the Company. Accordingly, on the same date, the Significant Shareholder entered into currency forward transactions, with the same credit institution as the Company, to hedge its foreign exchange exposure arising from potential fluctuations in the USD/Euro exchange rate. The transactions, which consisted of buying euro and selling U.S. dollar at an amount of €1 billion, settled on March 30, 2016.

**Note 12: Principal accountant fees and services**

Deloitte Audit S.à.r.l. acted as the principal independent registered public accounting firm for ArcelorMittal for the fiscal years ended December 31, 2016 and 2015. Set forth below is a breakdown of fees for services rendered in 2016 and 2015.

**Audit Fees.** Audit fees in 2016 and 2015 included 20.9 and 25.8, respectively, for the audits of financial statements, and 0.6 and 0.7 in 2016 and 2015, respectively, for regulatory filings.

**Audit-Related Fees.** Audit-related fees in 2016 and 2015 were 0.9 and 2.2, respectively. Audit-related fees primarily include fees for employee benefit plan audits.

**Tax Fees.** Fees relating to tax planning, advice and compliance in 2016 and 2015 were 0.3 and 1.0, respectively.

**All Other Fees.** Fees in 2016 and 2015 for all other services were 0.3 and 0.1, respectively. All other fees relate to services not included in the first three categories.

## Report of the reviseur d'entreprises agréé

To the Shareholders of  
ArcelorMittal Société Anonyme  
24-26, Boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

## Report on the consolidated financial statements

Following our appointment by the General Meeting of the shareholders held on May 4, 2016, 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, 2016, and the consolidated statements of operations, other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control 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, 2016, 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.

## Other information

The Board of Directors is responsible for the other information. The other information comprises the consolidated management report, which includes the Corporate Governance Statement, but does not include the consolidated financial statements and our report of Réviseur d'Entreprises Agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

## Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

## 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 has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit,  
société à responsabilité limitée  
Cabinet de révision agréé

Vafa Moayed, Réviseur d'Entreprises Agréé  
Partner

February 28, 2017  
560, rue de Neudorf  
L-2220 Luxembourg



ArcelorMittal



2016 financial statements of ArcelorMittal parent company

Management report: Please refer to pages 3 to 62 and the following:

### ArcelorMittal as Parent Company

ArcelorMittal (the “Parent Company”) was incorporated as a “Société Anonyme” under Luxembourg law on June 8, 2001 for an unlimited period. The Parent Company has its registered office in 24-26 boulevard d’Avranches, Luxembourg City and is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

The Parent Company’s corporate goal is the manufacturing, processing and marketing of steel products, all other metallurgical products, mining products and any other activity directly or indirectly related thereto. The Parent Company realizes its corporate goal either directly or through the creation of companies or the acquisition and holding of interests in companies, partnerships, associations, consortia and joint-ventures. On January 1, 2015, ArcelorMittal implemented an industrial franchise agreement with group subsidiaries whereby the Parent Company licenses its business model for manufacturing, processing and distributing steel to group subsidiaries. The business model includes the ArcelorMittal business intelligence, which is a package of business solutions and implementation support combined with the development and maintenance of intangibles such as the ArcelorMittal brand, ArcelorMittal global information technology solutions, ArcelorMittal global research & development and ArcelorMittal global purchase agreements.

ArcelorMittal generated a net income of \$4,723 million in 2016 as compared to a net loss of \$33,414 million in 2015. Operating income amounted to \$214 million in 2016 as compared to an operating loss of \$230 million in 2015. Operating income is mainly related to income from industrial franchise agreement fees (\$722 million and \$841 million for the years ended December 31, 2016 and 2015, respectively). The 2015 operating loss included a \$483 million expense in connection with the transfer of the global coordination of current and future research and development activities within ArcelorMittal group. Income from subsidiaries and associates amounted to \$14,108 million in 2016 as compared to \$5,999 million in 2015. Income from subsidiaries and associates included in 2016 dividends in kind of \$11,369 million as a result of the transfer of several investments to ArcelorMittal Parent Company and cash dividends of \$2,739 million. Impairment of investments amounted to \$8,817 million in 2016 as compared to an impairment charge of \$34,398 million in 2015. The 2016 impairment charge was mainly related to the dividends in kind mentioned above. Impairment of loans amounted to \$114 million and \$1,656 million for the years ended December 31, 2016 and 2015, respectively, and were mainly related to ArcelorMittal group mining operations in Liberia. Net financing costs amounted to \$338 million in 2016. In 2015 net financing costs of \$3,082 million were negatively impacted by foreign exchange losses of \$1,457 million.

### Updates on recent developments

- On March 1, 2017, ArcelorMittal’s Board of Directors took note of Mr. Wilbur Ross’ resignation from the Board as a consequence of his confirmation as US Secretary of Commerce. The Board of ArcelorMittal has no intention to appoint a Board member on an interim basis before the next Annual General Meeting of Shareholders and will therefore be composed of eleven members going forward.
- On March 1, 2017, ArcelorMittal elected to call and redeem all of its outstanding \$1.5bn 9.850% Notes due June 1, 2019. The settlement will occur on April 3, 2017. The Company will fund the redemption of the Notes with existing cash resources.
- On March 6, 2017, ArcelorMittal and Marcegaglia announced that they submitted an offer for ILVA S.p.A (“Ilva”), the Italian steel-making company. The main highlights of the offer were the intention to increase production to 9.5 million tonnes of finished products, the investment commitments of more than €2.3 billion in addition to the purchase price, the commitment to build a research and development centre in Taranto, the commitment to implement new low-carbon steel-making technologies and a letter of intent to join the consortium signed with Banca Intesa SanPaolo.
- On March 13, 2017, ArcelorMittal and the management of ArcelorMittal Tailored Blanks Americas (“AMTBA”) comprising the Company’s tailored blanks operations in Canada, Mexico and the United States, entered into a joint venture agreement following which the Company will account for its interest in AMTBA under the equity method.

Chief executive officer and chief financial officer's responsibility statement

We confirm, to the best of our knowledge, that:

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

By order of the Board of Directors

*Chief executive officer*

Lakshmi N. Mittal

March 28, 2017



*Chief financial officer*

Aditya Mittal

March 28, 2017



ArcelorMittal  
 Statements of financial position  
 (millions of U.S. dollars, except share and per share data)

Assets	December 31, 2016	December 31, 2015
<b>Current assets:</b>		
Cash and cash equivalents (note 4)	1,039	2,602
Current loans to related parties (note 12)	2,099	1,219
Prepaid expenses and other current assets, including 1,050 and 1,217 with related parties at December 31, 2016 and 2015, respectively (notes 5 and 12)	1,148	1,262
<b>Total current assets</b>	<b>4,286</b>	<b>5,083</b>
<b>Non-current assets:</b>		
Intangible assets (note 6)	23	30
Property, plant and equipment (note 7)	2	3
Investments in subsidiaries (note 8)	44,857	42,392
Investments in associates, joint ventures and other investments (note 9)	365	612
Non-current loans to related parties (note 12)	8,754	8,963
Deferred tax assets (note 19)	6,110	6,803
Other assets (note 11)	205	118
<b>Total non-current assets</b>	<b>60,316</b>	<b>58,921</b>
<b>Total assets</b>	<b>64,602</b>	<b>64,004</b>

Liabilities and equity	December 31, 2016	December 31, 2015
<b>Current liabilities</b>		
Short-term debt and current portion of long-term debt (note 13)	989	1,769
Current loans from related parties (note 12)	3,866	3,216
Accrued expenses and other liabilities, including 465 and 502 with related parties at December 31, 2016 and 2015, respectively (notes 12 and 20)	719	1,032
<b>Total current liabilities</b>	<b>5,574</b>	<b>6,017</b>
<b>Non-current liabilities:</b>		
Long-term debt, net of current portion (note 13)	11,197	16,794
Non-current loans from related parties (note 12)	4,543	5,767
Deferred employee benefits (note 23)	17	17
Long-term provisions and other obligations (note 21)	112	26
<b>Total non-current liabilities</b>	<b>15,869</b>	<b>22,604</b>
<b>Total liabilities</b>	<b>21,443</b>	<b>28,621</b>
Commitments and contingencies (notes 22 and 24)		
<b>Equity : (note 15)</b>		
Common shares	401	10,011
Treasury shares	(7)	(11)
Additional paid-in capital	33,813	19,291
Mandatorily convertible notes	-	1,800
Retained earnings	7,951	3,229
Reserves	-	62
Legal reserve	1,001	1,001
<b>Total equity</b>	<b>43,159</b>	<b>35,383</b>
<b>Total liabilities and equity</b>	<b>64,602</b>	<b>64,004</b>

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

ArcelorMittal  
 Statements of operations and statements of other comprehensive income  
 (millions of U.S. dollars, except share and per share data)

	Year ended December 31, 2016	Year ended December 31, 2015
Income from industrial franchise agreement fees (note 12)	722	841
General and administrative expenses, including 454 and 959 with related parties in 2016 and 2015 (notes 12 and 16)	(508)	(1,071)
Operating income (loss)	214	(230)
Income from subsidiaries and associates (note 18)	14,108	5,999
Impairment of investments (notes 8 and 9)	(8,817)	(34,398)
Impairment of loans (note 12)	(114)	(1,656)
Financing costs - net, including 391 and 394 from related parties in 2016 and 2015, respectively (notes 12 and 17)	(338)	(3,082)
Income (loss) before taxes	5,053	(33,367)
Income tax (expense) benefit (note 19)	(330)	(47)
Net income (loss)	4,723	(33,414)

	Year ended December 31, 2016	Year ended December 31, 2015
Earnings (loss) per common share (in U.S. dollars) <sup>1</sup>		
Basic and diluted	0.62	(3.43)
Weighted average ordinary shares outstanding (in millions)		
Basic	2,860	2,316
Diluted	2,865	2,316

	Year ended December 31, 2016	Year ended December 31, 2015
Net income (loss)	4,723	(33,414)
Items that can be recycled to the statements of operations		
Available-for-sale investments:		
Gain (loss) arising during the period	12	(39)
Reclassification adjustments for loss (gain) included in the statements of operations	(74)	-
	(62)	(39)
Items that cannot be recycled to the statements of operations		
Employee benefits:		
Recognized actuarial (losses) gains	-	(1)
Other comprehensive income (loss)	(62)	(40)
Total comprehensive income (loss)	4,661	(33,454)

<sup>1</sup> Following the Company's equity offering in April 2016, the earnings (loss) per common share for prior periods has been recasted in accordance with IFRS. Please refer to note 15 for more information.

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



ArcelorMittal  
 Statements of changes in equity  
 (millions of U.S. dollars, except share and per share data)

	Shares <sup>1,2</sup>	Share capital	Treasury shares	Mandatorily convertible notes	Additional paid-in capital	Retained earnings	Legal reserve	Reserves		Total Equity
								Items that can be recycled to the statements of operations	Items that cannot be recycled to the statements of operations	
								Unrealized gains (losses) on available-for-sale financial assets	Recognized actuarial (losses) gains	
Balance at December 31, 2014	1,665	10,011	(20)	1,838	19,255	37,055	920	101	1	69,161
Net income (loss)	-	-	-	-	-	(33,414)	-	-	-	(33,414)
Other comprehensive income (loss)	-	-	-	-	-	-	-	(39)	(1)	(40)
Total comprehensive income (loss)	-	-	-	-	-	(33,414)	-	(39)	(1)	(33,454)
Recognition of share-based payments (note 15)	-	-	4	-	16	-	-	-	-	20
Voluntary conversion of mandatorily convertible notes (note 15)	3	-	18	(38)	20	-	-	-	-	-
Acquisition of treasury shares	(4)	-	(13)	-	-	-	-	-	-	(13)
Dividend (note 15)	-	-	-	-	-	(333)	-	-	-	(333)
Allocation to legal reserve	-	-	-	-	-	(81)	81	-	-	-
Other	-	-	-	-	-	2	-	-	-	2
Balance at December 31, 2015	1,664	10,011	(11)	1,800	19,291	3,229	1,001	62	-	35,383
Net income (loss)	-	-	-	-	-	4,723	-	-	-	4,723
Other comprehensive income (loss)	-	-	-	-	-	-	-	(62)	-	(62)
Total comprehensive income (loss)	-	-	-	-	-	4,723	-	(62)	-	4,661
Equity offering (note 15)	1,262	144	-	-	2,971	-	-	-	-	3,115
Reduction of the share capital par value (note 15)	-	(10,376)	-	-	10,376	-	-	-	-	-
Recognition of share-based payments (note 15)	1	-	6	-	(7)	-	-	-	-	(1)
Conversion of mandatorily convertible notes (note 15)	138	622	-	(1,800)	1,178	-	-	-	-	-
Other	-	-	(2)	-	4	(1)	-	-	-	1
Balance at December 31, 2016	3,065	401	(7)	-	33,813	7,951	1,001	-	-	43,159

<sup>1</sup> Excludes treasury shares held by the Company

<sup>2</sup> In millions of shares

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

## ArcelorMittal

## Statements of cash flows

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

	Year ended December 31, 2016	Year ended December 31, 2015
<b>Operating activities:</b>		
Net income (loss)	4,723	(33,414)
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation and impairment (note 6 and note 7)	9	13
Impairment of investments (note 8 and note 9)	8,817	34,398
Impairment of financial loans (note 12)	114	1,656
Interest expense (note 17)	1,337	1,504
Interest income (note 17)	(802)	(711)
Income tax expense (benefit) (note 19)	330	47
Change in fair value adjustments on call option on the mandatory convertible bonds (note 14)	(171)	108
(Gain) loss on disposal of financial assets (note 17)	(73)	747
Income from subsidiaries and associates (note 18)	(14,108)	(5,999)
Unrealized foreign exchange effects, other provisions and non-cash operating expenses, net	(148)	1,078
Changes in assets and liabilities that provided (required) cash:		
Interest paid	(1,459)	(1,631)
Interest received	870	785
Taxes received	293	227
Dividends received	2,761	5,979
Payables for services related to industrial franchise agreement	44	282
Receivables for industrial franchise agreement fees	75	(682)
Other working capital and provisions movements	(507)	(485)
Net cash provided by operating activities	2,105	3,902
<b>Investing activities:</b>		
Purchase of property, plant and equipment and intangibles (note 6 and note 7)	(2)	(1)
Investments in subsidiaries (note 8)	(9)	(3,273)
Disposals of financial assets	367	1,377
Proceeds from loans granted to subsidiaries	2,459	1,520
Loans granted to subsidiaries	(2,838)	(2,172)
Other investing activities net	-	30
Net cash provided (used in)/provided by investing activities	(23)	(2,519)
<b>Financing activities:</b>		
Equity offering (note 15)	3,115	-
Proceeds from short-term debt	1,899	557
Proceeds from long-term debt	1,215	3,413
Payments of short-term debt	(2,676)	(4,182)
Payments of long-term debt	(7,196)	(500)
Dividends paid	-	(333)
Other financing activities net	(2)	(2)
Net cash (used in)/provided by financing activities	(3,645)	(1,047)
Net increase (decrease) in cash and cash equivalents	(1,563)	336
<b>Cash and cash equivalents:</b>		
At the beginning of the year	2,602	2,266
At the end of the year	1,039	2,602

The accompanying notes are an integral part of these financial statements

**Note 1: General**

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

The Company has its registered office in 24-26 boulevard d’Avranches, Luxembourg City and is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

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

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

These financial statements correspond to the separate financial statements of the parent company, ArcelorMittal, and were authorized for issuance on March 28, 2017 by the Company’s Board of Directors. In conformity with the requirements of Luxembourg laws and regulations, the Company publishes consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

**Note 2: Basis of presentation****Statement of compliance**

The financial statements have been prepared in accordance with IFRS as adopted by the European Union and in particular with IAS 27 Separate Financial Statements as well as in accordance with chapter IIbis and art 72bis of the Luxembourg law of December 19, 2002 as modified by the law of December 10, 2010 and by the law of December 18, 2015.

**Adoption of new IFRS standards, amendments and interpretations applicable from January 1, 2016**

On January 1, 2016, the Company adopted the following amendments which did not have any material impact on the financial statements of the Company:

- Amendments to IFRS 11 “Joint Arrangements”, issued on May 6, 2014, clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.

- Amendments to IAS 1 “Presentation of Financial Statements”, issued on December 18, 2014, which clarify various presentation and disclosure requirements related to materiality, subtotals, disaggregation and accounting policies.

- Annual Improvements 2012-2014 published by the International Accounting Standards Board (“IASB”) on September 25, 2014 as part of its annual improvement process make amendments to the following standards:

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” introduces guidance relating to changes in methods of disposal.

- IFRS 7 “Financial Instruments: Disclosures” provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements.

- IAS 19 clarifies determination of the discount rate in a regional market sharing the same currency.

- IAS 34 “Interim Financial Reporting” clarifies the meaning of ‘elsewhere in the interim report’ and the requirements relating to cross-reference disclosure in the interim financial report.

Also, on January 1, 2016, the Company adopted the following amendments which did not have any impact on the financial statements of the Company:

- Amendments to IAS 27, published on August 12, 2014, which allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28, published on December 18, 2014, which clarify the scope and measurement method regarding consolidation and disclosure of investment entities.

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”, issued on May 12, 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- Amendments to IAS 16 and IAS 41 “Agriculture”, issued on June 30, 2014, which change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16 instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

**New IFRS standards and amendments applicable from 2017 onward**

On May 28, 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which provides a unified framework for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. On September 11, 2015, the IASB issued an amendment formalizing a one-year deferral of the effective date for annual periods beginning on or after January 1, 2018, with early application permitted. The Company only earns income from industrial franchise agreement (“IFA”) fees and therefore it does not expect that the adoption of this new standard will impact its financial statements.

On July 24, 2014, the IASB issued the final version of IFRS 9 “Financial Instruments (2014)” which replaces IAS 39, bringing together the classification and measurement, impairment and hedge accounting. The final version of the standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified and measured by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to IAS 39, however there are differences in the requirements regarding the measurement of an entity’s own credit risk.
- Impairment: The standard introduces an ‘expected credit loss’ model for the measurement of the impairment of financial

assets; it is therefore no longer necessary for a credit event to have occurred before a credit loss is recognized.

- Hedge accounting: The standard introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.
- IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

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

#### New IFRS standards, amendments and interpretation not yet endorsed by the European Union

On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28 "Investments in Associates and Joint Ventures" which address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments set out that a full gain or loss is recognized when the assets constitute a business or a partial gain or loss is recognized when the assets do not constitute a business. On December 17, 2015, the IASB issued an amendment formalizing the deferral of these amendments indefinitely. The Company does not expect that the adoption of these new amendments will have a material impact to its financial statements.

On January 13, 2016, the IASB issued IFRS 16 "Leases" which will replace IAS 17 "Leases". This new standard specifies how to recognize, measure,

present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. The Company does not expect that the adoption of this new standard will have a material impact to its financial statements.

On January 19, 2016, the IASB issued amendments to IAS 12 "Income Taxes". These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value and how to recognize deferred tax assets for unrealized losses. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

On January 29, 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows". These amendments clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows. These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

On April 12, 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation, determine whether a company is a principal or an agent and determine when the revenue from granting a license should be recognized. These amendments

are also effective for annual periods beginning on or after January 1, 2018, with early application permitted.

On June 20, 2016, the IASB issued amendments to IFRS 2 "Share-based Payment". These amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the treatment of share-based payment transactions with a net settlement feature for withholding tax obligations; and the treatment of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

On September 12, 2016, the IASB issued amendments to IFRS 4 "Insurance Contracts". These amendments propose two approaches (an overlay approach and a deferral approach) in order to address temporary volatility in reported results arising from implementing the new financial instruments Standard IFRS 9 before implementing the replacement Standard that the Board is developing for IFRS 4. These amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. These amendments are effective when an insurer first applies IFRS 9 (overlay approach) or during the three years period beginning on January 1, 2018 (deferral approach). The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

On December 8, 2016, the IASB issued Annual Improvements 2014–2016 to make amendments to the following standards:

- IFRS 12 "Disclosure of Interests in Other Entities" clarifies the scope of the standard by specifying that the disclosure requirements in the standard apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" deletes the short-term exemptions related to financial instruments, employee benefits and investment entities because they have now served their intended purpose.

- IAS 28 "Investments in Associates and Joint Ventures" clarifies that for an investment in an associate or a joint venture held by a venture capital organization, or other qualifying entity, the measurement at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. The Company does not expect that the adoption of these amendments will have a material impact to its financial statements.

On December 8, 2016, the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration". This interpretation provides guidance about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. This interpretation is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

Also, on December 8, 2016, the IASB issued amendments to IAS 40 "Investment Property". These amendments clarify that transfers to, or from, investment properties require an evidence of a change in use.

#### Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which are measured at fair value.

#### Functional and presentation currency

These financial statements are presented in US dollars which is the Company's functional currency. Unless otherwise stated, all amounts are rounded to the nearest million, except share and earnings per share data.

#### Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note.

#### Note 3: Significant accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

##### (a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and the related foreign currency gain or loss are reported within financing costs in the statements of operations.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined and the related gains and losses are reported in the statements of other comprehensive income. Non-monetary items in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from translation of non-monetary assets and liabilities are recognized in the statements of operations.

##### (b) Fair value

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

The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

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

##### (c) Financial instruments

###### (i) Non-derivative financial assets

The Company initially recognizes non-derivative financial assets on the date that they are originated, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Loans and other financial assets

Loans and other financial assets are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction

costs. Subsequent to initial recognition, loans and other financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Loans and other financial assets comprise receivables from other ArcelorMittal group entities, advances to suppliers and other receivables.

Cash and cash equivalents

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

###### (ii) Non-derivative financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities is accounted for as an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. A contract that is settled by the Company receiving or delivering a fixed number of its own shares for no future consideration, or exchanging a fixed number of its own shares for a fixed amount of cash or another financial asset, is also recognized as an equity instrument.

Mandatorily convertible notes

Mandatorily convertible notes issued by the Company are accounted for as compound financial instruments. The net

present value of the coupon payments at issuance date is recognized as long-term obligation and carried at amortized cost. The value of the equity component is determined based upon the difference of the cash proceeds received from the issuance of the notes and the net present value of the financial liability component on the date of issuance and is included in equity.

#### Financial liabilities

Financial liabilities such as loans and borrowings and other payables are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are settled or cancelled or expired.

Loans and borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the financial position date.

#### (iii) Derivative financial instruments

The Company enters into derivative financial instruments principally to manage its exposure to fluctuations in exchange rates. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if they are not closely related to the host contract. The Company measures all derivative financial

instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in fair value of derivatives are recognized in the statements of operations.

#### (d) Impairment

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired or whenever changes in circumstances indicate that the carrying amount may not be recoverable. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The recoverable amount of investments is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

In the case of available-for-sale investments, 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 statements of operations is removed from other comprehensive income and recognized in the statements of operations.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statements of operations and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized.

When a subsequent event causes the amount of impairment loss to decrease or if there has been a change in the estimates used to determine the recoverable amount, the decrease in impairment loss is reversed through the statements of operations except for reversals of impairment of available-for-sale investments, which are recognized in other comprehensive income.

#### (e) Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by the Company are initially recorded at cost; they include primarily the cost of technology and licenses purchased from third parties. Intangible assets are amortized on a straight-line basis over their estimated economic useful lives, which typically do not exceed five years. Amortization is included in the statements of operations as part of general and administrative expenses.

Amortization methods applied to intangible assets are reviewed at each reporting date and changed if there has been a significant

change in the expected pattern of consumption of the future economic benefits embodied in the assets.

#### (f) Investments in subsidiaries, associates, joint ventures and other investments

Subsidiaries are those companies over which the Company exercises control. The Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for under the cost method.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions and which are not subsidiaries. Generally, significant influence is presumed to exist when the Company holds more than 20% of the voting rights. Joint ventures are those companies over which the Company exercises joint control and has rights to the net assets of the arrangement. Investments in associates in which ArcelorMittal has the ability to exercise significant influence and joint ventures are accounted for at cost.

Investments in other entities, over which the Company does not have the ability to exercise significant influence and have a readily determinable fair value are accounted for at fair value with any resulting gain or loss recognized in the reserves in other comprehensive income. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

The Company reviews all its investments at each reporting date to determine whether there is an indicator that the investment may be impaired. If objective evidence indicates that the investment is impaired, ArcelorMittal calculates the amount of the impairment of the investment as being the

difference between the higher of the fair value less costs to sell or its value in use and its carrying value.

#### (g) Provisions and accruals

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

#### (h) Income taxes

The Company is the head of a tax integration and is fully liable for the overall tax liability of the tax integration. Each of the entities included in the tax integration is charged with the amount of tax that relates to its individual taxable profit and this tax is paid to ArcelorMittal. Tax losses at entity level are transferred to the Company where they are offset with taxable profits for the determination of the net taxable income of the tax integration. Entities do not pay any tax expense to ArcelorMittal on their individual taxable profits prior to full utilization of their individual cumulative tax losses.

The tax currently payable is based on taxable profit (loss) for the year. Taxable profit differs from profit as reported in the statements of operations because it excludes items of income or expense that are never taxable or deductible. The Company's current income tax expense (benefit) is calculated using tax rates that have been

enacted or substantively enacted as of the statements of financial position date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities, in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statements of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences. Deferred tax assets are recognized for net operating loss carry forwards of all entities within the tax integration to the extent that it is probable that taxable profits will be available against which those carry forwards can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the 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 statements of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to enable all or part of the asset to be recovered.

#### (i) Financing costs

Financing costs include mainly interest income and expense, gains (losses) on disposal of investments, fair value adjustments on call option on the mandatory convertible bonds, gains (losses) on other derivative instruments, premiums and fees on borrowings and foreign exchange gains and losses.

#### (j) Income from investments and from industrial franchise agreement

Dividend income is recognized when the shareholders' rights to receive payment have been established. Interest income is accrued as earned, by reference to the principal outstanding and at the prevailing effective interest rate. Income from contractually arranged corporate services is deducted from general and administrative expenses.

On January 1, 2015, ArcelorMittal implemented an industrial franchise agreement with group subsidiaries whereby the Company licenses its business model for manufacturing, processing and distributing steel to group subsidiaries. The business model includes the ArcelorMittal business intelligence, which is a package of business solutions and implementation support combined with the development and maintenance of intangibles such as the ArcelorMittal brand, ArcelorMittal global information technology solutions, ArcelorMittal global research & development and ArcelorMittal global purchase agreements. The industrial franchise fee is calculated as a percentage of the steel sales of the franchisee entities after deduction of purchases of steel products from other franchisee entities.

#### (k) Earnings per common share

Basic earnings per common share is computed by dividing net income as per the consolidated financial statements by the weighted average number of common shares outstanding during the year. Net income attributable to common shareholders takes into consideration dividend rights of preferred shareholders and holders of subordinated perpetual capital securities. 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.

#### (l) Equity settled share-based payments

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

**Note 4: Cash, cash equivalents and restricted cash**

Cash and cash equivalents consisted of the following:

	December 31,	
	2016	2015
Cash at bank interest bearing	512	969
Money market funds <sup>1</sup>	527	1,633
<b>Total</b>	<b>1,039</b>	<b>2,602</b>

<sup>1</sup> Money market funds are highly liquid investments with a maturity of 3 months or less from the date of acquisition.

**Note 5: Prepaid expenses and other current assets**

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2016	2015
Receivables from related parties - tax integration	226	280
Receivables from related parties - corporate services	847	898
Other	75	84
<b>Total</b>	<b>1,148</b>	<b>1,262</b>

Receivables from related parties on tax integration correspond to income tax receivables from entities included in the tax integration headed by the Company. Receivables from related parties for corporate services are related to income from IFA fees and to various corporate services rendered by the Company to its subsidiaries.

Balances with related parties are detailed in note 12.

**Note 6: Intangible assets**

Intangible assets are summarized as follows:

	Patents and licenses	
<b>Cost</b>		
At December 31, 2014		114
Additions		1
At December 31, 2015		115
Additions		2
Disposal		(62)
At December 31, 2016		55
<b>Accumulated amortization and impairment</b>		
At December 31, 2014		(76)
Amortization charge for the year		(9)
At December 31, 2015		(85)
Amortization charge for the year		(9)
Disposal		62
At December 31, 2016		(32)
<b>Carrying amount</b>		
At December 31, 2015		30
At December 31, 2016		23



### Note 7: Property, plant and equipment

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Other fixtures and fittings, tools and equipment	Total
<b>Cost</b>			
At December 31, 2014	37	13	50
Disposals	-	(1)	(1)
At December 31, 2015	37	12	49
Disposals	-	(1)	(1)
At December 31, 2016	37	11	48
<b>Accumulated depreciation and impairment</b>			
At December 31, 2014	(32)	(10)	(42)
Depreciation charge for the year	(3)	(1)	(4)
Disposals	-	-	-
At December 31, 2015	(35)	(11)	(46)
Depreciation charge for the year	(1)	-	(1)
Disposals	-	1	1
At December 31, 2016	(36)	(10)	(46)
<b>Carrying amount</b>			
At December 31, 2015	2	1	3
At December 31, 2016	1	1	2

### Note 8: Investments in subsidiaries

Investments in subsidiaries are summarized as follows:

<b>Cost</b>	
At December 31, 2014	137,267
Capital increase <sup>3,5</sup>	3,273
Disposals <sup>3,6</sup>	(5,177)
Other	19
At December 31, 2015	135,382
Acquisition in kind <sup>1,2,4</sup>	11,369
Acquisition in cash <sup>7</sup>	9
Disposal <sup>3</sup>	(1,171)
Other	13
At December 31, 2016	145,602
<b>Accumulated impairment</b>	
At December 31, 2014	(62,215)
Impairment charge for the year	(33,931)
Disposal <sup>3,6</sup>	3,156
At December 31, 2015	(92,990)
Impairment charge for the year	(8,723)
Disposal <sup>3</sup>	968
At December 31, 2016	(100,745)
<b>Carrying amount</b>	
At December 31, 2015	42,392
At December 31, 2016	44,857

Subsidiary	Registered office	Ownership (%) as of December 31, 2016	Carrying amount as of December 31,		Capital and reserves (including result for 2016)* and based on % of ownership	
			2016	2015	Result for 2016* and based on % of ownership	
AM Global Holding S.à.r.l.	Luxembourg (Luxembourg)	100.00%	30,011	38,716	26,371	5,130
ArcelorMittal Spain Holding S.L. <sup>1</sup>	Madrid (Spain)	100.00%	5,486	-	3,307	508
ArcelorMittal Poland S.A. <sup>2</sup>	Dabrowa Gornicza (Poland)	100.00%	3,473	-	2,296	100
Arcelor Investment S.A. <sup>3</sup>	Luxembourg (Luxembourg)	16.95%	2,551	2,771	2,528	5
Ispat Inland S.à.r.l.	Luxembourg (Luxembourg)	100.00%	1,408	-	1,087	1,087
ArcelorMittal Ostrava AS <sup>4</sup>	Ostrava (Czech Republic)	100.00%	1,057	-	1,092	148
Hera Ermac S.A.	Luxembourg (Luxembourg)	100.00%	576	531	933	402
ArcelorMittal Italy Holding S.r.l.	Piombino (Italy)	62.03%	62	106	116	(7)
ArcelorMittal Cyprus Holding Limited	Nicosia (Cyprus)	100.00%	62	105	62	(39)
Oakey Holding BV <sup>5</sup>	Amsterdam (The Netherlands)	100.00%	59	59	123	-
ArcelorMittal Canada Holdings Inc.	Contrecoeur (Canada)	1.18%	52	52	53	-
Other subsidiaries <sup>7</sup>			60	52	-	-
<b>Total</b>			<b>44,857</b>	<b>42,392</b>		

\* In accordance with unaudited annual accounts and IFRS reporting packages.

#### 1. ArcelorMittal Spain Holding S.L.

On July 1, 2016, the Company received from AM Global Holding S.à.r.l. an interim dividend in kind by means of a 100% interest in ArcelorMittal Spain Holding S.L. for a total consideration of € 6,142 (6,839).

#### 2. ArcelorMittal Poland S.A.

On March 25, 2016, the Company received from AM Global Holding S.à.r.l. an interim dividend in kind by means of a 100% interest in ArcelorMittal Poland S.A. for a total consideration of € 3,113 (3,473).

#### 3. Arcelor Investment S.A.

On December 15, 2016, the Company sold a 1.34 % interest in Arcelor Investment S.A. with a net carrying amount of 203 represented by 40,214,633 shares to various group subsidiaries. The total consideration received amounted to € 192 (202) and resulted in a loss on disposal of 1. On June 25, 2015, the Company subscribed to a capital increase in Arcelor Investment S.A. for an amount of € 2,800 (3,140). On December 18, 2015, the Company sold a 4.42 % interest

in Arcelor Investment S.A. with a net carrying amount of 703 represented by 132,460,126 shares to various group subsidiaries. The total consideration received amounted to € 621 (673) and resulted in a loss on disposal of 30.

#### 4. ArcelorMittal Ostrava AS

On June 29, 2016, the Company received from AM Global Holding S.à.r.l. an interim dividend in kind by means of a 100% interest in ArcelorMittal Ostrava AS for € 953 (1,057).

#### 5. Oakey Holding BV

On March 12, 2015, the Company subscribed to a capital increase in Oakey Holding BV for an amount of 133.

#### 6. AMO Holding Switzerland A.G.

On November 24, 2015, the Company sold its 100% stake in AMO Holding Switzerland A.G. to AMO Holding 17 S.à.r.l., a group subsidiary for a total consideration of €561 (597). The resulting loss on disposal amounted to 721.

#### 7. Other subsidiaries

On December 22, 2016, the Company acquired a 25 % interest in ArcelorMittal Germany Holding GmbH from Quadra International Services B.V. for an amount of € 8 (9).

#### Impairment

The Company assesses at the end of each reporting period whether there is any indication that its investments in subsidiaries may be impaired in accordance with IAS 36, "Impairment of Assets". As the Company's investments in subsidiaries correspond only to holding companies, in making this assessment, the Company considered indicators of impairment of steel and mining operations held directly and indirectly by such holding companies such as significant declines in operational results or changes in the outlook of future profitability, among other potential indicators. As of December 31, 2016, the Company determined that there was an indication that its investments in subsidiaries may be impaired.

When an indication of impairment exists, the Company estimates the recoverable amount of the investments in subsidiaries measured based on the value in use of underlying steel and mining operations. The value in use was determined by estimating cash flows for a period of five years for subsidiaries holding businesses engaged in steel operations and over the life of the mines for those holding businesses engaged in mining operations. With respect to steel operations, the key assumptions for the value in use calculations are primarily the discount rates, growth rates, expected changes to average selling prices, shipments and direct costs during the period. Assumptions for average selling prices and shipments are based on historical experience and expectations of future changes in the market. Cash flow forecasts are derived from the most recent financial plans approved by management. Beyond the specifically forecasted period of five years, the Company extrapolates cash flows for the remaining years based on an

estimated constant growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. Regarding mining operations, the key assumptions for the value in use calculations are primarily the discount rates, capital expenditure, expected changes to average selling prices, shipments and direct costs during the period.

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

assets. The weighted average pre-tax discount rates used for the Company's steel business range from 10.9% to 18.7% and vary by geographic location.

In 2016, the Company recognized a total impairment charge of 10,176 with respect to investments in subsidiaries largely resulting from the dividends in kind it received (see note 18). The total impairment charge included 8,718 and 1,353 related to the Company's investments in AM Global Holding S.à.r.l. and ArcelorMittal Spain Holding S.L, respectively. It included also 44, 43 and 18 related to the Company's investments in ArcelorMittal Italy Holding S.r.l., ArcelorMittal Cyprus

Holding Limited and Arcelor Investment S.A., respectively. The impairment charge is the amount by which the carrying amount of the Company's investments in these subsidiaries exceeded their respective estimated recoverable amounts as of December 31, 2016. Additionally, the Company recognized impairment reversals for 1,453, of which 1,408 related to ArcelorMittal's investment in Ispat Inland S.à.r.l. as a result of an improved economic outlook for U.S. operations and 45 with respect to Hera Ermac S.A.

In 2015, the Company recognized a total impairment charge of 33,931 with respect to investments in subsidiaries, of which 29,922

related to its investment in AM Global Holding and 3,725 representing a full impairment of its investment in Ispat Inland S.à.r.l. The impairment charge included also 16 related to its investment in ArcelorMittal Cyprus Holding Limited, 74 related to Oakey Holding BV, 135 related to Arcelor Investment S.A., 45 related to Hera Ermac S.A. and 14 related to ArcelorMittal Canada Holdings Inc. The impairment charge is the amount by which the carrying amount of the Company's investments in these subsidiaries exceeded their respective estimated recoverable amounts as of December 31, 2015.

#### Note 9: Investments in associates, joint ventures and other investments

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

	December 31, 2016	December 31, 2015
Investments accounted for at cost	365	459
Available-for-sale investments	-	153
<b>Total</b>	<b>365</b>	<b>612</b>
<b>Investments accounted for at cost</b>		
<b>Cost</b>		
At December 31, 2014	1,047	
At December 31, 2015	1,047	
Reclassification to assets held for sale (note 10)	(433)	
At December 31, 2016	614	
<b>Accumulated impairment</b>		
At December 31, 2014	(121)	
Impairment charge for the year <sup>3</sup>	(467)	
At December 31, 2015	(588)	
Impairment charge for the year	(94)	
Reclassification to assets held for sale (note 10)	433	
At December 31, 2016	(249)	
<b>Carrying amount</b>		
At December 31, 2015	459	
At December 31, 2016	365	
<b>Available-for-sale investments</b>		
Carrying amount at December 31, 2015	153	
Remeasurement at fair value	12	
Disposal	(165)	
Carrying amount at December 31, 2016	-	

Investee	Category	Registered office	Ownership (%) at December 31, 2016	Carrying value December 31,	
				2016	2015
Hunan Valin <sup>1</sup>	Available-for-sale investment	Changsha- Hunan (China)	-	-	153
VAMA <sup>2</sup>	Joint venture	Loudi (China)	49.00%	141	206
China Oriental <sup>3</sup>	Associate	Wanchan (Hong Kong)	17.39%	224	224
Other				-	29
<b>Total</b>				<b>365</b>	<b>612</b>

### 1. Hunan Valin

On September 14, 2016, the Company sold its 10.08 % stake in Hunan Valin to a private equity fund for a total consideration of 165. The sale resulted in a gain on disposal of 74 which correspond to the reclassification of accumulated unrealized gains from other comprehensive income to the statements of operations.

The fair value of ArcelorMittal's investment in Hunan Valin amounted to 153 as of December 31, 2015. Unrealized gains recognized in other comprehensive income amounted to 62 for the year ended December 31, 2015.

### 2. VAMA

Valin ArcelorMittal Automotive Steel Co. Ltd. ("VAMA") is a joint venture between the Company

and Hunan Valin which produces steel for high-end applications in the automobile industry. VAMA supplies international automakers and first-tier suppliers as well as Chinese car manufacturers and their supplier networks. The plant was inaugurated on June 15, 2014.

The Company assessed the recoverability of its investment and recognized a loss of 94 and nil as of December 31, 2016 and 2015, respectively.

### 3. China Oriental

China Oriental Group Company Limited ("China Oriental") is a Chinese integrated iron and steel conglomerate listed on the Hong Kong Stock Exchange ("HKEx"). On January 27, 2017, in order to restore the minimum free float requirement, China Oriental

issued 586,284,000 new shares resulting in a decrease of the Company's interest from 17.39% to 14.49%. Public trading resumed on February 1, 2017. In 2016 and 2015, the Company assessed the recoverability of its investment and recognized an impairment charge of nil and 34, respectively.

### Note 10: Assets held for sale

On October 21, 2016, ArcelorMittal signed an agreement with Kalagadi Alloys (Proprietary) Ltd for the sale of its 50 % investment in Kalagadi Manganese for a deferred consideration to be paid during the life of the mine and capped at 150. The completion of the sale is subject to various closing conditions and regulatory approvals. The South African Competition Commission approved

the sale on January 16, 2017. The Company expects to complete the sale during the first half of 2017 and classified its investment as held for sale at December 31, 2016.

As of December 31, 2016, the carrying amount of the investment and related loans was nil.

In 2015, the Company recognized an impairment charge of 433 for the full carrying amount of the investment and of 78 for the loans as a result of a downward revision of cash flow projections resulting from the expectation of the persistence of a lower manganese price outlook.

### Note 11: Other assets

Other assets are summarized as follows:

	December 31,	
	2016	2015
Derivative financial instruments	3	85
Call option on mandatory convertible bonds <sup>1</sup>	175	4
Other	27	29
<b>Total</b>	<b>205</b>	<b>118</b>

<sup>1</sup> The Company holds the option to call the mandatory convertible bonds (see note 14).

### Note 12: Balances and transactions with related parties

The Company entered into transactions with related parties that include companies and entities under common control and/or common management, companies under control (directly or indirectly) including their associates and joint ventures, their shareholders and key management personnel. Related parties also include the Significant Shareholder, which is a trust of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries and which owns 37.4% of ArcelorMittal's ordinary shares.

Transactions with related parties were as follows:

#### Current loans to related parties

Related party	Category	December 31,	
		2016	2015
Quadra International Services B.V.	Subsidiary	1,114	23
JSC ArcelorMittal Temirtau	Subsidiary	524	499
ArcelorMittal Brasil S.A.	Subsidiary	329	431
ArcelorMittal South Africa Limited	Subsidiary	88	210
VAMA	Joint Venture	22	-
ArcelorMittal Treasury Americas LLC	Subsidiary	13	11
Ocean Prosper Inc	Associate	2	20
Ocean Pride Inc	Associate	2	19
Other		5	6
<b>Total</b>		<b>2,099</b>	<b>1,219</b>

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

In 2016, the Company assessed the recoverability of loans granted to related parties and recorded accordingly an impairment charge of 114. This amount included 107 relating to loans granted to ArcelorMittal Liberia Holdings Limited.

In 2015, the Company assessed the recoverability of loans granted to related parties and recorded accordingly an impairment charge of 1,656. This amount included 1,475 relating to loans granted to ArcelorMittal Liberia Holdings Limited in connection with a downward revision of future cash flow projections resulting from the expected persistence of a lower raw material price outlook. It also included 103 relating to loans granted to the idled ArcelorMittal Point Lisas Limited facility and 78 with respect to loans granted to the joint venture Kalagadi Manganese (see note 10).

#### Other current assets

Related party	Category	December 31,	
		2016	2015
ArcelorMittal USA LLC	Subsidiary	168	197
PJSC ArcelorMittal Kryvyi Rih	Subsidiary	132	137
ArcelorMittal Germany Holding GmbH	Subsidiary	75	-
Arcelor Investment SA	Subsidiary	71	82
ArcelorMittal Atlantique et Lorraine	Subsidiary	70	75
ArcelorMittal Belgium	Subsidiary	60	61
JSC ArcelorMittal Temirtau	Subsidiary	48	23
ArcelorMittal Belval & Differdange	Subsidiary	43	47
ArcelorMittal España, S.A.	Subsidiary	42	42
ArcelorMittal Energy S.C.A.	Subsidiary	40	45
ArcelorMittal South Africa Limited	Subsidiary	36	24
ArcelorMittal Finance	Subsidiary	31	26
ArcelorMittal Sourcing	Subsidiary	27	103
ArcelorMittal Méditerranée	Subsidiary	27	34
ArcelorMittal Brasil S.A.	Subsidiary	23	26
Other		157	295
<b>Total</b>		<b>1,050</b>	<b>1,217</b>

#### Non-current loans to related parties

Related party	Category	December 31,	
		2016	2015
ArcelorMittal Treasury Americas LLC	Subsidiary	5,094	4,938
ArcelorMittal Brasil S.A.	Subsidiary	1,708	1,196
ArcelorMittal USA Holdings Inc.	Subsidiary	1,700	1,700
Global Chartering Limited	Subsidiary	220	-
Ocean Prosper Inc	Associate	16	-
Ocean Pride Inc	Associate	15	-
Quadra International Services B.V.	Subsidiary	-	1,128
Other		1	1
<b>Total</b>		<b>8,754</b>	<b>8,963</b>

#### Current loans from related parties

Related party	Category	December 31,	
		2016	2015
ArcelorMittal Treasury S.N.C. <sup>1</sup>	Subsidiary	2,502	1,512
Ferrosure (Isle of Man) Insurance Co. Ltd	Subsidiary	550	550
ArcelorMittal USA LLC	Subsidiary	500	-
ArcelorMittal International FZE	Subsidiary	300	200
ArcelorMittal Luxembourg S.A. <sup>1</sup>	Subsidiary	14	14
ArcelorMittal Holdings AG	Subsidiary	-	940
<b>Total</b>		<b>3,866</b>	<b>3,216</b>

<sup>1</sup> Current loans correspond to cash pooling balances.

### Accrued expenses and other liabilities

Accrued expenses and other liabilities with related parties correspond mainly to payables to IFA service providers (research & development, IT, purchasing and segment costs).

Related party	Category	December 31,	
		2016	2015
ArcelorMittal Europe	Subsidiary	228	206
ArcelorMittal Treasury S.N.C. <sup>1</sup>	Subsidiary	75	108
ArcelorMittal Maizières Research SA	Subsidiary	29	18
ArcelorMittal USA LLC	Subsidiary	16	10
ArcelorMittal Atlantique et Lorraine	Subsidiary	15	8
ArcelorMittal Tailored Blanks Holding BV	Subsidiary	12	-
ArcelorMittal America Inc.	Subsidiary	10	6
ArcelorMittal Finance	Subsidiary	4	11
ArcelorMittal Belval & Differdange	Subsidiary	2	47
Other		74	88
<b>Total</b>		<b>465</b>	<b>502</b>

<sup>1</sup> Corresponds to financial instruments with ArcelorMittal Treasury S.N.C.

### Non-current loans from related parties

Related party	Category	December 31,	
		2016	2015
ArcelorMittal Finance	Subsidiary	3,004	5,443
ArcelorMittal Holdings AG	Subsidiary	840	-
Expert Placements Services Limited	Subsidiary	375	-
ArcelorMittal Treasury Financial Services S.à r.l.	Subsidiary	324	324
<b>Total</b>		<b>4,543</b>	<b>5,767</b>

### IFA fees

Related party	Category	Year ended December 31,	
		2016	2015
ArcelorMittal USA LLC	Subsidiary	161	197
ArcelorMittal Germany Holding GmbH	Subsidiary	75	-
ArcelorMittal Atlantique et Lorraine	Subsidiary	68	75
ArcelorMittal Belgium	Subsidiary	59	61
ArcelorMittal Poland S.A.	Subsidiary	50	59
ArcelorMittal Dofasco G.P.	Subsidiary	49	59
ArcelorMittal España, S.A.	Subsidiary	46	46
JSC ArcelorMittal Temirtau	Subsidiary	27	29
ArcelorMittal Méditerranée	Subsidiary	26	34
ArcelorMittal Belval & Differdange	Subsidiary	22	24
ArcelorMittal Long Products Canada G.P.	Subsidiary	18	21
ArcelorMittal Ostrava AS	Subsidiary	18	21
ArcelorMittal Mexico S.A. de C.V.	Subsidiary	15	19
ArcelorMittal Bremen GmbH	Subsidiary	-	37
ArcelorMittal Eisenhüttenstadt GmbH	Subsidiary	-	20
Other		88	139
<b>Total</b>		<b>722</b>	<b>841</b>

### General and administrative expenses

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

The amount for the year ended December 31, 2016 and 2015 included the acquisition of intellectual property rights for 27 and 483, respectively.

Related party	Category	Year ended December 31,	
		2016	2015
ArcelorMittal Europe	Subsidiary	169	176
ArcelorMittal Maizières Research SA	Subsidiary	98	101
ArcelorMittal USA LLC	Subsidiary	44	272
ArcelorMittal Atlantique et Lorraine	Subsidiary	32	32
ArcelorMittal America Inc	Subsidiary	27	24
ArcelorMittal Limited	Subsidiary	22	50
ArcelorMittal Tubular Products Luxembourg S.A.	Subsidiary	15	3
OCAS NV	Subsidiary	14	18
ArcelorMittal España, S.A.	Subsidiary	14	14
ArcelorMittal Dofasco G.P.	Subsidiary	12	14
ArcelorMittal Belgium	Subsidiary	4	127
ArcelorMittal Bremen GmbH	Subsidiary	-	38
ArcelorMittal Eisenhüttenstadt GmbH	Subsidiary	-	23
Other		3	67
<b>Total</b>		<b>454</b>	<b>959</b>

### Financing costs – net

Financing costs –net included the following income from related parties for the year ended December 31, 2016 and 2015:

Related party (income)/expenses	Category	Year ended December 31,	
		2016	2015
ArcelorMittal Finance	Subsidiary	239	255
ArcelorMittal Treasury S.N.C.	Subsidiary	61	22
ArcelorMittal Holdings AG	Subsidiary	35	19
Expert Placements Services Limited	Subsidiary	10	-
ArcelorMittal South Africa Limited	Subsidiary	(7)	(20)
JSC ArcelorMittal Temirtau	Subsidiary	(25)	(18)
Quadra International Services B.V.	Subsidiary	(69)	(67)
ArcelorMittal USA Holdings Inc.	Subsidiary	(94)	(94)
ArcelorMittal Brasil S.A.	Subsidiary	(242)	(199)
ArcelorMittal Treasury Americas LLC	Subsidiary	(293)	(291)
Other		(6)	(1)
<b>Total</b>		<b>(391)</b>	<b>(394)</b>

### Note 13: Short-term and long-term debt

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

	December 31,	
	2016	2015
Short-term bank loans and other credit facilities including commercial paper	392	71
Current portion of long-term debt	597	1,698
<b>Total</b>	<b>989</b>	<b>1,769</b>

### Commercial paper

The Company has a commercial paper program enabling borrowings of up to €1 billion. As of December 31, 2016, the outstanding amount was 392.

Long-term debt is comprised of the following:

	Year of maturity	Type of Interest	Interest rate <sup>1</sup>	December 31,	
				2016	2015
5.5 billion Revolving Credit Facility - 2.3 billion tranche	2019	Floating		-	-
5.5 billion Revolving Credit Facility - 3.2 billion tranche	2021	Floating		-	-
€1.0 billion Unsecured Bonds	2016	Fixed	10.63%	-	1,088
1.4 billion Unsecured Notes <sup>2</sup>	2017	Fixed	5.50%	-	1,398
€1.0 billion Unsecured Bonds <sup>3</sup>	2017	Fixed	5.88%	568	1,085
€500 million Unsecured Notes <sup>3</sup>	2018	Fixed	5.75%	351	543
€400 million Unsecured Notes	2018	Floating	1.73%	421	434
1.5 billion Unsecured Notes <sup>3,6</sup>	2018	Fixed	6.13%	648	1,500
€750 million Unsecured Notes	2019	Fixed	3.00%	788	812
1.5 billion Unsecured Notes <sup>4,6</sup>	2019	Fixed	10.85%	842	1,480
500 Unsecured Notes <sup>5,6</sup>	2020	Fixed	5.13%	323	497
CHF 225 million Unsecured Notes	2020	Fixed	2.50%	220	225
€600 million Unsecured Notes	2020	Fixed	2.88%	627	647
1.0 billion Unsecured Bonds <sup>5,6</sup>	2020	Fixed	6.25%	620	989
1.5 billion Unsecured Notes <sup>5,6</sup>	2021	Fixed	6.50%	752	1,490
€500 million Unsecured Notes	2021	Fixed	3.00%	523	540
€750 million Unsecured Notes	2022	Fixed	3.13%	786	811
1.1 billion Unsecured Notes	2022	Fixed	7.25%	1,092	1,091
500 Unsecured Notes	2025	Fixed	6.13%	497	496
1.5 billion Unsecured Bonds	2039	Fixed	8.00%	1,466	1,465
1.0 billion Unsecured Notes	2041	Fixed	7.75%	984	984
Other loans	2021	Fixed	3.46%	29	52
300 Term Loan Facility	2016	Floating	2.93%	-	300
EIB loan	2016	Floating	1.37%	-	272
ICO loan	2017	Floating	2.18%	7	23
Other loans	2017 - 2035	Floating	0.01% - 3.47%	250	270
<b>Total</b>				<b>11,794</b>	<b>18,492</b>
Less current portion of long-term debt				(597)	(1,698)
<b>Total long-term debt, net of current portion</b>				<b>11,197</b>	<b>16,794</b>

<sup>1</sup> Rates applicable to balances outstanding at December 31, 2016, including the effect of step-ups following downgrades. For debt that has been redeemed in its entirety during 2016, the interest rates refer to the rates at repayment date.

<sup>2</sup> Early redeemed on May 20, 2016.

<sup>3</sup> Bonds or Notes partially repurchased on April 19, 2016, pursuant to cash tender offers.

<sup>4</sup> Notes partially repurchased in May 2016, pursuant to cash tender offer.

<sup>5</sup> Bonds or Notes partially repurchased on June 29, 2016, pursuant to cash tender offers.

<sup>6</sup> Bonds or Notes partially repurchased on September 23, 2016, pursuant to cash tender offers.

#### 5.5 billion Revolving Credit Facility

On December 21, 2016, ArcelorMittal signed an agreement for a \$5.5 billion revolving credit facility (the "Facility"). This Facility amends and restates the \$6 billion revolving credit facility dated April 30, 2015. The amended agreement incorporates a first tranche of \$2.3 billion maturing on December 21, 2019, and a second tranche of \$3.2 billion maturing on December 21,

2021, restoring the Facility to the original tenors of 3 years and 5 years. The Facility may be used for general corporate purposes. As of December 31, 2016, the \$5.5 billion revolving credit facility remains fully available.

#### Bonds

On September 23, 2016, pursuant to cash tender offers, ArcelorMittal purchased:

- 420 of its U.S. dollar denominated 6.125% Notes due June 1, 2018 (the "USD 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 457. Following this purchase, 644 principal amount of the June 2018 Notes remained outstanding.

- 241 of its U.S. dollar denominated 9.85% Notes due June 1, 2019

(the "USD 2019 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 301. Following this purchase, 851 principal amount of the June 2019 Notes remained outstanding. On March 1, 2017, ArcelorMittal elected to call and redeem the outstanding USD 2019 Notes. The settlement will occur on April 3, 2017.



- 63 of its U.S. dollar denominated 5.125% Notes due June 1, 2020 (the "June 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 68. Following this purchase, 324 principal amount of the June 2020 Notes remained outstanding.
  - 228 of its U.S. dollar denominated 5.25% Notes due August 5, 2020 (the "August 2020 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 253. Following this purchase, 626 principal amount of the August 2020 Notes remained outstanding.
  - 421 of its U.S. dollar denominated 5.50% Notes due March 1, 2021 (the "2021 Notes") for a total aggregate purchase price (including premiums and accrued interest) of 469. Following this purchase, 756 principal amount of the 2021 Notes remained outstanding.
- The 6.250% Notes due February 5, 2022 (the "2022 Notes") were included in the cash tender offer, but none of the tendered Notes were accepted.
- On June 29 and July 14, 2016, pursuant to cash tender offers, ArcelorMittal repurchased:
    - 113 of its U.S. dollar denominated June 2020 Notes for a total aggregate purchase price (including premiums and accrued interest) of 119. Following this purchase, 387 principal amount of the June 2020 Notes remained outstanding.
    - 147 of its U.S. dollar denominated August 2020 Notes for a total aggregate purchase price (including premiums and accrued interest) of 160. Following this purchase, 853 principal amount of the August 2020 Notes remained outstanding.
    - 323 of its U.S. dollar denominated 2021 Notes for a total aggregate purchase price (including premiums and accrued interest) of 347. Following this purchase, 1,177 principal amount of the 2021 Notes remained outstanding.
  - On June 3, 2016, at maturity, ArcelorMittal repaid its €1 billion 9.375% unsecured bonds.
- On May 20, 2016, ArcelorMittal redeemed its U.S. dollar denominated 1.4 billion 4.5% Notes due February 25, 2017, prior to their scheduled maturity for a total amount of 1,466, including premium and accrued interest.
  - In May 2016, pursuant to cash tender offers, ArcelorMittal purchased 408 of its USD 2019 Notes for a total aggregate purchase price (including premiums and accrued interest) of 498. Following this purchase, 1,092 principal amount of the USD 2019 Notes remained outstanding.
  - In April 2016, pursuant to cash tender offers, ArcelorMittal repurchased:
    - 437 of its U.S. dollar denominated USD 2018 Notes for a total aggregate purchase price (including premiums and accrued interest) of 467. Following this purchase, 1,063 principal amount of USD 2018 Notes remained outstanding.
    - €460 million of its euro denominated 4.625% Notes due November 17, 2017 (the "Euro 2017 Notes") for a total aggregate purchase price (including premiums and accrued interest)
- of €511 million. Following this purchase, €540 million principal amount of Euro 2017 Notes remained outstanding.
- €166 million of its euro denominated 4.50% Notes due March 29, 2018 (the "Euro 2018 Notes") for a total aggregate purchase price (including premiums and accrued interest) of €181 million. Following this purchase, €334 million principal amount of the Euro 2018 Notes remained outstanding.
- As a result of the above mentioned redemptions, net financing costs for the year ended December 31, 2016, included 399 of premiums and other fees.
- The margin applicable to ArcelorMittal's principal credit facilities (\$5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings.
- Previous downgrades triggered the interest rate "step-up" clauses for the outstanding bonds listed below:

Nominal value	Date of issuance	Repayment date	Interest rate	Issued at
€1.0 billion Unsecured Bonds <sup>(1)</sup>	November 18, 2010	November 17, 2017	5.88%	99.32%
1.4 billion Unsecured Notes	February 28, 2012	February 25, 2017	5.50% <sup>(2)</sup>	99.69%
€400 million Unsecured Notes <sup>(1)</sup>	April 9, 2015	April 9, 2018	Euribor 3M+2.03%	100.00%
1.5 billion Unsecured Notes	May 27, 2008	June 1, 2018	6.13%	99.57%
€500 billion Unsecured Notes <sup>(1)</sup>	March 29, 2012	March 29, 2018	5.75%	99.71%
1.5 billion Unsecured Notes	May 20, 2009	June 1, 2019	10.85% <sup>(2)</sup>	97.52%
€750 million Unsecured Notes <sup>(1)</sup>	March 25, 2014	March 25, 2019	3.00%	99.65%
500 Unsecured Notes	June 1, 2015	June 1, 2020	5.13%	100.00%
CHF 225 million Unsecured Notes <sup>(1)</sup>	July 3, 2015	July 3, 2020	2.50%	100.00%
€600 million Unsecured Notes <sup>(1)</sup>	July 4, 2014	July 6, 2020	2.88%	99.18%
1.0 billion Unsecured Bonds	August 5, 2010	August 5, 2020	6.25% <sup>(2)</sup>	98.46%
1.5 billion Unsecured Notes	March 7, 2011	March 1, 2021	6.50% <sup>(2)</sup>	99.36%
€500 million Unsecured Notes <sup>(1)</sup>	April 9, 2015	April 9, 2021	3.00%	99.55%
€750 million Unsecured Notes <sup>(1)</sup>	January 14, 2015	January 14, 2022	3.13%	99.73%
1.1 billion Unsecured Notes	February 28, 2012	February 25, 2022	7.25% <sup>(2)</sup>	98.28%
500 Unsecured Notes	June 1, 2015	June 1, 2025	6.13%	100.00%
1.0 billion Unsecured Bonds	October 1, 2009	October 15, 2039	8.00% <sup>(2)</sup>	95.20%
500 Unsecured Bonds	August 5, 2010	October 15, 2039	8.00% <sup>(2)</sup>	104.84%
1.0 billion Unsecured Notes	March 7, 2011	March 1, 2041	7.75% <sup>(2)</sup>	99.18%

<sup>(1)</sup> Issued under the Euro Medium Term Notes Programme, extended from €3 billion to €6 billion on March 20, 2015

<sup>(2)</sup> Change in interest rate following downgrades in 2015.

**300 Term Loan Facility**

On December 20, 2013, ArcelorMittal entered into a term loan facility in an aggregate amount of 300, maturing on December 20, 2016. The facility was repaid at maturity.

**European Investment Bank ("EIB") Loan**

On December 16, 2016, ArcelorMittal signed a €350 million finance contract with the European Investment Bank in order to finance European research, development and innovation projects over the period 2017-2020 within the European Union, namely predominantly

France, Belgium and Spain, but also in Czech Republic, Poland, Luxembourg and Romania.

This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2016, the facility remains fully available.

On July 15, 2010, 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. The full amount of €250 million was drawn down on September 27, 2011 and repaid at maturity on September 27, 2016.

**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, 2016 and 2015 was 7 and 23, respectively.

**Other loans**

The other loans relate to various debt with banks and public institutions.

**Other**

Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and ArcelorMittal's ability to dispose of assets in certain circumstances. Certain of these agreements also require compliance with a financial covenant.

As of December 31, 2016 the scheduled maturities of short-term debt and long-term debt including its current portion are as follows:

2017	989
2018	1,431
2019	1,770
2020	1,799
2021	1,283
Subsequent	4,914
<b>Total</b>	<b>12,186</b>

The Company monitors its net debt in order to manage its capital. The following table presents the structure of the Company's net debt by original currencies:

	Presented in USD by original currency as at December 31, 2016				
	Total USD	EUR	USD	CHF	Other
Short-term debt including the current portion of long-term debt	989	903	49	-	37
Long-term debt	11,197	3,628	7,349	220	-
Cash and cash equivalent	(1,039)	(580)	(446)	-	(13)
<b>Net debt</b>	<b>11,147</b>	<b>3,951</b>	<b>6,952</b>	<b>220</b>	<b>24</b>

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 the estimated fair value of the Company's short and long-term debt is:

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Instruments payable bearing interest at fixed rates	11,116	11,966	17,193	14,738
Instruments payable bearing interest at variable rates	678	648	1,299	1,125
<b>Total long-term debt, including current portion</b>	<b>11,794</b>	<b>12,614</b>	<b>18,492</b>	<b>15,863</b>
Short term bank loans and other credit facilities including commercial paper	392	392	71	71

The following tables summarize the Company's bases used to measure its debt at fair value. Fair value measurement has been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

		As of December 31, 2016			
		Fair Value			Total
Carrying amount		Level 1	Level 2	Level 3	
Instruments payable bearing interest at fixed rates	11,116	11,939	27	-	11,966
Instruments payable bearing interest at variable rates	678	409	239	-	648
Total long-term debt, including current portion	11,794	12,348	266	-	12,614
Short term bank loans and other credit facilities including commercial paper	392	-	392	-	392

		As of December 31, 2015			
		Fair Value			Total
Carrying amount		Level 1	Level 2	Level 3	
Instruments payable bearing interest at fixed rates	17,193	14,707	31	-	14,738
Instruments payable bearing interest at variable rates	1,299	386	739	-	1,125
Total long-term debt, including current portion	18,492	15,093	770	-	15,863
Short term bank loans and other credit facilities including commercial paper	71	-	71	-	71

Instruments payable classified as Level 1 refer to the Company's listed bonds quoted in active markets. The total fair value is the official closing price as defined by the exchange on which the instrument is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

Instruments payable classified as Level 2 refer to all debt instruments not classified as Level 1. The fair value of the debt is based on estimated future cash flows converted into U.S. dollar at the forward rate and discounted using current U.S. dollar zero coupon rates and ArcelorMittal's credit spread quotations for the relevant maturities.

There were no instruments payable classified as Level 3.

#### Note 14: Financial instruments

The Company enters into derivative financial instruments to manage its exposure to fluctuations in exchange rates and hedge its obligations arising out of the potential conversion of the convertible bonds in connection with financing and investment activities.

#### *Fair values versus carrying amounts*

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require judgment in interpreting market data and developing estimates. The following tables summarize assets and liabilities based on their categories at December 31, 2016:

	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Available-for-sale assets	Derivatives
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalent	1,039	-	1,039	-	-	-
Current loans to related parties	2,099	-	2,099	-	-	-
Prepaid expenses and other current assets	1,148	873	274	-	-	1
<b>Total current assets</b>	<b>4,286</b>	<b>873</b>	<b>3,412</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Non-current assets:</b>						
Intangibles assets	23	23	-	-	-	-
Property, plant and equipment	2	2	-	-	-	-
Investments in subsidiaries	44,857	44,857	-	-	-	-
Investments in associates, joint ventures and other investments	365	365	-	-	-	-
Non-current loans to related parties	8,754	-	8,754	-	-	-
Deferred tax assets	6,110	6,110	-	-	-	-
Other assets	205	-	27	-	-	178
<b>Total non-current assets</b>	<b>60,316</b>	<b>51,357</b>	<b>8,781</b>	<b>-</b>	<b>-</b>	<b>178</b>
<b>Total assets</b>	<b>64,602</b>	<b>52,230</b>	<b>12,193</b>	<b>-</b>	<b>-</b>	<b>179</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current liabilities:</b>						
Short-term debt and current portion of long-term debt	989	-	-	989	-	-
Current loans from related parties	3,866	-	-	3,866	-	-
Accrued expenses and other liabilities	719	340	-	304	-	75
<b>Total current liabilities</b>	<b>5,574</b>	<b>340</b>	<b>-</b>	<b>5,159</b>	<b>-</b>	<b>75</b>
<b>Non-current liabilities:</b>						
Long-term debt, net of current portion	11,197	-	-	11,197	-	-
Non-current loans from related parties	4,543	-	-	4,543	-	-
Deferred employee benefits	17	17	-	-	-	-
Long-term provisions and other obligations	112	88	-	-	-	24
<b>Total non-current liabilities</b>	<b>15,869</b>	<b>105</b>	<b>-</b>	<b>15,740</b>	<b>-</b>	<b>24</b>
<b>Total equity</b>	<b>43,159</b>	<b>43,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>	<b>64,602</b>	<b>43,604</b>	<b>-</b>	<b>20,899</b>	<b>-</b>	<b>99</b>

The following table summarizes assets and liabilities based on their categories at December 31, 2015:

	Carrying amount in statements of financial position	Non-financial assets and liabilities	Loan and receivables	Liabilities at amortized cost	Available-for- sale assets	Derivatives
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalent	2,602	-	2,602	-	-	-
Current loans to related parties	1,219	-	1,219	-	-	-
Prepaid expenses and other current assets	1,262	992	253	-	-	17
<b>Total current assets</b>	<b>5,083</b>	<b>992</b>	<b>4,074</b>	<b>-</b>	<b>-</b>	<b>17</b>
Non-current assets:						
Intangibles assets	30	30	-	-	-	-
Property, plant and equipment	3	3	-	-	-	-
Investments in subsidiaries	42,392	42,392	-	-	-	-
Investments in associates, joint ventures and other investments	612	459	-	-	153	-
Non-current loans to related parties	8,963	-	8,963	-	-	-
Deffered tax	6,803	6,803	-	-	-	-
Other assets	118	4	25	-	-	89
<b>Total non-current assets</b>	<b>58,921</b>	<b>49,691</b>	<b>8,988</b>	<b>-</b>	<b>153</b>	<b>89</b>
<b>Total assets</b>	<b>64,004</b>	<b>50,683</b>	<b>13,062</b>	<b>-</b>	<b>153</b>	<b>106</b>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Short-term debt and current portion of long-term debt	1,769	-	-	1,769	-	-
Current loans from related parties	3,216	-	-	3,216	-	-
Accrued expenses and other liabilities	1,032	282	-	642	-	108
<b>Total current liabilities</b>	<b>6,017</b>	<b>282</b>	<b>-</b>	<b>5,627</b>	<b>-</b>	<b>108</b>
Non-current liabilities:						
Long-term debt, net of current portion	16,794	-	-	16,794	-	-
Non-current loans from related parties	5,767	-	-	5,767	-	-
Deferred employee benefits	17	17	-	-	-	-
Other long-term obligations	26	-	-	2	-	24
<b>Total non-current liabilities</b>	<b>22,604</b>	<b>17</b>	<b>-</b>	<b>22,563</b>	<b>-</b>	<b>24</b>
<b>Total equity</b>	<b>35,383</b>	<b>35,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>	<b>64,004</b>	<b>35,682</b>	<b>-</b>	<b>28,190</b>	<b>-</b>	<b>132</b>

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

The levels are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

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

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

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value:</b>				
Derivative financial current assets	-	1	-	1
Derivative financial non-current assets	-	3	175	178
<b>Total assets at fair value</b>	<b>-</b>	<b>4</b>	<b>175</b>	<b>179</b>
<b>Liabilities at fair value</b>				
Derivative financial current liabilities	-	(75)	-	(75)
Derivative financial non-current liabilities	-	(24)	-	(24)
<b>Total liabilities at fair value</b>	<b>-</b>	<b>(99)</b>	<b>-</b>	<b>(99)</b>

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets at fair value:</b>				
Available-for-sale financial assets	153	-	-	153
Derivative financial current assets	-	17	-	17
Derivative financial non-current assets	-	85	4	89
<b>Total assets at fair value</b>	<b>153</b>	<b>102</b>	<b>4</b>	<b>259</b>
<b>Liabilities at fair value</b>				
Derivative financial current liabilities	-	(108)	-	(108)
Derivative financial non-current liabilities	-	(24)	-	(24)
<b>Total liabilities at fair value</b>	<b>-</b>	<b>(132)</b>	<b>-</b>	<b>(132)</b>

Available-for-sale financial assets classified as Level 1 refer to listed securities quoted in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. The total fair value is either the price of the most recent trade at the time of the market close or the official close price as defined by the exchange on which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. The decrease in available-for-sale financial assets is related to the sale of the Company's 10.08% shareholding in Hunan Valin (see note 9).

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 non-current assets classified as Level 3 refer to the call option on the 1,000 mandatory convertible bonds (see below). The fair valuation of Level 3 derivative instruments is established at each reporting date in relation to which an analysis is performed in respect of changes in the fair value measurement since the last period. ArcelorMittal's valuation policies for Level 3 derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the accuracy of the valuation model and the knowledge of the staff performing the valuations.

ArcelorMittal establishes the fair valuation of the call option on the 1,000 mandatory convertible bonds through the use of binomial valuation models based on the estimated values of the underlying equity spot price of \$170 and volatility of 10.13%. Binomial valuation models use an iterative procedure to price options, allowing for the specification of nodes, or points in time, during the time span between the valuation date and the option's expiration date. In contrast to the Black-Scholes model, which provides a numerical result based on inputs, the binomial model allows for the calculation of the asset and the option for multiple periods along with the range of possible results for each period.

Observable input data used in the valuations include zero coupon yield curves, stock market prices, European Central Bank foreign exchange fixing rates and Libor interest rates. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available. Specifically the Company computes unobservable volatility data based mainly on the movement of stock market prices observable in the active market over 90 working days.

The following table summarizes the reconciliation of the fair value of the conversion option classified as Level 3 with respect to the call option on the 1,000 mandatory convertible bonds for the year ended December 31, 2016 and 2015, respectively:

Call option on 1,000 mandatory convertible bonds	
Balance as of December 31, 2014	112
Change in fair value	(108)
Balance as of December 31, 2015	4
Change in fair value	171
Balance as of December 31, 2016	175

#### Portfolio of Derivatives

Except for the call options on the 1,000 mandatory convertible bond, certain cross currency swaps and some other limited exceptions, the Company's portfolio of derivatives consists of transactions with ArcelorMittal Treasury S.N.C., which in turn enters into offsetting position with counterparties external to ArcelorMittal.

The portfolio associated with derivative financial instruments as of December 31, 2016 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments:				
Forward sale of contracts	21	1	889	(75)
Currency swaps sales	500	3	500	(24)
Total		4		(99)

The portfolio associated with derivative financial instruments as of December 31, 2015 is as follows:

	Assets		Liabilities	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange rate instruments:				
Forward sales of contracts	241	17	1,161	(108)
Currency swap sales	375	85	1,000	(24)
Total		102		(132)

#### 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.

#### Foreign exchange rate risk

The Company is exposed to changes in values arising from foreign exchange rate fluctuations generated by its operating activities. Because of a substantial portion of ArcelorMittal's assets, liabilities, income and expenses are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has an exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro and the Canadian dollar, could have a material impact on its financial position and results of operations.

ArcelorMittal faces transaction risk, which arises when ArcelorMittal translates its net debt (see note 13) and other items denominated in currencies other than the U.S. dollars. The Company also uses the derivative instruments, described above, at the corporate level to hedge debt recorded in foreign currency other than the functional currency or the balance sheet risk associated with certain monetary assets denominated in a foreign currency other than the functional currency.

#### Liquidity Risk

ArcelorMittal's principal sources of liquidity are cash generated from its operations and its credit lines. 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/floating ratios, maturity profile and currency mix.

The non-discounted contractual maturities of the below financial liabilities, including estimated interest payments and excluding the impact of netting agreements are as follows:

	December 31, 2016					
	Carrying amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Other bonds	(11,597)	(18,228)	(1,261)	(2,076)	(6,093)	(8,798)
Other non-derivative financial liabilities	(588)	(600)	(426)	(15)	(159)	-
Loans from related parties	(5,893)	(6,456)	(1,547)	(1,665)	(3,244)	-
Cash pooling	(2,516)	(2,516)	(2,516)	-	-	-
<b>Total</b>	<b>(20,594)</b>	<b>(27,800)</b>	<b>(5,750)</b>	<b>(3,756)</b>	<b>(9,496)</b>	<b>(8,798)</b>

<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(99)	(99)	(75)	-	-	(24)
<b>Total</b>	<b>(99)</b>	<b>(99)</b>	<b>(75)</b>	<b>-</b>	<b>-</b>	<b>(24)</b>

	December 31, 2015					
	Carrying amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
<b>Non-derivative financial liabilities</b>						
Other bonds	(17,681)	(26,082)	(2,223)	(3,464)	(6,279)	(14,116)
Loans over 100	(572)	(583)	(583)	-	-	-
Other non-derivative financial liabilities	(310)	(328)	(114)	(35)	(162)	(17)
Loans from related parties	(7,458)	(8,726)	(1,958)	(253)	(816)	(5,699)
Cash pooling	(1,526)	(1,527)	(1,527)	-	-	-
<b>Total</b>	<b>(27,547)</b>	<b>(37,246)</b>	<b>(6,405)</b>	<b>(3,752)</b>	<b>(7,257)</b>	<b>(19,832)</b>

<b>Derivative financial liabilities</b>						
Foreign exchange contracts	(132)	(132)	(108)	-	(7)	(17)
<b>Total</b>	<b>(132)</b>	<b>(132)</b>	<b>(108)</b>	<b>-</b>	<b>(7)</b>	<b>(17)</b>



*Cross currency swaps*

In December 2014, the Company entered into EUR/USD cross currency swaps ("CCS") to hedge euro denominated net investment in foreign operations amounting to €303 million in the Company's consolidated financial statements. The EUR/USD CCS with a notional of 375 were unwound on January

14, 2016. As of December 31, 2015, the CCS had a fair value gain of 85, net of a deferred tax expense of 25, which has been recorded in the statements of operations for the year ended December 31, 2015. The Company's commitment to a bilateral cash collateral arrangement for a maximum of €150 has been terminated upon unwinding of the CCS.

On May 27, 2015, the Company entered into additional EUR/USD CCS with a notional of 1,000 to hedge euro denominated net investment in foreign operations amounting to €918 million in the Company's consolidated financial statements. As of December 31, 2016 and 2015, the Company recognized a fair value loss of 21, net of deferred tax of 6, and a fair

value loss of 24, net of a deferred tax asset of 7, respectively, in the statements of operations.

The cross currency swap is classified into Level 2.

Cross currency swaps are as follows:

Derivatives	Notional amount	Date traded	December 31, 2016		
			Fair value at December 31, 2015	Change in fair value	Fair value at December 31, 2016
CCS 30Y	250	December 3, 2014	56	(56)	-
CCS 30Y	125	December 12, 2014	29	(29)	-
CCS 5Y	500	May 28, 2015	(7)	10	3
CCS 10Y	300	May 28, 2015	(10)	(4)	(14)
CCS 10Y	160	May 28, 2015	(6)	(2)	(8)
CCS 10Y	40	May 28, 2015	(1)	(1)	(2)
<b>Total</b>	<b>1,375</b>		<b>61</b>	<b>(82)</b>	<b>(21)</b>

Derivatives	Notional amount	Date traded	December 31, 2015		
			Fair value at December 31, 2014	Change in fair value	Fair value at December 31, 2015
CCS 30Y	250	December 3, 2014	(3)	59	56
CCS 30Y	125	December 12, 2014	-	29	29
CCS 5Y	500	May 28, 2015	-	(7)	(7)
CCS 10Y	300	May 28, 2015	-	(10)	(10)
CCS 10Y	160	May 28, 2015	-	(6)	(6)
CCS 10Y	40	May 28, 2015	-	(1)	(1)
<b>Total</b>	<b>1,375</b>		<b>(3)</b>	<b>64</b>	<b>61</b>

*Sensitivity analysis*

## Foreign currency sensitivity

The following tables detail the Company's derivative financial instruments' sensitivity as it relates to derivative financial instruments

to a 10% strengthening and a 10% weakening in the U.S. dollar against the euro. A positive number indicates an increase in profit or loss, where a negative number indicates a decrease in profit or loss. The sensitivity analysis includes

the Company's complete portfolio of foreign currency derivatives outstanding. The impact on the non €//\$ derivatives reflects the estimated move of such currency pairs, when the U.S. dollar appreciates or depreciates 10% against the euro, based on

computations of correlations in the foreign exchange markets in 2016 and 2015.

	December 31, 2016	
		Income
10% strengthening in U.S. dollar		(117)
10% weakening in U.S. dollar		97

*Cash flow sensitivity analysis for variable rate instruments*

The following table details the Company's sensitivity as it relates to variable interest rate instruments. A change of 100 basis points ("bp") in interest rates during the period would have increased (decreased) profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2016	
	Floating portion of net debt <sup>1</sup>	Interest Rate Swaps/Forward Rate Agreements
100 bp increase	4	-
100 bp decrease	(4)	-

<sup>1</sup> Please refer to note 13 for a description of total net debt (including fixed and floating portion)

## Note 15: Equity

### *Authorized shares*

At the extraordinary general meeting held on May 8, 2013, the shareholders approved an increase of the authorized share capital of the Company by €524 million represented by 223 million shares, or approximately 8% of ArcelorMittal's outstanding capital. Following this approval, which is valid for five years, the total authorized share capital was €8.2 billion represented by 1,995,857,213 shares without par value.

At the extraordinary general meeting held on March 10, 2016, the shareholders approved a decrease of the authorized share capital of the Company by €8,049 million through a reduction of the accounting par value per share to €0.10 and a subsequent increase by €3 billion. Following the completion of the equity offering on April 8, 2016, the Company's authorized share capital was decreased by €2.9 billion. As a result of the approval given by the shareholders on March 10, 2016 and which is valid for five years, the total authorized share capital was €337 million represented by 3,372,281,956 shares without par value.

### *Share capital*

Following the completion of an offering of ordinary shares on January 14, 2013, ArcelorMittal increased share capital by €455 million (608) from €6,428 million (9,403) to €6,883 million (10,011) through the issuance of 104,477,612 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 1,665,392,222.

On January 15, 2016, following the maturity of the mandatorily convertible notes (see below), the Company increased share capital by €570 million (622) from €6,883 million (10,011) to €7,453 million (10,633) through the issuance of 137,967,116 new shares fully paid up. The aggregate number

of shares issued and fully paid up increased to 1,803,359,338.

Following the extraordinary general meeting held on March 10, 2016, ArcelorMittal decreased share capital by €7,273 (10,376) from €7,453 (10,633) to €180 (257) through a reduction of the accounting par value per share to €0.10 without any distribution to shareholders, the balance being allocated to additional paid-in capital.

On April 8, 2016, ArcelorMittal completed an equity offering with net proceeds of 3,115 (net of transaction costs of 40) by way of the issuance of 1,803,359,338 non-statutory preferential subscription rights with a subscription price of €2.20 per share at a ratio of 7 shares for 10 rights subsequently to the adoption of enabling resolutions by the extraordinary general meeting of shareholders on March 10, 2016. The Company increased share capital by €126 (144) from €180 (257) to €306 (401) through the issuance of 1,262,351,531 new shares fully paid up. The aggregate number of shares issued and fully paid up increased to 3,065,710,869.

### *Treasury shares*

As of December 31, 2016 and 2015, the Company held 1,209,308 and 1,557,833 treasury shares respectively.

### *Mandatorily convertible notes*

On January 16, 2013, ArcelorMittal issued mandatorily convertible subordinated notes ("MCNs") with net proceeds of 2,222. The notes have a maturity of 3 years, were issued at 100% of the principal amount and are mandatorily converted into ordinary shares of ArcelorMittal at maturity unless converted earlier at the option of the holders or ArcelorMittal or upon specified events in accordance with the terms of the MCNs. The MCNs pay a coupon of 6.00% per annum, payable quarterly in arrears. The minimum

conversion price of the MCNs was set at \$16.75, corresponding to the placement price of shares in the concurrent ordinary shares offering as described above, and the maximum conversion price was set at approximately 125% of the minimum conversion price (corresponding to \$20.94). The minimum and maximum conversion prices are subject to adjustment upon the occurrence of certain events, and were, as of December 31, 2015, \$15.98 and \$19.98, respectively. The Company determined the notes met the definition of a compound financial instrument and as such determined the fair value of the financial liability component of the bond was 384 on the date of issuance and recognized it as long-term obligation. The value of the equity component of 1,838 was determined based upon the difference of the cash proceeds received from the issuance of the bond and the fair value of the financial liability component on the date of issuance and is included in equity.

During the fourth quarter of 2015, the Company delivered 2,275,026 treasury shares against 1,817,869 notes converted at the option of their holders. As a result of such voluntary conversions, the carrying amount of MCNs decreased by 38. On January 15, 2016, upon final maturity of the MCNs, the remaining outstanding 88,182,131 notes were converted into 137,967,116 new common shares. Accordingly, share capital and additional paid-in-capital increased by 622 and 1,178, respectively and carrying amount of MCNs decreased by 1,800.

### *Earnings per common share*

On April 8, 2016, the Company issued 1,262,351,531 new shares at a subscription price of €2.20 per share representing a 35% discount compared to the theoretical ex-right price ("TERP") of €3.40 based on the closing price of ArcelorMittal's shares on Euronext Amsterdam on March 10, 2016.

In accordance with IFRS, such a rights issue includes a bonus element increasing the number of ordinary shares outstanding to be used in calculating basic and diluted earnings per share for all periods before the rights issue. Accordingly, the table below presents the numerators, a reconciliation of the weighted average common shares outstanding for the purposes of basic and diluted earnings per share for the year ended December 31, 2016 and as retrospectively adjusted for the above mentioned bonus element for the year ended December 31, 2015.

For the purpose of calculating earnings per common share, diluted weighted average common shares outstanding excludes 8 million potential common shares from share unit plans for the years ended December 31, 2015 and 14 million and 17 million potential common shares from stock options outstanding for the years ended December 31, 2016 and 2015 respectively because such share unit plans and stock options are anti-dilutive.

	Year ended December 31,	
	2016	2015
Net income (loss) attributable to equity holders of the parent	1,779	(7,946)
Interest assumed on the coupon and the premium for early redemption for subordinated perpetual capital securities	-	-
Net income (loss) considered for the purposes of basic and diluted earnings per share	1,779	(7,946)
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share	2,860	1,795
Incremental shares from the rights issue on April 8, 2016 retrospectively adjusted for 2015	-	521
Weighted average common shares outstanding (in millions) for the purposes of basic earnings per share (restated)	2,860	2,316
Incremental shares from assumed conversion of restricted share units and performance share units (in millions)	5	-
Weighted average common shares outstanding (in millions) for the purposes of diluted earnings per share	2,865	2,316

### Dividends

The Company has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or from the share premium received from the issuance of ordinary shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

Description	Approved by	Dividend per share (in \$)	Payout date	Total (in millions of \$)
Dividend for financial year 2014	Annual General Shareholders' meeting on May 5, 2015	0.15	June 15, 2015	331
Dividend for financial year 2015	Annual General Shareholders' meeting on May 4, 2016	-	-	-

Following the Company's equity offering in April 2016, the dividends declared per share for prior period has been recasted in the current year for the year ended December 31, 2014, to include the bonus element derived from the 35% discount to the theoretical ex-right price included in the subscription price. The actual dividend paid was \$0.20 per issued share as of December 31, 2014.

### Stock Option Plans

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

Under the terms of the ArcelorMittal Global Stock Option Plan 2009-2018 (which replaced the ArcelorMittalShares plan that

expired in 2009), ArcelorMittal may grant options to purchase common shares to senior management of ArcelorMittal and its associates for up to 100,000,000 shares of common shares. The exercise price of each option equals not less than the fair market value of ArcelorMittal shares on the grant date, with a maximum term of 10 years. Options are granted at the discretion of ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee, or its

delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

Dates of grant and exercise prices are as follows:

Date of grant	Exercise prices (per option)
August 2010	\$30.66
August 2009	36.38
November 2008	21.14
August 2008	78.44
December 2007	70.81
August 2007	61.09

No options were granted during the years ended December 31, 2016 and 2015.

The compensation expense recognized for stock option plans was nil and nil for the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015:

	Number of Options	Range of Exercise Prices (per option)	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2014	20,077,266	21.14-78.44	48.26
Expired	(2,885,194)	27.31-78.44	41.75
Outstanding, December 31, 2015	17,192,072	21.14-78.44	49.35
Expired	(3,144,752)	30.66 -78.44	41.72
Outstanding, December 31, 2016	14,047,320	21.14 - 78.44	51.06
Exercisable, December 31, 2015	17,192,072	21.14 – 78.44	49.35
Exercisable, December 31, 2016	14,047,320	21.14 – 78.44	51.06

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2016:

Options Outstanding				
Exercise Prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)	Maturity
\$30.66	3,834,250	3.59	3,834,250	August 3, 2020
36.38	3,647,250	2.59	3,647,250	August 4, 2019
21.14	2,585	1.86	2,585	November 10, 2018
78.44	3,803,000	1.60	3,803,000	August 5, 2018
70.81	5,000	0.95	5,000	December 11, 2017
61.09	2,755,235	0.59	2,755,235	August 2, 2017
\$21.14 – 78.44	14,047,320	2.20	14,047,320	

*Long-Term Incentives: Equity-Based Incentives (Share Unit Plans)*

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

The maximum number of PSUs (and RSUs previously) available for grant during any given year is subject to the prior approval of the Company's shareholders at the annual general meeting. The annual shareholders' meeting on May 4, 2016 approved the maximum to be granted until the next annual shareholders' meeting. For the period from the May 2016 annual general shareholders' meeting to the May 2017 annual general shareholders' meeting, a maximum of 30,000,000 PSUs may be allocated to eligible employees under the ArcelorMittal Equity Incentive Plan and the GMB PSU Plan combined.

*ArcelorMittal Equity Incentive Plan*

RSUs granted under the ArcelorMittal Equity Incentive Plan are designed to provide a retention incentive to eligible employees. RSUs are subject to "cliff vesting" after three years, with 100% of the grant vesting on the third anniversary of the grant contingent upon the continued active employment of the eligible employee within the Company. Between 500 and 700 of the Company's most senior managers are eligible for RSUs.

The grant of PSUs under the ArcelorMittal Equity Incentive Plan aims to serve as an effective performance-enhancing scheme based on the employee's contribution to the eligible achievement of the Company's strategy. Awards in connection with PSUs are subject to the fulfillment of cumulative performance criteria over a three year period from the date of the PSU grant. The employees eligible to receive PSUs are a sub-set of the group of employees eligible to receive RSUs. The target group for PSU grants initially included the Chief Executive Officer and the other GMB members. However, from 2013 onwards, the Chief Executive Officer and other GMB members (and in 2016, the CEO Office) received PSU grants only under the GMB PSU Plan instead of the ArcelorMittal Equity Incentive Plan.

PSUs 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 a strategic measure which was total cost of employment (in U.S. dollars per tonne) for the steel business (TCOE) and the

mining volume plan and ROCE for the Mining segment until the 2013 grant. As from 2014, most of the Steel Business Units have kept only ROCE as a performance measure and the Mining segment continued with ROCE and mining volume plan. In case the level of achievement of performance is below threshold, there is no vesting, and the rights are automatically forfeited.

In 2016, in order to ensure achievement of the Action 2020, ArcelorMittal made a special grant ("Special Grant") to qualifying employees (including Executive Officers), instead of the standard grant. The value of the Special Grant at grant date is based generally on a specified percentage of the base salary depending on the position of the employee at grant date. The vesting is subject to continued active employment with the ArcelorMittal group and to yearly performance of ROCE targets and other strategic objectives within the Business Units.

The Special Grant has been split into two parts: a target grant which will vest if the performance is at target and an over-performance grant which will vest if the performance is at 120% or above.

Any PSU gives the right to maximum one ArcelorMittal Share at vesting.

The Special Grant provides for a vesting in two parts:

- 50% would vest after three years (in 2019, "PSU I") and,
- 50% would vest after five years (in 2021, "PSU II")

The allocation of PSUs to eligible employees under ArcelorMittal Equity Incentive Plan has been reviewed by the Appointments, Remuneration & Corporate Governance Committee, comprised of three independent directors, which makes a recommendation to the full Board of Directors. The Committee has also decided the criteria for granting PSUs and made its recommendation to the Board of Directors. These criteria are based on the principle of rewarding for performance upon the achievement of clear and measurable metrics for shareholder value creation.

*PSU plan for CEO Office (formally GMB PSU Plan)*

The GMB PSU Plan was designed to enhance the long-term performance of the Company and align the members of the GMB to the Company's objectives. The GMB PSU Plan is now applicable to the CEO Office. This PSU Plan complements ArcelorMittal's existing program of annual performance-related bonuses which is the Company's reward system for short-term performance and achievements. The main

objective of this PSU Plan is to be an effective performance-enhancing scheme for members based on the achievement of ArcelorMittal's strategy aimed at creating a measurable long-term shareholder value.

The members of the CEO Office will be eligible for PSU grants. This PSU Plan provides for cliff vesting on the third year anniversary of the grant date, under the condition that the relevant CEO Office member continues to be actively employed by the ArcelorMittal group on that date. If the CEO Office member is retired on that date or in case of an early retirement by mutual consent, the relevant CEO Office member will not automatically forfeit PSUs and pro rata vesting will be considered at the end of the vesting period at the sole discretion of the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors. Awards under this PSU Plan are subject to the fulfillment of cumulative performance criteria over a three-year period from the date of the PSU grant. The value of the grant at grant date will equal one year of base salary for the Chief Executive Officer and 80% of base salary for other executive officers. Each PSU may give the right to up to two shares of the Company in 2013, and each PSU from the 2014 grant may convey the right to up to one and a half shares.

In order to ensure achievement of the Action 2020 specifically by the CEO Office, ArcelorMittal made a special grant in 2016 instead of the standard grant. The value of this

special grant at grant date equaled 150% of the base salary for the CEO Office members. According to this special grant, each member of the CEO Office was eligible for Performance Share Unit ("PSU") grants under the PSU plan for CEO Office. Awards under the Special Grant are subject to the fulfillment of cumulative performance criteria: 50% would vest after three years (in 2020, "CEO PSU I") and 50% would vest after five years (in 2022, "CEO PSU II"). 50% of the PSUs granted to each member of the CEO Office is eligible to vest based on the Company's Total Shareholder Return ("TSR") defined as the share price at the end of period minus the share price at start of period plus any dividend paid divided by the share price at the start of the period. "Start of period" and "end of period" will be defined by the Appointments, Remuneration & Corporate Governance Committee of the Board of Directors. The TSR will then be compared with the TSR of a peer group of companies and the TSR of the companies forming the S&P 500 index, each counting for half of the weighting.

- For 25% of PSUs, performance is compared to the peer group. The percentage of PSUs vesting will be 50% for achieving 100% of the median TSR and 100% for achieving 120% of the median TSR. None of the PSUs will vest if the Company's TSR performance is below 100% of that of the peer group.
- For 25% of PSUs, performance is compared to the median of the S&P 500 companies. The

percentage of PSUs vesting will be 50% for achieving performance equal to 100% of the index performance of the S&P 500 companies and 100% for achieving a performance 2% better than the index per annum over performance. None of the PSUs will vest if the Company's TSR performance is below 100% of index performance of the S&P 500 companies.

The other 50% of the criteria to be met to trigger vesting of the PSUs is based on the development of Earnings Per Share (EPS), defined as the amount of earnings per share outstanding compared to a peer group of companies. The percentage of PSUs vesting will be 50% for achievement of 100% of the median EPS, 100% for achieving 120% of the median EPS.

The allocation of PSUs to eligible CEO Office members is reviewed by the ARCG Committee of the Board of Directors, which is comprised of three independent directors, and which makes a proposal and recommendation to the full Board of Directors. The vesting criteria of the PSUs are also monitored by the ARCG Committee.

The following table summarizes the Company's share unit plans outstanding as of December 31, 2016:

Grant date	Type of plan	At Grant date		Maturity	Fair value per share	Number of shares as of December 31, 2016		
		Number of shares	Number of beneficiaries			Shares outstanding	Shares exited	Shares forfeited
June 30, 2016	PSU II	10,417,065	554	January 1, 2021	4.39	10,230,765	-	186,300
June 30, 2016	CEO PSU II	459,805	2	January 1, 2022	5.54	459,805	-	-
June 30, 2016	PSU I	10,417,065	554	January 1, 2019	4.58	10,230,765	-	186,300
June 30, 2016	CEO PSU I	459,806	2	January 1, 2020	3.56	459,806	-	-
December 18, 2015	PSU	887,643	322	January 1, 2019	3.83	799,343	-	88,300
December 18, 2015	RSU	1,105,361	576	December 18, 2018	3.83	991,555	2,071	111,735
June 30, 2015	GMB PSU	464,305	4	June 30, 2018	8.53	464,305	-	-
December 17, 2014	PSU	979,870	353	January 1, 2018	10.28	786,570	-	193,300
December 17, 2014	RSU	1,173,910	620	December 17, 2017	10.28	958,804	8,808	206,298
June 27, 2014	GMB PSU	843,376	6	June 27, 2017	16.85	328,024	-	515,352
September 27, 2013	PSU	504,075	384	January 1, 2017	13.17	358,695	-	145,380
<b>Total</b>		<b>27,712,281</b>			<b>\$3.56– \$16.85</b>	<b>26,068,437</b>	<b>10,879</b>	<b>1,632,965</b>

The compensation expense recognized for RSUs and PSUs were immaterial for the years ended December 31, 2016 and 2015.

Share unit plan activity is summarized below as of and for each year ended December 31, 2016 and 2015:

	Restricted share unit (RSU)		Performance share unit (PSU)	
	Number of shares	Fair value per share	Number of shares	Fair value per share
Outstanding, December 31, 2014	3,409,606	12.06	3,260,178	14.10
Granted	1,105,361	3.83	1,351,948	5.44
Exited	(321,980)	14.3	(24,721)	16.87
Forfeited	(231,809)	11.9	(475,834)	15.2
Outstanding, December 31, 2015	3,961,178	9.59	4,111,571	11.11
Granted*	-	-	21,758,442	4.49
Exited	(1,693,700)	12.75	(59,443)	12.37
Forfeited	(317,119)	8.71	(1,692,492)	12.59
Outstanding, December 31, 2016	1,950,359	7.00	24,118,078	5.03

\* Including 4,701 over-performance

#### Note 16: General and administrative expenses

The Company recorded an expense of 27 and 483 during the year ended December 31, 2016 and 2015, respectively, in connection with the transfer of the global coordination of current and future research and development activities within ArcelorMittal group. These amounts corresponded to the acquisition from various group subsidiaries of the rights to use intellectual property developed within the research and development cost sharing agreement led previously by ArcelorMittal Investigación y Desarrollo, S.L. ("AMID").

This acquisition enabled the Company to implement effective January 1, 2015 an industrial franchise agreement with group subsidiaries replacing previous arrangements and whereby the Company licenses its business model for manufacturing, processing and distributing steel to group subsidiaries (see note 3).

The Company concluded that the acquisition of intellectual property rights did not meet the criteria to recognize an intangible asset and therefore the total amount was recognized in the statements of operations as general and administrative expenses.

Transactions with related parties are detailed in note 12.

#### Note 17: Financing costs - net

Financing costs recognized in the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Recognized in the statements of operations		
Interest expense	(1,337)	(1,504)
Interest income	802	711
Gain (loss) on disposal of investments <sup>1</sup>	73	(747)
Fair value adjustment on call option on the mandatory convertible bonds (note 14)	171	(108)
Net gain on other derivative instruments	17	72
Net foreign exchange result	388	(1,457)
Premiums and fees <sup>2</sup>	(399)	(79)
Provision for financial guarantee <sup>3</sup>	(88)	-
Other	35	30
Total	(338)	(3,082)
Recognized in other comprehensive income		
Net change in fair value of available-for-sale financial assets	(62)	(39)
Total	(62)	(39)

<sup>1</sup> Gain (loss) on disposal of investments mainly includes a gain of 74 related to the disposal of the interest in Hunan Valin for the year ended December 31, 2016 (see note 8).

Gain (loss) on disposal of investments includes a loss of 721 related to the disposal of interests in AMO Holding Switzerland A.G. and a loss of 30 related to the disposal of Arcelor Investments S.A. shares during the year ended December 31, 2015 (see note 8).

<sup>2</sup> Premiums and fees are mainly related to bonds early redeemed.

<sup>3</sup> see note 21.

Transactions with related parties are detailed in note 12.

**Note 18: Income from subsidiaries and associates**

Income from subsidiaries and associates of 14,108 in 2016 includes dividends in kind of 11,369 and cash dividends of 2,739.

Dividends in kind of €10,208 (11,369) were received from AM Global Holding S.à.r.l. by means of a 100% interest in ArcelorMittal Poland S.A. for € 3,113 (3,473), 100% interest in ArcelorMittal Spain Holding S.L. for € 6,142 (6,839) and 100% interest in ArcelorMittal Ostrava AS for € 953 (1,057). The cash dividends received were mainly paid by ArcelorMittal Global Holding S.à.r.l. and by ArcelorMittal Poland S.A. for € 2,150 (2,288) and PLN 1,714 (429), respectively.

The income from subsidiaries and associates in 2015 is mainly related to dividends received from AMO Holding Switzerland A.G. for € 2,804 (3,144) and from AM Global Holding S.à.r.l. for € 2,600 (2,819).

**Note 19: Income tax**

Income tax expense (benefit)

The components of the income tax expense (benefit) for each of the years ended December 31, 2016 and 2015 are summarized below:

	2016	2015
Total current tax expense (benefit)	(203)	(251)
Total deferred tax expense	533	298
Total income tax expense	330	47

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

	Year ended December 31, 2016	Year ended December 31, 2015
Net income (loss)	4,723	(33,414)
Income tax expense	330	47
Income (loss) before tax :	5,053	(33,367)
Tax expense (benefit) at the statutory rate*	1,315	(9,750)
Permanent items	(1,802)	8,315
Taxable results transferred from subsidiaries included in the tax integration	84	(1,238)
Rate changes	690	-
Net change in measurement of deferred tax assets	(27)	2,449
Effects of foreign currency translation	42	233
Other taxes	28	38
Income tax expense	330	47

\* Tax expense (benefit) at the statutory rates is based on the future statutory tax rate of 26,01%, as enacted in 2016.

**Permanent items**

The permanent items consist of:

	2016	2015
Non-tax deductible impairment charges	1,894	9,884
Non-tax deductible capital losses	-	220
Exempt dividend income	(3,670)	(1,753)
Other permanent items	(26)	(36)
Total permanent items	(1,802)	8,315

**Non tax-deductible impairment charges:** Write-down charges taken on investments in shares of subsidiaries are generally tax deductible under the Luxembourg tax legislation. However the write-down charges are not tax-deductible if they (i) are neutralized with exempt dividend income, exempt capital gains and

mark to market valuation, or (ii) arise within the tax consolidation. These non tax-deductible charges amounted to 7,283 and 33,827 for 2016 and 2015 respectively, and are mainly related to ArcelorMittal Global Holding S.à.r.l. and Ispat Inland.

**Non-tax deductible capital losses:** The Capital losses made on disposal of shares are generally tax deductible under the Luxembourg tax legislation. In cases where the loss (i) relates to exempted dividend income, or (ii) is made on disposal of entities within the same tax integration, the capital loss is not tax deductible. For

2015, these tax losses amounted to 751 and were related to AMO Holding Switzerland and Arcelor Investment S.A.

**Exempted dividend income:** Under Article 166 of the Luxembourg tax law, dividend income, liquidation proceeds, and capital gains may be

treated as tax-exempt so long as certain requirements are met relating to the parent's participation in the subsidiary. The participation exemption applies if the Luxembourg parent maintains (or commits to hold) a minimum holding in a qualified subsidiary company (generally a shareholding of at least 10% or having an acquisition cost of at least EUR 1.2m) for an uninterrupted period of at least 12 months.

#### *Net change in measurement of deferred tax assets*

The 2016 net change in measurement of deferred tax assets of (27) consists of a 131 tax expense due to the unrecognized tax loss for the period and recognition of deferred tax assets for (158). The recognition in Luxembourg includes a \$0.8 billion increase in projections of future taxable income in Luxembourg driven primarily by the improved market conditions of the steel industry and higher interest income from favorable

foreign exchange rate relating to the funding of Group subsidiaries as well as further reduction in the forecasted interest expense following debt repayments. This recognition is partially offset by a derecognition of \$0.7 billion related to revised expectations of euro denominated deferred tax assets recoverability in U.S. dollars terms.

The 2015 net change in measurement of deferred tax assets of 2,449 consists of a 2,151 tax expense due to the unrecognized tax loss for the period and de-recognition of deferred tax assets for 298. The de-recognition in Luxembourg represents the net reduction in projections of future taxable income in Luxembourg driven primarily by the challenging market conditions affecting the steel industry and unfavorable foreign exchange movements, partially offset by reductions in forecasted interest expense due to the Company's announced plans in 2016 to repay debt with proceeds from a \$3 billion equity

rights offering and selling its 35% shareholding in Gestamp Automoción for €875 million. The taxable income projection also included the effect of the anticipated elimination of the current USD exposure of Luxembourgish deferred tax assets denominated in Euro.

#### *Rates changes*

The 2016 tax expense from rate changes of 690 is the result of the decrease in the future income tax rate from 29.22% to 26.01% as enacted in law end of 2016.

#### *Effects of foreign currency translation*

The effects of foreign currency translation of 233 and 42 for 2015 and 2016, respectively, are related to the difference between the functional currency of the Company and the currency applied for tax filing purposes.

#### *Uncertain tax positions*

ArcelorMittal takes income tax

positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions is based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Company believes that the ultimate resolution of such matters will not have a material effect on the Company's financial position, statements of operations or cash flows.

#### *Deferred tax assets and liabilities*

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

	Assets		Liabilities		Net	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Concession, patents, licenses	5	7	-	-	5	7
Provisions	-	-	(1)	(1)	(1)	(1)
Tax losses carried forward	6,106	6,797	-	-	6,106	6,797
Untaxed reserves	-	-	-	-	-	-
Deferred tax assets / (liabilities)	6,111	6,804	(1)	(1)	6,110	6,803

Recognized and unrecognized deferred tax assets as of December 31, 2016 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	72,047	18,746	6,106	12,640
Other temporary differences	17	5	5	-
Total		18,751	6,111	12,640

Deferred tax assets as of December 31, 2015 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	61,478	17,581	6,797	10,783
Other temporary differences	24	7	7	-
Total		17,588	6,804	10,783



As of December 31, 2016, deferred tax assets not recognized relate only to tax losses carried forward. The utilization of tax losses carried forward is restricted to the taxable income of the Luxembourg tax consolidated group. The utilization of tax losses carried forward also may be restricted by the character of the income.

The total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounts to approximately 72,047 as of December 31, 2016. Of this amount 23,449 is considered realizable, resulting in the recognition of 6,106 of deferred tax assets at the applicable income tax rate in Luxembourg. As at December 31, 2015 the total amount of accumulated tax losses in Luxembourg with respect to the main tax consolidation amounted to approximately 61,478 of which 24,574 was considered realizable, resulting in the recognition of 6,797 of deferred tax assets at the applicable income tax rate in Luxembourg. Under the Luxembourg tax legislation the tax losses generated during 2016 and before can be carried forward indefinitely and are not subject to any specific yearly loss utilization limitations. The tax losses carried forward relate primarily to tax deductible write-down charges taken on investments in shares of consolidated subsidiaries recorded by certain of the ArcelorMittal group's holding companies in Luxembourg. Of the total tax losses carried forward, 22,996 may be subject to recapture in the future if the write-downs that caused them are reversed creating taxable income unless the Company converts them to permanent through sales or other organizational restructuring activities.

The Company believes that it is probable that sufficient future taxable profits will be generated to support the recognized deferred tax asset for tax losses carried forward in Luxembourg. As part of its recoverability assessment the Company has taken into account (i) its most recent forecast approved by management and the Board of Directors, (ii) the likelihood that the factors that have contributed to past losses in Luxembourg will not recur, (iii) the fact that ArcelorMittal in Luxembourg is the main provider of funding to the Group's consolidated subsidiaries, leading to significant amounts of taxable interest income, (iv) the implementation in 2015 of an Industrial Franchising Arrangement between ArcelorMittal and numerous worldwide operating subsidiaries, and (v) other significant and reliable sources of operational income earned from ArcelorMittal's European and worldwide operating subsidiaries for centralized distribution and procurement activities performed in Luxembourg. In performing the assessment, the Company estimates at which point in time its earnings projections are no longer reliable, and thus taxable profits are no longer probable. Accordingly, the Company has established consistent forecast periods for its different income streams for estimating probable future taxable profits, against which the unused tax losses can be utilized in Luxembourg.

At December 31, 2016, 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 6,111 recognized deferred tax assets. The amount of future taxable income required to be generated by ArcelorMittal's subsidiaries to utilize the deferred tax assets of 6,111 is at least 26,391. Historically, the Company has been able to generate taxable income in sufficient amounts and believes that it will generate sufficient levels of taxable income in upcoming years to permit the Company to utilize tax benefits associated with tax losses carried forward and other deferred tax assets that have been recognized in its financial statements. In the event that a history of recent losses is present, the Company relied on convincing other positive evidence such as the character of (historical) losses and tax planning to support the deferred tax assets recognized.

#### Note 20: Accrued expenses and other liabilities

Accrued expenses and other liabilities are summarized as follows:

	December 31, 2016	December 31, 2015
Accrued interest	228	409
Accrued payroll and employee related expenses	14	14
Derivative instruments (note 14)	75	108
Payable on R&D and other IFA expenses	331	282
Suppliers and other	71	219
Total	719	1,032

Amounts with related parties are detailed in note 12.

**Note 21: Long-term provisions and other obligations**

Long-term provisions and other obligations are summarized as follows:

	December 31,	
	2016	2015
Derivative instruments (note 14)	24	24
Provision for financial guarantee <sup>1</sup>	88	-
Other	-	2
<b>Total</b>	<b>112</b>	<b>26</b>

<sup>1</sup> The provision for financial guarantee is related to the unrecoverable overdraft of a subsidiary of ArcelorMittal group in the framework of the guarantee issued by the Company in favor of ArcelorMittal Treasury S.N.C. in relation with bilateral cash management and financial transactions (see note 22).

**Note 22: Commitments**

Commitments given are summarized as follows:

	December 31,	
	2016	2015
Credit lines granted to subsidiaries and associates	963	910
Guarantees given to third parties on behalf of subsidiaries and associates	3,194	3,303
Commitments given to third parties	34	46
Letter of credit facilities <sup>1</sup>	384	349
<b>Total</b>	<b>4,575</b>	<b>4,608</b>

<sup>1</sup> The notional amount of the letter of credit facilities amounted to 475 and 475 as of December 31, 2016 and 2015, respectively.

The Company is jointly and severally liable for the following entities: ArcelorMittal Finance S.C.A., ArcelorMittal Treasury S.N.C., ArcelorMittal Sourcing and ArcelorMittal Energy S.C.A.

On November 29, 2013, the Company issued a guarantee in connection with the Joint Venture Formation agreement between ArcelorMittal USA and Nippon Steel & Sumitomo Metal Corporation to acquire ThyssenKrupp Steel USA. This guarantee covered the payment obligations of ArcelorMittal USA pursuant to the Joint Venture Formation agreement. This guarantee expired on June 26, 2014. On February 24, 2014, Calvert Acquisition LLC (which, after the acquisition described below, merged into the target company and changed its name to AM/NS Calvert LLC), a 50/50 joint venture between ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation, entered into two bridge loans of 660 each in order to finance in part the

acquisition of ThyssenKrupp Steel USA, LLC. The Company issued two unconditional payment guarantees for 50% of the principal amount plus interest of each of the two above-mentioned bridge loans. The guarantees expired on May 27, 2014 and June 25, 2014. On May 22, 2014 AM/NS Calvert LLC entered into three new loan agreements for a total amount of 1,200. In this context, the Company issued three unconditional payment guarantees for 50 % of the principal of the three above mentioned loans. The two first guarantees and the third one will expire on September, 26, 2024 and May 30, 2025 respectively.

Guarantees issued by the Company with respect to the joint venture ArcelorMittal Tubular Products Jubail's debt amounted to 323 and 430 at December 31, 2016 and 2015, respectively.

*Corporate guarantee letter*

On May 28, 2009, in the framework of a legal reorganization in

Canada, the Company entered into a support agreement with ArcelorMittal Canada Holdings Inc. whereby it undertakes to take all such actions as necessary to enable ArcelorMittal Canada Holdings Inc. to reacquire the preferred shares held by its shareholder Mittal Steel International Holdings B.V. upon exercise of such right by the latter.

*Others*

On April 3, 2014, the Company issued a guarantee in relation with bilateral cash management and financial transaction in favor of ArcelorMittal Treasury for a maximum amount of € 20 billion, covering overdraft granted by ArcelorMittal Treasury S.N.C. to subsidiaries of ArcelorMittal group for 7,142 and 9,500 as of December 31, 2016 and 2015, respectively.

On December 28, 2009 and January 17, 2012, a wholly-owned subsidiary of the Company used the proceeds from the issuance of an unsecured and unsubordinated

bond mandatorily convertible into preferred shares of such subsidiary to acquire notes linked to shares of the listed related parties Eregli Demir ve Celik Fab. T.A.S. (Turkey) and China Oriental (China). The notes were issued by the Company's affiliates Arcelor Investment Services S.A., Expert Placement Services Ltd and ArcelorMittal Holdings AG, respectively. The Company warrants to own directly or indirectly the entire legal and beneficial interest in the share capital of such companies for so long as any notes remain outstanding. ArcelorMittal also undertakes to provide any funding which would be necessary to these affiliates to meet their obligations with respect to the notes.

### Note 23: Deferred employee benefits

Certain employees of ArcelorMittal are included in the unfunded defined benefit pension plan managed by the Company's affiliate ArcelorMittal Luxembourg S.A. The Company has a defined benefit obligation with respect to this plan by virtue of a contractual arrangement with ArcelorMittal Luxembourg S.A. Benefits are based on such employees' length of service and applicable pension table under the terms of the agreement. This defined benefit pension plan was closed to new entrants on December 31, 2007 and replaced by a defined contribution pension plan for active members financed by employer and employee contributions.

As of December 31, 2016 and 2015, the pension plan benefit obligation was 17 and 17 respectively.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Change in benefit obligation		
Benefit obligation at beginning of period	17	20
Service cost	1	1
Interest cost	-	-
Actuarial (gain) loss	-	1
Experience adjustment	-	1
Financial assumptions	-	-
Foreign currency exchange rate differences and other movements	-	(5)
Benefits paid	(1)	-
Benefit obligation at end of period	17	17

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

	Year ended December 31, 2016	Year ended December 31, 2015
Net periodic pension cost		
Service cost	1	1
Interest cost	-	-
Total	1	1

Service cost is included in general administrative expense. Interest cost is included in financing costs – net.

Assumptions used to determine benefit obligations

	December 31, 2016	December 31, 2015
Discount rate	1.60%	2.05%
Rate of compensation increase	2.71%	2.71%

*Cash contributions and maturity profile of the plans*

In 2017, the Company is expecting its cash contributions to amount to 2 for pension plans.

At December 31, 2016, the duration of the liabilities related to the pension plan was 8 years (2015: 8 years).

*Risks associated with defined benefit plans*

Through its defined benefit pension plans, ArcelorMittal is exposed to a number of risks, the most significant of which is the change in bond yields. A decrease in corporate bond yields will increase plan liabilities.

*Sensitivity analysis*

The following information illustrates the sensitivity to a change in certain assumptions related to ArcelorMittal's pension plan (as of December 31, 2016, the defined benefit obligation ("DBO") for pension was 17):

	Effect on 2017 Pre-Tax Pension Expense (sum of service cost and interest cost) <sup>1</sup>	Effect of December 31, 2016 DBO
Change in assumption		
100 basis point decrease in discount rate	-	1
100 basis point increase in discount rate	-	(1)
100 basis point decrease in rate of compensation	-	(2)
100 basis point increase in rate of compensation	-	2

<sup>1</sup>Amounts are not disclosed as they are below 1 and rounded to nearest million.

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

**Note 24: Contingencies**

The Company is currently and may in the future be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitration proceedings are recorded in accordance with the principles described in note 3.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and 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 7 Arcelor shares), and that the second-step merger did not comply with certain provisions of Luxembourg company law. They claimed, *inter alia*, the cancellation of certain resolutions (of the Board of Directors and of the Shareholders meeting) in connection with the merger, the grant of additional shares, or damages in an amount of approximately 190. By judgment dated November 30, 2011, the Luxembourg civil court declared all of the plaintiffs' claims inadmissible and dismissed them. The judgment was appealed in May 2012. By judgment dated February 15, 2017, the Luxembourg Court of Appeal declared all but one of the plaintiffs' claims inadmissible, remanded the proceedings on the merits to the lower court with respect to the admissible claimant and dismissed all other claims.

On May 15, 2012, ArcelorMittal received a writ of summons on behalf of Association Actionnaires d'Arcelor ("AAA"), a French association of former minority shareholders of Arcelor, to appear before the civil court of Paris.

In such writ of summons, AAA claimed (on grounds similar to those in the Luxembourg proceedings summarized above) *inter alia* damages in a nominal amount and reserved the right to seek additional remedies including the cancellation of the merger. The proceedings before the civil court of Paris have been stayed, pursuant to a ruling of such court on July 4, 2013, pending a preparatory investigation (instruction préparatoire) by a criminal judge magistrate (juge d'instruction) triggered by the complaints (plainte avec constitution de partie civile) of AAA and several hedge funds (who quantified their total alleged damages at approximately 260), including those who filed the claims before the Luxembourg courts described (and quantified) above.

In April 2011, a proceeding was commenced before the Ontario (Canada) Superior Court of Justice under the Ontario Class Proceedings Act, 1992, against ArcelorMittal, Baffinland, and certain other parties relating to the January 2011 take-over of Baffinland by ArcelorMittal, Nunavut, Iron Ore Holdings and 1843208 Ontario Inc. The action

seeks the certification of a class comprised of all Baffinland securities holders who tendered their Baffinland securities, and whose securities were taken up, in connection with the take-over between September 22, 2010 and February 17, 2011, or otherwise disposed of their Baffinland securities on or after January 14, 2011. The action alleges that the tender offer documentation contained certain misrepresentations and seeks damages in an aggregate amount of 743 (CAD\$1 billion) or rescission of the transfer of the Baffinland securities by members of the class.

On September 12, 2008, Standard Iron Works filed a purported class action complaint in the United States District Court for the Northern District of Illinois against ArcelorMittal, ArcelorMittal USA LLC, and other steel manufacturers, alleging that the defendants had conspired to restrict the output of steel products in order to fix, raise, stabilize and maintain prices at artificially high levels in violation of United States antitrust law. Other similar direct purchaser lawsuits were also filed in the same court and were consolidated with the Standard Iron Works lawsuit.

On May 29, 2014, ArcelorMittal and ArcelorMittal USA LLC entered into an agreement to settle the direct purchaser claims for an amount of 90 recognized in cost of sales. On October 17, 2014, the court gave its final approval of the settlement and dismissed ArcelorMittal and ArcelorMittal USA LLC from the lawsuit. In September 2015, the court certified a class of direct purchasers on whether there was a conspiracy, allowing the case to proceed against the remaining defendants as a class action, but did not certify a class on impact or damages. This ruling did not affect the settlement; subsequently the remaining direct purchasers settled. Two putative class actions on behalf of indirect purchasers have been filed and one has been dismissed for want of prosecution; the remaining indirect purchasers' action is not covered by the settlement of the direct purchaser claims or the court's class certification decision.

#### Note 25: Employees and key management personnel

As of December 31, 2016, the Company employed 223 people and the total annual compensation of the Company's employees paid in 2016 and 2015 was as follows:

	Year ended December 31,	
	2016	2015
Employee Information		
Wages and salaries	30	30
Social security costs	3	3
Other staff expenses	7	6
Total	40	39

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2016 and 2015 was as follows:

	Year ended	Year ended
	December 31, 2016	December 31, 2015
Base salary and/or directors fees	2	2
Short-term performance-related bonus	-	-
Post-employment benefits	-	-
Share based compensation	-	1

The fair value of the stock options granted and shares allocated based on RSU and PSU plans to the ArcelorMittal's key management personnel is recorded as an expense in the statements of operations over the relevant vesting periods (see note 15).

As of December 31, 2016 and 2015, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors or key management personnel, and had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

#### Note 26: Expenses related to the réviseur d'entreprises agréé

In 2016 and 2015, expenses related to the réviseur d'entreprises agréé amounted to 8 and 8, respectively.

Report of the Réviseur d'Entreprises Agréé

To the Shareholders of  
ArcelorMittal Société Anonyme  
24-26, Boulevard d'Avranches  
L-1160 Luxembourg  
Grand Duchy of Luxembourg

Report on the financial statements of ArcelorMittal Société Anonyme

Following our appointment by the General Meeting of the Shareholders held on May 4, 2016, we have audited the accompanying financial statements of ArcelorMittal Société Anonyme, which comprise the statement of financial position as at December 31, 2016, and the statement of operations, other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 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 financial statements give a true and fair view of the financial position of ArcelorMittal Société Anonyme as at December 31, 2016, and of its financial performance and its cash flows for the year then ended December 31, 2016 in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our report of Réviseur d'Entreprises Agréé thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Other matter

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Report on other legal and regulatory requirements

The management report, which is responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

For Deloitte Audit,  
Cabinet de Révision Agréé

Vafa Moayed, Réviseur d'Entreprises Agréé  
Partner

March 28, 2017  
560, rue de Neudorf  
L-2220 Luxembourg

The following pages do not form part of the Company's financial statements. These pages contain further information on the risks that ArcelorMittal is exposed to and further details on the Company's Mining business.

### Risk factors

ArcelorMittal's business, financial condition, results of operations, reputation or prospects could be materially adversely affected by one or more of the risks and uncertainties described below.

#### *Risks related to the global economy and the mining and steel industry*

**Excess capacity, oversupply and destocking cycles in the steel industry and in the iron ore mining industry have in the past, are currently and may continue in the future to weigh on the profitability of steel producers, including ArcelorMittal.**

The steel industry is affected by global and regional production capacity and fluctuations in steel imports and exports, which are themselves affected by the existence and amounts of tariffs and customer stocking and destocking cycles. The steel industry globally has historically suffered from structural overcapacity, and the current global steelmaking capacity exceeds the current global consumption of steel. This overcapacity is amplified during periods of global or regional economic weakness due to weaker global or regional demand. In particular, China is both the largest global steel consumer and the largest global steel producer by a large margin, and the balance between its domestic production and consumption has been an important factor influencing global steel prices in recent years. According to the monthly data from the Chinese National Bureau of Statistics, Chinese steel production totaled 799 million metric tonnes in 2015 and 808 million metric tonnes in 2016. Chinese apparent steel consumption is structurally below these production levels, with exports of 112.4 million tonnes in 2015 and 109 million tonnes in 2016, double the levels seen in 2012 and 2013. Given this structural overcapacity, the Chinese government has indicated its intention to reduce steel production capacity by 100-150 million tonnes by 2020,

and the announcement of the anticipated merger of two major Chinese steel producers is an indication of potential progress to this end. It remains to be seen, however, if the country will maintain or achieve such goals and whether the reduction in capacity will result in a reduction in steel production. In addition to China, other developing markets (such as Brazil, Russia and Ukraine) show structural overcapacity following years of rapid economic growth and more recent slowdowns. Finally, certain developed markets, particularly developed Asia and to a much lesser degree Europe, remain in a position of structural overcapacity notwithstanding rationalization steps taken (in particular in Europe) by ArcelorMittal and other producers in recent years.

The overcapacity of steel production in the developing world and in China in particular has weighed on global steel prices, since China is the largest global steel consumer and, even more directly, by leading to massive exports to developed markets globally and in particular Europe and NAFTA, ArcelorMittal's principal markets. These exports, often at low prices that may be at or below the cost of production, have depressed steel prices in regional markets world-wide. See "Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability."

Despite prolonged iron ore oversupply in recent years, mining companies have continued to increase production, with global seaborne supply increasing again in 2016 and expected to increase further in 2017 and 2018. Excess iron ore supply coupled with decreased demand in iron ore consuming industries, such as steel, has led to a prolonged depression of iron ore prices, which has in turn weighed on steel prices as iron ore is a principal raw material in steelmaking.

A continuation of this trend of steel and iron ore oversupply, if not counterbalanced by effective

trade measures and/or demand increases, would have a material adverse effect on ArcelorMittal's results of operations and financial condition.

**Protracted low steel and iron ore prices, or further decreases in steel and iron ore prices, would be likely to have an adverse effect on ArcelorMittal's results of operations.**

As an integrated producer of steel and iron ore, ArcelorMittal's results of operations are sensitive to the market prices of steel and iron ore in its markets and globally. The impact of market steel prices on its results is direct. The impact of market iron ore prices is both direct, as ArcelorMittal sells iron ore on the market to third parties, and indirect as iron ore is a principal raw material used in steel production and fluctuations in its market price are typically and eventually passed through to steel prices. Steel prices and iron ore prices are affected by supply trends (see above), demand trends and inventory cycles. In terms of demand, steel and iron ore prices are sensitive to trends in cyclical industries, such as the automotive, construction, appliance, machinery, equipment and transportation industries, which are significant markets for ArcelorMittal's products. In the past, substantial price decreases during periods of economic weakness have not always been offset by commensurate price increases during periods of economic strength. In addition, as indicated above, excess supply relative to demand in local markets generally results in increased exports and drives down global prices. In terms of inventory, steel stocking and destocking cycles affect apparent demand for steel and hence steel prices and steel producers' profitability. For example, steel distributors may accumulate substantial steel inventories in periods of low prices and, in periods of rising real demand for steel from end-users, steel distributors may sell steel from inventory (destock), thereby delaying the effective implementation of steel price increases. Conversely, steel

price decreases can sometimes develop their own momentum, as customers adopt a "wait and see" attitude and destock in the expectation of further price decreases.

As a result of these factors, steel and iron ore prices have been under pressure in recent periods and particularly in 2015, with both steel and iron ore reaching historical lows in 2015. This had a pronounced negative effect on ArcelorMittal's results of operations, in the form of significant declines in revenues and operating income for 2015. Moreover, the particularly sharp decline in steel prices in the second half of 2015 triggered inventory related losses of \$1.3 billion, and the significant decline in iron ore and coal prices led to a \$3.4 billion impairment of mining assets and goodwill in the fourth quarter of 2015. Steel prices generally improved during 2016 compared to the low levels of year-end 2015, but with a high level of volatility, particularly in the fourth quarter. Iron ore prices were highly volatile in 2016, hitting a record low of \$39.25 per tonne on January 14, 2016 but with an average of \$52.06 per tonne for the first half of 2016 and an improvement in the third quarter of 2016 to an average of \$58.6 per tonne, and then to an average of \$70.8 per tonne in the fourth quarter of 2016. Despite the recent price recovery on quarterly averages seen over the second half of 2016, iron ore prices are expected to remain under pressure from the expected continued oversupply.

While the steel price increases and iron ore price recovery during the second half of 2016 may well be supported by underlying demand trends, the timing and extent of continued price recovery or return to prior levels cannot be predicted. In response to recent declines and higher volatility in steel and iron ore prices, the Company has implemented in recent years a number of cost-saving measures intended to improve operating income, as well as measures to reduce its cash requirements, including through lower capital expenditures, interest expense



and the suspension of dividend payments. These actions may not prove sufficient to restore or maintain profitability or cash flows, particularly if the low level of steel and iron ore prices is prolonged and the recent price increases do not hold, in which case, ArcelorMittal's results of operations and financial condition would be adversely affected.

[Volatility in the supply and prices of raw materials, energy and transportation, and volatility in steel prices or mismatches between steel prices and raw material prices could adversely affect ArcelorMittal's results of operations.](#)

The prices of steel, iron ore, coking coal, coke and scrap are highly volatile. For example, iron ore spot prices fluctuated between a peak of \$160 per tonne (Platts index, CFR China, 62% Fe) in February 2013 and \$110 per tonne at the end of May in 2013 before steady declines culminated in a historical low at the end of December 2015 of \$38.50 per tonne. A period of high volatility followed as prices spiked to \$70.50 in April 2016, declining to \$49.30 per tonne on June 2, 2016 and then increasing to \$83.95 per tonne on December 12, 2016. A recent example of this volatility is the sudden and sharp increase in the coking coal prices in the second half of 2016, largely driven by a Chinese domestic shortage of coking coal as well as maintenance and operational production issues in Australian coking coal mines during the period. Hard coking coal ("HCC") spot prices rose from \$92 per tonne at the beginning of July to \$212.50 per tonne on September 29, 2016 and a maximum of \$310 per tonne on November 8, 2016, and finally closing the fourth quarter with a spot average at \$266.15 per tonne.

Steel prices have similarly demonstrated significant volatility, for example in Europe ranging in 2013 from a high of \$690 per tonne to a low of \$586 per tonne (SBB, HRC N. Europe domestic EXW Ruhr). In the first half of 2014, steel prices increased steadily, continuing

the upward trend beginning mid-2013. However, the second half of 2014 and the full year 2015 saw substantial decreases in steel prices, which dropped to \$353 per tonne at the end of 2015, exceeding the historical lows. Steel prices rebounded strongly in 2016, from a low of \$338 per tonne in January up to a peak of \$506 per tonne in June 2016. The second half of 2016 started with a short-lived price softening to \$452 per tonne in July, followed by a steady increase towards year end reaching \$595 per tonne in December 2016. See "Steel prices" for more information.

Volatility in steel and raw material prices can result from many factors including: trends in demand for iron ore in the steel industry itself, and particularly from Chinese steel producers (as the largest group of producers); industry structural factors (including the oligopolistic nature of the sea-borne iron ore industry and the fragmented nature of the steel industry); the expectation or imposition of corrective trade measures; massive stocking and destocking activities (sudden drops in prices can lead end-users to delay orders pushing prices down further), as occurred most recently toward the end of 2015 and early 2016; speculation; new laws or regulations; changes in the supply of iron ore, in particular due to new mines coming into operation; business continuity of suppliers; changes in pricing models or contract arrangements; expansion projects of suppliers; worldwide production, including interruptions thereof by suppliers; capacity-utilization rates; accidents or other similar events at suppliers' premises or along the supply chain; wars, natural disasters, political disruption and other similar events; fluctuations in exchange rates; the bargaining power of raw material suppliers and the availability and cost of transportation.

As a producer and seller of steel, the Company is directly exposed to fluctuations in the market price for steel, iron ore, coking coal and other raw materials, energy and transportation. In

particular, steel production consumes substantial amounts of raw materials including iron ore, coking coal and coke, and the production of direct reduced iron, the production of steel in electric arc furnaces ("EAFs") and the re-heating of steel involve the use of significant amounts of energy, making steel companies dependent on the price of and their reliable access to supplies of raw materials and energy. Although ArcelorMittal has substantial sources of iron ore and coal from its own mines and strategic long-term contracts (the Company's self-sufficiency rates were 55% for iron ore and 15% for pulverized coal injection ("PCI") and coal in 2016), it nevertheless remains exposed to volatility in the supply and price of iron ore, coking coal and coke given that it obtains a significant portion of such raw materials under supply contracts from third parties.

Furthermore, while steel and raw material (in particular iron ore and coking coal) price trends have historically been correlated, a lack of correlation or an abnormal lag in the corollary relationship between raw material and steel prices may also occur and result in a "price-cost squeeze" in the steel industry. ArcelorMittal has experienced price-cost squeezes at various points in recent years and may continue to do so. In some of ArcelorMittal's segments, in particular Europe and NAFTA, there are several months between raw material purchases and sales of steel products incorporating those materials, rendering them particularly susceptible to price-cost squeeze. This lag and the resulting price-cost squeeze due to the increase in coking coal prices, among other factors, resulted in a decline in profitability in the fourth quarter of 2016. The impact on 2017 profitability will be dependent on the outcome of supply contract negotiations as well as evolution of spot indexes and efforts to pass the input cost increase on to steel prices. Because ArcelorMittal sources a substantial portion of its raw materials through long-term contracts with quarterly (or

more frequent) formula-based or negotiated price adjustments and as a steel producer sells a substantial part of its steel products at spot prices, it faces the risk of adverse differentials between its own production costs, which are affected by global raw materials and scrap prices, on the one hand, and trends for steel prices in regional markets, on the other hand.

Another area of exposure to price volatility is energy and transportation. Freight costs (i.e., shipping) are a substantial component of ArcelorMittal's cost of goods sold. Freight costs were particularly low in the second half of 2015 due, among other things, to depressed oil prices and demand. Ocean freight market rates for dry cargo remained low but volatile during 2016 with the Baltic Dry Index ("BDI") reaching its lowest value historically in February 2016 at 290 points but recovering during the year driven by heavy demolition of ships and an increase in Chinese demand in the fourth quarter of 2016. If freight costs were to increase before iron ore or steel prices, this would directly and mechanically weigh on ArcelorMittal's profitability (although it would make imports less competitive).

[ArcelorMittal's business and results are substantially affected by regional and global macroeconomic conditions. Recessions or prolonged periods of weak growth in the global economy or the economies of ArcelorMittal's key selling markets have in the past had and in the future would be likely to have a material adverse effect on the mining and steel industries and on ArcelorMittal's results of operations and financial condition.](#)

The mining and steel industries have historically been highly volatile largely due to the cyclical nature of the business sectors that are the principal consumers of steel as described above. Demand for minerals, metals and steel products thus generally correlates to macroeconomic fluctuations in the global economy. For example, this correlation and the adverse effect

of macroeconomic downturns on metal mining companies and steel producers were evidenced in the 2008/2009 financial and subsequent economic crisis. The results of both mining companies and steel producers were substantially affected, with many steel producers (including ArcelorMittal) recording sharply reduced revenues and operating losses. Economic growth (and hence steel and minerals demand) trends have varied across such markets since such period.

In 2015, global apparent steel consumption contracted notably in China and most of ArcelorMittal's core markets except Europe. In 2016, global steel demand has improved particularly in China where demand is estimated to have grown slightly this year. This is due to a rebound in real estate sales leading to growth in newly started floor space, the strength of auto and the rebound of machinery from declines seen in 2015. Europe is a major market for ArcelorMittal, whose results have suffered in prior years from recession and stagnation. European demand has grown since 2013 as the steel consuming sectors, particularly automotive, have gradually improved. In the US, growth in underlying steel demand has continued for flat and long products but apparent demand has been impacted since 2014 by significant destocking and lower energy demand for pipes and tubes. In Brazil and the CIS, apparent steel demand continues to decline significantly due to the ongoing recessions. In South Africa, after stagnating in 2014, steel demand also declined in 2016, especially for flat products.

The short-term outlook is for a gradual pick-up in global GDP supported by a modest rebound in the US, an end to recessions in Russia and Brazil, offset slightly by weaker EU growth. However, there are many risks to the global outlook including political tensions in Europe; threats to globalization by renewed protectionism; high debt and an aging population causing Chinese growth to slow

sharply. These would likely result in continued and prolonged subdued demand for (and hence the price of) steel and iron ore. These developments would have a material adverse effect on ArcelorMittal's results of operations and financial condition.

**Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability.**

ArcelorMittal is exposed to the effects of "dumping" and other unfair trade and pricing practices by competitors. Moreover, government subsidization of the steel industry remains widespread in certain countries, particularly those with centrally-controlled economies such as China. In periods of lower global demand for steel, there is an increased risk of additional volumes of unfairly-traded steel exports into various markets, including North America and Europe and other markets such as South Africa, in which ArcelorMittal produces and sells its products. Such imports have had and could in the future have the effect of further reducing prices and demand for ArcelorMittal's products.

Instances of such perceived dumping have been especially acute in recent years, and China has been accused by several countries and market participants of engaging in the widespread dumping of significant amounts of low-cost steel products in several markets. Chinese imports in key ArcelorMittal markets have seen significant increases in recent years from already high levels: Chinese steel exports to the EU increased from 1.7 million tonnes in 2009 to 7.2 million tonnes in 2015 and an estimated 6.1 million tonnes in 2016. Chinese exports into North America increased from 0.75 million tonnes in 2009 to 2.7 million tonnes in 2014 before declining to 2.2 million tonnes in 2015 and approximately 1 million tonnes in 2016 due in particular to the imposition of duties (as noted below). As mentioned above, industry

studies suggest that Chinese low-cost steel exports benefit from significant state support, which allows for the sale of such steel products at artificially low prices, including at a loss to producers, which has a significant negative impact on global steel prices and the industry more generally. Moreover, while China is widely considered the most significant exporter of artificially low-cost steel products, several other countries are suspected to engage in similar unfair trade and pricing practices in the steel industry. In response, in the United States, final affirmative duty measures were adopted in 2016 with respect to three of ArcelorMittal's flat products categories, corrosion-resistance steel, cold-rolled coil and hot-rolled coil, and a preliminary determination was confirmed for heavy plate in the U.S., and the U.S. Department of Commerce has initiated anti-circumvention investigations on cold-rolled coils and corrosion-resistant steel products from China (through Vietnam). In Europe, definitive measures have been adopted for cold-rolled coils versus China and Russia, preliminary antidumping duties have been adopted on hot-rolled coil and heavy plate imports from China as well as a new hot-rolled coil anti-dumping investigations have been initiated against five other countries. Additionally, the Company has collaborated to pursue anti-dumping actions in Canada, Mexico, Brazil and South Africa. It remains unclear, however, whether further anti-dumping duties will be imposed against Chinese imports or other exporting countries, and how markets will respond to current and future anti-dumping measures. Furthermore, no assurance can be given that such legislation will achieve its intended result or that benefits will accrue to steelmakers at the intended rate and scale, or at all.

Against this backdrop of increasing dumping and other unfair trade and pricing pressures, China is lobbying members of the World Trade Organization ("WTO") for immediate "Market Economy Status" ("MES") in light of the

expiry on December 11, 2016 of certain protocols to its 2001 accession to the WTO. MES is a bilateral designation that is granted individually by a given country and can be made on the basis of a legal or political determination. Several countries, including several in markets in which ArcelorMittal operates, have already granted China MES and a day after the expiration of the subparagraph "a" of article 15 (December 12, 2016) of the accession protocol of China to the WTO regarding the methodology for calculating the dumping margins, China notified the WTO Secretariat that it had requested dispute consultations with the United States and the European Union regarding special calculation methodologies used by the U.S. and EU in anti-dumping proceedings. As of the date of this report, neither the European Union nor the United States had granted China MES, and while Brazil recognized China's MES in a memorandum of understanding in 2004, it continues to treat China as having non-MES for the purposes of calculating anti-dumping duties. No assurance can be given as to whether or when the EU, U.S., Brazil or other countries will grant MES to China. A country's decision to grant MES to China would substantially reduce the anti-dumping duty margins that it may apply against China pursuant to the rules of WTO. This would encourage or at least fail to discourage China's exportation of unfairly traded steel products into several markets in which ArcelorMittal operates.

A continuation or an increase in exports of low-cost steel products from developing countries, along with a lack of effective remedial trade policies, would continue to depress steel prices in various markets globally, including in ArcelorMittal's key markets.

Conversely, ArcelorMittal has exposure to the effects of trade sanctions and barriers due to the global nature of its operations. Various countries have in the past instituted trade sanctions and barriers and the recurrence of such measures,

or the imposition of the above-mentioned anti-dumping legislation, could adversely affect ArcelorMittal's business by limiting the Company's access to steel markets. In the United States, the recent presidential and congressional elections could result in significant changes in, and uncertainty with respect to, legislation, regulation and government policy directly affecting ArcelorMittal's business (in particular exports from Canada or Mexico into the United States) or indirectly affecting the Company because of impacts on its customers and suppliers. In particular, President Trump has made comments suggesting that he intends to re-negotiate the free trade agreements that the United States is party to, including NAFTA, although it remains unclear what specifically the new U.S. administration and U.S. Congress will or will not do in this respect.

[Developments in the competitive environment in the steel industry could have an adverse effect on ArcelorMittal's competitive position and hence its business, financial condition, results of operations or prospects.](#)

The markets in which steel companies operate are highly competitive. Competition in the form of established producers expanding in new markets, smaller producers increasing production in anticipation of demand increases or amid recoveries, or exporters selling excess capacity from markets such as China could cause ArcelorMittal to lose market share, increase expenditures or reduce pricing. Any of these developments could have a material adverse effect on its business, financial condition, results of operations or prospects.

Competition from other materials could reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flows and profitability.

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum (particularly in the automobile industry),

cement, composites, glass, plastic and wood. In particular, as a result of increasingly stringent regulatory requirements, as well as developments in alternative materials, designers, engineers and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight and alternative materials, such as aluminum, composites, plastics and carbon fiber in their products and/or reducing their use of steel. For example, automakers have begun to use greater amounts of aluminum and smaller proportions of steel in some models in recent years.

While ArcelorMittal has introduced new high-strength steel products, such as Usibor® 2000 and others to respond to the need for lighter weight materials, loss of market share to substitute materials, increased government regulatory initiatives favoring the use of alternative materials, as well as the development of additional new substitutes for steel products could significantly reduce market prices and demand for steel products and thereby reduce ArcelorMittal's cash flows and profitability.

[ArcelorMittal is subject to strict environmental laws and regulations that could give rise to a significant increase in costs and liabilities.](#)

ArcelorMittal is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations impose increasingly stringent environmental protection standards regarding, among others, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices and the remediation of environmental contamination. The costs of complying with, and the imposition of liabilities pursuant to, environmental laws and regulations can be significant, and compliance with new and more stringent obligations may require additional capital expenditures or modifications

in operating practices. Failure to comply can result in civil and or criminal penalties being imposed, the suspension of permits, requirements to curtail or suspend operations and lawsuits by third parties. Despite ArcelorMittal's efforts to comply with environmental laws and regulations, environmental incidents or accidents may occur that negatively affect the Company's reputation or the operations of key facilities.

ArcelorMittal also incurs costs and liabilities associated with the assessment and remediation of contaminated sites. In addition to the impact on current facilities and operations, environmental remediation obligations can give rise to substantial liabilities in respect of divested assets and past activities. This may also be the case for acquisitions when liabilities for past acts or omissions are not adequately reflected in the terms and price of the acquisition. ArcelorMittal could become subject to further remediation obligations in the future, as additional contamination is discovered or cleanup standards become more stringent.

Costs and liabilities associated with mining activities include those resulting from tailings and sludge disposal, effluent management, and rehabilitation of land disturbed during mining processes. ArcelorMittal could become subject to unidentified liabilities in the future, such as those relating to uncontrolled tailings breaches or other future events or to underestimated emissions of polluting substances. For example, the failure of a tailings ponds dam at ArcelorMittal's mines could cause significant damage, including death, injury and environmental harm. While the Company carries out assessments of its facilities, it cannot guarantee that failures or breaches of a tailings ponds dam will not occur in the future.

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.

See note 8.2 to ArcelorMittal's consolidated financial statements.

[Laws and regulations restricting emissions of greenhouse gases could force ArcelorMittal to incur increased capital and operating costs and could have a material adverse effect on ArcelorMittal's results of operations and financial condition.](#)

Compliance with new and more stringent environmental obligations relating to greenhouse gas emissions may require additional capital expenditures or modifications in operating practices, as well as additional reporting obligations. The integrated steel process involves carbon and creates carbon dioxide ("CO<sub>2</sub>"), which distinguishes integrated steel producers from mini-mills and many other industries where CO<sub>2</sub> generation is primarily linked to energy use.

The EU has established greenhouse gas regulations and is revising its emission trading system for the period after 2020 in a manner that may require ArcelorMittal to incur additional costs to acquire emissions allowances. In Kazakhstan the government has installed a domestic trading system which currently is in a pilot phase but would be similar to the EU system. South Africa envisages to start with a CO<sub>2</sub> tax system in 2017. The United States 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, in December 2015, the 195 countries participating in the United Nations Framework Convention on Climate Change reached an international agreement, the Paris Agreement. The 21st Conference of the Parties meeting ("COP21") has confirmed the risk of climate change and the urgent need to address it. The Paris Agreement aims to implement the necessary drivers to achieve drastic reductions of carbon emissions. The Company takes this message seriously and investigates its possibilities to contribute to this by developing research and development programs, investigating its technical possibilities to reduce emissions and following the state of knowledge on climate change closely. Such obligations, whether in the form of a national or international cap-and-trade emissions permit system, a carbon tax, emissions controls, reporting requirements, or other regulatory initiatives, could have a negative effect on ArcelorMittal's production levels, income and cash flows. Such regulations could also have a negative effect on the Company's suppliers and customers, which could result in higher costs and lower sales. Moreover, the EU Commission's decision to further reduce the allocation of CO<sub>2</sub> emission rights to companies could negatively impact the global industry, as the amount of such rights is currently at the edge of covering technically achievable operating conditions.

Furthermore, many developing nations have not yet instituted significant greenhouse gas regulations, and the Paris Agreement specifically recognized that peaking of greenhouse gas emissions will occur later in developing countries. As the Paris Agreement recognizes that the Intended Nationally Determined Contributions ("INDC") for developing nations may be less stringent in light of different national circumstances, ArcelorMittal may be at a competitive disadvantage relative to steelmakers having more or all of their production in such countries. Depending

on the extent of the difference between the requirements in developed regions (such as Europe) and developing regions (such as China or the CIS), this competitive disadvantage could be severe and render production in the developed region structurally unprofitable.

See note 8.2 to ArcelorMittal's consolidated financial statements.

**ArcelorMittal is subject to stringent health and safety laws and regulations that give rise to significant costs and could give rise to significant 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. In addition, under certain circumstances authorities could require ArcelorMittal facilities to curtail or suspend operations based on health and safety concerns.

Despite ArcelorMittal's efforts to monitor and reduce accidents at its facilities, health and safety incidents do occur, some of which may result in costs and liabilities and negatively impact ArcelorMittal's reputation or the operations of the affected facility. Such accidents could include explosions or gas leaks, fires or collapses in underground mining operations, vehicular accidents, and other accidents involving mobile equipment, or exposure to radioactive or other potentially hazardous materials. Some of ArcelorMittal's industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and ArcelorMittal is therefore subject to the risk of industrial accidents

which could have significant adverse consequences for the Company's workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel, the loss of key assets, or put at risk employees (and those of sub-contractors and suppliers) or persons living near affected sites.

See note 8.2 to ArcelorMittal's consolidated financial statements.

#### *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, 2016, ArcelorMittal had total debt outstanding of \$13.7 billion, including \$1.9 billion of short-term indebtedness (including payables to banks and the current portion of long-term debt) and \$11.8 billion of long-term indebtedness. As of December 31, 2016, ArcelorMittal had \$2.6 billion of cash and cash equivalents, including restricted cash, and \$5.5 billion available to be drawn under existing credit facilities. As of December 31, 2016, the maturity schedule of outstanding debt was as follows: in 2017 (\$1.9 billion), in 2018 (\$1.5 billion), 2019 (\$1.9 billion), 2020 (\$1.9 billion), 2021 (\$1.4 billion) and beyond (\$5.1 billion). The Company also relies on its true sale of receivables programs for an aggregate program amount (i.e., the maximum amount of unpaid receivables that may be sold and outstanding at any given time) of \$5.2 billion, of which \$4.7 billion was outstanding as of December 31, 2016, as a way to manage its working capital cycle.

ArcelorMittal's gearing (long-term debt, plus short-term debt, less cash and cash equivalents and restricted cash, divided by total equity), was 34% at December 31, 2016 as compared to 57% at December 31, 2015. ArcelorMittal's level of gearing

could increase should market conditions deteriorate or if it records impairment charges for tangible or intangible assets, such as property, plant and equipment, goodwill or deferred tax assets (see "Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in the impairment of such assets, including intangible assets such as goodwill" below); for example, ArcelorMittal recorded substantial impairments in 2012 and 2015. Substantial increases in its gearing could affect ArcelorMittal's ability to, and the conditions under which it might, access financial markets to refinance maturing debt on acceptable terms. ArcelorMittal's access to financial markets for refinancing also depends on the conditions in the global capital and credit markets, which are volatile. For example, during the 2008/2009 financial and economic crisis and again at the height of the eurozone sovereign debt crisis in 2012, access to the financial markets was restricted for many companies. Various macroeconomic and market factors could cause similar credit contractions at any time. Under such circumstances, the Company could experience difficulties in accessing the financial markets on acceptable terms or at all.

ArcelorMittal's level of debt outstanding could have adverse consequences more generally, including impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, and limiting its flexibility to adjust to changing market conditions or withstand competitive pressures, resulting in greater vulnerability to a downturn in general economic conditions. While ArcelorMittal has made substantial progress in deleveraging, further reductions in "net debt" (i.e., long-term debt net of current portion plus payables to banks and current portion of long-term debt, less cash and cash equivalents, restricted cash and short-term investments) continues to be a

key focus, although there is no assurance that it will succeed.

Moreover, ArcelorMittal could, in order to increase its financial flexibility and strengthen its balance sheet, implement capital raising measures such as equity offerings (as was done in May 2009, January 2013 and April 2016), which could (depending on how they are structured) dilute the interests of existing shareholders or require them to invest further funds to avoid such dilution. In addition, ArcelorMittal has undertaken and may undertake further asset disposals in order to reduce debt. These asset disposals are subject to execution risk and may fail to materialize, and the proceeds received from such disposals may not reflect values that management believes are achievable and/or cause substantial accounting losses (particularly if the disposals are done in difficult market conditions). In addition, to the extent that the asset disposals include the sale of all or part of core assets (including through an increase in the share of non-controlling interests), this could reduce ArcelorMittal's consolidated cash flows and/or the economic interest of ArcelorMittal shareholders in such assets, which may be cash-generative and profitable ones.

In addition, credit rating agencies could downgrade ArcelorMittal's ratings either due to factors specific to ArcelorMittal, a prolonged cyclical downturn in the steel industry and mining industries, macroeconomic trends (such as global or regional recessions) or trends in credit and capital markets more generally. In this respect, Standard & Poor's, Moody's and Fitch downgraded the Company's rating to below "investment grade" in August, November and December 2012, respectively. On February 3, 2015, Standard & Poor's further downgraded ArcelorMittal's credit rating and, on December 18, 2015, it placed ArcelorMittal on negative outlook but then revised its outlook to positive and affirmed its long-term and short-term corporate credit ratings of the Company on November 17,

2016. On November 12, 2015, Moody's further downgraded ArcelorMittal and placed it on negative outlook, but then upgraded its outlook to stable on August 16, 2016. On November 16, 2015, while Fitch affirmed its credit rating of ArcelorMittal, it lowered its outlook to negative. The margin under ArcelorMittal's principal credit facilities and certain of its outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings, and the 2012, February 2015 and November 2015 downgrades resulted in increased interest expense in 2016. See "Liquidity and capital resources". Any further downgrades in ArcelorMittal's credit ratings would result in a further increase in 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.

ArcelorMittal's principal credit facilities contain restrictive covenants. These covenants limit, inter alia, encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. ArcelorMittal's principal credit facilities also include the following financial covenant: ArcelorMittal must ensure that the "Leverage Ratio", being the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to certain adjustments as defined in the facilities), at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of ArcelorMittal), is not greater than a ratio of 4.25 to one or 4.0 to one for one credit facility (See "Liquidity and capital resources"). As of December 31, 2016, the Company was in compliance with the Leverage Ratios.

These restrictive and financial covenants could limit ArcelorMittal's operating and financial flexibility. Failure to comply with any covenant would enable the lenders to accelerate ArcelorMittal's repayment obligations. Moreover, ArcelorMittal's debt facilities have provisions whereby certain events relating to other borrowers within the ArcelorMittal group could, under certain circumstances, lead to acceleration of debt repayment under the credit facilities. Any invocation of these cross-acceleration clauses could cause some or all of the other debt to accelerate, creating liquidity pressures. In addition, the mere market perception of a potential breach of any financial covenant could have a negative impact on ArcelorMittal's ability to refinance its indebtedness on acceptable conditions.

Furthermore, some of ArcelorMittal's debt is subject to floating rates of interest and thereby exposes ArcelorMittal to interest rate risk (i.e., if interest rates rise, ArcelorMittal's debt service obligations on its floating rate indebtedness would increase). Depending on market conditions, ArcelorMittal from time to time uses interest-rate swaps or other financial instruments to hedge a portion of its interest rate exposure either from fixed to floating or from floating to fixed. ArcelorMittal had exposure to 89% of its debt at fixed interest rates and 11% at floating rates as of December 31, 2016.

Finally, ArcelorMittal has foreign exchange exposure in relation to its debt, approximately 34% of which is denominated in euros as of December 31, 2016, while its financial statements are denominated in U.S. dollars. This creates balance sheet exposure, with a depreciation of the U.S. dollar against the euro leading to an increase in debt (including for covenant compliance measurement purposes).

See "Liquidity and capital resources".

ArcelorMittal's level of profitability and cash flow currently is and, depending on market and operating conditions, may in the future be, substantially affected by its ability to reduce costs and improve operating efficiency.

Difficult operating conditions in recent years, due in particular to macroeconomic conditions and supply/demand trends, have reduced ArcelorMittal's operating profitability, decreased its positive cash flows and reduced its profitability. The steel industry has historically been cyclical, periodically experiencing difficult operating conditions. In light of this, ArcelorMittal has historically and increasingly in recent periods, taken initiatives to reduce its costs and increase its operating efficiency. These initiatives have included various asset optimization and other programs throughout the Company. The most recent of these programs is the Action 2020 plan announced on February 5, 2016 that includes, among other aspects, several efficiency improvement initiatives. Implementation of cost saving and efficiency improvement initiatives is subject to operational challenges and limitations. Failure to implement fully such initiatives would prevent the attainment of announced profitability or cash flow improvement targets, and more generally could have a material adverse effect on the Company's profitability and cash flow.

ArcelorMittal's mining operations are subject to risks associated with mining activities.

ArcelorMittal operates mines and has substantially increased the scope of its mining activities in recent years. Mining operations are subject to the hazards and risks usually associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, the hazards associated with open-pit mining operations include, among others:

- flooding of the open pit;
- collapse of the open-pit wall;
- accidents associated with the operation of large open-pit mining and rock transportation equipment;
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations;
- production disruptions due to weather;
- hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination; and
- collapse of tailings ponds dams or dams.

Hazards associated with underground mining operations, of which ArcelorMittal has several, include, among others:

- underground fires and explosions, including those caused by flammable gas;
- gas and coal outbursts;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- flooding;
- sinkhole formation and ground subsidence;
- 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. The occurrence of any of the events listed above could delay production, increase production costs and result in death or injury to persons, damage to property and liability for ArcelorMittal, some or all of which may not be covered by insurance, as well as substantially harm ArcelorMittal's reputation, both as a company focused on

ensuring the health and safety of its employees and more generally.

[ArcelorMittal's reserve estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine.](#)

ArcelorMittal's reported reserves are estimated quantities of the ore and metallurgical coal that it has determined can be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including factors beyond ArcelorMittal's control. The process of estimating reserves involves estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. As a result, no assurance can be given that the estimated amounts of ore or coal will be recovered or that it will be recovered at the anticipated rates. Estimates may vary, and results of mining and production subsequent to the date of an estimate may lead to revisions of estimates. Reserve estimates and estimates of mine life may require revisions based on actual market conditions, production experience and other factors. Fluctuations in the market prices of minerals and metals, reduced recovery rates or increased operating and capital costs due to inflation, exchange rates, mining duties or other factors may render proven and probable reserves uneconomic to exploit and may ultimately result in a revision of reserves. In particular, a prolonged period of low prices or other indicators could lead to a review of the Group's reserves. Such review would reflect the Company's view based on estimates, assumptions

and judgments and could result in a reduction in the Group's reported reserves. The Group's reserve estimates reported in this annual report do not exceed the quantities that the Company estimates could be extracted economically if future prices were at similar levels to the average contracted price for the three years ended December 31, 2016. As a result, if the average contracted prices remain in 2017 at, near or below the low levels in the fourth quarter of 2015 and in the first half of 2016, the Company's estimates of its reserves at year-end 2017 may decline.

[Drilling and production risks could adversely affect the mining process.](#)

Substantial time and expenditures are required to:

- establish mineral reserves through drilling;
- determine appropriate mining and metallurgical processes for optimizing the recovery of saleable product from iron ore and coal reserves;
- obtain environmental and other licenses;
- construct mining and processing facilities and the infrastructure required for greenfield properties;
- extract the saleable products from the mined iron ore or coal; and
- maintain the appropriate blend of ore to ensure the final product qualities expected by the customer are achieved.

If a project proves not to be economically feasible by the time ArcelorMittal is able to exploit it, ArcelorMittal may incur substantial losses and be obliged to recognize impairments. In addition, potential changes or complications involving metallurgical and other technological processes that arise during the life of a project may result in delays and cost overruns that may render the project not economically feasible.

[ArcelorMittal faces rising extraction costs over time as reserves deplete.](#)

Reserves are gradually depleted in the ordinary course of a given mining operation. As mining progresses, distances to the primary crusher and to waste deposits become longer, pits become steeper and underground operations become deeper. As a result, ArcelorMittal usually experiences rising unit extraction costs over time with respect to each of its mines.

[ArcelorMittal has incurred and may incur in the future operating costs when production capacity is idled or increased costs to resume production at idled facilities.](#)

ArcelorMittal's decisions about which facilities to operate and at which levels are made based upon customers' orders for products as well as the capabilities and cost performance of the Company's facilities. Considering temporary or structural overcapacity in the current market situation, production operations are concentrated at several plant locations and certain facilities are idled in response to customer demand, although operating costs are still incurred at such idled facilities. When idled facilities are restarted, ArcelorMittal incurs costs to replenish raw material inventories, prepare the previously idled facilities for operation, perform the required repair and maintenance activities and prepare employees to return to work safely and resume production responsibilities. Such costs could have an adverse effect on its results of operations or financial condition.

[ArcelorMittal's greenfield and brownfield investment projects are inherently subject to financing, execution and completion risks.](#)

While the Company's current strategy remains focused on cost improvement, non-core asset disposals and asset optimization, the Company had previously announced a

number of envisaged greenfield or brownfield development projects, particularly in the mining sector, some of which are or may be ongoing. To the extent these projects go forward, they would entail substantial capital expenditures, and their timely completion and successful operation may be affected by factors beyond the control of ArcelorMittal. These factors include receiving financing on reasonable terms, obtaining or renewing required regulatory approvals and licenses, securing and maintaining adequate property rights to land and mineral resources, local opposition to land acquisition or project development, managing relationships with or obtaining consents from other shareholders, revision of economic viability projections, demand for the Company's products, local environmental or health-related conditions (such as the Ebola epidemic in Liberia in 2014-2015), and general economic conditions. Any of these factors may cause the Company to delay, modify or forego some or all aspects of its development projects. The Company cannot guarantee that it will be able to execute its greenfield or brownfield development projects, and to the extent that they proceed, that it will be able to complete them on schedule, within budget, or achieve an adequate return on its investment. Conversely, should the Company decide to postpone or cancel development projects, it could incur various negative consequences such as litigation or impairment charges.

**ArcelorMittal faces risks associated with its investments in joint ventures and associates.**

ArcelorMittal has investments in various joint ventures and associates. See note 2.4 to ArcelorMittal's consolidated financial statements. Joint ventures and associates may be controlled and managed by joint venture or controlling partners that may not fully comply with ArcelorMittal's standards, controls and procedures, including ArcelorMittal's health, safety, environment and community

standards, which could lead to higher costs, reduced production or environmental, health and safety incidents or accidents, which could adversely affect ArcelorMittal's results and reputation.

In addition, certain of these joint ventures and associates are currently experiencing, or may in the future experience, difficult operating conditions and/or incur losses. Difficult operating conditions in joint ventures and associates in which ArcelorMittal has invested may expose it to loss of its investment, requirements for additional investments or calls on guarantees. For example, ArcelorMittal's joint venture Al Jubail's financial situation has been negatively impacted by a slower than expected ramp-up of operations. ArcelorMittal has provided shareholder loans to assist with funding and additional equity funding is expected from the other partners. ArcelorMittal's investment in and loans to the joint venture were \$149 million at December 31, 2016 following the recognition of its share in net losses. The Company has also guaranteed \$403 million of Al Jubail's external debt. In addition, as of December 31, 2016, ArcelorMittal had given \$0.6 billion in guarantees on behalf of other associates and joint ventures including \$463 million issued on behalf of Calvert. See notes 2.4.1, 2.4.2 and 8.3 to ArcelorMittal's consolidated financial statements.

ArcelorMittal's investments in joint ventures and associates may also result in impairments. For example, in 2014, the Company recorded an impairment charge of \$621 million on its investment in China Oriental, following a revision of business assumptions in the context of the continuing economic slowdown in China. In 2015, the Company also recorded an impairment charge of \$283 million in respect of its joint venture investment in Kalagadi Manganese (Propriety) Ltd, reflecting a write down of the full carrying amount of the investment and loans as a result of a downward revision of cash flow projections resulting from the expectation

of the persistence of a lower manganese price outlook. As of December 31, 2016, ArcelorMittal's investments accounted for under the equity method had a book value of \$4.3 billion, including DHS Group (\$902 million), China Oriental (\$623 million) and Baffinland (\$425 million).

**A Mittal family trust has the ability to exercise significant influence over the outcome of shareholder votes.**

As of December 31, 2016, a trust (HSBC Trust (C.I.) 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) shares amounting (when aggregated with ordinary shares of ArcelorMittal and options to acquire ordinary shares held directly by Mr. and Mrs. Mittal) to 1,146,687,339 shares, representing 37.4% of ArcelorMittal's outstanding shares. See "Major shareholders and related party transactions Major shareholders". As a result, 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 30 years contributed significantly to shaping and implementing the business strategy of Mittal Steel and subsequently ArcelorMittal. His strategic vision was instrumental in the creation of the world's largest and most

global steel group. The loss or any diminution of the services of the Chairman of the Board of Directors and Chief Executive Officer could have an adverse effect on ArcelorMittal's business and prospects. ArcelorMittal does not maintain key person life insurance on its Chairman of the Board of Directors and Chief Executive Officer.

**ArcelorMittal is a holding company that depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future operational needs or for shareholder distributions and loss-making subsidiaries may drain cash flow necessary for such needs or distributions.**

As a holding company, ArcelorMittal is dependent on the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations, pay any cash dividends or distributions on its ordinary shares or conduct share buy-backs. Significant cash or cash equivalent balances may be held from time to time at the Company's international operating subsidiaries, including in particular those in France and the United States, where the Company maintains cash management systems under which most of its cash and cash equivalents are centralized, and in Argentina, Brazil, Canada, Morocco, South Africa and Ukraine. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity. These subsidiaries may also experience operating difficulties that impact their cash flows. ArcelorMittal South Africa, for example, has been experiencing significant difficulties in recent years. In order to decrease its significant outstanding debt, on January 15, 2016, ArcelorMittal South Africa closed a rights offering. The total cash proceeds amounted to R4.5 billion. ArcelorMittal underwrote

the rights offering in its entirety. The Company fully subscribed to the capital increase, through repayment of an outstanding intragroup loan of R3.2 billion and an additional cash injection of approximately R460 million. As a result of the rights issue, ArcelorMittal's shareholding in ArcelorMittal South Africa increased from 52% to 71%.

Repatriation of funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Company operates, though none of these policies are currently significant in the context of ArcelorMittal's overall liquidity. Under the laws of Luxembourg, ArcelorMittal will be able to pay dividends or distributions only to the extent that it is entitled to receive cash dividend distributions from its subsidiaries, recognize gains from the sale of its assets or record share premium from the issuance of shares.

If the earnings and cash flows of its operating subsidiaries are substantially reduced, ArcelorMittal may not be in a position to meet its operational needs or to make shareholder distributions in line with announced proposals.

**Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in the impairment of such assets, including intangible assets such as goodwill.**

At each reporting date, in accordance with the Company's accounting policy described in note 5.3 to ArcelorMittal's consolidated financial statements, ArcelorMittal reviews the carrying amounts of its tangible and intangible assets (goodwill is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If

any such indication exists, the recoverable amount of the asset (or cash generating unit) is reviewed in order to determine the amount of the impairment, if any.

If certain of management's estimates change during a given period, such as the discount rate, capital expenditures, expected changes to average selling prices, growth rates, shipments and direct costs, the estimate of the recoverable amount of goodwill or the asset could fall significantly and result in impairment. While impairment does not affect reported cash flows, the decrease of the estimated recoverable amount and the related non-cash charge in the consolidated statements of operations could have a material adverse effect on ArcelorMittal's results of operations. For example, in 2016, the Company recorded an impairment charge as a result of the annual impairment test of \$156 million related to tangible assets in the ACIS segment. In 2015, the Company recorded an impairment charge of \$3.7 billion including \$0.9 billion with respect to the Mining segment goodwill and \$2.8 billion related to tangible and intangible assets (\$2.5 billion and \$0.3 billion in the Mining and ACIS segments, respectively). Following these impairment charges, substantial amounts of goodwill, tangible and intangible assets remain recorded on its balance sheet (there was \$5.2 billion of goodwill for the Company and \$4.1 billion of tangible and intangible assets and goodwill of \$0.8 billion for ACIS on the balance sheet at December 31, 2016). No assurance can be given as to the absence of significant further impairment losses in future periods, particularly if market conditions deteriorate. In particular, changes in the key assumptions utilized in the October 31, 2016 impairment test would cause an impairment loss to be recognized in respect of the Brazil segment and an additional impairment loss to be recognized in respect of ACIS. See note 5.3 to ArcelorMittal's 2016 consolidated financial statements, in particular for a discussion of the assumptions

used for determining the Brazil and ACIS segment's value in use.

**ArcelorMittal's ability to fully utilize its recognized deferred tax assets depends on its profitability and future cash flows.**

At December 31, 2016, ArcelorMittal had \$5.8 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, 2016, the amount of future income required to recover ArcelorMittal's deferred tax assets of \$5.8 billion was at least \$27.3 billion at certain operating subsidiaries.

ArcelorMittal's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If ArcelorMittal generates lower taxable income than the amount it has assumed in determining its deferred tax assets, then the value of deferred tax assets will be reduced. In addition, assumptions regarding the future recoverability of deferred tax assets depend on management's estimates of future taxable income in accordance with the tax laws applicable to ArcelorMittal's subsidiaries in the countries in which they operate. If in the course of its assessments management determines that the carrying amount of any of its deferred tax assets may not be recoverable pursuant to such prevailing tax laws, the recoverable amount of such deferred tax assets may be impaired. ArcelorMittal's assumptions regarding its ability to generate future taxable income changed during 2016, resulting in a \$0.7 billion derecognition of deferred tax assets in Luxembourg related to revised expectations of the deferred tax asset recoverability in U.S. dollar terms.

**The Company's investment projects may add to its financing requirements and adversely affect its cash flows and results of operations.**

The steelmaking and mining businesses are capital intensive requiring substantial ongoing maintenance capital expenditure. In addition, ArcelorMittal has announced investment projects in the past and some are or may be ongoing. See note 8.3 to ArcelorMittal's consolidated financial statements. ArcelorMittal expects to fund these capital expenditures primarily through internal sources. Such sources may not suffice, however, depending on the amount of internally generated cash flows and other uses of cash, which may require ArcelorMittal to choose between incurring external financing, further increasing the Company's level of indebtedness, or foregoing investments in projects targeted for profitable growth.

**Underfunding of pension and other post-retirement benefit plans at some of ArcelorMittal's operating subsidiaries could require the Company to make substantial cash contributions to pension plans or to pay for employee healthcare, which may reduce the cash available for ArcelorMittal's business.**

ArcelorMittal's principal operating subsidiaries in Brazil, Canada, Europe, South Africa and the United States provide defined benefit pension and other post-retirement benefit plans to their employees. Some of these plans are currently underfunded, see note 7.2 to ArcelorMittal's consolidated financial statements for the total value of plan assets and any deficit.

ArcelorMittal's funding obligations depend upon future asset performance, which is tied to equity and debt markets to a substantial extent, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes and government regulation. Because of the large number of variables that determine pension



funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for ArcelorMittal's pension plans and other post-employment benefit plans could be significantly higher than current estimates. Increases in the general life expectancy assumption have contributed to increases in the defined benefit obligation. ArcelorMittal also makes contributions to a multi-employer pension plan in the U.S. (the Steelworkers Pension Trust) for which it is one of the largest employers. If the other contributors were to default on their obligations, ArcelorMittal would become liable for the plan. In these circumstances, funding requirements could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.

[ArcelorMittal could experience labor disputes that may disrupt its operations and its relationships with its customers and its ability to rationalize operations and reduce labor costs in certain markets may be limited in practice or encounter implementation difficulties.](#)

A majority of the employees of ArcelorMittal and of its contractors are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to, or during, negotiations preceding new collective bargaining agreements, during wage and benefits negotiations or during other periods for other reasons, in particular in connection with any announced intentions to adapt the footprint. ArcelorMittal may experience strikes and work stoppages at various facilities. Prolonged strikes or work stoppages, which may increase in their severity and frequency, may have an adverse effect on the operations and financial results of ArcelorMittal. The risk of strikes and work stoppages is particularly acute during collective bargaining agreement negotiations. For example, collective agreement

negotiations are currently ongoing in South Africa and in Liberia. In addition, on June 23, 2016, ArcelorMittal announced its new three-year collective bargaining agreement with the United Steelworkers (USW) was ratified by USW-represented employees, following months of negotiations that threatened to, but did not in the end, disrupt operations.

Faced with temporary or structural overcapacity in various markets, particularly developed ones, ArcelorMittal has in the past sought and may in the future seek to rationalize operations through temporary or permanent idling and/or closure of plants. These initiatives have in the past and may in the future lead to protracted labor disputes and political controversy. For example, in 2012, the announced closure of the liquid phase of ArcelorMittal's Florange plant in France, and also in the Liege plant in Belgium, attracted substantial media and political attention. Such situations carry the risk of delaying or increasing the cost of production rationalization measures, harming ArcelorMittal's reputation and business standing in given markets and even the risk of nationalization.

[ArcelorMittal is subject to economic policy, political, social and legal risks and uncertainties in the emerging markets in which it operates or proposes to operate, and these uncertainties may have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects.](#)

ArcelorMittal operates, or proposes to operate, in a large number of emerging markets. In recent years, many of these countries have implemented measures aimed at improving the business environment and providing a stable platform for economic development. ArcelorMittal's business strategy has been developed partly on the assumption that this modernization, restructuring and upgrading of the business climate and physical infrastructure will continue, but this cannot be guaranteed. Any

slowdown in the development of these economies could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects, as could insufficient investment by government agencies or the private sector in physical infrastructure. For example, the failure of a country to develop reliable electricity and natural gas supplies and networks, and any resulting shortages or rationing, could lead to disruptions in ArcelorMittal's production.

Moreover, some of the countries in which ArcelorMittal operates have been undergoing substantial political transformations from centrally-controlled command economies to market-oriented systems or from authoritarian regimes to democratically-elected governments and vice-versa. Political, economic and legal reforms necessary to complete such transformation may not progress sufficiently. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, wide-scale civil disturbances and military conflict. The political systems in these countries are vulnerable to their populations' dissatisfaction with their government, reforms or the lack thereof, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries. For example, in Ukraine, a period of widespread civil unrest resulted in the removal of the President from office in February 2014 and the establishment of an interim government, which has been followed by ongoing conflict in Crimea and the Donbass region, with Russia purportedly annexing Crimea in March 2014, a disputed referendum approving independence of Crimea from Ukraine in May 2014 and intermittent combats between the Ukrainian army and pro-Russian rebels in the Donbass region. In addition, certain of ArcelorMittal's operations are

also located in areas where acute drug-related violence (including executions and kidnappings of non-gang civilians) occurs and the largest drug cartels operate, such as the states of Michoacan, Sinaloa and Sonora in Mexico.

Certain emerging markets where ArcelorMittal has operations are experiencing particularly difficult operating conditions. Brazil, for example, is going through severe recession, with significant declines seen in steel consumption and steel prices. Kazakhstan is also going through a recession, and its currency sharply depreciated at the end of 2015. The steel and mining industries in South Africa are subject to a challenging operating environment characterized by lower local demand, increased cheap imports and higher costs, resulting in losses in recent years for ArcelorMittal South Africa.

In addition, epidemics may affect ArcelorMittal's operations in certain regions. For example, ArcelorMittal operates in Liberia, which underwent an Ebola virus disease epidemic in 2014 and 2015. This affected ArcelorMittal's operations and projects in Liberia. There can be no assurance that other epidemics will not adversely affect ArcelorMittal's ongoing operations, production targets and expansion plans, if any, in other markets in which it operates.

In addition, the legal systems in some of the countries in which ArcelorMittal operates remain less than fully developed, particularly with respect to the independence of the judiciary, property rights, the protection of foreign investment and bankruptcy proceedings, generally resulting in a lower level of legal certainty or security for foreign investment than in more developed countries. ArcelorMittal may encounter difficulties in enforcing court judgments or arbitral awards in some countries in which it operates because, among other reasons, those countries may not be parties to treaties that recognize the mutual enforcement of court

judgments. Assets in certain countries where ArcelorMittal operates could also be at risk of expropriation or nationalization, and compensation for such assets may be below fair value. For example, the Venezuelan government has implemented a number of selective nationalizations of companies operating in the country to date. Although ArcelorMittal believes that the long-term growth potential in emerging markets is strong, and intends them to be the focus of the majority of its near-term growth capital expenditures, legal obstacles could have a material adverse effect on the implementation of ArcelorMittal's growth plans and its operations in such countries.

[ArcelorMittal's results of operations could be affected by fluctuations in foreign exchange rates, particularly the euro to U.S. dollar exchange rate, as well as by exchange controls imposed by governmental authorities in the countries where it operates.](#)

ArcelorMittal operates and sells products globally and as a result, its business, financial condition, results of operations or prospects could be adversely affected by fluctuations in exchange rates. A substantial portion of ArcelorMittal's assets, liabilities, operating costs, sales and earnings are denominated in currencies other than the U.S. dollar (ArcelorMittal's reporting currency). Accordingly, its results of operations are subject to translation risk (i.e., the USD value of the revenues and profits generated in other currencies and its debt denominated in other currencies) and transaction risk (i.e., a mismatch between the currency of costs and revenues). For example, in 2015 ArcelorMittal recognized a \$0.7 billion foreign exchange loss primarily due to the decrease in euro denominated deferred tax assets and debt as a result of the sharp appreciation of the USD versus the euro.

Moreover, ArcelorMittal operates in several countries whose currencies are, or have in the past been, subject to limitations imposed by those

countries' central banks, or which have experienced sudden and significant devaluations. In emerging countries where ArcelorMittal has operations and/or generates substantial revenue, such as Argentina, Brazil, Venezuela, Kazakhstan and Ukraine, the risk of significant currency devaluation is high. On February 5, 2015, the National Bank of Ukraine decided to suspend its intervention in the UAH, which had kept a cap on the USD/UAH exchange rate and leaves its currency floating freely against the U.S. dollar. Consequently, the UAH has been significantly devalued against the USD, losing as much as 60% since 2014 highs, including intraday losses of up to 30%. The Kazakhstani tenge leveled off after a period of high volatility (with a high of 388.5 and a low of 336.5 during the first quarter of 2016) following the free float regime introduction in August 2015, and during the rest of 2016, it remained around 330 to 340 against the U.S. dollar. In Venezuela, following the application of the DICOM rate, the Company's net investment in Unicon decreased from \$628 million to \$43 million on January 1, 2016 and amounted to \$48 million at December 31, 2016.

Currency devaluations, the imposition of new exchange controls or other similar restrictions on currency convertibility, or the tightening of existing controls in the countries in which ArcelorMittal operates could adversely affect its business, financial condition, results of operations or prospects.

[Disruptions to ArcelorMittal's manufacturing processes could adversely affect its operations, customer service levels and financial results.](#)

Steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires, explosions or furnace

breakdowns. ArcelorMittal's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events, one example being the damage to the steam boilers in the site in Fos-sur-Mer in March 2016 or the loss of steam to the ArcelorMittal Burns Harbor site in May 2016. To the extent that lost production as a result of such a disruption cannot be compensated for by unaffected facilities, such disruptions could have an adverse effect on ArcelorMittal's operations, customer service levels and results of operations.

[Natural disasters or severe weather conditions could damage ArcelorMittal's production facilities or adversely affect its operations.](#)

Natural disasters could significantly damage ArcelorMittal's production facilities and general infrastructure. For example, ArcelorMittal Mexico's production facilities located in Lázaro Cárdenas, Michoacán, Mexico and ArcelorMittal Galati's production facilities in Romania are located in or close to regions prone to earthquakes. The Lázaro Cárdenas area has, in addition, been subject to a number of tsunamis in the past. The site of the joint venture AM/NS Calvert ("Calvert") in the United States is located in an area subject to tornados. ArcelorMittal also has assets in locations subject to Arctic freeze such as the mining facilities through its joint venture in Baffinland and to bush fires, specifically in Kazakhstan and South Africa. More generally, changing weather patterns and climatic conditions in recent years, possibly due to the phenomenon of global warming, have added to the unpredictability and frequency of natural disasters. Damage to ArcelorMittal production facilities due to natural disasters could, to the extent that lost production cannot be compensated for by unaffected facilities, adversely affect its business, results of operations or financial condition.

In addition to natural disasters, ArcelorMittal's operations can be affected by severe weather conditions. This is due in particular to the long supply chain for certain of its operations and the location of certain operations in areas subject to harsh winter conditions (i.e., the Great Lakes Region, Canada and Kazakhstan). For example, supply chain issues caused by a particularly harsh winter (causing in particular the closure of the Great Lakes shipping lanes) negatively affected operations in Canada and the Northeastern United States during the first quarter of 2014.

[ArcelorMittal's insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.](#)

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on ArcelorMittal's business, financial condition, results of operations or prospects. ArcelorMittal maintains insurance on property and equipment in amounts believed to be consistent with industry practices, but it is not fully insured against all such risks. ArcelorMittal's insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis as arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policies. Under ArcelorMittal's property and equipment policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered.

ArcelorMittal also purchases worldwide third-party public and product liability insurance coverage for all of its subsidiaries. Various other types of insurance are also maintained, such as comprehensive construction and contractor insurance for its greenfield and major capital expenditures projects, directors and officers liability, transport, and charterers' liability, as well as other customary policies such as

car insurance, travel assistance and medical insurance.

In addition, ArcelorMittal maintains trade credit insurance on receivables from selected customers, subject to limits that it believes are consistent with those in the industry, in order to protect it against the risk of non-payment due to customers' insolvency or other causes. Not all of ArcelorMittal's customers are or can be insured, and even when insurance is available, it may not fully cover the exposure.

Notwithstanding the insurance coverage that ArcelorMittal and its subsidiaries carry, the occurrence of an event that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by insurance policies, could materially harm ArcelorMittal's financial condition and future operating results.

**Product liability claims could have a significant adverse financial impact on ArcelorMittal.**

ArcelorMittal sells products to major manufacturers engaged in manufacturing and selling a wide range of end products. ArcelorMittal also from time to time offers advice to these manufacturers. Furthermore, ArcelorMittal's products are also sold to, and used in, certain safety-critical applications, such as, for example, pipes used in gas or oil pipelines and in automotive applications. There could be significant consequential damages resulting from the use of or defects in such products. ArcelorMittal has a limited amount of product liability insurance coverage, and a major claim for damages related to ArcelorMittal products sold and, as the case may be, advice given in connection with such products could leave ArcelorMittal uninsured against a portion or the entirety of the award and, as a result, materially harm its financial condition and future operating results.

**ArcelorMittal is subject to regulatory and compliance risks, which may expose it to investigations by governmental**

**authorities, litigation and fines, in relation, among other things, to its pricing and marketing practices or other antitrust matters. The resolution of such matters could negatively affect the Company's profitability and cash flows in a particular period or harm its reputation.**

ArcelorMittal is the largest steel producer in the world. As a result, ArcelorMittal may be subject to exacting scrutiny from regulatory authorities and private parties, particularly regarding its trade practices and dealings with customers and counterparties. As a result of its position in steel markets and its historically acquisitive growth strategy, ArcelorMittal could be subject to governmental investigations and lawsuits based on antitrust laws in particular. These could require significant expenditures and result in liabilities or governmental orders that could have a material adverse effect on ArcelorMittal's business, operating results, financial condition and prospects. ArcelorMittal and certain of its subsidiaries are currently under investigation by governmental entities in several countries, and are named as defendants in a number of lawsuits relating to various antitrust matters. See note 8.2 to ArcelorMittal's consolidated financial statements. Antitrust proceedings, investigations and follow-on claims involving ArcelorMittal subsidiaries are also currently pending in various countries including Brazil and Germany.

Because of the fact-intensive nature of the issues involved and the inherent uncertainty of such litigation and investigations, the nature of the resolutions of such proceedings are difficult to forecast but negative outcomes are possible. An adverse ruling in the proceedings described above or in other similar proceedings in the future could subject ArcelorMittal to substantial administrative penalties and/or civil damages. In cases relating to other companies, civil damages have been as high as hundreds of millions of U.S. dollars in major civil antitrust

proceedings during the last decade. In addition, ArcelorMittal operates in many jurisdictions around the world, increasing the risk of non-compliance with laws and regulations in relation to anti-corruption, economic sanctions and other ethical matters, despite its compliance policies and procedures. Unfavorable outcomes in current and potential future litigation and investigations could reduce ArcelorMittal's liquidity and negatively affect its profitability, cash flows, results of operations and financial condition, as well as harm its reputation.

**ArcelorMittal is currently and in the future may be subject to legal proceedings, the resolution of which could negatively affect the Company's profitability and cash flows in a particular period.**

ArcelorMittal's profitability or cash flows in a particular period could be affected by adverse rulings in legal proceedings currently pending or by legal proceedings that may be filed against the Company in the future. See note 8.2 to ArcelorMittal's consolidated financial statements.

**ArcelorMittal's business is subject to an extensive, complex and evolving regulatory framework and its governance and compliance processes may fail to prevent regulatory penalties and reputational harm, whether at operating subsidiaries, joint ventures or associates.**

ArcelorMittal operates in a global environment, and, at a time of increased enforcement activity and enforcement initiatives worldwide, its business straddles multiple jurisdictions and complex regulatory frameworks. Such regulatory frameworks, including but not limited to the area of economic sanctions, are constantly evolving, and ArcelorMittal may as a result become subject to increasing limitations on its business activities and to the risk of fines or other sanctions for non-compliance. Moreover, ArcelorMittal's governance and compliance processes, which include the review of internal

controls over financial reporting, may not prevent breaches of law or accounting or governance standards at the Company or its subsidiaries. The risk of violation is also present at the Company's joint ventures and associates where ArcelorMittal has only a non-controlling stake and does not control governance practices or accounting and reporting procedures.

In addition, ArcelorMittal may be subject to breaches of its Code of Business Conduct, other rules and protocols for the conduct of business, as well as to instances of fraudulent behavior and dishonesty by its employees, contractors or other agents. The Company's failure to comply with applicable laws and other standards could subject it to fines, litigation, loss of operating licenses and reputational harm.

**The income tax liability of ArcelorMittal may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement.**

Taxes payable by companies in many of the countries in which ArcelorMittal operates are substantial and include value-added tax, excise duties, profit taxes, payroll-related taxes, property taxes, mining taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and national or local government budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on ArcelorMittal's financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose ArcelorMittal to significant fines and penalties and to enforcement measures despite its best efforts at compliance,

and could result in a greater than expected tax burden. See note 9 to ArcelorMittal's consolidated financial statements.

In addition, many of the jurisdictions in which ArcelorMittal operates have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on ArcelorMittal's financial condition and results of operations.

It is possible that tax authorities in the countries in which ArcelorMittal operates will introduce additional revenue raising measures. The introduction of any such provisions may affect the overall tax efficiency of ArcelorMittal and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on the Company's financial condition and results of operations.

ArcelorMittal may face a significant increase in its income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which it operates, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect ArcelorMittal's cash flows, liquidity and ability to pay dividends.

**ArcelorMittal's reputation and business could be materially harmed as a result of data breaches, data theft, unauthorized access or successful hacking.**

ArcelorMittal's operations depend on the secure and reliable performance of its information technology systems. An increasing number of companies, including ArcelorMittal, have recently experienced intrusion attempts or even breaches of their information technology security, some of which have involved sophisticated and highly targeted attacks on their computer networks. ArcelorMittal's corporate website was the target of a hacking attack

in January 2012, which brought the website down for several days, and phishing, ransomware and virus attacks have been increasing in more recent years through 2016. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement in a timely manner effective and efficient countermeasures.

If unauthorized parties attempt or manage to bring down the Company's website or force access into its information technology systems, they may be able to misappropriate confidential information, cause interruptions in the Company's operations, damage its computers or process control systems or otherwise damage its reputation and business. In such circumstances, the Company could be held liable or be subject to regulatory or other actions for breaching confidentiality and personal data protection rules. Any compromise of the security of the Company's information technology systems could result in a loss of confidence in the Company's security measures and subject it to litigation, civil or criminal penalties, and adverse publicity that could adversely affect its reputation, financial condition and results of operations.

**U.S. investors may have difficulty enforcing civil liabilities against ArcelorMittal and its directors and senior management.**

ArcelorMittal is incorporated under the laws of the Grand Duchy of Luxembourg with its principal executive offices and corporate headquarters in Luxembourg. The majority of ArcelorMittal's directors and senior management are residents of jurisdictions outside of the United States. The majority of ArcelorMittal's assets and the assets of these persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of

process within the United States upon ArcelorMittal or these persons or to enforce outside the United States judgments obtained against ArcelorMittal or these persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against ArcelorMittal or these persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against ArcelorMittal's directors and senior management and non-U.S. experts named in this annual report.

## Mining

ArcelorMittal's mining segment has production facilities in North and South America, Europe, Africa and CIS. The table below provides an overview by type of facility of ArcelorMittal's principal mining operations.

Mining					
Unit	Country	Locations	ArcelorMittal Interest (%)	Type of Mine	Product
<b>Iron Ore</b>					
ArcelorMittal Mines and Infrastructure Canada	Canada	Mt Wright and Port Cartier, Qc	85	Iron Ore Mine (open pit), railway and port	Concentrate and pellets
Baffinland	Canada	Baffin Island, Nunavut	44.5	Iron Ore Mine (open pit)	Lump and fines
Minorca Mines	USA	Virginia, MN	100	Iron Ore Mine (open pit)	Pellets
Hibbing Taconite Mines	USA	Hibbing, MN	62.31	Iron Ore Mine (open pit)	Pellets
ArcelorMittal Mexico Volcan Mines	Mexico	Sonora	100	Iron Ore Mine (open pit)	Concentrate
ArcelorMittal Mexico 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 Prijedor	Bosnia Herzegovina	Prijedor	51	Iron Ore Mine (open pit)	Concentrate and lump
ArcelorMittal Kryvyi Rih	Ukraine	Kryvyi Rih	95.13	Iron Ore Mine (open pit and underground)	Concentrate, lump and sinter feed
ArcelorMittal Temirtau	Kazakhstan	Lisakovsk, Kentobe, Atasu, Atansore	100	Iron Ore Mine (open pit and underground)	Concentrate, lump and fines
ArcelorMittal Liberia	Liberia	Yekepa	85	Iron Ore Mine (open pit)	Fines
<b>Coal</b>					
ArcelorMittal Princeton	USA	McDowell, WV, Tazewell, VA	100	Coal Mine (surface and underground)	Coking and PCI coal
ArcelorMittal Temirtau	Kazakhstan	Karaganda	100	Coal Mine (underground)	Coking coal and thermal coal

### Iron Ore

#### *ArcelorMittal Mines and Infrastructure Canada*

ArcelorMittal Mines and Infrastructure Canada is a major Canadian producer of iron ore concentrate and several types of pellets. It holds mineral rights over 35,086 hectares of land in the province of Québec, Canada. ArcelorMittal Mines and Infrastructure Canada operates a Mont-Wright Mine and concentrator at Fermont in northeastern Québec. Mont-Wright is located 416 kilometers north of the port of Port-Cartier, the site of the pelletizing plant and shipping terminal on the north shore of the Gulf of St. Lawrence, and approximately 1,000 kilometers northeast of Montreal. A private railway connects the mine and concentrator with Port-Cartier. The railway and the port are owned and operated by ArcelorMittal Mines and Infrastructure Canada. The

Mont-Wright mine and the town of Fermont are connected by Highway 389 to Baie Comeau on the North Shore of the Gulf of St. Lawrence, a distance of 570 kilometers. ArcelorMittal Mines and Infrastructure Canada owns mineral rights to iron ore deposits in Fire Lake and Mont Reed. Fire Lake, located approximately 53 kilometers south of Mont-Wright from which approximately 8.9 million tonnes of crude ore were transported by rail to the Mont-Wright concentrator in 2016. Fire Lake was previously a seasonal operation and has been operating year-round since 2014. The Mont Reed deposit is currently not mined. In addition, ArcelorMittal Mines and Infrastructure Canada holds surface rights over the land on which the Mont-Wright and Port Cartier installations are located, with the exception of a small area which remains the property of the Quebec Government but in no way compromises the mineral rights. The property began operating in 1976.

The expiration dates of the mining leases range from 2017 to 2033. These leases are renewable for three periods of ten years provided the lessee has performed mining operations for at least two years in the previous ten years of the lease.

The Mont-Wright and Fire Lake mines are part of the highly-folded and metamorphosed southwestern branch of the Labrador Trough. The most important rock type in the area is the specular hematite iron formation forming wide, massive deposits that often form the crest of high ridges extending for many kilometers in the Quebec-Labrador area.

The Mont-Wright operation consists of open pit mines and a concentrator. The ore is crushed in two gyratory crushers and the concentrator operates with seven lines of three stage spiral classifiers and horizontal filters. The concentrator has a production capacity of 26 million

tonnes of concentrate per year. The Port-Cartier pellet plant produces acid and flux pellets that operate six ball mills, ten balling discs and two induration machines. The pelletizing plant has a capacity of 10.2 million tonnes of pellets. The mine produced 9.9 million tonnes of pellets and 15.1 million tonnes of concentrate in 2016.

Electric power for Mont-Wright and the town of Fermont is supplied by Hydro-Quebec via a 157 kilometer line. In the event of an emergency, the Hart Jaune Power plant, also connected to the Hydro-Quebec grid, can supply sufficient power to maintain the operations of the essential processing facilities.

#### *Baffinland (Canada)*

ArcelorMittal owns 44.5% and is joint operator of Baffinland. Baffinland owns the Mary River project, which has direct shipping, high grade iron ore on Baffin Island in Nunavut. The

Mary River property is located within the Arctic Circle, on north Baffin Island, in the Qikiqtani Region of Nunavut, Canada, approximately 1,000 kilometers (620 miles) northwest of Iqaluit, the capital of Nunavut, and consists of eleven high grade deposits.

Baffinland's total mineral tenures (including leases, mineral claims and exploration rights) cover an area of approximately 233,500 hectares (577,000 acres). Of this approximately 1% is subject to mining leases (being leased claims under the Nunavut Mining Regulations), 78% is covered by mineral claims (being recorded claims under the Nunavut Mining Regulations) and the rest by exploration rights.

Baffinland's mineral properties include three mining leases granted by the Government of Canada. These properties are classified in numbered deposits. Deposit No. 1 is located on Mining Lease L-2484 at the Mary River site, and is currently in production. Deposit Nos. 2 and 3 are located on Mining Lease L-2485, also at the Mary River site, but production efforts are focused at Deposit No. 1. Deposit No. 4 is located on Mining Lease L-2483, approximately 27 kilometers northwest of Deposit No. 1. These three mining leases were initially granted in 1971 to cover a total area of 1,593 hectares (3,937 acres). The leases were renewed by the Government of Canada in 2013 for an additional period of 21 years and can be renewed in perpetuity, subject to meeting certain renewal conditions, customarily contained in federal mining leases in Canada.

Seven additional deposits, referred to as Deposit Nos. 5 through 11, are located within our mineral tenures. Baffinland also holds exploration rights in the north Baffin Island region. Its mining tenures consist of the three mining leases (being mining leases of surveyed mineral claims granted by the Government of Canada and currently administered under the Nunavut, formerly Canadian, Mining Regulations), mineral

claims (staked mineral claims and recorded claims under the Nunavut Mining Regulations and issued by the Government of Canada) and mining exploration rights granted by an Exploration Agreement signed with the Nunavut Tunngavik Inc. ("NTI"), an Inuit organization created pursuant to administrate its rights granted under the Nunavut Land Claims Agreement ("NLCA"), enacted on May 25, 1993.

Baffinland is also required to lease surface rights from the Qikiqtani Inuit Association ("QIA"), another Inuit organization created pursuant to the NLCA, for areas that covered the Company's development infrastructure that is dominantly located on Inuit Owned Lands.

Baffinland's infrastructure (in which it has invested close to \$800 million) includes the mine and quarries, a port and ship-loading system, an airport, several lodging complexes, fuel farms, power plants, a 100 kilometer (60 mile) road, maintenance buildings and warehouses. In 2016, Baffinland produced 3.2 million tonnes of iron ore. Baffinland's iron ore is shipped mainly to customers in Europe.

#### *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 mineral rights on 2800 acres and in addition to this owns 13,210 acres and leases 550 acres of additional land to support the operation located approximately three kilometers north of the town of Virginia in the northeast of Minnesota accessible by road and rail. The Minorca Mine controls through leases all the mineral and surface rights needed to mine and process its estimated 2016 iron ore reserves. The expiration dates of the mining leases range from 2035 to 2041. ArcelorMittal Minorca operates

a concentrating and pelletizing facility, along with two open pit iron ore mines – Laurentian and East Pits located 12 kilometers from the processing facilities. The processing operations consist of a crushing facility, a three-line concentration facility and a single-line straight grate pelletizing plant. The Minorca pelletizing facility produced 2.8 million metric tonnes of taconite pellets in 2016. 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 mineral rights over 8,009 acres in 35 contiguous mineral leases, is located north of Hibbing with a processing facility six kilometers from Hibbing in the northeast of Minnesota accessible by road and rail. The Hibbing operations are jointly owned by ArcelorMittal USA, Cliffs Natural Resources (23.0%) and U.S. Steel (14.7%), and Cliffs Natural Resources is the operator of the joint venture mine and processing facilities. The Hibbing Taconite Company controls through leases all of the mineral and surface rights needed to mine and process its estimated 2016 iron ore reserves. The expiration dates of the mining leases range from 2017 to 2056. These leases can be renewed through negotiations with the mineral owners. The operations consist of open pit mining, crushing, concentrating and pelletizing. The finished pellets are then transported by rail to the port of Allouez at Superior, Wisconsin, a distance of 130 kilometers and then over the Great Lakes by lake vessels to ArcelorMittal's integrated steelmaking plants, principally Burns Harbor. The Hibbing Taconite Company began operating in the third quarter of 1976. The mine produced 8.3 million metric tonnes of taconite pellets in 2016 (of which 62.3% is ArcelorMittal's share).

Both the Minorca and Hibbing mines are located in the Mesabi iron range where iron ore has been extracted for over 100 years. The ore bodies are within the Biwabik Iron Formation, a series of shallow dipping Precambrian sedimentary rocks known as taconite with a total thickness in excess of 200 meters and running for approximately 200 kilometers. Although the first deposits mined in the Mesabi iron range consisted of oxidized hematite ores, production was shortened in the mid-1950 to low grade magnetic taconite ores. The processing of this ore involves a series of grinding and magnetic separation stages to remove the magnetite from the silica. Electric power constitutes the main source of energy for both Minorca and Hibbing and is provided from the Minnesota state power grid.

#### *ArcelorMittal Mexico Mining Assets*

ArcelorMittal Mexico operates three iron ore mines in Mexico, the El Volcan and Las Truchas mines, and, through a joint operation with Ternium S.A., the Peña Colorada mine.

#### *Peña Colorada*

Consorcio Minero Benito Juarez Peña Colorada, S.A. de C.V. (Peña Colorada) holds mineral rights over 99,188 acres located at about 60 kilometers by highway to the northeast of the port city of Manzanillo, in the province of Minatitlán in the northwestern part of the State of Colima, Mexico. ArcelorMittal owns 50% of Peña Colorada Ltd., and Ternium S.A. owns the other 50% of the company.

Peña Colorada operates an open pit mine as well as a concentrating facility and a two-line pelletizing facility. The beneficiation plant is located at the mine, whereas the pelletizing plant is located in Manzanillo. Major processing facilities include a primary crusher, a dry cobbling 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.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2021 to 2062.

The Peña Colorada pelletizing facility produced 2.9 million tonnes of pellets in 2016. Both magnetite concentrate and iron ore pellets are shipped from Manzanillo to ArcelorMittal Mexico, as well as to Ternium's steel plants, by ship and by rail.

In 2014, Peña Colorada started an investment project that is focused on the increase of the capacity of crushing and grinding systems to restore the concentrate production level to 4.5 million tonnes per year. The new plants began operations in December 2016. The ramp up period will be carried out during the first quarter of 2017, reaching full capacity in the first half of 2017.

Peña Colorada is a complex polyphase iron ore deposit. The iron mineralization at Peña Colorada consists of banded to massive concentrations of magnetite within breccia zones and results from several magmatic, metamorphic and hydrothermal mineralization stages with associated skarns, dykes and late faults sectioning the entire deposit.

#### *El Volcan*

ArcelorMittal holds mineral rights over 1,053 hectares to support its El Volcan operations located approximately 68 kilometers northwest of the city of Obregon and 250 kilometers from the Guaymas port facility in the state of Sonora, Mexico. The El Volcan operations control all of the mineral rights and surface rights needed to mine and process its estimated 2016 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 90-kilometer road from the city of Obregon, where the concentrator is located.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2055 to 2061.

The pre-concentration facilities at the mine include one primary crusher, one secondary crusher, a dry cobbing high intensity magnetic pulley and three tertiary crushers. The concentration plant includes two ball mills on line, a magnetic separation circuit, flotation systems, a belt conveyor filter and a disposal area for tails. The major port installations include a tippler for railroad cars, a conveyor, transfer towers and two ship loading systems. The mine exploitation and crushing operations and all transport activities are performed by contractors. The concentrate and port operations are operated with ArcelorMittal's own resources. The concentrate is transported by rail to the Pacific port of Guaymas and then shipped to the steel plant in Lázaro Cárdenas or exported. The mining operation uses two Caterpillar 3516B electric generators in continuous operation, with one generator operating 24 hours per day at an average consumption of 540 kilowatt hours while the second generator is on standby. The concentration facility uses electric power from the national grid.

The El Volcan mine concession was bought from the Sonora provincial government in 2004, followed by exploration of the property in 2005. The development of the mine started in 2007. Mining operations were halted during the 2008-2009 crisis and on several occasions due to structural problems in the crushing facilities. Operations resumed without interruption from 2010 until October 2015. In the fourth quarter of 2015,

the El Volcan operations were temporarily suspended due to weak market conditions. The El Volcan operations will resume in the first quarter of 2017 for the remainder of 2017, as a result of a revised mine plan in light of improved price conditions. The iron mineralization includes magnetite rich skarn associated to the intrusion and extrusion of magmas rich in iron and formed in a volcanic environment.

#### *Las Truchas*

ArcelorMittal holds mineral rights over 52,473 hectares. The Las Truchas mine is located approximately 27 kilometers 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 2016 iron ore reserves.

Government concessions are granted by the Mexican federal government for a period of 50 years and are renewable. The expiration dates of the current mining concessions range from 2044 to 2059.

The Las Truchas mine is an integrated iron ore operation. It began operating in 1976 as a government enterprise (Sicartsa), and its mining activities consist of an open pit mine exploitation, crushing, dry cobbing preconcentrate and concentration plant. The aggregate 2016 production of concentrate, lumps and fines totaled 1.4 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 mine is a state-owned company, Comisión Federal de Electricidad (CFE). The concentrated ore is pumped from the mine site through a 26-kilometer slurry pipeline to the steel plant facility in Lázaro Cárdenas.

The Las Truchas deposits consist of massive concentrations of magnetite of irregular morphology. The main Las Truchas deposits occur along about seven kilometers long and about two kilometers wide. The Las Truchas mineral deposits have been classified as hydrothermal deposits, which may have originated from injections of late stage-plutonic-activity through older sedimentary rocks. The mineralization of the Las Truchas iron deposits occurs in disseminated and irregular massive concentrations of magnetite within metamorphic rocks and skarns. The mineralization also occurs as fillings of faults, breccia zones, and fractures.

#### *ArcelorMittal Brasil—Andrade Mine*

ArcelorMittal Brasil holds mineral rights over the central claims of the Andrade deposit of over 28,712,100 square meters located approximately 80 kilometers east of Belo Horizonte in the Minas Gerais State of Brazil. ArcelorMittal's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2016 iron ore reserves. ArcelorMittal operates an open pit mine and a crushing facility. The mine site is accessible by 110 kilometers of public highway from Belo Horizonte. Power is mostly generated from hydroelectric power plants and supplied by CEMIG, an open capital company controlled by the Government of the State of Minas Gerais.

Companhia Siderurgica Belgo-Mineira ("CSBM") initiated mining operations at the property in 1944 in order to facilitate the supply of ore to its steel plant in Joao Monlevade. The mine was managed by CSBM until 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 2016, the

Andrade mine produced 1.5 million tonnes of sinter feed. An increase of the mine's production capacity to 3.5 million tonnes per year of sinter feed was completed in 2012. In 2013 a cross road was built in order to improve shipments to the local Brazilian market.

#### *ArcelorMittal Mineração Serra Azul*

ArcelorMittal Mineração Serra Azul holds mineral rights over the central and east claims of the Serra Azul deposit over 5,505,400 square meters, located approximately 50 kilometers 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 2016 iron ore reserves. ArcelorMittal operates an open pit mine and a concentrating facility. The mine site is accessible by 80 kilometers of public highway from Belo Horizonte.

In addition to the open pit mine, processing operations consist of a crushing facility and a three-line concentration facility including screening, magnetic separation, spirals separators and jigging. Production is transported either by truck for local clients of lump, or by truck to two railway terminals located 35 and 50 kilometers, respectively, from the mine site for selling to local clients of sinter feed or for export through third-party port facilities located in the Rio de Janeiro State. 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 Companhia Energética de Minas Gerais (CEMIG) supplies power through a 13,800 volt line from Mateus Leme, located 20 kilometers from the mine. The electricity is locally transformed into 380 volts by six transformers spread around the operation. Minas Itatiaucu (MIL) initiated mining operations at the property in 1946. In 2007, London Mining Brazil Mineracao Ltda (London Mining) purchased the mineral rights from MIL. Following the acquisition of the

property from London Mining, ArcelorMittal has operated the mine since 2008. In 2016, ArcelorMittal Mineração Serra Azul produced 1.6 million tonnes of lumps and sinter fines.

Both the Andrade and Serra Azul mines are located in the Iron Quadrangle (Quadrilátero Ferrífero), 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 Prijedor*

ArcelorMittal Prijedor, located near Prijedor in the Republic of Srpska in Bosnia and Herzegovina, is an iron ore mining operation that is 51% owned by ArcelorMittal. ArcelorMittal Prijedor holds mineral rights over 2,000 hectares to support ArcelorMittal's steel-making operations located approximately 243 kilometers south of Prijedor in northern Bosnia (Zenica). ArcelorMittal Prijedor has no reason to believe that it will not maintain the operating licenses required to continue operations and process its estimated 2016 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 2016, ArcelorMittal Prijedor produced 1.8 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 Mittal Steel acquired 51% of the company in 2004.

The Omarska deposit is composed of two ore bodies: Jezero and Buvac. The Jezero open pit began operating in 1983 and, following an interruption in production during the Bosnian civil war in the 1990s, production resumed in 2004.

However, since 2011, ore has only been produced at the Buvac pit. The Buvac pit was opened in 2008 and is located within a carboniferous clastic and carbonates sediments containing iron mineralization in the form of beds concordant with host rocks or in the form of massive irregular blocks. The genesis of this deposit is attributed to hydrothermal replacement and syn-sedimentary processes. The Buvac ore body is mainly composed of limonite-goethite mineralization, which was formed during weathering oxidization of the primary siderite bodies.

#### *ArcelorMittal Kryvyi Rih*

ArcelorMittal Kryvyi Rih ("AMKR") holds mineral rights to support its operations located roughly within the limits of the city of Kryvyi Rih, 150 kilometers southwest of Dnepropetrovsk, Ukraine over 1,301 hectares. AMKR's operations control all of the mineral rights and surface rights needed to mine and process its estimated 2016 iron ore reserves. AMKR operates a concentrating facility, along with two open pit and one underground iron ore mines. 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. AMKR has two iron ore mines: an open pit mine feeding a concentration plant that produced 9.0 million tonnes of concentrate in 2016, known as the Kryvyi Rih open cast, and an underground mine with production of 0.9 million tonnes of lump and sinter feed in 2016, known as the Kryvyi Rih underground mine. Operations began at the Kryvyi Rih open cast in 1959 and at the Kryvyi

Rih underground mine in 1933. ArcelorMittal acquired the operations in 2005.

The expiration of the agreements on the subsoil use conditions and the subsoil use permits range from 2017 to 2021, while the expiration of the land lease agreements ranges from 2060 to 2061.

The iron ore extracted from the Kryvyi Rih open cast is first processed at the mine site through primary crushing. After initial processing, the product is loaded on a rail-loading facility and transported to the crushing plant. The concentrator production process includes crushing, classification, magnetic separation and filtering. The iron ore extracted from the Kryvyi Rih's underground mine by a modified sub-level caving method is crushed on surface and transported by rail to the steel plant. The main consumer of the sinter and concentrate products is the ArcelorMittal Kryvyi Rih steel plant, with some concentrate being shipped to other ArcelorMittal affiliates in Eastern Europe, as well as to third parties. The iron mineralization is hosted by early Proterozoic rocks containing seven altered ferruginous quartzite strata with shale layers. The major iron ore bearing units in the open pit mines have carbonate-silicate-magnetite composition. In addition, oxidized quartzite is mined simultaneously with primary ore but cannot be processed at present and is stored separately for future possible processing. Only the magnetite mineralization is included in the 2016 open pit iron ore reserve estimates. The underground mine is hosted by a ferruginous quartzite with martite and jaspilite.

#### *ArcelorMittal Temirtau (Lisakovsk, Kentobe, Atasu, Atansore - iron ore)*

ArcelorMittal Temirtau has four iron ore mining operations in Kazakhstan. The mines are Lisakovsk, 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 2016 iron ore reserves.

Lisakovsk is an open pit operation located in northwest Kazakhstan about 1,100 kilometers from Temirtau, with production of 0.7 million tonnes of concentrate in 2016. The mine was initially commissioned in 1976 and was acquired by ArcelorMittal in 1999. The existing subsoil agreement expires in 2020. The production process comprises crushing, screening, grinding, wet jigging and wet magnetic separation. The iron mineralization at Lisakovsk occurs as oolite containing mainly hygoethite and goethite. The phosphorous content in the mineralization limits its utilization in the steel-making process. At Lisakovsk, natural gas is supplied by KazTransGazAimak JSC and transmitted through the local grid. Electric power for the other facilities is supplied by Prometey 2003 and Sarbai MES KEGOK.

Kentobe is an open pit operation, initially started in 1994 and acquired by ArcelorMittal in 2001, located about 300 kilometers southeast of Temirtau, with production of 0.5 million tonnes of concentrate in 2016. Clearance for extension of the existing subsoil agreement until 2026 was given by Kazakhstan Ministry of innovation and development and signing of addendum to the agreement is in process. Ore processing is performed by crushing and dry magnetic separation, producing coarse concentrate. The Kentobe mine is located in the Balkhash metallogenic province hosting numerous volcanic, sedimentary and hydrothermal deposits. The mineralization at Kentobe includes two types of iron ore: oxidized and primary magnetite. The magnetite mineralization constitutes the vast majority of the 2016 estimated ore reserves. Electric power is supplied to the Kentobe operations by Karaganda Energosbyt LLP.

Atasu is an underground mine operation located about 400

kilometers south/southwest from Temirtau with production of 0.8 million tonnes of lump and fines in 2016. 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 acquired the mine in 2003. The existing subsoil agreement expires in 2026. 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 Prometei-2003 grid via NovoKarazhal substation.

Atansore is an open pit operation located about 500 kilometers northeast of Temirtau with production of 0.5 million tonnes of concentrate and fines in 2016. The mining lease was obtained by ArcelorMittal in 2004. The existing subsoil agreement expires in 2029. The Atansore deposit is located within skarn zones related to a volcanic intrusion that can be traced for more than 1.5 kilometers. The mineralization includes both martitic oxidized ore and primary magnetite ore. 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. At the Atansore operations, electric power is provided from the Kokshetauenergo center.

#### *ArcelorMittal Liberia*

ArcelorMittal Liberia Holdings Limited ("AMLH"), through its agent (and subsidiary) ArcelorMittal Liberia, has been mining 'direct shipping ore, or DSO' from the first of three deposits in the Mt. Tokadeh, Mt. Gangra and Mt. Yuelliton mountain ranges in northern Nimba, Liberia since June 2011. AML signed a Mineral

Development Agreement ("MDA") in 2005 with the Government of Liberia ("GOL") that is valid for 25 years and renewable for an additional 25-year period. The MDA covers three deposits to support AML's operations located approximately 300 kilometers northeast of Monrovia, Liberia over 516 square kilometers. These three deposits are grouped under the name "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, operate and maintain the Buchanan to Yekepa railroad and the Buchanan port. A phased approach has been taken to establish the final project configuration. Currently only high grade ore reserves of oxidized iron ore (DSO) are mined. This ore only requires crushing and screening to make it suitable for export. The materials-handling operation consists of stockyards at both the mine and port areas, linked by a 250-kilometer single track railway running from Tokadeh to the port of Buchanan. Production in 2016 was at 2.1 million tonnes. Drilling for DSO orebody extensions commenced in late 2015 and in 2016 the operation has been right sized to 3 million tonnes to focus on its 'natural' Atlantic markets.

The power for the current Liberia DSO operations is obtained from a combination of diesel and electric sources. Planning and construction of the project were commenced in 1960 by a group of Swedish companies, which ultimately became the Liberian American-Swedish Minerals Company ("LAMCO"), and production commenced on the Nimba deposit in 1963. Production reached a peak of 12 million metric tonnes in 1974 but subsequently declined due to market conditions. Production started at Mt. Tokadeh in 1985 to extend the life of the Nimba ore bodies to 1992 when operations ceased due to the Liberian civil war. In 2005, Mittal Steel won a bid to resume operations and signed the MDA with the GOL. Rehabilitation work on the railway started in 2008 and, in June 2011, ArcelorMittal started

mining operations at Tokadeh, followed by a first shipment of iron ore in September 2011.

The Nimba Itabirites is a 250 to 450 meter thick recrystallized iron formation. Although the iron deposits at 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.

#### *Coal*

##### *ArcelorMittal Princeton*

The ArcelorMittal Princeton ("AMP") properties are located in McDowell County, West Virginia and Tazewell County, Virginia, approximately 30 miles west of the city of Princeton, West Virginia, where AMP's corporate office is located. The properties consist of two operating areas: the Low Vol operations and the Mid Vol operations, which are situated south of U.S. Route 52. 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, 39, 42 and 43.

The Mid Vol operations are in southeastern McDowell County, West Virginia and northwestern Tazewell County, Virginia. The nearest communities are Horsepen and Abbs Valley, Virginia as well as Anawalt, West Virginia.

The property has a long history of coal mining, mostly by predecessors in title to AMP.

Significant underground mining of some of the deeper coal seams on the properties have occurred, notably the Pocahontas no. 3 and no. 4 seams. In addition, a substantial amount of the thicker coal outcrops have been previously contour mined, providing access for highwall mining and on-bench storage of excess spoil from future, 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 2016 was 1.8 million tonnes of washed and directly shippable coal.

#### *ArcelorMittal Temirtau (Karaganda Coal Mines)*

ArcelorMittal Temirtau has eight underground coal mines and two coal preparation plants (CPP "Vostochnaya" and Temirtau Washery-2). The coal mines of ArcelorMittal Temirtau are located in the Karaganda Coal Basin. The basin is more than 3,000 square kilometers and was formed by strata of Upper Devonian and Carbonic ages, Mesozoic

and Cainozoic formations. Due to structural peculiarities, the coal basin is divided into three geology-based mining areas: Karagandinskiy, Sherubay-Nurinskiy and Tentekskiy.

The mines are located in an area with well-developed infrastructure around the regional center of Karaganda city. Within a distance of 10 to 60 kilometers are the following satellite towns: Shakhtinsk, Saran and Abay, as well as Shakhan and Aktas. All mines are connected to the main railway, and coal is transported by railway to the coal wash plants and power stations.

The Kostenko mine 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 18 kilometers to the northeast, 15 kilometers to the southeast and 12 kilometers 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 18 kilometers to the northeast, 15 kilometers to the southeast and 12 kilometers to the west, respectively. Karaganda City is located approximately 35 kilometers to the northeast. The Kostenko, Kuzembaeva and

Saranskaya mines receive energy from public district networks through transforming substations of the 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 18 kilometers to the northeast, 15 kilometers to the southeast and 20 kilometers to the west, respectively. Karaganda City is located approximately 30 kilometers to the northeast.

The Kazakhstanskaya mine began operations in 1969. The nearest community is Shakhtinsk. Karaganda City is located approximately 50 kilometers to the northeast. The railway station at MPS-Karabas is located approximately 35 kilometers to the southeast.

The Lenina mine was put in operation in 1964 and was subsequently merged with Naklonnaya no. 1/2 mine in 1968. The nearest community is Shakhtinsk, located seven kilometers to the southeast, and Karaganda City, is located 50 kilometers to the northeast. The railway station MPS-Karabas is located 35 kilometers to the southeast.

The Shakhtinskaya mine began operations in 1973. The nearest community is Shakhtinsk, which is located 10 kilometers to the southeast, and Shakhan, which is located seven kilometers to the north. Saran is located 18 kilometers to the east. Karaganda City is located approximately 35 kilometers to the east.

The Tentekskaya mine began operations in 1979. The nearest community is Shakhtinsk. Karaganda City is located approximately 50 kilometers to the northeast. The railway station MPS-Karabas is located approximately 35 kilometers to the southeast.

Abayskaya, Shakhtinskaya, Lenina, Tentekskaya and Kazakhstanskaya mines receive energy from high-voltage lines of Karaganda.

The subsoil use contract and license (all coal mines in Temirtau) will expire in 2022. Total land area under mineral rights is 286 square kilometers.

The mines produce primarily coking coal used in steel-making at ArcelorMittal Temirtau as well as thermal coal for ArcelorMittal Temirtau's power plants. For beneficiation of coking coal, two washeries are operated. Surplus coal is supplied to ArcelorMittal Kryvyi Rih in Ukraine, and to external customers in Russia and China. In 2016, the Karaganda Coal Mines produced 4.5 million tonnes of metallurgical coal and approximately 1.0 million tonnes was consumed by the Temirtau steel operations.

#### *Capital Expenditure Projects*

The following table summarizes the Company's principal investment projects involving significant capital expenditure completed in 2016 and those that are currently ongoing.

#### Ongoing Projects <sup>1</sup>

Region	Site	Project)	Capacity / particulars	Forecast completion
Mining	Liberia	Phase 2 expansion project	Increase production capacity to 15 million tonnes/year	Under review <sup>2</sup>

<sup>1</sup> Ongoing projects refer to projects for which construction has begun (excluding various projects that are under development), even if such projects have been placed on hold pending improved operating conditions.

<sup>2</sup> ArcelorMittal Liberia is considering moving ore extraction from its depleting DSO (direct shipping ore) deposit at Tokadeh to the nearby, low strip ratio and higher grade DSO Gangra deposit by Q3 2017. Following a period of exploration cessation caused by the onset of Ebola, ArcelorMittal Liberia recommenced drilling for orebody extensions in late 2015. During 2016 the operation at Tokadeh was right sized to 3 million tonnes per annum ("Mtpa") to focus on its 'natural' Atlantic markets. The nearby Gangra deposit is now the preferred next development in a staged approach as opposed to the originally planned phase 2 step up to 15Mtpa of concentrated sinter fine ore that was delayed in August 2014 due to the declaration of force majeure by contractors following the Ebola virus outbreak, and then reassessed following rapid iron ore price declines over the period since. Accordingly, the Company is finalizing a feasibility study on Gangra. ArcelorMittal remains committed to Liberia where it operates a full value chain of mine, rail and port and where it has been operating the mine on a DSO basis since 2011. The Company believes that ArcelorMittal Liberia has a competitive source of iron ore products for the international market based on continuing DSO mining and then moving to a long-term sinter feed and concentration phase.

## Reserves and resources (iron ore and coal)

### Introduction

ArcelorMittal has both iron ore and metallurgical coal reserves. The Company's iron ore mining operations are located in the United States, Canada, Mexico, Brazil, Liberia, Bosnia, Ukraine and Kazakhstan. In Canada, the Company commenced mining the greenfield operation on Baffin Island through a joint venture. The Company's metallurgical coal mining operations are located in the United States and Kazakhstan.

The estimates of proven and probable ore reserves and mineral resources at the Company's mines and projects and the estimates of the mine life included in this annual report have been prepared by ArcelorMittal's experienced engineers and geologists. Marshall Miller & Associate, Inc. (formerly Cardno, Inc.) prepared the 2014 estimates of coal reserves for underground and open pit operations at ArcelorMittal Princeton which have been depleted for the 2016 resource and reserve estimate. The reserves and resources for Las Truchas were estimated by Gustavson Associates. The reserve estimates were prepared in compliance with the requirements of USA Securities and Exchange Commission's ("SEC") Industry Guide 7. The reserves and the mineral resource estimates were also prepared in accordance with the Canadian Institute of Mining and Metallurgy (CIM) Best Practice Guidelines and Standard Definitions for Canadian National Instrument 43-101 (for all its operations and projects), under which:

- Reserves are the part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.
- Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, working or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced

so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

- Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
- The mineral resource estimates constitute the part of a mineral deposit that have the potential to be economically and legally extracted or produced at the time of the resource determination. The potential for economic viability is established through high level and conceptual engineering studies.
- A 'measured mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
- An 'indicated mineral resource' is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is

based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

- An 'inferred mineral resource' is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

In Eastern Europe (Bosnia) and the 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, CIM Guidelines for NI 43-101 and standards used by the State Committee on reserves, known as the GKZ in the CIS. The GKZ constitutes 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 GKZ 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'.

The ore reserve and mineral resource estimates are updated annually in order to reflect new geological information and current mine plan and business strategies. The Company's reserve estimates are of in-situ material after adjustments for mining depletion, mining losses

and mining recoveries, with no adjustments made for metal losses due to processing. The mineral resource estimates are reported exclusive of reserves (i.e. are in addition to ore reserve estimates) and are of in-situ wet metric tonnage material prior to adjustments for mining recovery and mining dilution factors.

For a description of risks relating to reserves and resource estimates, see the risk factor entitled 'ArcelorMittal's reserve and resource estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine' (more details page 163).

The demonstration of economic viability is established through the application of a life of mine plan for each operation or project providing a positive net present value on a cash-forward looking basis. Economic viability is demonstrated using forecasts of operating and capital costs based on historical performance, with forward adjustments based on planned process improvements, changes in production volumes and in fixed and variable proportions of costs, and forecasted fluctuations in costs of raw material, supplies, energy and wages.

Detailed independent verifications of the methods and procedures used are conducted on a regular basis by external consultants and sites are reviewed on a rotating basis; in 2014, the year-end 2013 ore reserve estimates were independently audited and validated by Roscoe Postle Associates for the Company's mines in Liberia and in Canada including the joint venture Baffinland and no material changes to the 2013 year-end iron ore reserve estimates were recommended by them. In 2016, the 2015 year end iron ore reserve estimates were independently audited and validated by Roscoe Postle Associates for the Company's Las Truchas and Peña mines in Mexico, and no material changes to the 2015 year-end

iron ore reserve estimates were recommended. The 2016 year end reserve estimates for the Kazakhstan coal operations were independently audited by SRK Consulting (UK) Limited. The final report has still not been issued by SRK but a preliminary draft confirmed the estimated coal quantities within planned areas of extraction.

ArcelorMittal owns less than 100% of certain mining operations; reserve and resource estimates have not been adjusted to reflect ownership interests and therefore reflect 100% of the reserves and resources of each mine. Please see the table above under "Mining" for the ownership interest of ArcelorMittal in each mine. All of the reserve figures presented represent estimates at December 31, 2016 (unless otherwise stated).

Mine life is derived from the life of mine plans and corresponds to the duration of the mine production scheduled from ore reserve estimates only.

The Company's mineral leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all ore reserves on the leased properties to be mined in accordance with current production schedules. Ore reserves may include areas where

some additional approvals remain outstanding but where, based on the technical investigations the Company carries out as part of its mine planning process and its knowledge and experience of the approvals process, the Company expects that such approvals will be obtained as part of the normal course of business and within the timeframe required by the current life of mine schedule.

The reported iron ore and coal reserves contained in this annual report do not exceed the quantities that the Company estimates could be extracted economically if future prices were at similar levels to the average contracted price for the three years ended December 31, 2016. The average iron ore spot reference price for the last three years (2014–2016) was \$70.29/dmt CFR China, 62% Fe, (PLATTS Index) duly adjusted for quality, Fe content, logistics and other considerations. For the same period, the average coal spot reference price was \$114.60/tonne FOB Australia, Hard Coking Coal (FOB Australia HCC Peak Downs, PLATTS Index). The Company establishes optimum design and future operating cut-off grade based on its forecast of commodity prices and operating and sustaining capital costs. The cut-off grade varies from

operation to operation and during the life of each operation in order to optimize cash flow, return on investments and the sustainability of the mining operations. Sustainability in turn depends on expected future operating and capital costs. The reserve base can vary from year to year due to the revision of mine plans in response to market and operational conditions, in particular market price. See the risk factor entitled "ArcelorMittal's reserve estimates may materially differ from mineral quantities that it may be able to actually recover; ArcelorMittal's estimates of mine life may prove inaccurate; and market price fluctuations and changes in operating and capital costs may render certain ore reserves uneconomical to mine".

Tonnage and grade estimates are reported as Run of Mine. Tonnage is reported on a wet metric basis.

#### *Iron ore reserve and resource estimate*

The tables below detail ArcelorMittal's estimated iron ore reserves and resources as of December 31, 2016. 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.

Unit	As of December 31, 2016						As of December 31, 2015	
	Proven Ore Reserves		Probable Ore Reserves		Total Ore Reserves		Total Ore Reserves	
	Millions of tonnes	%Fe	Millions of tonnes	%Fe	Millions of tonnes	%Fe	Millions of tonnes	%Fe
Canada (Excluding Baffinland)	1,989	28.2	67	26.2	2,056	28.1	2,140	28.6
Baffinland - Canada	272	66.0	102	65.3	374	65.8	377	65.8
Minorca - USA	113	23.7	5	22.7	118	23.7	126	23.5
Hibbing - USA	209	19.5	26	19.6	235	19.6	267	19.6
Mexico (Excluding Peña Colorada)	12	38.1	116	32.1	128	32.7	79	30.7
Peña Colorada - Mexico	125	21.7	119	20.8	244	21.3	229	21.7
Brazil	57	64.7	21	51.5	78	61.2	81	60.9
Liberia	5	52.0	486	48.0	491	48.1	494	48.2
Bosnia	5	45.5	14	46.2	19	46.0	21	45.8
Ukraine Open Pit	106	33.2	48	33.5	154	33.3	174	33.4
Ukraine Underground	22	53.7	-	-	22	53.7	23	55.7
Kazakhstan Open Pit	30	37.3	238	39.5	268	39.2	271	39.3
Kazakhstan Underground	-	-	26	45.4	26	45.4	27	45.1
<b>Total</b>					<b>4,213</b>	<b>34.8</b>	<b>4,309</b>	<b>34.9</b>

Business units	As of December 31, 2016				As of December 31, 2015			
	Measured & Indicated resources		Inferred resources		Measured & Indicated resources		Inferred resources	
	Million tonnes	%Fe	Million tonnes	%Fe	Million tonnes	%Fe	Million tonnes	%Fe
Canada (Excluding Baffinland)	3,588	30.0	1,849	29.5	3,588	30.0	1,850	29.5
Baffinland - Canada	54	65.5	545	66.2	54	65.6	545	66.2
Minorca - USA	339	22.2	7	22.2	339	22.3	7	22.2
Hibbing - USA	133	20.1	0	17.5	130	20.1	0	17.5
Mexico (Excluding Peña Colorada)	160	35.1	76	35.2	113	27.7	42	28.3
Peña Colorada - Mexico	170	23.9	1	16.5	176	25.8	1	16.8
Brazil	308	40.7	77	37.8	306	40.7	77	37.8
Liberia	45	43.6	2,211	38.8	45	43.6	2,211	38.8
Bosnia	1	31.1	1	39.0	1	31.1	1	39.0
Ukraine Open Pit	507	33.4	0	0.0	507	33.4	0	0.0
Ukraine Underground	350	36.5	353	32.4	350	36.5	353	32.4
Kazakhstan Open Pit	828	33.8	5	48.0	828	33.8	5	48.4
Kazakhstan Underground	451	51.3	30	49.6	445	51.2	30	49.6
Total	6,934	32.7	5,155	37.6	6,882	32.6	5,122	37.9

Supplemental information on iron ore operations

The table below provides supplemental information on the producing mines.

Operations/Projects	% Ownership	In Operation Since	2016 Run of Mine Production (Million tonnes) *	2016 Saleable Production (Million tonnes) <sup>1</sup>	Estimated Mine Life (Years) <sup>2</sup>
Canada (Excluding Baffinland)	85	1976	68.6	25.0	29
Baffinland - Canada	44.50	2014	3.3	3.2	16
Minorca - USA	100	1977	8.8	2.8	14
Hibbing - USA	62.3	1976	30.7	8.3	9
Mexico (Excluding Peña Colorada)	100	1976	4.4	1.4	19
Peña Colorada - Mexico	50	1974	10.8	2.9	16
Brazil	100	1944	4.2	3.1	43
Liberia	85	2011	2.0	2.1	20
Bosnia	51	2008	2.3	1.8	7
Ukraine Open Pit	95	1959	20.8	9.0	7
Ukraine Underground	95	1933	0.9	0.9	19
Kazakhstan Open Pit	100	1976	3.0	1.7	53
Kazakhstan Underground	100	1956	1.7	0.8	12

<sup>1</sup> Saleable production is constituted of a mix of direct shipping ore, concentrate, pellet feed and pellet products which have an iron content of approximately 65% to 66%. Exceptions in 2016 included the direct shipping ore 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 direct shipping ore produced from Liberia had an average iron content of approximately 63% in 2016 while the sinter fines produced for external customers in Brazil from the Serra Azul operations averaged approximately 62% and the lumps averaged 60.5%.

<sup>2</sup> The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2016 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 2016 production.

\* Represents 100% of production.

#### Changes in iron ore reserve estimates: 2016 versus 2015

The Company's iron ore reserve estimates have had a net decrease of 96 million metric tonnes of Run of Mine between December 31, 2015 and 2016. This decrease in reserves was mainly due to 162 million tonnes of mining depletion during 2016, the down grading of 15 million tonnes at the Company's mine at ArcelorMittal Mines and Infrastructure Canada and a net upgrading of 26 million tonnes across the Peña Colorada operation. There was also a net increase of 53 million tonnes in reserves at Las Truchas due to the inclusion of some new areas and new drilling results. There were other minor re-evaluations of the Company's ore reserves. The average Fe grade decreased by 0.1% on an absolute basis.

However, the reserves mine life and quantities of concentrate and pellets produced from these reserve estimates are not materially impacted due to other adjustments made to mine plans and mining and processing recoveries.

#### Changes in measured and indicated iron ore mineral resource estimates

The 2016 versus 2015 measured and indicated mineral resource estimates have increased between December 31, 2016 and 2015 by 52 million metric tonnes mainly as a result of remodeling of orebody extension in Mexico (Las Truchas).

Inferred mineral resource estimates for iron ore have increased between December 31, 2016 and 2015 by 33 million metric tonnes mainly as result of remodeling of orebody extensions in Las Truchas.

### Metallurgical Coal Reserve and resource Estimates

The table below details ArcelorMittal's estimated metallurgical coal reserve and resource estimates as of December 31, 2016. 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. Inferred coal resource estimates are based on drill hole spacing ranging from 200m x 200m to 2,000 x 2,000m.

Business Unit	As of December 31, 2016										As of December 31, 2015	
	Proven Coal Reserves		Probable Coal Reserves		Total Coal Reserves					Total Coal Reserves		
	ROM Millions of tonnes	Wet Recoverable Million tonnes	Millions of tonnes	Wet Recoverable Million tonnes	Millions of tonnes	Wet Recoverable Million tonnes	Ash (%)	Sulfur (%)	Volatile (%)	Millions of tonnes	Wet Recoverable Million tonnes	
Princeton - USA	93	58	15	8	108	66	6.5	0.7	17.0	108	66	
Karaganda - Kazakhstan	14	7	132	55	146	62	34.1	0.6	28.5	157	67	
<b>Total</b>					<b>254</b>	<b>128</b>	<b>19.9</b>	<b>0.6</b>	<b>22.6</b>	<b>265</b>	<b>133</b>	

Business Unit	As of December 31, 2016						As of December 31, 2015	
	Measured & Indicated Resources		Inferred Resources		Measured & Indicated Resources		Inferred Resources	
	ROM Millions of tonnes	Recoverable Million tonnes	ROM Millions of tonnes	Recoverable Million tonnes	ROM Millions of tonnes	Recoverable Million tonnes	ROM Millions of tonnes	Recoverable Million tonnes
Princeton - USA	95	49	4	2	95	49	4	2
Karaganda - Kazakhstan	566	272	8	4	566	272	8	4
<b>Total</b>	<b>661</b>	<b>321</b>	<b>12</b>	<b>6</b>	<b>661</b>	<b>321</b>	<b>12</b>	<b>6</b>

### Supplemental information on Metallurgical Coal operations

The table below provides supplemental information on the producing mines

Operations/Projects	% Ownership	In Operation Since	2016 Run of Mine Production (Million Tonnes)	2016 Wet Recoverable production (Million Tonnes)	Estimated Mine Life (Years)*
Princeton - USA	100	1995	3	2	32
Karaganda - Kazakhstan	100	1934	10	5	10

\* The estimated mine life reported in this table corresponds to the duration of the production file of each operation based on the 2016 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 2016 production.

### Changes in Metallurgical Coal

#### Reserve Estimates

The Company's metallurgical coal reserve estimates have decreased by 11 million tonnes of Run of Mine coal and 5 million tonnes of recoverable coal between December 31, 2015 and 2016 mainly due to the annual mining depletion of 11 million tonnes. The reporting of recoverable coal reserves from Kazakhstan excludes the recoverable coal which in theory could be used for metallurgical applications but which is sold and used as thermal coal in practice by ArcelorMittal at its steel plant facilities.

#### Changes in coal resource estimates

There were no changes in coal resource estimates between 2016 and 2015. The reporting of recoverable measured and indicated coal resources in Kazakhstan excludes the recoverable coal which in theory could be used for metallurgical applications but which is sold and used as thermal coal in practice by ArcelorMittal at its steel plant facilities.

#### 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 CIM guidelines for Canadian National Instrument 43-101) will ever be converted into reserves. There is a particularly great deal of uncertainty as to the existence of 'inferred mineral resources' as well as with regard to their economic and legal feasibility and it should not be assumed that all or part of an 'inferred mineral resource' will ever be upgraded to a higher category.